

Institutions that let ordinary effort compound

Study the chapter's institutional account of mobility: secure rights, usable contracts, low corruption, intelligible taxes, and predictable rules. Turn its ladder metaphor into an inclusive implementation plan that recognises both individual agency and practical constraints.

2 lessons · approximately 5 hours, plus multi-day practice

How to use this workbook

Read the assigned manuscript first. This workbook contains accompanying teaching and invented cases, not a revision of the source. Attempt exercises before consulting the rubrics and explanations. Written work is self-assessed or discussed with a tutor; no secure examination, academic credit or certificate is implied. Use a clearly labelled fictional case when live practice or personal disclosure would be unsuitable. Links use the course's intended publication address; for offline review, open the supplied source PDF at the full-book page numbers shown.

- Explain the source's rejection of blame and passive-victim accounts.
- Analyse the conditional asset-to-capital sequence.
- Compare contract enforcement, predictable costs, and corruption.
- Evaluate simple and stable rules against competing objectives.
- Design reforms whose opportunities are practically accessible.

[Open the module and source reading links](#)

Lesson sequence

1. Property, contracts, and freedom from arbitrary power
2. Simple rules, reachable opportunities, and durable agency

Property, contracts, and freedom from arbitrary power

Allow approximately 75 minutes, plus any continuing activity.

Learning objectives

- Explain institutional constraints without blaming poverty on character.
- Trace the proposed asset-to-capital mechanism and its limits.
- Compare predictable enforcement with discretionary corruption.

Assigned source readings

Chapter 16: The Path Up Is Mostly Boring; I. Poverty as a systems problem, not a personality defect; II. Property rights: the first rung that makes every other rung possible; III. Predictable courts and enforceable contracts: the oxygen of honest trade; IV. Low corruption: the tax that kills initiative

Full-book PDF pages 211–214. Section links open the chapter at the relevant page.

Chapter 16 Notes:; The "Hazlitt" Examples (Primary)

Full-book PDF pages 219–221. Section links open the chapter at the relevant page.

Develop the argument

The chapter rejects two stories about poverty

Chapter 16 objects both to treating poor people as morally defective and to treating them as passive recipients without initiative. Its alternative is a systems account: people may work, build, and trade while institutions prevent effort from becoming secure, accumulable assets. “The ladder” names the proposed sequence from labour to assets, capital, and expansion. This is the author’s framework, not a complete explanation of every person’s circumstances. Health, discrimination, conflict, caring responsibilities, resources, and market opportunities can also constrain agency. The course therefore asks how a specific institution affects a specific choice, rather than making poverty a diagnostic test of either personal merit or one legal feature. The chapter’s dignity argument is normative: it values a person’s ability to shape life and retain the fruits of effort.

Property rights are a bundle with practical consequences

Section II describes protection against seizure, reliable transfer, improvement, collateral use, inheritance, insurance, and contracting. These are connected rights but not interchangeable. A household might occupy a dwelling securely without possessing documentation acceptable to a lender; a formal title might exist while costly enforcement makes it ineffective. De Soto’s “dead capital” framing, as presented by the book, highlights the possibility that existing resources cannot be used through formal finance. Title can reduce one barrier, but does not guarantee affordable credit, profitable investment, or repayment capacity. Borrowing also exposes collateral to loss. Teach the proposed chain as a set of conditions to investigate, not a recommendation that low-income households mortgage their homes. Effective rights require accessible records, fair adjudication, and attention to competing or customary claims, not merely a certificate.

Contracts make cooperation beyond acquaintances possible

Section III argues that predictable courts allow strangers to trade and plan without depending on personal power. The mechanism is prospective: if parties expect agreements to be interpreted and enforced fairly, they may undertake exchanges otherwise considered too risky. The relevant qualities include cost, delay, access, consistency, and enforceability. A formally independent court that takes years to resolve a small claim may still be practically unavailable to a small firm. Conversely, informal arrangements can contain useful trust and dispute-resolution practices; the chapter's contrast should not erase them. An institutional reform should preserve useful local knowledge while widening reliable access. Evaluate who can bring a claim, who can defend one, and whether outcomes depend on wealth or connections. Predictability is valuable when it concerns fair rules, not merely predictable oppression.

