

Chapter 16: The Path Up Is Mostly Boring

"The poor are not the problem. They are the solution. But they are trapped outside the legal system... They have houses but not titles; crops but not deeds; businesses but not statutes of incorporation."

— **Hernando de Soto**, *The Mystery of Capital* (2000)

The modern debate about poverty is conducted like a stage play written by people who dislike stagecraft. It demands drama, villains, catharsis, and a final scene in which suffering is abolished by proclamation. It is thick with moral costume and thin on mechanics. It treats deprivation as a mood that can be improved by language, and it treats uplift as a kind of public apology paid in cash.

The truth is less flattering and far more hopeful.

The path up is mostly boring. It is not boring because it is trivial. It is boring because it consists of the same unglamorous preconditions repeated across time and geography: secure property rights, predictable rules, simple systems, enforceable contracts, low corruption, credible courts, stable money, and institutions that reward effort rather than access.⁶⁰

These things do not satisfy the appetite for political romance. They do not provide the thrill of righteous confiscation. They do not permit the speaker to feel heroic while doing little. They are incremental. They are technical. They demand competence. They create no glittering villains. And they are, almost without exception, what separates societies in which the poor become property owners and entrepreneurs from societies in which the poor remain wards, clients, or ghosts.

Hernando de Soto's observation is not sentimental. It is structural. Poverty persists not merely because people lack resources, but because they lack legal instruments that make resources *usable*. They can build houses, but without title the house cannot become collateral. They can run informal enterprises, but without legal incorporation the enterprise cannot scale, contract,

⁶⁰ **Acemoglu, Johnson, & Robinson (2001)**, "The Colonial Origins of Comparative Development," *American Economic Review*. The seminal paper establishing that "institutions" (property rights, rule of law) are the primary determinant of long-run economic growth, far outweighing geography or culture.

insure, or attract capital. They can work, but without enforceable rights the output can be seized by predation—criminal or bureaucratic.⁶¹

Dignity comes from agency. Agency requires stability. And stability is a legal and institutional achievement, not a rhetorical one.

This chapter defends the unromantic foundations of mobility and dignity. It argues that the most reliable way to improve the lives of the poor is not to moralise inequality, but to build the boring machinery that makes effort pay.

I. Poverty as a systems problem, not a personality defect

A serious analysis begins by refusing the two lazy extremes.

The first extreme blames the poor as morally deficient: lazy, imprudent, undisciplined. This view is convenient for the comfortable. It is also empirically shallow. Human beings respond to incentives and constraints. If a person lives in a regime where effort yields little and predation is common, prudent risk-taking is not rewarded. If courts are unreliable, contracts are dangerous. If property is insecure, long-term planning is irrational. If taxes are arbitrary, visibility is punished.

The second extreme treats the poor as helpless victims whose salvation must be delivered from above. This view is convenient for politicians. It converts citizens into dependents and policy into theatre. It also misses what de Soto emphasises: the poor are not inert. They build, trade, improvise, and persist. The obstacle is not their absence of initiative. The obstacle is that their initiative is trapped outside systems that convert effort into accumulable capital.

The truth is structural: poverty is sustained by institutional failure. Mobility emerges when institutions allow ordinary people to convert labour into secure assets, secure assets into capital, and capital into expansion.

That conversion is the ladder.

II. Property rights: the first rung that makes every other rung possible

Property rights sound like a lawyer's fetish until one notices what happens when they are absent.

Property rights are not merely about owning things. They are about the ability to:

⁶¹ **De Soto (2000)**, *The Mystery of Capital*. Argues that the global poor hold trillions in "dead capital" (informal housing, unregistered businesses). The problem is not lack of assets, but the lack of formal property systems to leverage those assets into credit and capital.

- exclude others from taking what you have built;
- use assets as collateral for credit;
- transfer ownership reliably;
- invest in improvement knowing you will not be arbitrarily dispossessed;
- insure, bequeath, and contract using the asset as a stable reference.

When property is insecure, individuals have weak incentives to improve assets. Why build a better roof if a bureaucrat can seize the land? Why plant an orchard if a local strongman can claim it? Why formalise a business if visibility attracts extortion?

Informality is often misread as cultural preference. It is frequently rational adaptation to predation. People remain informal because formal entry makes them legible, and legibility is dangerous in corrupt systems.

Thus property rights are not a philosophical luxury. They are a defensive technology.

De Soto's point about "houses but not titles" captures a crucial mechanism: without formal title, an asset cannot easily become capital. It remains "dead"—useful for shelter, but limited as a lever for expansion.

The economic effect is immense. A titled house can be collateral. Collateral can finance equipment, education, a shop, a truck. A shop can produce income beyond subsistence. Income can be saved and reinvested. That chain is the boring miracle.

