Economics 323
First Draft Essay

1) The article I will be discussing is derived from The Journal of Economic History vol.71 published in June 2011 called *The Mystery of Property Rights: A U.S. Perspective* written by Naomi R. Lamoreaux. The main mystery this article expresses is how property rights can be subject to frequent involuntary reallocation but can still be considered secured. Popular belief among economic historians as well as big business operators is that secure property rights are essential for economic development. This article points out important deviations from this model including the institutions that form our property rights. Another question mentioned in the text is, with a stronger governmental entity with the power to reallocate property rights, what would insure that the government did not abuse this power?

2) Naomi Lamoreaux argues that under certain circumstances secure property rights may be inconsistent with economic development through court cases that exemplify examples of reallocation of those rights. Faith in secure property rights dates back to the colonial era when institutions saw the flaws within the monarchy of Britain, the enforcement costs of communal land and the benefits in creating property rights. Parliament passed legislation within the colonies, before the revolution, reconstructing property rights so land could be seized in payment of debt even if not specifically pledged as collateral. Thus the creation of the “taking clause” as part of the Fifth Amendment in the U.S. Constitution, it simply states that through eminent domain each state can take privately owned land for public use, with just compensation. In all court cases both sides argue for their position on the bases of value, or harm to the public. In the case of *Kelo v. City of New London* 2005,
the pharmaceutical company Pfizer had decided to build a new research facility in New London, CT and the residents who refused to give up their property on the terms of violation of their rights under the Fifth Amendment. Everyone involved knew that the government could transfer property from one private party to another as long as the transfer achieved a public goal. The question at hand was whether the taking was aimed to rejuvenate the city’s distressed economy. Although widespread allegiance was on the side of Kelo and the other residents, the Supreme Court ruled against them in a five-to-four decision agreeing with Pfizer’s intentions of a redevelopment plan to create jobs and refresh the downtown. A main precedent of the Kelo decision was the Hawaii Housing Authority v. Midkiff in 1984 that upheld the Hawaii Land Reform Act of 1967. This act exercised the state’s power of eminent domain to redistribute from the haves, the minority who owned the land to the have nots, the majority who were leasing the land. According to Midkiff the act was “a naked attempt on the part of the state of Hawaii to take the private property of A and transfer it to B, solely for B’s private use and benefit.” The case in the Supreme Court had met the standard of taking and achieving a public good and was ruled constitutional.

3) In resolving the mystery of securing property rights there needs to be participation by the people. Voters are most likely to respond in large masses to threats against property rights if the masses are the owners of the property. Those who vote control how the government or other private entities choose to reallocate land. Widespread ownership of property is one solution offered by Lamoreaux to ensure those at the bottom do not redistribute in excess and those at the top do not take without balance of checks and consequences. Examples of property reallocations in which the economic resources
benefit and or are no use to the majority of property owners’ states go unchallenged. In the case of land attained from the removal of the Cherokee from Georgia then sold off to citizens, and the governmental rule on airspace which has very little economic benefit to the majority reallocations went without resistance. Zoning laws by the use of the government’s powers restrict property owners to guidelines on what their property can be used for, these laws have been dramatically changing over the last century. The most prominent observation is that property rights are thrown into disorder by the changing pressures on resources and the rise of new interest groups. The surest way these institutions do not abuse their power is the participation of the masses in defense of property rights.

4) This journal article was an awesome look at the holes within one of the most accepted and respected tenets of liberty that Americans uphold. Spanning from the colonial era to the Property Rights Protection Act of 2005 well conveyed examples of institutions aiding more than two hundred years of sustained growth. Naomi Lamoreaux explains how government institutions have continually reallocated property against the will of owners in order to encourage economic development. She noted that courts would often rule in favor of the formal title owner of property but compensation and blessings from the courts would often be distributed in favor of “squatters” particularly those who created economic benefits while maintaining the land. The last part of the “taking clause” in the Fifth Amendment states that a just compensation is due for the taking of land, but there is no recording on who received compensation when property was taken. It is reasonable to assume that many owners were left unfairly compensated when eminent domain practices would condemn more land than needed or reducing the bargaining power of landowners'.
The author revealed one estimate of 10,000 properties in 41 states that have been seized or threatened to be seized for the benefit of private interests between 1998 and 2002. Others disagree and believe the number is overstated and that property owners receive above-market valuations. Many consider that because compensation is given eminent domain is the least controversial form of government reallocation but the article does not discuss any alternatives. Actual statistical research would have contributed credibility to the article. Naomi Lamoreaux offers the solution of widespread ownership and awareness, but private ownership leads to taxation in order to care for public goods. Evidence shows American voters are not positive about taxing themselves. She demonstrates clearly the many small infractions that institutions have made in order to continue the path of progress our nation has embraced. This rise of economic development has brought a standard of living in which we all have become accustomed, but the policies in place do not strive for the sustainability of our environment.

5) The author covered everything from land rights to water and air in great detail, explaining the shifts in pressures and the benefits outweighing the enforcement costs. She describes the array of effects when the majority has a say, from the unchallenged almost accepted removal of the Cherokee Nation from their land to the refusal considering containment and later succession of the southern states when slavery was to be outlawed. She described the persistent efforts of private interests groups to engage policymakers and the increasing drive for profit. Ultimately in America cash can cast a vote in this society louder than our voices. The author should provide actual numbers on reallocated land and if possible, to put an actual number on the eminent domain takings. She focused on the East and West Coast development but did not touch on cases pertaining to the rest of the country. The use of
statistical research can really offer readers an insight into who really gets compensated.

Lamoreaux organized her case outlining the development of the U.S. very clearly and her rhetoric came across smoothly.