

## Hernando De Soto and Douglass C North

### on Development

*Erik Stubkjær*

Department of Development and Planning, Aalborg University,  
DK

Institute of Real Estate Studies,  
Helsinki University of Technology, October 2005

#### Overview: Development of Land Management

1. The world view of the course
2. Hernando De Soto: Why does capitalism triumph in the West .. ?
3. Douglas C North on economic performance

Presentations: Bulgaria, Hungary, Bolivia, ?

4. Stakeholder analysis (See handouts for Monday)
5. Summary

#### The world view of the course

##### **Societal Values and Resources**

condition

**Organisational *interactions* on Development**  
of cadastral systems comprising of

**Owners &  
Property Rights**

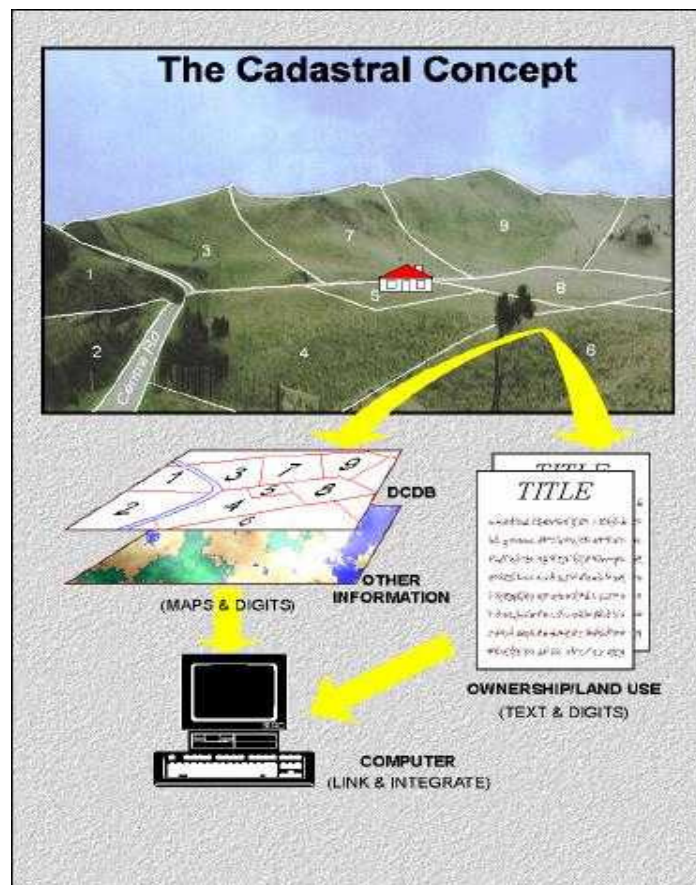
**Government  
& Rules**

*Transactions*

**Terrain Objects**

**Databases**

### Components needed for Land Management



### The International Federation of Surveyors (FIG) 1995

"A Cadastre is normally a parcel based, and up-to-date land information system containing a record of interests in land (e.g. rights, restrictions and responsibilities).

It usually includes a geometric description of land parcels linked to other records describing the nature of the interests, the ownership or control of those interests, and often the value of the parcel and its improvements.

It may be established for fiscal purposes (e.g. valuation and equitable taxation), legal purposes (conveyancing), to assist in the management of land and land use (e.g. for planning and other administrative purposes), and enables sustainable development and environmental protection."

FIG, 1995

### The notion of Cadastral System

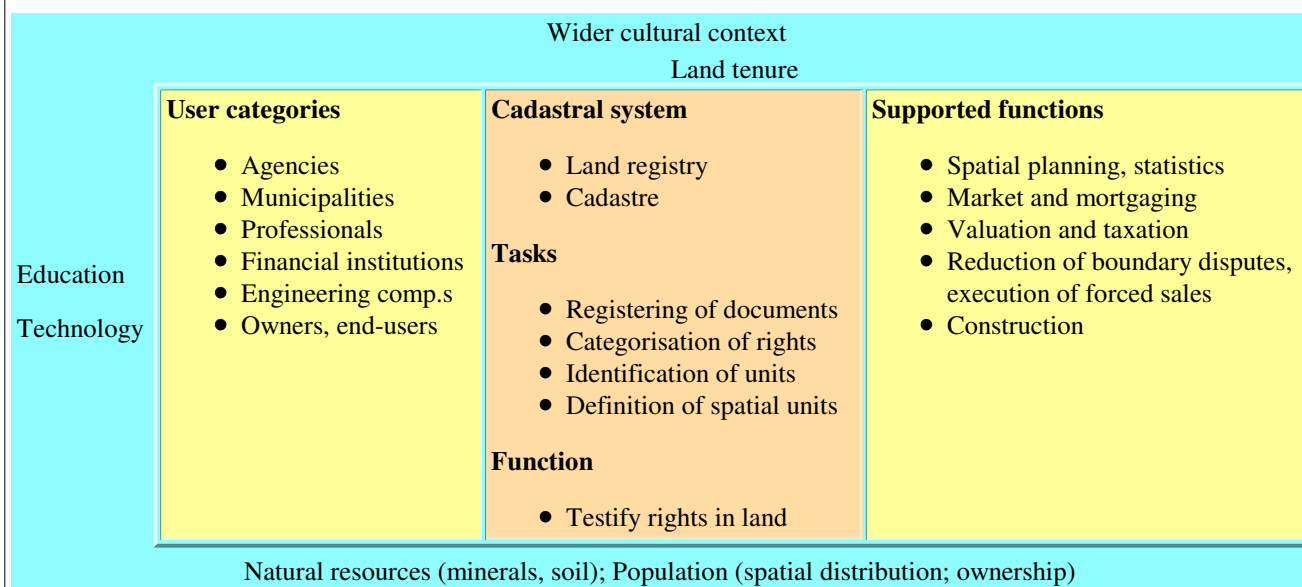
In continental Europe, cadastre and legal land registers were born separately. Generally, the cadastre evolved as an instrument for land taxation, while the legal process of land registration was dealt with separately by lawyers and the records entered in land books, e.g. the German *Grundbuch*

