

Obstacles to Business and Capital Formation:  
Views of a Practitioner “Who’s Been There”

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I. What happened to the billions spent on foreign aid?

- A. Naïve thoughts that “development” needed primarily money.
  - The “Marshall Plan” worked.
  - Most AID did not.
- B. Major flaw of the model was its failure to recognize the absence of legal infrastructure in host countries.
  - Building a dam to generate power is easy.
  - Creating an urban distribution net, in which users pay for power, is not.
- C. Corruption blooms when large sums of money are available but accountability is lacking.
- D. Tied AID – as so much is – does not foster foreign development, but foreign dependence.
- E. Congressmen like U.S. sales; they are afraid of purchases.
  - Protection is politically safe.
  - “Open” U.S. market is not true for exports from the developing countries.
- F. Sanctity of contracts and viable dispute resolution systems are as vital as electric power.

II. What happened to the thousands of hours spent on “capacity building?”

- A. Naïve thoughts that FIFO assistance can take root.
  - Peace Corps learned its beneficiaries were the volunteers, not the “natives.”
  - CEELI and countless other programs have very low returns due to:
    - inability of Americans to speak foreign languages;
    - ignorance of instructors in the culture, mores of host countries;
    - arrogance of views that our way was and is best.
- B. Major flaws in the model was its failure to recognize the effort, continuity needed to create a viable legal system. Time is needed for:
  - selection and education of judges and arbitrators;
  - transparency of law and judgments;
  - principled lawyers and willing clients.