



I recently had the pleasure of attending the annual meeting of the World Bank and International Monetary Fund in Singapore, where the 50th anniversary of the International Finance Corporation (the private sector arm of the World

Bank Group) was celebrated.

As I participated on a panel titled, “Using Capital Markets to Increase Access to Housing, Education and Social Services: Myth or Reality?” I was struck by the fact that this question is still being asked – 15 years after the collapse of the Eastern Bloc’s planned economies – though I do understand there are government officials around the world who don’t believe in the power of efficient, open financial markets to make life better for their people. Indeed, during the course of the meeting, it became clear that this was still an esoteric topic for many of the attendees, many of whom were from poor countries.

The fact that the potential of capital markets remains underexploited in so much of the world is striking evidence of the importance of the work we do at the Milken Institute. Since the Institute was formed more than a decade ago, we have been preaching the importance of transparency of financial markets and the mobility of capital in encouraging enterprise, funding new businesses and creating jobs.

One need look no further than Singapore, the United Kingdom, Canada or the United

States – all of which score high on the Milken Institute’s annual Capital Access Index – to understand the strong connection between deep, efficient capital markets and strong economies in which entrepreneurs have multiple and reliable sources of capital to fund their ideas.

This theme is evident in many of the articles in this issue of the *Milken Institute Review*. For example, authors Triphon Phumiwasana, Tong Li, James R. Barth and Glenn Yago of the Institute argue that the growth of hedge funds as important investment alternatives is generally good news for the global economy, because they “seek out and eliminate exploitable inefficiencies” in the markets, thus raising the productivity of capital. In another article, Diana Farrell and Susan Lund of the McKinsey Global Institute find that neither China nor India has the financial structure needed to sustain its rapid growth because “in both countries, the government manipulates financial markets to achieve social ends.”

Much of the world has come to learn that economies prosper when markets allocate capital to its most productive uses, with minimal government direction. But that lesson still hasn’t been learned – or has been deliberately ignored by crony capitalists – in many parts of the globe.

The Milken Institute is going to continue to participate in stressing the importance of this lesson as part of our goal of fostering prosperity throughout the world.

A handwritten signature in black ink that reads "Michael Klowden". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael Klowden, President and CEO