

Does the Power to Use Eminent Domain for
Economic Development Actually Enhance
Economic Development?

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Organization of Presentation

- Eminent Domain for Private Economic Development
- Motivation: The *Kelo* Decision
- Research Questions and Contributions
- Summary of Previous Research
- Data and Descriptive Statistics
- Methodology and Models
- Results

Eminent Domain for Private Economic Development

Use of eminent domain to transfer private property from one party to another for the purpose of economic development.

Motivation

- The US Supreme Court decision *Kelo v. New London* (2005)
- Upholds the broader scope of eminent domain from “public use” to “public purpose”
- High unemployment and local and state government fiscal stress correspond with heightened economic development efforts.

Research Questions

- Do states that employ this tool see growth in private sector employment?
- If so, can it be attributed to this practice?
- The use of shift-share analysis and the “local competitive effect.”

Previous Research

- Turnbull and Salvino (2009): Kelo-type eminent domain is consistent with greater local and state government size.
- Lopez and Campbell (2009): State legislatures not all convinced Kelo-type eminent domain serves public interest --- rush to limit or prevent its use.

Data

- 1990 and 2000 Census data at the state level.
- 47 states in pooled cross-section, two periods.
- Eminent Domain is dummy variable
 - CT, KS, MD, MI, MN, NY, ND

Table 1: Summary Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Total Employment Change (A)	94	0.24	0.14	-0.07	0.69
Local Competitive Effect/Total Employment Change (B)	94	-0.27	3.53	-27.90	17.67
Local Competitive Effect (Loq. Quotients > 1)/Total Employment Change (C)	94	-0.19	2.95	-23.96	14.14
Eminent Domain	94	0.15	0.36	0.00	1.00
Own Source Revenue Decent.	94	0.41	0.08	0.20	0.55
Expenditure Decent.	94	0.51	0.08	0.32	0.65
Fragmentation	94	1,829	1,500	119	6,835
Intergovernmental Grants	94	0.25	0.06	0.09	0.41
Urban Population	94	4,388,063	5,469,860	134,368	29,300,000
Population	94	5,448,832	5,921,957	453,588	33,900,000
Median Household Income	94	\$ 29,465	\$ 4,939	\$ 20,136	\$ 41,721
South	94	0.30	0.46	0.00	1.00
Year 2000	94	0.50	0.50	0.00	1.00
Lawyers per 1,000	94	2.63	0.86	1.48	5.46
Percent State-Owned	94	1.16	7.88	0.02	76.69
Incomeskew	94	0.78	0.03	0.70	0.86

Methodology

- Shift-Share Analysis

$$\sum_i n_i g_i = G_T \underbrace{\sum_i n_i}_{\text{Shift Term}} + \underbrace{\sum_i n_i (G_i - G_T)}_{\text{Share Terms}} + \sum_i n_i (g_i - G_i)$$

Methodology

where we recognize the following terms:

$\sum_i n_i g_i$ = total job growth in the urban area ;

$G_T \sum_i n_i$ = total job growth in the urban area that is attributable to the national trend growth in employment;

$\sum_i n_i (G_i - G_T)$ = total job growth in the urban area that is attributable to the particular mix of industries in the urban area ; and

$\sum n_i (g_i - G_i)$ = total job growth in the urban area from local competitive effects across industries.

Methodology

- Model A: Dependent Variable is % growth in private sector employment over decade.
- Model B: Dependent Variable is “local competitive effect”/private sector employment growth.
- Model C: Dependent Variable is same as Model B but using only sectors with location quotient greater than 1.

