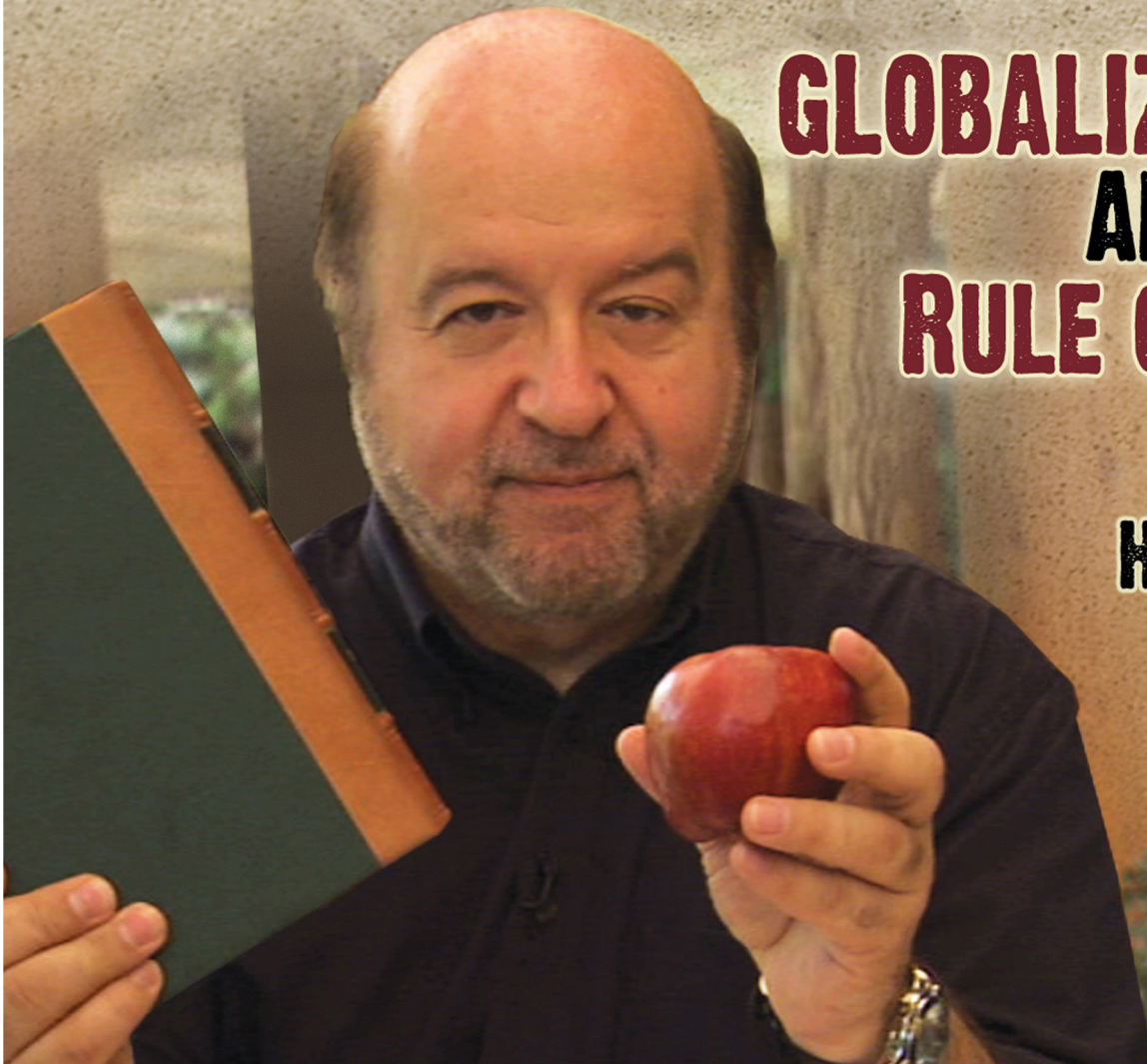


TEACHER'S GUIDE

MARKETS WITHOUT BORDERS

**GLOBALIZATION
AND THE
RULE OF LAW**

**WITH
HERNANDO
DE SOTO**



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Video Page



Markets Without Borders

Teacher's Guide

This Teacher's Guide includes the following:

- **Suggested Lesson Plan**
- **Preview Questions**
- **Key Terms**
- **Viewing Guide**
- **Discussion Questions**
- **Quiz**
- **Activity: Who Chooses?**
- **Enrichment Activities**
- **Answer Key**

Suggested Lesson Plan

These materials may be used in a variety of ways. For maximum benefit, we suggest the following lesson plan:

- As a class, discuss the Preview Questions and Key Terms.
- Distribute copies of the Viewing Guide for students to use as a note-taking tool during the video.
- Play the video, pausing if needed to facilitate understanding and note-taking.
- Review and discuss answers to the Viewing Guide.
- Use Discussion Questions to spark class discussion, or assign these questions as homework.
- As a class or in small groups, complete the Who Chooses activity.
- Replay the video as preparation for the Quiz.
- Administer the Quiz.
- Optional: Assign Enrichment Activities.

