

# ***Globalization at the Crossroads***

## **Discussion Questions**

1. **The poor own a majority of assets and property around the world. Examples include:**

a. **Tanzania: 89% of property privately owned, 98% of businesses**

b. **Albania: 78% of property privately owned, 93% of businesses**

**What do the poor lack in order to effectively leverage their property?**

Property rights. Access to legal-institutional arrangements that secure their property and allow it to be borrowed against are necessary for the value of their capital to be maximized. Titles and courts to enforce them are necessary, as are reducing arcane legal procedures like having to get a birth certificate from your original town of birth that is good for only 90 days, in order to get married or start a business.

2. **Why are Western nations wealthy and developing countries still poor?**

Hernando de Soto argues that even when you consider things like imperialism, natural resources, etc., you don't find a clear reason. It is only when you find the emergence of property rights that you see the common people begin to flourish.

3. **Why are documents so important in a society that protects private property?**

It takes rights from a speech act or memory of elders to a recorded document. "Custom is not enough," says de Soto, "if non-customary people are coming into territory or migration is occurring."

4. **Why, historically, has it been so difficult for common people to get documents validating their property?**

Mercantilism – the idea that the economy is a tool of the state to maximize its power against other nations – has been the dominant economic ideology until the late-18th century. Today we still see this type of thinking, more commonly called crony capitalism, where agents of the state run the economy to benefit the well connected. This is a major problem in the developing world, where many, if not most, are "locked out" of access to the legal economic system. Thus, they operate "extra-legally." Property rights fueled the transfer of wealth from the elite to the common man (examples given were westward expansion, the lower East side of NYC in the 1890s, Japan after WWII, etc)

**5. In addition to property rights emerging, what fueled the commercial revolution?**

Modern business organizations, known as corporations. While there are sometimes abuses by corporations, that they became easier to form established several things: a relatively easy way to be officially licensed to do business (vs. needing the favor of a king, etc.), they limited liability for entrepreneurs, and they greatly increased productivity compared to individual proprietors.