Susette Kelo’s little pink cottage—the home that was the subject of a landmark U.S. Supreme Court case and a national symbol of the fight against eminent domain abuse—will be spared from the wrecking ball. Faced with eviction and the destruction of her beloved home, Susette put forward an idea that she had originally proposed when first threatened with eminent domain abuse and even before IJ became involved in the case: preserving the home and moving it. When she first proposed this idea, the New London Development Corporation (NLD) rejected it. Now, the City, NLD and the State of Connecticut have agreed to the move. While the precise location has not yet been determined, the house may be moved to or near Pequot Avenue, which is where the home originally stood before it was moved to Fort Kelo continued on page 10
By Nick Dranias

Hanging a sign involves the most basic skills—digging a hole, dropping in a couple of posts, filling the hole and attaching a board to the posts. So if you want to make a living hanging signs in Minneapolis, you might think all you would need to do is open your business and show proof of insurance.

You would, however, be sorely mistaken.

In Minneapolis, would-be sign hangers, like IJ clients Truong Xuan Mai and Dan Dahlen, need the blessing of a mid-level official at City Hall who has unilaterally declared that he will not approve anyone who seeks to install even “very simple, non-illuminated signs”—a perfect job for start-up entrepreneurs because such an occupation requires neither a great deal of education nor financial capital. At the same time, this official has refused to explain just what skill level is acceptable to him before he grants a sign hanger license. Anyone trying to make an honest living hanging “for rent” signs, for example, must try to meet whatever requirement the government official dreams up and hope for the best. In a nation that prides itself on the Rule of Law, this amounts to applicants having to bow to the Rule of Man.

That’s why Dahlen and Mai joined with the Institute for Justice Minnesota Chapter to file a lawsuit on May 4, 2006, to stop Minneapolis from withholding sign hanger licenses from entrepreneurs who meet the objective requirements of the City Code.

After a series of scandals, Minneapolis’ City Council enacted reforms in July 2002 to eliminate “competency testing” for sign hangers and other trades. Unfortunately, the Council’s job was only half done; it preserved boundless discretion over license issuance. Bureaucratic intervention in the sign hanger licensure process shows that government power grabs inevitably result from laws that create authority to regulate without standards.

Those, like Mai, who have tried to play by unknowable rules have lost numerous opportunities while their license applications linger for months in bureaucratic limbo awaiting a governmental seal of approval. Others, like Dahlen, see no point in pursuing a Minneapolis sign hanger license at all.

“When my grandfather risked everything to start our company in 1956, he railed against the old-boy network that prevented him from get-
ting a license in Minneapolis,” recalled Dahlen, whose business operates around Minneapolis, but not within the city limits. “The law was supposedly reformed a few years ago, but it sure looks like business as usual to me.”

On the 50th anniversary of the Dahlen Sign Company, Dahlen could not see a better way to honor his grandfather’s entrepreneurial spirit than to challenge the descendants of the bureaucracy that barred access to the Minneapolis market. And Mai’s experience as a “boat person” refugee who escaped communist Vietnam during the late 1970s gives him unusual courage to fight City Hall.

Dahlen Sign Company v. City of Minneapolis advances the principle that Dan Dahlen and Truong Xuan Mai should be free to work as sign hangers—not at the whim of bureaucrats, but as a matter of constitutional right.

The lawsuit also introduced the IJ Minnesota Chapter’s newly published study, The Land Of 10,000 Lakes Drowns Entrepreneurs In Regulations, which spotlights regulations in Minnesota that bar entry to occupations that ordinarily would attract start-up entrepreneurs.

Together, Dahlen, Mai and the IJ Minnesota Chapter are fighting to ensure that the American Dream continues to show signs of life, especially for sign hangers. ♦

Nick Dranias is an IJ Minnesota Chapter staff attorney.

IJ Among Charity Navigator Elite

For the fifth year in a row, the Institute for Justice has earned the highest rating (“4 stars”) from Charity Navigator (CharityNavigator.org), America’s premier independent charity evaluator that evaluates the financial management and organizational efficiency of more than 5,000 charities nationwide.

Only 82 other charities have received five consecutive 4-star ratings, making IJ among just 1.6 percent of charities nationwide to earn this distinction.