Cadastre: A systematic and official description of land parcels, with parcel identifier and records on parcel attributes, .. including a large-scale map and information on parcel boundaries.

Cadastral system: The combination of the cadastre - with its spatial focus, and a land register - with its legal focus

cf. Silva & Stubkjær, 2002

### The Cadastral (Information) System and its Environment



### Summary: Implication of the world view

Improvement of land management depends on change at several layers of abstraction:

- Institutional (land tenure)
- Organisational (allocation of tasks/ competencies and resources)
- Procedural (sale of property unit, subdivision,..)
- Physical (marks, plates, terrain objects)

### **Levels of abstraction = Scope for change**

- Institutional (land tenure, market, rule of law)  
~= "Re-interpret traditions. K. Deininger", education
- Organisational (government units, professions, etc)  
~= New legislation on allocation of tasks and resources
- Procedural (sales, subdivision,..)  
~= Development of Information Systems
- Physical (marks, plates, terrain objects)  
~= Marking of street names

## **2. Hernando De Soto: Why does capitalism triumph in the West**

### **.. ?**

- "The reason .. is because most of the assets in Western nations have been integrated into one formal representational system" (p. 44)
- "It is an implicit legal infrastructure hidden deep within their property systems — of which ownership is but the tip of the iceberg" (p. 7)
- "The Western nations have so successfully integrated their poor into their economies that they have lost even the memory of how it was done, how the creation of capital began .." (p. 9)
- ".. That history must be recovered." (p. 8)

De Soto (2000) The Mystery of Capital

### **De Soto's findings and suggestions**

- Ordinary people have collected enormous assets, e.g. in terms of dwellings
- These assets are 'dead capital', because they are not formalized and mortgaged
- Analyses of the history of Western nations contribute towards a solution
- Technicians and lawyers are not in a position to make changes

### **De Soto on technicians and lawyers**

Suggestion: Go for politicians that show leadership: "It is a political task to persuade technocracy to make itself over and support change" p. 187 So far,

- technicians have spent moneys on maps, which show no owners ("Property is not really part of the physical world" p. 185)
- lawyers are considered the "natural enemy" by reformers. "No group - aside from terrorists - is better positioned to sabotage capitalist expansion. And .. lawyers know how to do it legally" 180." Reformist lawyers' "work tends to go unnoticed in the higher reaches of government.. pushed to the margins of political decision-making" 180, 182

### **What can we learn from De Soto ?**

Look for the informal sector, because it handles assets quite regularly

Look for, how to integrate the formal and the informal sector

but be aware that formalization presupposes law and order (= police and court protection of property rights)

### **3. Douglas C North on economic performance**

North explains differences in economic performance (growth) by reference to institutional factors (111 f):

- Polity (government, hierarchies, Magna Charta 1215, Constitutions in 1800s)
- Markets (in goods, capital, services)
- "Polity specifies and enforces property rights that shape the incentive structure of a [market] economy (112)"
- Gains to be obtained by organisations and entrepreneurs direct their acquisition of skills and information, and constitute the source of incremental change

North (1990) Institutions, Institutional Change, and Economic Performance

### **North: Model of economic change**

Example: South America vs. North America

- Religion: Uniform, or diversity of denominations
- Political control: Central, or influenced by assemblies, local bodies, and associations
- Administration: Bureaucratic, or liberal
- Culture: Colonialists and indigenous, or homogeneous

but Denmark: Uniform, central to local, bureaucratic, and homogenous

**North: Suggestions for conclusions**

Suggestion: What matters for (LM) development is the cost of creating associations

What can we learn?

Look for

- creating career opportunities that will enhance LM development
- creating associations, or branches of existing, that will enhance LM development
- and find opportunity to read the book yourself/ find further course

**4. Summary on Development of Land Management**

- Technology (maps, information systems) is needed, but not the key
- New legislation must relate to the way ordinary people behaves
- LM development must include investigations of behaviour (De Soto)
- LM development must include investigations of associations, NGOs
- LM development should include career and university programme analyses

---

est@land.aau.dk