



Hernando de Soto

Hernando de Soto, President of the Institute for Liberty and Democracy (ILD) in Peru, and CIPE have shared a long and productive relationship. In 1983 ILD received one of the first grants that CIPE made. In the past 15 years, de Soto has contributed invaluable to the world's understanding of the relationship between property rights and the development of market institutions and democracy.

The 1980s witnessed a sea change in economic thought—and the beginnings of reform in economic policy—in countries around the world. In Central and Eastern Europe, shortages of basic goods and economic stagnation hammered home the point that socialism was bankrupt. In developing countries in Africa, Asia and Latin America, policies that echoed socialism—state ownership of enterprises, heavy regulation of markets and economic isolationism—had strangled growth in dozens of promising economies. But while the socialist experiment lay in ruins, no one had yet presented a clear blueprint for market-oriented economic reform.

De Soto was one of the first to take up this challenge. In his landmark 1986 book, *The Other Path*, de Soto identified the barriers to private sector growth that had been invisible to others. The key barrier, he argued, has long been weak institutions. The institutions that make markets function efficiently in the developed world—including contract law, financial markets, property rights, and respected judicial systems—are too often lacking in countries such as Peru. A casual visitor to Lima can attest to the vibrant markets that exist for local products, but the absence of a solid institutional framework means that the full potential of the nation's entrepreneurs goes untapped.

The Other Path became an international bestseller, and de Soto's ideas changed the terms of debate on economic policy. In 1987, for instance, CIPE and the US Agency for International Development sponsored a conference focusing on property rights as a necessary condition of economic growth, and representatives from groups in 35 countries attended. By the

1990s, his insights had gained broad acceptance.

De Soto firmly believes that this basic idea—that people, when empowered and unrestricted, can build a strong economy from the ground up—can be implemented almost anywhere around the world. De Soto is now designing and implementing capital formation programs for the poor in Asia, Latin America and the Middle East. His next book, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else* will be published next year in several languages.

Time magazine named de Soto as one of the five top Latin American leaders during the 20th century. Many of the world's business leaders, policy makers, and media praise de Soto and his work with the ILD. Perhaps US Senator Richard Lugar best summed up this respect when he said "in addition to being a great theorist and author, Hernando de Soto has the rarity of also being one who has implemented his ideas." 🌐🌐