

PROPERTY RIGHTS

By DAVID SIMMONS (Tucson, Arizona)

In an article titled "The Missing Ingredient" in the Sept. 11, 1993 special edition of The Economist, the Peruvian entrepreneur and economist Hernando de Soto says: "Those countries which have market economies have prospered so much more than those which have not that today nobody dares to predict a solution to underdevelopment that disregards the market." He goes on to predict that during the coming years these developing countries will "spend their energies ensuring that property rights are widespread and protected by law, rather than...continue to focus on macroeconomic policy... Modern market economies generate growth because widespread, formal property rights permit massive, low-cost exchange, thus fostering specialization and greater productivity."

He explains that "in developing countries like my own some 70% of family assets consist of land. Yet more than 90% of rural and half of urban property rights in Peru are not protected by formalized titles... The situation does not seem to be different in the rest of the third world... The absence of formal titles means that the assets of most people in these countries remain outside the market economy.

"When people have formalized titles they feel their property is under their own legal control and they therefore have the incentive to invest their intelligence and work in improving it... Formalized titles open the door to credit." He also points out that: "When poor people have confidence that land is formally theirs, their respect for other people's land increases too... Finally, when formal titles are not there to provide security of tenure, planning horizons are shorter and so the incentives to protect land, water and forest are missing.

"The difference between the developed and the developing countries is in no small measure the difference between countries where property has been formalized and those where it has not." However, few people have made the connection between property rights and the development of a market.

Hernando de Soto concludes his article by saying:

"The current support for macroeconomic stabilization programs in Latin America is a reaction against the hyperinflation and chaos of the past decade and not a reflection of a fundamental shift in attitude about the virtues of a market economic system. That shift will not occur until the impoverished majority enjoy access to formal property, for only then will they reap the benefits of a market economy. And until the lot of that majority begins to improve, populists peddling inflationary cures for economic ills will inevitably reappear."

Unfortunately the author apparently does not realize that the best way to secure every one's right to the land is with a tax on its value, as proposed by Henry George. This, however, does not invalidate his argument about the importance of property rights, and leads one to speculate about the future of the United States. Unfortunately, the trend in the U.S. is toward less and less respect for property rights.

According to an editorial titled "Crimes of Property" in the Aug. 9, 1993 edition of Barron's: "Thousands of American citizens have been stripped of their property based on rumors and the unsubstantiated assertions of government confidential informants... Federal agents can now seize private property under more than 100 different laws... Rep. Henry Hyde of Illinois contends that 80% of the people whose property is seized by the federal government under drug laws are never formally charged with a crime.

"Asset forfeiture may distort law enforcement priorities. Instead of chasing violent criminals, some police target wealthy citizens... In most forfeiture court proceedings, the owner must prove that his house, car or the cash in his wallet is innocent - the government has no obligation to prove that the property is guilty... Forfeiture procedures may bear an uncomfortable resemblance to extortion."

According to an article in The Arizona Daily Star of Nov. 21, 1993, in Arizona alone "police and prosecutors rake in an average of more than \$21 million per year

through forfeiture under RICO -the federal Racketeer Influenced and Corrupt Organizations Act. "Because police and prosecutors get to keep the profits of all forfeitures, the laws also encourage the filing of marginal cases, particularly if they have the potential to result in large cash seizures... Statewide, RICO laws are being used to funnel money directly into the coffers of the police and prosecutors who seize it."

When you add to this the often ridiculous and unwarranted restrictions being placed on the use of privately owned land by the Wetlands Act, the Endangered Species Act, and other ill-conceived federal legislation, it becomes obvious we are experiencing a serious erosion of property rights here in the U.S. Recently in California homeowners were prohibited from clearing firebreaks around their homes essentially because the government has turned their property into a rat preserve. The property rights of humans may be violated, but the habitat of certain animals may not be.

In addition to the stupidity and injustice of this situation, we should also consider the economic consequences. With an example like this being set by our government, we should not be surprised that Americans are showing less and less respect for the property of others, and crime is becoming a more serious problem every day. Will this third world-like lack of respect for property rights lead eventually to the U.S. becoming a third world country economically as well? We should stop to consider this before proceeding any further in this direction.