

EMERGING FROM THE THIRD WORLD... BOTSWANA LEADS THE WAY! *(Continued)*

investment (domestic and foreign) into its economy. These policies and institutions have not only attracted investment but have provided these investments an optimal chance to succeed – producing maximum returns for the investors themselves – in turn producing maximum returns for the Botswana economy as a whole – ultimately translating into maximum returns for the Botswana people themselves.

Final Thoughts

What Botswana did and the positive results it has enjoyed is not an adventure that is isolated to Botswana. The nation of Chile has implemented similar free market policies over the last 37 years with similar results. In fact Chile's economic progress has been so successful that its free market reforms and associated results have been dubbed the "Miracle of Chile". And there are many other examples of success that are testimonials of the efficacy of free market common sense policies like what Botswana's leaders have bestowed on their nation since independence. Over the last few decades China and India, through free market reforms, have moved their economies forward at the speed of light, and thus have been on the vanguard of the world's greatest reduction in overall poverty since the caveman.

These examples, and statistical studies overall, show a strong correlation between economic freedom and economic growth. It's vexing that we fail to learn from history, even from recent history. We fail to learn from case studies sitting right in our lap.

Certain lessons from economic history are so clearly proven that they may be considered axioms:

First - aid is good when given prudently. But by itself aid will never lift impoverished nations' economies to the level their peoples deserve. Growth is the answer, and this growth can only be accomplished by these Third World nations themselves.

Second - certain common sense forms of government, policies and institutions correlate directly with growth. Namely: political freedom, civil and individual rights, free trade and overall economic freedoms, adherence to the rule of law, protection of private property rights, a free press, accountable government, transparency, a strong financial sector and high education levels.

This stuff is basic. This stuff is proven. This stuff works.

It's a crime that 1.4 billion human beings live in abject poverty when the long-term answers (good government and common sense policies) are clearly proven to work and available to any leader who has the will to put them into place. It's a crime that millions of children die each year because their leaders have not learned the proven lessons that economic history has taught us.

We (the U.S.) should continue to give aid, but only give it prudently. But because aid is not the answer to obliterating poverty, the main focus of the humanitarian element of our foreign policy must be to push for good leadership, good government, good institutions and good policy in the Third World. Everything we do on the humanitarian front should be geared toward this goal. This may not be politically correct, but it's right. This is what we'll do if we're GENUINELY concerned about helping the world's underdogs..... and not just concerned about feeling good about ourselves.

With good government, the innate talents and energy of the people of the Third World will be unshackled to breathe and to flourish. When the talents and energy of the Third World's people are unleashed, the Third World will cease to be the Third World.

This should be our goal. This goal is doable.

Jeff Jentgen
President

Fostrian Business Capital Corporation

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The Community Lender

from FOSTRIAN | Business Capital Corporation

Fostrian Business Capital is a commercial lender specializing in working capital loans to emerging companies through the factoring of their accounts receivable.

From Jeff:

I've traveled internationally and over the years have become very interested in the developing world (Third World). I've studied and thought a lot about why people that live in various areas of our world live in dire poverty and what can be done to change their plight. A couple years ago I did a newsletter on Microfinance which I think is an intriguing tool that helps those in poverty lift themselves out of poverty. I wanted to go back to that subject and cover it from a broader perspective and that's what I'm going to try and do with this issue of Fostrian's newsletter. This is a subject that needs more space than this newsletter provides, but I thought it would be worthwhile to share some of my thoughts (for what they're worth) here.

Changing direction, Fostrian Business Capital is well capitalized and is aggressively providing factoring and asset based credit lines to financially stressed/emerging businesses with sales up to \$10,000,000.

Fostrian has been working with various banks in helping them better position themselves with their struggling clients and/or clients that need more capital than the bank can provide. Banks are also using Fostrian as a tool to help them in establishing new client relationships – Fostrian and the bank team up with the bank taking on the clients' deposits and Fostrian providing a credit line. If you would like to learn more about Fostrian's services, please feel free to give me a call, or check out Fostrian's website page titled "For Banks".

Go Bears!



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First, Some Facts

Extreme poverty is defined as living on less than \$1.25/day. 1.4 billion human beings live in extreme poverty. This is 20% of the globe's population – living on less than \$450 per year! 20%!

One billion of the world's 6.8 billion citizens were illiterate at the start of the new millennium. 28% of the world's children are undernourished. 2.2 million children die each year because they are not immunized. There are 2.2 billion children on earth. One billion of them live in poverty. These statistics are disturbing.

We've made enormous strides to reduce poverty over the last 25 years, but the fact that 20% of us live in grinding poverty is mind boggling. This poverty does not have to be. Aid from wealthy countries can help, but it is not the fundamental answer. Growth is the fundamental solution.