Corruption adds uncertainty to the level of cost

Section IV treats bribery as more than a fee. If demands grow when a business becomes visible, expansion itself can increase exposure to arbitrary extraction. Staying small or informal can then be a rational protective choice. This explanation avoids equating informality with laziness or cultural preference. The chapter proposes transparency, bounded discretion, accountability, and clear tax rules. Each must be connected to an actual decision point: a published fee schedule helps only if officials cannot demand additional payments without consequence. The notes cite institutional-growth research and a bribery-growth estimate, but these are the author's summaries and should not be treated as universal causal coefficients. A reform assessment should distinguish predictable lawful costs, arbitrary extraction, and the public services those costs fund. Its aim is reliable opportunity, not the assumption that every administrative step is predatory.

A repair workshop that stays invisible

Invented for this course.

An invented repairer, Sela, has repeat customers but declines a larger premises because the occupancy record is disputed, customer debts are hard to collect, and an inspector demands changing unofficial fees.

1. Separate three constraints: asset security, contract enforcement, and arbitrary official demands.
2. Explain why expansion can be unattractive even when Sela has ability and customer demand.
3. Design an accessible dispute route, verified fee schedule, and protection against retaliation.
4. Test whether resolving one constraint leaves another binding before forecasting growth.

The case supports an institutional explanation for one firm's choice. It does not establish that formalisation alone guarantees success.

Practice and evidence

1. Map the asset-to-capital chain

Analyse the source's house-to-title-to-collateral-to-enterprise sequence. Include the possibility of loss.

Deliverable: A six-stage conditional map and a 300-word limitation note.

1. State the right or institution required at each transition.
2. Identify lender, borrower, and enforcement conditions.
3. Include a pathway where title improves security without borrowing.

Mechanism · 2 points

Makes the proposed conversions explicit without treating paperwork as automatic finance.

Risk · 2 points

Includes affordability, repayment, collateral loss, and competing claims.

Agency · 2 points

Preserves the owner's choice and recognises benefits beyond debt.

2. Compare predictable costs and predation

A fictional shop faces either a published annual 600 fee or unofficial demands ranging from 100 to 1,100 with no appeal. Compare planning effects without assuming equal averages.

Deliverable: A 300-word comparison and a two-part institutional remedy.

1. Separate expected amount from uncertainty and discretion.
2. Explain how visibility or expansion affects each case.
3. Specify transparency plus a credible enforcement or appeal mechanism.

Distinctions · 2 points

Separates level, variance, discretion, and public-service value.

Behaviour · 2 points

Explains a plausible planning response without moralising small scale.

Remedy · 2 points

Connects the proposed safeguard to how unofficial demands are detected and corrected.

Reflection

Where might a person's apparently cautious choice be a rational response to institutional risk?

Formative self-check

Choose an answer before looking at the answer key. These questions are open practice, not a secure assessment.

1. A household receives formal title but cannot obtain affordable credit. What does this show?

- A. The household lacks initiative.
- B. Title is irrelevant in every setting.
- C. One institutional barrier may be reduced while other credit conditions still bind.
- D. The household should borrow at any rate.

2. Why can arbitrary fees discourage growth beyond their monetary amount?

- A. Their unpredictability and connection to visibility can make planning and expansion riskier.
- B. Every lawful fee is necessarily arbitrary.
- C. All small businesses refuse growth for cultural reasons.
- D. Corruption always has exactly the same effect in every country.

3. Which court reform best fits the chapter's mechanism?

- A. A prestigious courthouse with inaccessible filing costs.
- B. Published decisions alone, with no enforcement.
- C. Faster decisions only for connected firms.
- D. Affordable, consistent resolution that both parties can use and enforce.

Answer explanations

1. C — One institutional barrier may be reduced while other credit conditions still bind.

The title-to-credit chain is conditional. Title can matter without being sufficient, and high-risk borrowing is not an automatic goal.

2. A — Their unpredictability and connection to visibility can make planning and expansion riskier.

The mechanism combines uncertain demands with exposure from success. The chapter's cited estimates do not justify a universal coefficient or a character judgment.

3. D — Affordable, consistent resolution that both parties can use and enforce.

Practical accessibility and credible, fair enforcement make agreements usable. Prestige or selective speed does not provide the relevant institutional protection.