Markets Without Borders

Preview Questions

1. What are markets?
2. What do you think of when you hear the word “globalization”?
3. Has globalization succeeded? Has it failed?
4. Has globalization benefited the poor people of the world?
5. Why are some countries poor while others are rich?
6. What does it mean to own something?
7. Where do laws come from?

Markets Without Borders

Key Terms and Definitions

1. Asset – total resources of a person or business, as cash, notes and accounts receivable, securities, inventories, goodwill, fixtures, machinery, or real estate
2. Capital – the wealth, whether in money or property, owned or employed in business by an individual, firm or corporation
3. Capitalism – the free enterprise or free market system; an economic system in which private individuals, as opposed to governments, own property and businesses. Capital accumulation, competitive markets, and a price system are essential elements of capitalism.
4. Collateral – Property or its equivalent that a debtor deposits with a creditor to guarantee repayment of a debt
5. Commodity – a product for which there is no brand differentiation in the market, typically an agricultural or mining product such as wheat, sugar, copper, or oil
6. Division of labor (or specialization) – a production process in which a worker or group of workers is assigned a specialized task in order to increase efficiency
7. Entrepreneur – a decision maker who assumes the risk of trying innovative approaches and products and pursuing projects in the expectation of realizing profits. A successful entrepreneur's actions will increase the value of resources
8. Equity – the monetary value of a property or business beyond any amounts owed on it in mortgages, claims, liens, etc.
9. Extralegal – not regulated or sanctioned by law; outside the law
10. Futures contract – A contractual agreement, generally made on the trading floor of a futures exchange, to buy or sell a particular commodity or financial instrument at a pre-determined price in the future
11. Globalization – the process of increasing the connectivity and interdependence of the world's markets and businesses
12. Property rights – the rights of ownership -- the rights to use, control, dispose of and obtain the benefits from a good or service
13. Rule of law – a legal system in which rules are clear, well-understood and fairly enforced, including property rights and enforcement of contracts; the doctrine that all people are equal before the law and that the government is subject to the law; the absence of arbitrary executive power

Name: _____

Date: _____

Markets Without Borders **Viewing Guide**

1. Poor people are migrating to the world's _____ in astounding numbers.
2. Hernando de Soto wants to understand the root causes of _____ and to do something about it.
3. What gives the apple its global attributes is the _____.
4. Hernando de Soto wonders if the notion of property rights is an imposition on _____.
5. 98% of _____ in Tanzania operate outside the law.
6. _____ is not yet functioning in most of the world.
7. _____ are a great asset for humble people all throughout the history of the world.
8. The root word of capital comes from caput, meaning _____.
9. A house in a developing country is a shelter, which cannot be _____.
10. Capitalism, globalization, and free markets are all about _____ property rights.
11. When you look at the big markets of the West, you see people dealing in _____, or representations of value.
12. What is missing is the _____.
13. Globalization is about _____.

Markets Without Borders

Discussion Questions, Page 1

1. Explain the title of the video.
2. Who is Hernando de Soto? What does he do? What are his goals?
3. How is the spread of property law related to globalizing economies?
4. “The poor are locked out of the system.” What system is this? What is locking them out?
5. What are the consequences of poverty?
6. How do people hope moving near the cities will make them part of globalization?
7. What makes an apple “globalized,” according to de Soto? How does this happen?
8. Is tribal life consistent with participation in a global economy? Explain.
9. How is specialization related to participation in the global economy? Why do people specialize? Do you think it is natural to do so?
10. Besides in the economy, where else do we deal in abstract symbols rather than concrete things? Give three examples. How do these abstractions help us to understand and use things?
11. Is anything lost when we move from concrete dealings to dealing in symbols? Explain.
12. How does globalization allow people to deal in symbols? Why are these symbols so highly mobile?

