

## Are Property rights important?

The last sentence of the Fifth Amendment in the US Bill of Rights states: "Nor shall private property be taken for public use without just compensation" As a former Federal law enforcement officer I know the important the Bill of rights is to protect the people (us) from Government.

In order for individuals and groups to generate wealth, individuals need to allocate resources based on market opportunities. Government restrictions on what you can do with the property or how to price the property slow economic growth. Adam Smith, widely cited as the father of modern economics, stated that the expectation of profit from "improving one's stock of capital (wealth) rests on private property rights" Government does have a role when it comes to the environment, zoning or neighbor impact. That however is always a fine line and should require deep forethought.

The two above statements reinforce our society's philosophy towards property rights. I would like to go outside conventional thinking and discuss what would happen if we made property rights universal. I have always been intrigued by the ideas of Hernando de Soto, a well known Peruvian economist and current president of the Institute of Liberty and democracy (ILD). De Soto believes that the financial success of the United States has rested on its system of respect for property rights. Lack of protections for property rights limits the poor in developing countries from using their property as credit which might otherwise allow them to invest in entrepreneurial projects. Instead the poor are forced into a lifetime of subsistence farming. For example, in 1964 in the Soviet Union approximately 7 million hectares were in private use, compared with over 1,000 million hectares of state farm and government land. But the privately held land produced only one third the livestock in that country at that time.

Thomas Sowell, an African American economist and social commentator states "For the entire Third World and the former Communist countries, De Soto's calculation is that the total value of all real estate held but not legally owned by the poor is more than **20 times** all direct foreign investment in the Third World and more the **90 times** all the foreign aid to all Third World countries over the past three decades". Think about that number, 20 times more then all direct foreign investment and 90 times more then all foreign aid.

In my own experience traveling in developing countries there always seemed to be a lack of capital which prohibited poor people from pursuing their ideas, including traveling to a part of the country which will allow them to make a living or just to get an education.

Of course the Universal property rights idea has its critics. For developing countries personal property rights would empower a large group of people that could challenge the current political power centers. Even within developed countries De Soto has his critics. There are those that argue his idea would leave out the bottom classes and others who claim his concept is too simplistic. In order to implement his notions, financial and judicial institutions in many countries might require substantial (or politically impossible) alteration.

Yet imagine the possibilities if universal property rights were a reality and not a dream? Millions of people in developing countries might be able to break the cycle of dependence on foreign aid and can control their own destiny.

Are property rights important? If one was from a developed country almost assuredly the answer would be an overwhelming yes. And though I would not attempt to answer for someone from a developing country I am quite confident they would prefer an opportunity to give an answer to the question.