

To the Editor of GIM International

Dear Mr. Lemmens,

Please allow me a brief reaction to your 'Endpoint' column in the February 2012 issue, in which you write about enslavement. "Debt does not elevate the poor, but only enslaves them further," is your conclusion. I believe your argument is too negative.

When we look at western societies, home ownership is financed by mortgages, new entrepreneurs finance their businesses with a mortgage on their private property, larger firms mortgage their assets to finance their investment budgets, interest payments on mortgages provide banks with a stable income, and the first thing that banks do when a company gets in trouble and needs money to survive is to provide a loan in exchange for the company's assets as collateral.

From a personal perspective, when I was younger, I was happy not to be in the same situation as friends of mine in Moscow, for example, who first needed to save money for many, many years before they could afford a small cash-paid apartment, which often meant living at home with their parents until their 45th birthday. On my modest salary as a young employee, I was able to acquire a small mortgage, bought myself a house, moved a few times doing the same, and after 30 years of repayments the mortgages were paid off, leaving a nice bit of equity on my personal 'balance sheet'.

My conclusion is that without access to loans, people have hardly any opportunities for acquiring shelter or creating flourishing businesses which, when they grow larger, maintain a stable relationship with a bank and in turn provide sustainable funding for investments, higher productivity and innovations. Hence, in terms of the stance in your 'Endpoint' column, I would rather turn it around and ask: What should governments in developing countries do to render similar opportunities to their citizens?

This is fully in line with your observation that half a decade of titling projects appears not to have delivered those opportunities. Why is that? Because governments in developing countries did not create secure property rights, home-ownership guarantee funds, social safety nets and, above all, employment. The negligence of customary, informal and illegal possession and accepting a black economy of 50-60% can never help the poor escape from poverty. Statistical figures (World Development Indicators, African Development Indicators) leave no other conclusion.

So, instead of saying that 'debt makes slaves', I would rather say 'dysfunctional governments make slaves'.

Best regards,

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