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## Uninformed expropriation

By Richard W. Rahn

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If you were told the government could take your real property and give it to another preferred, private person, would you be more or less prone to make improvements on your property? If you were a clear-thinking person with a basic knowledge of economics, you would reply, "less prone."

Unfortunately, five U.S. Supreme Court justices -- David Souter, Ruth Bader Ginsburg, Stephen Breyer, John Paul Stevens and Anthony Kennedy -- failed that elementary question last week in *Kelo v. City of New London*.

Many others have commented on their faulty legal reasoning. I will leave that to the lawyers. But clearly, the decision was bad economics.

Those familiar with economic literature know that protection of private property is a key ingredient in economic development and prosperity. Those who are abreast of the writings of the American Founding Fathers are also aware that they understood the importance of the protection of private property. So here we have five members of the court who get an "F" both in economics and history. I would not have mentioned their names if this were merely a rare lapse on their part, but there is a continuing pattern of both an inability to see the consequences of their decisions and a lack of understanding of the historical record.

These issues are not a matter of "liberal" versus "conservative," but an ability to see beyond the first order effects of any decision, and with both the knowledge and understanding of history and economics to know what are the likely long-term ramifications of any policy.

There is much confusion about what constitutes intelligence. Truly, there are many different types of intelligence. In the information age, many in the media confuse a quick wit, memory and an ability to be glib, (useful attributes for a TV talk show host) with high intelligence.

Over the last few decades, I have spent time in the academic, business, political, and policy institute worlds. I have known students who got good grades because of quick memory, though they lacked a good understanding of what they were memorizing. I have known very successful businessmen who were not particularly articulate or quick but deeply understood the consequences of various alternatives and actions.

The problem with the modern age is that many who make an impressive appearance on TV lack the wisdom and judgment to make good legislators or judges. On the other hand, from what we know about our Founding Fathers, perhaps, none of them had the appearance, speaking style or demeanor to get elected to high office today.

Not only is the present Supreme Court a danger to our liberties and pocketbooks (because it lacks a sufficient number with the right type of intelligence) but Congress, as well.

At the moment, there are a number of both Democrats and Republicans who are proposing we place a big tariff on Chinese goods unless the Chinese change certain of their trade and monetary policies. Advocates of such a tariff only reveal their own economic and historical ignorance. For more than 200 years, it has been repeatedly demonstrated that high tariffs most often do great economic damage to the countries who impose them (and, particularly, to the poor countries).

It is also well known that countries most often retaliate against nations that impose such tariffs. In the early 1930s, the famous Smoot-Hawley tariff -- and other countries' reactions to it -- was one of the major causes of both the depth and length of the Great Depression. But these facts appear either unknown or not understood by many members of Congress.

It is also worth noting that these policy changes on China might actually do more harm than good to the United States -- but ignorance has no limits.

There are also many Democrats and some Republicans in Congress who oppose the Central American Free Trade Agreement (CAFTA) that will soon be voted upon. Again, the fact free trade benefits almost everyone is lost on these folks.

We already allow most countries that would be part of CAFTA almost duty-free access to our markets, so American businesses (which means all Americans) are likely to be larger beneficiaries of the agreement than the Central American countries, though they too will clearly benefit. But again, the glib congressional class seems to lack the right type of intelligence and education to understand what is best.

John Kenneth Galbraith was one of the best-known economists of the 20th century, because he was tall, witty, articulate, glib and appealed to the vanities of the media and the establishment. However, he had a poor understanding of economic forces and his policy prescriptions were for the most part disastrous (to put it kindly). He will leave no lasting legacy or school of thought.

By contrast, Nobel laureate F.A. Hayek, a quiet, serious scholar, was nowhere nearly as well known, but his influence on British Prime Minister Margaret Thatcher, President Ronald Reagan and a whole new generation of economists was immense. There are now more than 200 policy institutes worldwide that can trace their intellectual roots to Hayek because of the force and lucidity of his ideas.

When President Bush selects new Supreme Court justices, let us hope he will be able to come up with legal Hayeks, who have an understanding of economics and history, as well as law and the right type of intelligence -- like William Rehnquist, Clarence Thomas, and Antonin Scalia (including Sandra Day O'Connor in *Kelo v. City of New London*) -- to be able to think through the consequences of their decisions.

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