

The Power of the Poor

Discussion Questions

- 1. Hernando de Soto uses the term “informal economy” or “extra-legal.” In America, we might call that the black market. While that term usually refers to things that were banned because they were considered harmful, it also includes things people do because they don’t have the time, money, or know-how to access the system legally.**
 - a. Name and discuss examples of things the socio-economically disadvantaged might do extralegally because of the barriers involved.
- 2. People have been moving to cities since the beginning of time for trade, protection and jobs. The explosion of wealth in the last 150 years has greatly increased the pace of this migration. For example, each year 410,000 new migrants move to Jakarta, Indonesia, and 480,000 to Dhaka, Bangladesh. In China, in all cities combined, eight and one-half million people move to cities each year.**
 - a. What kind of jobs are these people typically qualified for?
 - b. Are the legal-institutional arrangements helpful or harmful for such migrants?
 - i. For example, does raising minimum wage help the least skilled worker by paying them more, or hurt the least skilled worker by pricing them out of the labor market?
 - ii. How easy should it be to start a business? What things should be required?
- 3. The word entrepreneur comes from the French, meaning “undertaker of risk.” The poor are constantly taking risks, but are often locked out of the system, due to the complexities of modern economies.**
 - a. De Soto found that it took 289 days to start a sewing sweat shop, nine months just for the permits. What ought to be a reasonable amount of time to get a business permit in a modern society?
 - b. A title to land took 207 steps and about six years. With that kind of red tape, who actually gets permits? What does everyone else do?
- 4. De Soto defines illegal as criminal, going against the will of the people. He defines extralegal as criminal, going with the will of the people.**
 - a. Can you think of any crimes in your country that you would consider to be extralegal?

5. **What is the importance of legal-institutional arrangements for free people to be able to rise economically? The following quotes from De Soto provide context:**
- "People don't get violent because they're poor, but because they feel excluded."
 - "The law must offer more advantages than disadvantages."
 - "The law doesn't come simply because people want to be legal but because being legal is better than being illegal."
6. **The reforms in Switzerland in the 1800s took it from one of the poorest countries in Europe to one of the richest. The reforms were created largely by Eugen Huber (1849-1923), who rooted the law in customs that people already used and kept them simple enough to be understood by common people.**
- How important was it for the laws to emerge from the people instead of top-down from a single political leader? How do you think this affected compliance of the law?
 - Name an example of a law in your country that emerged from the people, became codified, and was popular because it had the will of the people.
 - Now name a law that was passed top-down and unpopular because it did not have the will of the people.
 - "Laws are made for men of ordinary understanding and should, therefore, be construed by the ordinary rules of common sense. Their meaning is not to be sought for in metaphysical subtleties which may make anything mean everything or nothing at pleasure." --Thomas Jefferson to William Johnson, 1823.
7. **Regarding when Hernando de Soto was fighting the Communist terrorist group the Shining Path, he said "if we are being bombed, it meant we were having an impact." The courage De Soto and ILD displayed was remarkable. De Soto and ILD were able to defeat the Shining Path with "The Other Path," i.e. ideas.**
- Do you think other terrorist groups can be defeated by ideas?
 - Is it the terrorist group that must be defeated, or the people who must be won over with ideas?
8. **De Soto's reforms took the registration of a business from 289 days to 1. They took the titling of property from 6 years down to 45 days.**
- Can you think of any agencies in your country that you would like to see similarly streamlined?