Table 2: OLS with Total Employment Change (A), Local Competitive Effect/Total Employment Change (B), Local Competitive Effect (Loq. Quotients > 1)/Total Employment Change (C)

	Mod A	Mod A	Mod B	Mod B	Mod C	Mod C
Eminent Domain	-0.09 -2.71	-0.08 -2.46	-1.02 -2.27	-1.09 -2.42	-0.79 -2.21	-0.85 -2.36
Own Source Revenue Decent.	0.42 2.23	- -	-5.29 -1.08	- -	-4.40 -1.10	- -
Expenditure Decent.	- -	0.77 3.14	- -	-6.63 -0.84	- -	-5.39 -0.85
Fragmentation	-1.71E-05 -1.89	-2.18E-05 -2.52	2.98E-04 1.07	3.15E-04 1.14	2.40E-04 1.01	2.53E-04 1.09
Intergovernmental Grants	0.74 2.36	0.11 0.28	10.35 2.25	15.36 1.63	8.05 2.12	12.10 1.59
Urban Population	3.59E-08 1.81	3.93E-08 2.00	2.31E-07 0.55	1.88E-07 0.46	1.78E-07 0.52	1.42E-07 0.44
Population	-3.65E-08 -1.88	-3.87E-08 -2.01	-3.18E-07 -0.82	-2.90E-07 -0.77	-2.47E-07 -0.80	-2.23E-07 -0.75
Median Household Income	3.90E-06 1.05	2.84E-06 0.78	6.88E-05 0.59	7.33E-05 0.68	5.70E-05 0.58	6.04E-05 0.66
South	0.03 1.06	0.03 0.86	0.80 0.89	0.80 0.81	0.56 0.76	0.56 0.69
Year 2000	0.03 1.00	0.04 1.53	0.19 0.35	0.07 0.10	0.18 0.39	0.08 0.15
Constant	-0.17 -1.31	-0.21 -1.69	-2.67 -0.59	-2.74 -0.53	-2.05 -0.54	-2.12 -0.49
R-squared	0.26	0.30	0.04	0.04	0.03	0.03

*T-stat's below coefficient estimate

Table 3: OLS with Total Employment Change (A), Local Competitive Effect/Total Employment Change (B), Local Competitive Effect (Loq. Quotients > 1)/Total Employment Change (C) - - - IV Estimation for Eminent Domain

	Mod A	Mod A	Mod B	Mod B	Mod C	Mod C
Eminent Domain	-0.18 -3.29	-0.16 -2.88	-1.92 -1.86	-2.04 -2.05	-1.49 -1.71	-1.59 -1.89
Own Source Revenue Decent.	0.40 2.05	- -	-5.50 -1.11	- -	-4.57 -1.12	- -
Expenditure Decent.	- -	0.74 3.07	- -	-6.94 -0.87	- -	-5.63 -0.88
Fragmentation	-8.30E-06 -0.86	-1.37E-05 -1.47	3.89E-04 1.15	4.13E-04 1.24	3.11E-04 1.08	3.29E-04 1.17
Intergovernmental Grants	0.79 2.54	0.18 0.46	10.95 2.24	16.24 1.68	8.52 2.1	12.78 1.63
Urban Population	3.96E-08 2.00	4.26E-08 2.19	2.69E-07 0.64	2.26E-07 0.57	2.08E-07 0.62	1.72E-07 0.54
Population	-4.15E-08 -2.12	-4.31E-08 -2.24	-3.69E-07 -0.96	-3.42E-07 -0.92	-2.87E-07 -0.94	-2.64E-07 -0.9
Median Household Income	6.42E-06 1.7	5.15E-06 1.36	9.48E-05 0.71	1.01E-04 0.81	7.74E-05 0.68	8.22E-05 0.78
South	0.04 1.32	0.04 1.11	0.90 1.06	0.91 0.97	0.63 0.92	0.64 0.83
Year 2000	0.02 0.85	0.04 1.39	0.15 0.28	0.01 0.02	0.14 0.33	0.03 0.07
Constant	-0.24 -1.77	-0.27 -2.05	-3.43 -0.68	-3.53 -0.63	-2.63 -0.63	-2.74 -0.59
R-squared	0.27	0.31	0.04	0.04	0.04	0.03

*T-stat's below coefficient estimate

Conclusion

- Questions, comments, suggestions?
- Thank you!