Furthermore, IJ is one of only eight “public benefit” organizations—think tanks, advocacy groups, public policy institutions, and the like—that are included in this elite five-years-running group.

We are pleased to be able to report such a return on your investment and we will continue to strive to maintain such high standards. ♦

15th Anniversary Open House, Mark Your Calendars!

IJ will celebrate our 15th Anniversary with an Open House on Thursday, September 28. All readers of Liberty & Law are welcome to join us!

Our new headquarters are located in Arlington, Va., just a short drive or Metro ride across the Potomac River from our nation’s capital (see www.ij.org/contact/map.html).

We’ll be here all day for tours beginning at 8:30 a.m. and will conclude with a reception beginning at 5:30 p.m. IJ’s President and co-founder Chip Mellor will say a few words around 6:30 p.m.

For more information or to RSVP, please contact Krissy Keys at IJ at (703) 682-9320 ext. 201 or kkeys@ij.org.

Hope to see you on September 28! ♦
By Chip Mellor

The wisdom of the Founding Fathers lies at the heart of IJ’s work. However, the insights of three intellectual giants of the 20th century—Milton Friedman, Ayn Rand and Friedrich Hayek—provide constant inspiration as well. What makes them so relevant to IJ is that we regularly see their predictions and observations about bureaucracy and government play out in the real world in the cases we take on. In the past two issues of Liberty & Law, as well as this issue, I highlight one of these individuals and offer examples of how the Institute for Justice’s litigation addresses directly both the problems these titans identified and the solutions they offered.

Nobel Laureate Friedrich Hayek profoundly influenced world history, a rare achievement for anyone, let alone an economist. As Thomas Sowell recognized, “Hayek was the central pioneering figure in changing the course of thought in the 20th century.” Hayek’s influence came from his brilliant and courageous critique of collectivism and socialist economies. His reasoning about the inevitable tyranny and impoverishment that comes from socialist programs has been vindicated repeatedly over the past half century.

In a wide array of books ranging from the academic Constitution of Liberty to the more generally accessible The Road to Serfdom and The Fatal Conceit, Hayek analyzed the institutions, incentives and decision-making of socialist and free societies. While his vast writings covered many facets of economics and political philosophy, he was always mindful of the vital role the rule of law plays in making possible and maintaining freedom. He understood that humans are not only imperfect, but that they respond to incentives, meaning that if the incentives are wrong, even good people will do bad things. A constitution and the rule of law must provide a government structure that gets the incentives right for both the public and private sectors.

This is where Hayek’s insights most directly play out in the work of the Institute for Justice. To underscore the urgency of our mission in the speech launching IJ 15 years ago, I quoted Hayek, “We live in such a period of transformation of the law by inner forces . . . that, if the principles which at present guide that process are allowed to work themselves out to their logical consequences, law as we know it as the chief protection of the freedom of the individual is bound to disappear.” Recognizing this, we strive to restore constitutional limits on government authority. Such limits would solidify the institutional arrangements between the three branches of the federal government, the states and the individual that not only restrict the power of government, but also provide incentives for productive competition and peaceful interaction between individuals. Only under such an arrangement is it possible for individuals to control their own destinies as free and responsible members of society.

It’s all too easy for the rule of law to be diminished as Hayek forewarned. Decades ago, the U.S. Supreme Court relegated economic liberty to second-class status under the Constitution. Today in our litigation to secure constitutional protection for economic liberty, we must overcome a court-created legal standard called the “rational basis test.” Under this test, a law regulating economic authority will be upheld if it serves “any conceivable purpose”—even if no such purpose was considered by the legislature when the law was enacted. This leads to government-protected cartels and outrageously burdensome conditions imposed on perfectly legitimate occupations. Hayek foresaw the inevitability of such excess when he wrote, “The chief danger today is that, once an aim of government is accepted as legitimate, it is then assumed that even means contrary to the principles of freedom may be legitimately employed.”

