

# Cadastre and Capital

In *The Development of Freedom* (2001) Amartya Sen wrote that economic freedom, the freedom to choose between different activities, is fundamental to development. De Soto pointed out in *The Mystery of Capital* (2003) that the formation of capital is crucial to the development of a country towards the industrialised western model, and the same author stressed the important contribution of the cadastre. The World Bank and national development agencies have thus supported cadastral projects in many countries. De Soto assumes that accumulation of wealth lies primarily in the appropriation and improvement of land with buildings. The value of land and buildings in western societies is a major investment comparable to investment in human capital; and each amount to five to ten times Gross Domestic Product.

## Land as Pension

So capital formation is crucial for the transformation into a “modern” society, characterised by reduced reliance on family ties and lower rate of reproduction. Capital formation is necessary for the transfer of goods from the highly productive years of a person’s life to old age. Traditional societies achieve this time-shift in production through investment in children, who have a moral obligation to support parents. If reliance upon children is to be reduced, institutions must be built to accumulate capital for later consumption. With the exception of northern Europe, saving for an old-age pension is primarily a private effort because government organisations cannot be trusted to provide long-term stability. Savings are invested in land and buildings and the cadastre allows flexible use of the capital so bound.

## Land and Water

Observations in Iran, however, suggest that this concept may not be universal, and point to two conditions for it. Firstly, land must be a scarce resource with a market value. This is not so much the case in arid and semi-arid regions, where water and water rights might be the scarce resource. Secondly, buildings must represent a permanent value. The adobe constructions used in arid regions require constant maintenance, and non-maintained buildings rapidly depreciate in value. I saw the ruins of palaces where people had been living until as recently as 1970! If the relationship between construction and maintenance costs differs from that of western, stone building technology, the value of buildings becomes less permanent and buildings commensurately less useful in terms of capital formation.

## De Soto Challenged

De Soto’s plan for development is based on scarce land with a predictable and stable market value, and on the long-term value of buildings. This path to economic development is limited to regions in the world where these conditions are met, and these are regions with a temperate climate and the corresponding agricultural and building technology. It excludes nomadic lifestyles and arid regions (possibly also tropical regions), which are hindered in developing along the “western” path by lack of a form of investment which shifts productivity along the linear chronology of human life to satisfy the needs of old age.