Aid

Aid from wealthy countries can help impoverished nations when the aid is given intelligently and targeted correctly. Targeted aid to responsible governments is productive and constructive for the developing world. There have been great success stories of how targeted aid has produced miraculous results (the eradication of various diseases in certain areas of the world, etc).

But aid cannot, and will never lift the Third World from the grinding poverty that pulverizes its people. The data (and the math) is clear here. Even when aid is given prudently, there will never be enough aid to produce the year over year growth rates required to lift an impoverished nation out of its impoverished status. Statistical studies support this in that they show there is no correlation between aid and economic growth. In fact aid can even be a cancer to a developing country's growth.

Aid can foster corruption in government officials. Aid distracts and deflects a nation's leadership from promulgating policies of growth to the all encompassing task of bidding for and processing the aid it receives from foreigners. Because it is overly burdened with aid processing, it neglects its primary role – to initiate and administer policy that will unshackle its indigenous productive forces and thus facilitate its nation's endeavor to grow on its own. In these and other ways aid actually HINDERS economic growth of Third World nations. So what is the ultimate solution? Growth is the solution. The story of Botswana is explanatory and enlightening.

Botswana – a case study in how it can be done

Botswana, a nation of 1.9 million people located in southern Africa is an example of how a Third World nation with numerous handicaps can lift itself up, and do it in its own way. Noted Ghanaian economist George Ayittey succinctly nailed it when he labeled Botswana a "shining black African economic star".

Botswana gained its independence from the United Kingdom in 1966. At that time Botswana was the 3rd poorest nation on earth with 3 miles of paved roads. Its per capita gross domestic product was \$40 – its people were living on \$40 per year! To say Botswana started out in a hole is a huge understatement. Botswana also had the handicaps of being a landlocked nation and 75% of its land being unproductive desert. In its early post colonial years it also had to deal with frequent attacks by its neighbors South Africa and Zimbabwe.

Point: Botswana had no inherent advantage relative to other African and Third World nations that would explain its extraordinary success. In fact it had huge obstacles to overcome. If Botswana can do it, other nations can do it.

Obstacles notwithstanding, Botswana has succeeded, and succeeded in a big way. In 44 years it has gone from a nation with a per capita GDP of \$40, to today's \$14,400 – well above the world average. That's \$40 - \$14,400 in only 44 years! Since independence Botswana's GDP has averaged an astounding annual growth rate of 7.09%. To put this in perspective, the world on the whole grew at a rate of 2.77% over this same period. Botswana, since independence in 1966, has grown faster than any nation in the world. Botswana still has huge problems (AIDS,



income disparity and high unemployment levels) and much work to do, but its overall success cannot be questioned.

So how did Botswana do it? Some may say the story is pretty boring – Botswana stuck to common sense basics that have been proven out by economic history – though the results for Botswana's people are not boring at all.

The answer to the question "how did Botswana do it?" is simple: Botswana, since independence, has had good government and good leadership that has created good institutions and promulgated good policy that have resulted in the unshackling of the productive forces of its people and made its nation a welcome haven for investment capital from abroad. Botswana has merged the best of its indigenous culture with the best of the modern age's economic models to a successful end.

Since 1966, Botswana has had a parliamentary democracy form of government with free and fair elections. For perspective, this should be juxtaposed against the norm for Africa during this period – the norm being the state where African people were ruled by predatory dictators ("vampire leaders") who at best were thieves and at worst were genocidal murderers.

Botswana guarantees a free press and freedom of expression; thus there is transparency in Botswana resulting in its government being relatively free of corruption. Freedom of expression/tolerance for a variety of points of view also creates a robust marketplace of ideas for solving economic problems. There has been a strong adherence to, and respect for, the rule of law and property rights in Botswana. Therefore companies and individuals doing business in Botswana can feel secure in their commercial dealings. Botswana's constitution guarantees an independent judiciary and forbids the nationalization of private property. The constitution also places limits on the national budget and thus taxes since independence have been relatively low and stable. What moneys the national government does spend are spent wisely on infrastructure projects that facilitate long-term economic growth. When there is a budget surplus this surplus is saved for those years when the budget will necessarily be in deficit. This is in contrast to what you see elsewhere in the Third World where "vampire" leaders spend their nations' windfall surpluses on lavish monuments to their egos or even outright steal the money for themselves. Botswana's bureaucracy is merit based and therefore is efficient and lacks the corruption typical in much of the developing world. The banking system has adopted international standards with respect to transparency and supervision and as a result has thrived and provided private enterprise with an abundant source of capital. Botswana has accepted very little assistance from organizations like the IMF and World Bank. As a result of this, and its fiscal prudence over the years, its debt/GDP ratio is an impressively low 17.90%. Lastly, Botswana has welcomed foreign investment and has created the stability and fertile economic soil to attract that foreign investment.

All this is basic stuff, but it worked. These policies and institutions promulgated by Botswana's good leadership have contributed to creating a fertile economic environment in Botswana and thus have attracted

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