Hayek’s insights on incentives and the
law are painfully evident in the practice of eminent domain abuse. When the legal rules allow a private company to take someone else’s private property, soon otherwise decent people in respectable businesses will be found making the case for such takings. And a company will quickly rationalize that it actually has a fiduciary obligation to its shareholders to take advantage of eminent domain, because if it doesn’t, a competitor will. Similarly, as Hayek noted, “The dangers of [city planning] come largely from the desire of many planners [and today one would add many developers] to be released from the necessity of counting all the costs of their schemes.” Without a rule of law respecting private property, such incentives will lead to an ever-increasing number of eminent domain abuses. (See IJ’s recently released report, Opening the Floodgates: Eminent Domain Abuse in the Post-Kelo World, www.CastleCoalition.org/ke."

Many liberals today argue that courts should respect democracy and not second-guess legislatures, particularly in property and economic affairs. Likewise, many conservatives pay homage to judicial restraint through which courts defer to legislatures and leave in place even wrongly decided precedents. The Institute for Justice seeks judicial engagement through which courts perform the institutional role that the Founding Fathers envisioned, with courts protecting basic individual rights from legislative and executive abuse. In doing so, we align with Hayek’s admonition that, “By giving government unlimited powers, the most arbitrary rule can be made legal and in this way a democracy may set up the most complete despotism imaginable.”

Friedrich Hayek lived to see many of his predictions come true. Yet he knew that the struggle for liberty requires constant effort and resiliency in the face of adversity. Hayek said, “If in the first attempt to create a world of free men we have failed, we must try again.” At IJ we will remain resilient advocates for liberty, taking heart from Hayek’s courage and wisdom.

Chip Mellor is IJ’s president and general counsel.

By Beth Milnikel

The IJ Clinic on Entrepreneurship at the University of Chicago Law School recently named James Langdon as its “2006 Entrepreneurial Advocate of the Year.” The award is given annually to the graduating student who most embodies the IJ Clinic’s effort to foster and support the entrepreneurial spirit in inner-city communities. There were several contenders among James’ peers this year. Many of the third-year law students had developed close relationships with their clients, and their clients turned to them regularly for encouragement and sound advice. These senior students also became role models for new students in the Clinic and facilitated both learning and fun during office hours.

Even so, James stood out. James approached each appointment and assignment with exceptional professionalism and energy. He consistently went the extra mile—from preparing a folder of informational materials for an initial interview to creating a spreadsheet for a client to use in calculating his profit margins in a new line of business. With the knowledge he accrued studying for the rigorous CPA exams in addition to his law school course load, James could offer our clients in-depth advice, and he did so indefatigably. Not even graduation could convince James to stop working for the U Clinic. Faced with saying goodbye to a favorite client in the middle of forming a business, James arranged for a fellowship so he could continue working over the summer while also studying for the bar exam.

Thankfully, James will not be going far away. This fall, he will start working in the corporate group at the firm Sidley Austin in Chicago, and we know we will keep him involved.

Beth Milnikel is director of the IJ Clinic on Entrepreneurship.
By Steven Anderson

The one-year anniversary of the U.S. Supreme Court’s now-infamous Kelo decision brought many milestones for the Castle Coalition—IJ’s national grassroots network of individuals fighting eminent domain abuse. In the wake of this unconscionable decision, the Castle Coalition has only fought harder and experienced unprecedented growth—in members, in personnel and in successes—over the past year.

There is no better indication of the Castle Coalition’s significance in the debate over eminent domain abuse than the successes we helped home owners earn in more than half of the state legislatures that met post-Kelo. Seizing on the opportunity at hand—to cabin off at the state level the High Court’s blessing of nearly unrestrained government power—the Castle Coalition launched an unprecedented effort in both size and scope; the Castle Coalition worked at one level or another with nearly every single state legislature and the U.S. Congress to ensure statutory law protects what the U.S. Supreme Court abandoned.

The Castle Coalition hired three new staff, including one attorney to serve as legislative counsel. Our attorneys testified before legislative committees in 19 states as well as the U.S. Congress. We provided written testimony, statements or briefings in 12 other states and debated the issue in dozens of settings. Supporting that outreach, the CastleCoalition.org website was completely redesigned and became the go-to site for fighting eminent domain abuse.