Simple rules, reachable opportunities, and durable agency

Allow approximately 75 minutes, plus any continuing activity.

Learning objectives

- Compare administrative simplicity with revenue and fairness requirements.
- Distinguish stable rules from permanently frozen policy.
- Design an accessible reform with support, feedback, and measurable outcomes.

Assigned source readings

V. Simple tax bases: when the state becomes a partner rather than an ambush; VI. Stable rules: the moral importance of not changing the game mid-climb; VII. Agency, dignity, and the difference between help and replacement; VIII. The geography of opportunity: why titles and courts are not enough without access; IX. The anti-boring temptation: why politics prefers spectacle to foundations; X. The plain conclusion: the poor rise when the rules stop punishing them; The Lesson Line; Chapter 16 Notes;; The "Hazlitt" Examples (Primary)

Full-book PDF pages 214–221. Section links open the chapter at the relevant page.

Develop the argument

Intelligible taxation can widen access

Section V describes tax complexity as an entry barrier when fixed compliance costs weigh heavily on smaller firms. The author favours low rates, broad bases, few exemptions, and clear rules. Treat these as a proposed design package rather than a theorem that every low-rate system is fair or adequately funded. A simpler rule may reduce uncertainty yet shift burdens among households or firms. Compare compliance hours, predictability, revenue sufficiency, distribution, and ease of appeal. The chapter explicitly says it is not arguing for starving the state: predictable collection can support courts and registries that make markets usable. The useful distinction is between a transparent public obligation and a negotiated ambush. Simplicity must describe the user's experience, not merely the shortness of a statute whose hidden exceptions require expert interpretation.

Stable rules protect planning without forbidding correction

Section VI links institutional stability to the ethics of planning. Someone who saves, learns, or invests relies on expectations about future treatment. Arbitrary retroactive changes can undermine that reliance. Stability, however, need not mean that harmful rules can never change. A reform can publish reasons, use consultation, provide notice, protect due process, and create proportionate transition arrangements. Those details turn a general commitment into an operational practice. They also prevent predictability from becoming an excuse to preserve exclusion. Distinguish uncertainty about ordinary market outcomes from uncertainty created by discretionary government action. The chapter values allowing effort to compound; the course tests whether a particular transition respects reliance while still correcting a demonstrable problem. Neither permanence nor constant experimentation is automatically the best institutional design.

Help, agency, and access belong together

Section VII acknowledges that preventing starvation and despair can be humane and necessary, while warning against provision that displaces agency. This is a design question, not grounds to shame people who need continuing support. Disability, illness, trauma, caring work, and unavailable jobs can constrain what a person can do. Assess whether assistance expands practical choice, supplies security, and removes barriers, rather than treating dependence as a character label. Section VIII adds that titles and courts are insufficient when housing near jobs, occupational entry, or credentials restrict access. This qualification matters: a ladder that exists only on paper does not create reachable opportunity. A credible programme connects secure rights with transport, accessible processes, realistic costs, and fair entry. It evaluates who remains excluded after the formal reform is complete.

Implementation must survive the absence of spectacle

The source's unusually styled Heading3, "IX. The anti-boring temptation," explains why slow institutional work may lose political attention to visible transfers and ceremonies. Section X then contrasts insecure, arbitrary, closed systems with predictable and open ones. Use the contrast as a diagnostic checklist, not evidence that one reform bundle guarantees mobility. The notes invoke de Soto, Acemoglu and colleagues, Fisman and Svensson, and historical Doing Business reports. Their summaries require original-source checks before causal or numerical reuse; broad country comparisons alone do not isolate every mechanism. A practical plan assigns a responsible institution, budget, implementation sequence, user feedback, outcome measures, and correction process. Measure whether ordinary people can actually enforce rights and enter markets, not simply how many certificates were issued. That is how the chapter's emphasis on competence becomes an assessable public task.

A one-stop shop that still excludes people

Invented for this course.

An invented city replaces six business forms with one online portal. Processing is faster, but residents without reliable internet, accessible documents, or secure tenancy still cannot register.

