Foreword

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From the very beginning of recorded history, people have understood the importance of property rights for their survival. In a very illuminating article on 'Aristotle on property rights', Fred Miller¹ traces the recognition of the social consequences of property rights back to ancient Greece. However, most mainstream neoclassical economists considered private property rights as an exogenous constraint.

It was only in the 1960s that systematic effort to internalize changes in property rights into a theoretical framework began in earnest. Within a few decades a number of scholars including Armen Alchian, Harold Demsetz, Henry Manne, Douglass North, Richard Posner and Oliver Williamson produced a significant body of literature on the relationship between property rights and economic performance. On the one hand, their research demonstrated that different property rights have specific and predictable effects on economic behavior. On the other, they were able to show that the interaction between individuals' search for more knowledge and resulting changes in the economic conditions of life affect the creation and/or modifications of property rights. Of course, by demonstrating that systematic two-way relations exist between alternative property rights and economic behavior, those scholars did much more than merely explain the effects of alternative property rights on economic behavior. They created the economic theory of property rights.

By the early 2000s, the economics of property rights has scored impressive academic gains. Recognizing those gains, Gregory Alexander (2003, p. 734) said: 'If its war against bird lovers, tree huggers, and other like minded collectivists is not yet entirely won, at least the pendulum seems to have swung in favor of the [property rights] movement'.² Moreover, annual publications such as *The Index of Economic Freedom* published jointly by the Heritage Foundation and the Wall Street Journal, and the *Economic Freedom of the World* published by the Fraser Institute have illuminated a strong positive relationship between private property rights and economic performance. Finally, economic reforms in Central and Eastern Europe have shown that it is not enough to just create private ownership. To close the gap between private and social costs of economic activities, it is necessary to ensure that private property rights are stable and credible. In other words, the rule of law must come before democracy.

In 22 well-written chapters, this volume illuminates the major accomplishments of the economics of property rights. While they differ in the scope and extent of their coverage, contributions to this book are focused, carefully researched, well argued, and readable. In my judgment, the book takes us to the frontier of the growing stock of knowledge on the origins and consequences of alternative property rights.

Notes

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- 1. Fred Miller (1991), 'Aristotle on property rights', in J. Anton and A. Preus (eds), *Essays in Ancient Greek Philosophy*, New York: State University Press of New York, pp. 227–61.
- 2. G. Alexander (2003), 'Property as a fundamental constitutional right? The German Example', *Cornell Law Review*, **88** (3), 733–78.