Markets Without Borders **Discussion Questions, Page 2**

13. What is the difference between capitalism and globalization? How are the two related?
14. “Value is locked up.” What gives things value? If value is “locked up,” what does it mean to unlock the value in a thing? How do property titles help us do this?
15. What difference does a title to a house make for its owners?
16. What is the difference between people trading with each other and being part of globalization?
17. What is globalization? What does a place look like if it is not part of globalization?
18. De Soto asks why people in Africa aren’t as prosperous as people from the North, then lists explanations that other people have offered, such as colonialism, corruption, capitalist exploitation and dependency. What do you think the best answer is?
19. “Civilization has always been designed by elites.” Is globalization a civilization? What elites, if any, have designed it?
20. What do non-elites have the capacity to do to globalization, according to de Soto?
21. What evidence does the film present to show that Africa’s poverty is due to the absence of property rights and inclusive business law? Is this good evidence?

Name: _____

Date: _____

Markets Without Borders **Quiz, Page 1**

1. According to de Soto, globalization is threatened by
 - A) people who believe it is an imposition on them
 - B) its own impracticality
 - C) people who feel left out of it
 - D) tribal customs

2. According to de Soto, civilization has always been designed by
 - A) governments
 - B) religious leaders
 - C) elites
 - D) warriors

3. In a capitalist system, people deal in
 - A) apples
 - B) cattle
 - C) symbols
 - D) hopes

4. Thirty-three of the world's poorest countries are in
 - A) Asia
 - B) Latin America
 - C) The Middle East
 - D) Africa

5. What allows something to be globalized is
 - A) free trade agreements
 - B) the law
 - C) ships
 - D) paper work

Name: _____

Date: _____

Markets Without Borders **Quiz, Page 2**

6. Without a title, the value of a good is
- A) nonexistent
 - B) destroyed
 - C) locked up
 - D) unappreciated
7. When different people are responsible for different steps in production, this is called
- A) specialization
 - B) entrepreneurship
 - C) globalization
 - D) the rule of law
8. The film argues that Africa's poverty is due to lack of
- A) property rights and inclusive business law
 - B) work ethic and sophisticated education
 - C) freedom from Western control
 - D) resources and advanced infrastructure
9. Capitalism is
- A) thriving throughout the world
 - B) not functioning in most of the world
 - C) resisted by most of the world
 - D) on its last legs
10. Futures contracts traded on the Chicago Mercantile Exchange allow people to trade representations of value, which is important because they can
- A) trade far more cattle than they could practically bring to the place
 - B) not worry about the real value of the cattle
 - C) learn to do complicated math
 - D) avoid smelling manure

Markets Without Borders

Activity:

Who chooses? Who benefits? Who pays? What's fair?

[These four questions can be a useful tool for evaluating any policy or system. Posing the questions is a great way to stimulate critical thinking.]

As a class, or in small groups, discuss the following:

(For each question, think broadly about all the possible groups of people who may be affected.)

- What choices does a person have if that person has legal title to land, or proof of ownership of an animal or other asset? What choices does a person have under an informal system of property ownership?
- Who chooses what to do with property under a strong legal system? Does the rule of law increase or decrease choices? Explain.
- What is the relationship between property rights and law?

“Capital...doesn't exist in things; it is the potential of things that we can see, once they are described in a certain organized way on a property document.”

- Why does the same object (such as a house) serve different economic purposes under different systems?
- Who benefits from a system that brings out the potential or capital in a good? Is this fair?
- Who decides the value of capital? How is this decided?
- Who pays to acquire capital? Why would someone pay more for an asset with legal proof of ownership?

Markets Without Borders

Enrichment Activities

- I. Play Win-Win, the izzit trading game, a fun and memorable way to learn about the benefits of trade.

- II. Have students research countries where the rule of law is well-established compared with those countries where it is not. Which countries are prosperous and which are poor? (Resources can be found at www.izzit.org/products.)

- III. Use Gapminder World to show the growth of GDP in different countries over time. (Resource link can be found at www.izzit.org/products.)

Compare with the results in activity II, above.

Markets Without Borders **Viewing Guide Answer Key**

1. cities
2. poverty
3. law
4. Africans
5. businesses
6. Capitalism
7. Cows or Livestock
8. head
9. mortgaged
10. trading
11. symbols
12. rule of law
13. relationships

Quiz Answer Key

1. C) people who feel left out of it
2. C) elites
3. C) symbols
4. D) Africa
5. B) the law
6. C) locked up
7. A) specialization
8. A) property rights and inclusive business law
9. B) not functioning in most of the world
10. A) trade far more cattle than they could practically bring to the place

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