



Frank Pellegrini: **TITLE TALK**

The modern Hernando de Soto

Those who were awake in fifth grade (or have recently had children of that age) may remember Hernando de Soto, the Spaniard who explored the area that became the Southeast United States from 1539 to 1542. Before that, de Soto had a very active role with Francisco Pizarro in the Spanish conquest of Peru.

Now there is another Hernando de Soto who is making news in Peru, and throughout the world, with an economic/political theory that is as land-oriented as the historical de Soto's endeavors. Today's famous Hernando de Soto is someone that everybody who makes a living in the real estate industry should know.

Our de Soto is a 65-year-old Peruvian economist who works on the world stage and whose advice and counsel is sought by numerous current and former heads of state and world leaders, including many politicians, economists and business leaders in the United States.

So why should we, as real estate professionals, take an interest in de Soto? Simply because the main tenet of de Soto's work has been the principle that the underpinning of successful, developed economies has not only been the right to own property, but, as important, the ability to clearly establish property rights through a "formal" property system.

Among his credentials, in 1980 de Soto created the Institute for Liberty and Democracy, a think-tank dedicated to bringing legal property systems to developing nations. As the ILD's web site explains:

"For the ILD, property is much more than ownership: the legal property system is in fact the hidden architecture that organizes the market in every Western nation — and the missing link for ensuring the rise of widespread legal entrepreneurship in every developing nation."

De Soto believes that a very important characteristic of capitalism is the ability to protect individual property rights through an established system in which transactions are formally documented and recorded and ownership and other rights may be clearly determined. He argues strongly that a formal land title system empowers economically disadvantaged people by assuring them rights and assets that are critical to becoming economically self-sufficient.

Between 1988 and 1995, de Soto and the ILD were responsible for hundreds of laws and regulations in Peru that modernized the country's economy. These reforms

gave land titles to 1.2 million Peruvian families who had previously operated in an informal land system which gave them no rights over the land they worked or occupied and, importantly, no leverage over that land. The success of ILD's initiatives fostered such turmoil in Peru's Maoist Shining Path movement that he was the target of Shining Path assassination attempts.

"Until you have universal, well-protected, clear, and transferable private property rights, you cannot have a market economy in Peru, in the ghetto, or anywhere else. And you are going to have all the problems those places have," de Soto told Reason magazine.

DeSoto's strong belief in private property rights reflects the long-established position of those of us who work in the U.S. real estate industry. Private ownership of real estate is a bedrock of our economy and the foundation upon which developed nations have been built. Clearly, the free flow of commerce in real estate is an essential element of successful economies.

Real Estate agents, lenders, lawyers, appraisers and all other professionals who work in this industry make vital contributions every day to this important part of our economy. In the title insurance industry, our focus is on protecting the integrity of vital land records and providing the assurances that make the ability to clearly establish formal property rights possible. We are proud to provide that service.

For more information about Hernando de Soto and the ILD, you can visit: www.ild.org.pe/home.htm. Also, the interview with Reason cited above can be found at: <http://reason.com/DeSoto.shtml>.

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