The fruits of this effort were significant reforms protecting property owners. Forty-five states considered legislation to reform their eminent domain practices. Twenty-eight enacted laws curbing the abuse of eminent domain for private use. (Some states, like Florida, passed sweeping and very effective reforms while a few, like Delaware, passed reforms that were more symbolic than substantive.) In 14 states, new laws have made it (or will make it, after they are approved by voters) either impossible or extremely difficult to use bogus “blight” designations to take ordinary homes and businesses for private development. Given that the vast majority of eminent domain abuses occur through the use of those designations, that is very meaningful reform. And at the federal level, the U.S. House of Representatives overwhelmingly passed the Private Property Rights Protection Act of 2005 in November. More work remains to be done in the Senate where reform remains stalled.

All of these amount to pretty remarkable results for one year of work by an organization that (by its mission and design) rarely engages in lobbying.

IJ maintained the terms of the debate on the issue of eminent domain through our original research reports and publications. Building on Dana Berliner’s groundbreaking work, Public Power, Private Gain, the Castle Coalition remains the only national organization providing information on the widespread abuse of eminent domain with such regularity and depth. In the week leading up to the anniversary, for instance, we released seven new reports including Dana’s Opening the Floodgates: Eminent Domain Abuse in the Post-Kelo World. This report documented a marked increase in the threatened use of non-traditional alliances have emerged to lobby for eminent domain reform. A panel of leaders from those organizations spoke at this year’s Castle Coalition conference (left). Castle Coalition Coordinator Steven Anderson (right) and IJ Staff Attorney Bert Gall (far right) discuss ways of stopping eminent domain abuse.

Since Kelo, non-traditional alliances have emerged to lobby for eminent domain reform. A panel of leaders from those organizations spoke at this year’s Castle Coalition conference (left). Castle Coalition Coordinator Steven Anderson (right) and IJ Staff Attorney Bert Gall (far right) discuss ways of stopping eminent domain abuse.
eminent domain for private development after Kelo. Floodgates documents that in just the past year, more than 5,700 properties nationwide have been threatened or taken with eminent domain for private development—more than triple the annual abuse we had earlier documented over a five-year period.

We also issued a number of smaller works. One, Myths and Realities of Eminent Domain Abuse, takes the talking points of eminent domain abusers and methodically debunks each one of them. Redevelopment Wrecks: 20 Failed Projects Involving Eminent Domain Abuse details projects nationwide that used eminent domain for private development purposes, but never lived up to expectations.

One of the most popular features on our website, CastleCoalition.org, is the Eminent Domain Abuse Survival Guide, which provides the tips and techniques used by home and small business owners to protect their property outside the courtroom. We realized, however, that we were not reaching as many people as possible, because the Survival Guide was only available online. (Senior citizens and the poor, who are especially targeted for eminent domain abuse, often do not have Internet access.) To mitigate that problem, we completely revised and updated the Survival Guide in a print edition to include even more strategies, particularly as they relate to legislative change. What’s more, the back cover even doubles as a sign for use at rallies or meetings.

To assist those who want to know what reform was passed or rejected by legislators in their state, we issued a summary of legislative activity on eminent domain since Kelo. The publication notes all the changes made in 28 states—and all the changes that still remain necessary. The summary includes a map so anyone can easily see the level of protection his or her state offers upon the completion of its legislative session.

But June was not all about the written word. The Castle Coalition also hosted its fifth annual national conference in our new hometown of Arlington, Va. This year’s event was unlike any we have had before; the attendance tripled that of any of our previous conferences and we completely revamped the agenda. The changes were made, in part, because of the achievements of our regional conferences—a half-dozen in all, held in sites from New Jersey to California, since the Kelo decision. We were pleased to hear addresses from BB&T CEO John Allison and Anaheim Mayor Curt Pringle—both of whom also received the Cornerstone Award, given to individuals who take strong stands against the abuse of eminent domain.

Participants also heard a number of panel discussions, featuring members of the media, activists and legislators. Among our panelists were Hilary Shelton, director of the NAACP’s Washington Bureau, Brent Wilkes, national executive director of the League of United Latin American Citizens, and Reverend Brenda Girton-Mitchell, associate general secretary of public policy for the National Council of Churches—each of whom guided property owners on how to work with the local chapters of their organizations. Susette Kelo gave a rousing keynote speech on Saturday evening and our intensive activist workshop took place Sunday morning. It was, by all accounts, the most successful conference yet.

