

OCPA FaxLine Report

a public policy information service for members of the Oklahoma Council of Public Affairs, Inc.

Dear OCPA Member:

Wednesday, July 8, 2009

Recently, I started thinking about the beginning of our nation's economic turmoil and I've come to a conclusion that the flashpoint for me was June 23, 2005. That was the day that the Supreme Court made its infamous *Kelo decision*.

You may remember, the case focused on a redevelopment program in New London, Connecticut, which would turn 90 acres of waterfront property into office buildings, upscale housing, a marina and other facilities near a \$300 million research center being built by Pfizer pharmaceuticals. It would also generate more taxes for the City than the 15 homeowners would ever be able to provide. These citizens of well maintained and historic homes on the proposed site refused to sell. They trusted the U. S. Constitution's Fifth Amendment which states that no citizen shall "be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use without just compensation." Unfortunately, in a 5 to 4 decision the Supreme Court ruled against the private property owners and for the developer.

When I wrote about that decision in my *FaxLine Report* of July 14, 2005, I noted, "The securing of property rights is a prerequisite for economic growth." And I also noted the findings of Davis S. Landes, in his book, *The Wealth and Poverty of Nations: Why Some Are So Rich and Some So Poor*, that there is a definitive connection between a high level of economic achievement in a society, and that society's protection of private property and enforcement of contractual rights.

I asked, "could the recent Supreme Court decision actually reverse the tremendous economic trends in the United States the last fifty years?" I reasoned that it could "should future generations become ignorant of the importance of private property rights to economic freedom." And I added, "For if this occurs more and more rights could be removed not only by the courts but also by state legislatures. When citizens lack a historic constitutional framework for which to protect themselves, abuses are inevitable."

Property rights not only serve to define boundaries between neighbors, but also boundaries between an individual's rights and totalitarian rule. Economist Milton Friedman saw property rights as "the most basic of human rights and an essential foundation for other human rights." Legitimate ownership creates a favorable condition for an economy to be successful. On the contrary, the type of "counterfeit ownership" orchestrated by government with sub-prime loans which required no risk to the borrower but great exposure to the lender, subverts the whole concept of property rights and has led to our present financial meltdown.

There is a "domino effect" at work here. Dominos lined up one after another develop a chain reaction when tapped, quickly tumbling forward. The loss of private property rights was for me the first domino. The Rule of Law will no doubt be the last.

Until next time . . . Brett A. Magbee, Vice President for Operations

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