III. Predictable courts and enforceable contracts: the oxygen of honest trade

Trade is not barter alone. Trade is trust made enforceable.

Contracts allow strangers to cooperate. Courts allow contracts to matter. If courts are unreliable, trade shrinks into kin networks, tribes, and favours. The economy becomes a series of small, low-trust circles. Capital cannot scale. Credit becomes personal. Innovation is constrained by the need for protection.

Predictable courts provide:

- dispute resolution without violence;
- reliable interpretation of agreements;
- enforcement that does not require personal power;

- stable expectations about future outcomes.

The phrase “predictable courts” sounds bureaucratic because it is bureaucratic. Yet it is the difference between a society where a shopkeeper dares to extend credit and a society where credit means vulnerability to theft.

Predictability is a form of freedom. It allows planning.

And planning is what turns effort into progress.

IV. Low corruption: the tax that kills initiative

Corruption is not merely theft. It is uncertainty and discouragement.

Where corruption is high, the entrepreneur faces a grim calculus. Growth attracts attention. Attention attracts demands. Demands are arbitrary. The entrepreneur cannot plan costs because the “fee” depends on the mood and appetite of officials. The result is the strangulation of expansion.

This is why many informal businesses remain intentionally small. They are not content with subsistence; they are avoiding predation. The system trains them to stay invisible.

Corruption therefore functions as an anti-merit system: it rewards access and punishes competence. It converts success into liability.

In such environments, redistributive policy often becomes farce. Transfers leak. Programmes become patronage. The poor remain poor while the connected grow fat on administrative rents.

The remedy is not a new sermon. It is institutional discipline: transparent procedures, limited discretion, accountability, and a tax system that does not invite negotiation.

V. Simple tax bases: when the state becomes a partner rather than an ambush

Complex tax systems are not merely inconvenient. They are barriers to entry.

If compliance requires accountants and lawyers, small firms cannot compete. If enforcement is arbitrary, visibility becomes a risk. If the tax base is hard to measure, valuation disputes proliferate. If the system is filled with exemptions and targeted credits, the economy becomes a lobbying contest.

For the poor and the aspiring, complexity is exclusion. It is the difference between a market and a maze.

A simple tax base—low rates, broad base, few exemptions, clear rules—reduces compliance costs and reduces the payoff to corruption. It also allows the state to collect revenue without turning every business into a negotiation.

This is not an argument for starvation of the state. It is an argument for intelligibility. The state should be a predictable rule-maker, not a predatory riddle.

When taxes are predictable, people can plan. When people can plan, they can invest. When they can invest, they can rise.

Again: boring.

Again: decisive.

VI. Stable rules: the moral importance of not changing the game mid-climb

One of the quiet cruelties of unstable governance is that it destroys the meaning of effort.

If rules change arbitrarily, success becomes luck. If regulations shift every year, investment becomes gambling. If property can be redefined by decree, long-term planning becomes foolish.

People may endure poverty with courage if they believe effort has a path. But if the path is erased mid-stride—by sudden confiscation, sudden regulation, sudden retroactive penalties—then effort becomes an insult.

Stability is therefore not merely economic. It is ethical. It respects the dignity of those who plan, save, build, and defer gratification. It says: the future is not a trap.

Without stable rules, agency collapses into improvisation.⁶²

And improvisation does not scale.

VII. Agency, dignity, and the difference between help and replacement

Welfare debates often confuse two distinct aims.

One aim is to prevent starvation and despair. This is humane and, in many cases, necessary.

⁶² **World Bank**, *Doing Business Reports* (various years). Consistently showed that nations with simpler, more predictable regulatory environments (e.g., fewer days to enforce a contract, clearer title transfers) have higher rates of new business formation and higher GDP per capita.

The other aim is to replace agency with provision. This is seductive because it allows the provider to feel benevolent. It is also corrosive because it can detach survival from competence-building, and competence-building is the path up.

Dignity is not merely being fed. Dignity is being needed, being capable, being able to shape one's own life, and being able to keep the fruit of effort. The poor do not primarily need moral lectures. They need systems that stop punishing initiative.

De Soto's central thesis is precisely this: the poor already have initiative. They already build. They already trade. What they lack is integration into a legal system that turns their work into durable capital.

That integration is not glamorous. It is paperwork, courts, registries, and predictable enforcement.

But it is the machinery by which the poor become the solution.

VIII. The geography of opportunity: why titles and courts are not enough without access

Even with property rights and courts, mobility can be blocked by engineered scarcity—especially housing scarcity and licensing scarcity.

If zoning laws prevent building near jobs, then property rights exist but entry is fenced. If occupational licensing restricts trades unnecessarily, then competence is barred by paperwork. If credential inflation substitutes for skill, then talent is forced into debt.