Although we’ve had a significant amount of good news since June 2005, the issue of eminent domain abuse remains a crucial one, one we will strive to keep in the headlines and in the legislatures. And until every person’s home is truly his or her castle, we’ll continue the pressure as we always have—through activism, training and cutting-edge research.

Steven Anderson is the Castle Coalition coordinator.
IJ Defends Free Flow of Information In “Live Free or Die” State

By Valerie Bayham

“If you can click a mouse, you can sell your house,” boasts www.ZeroBrokerFees.com, an Internet advertising service that helps homeowners sell their homes themselves. Tapping into the fact that more than three-quarters of homebuyers research houses online while real estate agents continue to charge sky-high commissions, Ed Williams and Frank Mackay-Smith founded ZeroBrokerFees.com in 2004.

Ed and Frank believe they have struck the perfect combination of do-it-yourself firepower and a broad support network of friends in the field. By providing basic information about how to sell or buy a home plus links to appraisers, mortgage companies, title companies and even discount brokers, consumers are able to make an informed choice about whether to go it alone or use a real estate agent.

Based just outside of Boston, Mass., the company’s website lists more than 14,000 homes for sale. Not bad for a start-up. But the site has only a few listings in nearby New Hampshire. Fearful of unfriendly government bureaucrats, ZeroBrokerFees.com has been reticent to advertise in the “Live Free or Die” state.

Under current New Hampshire law, companies that advertise and list homes or properties for a fee need a real estate brokers’ license. While newspapers and other publications of general circulation are exempted from compliance, there is no similar exemption for websites. Unfortunately, the Real Estate Commission, which is charged with protecting the public, has already gone after one for-sale-by-owner website when local real estate agents complained that they were losing business.

Businessmen like Ed and Frank have better things to do than complete a 60-hour brokering course and apprentice for a year with a real estate broker—particularly when the website simply provides general information and an advertising forum, exactly like any newspaper in the country. But with fines of up to $2,000 per listing, the Real Estate Commission has the power to shut down these successful entrepreneurs.

Thankfully, the Institute for Justice is there to remind New Hampshire bureaucrats that free speech rights can’t be sold away to protect a favored cartel. In June, the Institute filed suit in the U.S. District Court of New Hampshire, using the First Amendment to protect ZeroBrokerFees.com and other online advertisers.

The First Amendment guarantees that individuals may speak their minds and communicate information without the approval of government censors. After all, we don’t restrict the free flow of information about medicine to only doctors, and we don’t let only politicians talk about politics. Real estate agents shouldn’t have a monopoly on providing information about real estate markets. In a nation that values free speech, Internet advertisers like ZeroBrokerFees.com should be free to spread the news about homes for sale.

Borrowing a page from our victory in ForSaleByOwner.com v. Zinneman—a similar for-sale-by-owner case in California—IJ seeks to establish that such website entrepreneurs have the same First Amendment rights as newspaper publishers. Just because they operate online doesn’t mean they should be treated as second-class citizens.

While protecting the rights of businessmen like Ed and Frank, IJ will also be protecting consumers. When bureaucrats shut down innovative businesses, consumers have fewer options and face higher costs. Homeowners—not bureaucrats—have a right to determine how best to advertise and sell their homes. With IJ on the case, politically connected realtors won’t be able to stop them.

“The Institute for Justice is there to remind New Hampshire bureaucrats that free speech rights can’t be sold away to protect a favored cartel.”

Valerie Bayham is an IJ staff attorney.
The Institute for Justice recently scored yet another victory for entrepreneurs and consumers, this time in Missouri. The victory there belonged not only to IJ, but also to a special member of our Human Action Network (HAN)—IJ’s grassroots association of individuals who have graduated from the Institute’s public interest training programs and who stay connected to the Institute for Justice as volunteers when cases arise in their city, state or area of interest.

In a consent judgment issued in May, the State Board of Embalmers and Funeral Directors agreed that retail casket sellers could sell caskets without a funeral director’s license. At issue in this case was whether Larry Gegner—a consumer advocate from Buffalo, Mo., who has spent the better part of his life selling caskets and teaching consumers about the often-inflated costs associated with burials—could share his knowledge.