1. Distinguish reduced form count from effective access to registration.
2. Identify the remaining document, disability-access, connectivity, and property constraints.
3. Design assisted offline access, accessible formats, and a fair route to resolve tenancy records.
4. Measure completion rates, total user cost, and appeals by group rather than celebrating portal launch alone.

Administrative simplification helps only insofar as people can use it. The reform should retain necessary safeguards while reducing avoidable barriers.

Practice and evidence

1. Design a stable rule change

An invented city must replace an arbitrary business-permit rule that existing firms have relied on. Design the transition.

Deliverable: A 400-word change plan with timeline, safeguards, and feedback.

1. State the harm the current rule causes.
2. Give notice and a proportionate transition without permanently protecting incumbents.
3. Define how applicants appeal and how the rule will be reviewed.

Balance · 2 points

Protects reasonable reliance while correcting exclusion.

Operational detail · 2 points

Specifies notice, responsibilities, appeals, and review timing.

Evidence · 2 points

Names indicators that show whether entry becomes fairer and safety is maintained.

2. Audit whether the ladder is reachable

Use the fictional online registration portal to test the chapter's institutional checklist.

Deliverable: A user-journey audit and three prioritized repairs.

1. Follow a resident through documents, access, fees, review, and legal operation.
2. Include disability, language, financial, and location barriers where relevant.
3. Choose measures of practical success rather than outputs alone.

Access · 2 points

Identifies concrete barriers without assuming users lack effort.

Prioritisation · 2 points

Connects each repair to a binding constraint and implementation cost.

Evaluation · 2 points

Uses completion, burden, fair treatment, and outcomes rather than launch metrics.

Reflection

What would you measure six months after an unglamorous reform to know whether it expanded real choice?

Formative self-check

Choose an answer before looking at the answer key. These questions are open practice, not a secure assessment.

1. Which best expresses stable rules?

- A. No law may ever change.
- B. Rules change with notice, reasons, fair transition, and review rather than arbitrary surprise.

- C. Existing firms may permanently block entry.
- D. Policy changes daily to keep citizens alert.

2. A simple tax collects too little to fund reliable courts. What should a comparison do?

- A. Ignore revenue because simplicity is the only value.
- B. Assume complex taxes are always better.
- C. Evaluate simplicity alongside sufficient revenue, fairness, and institutional capacity.
- D. Blame taxpayers for lacking dignity.

3. Which measure best tests whether a legal-entry reform creates opportunity?

- A. Actual user completion, total burden, fair appeal, and access for previously excluded groups.
- B. The number of launch speeches.
- C. The length of the minister's press release.
- D. Agreement with the author's ideology.

Answer explanations

1. B — Rules change with notice, reasons, fair transition, and review rather than arbitrary surprise.

Stability supports planning while allowing justified correction. Permanent exclusion and arbitrary change both undermine the chapter's opportunity objective.

2. C — Evaluate simplicity alongside sufficient revenue, fairness, and institutional capacity.

The chapter does not advocate starving the state. A workable system must support its purposes as well as reduce compliance burdens.

3. A — Actual user completion, total burden, fair appeal, and access for previously excluded groups.

Practical access and outcomes test the mechanism. Ceremonies and agreement do not establish that the institutional barrier has changed.

Module assessment

Rebuild the route into legal enterprise

A fictional district has disputed property records, slow small-claims courts, arbitrary inspection fees, and an online registration system that excludes many residents. It wants more formal businesses without exposing vulnerable people to predation or unaffordable debt.

Required evidence

- A causal map of four institutional constraints.
- A sequenced twelve-month reform plan with access and transition safeguards.
- A 500-word evaluation plan including evidence that could disconfirm the proposed mechanism.

Assessment criteria

Diagnosis · 5 points

Separates property, enforcement, corruption, and access constraints without blaming residents.

Sequence · 5 points

Explains dependencies, responsibilities, costs, and realistic implementation steps.

Safeguards · 5 points

Protects competing claims, accessibility, due process, and voluntary financing choices.

Evaluation · 5 points

Uses practical outcomes and comparison evidence, not certificates or ideology as success criteria.

Model response: consult after your attempt

A strong plan does not begin by forcing every resident into formal visibility. It establishes credible protection and accessible dispute resolution, makes fees enforceable and predictable, and resolves records fairly before expecting credit and expansion. It gives assistance without presuming every person can become an entrepreneur, and treats title as a possible resource rather than an instruction to borrow. Evaluation includes burdens, complaint resolution, actual entry, survival, and whether benefits reach previously excluded residents.