Thus “the boring path up” requires not only formal institutions but open access to them.

The ladder must exist, and it must be reachable.

IX. The anti-boring temptation: why politics prefers spectacle to foundations

Why is this not the centre of public debate?

Because institutional reform lacks spectacle. It lacks villains. It cannot be solved in a single bill. It requires sustained competence across administrations. It produces benefits slowly. It is, therefore, unattractive to political systems that reward short-term performance and visible drama.

Redistribution offers immediate visibility. It provides a cheque, a headline, a ceremony. Institutional reform offers years of administrative labour.

This is why societies drift toward theatre.

Yet theatre does not build ladders. It builds dependency on theatre.

A society that wants mobility must resist this temptation. It must choose boring competence over moral exhibitionism.

X. The plain conclusion: the poor rise when the rules stop punishing them

A poor person cannot rise in a system where:

- property is insecure;
- contracts are unenforceable;
- courts are arbitrary;
- taxes are negotiated;
- corruption is routine;
- rules change unpredictably;
- entry is blocked by scarcity and licensing;
- success attracts predation.

A poor person can rise when:

- title exists and is protected;
- contracts are enforceable;
- courts are predictable;
- taxes are simple and transparent;
- corruption is punished;
- rules are stable;
- entry is open;
- effort is allowed to compound.

This is not utopian. It is the record of development. It is also the record of decline: when societies abandon boring foundations, they do not merely become less fair. They become less functional.

Dignity comes from agency. Agency requires stability. Stability is built, not announced.

The Lesson Line

The path up is rarely heroic; it is secure titles, predictable courts, low corruption, and stable rules that let ordinary effort compound into freedom.

Chapter 16 Notes:

[1] The Mystery of Capital Hernando de Soto, *The Mystery of Capital* (2000). Argues that the global poor hold trillions in "dead capital" (informal housing, unregistered businesses). The problem is not a lack of assets, but the lack of formal property systems to leverage those assets into credit and capital.

[2] Institutions and Growth Acemoglu, Johnson, & Robinson, "The Colonial Origins of Comparative Development," *American Economic Review* (2001). The seminal paper establishing that "institutions" (property rights, rule of law) are the primary determinant of long-run economic growth, far outweighing geography or culture.

[3] Corruption vs. Taxation Fisman & Svensson, "Are Corruption and Taxation Really Harmful to Growth?" *Journal of Development Economics* (2007). Found that a 1% increase in bribery rates reduces firm growth by 3%—three times the negative impact of taxation—because bribery is arbitrary and unplannable, whereas taxes are predictable.

[4] Regulatory Simplicity World Bank, *Doing Business Reports*. Consistently showed that nations with simpler, more predictable regulatory environments (e.g., fewer days to enforce a contract, clearer title transfers) have higher rates of new business formation and higher GDP per capita.

Governing Claim The path out of poverty is not paved with dramatic interventions or moral costume; it is built on "boring" institutions—secure property rights, predictable courts, and stable rules—that allow ordinary people to convert effort into capital without fear of predation.

The "Hazlitt" Examples (Primary)

1. Property Rights (The First Rung):

- o *Claim:* "The poor lack resources."
- o *Hidden Assumption:* The poor have no assets, rather than assets they cannot legally use.
- o *Mechanism:* Without formal title (De Soto's "dead capital"), a house cannot be collateral for a loan, and a business cannot scale. Effort remains trapped in the informal economy, unable to compound.
- o *Lesson:* Titles turn dead assets into live capital; without them, the ladder has no bottom rung.

2. Corruption as Uncertainty (The Tax on Initiative):

- o *Claim:* "Corruption is just a cost of doing business."
- o *Hidden Assumption:* Bribery is a predictable tax that can be planned for.
- o *Mechanism:* Corruption is arbitrary. Because the "fee" depends on the official's mood, entrepreneurs cannot plan costs. They remain small and invisible to avoid attention.
- o *Lesson:* Corruption functions as an anti-merit system that punishes competence and rewards access.⁶³

3. Predictable Courts (The Oxygen of Trade):

- o *Claim:* "Courts are for lawyers."
- o *Hidden Assumption:* Trade can scale through personal trust alone.

⁶³ **Fisman & Svensson (2007)**, "Are Corruption and Taxation Really Harmful to Growth?" *Journal of Development Economics*. Found that a 1-percentage point increase in bribery rates reduces firm growth by 3 percentage points—three times the negative impact of taxation. Why? Because bribery is uncertain and arbitrary (you can't plan for it), whereas taxes are predictable.

- o *Mechanism:* Without enforceable contracts, trade shrinks to small circles of kin and friends. Capital cannot back strangers. Innovation is constrained by the need for protection rather than production.
- o *Lesson:* Predictability is a form of freedom; it allows the planning that turns effort into progress.