Larry’s argument was straightforward: people should have the right to teach and learn about something so important as how to bury a family member without getting ripped off by the funeral cartel. A complicating factor for IJ, however, was Larry’s remote location where the litigation would proceed: about three hours southwest of St. Louis in the central part of the state.

Enter Human Action Network member Ed Martin from St. Louis. Attorneys connected with the Institute for Justice usually learn about our work either by attending IJ’s annual law student conference or by clerking at our office. Dedicated advocates for liberty like Ed Martin do both. Ed attended our 2001 Law Student Conference while clerking for the Institute, and then provided invaluable assistance when the time came to represent Larry Gegner.

When Ed and IJ Staff Attorney Valerie Bayham visited the Gegners to learn more, both attorneys soon recognized this was a case for IJ. Ed noted, “What became clear was that Larry had done his homework—learning about the costs of caskets and funerals—and wanted to share that information with his fellow citizens. There is no way the government should stand in the way of those who are merely trying to convey truthful information.”

Likewise, HAN members have information they want to share to advance freedom. Whether assisting in client interviews, case filings or amicus briefs, attorneys in the Human Action Network use their legal skills to promote liberty nationwide.

Lawyers often belong to professional associations that show few results. One need look no further than Larry Gegner in Buffalo, Mo., to see how IJ’s Human Action Network continues to bear fruit year after year. So, as hundreds of Missourians reap the reward of Larry’s labor, we say “thank you” to Ed Martin and the hundreds of HAN members that labor on behalf of liberty.

Shaka Mitchell is IJ’s outreach coordinator.
“The Kelo case was truly history-making. It touched off a firestorm of controversy and a national grassroots backlash, which continues to transform the nation.”

Although the Cristofaros will lose their current home, under the agreement, the City and the NLDC will support an application for more housing in Fort Trumbull, and the Cristofaro family has an exclusive right to purchase one of the homes at a fixed price. Moreover, a plaque will be installed in the Fort Trumbull neighborhood to commemorate the loss of family matriarch Margherita Cristofaro, who passed away while the battle against eminent domain abuse occurred in New London. The City also has agreed to move the trees that father Pasquale Cristofaro transplanted 30 years ago, when the previous Cristofaro home was taken by eminent domain.

The Kelo case was truly history-making. It touched off a firestorm of controversy and a national grassroots backlash, which, as documented by Castle Coalition Coordinator Steven Anderson in our story on page 6, continues to transform the nation. And it all started with a little pink home, which will still proudly stand with Susette Kelo and her husband inside.

Scott Bullock is an IJ senior attorney.
IJ 2006 Summer Clerks

Our 2006 summer clerks and interns are providing excellent legal research and assistance for IJ. They are from left to right, Shannel Wheeler, Carina Cilluffo, Matt Tievsky, Erin Lichtenstein, Andrew DeLaney, Hallee Morgan, Laurie Proctor, Michael Hawrylchak, Max McCann, Marisa Maleck, Alex Potapov, Jessica Wilson, Russell Knight, Tom Meyerson and Jared Morris. (Not pictured are IJ-AZ clerks James Manley and Carrie Ann Sitren, IJ-MN clerks Stuart Nostdahl and Peter Gregory and IJ-WA clerk Rebecca Penn.)

IJ Attorney Scott Bullock Wins Koch Award

For his achievements in advancing the cause of liberty in a wide variety of cases, the Institute for Humane Studies (IHS) named IJ Senior Attorney Scott Bullock the winner of the fourth annual “Charles G. Koch Outstanding Alumni Award.” Bullock attended IHS seminars while he was a college student and in law school. In addition to his litigation and public advocacy in defense of property rights, free speech and other constitutional causes at IJ, he frequently lectures at IHS programs, helping to teach and inspire another generation of fighters for freedom.

The annual IHS alumni award is named in honor of Wichita businessman Charles G. Koch in recognition of his long-time support and his keen interest in cultivating talented young people to advance the principles and practice of freedom. Each year, one alumnus of IHS programs who is making significant contributions toward that end is given the award.♦
I escaped oppression by communists in Vietnam.

Now, a Minneapolis bureaucrat seeks to take away my American Dream of providing for myself by hanging signs.

Thankfully, our Constitution protects my right to earn an honest living.

I am standing my ground, and I will fight.

I am IJ.