Source cautions and interpretation

- Complete source range 02135–02266 and footnotes 60–63 were read; there are no figures or tables. All H2/H3 headings, including the Heading3 IX section, are covered.
- The chapter's institutional primacy and universal development claims are stronger than the evidence supplied in the excerpt establishes. The cited research and historical reports are not independently verified here.
- The body note expresses the bribery estimate as percentages while mapped footnote 63 specifies percentage points; do not interchange these units.

- Formal title is not sufficient for affordable credit, profitable investment, or safe borrowing. Examples teach institutional design, not personal legal or financial advice.
- Agency does not imply that disability, illness, trauma, poverty, or caring responsibilities can be overcome by effort alone; support and rights must remain accessible.
- Exact mapped footnote locations read: 60 at lost-lesson-b02141; 61 at lost-lesson-b02143; 62 at lost-lesson-b02197; 63 at lost-lesson-b02261.

Source coverage

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

Lesson 1 teaches the two rejected poverty narratives, the asset-to-capital chain, usable contracts and courts, and corruption as uncertainty; exercises test conditional links and predictable versus arbitrary costs.

[Read source section: full-book PDF page 212](#)

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

Lesson 1 teaches the two rejected poverty narratives, the asset-to-capital chain, usable contracts and courts, and corruption as uncertainty; exercises test conditional links and predictable versus arbitrary costs.

[Read source section: full-book PDF page 212](#)

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

Lesson 1 teaches the two rejected poverty narratives, the asset-to-capital chain, usable contracts and courts, and corruption as uncertainty; exercises test conditional links and predictable versus arbitrary costs.

[Read source section: full-book PDF page 213](#)

IV. Low corruption: the tax that kills initiative

Lesson 1 teaches the two rejected poverty narratives, the asset-to-capital chain, usable contracts and courts, and corruption as uncertainty; exercises test conditional links and predictable versus arbitrary costs.

[Read source section: full-book PDF page 214](#)

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

Lesson 2 compares tax simplicity, stable transitions, help and agency, geographic and licensing access, the political spectacle problem, and the concluding institutional checklist through inclusive implementation exercises.

[Read source section: full-book PDF page 214](#)

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

Lesson 2 compares tax simplicity, stable transitions, help and agency, geographic and licensing access, the political spectacle problem, and the concluding institutional checklist through inclusive implementation exercises.

[Read source section: full-book PDF page 215](#)

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

Lesson 2 compares tax simplicity, stable transitions, help and agency, geographic and licensing access, the political spectacle problem, and the concluding institutional checklist through inclusive implementation exercises.

[Read source section: full-book PDF page 215](#)

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

Lesson 2 compares tax simplicity, stable transitions, help and agency, geographic and licensing access, the political spectacle problem, and the concluding institutional checklist through inclusive implementation exercises.

[Read source section: full-book PDF page 216](#)

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

Lesson 2 compares tax simplicity, stable transitions, help and agency, geographic and licensing access, the political spectacle problem, and the concluding institutional checklist through inclusive implementation exercises.

[Read source section: full-book PDF page 216](#)

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

Lesson 2 compares tax simplicity, stable transitions, help and agency, geographic and licensing access, the political spectacle problem, and the concluding institutional checklist through inclusive implementation exercises.

[Read source section: full-book PDF page 217](#)

The Lesson Line

Lesson 2 compares tax simplicity, stable transitions, help and agency, geographic and licensing access, the political spectacle problem, and the concluding institutional checklist through inclusive implementation exercises.

[Read source section: full-book PDF page 218](#)

Chapter 16 Notes:

Both lessons assess the notes and property, corruption, and courts primary examples as source claims; Lesson 2 distinguishes output metrics, causal evidence, and the limits of the cited summaries.

[Read source section: full-book PDF page 219](#)

The "Hazlitt" Examples (Primary)

Both lessons assess the notes and property, corruption, and courts primary examples as source claims; Lesson 2 distinguishes output metrics, causal evidence, and the limits of the cited summaries.

Read source section: [full-book PDF page 220](#)