

The Mystery of Capital:  
Why Capitalism Triumphs in the West and Fails Everywhere Else  
by Hernando de Soto (2000)  
ISBN 0-465-01614-6

De Soto makes a valiant effort to get to what I call Civilization Engineering. His portrayal of capital and money and property are very confused but in spite of this handicap he comes to basically the correct conclusion: what the world needs and especially the third world and communist countries is protection of property on all levels. He does not quite get to this level of abstraction that Galambos achieved but he is definitely headed in the right direction. He is correct in identifying that the West's success is largely due to extending the protection of property rights to all citizens and not just the privileged few. He correctly characterizes the condition of most people in the world as living in a condition of legal apartheid. He also claims that the success of the privileged few in the third world is due to their access to the protection of property lacking for the masses. I believe this is a half-truth at best. What he misses is that the privileged few are enjoying a coercive monopoly imposed by the state. The state is not protecting property as much as protecting special interest. He recognizes that there are entrenched elite not willing to change for the sake of the disenfranchised but I do not think he sees how deeply the parasitic game goes. It is just the same old coercion game. In the eighteenth century in France it was called the ancien regime. The parasitic class in France was finally removed by the Terror.

He claims that the growth in the cities is just so large and fast that institutions cannot keep up. That's like saying the auto industry cannot keep up with demand over a thirty- or forty-year span. Nonsense. The reason institutions are not keeping up is because they are not there to serve the masses. They are there to protect the parasites. One need only look at the dismal record of foreign aid. Billions of dollars extracted from hard working Americans have been handed over to the leaders (read parasites) of third world countries and never seem to reach the masses they are intended for. Our parasites giving away our money are just as unmotivated at doing something constructive as their parasites are. His thesis is further off the mark when he assumes the first world countries are doing well. He misses the fact that in the West, while we are allowed to create property, we are not allowed to keep it. Our property is being taxed away, mortgaged and dissipated faster that we are able to create it. We too are being eaten from within.

His insight that the third world is presently undergoing its industrial revolution that much of the West went through 200 or so years ago is very instructive. He uses the American experience in the arena of land rights as the example for the third- and communist-worlds today. It puts a whole bunch of things into perspective and gave me a whole new perspective on the American Westward Expansion. The American State and Federal governments both lagged far behind the realities of what the pioneers and settlers needed legally to stage an orderly and efficient settlement of the West. Out of sheer necessity they created their own extra-legal title system "on the fly." I attribute this to the lack of understanding on the part of our "leaders"— then and now— of what Spencer

Heath and Spencer MacCallum call proprietary community. In my terminology we lacked any competent game makers. It's the West's biggest blind spot. He correctly spots the fact that people are just as entrepreneurial in the third world as in the developed nations— I think they are even more so since they create in such a backward economy— and could explode their economy into the 21<sup>st</sup> century if given the chance. They do not need handouts, advanced technology, environmentally friendly technology, a retreading of their cultural ways or a new religion. They need a legal/political/societal system that is built on the sovereignty of the individual. In short they need Civilization Engineering.

The statistics he and his crew have collected about what's going on in so many of these underdeveloped nations are truly staggering. They estimate that 80% of humanity is living in an extra-legal status— legal apartheid— meaning outside the protection of their property by any formal institutional agency. It is thus easy to understand why so many in the third world are attracted to any ideology such as Christianity or Communism that claims to be able to help them attain some material and spiritual dignity in their lives. It makes me think that true Civilization Engineering may take root first in those third world places. Overall, the case presented by de Soto confirms unequivocally Galambos' claim that the material success of the United States is attributable to “a temporary and partial protection of some forms of property.”

Highly recommended reading for those who want to see the possibilities worldwide and to sharpen their Civilization Engineering skills at home. I suggest it be read cover to cover at least twice, the point of view is that fresh to first world minds.

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