

Module 9: Economics

Topic 2 Content: Property Rights

Introduction



Glover Mint: Most modern nations operate under a mixed economy, which provides a level of government regulation and a free market driven by competition and self-interest. A key element of a free market is the right to private ownership of property. Cain S. Hayek joins us live in the studio to discuss this concept.

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Property Rights



Cain S. Hayek: Pretend that there is a new highway being built in your town. Your home happens to be located on a piece of land that is critical to the construction of the new highway, and the government tells you that you are required to move. What protections do you have against government seizure of your property?

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Fifth and Fourteenth Amendments

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Fifth Amendment

“No person shall...be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.”

Fourteenth Amendment

Incorporated the Fifth Amendment rights to due process of law and fair compensation at the state level

Cain S. Hayek: If you happened to find yourself in this type of scenario while living in a command economy, your home could be taken from you with little to no compensation. Luckily, you are an American citizen and the Founding Fathers have your back. The Fifth Amendment specifically states that no citizen shall “be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.” This Amendment, which protects private property from seizure by the federal government, was also partially incorporated into the Fourteenth Amendment, allowing the same protections from state governments.

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Private Ownership



Cain S. Hayek: The American government, like many nations with mixed economic systems, recognizes the right to private property and safeguards it through legal means. These rights are enforced through legal contracts and the court system, and apply to personal property, private businesses, and intellectual property as well. It is important for a nation with a market economy to protect property rights, since they work as an incentive. Using the home scenario, would you work hard to own a home if you knew that the government would be able to confiscate it at any time for any reason? Or, consider intellectual property rights: would you spend countless hours developing a new invention if you knew that it would be taken from you and mass produced without any compensation? Property rights help foster initiative, innovation, creativity, and ultimately, economic growth.

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Contracts

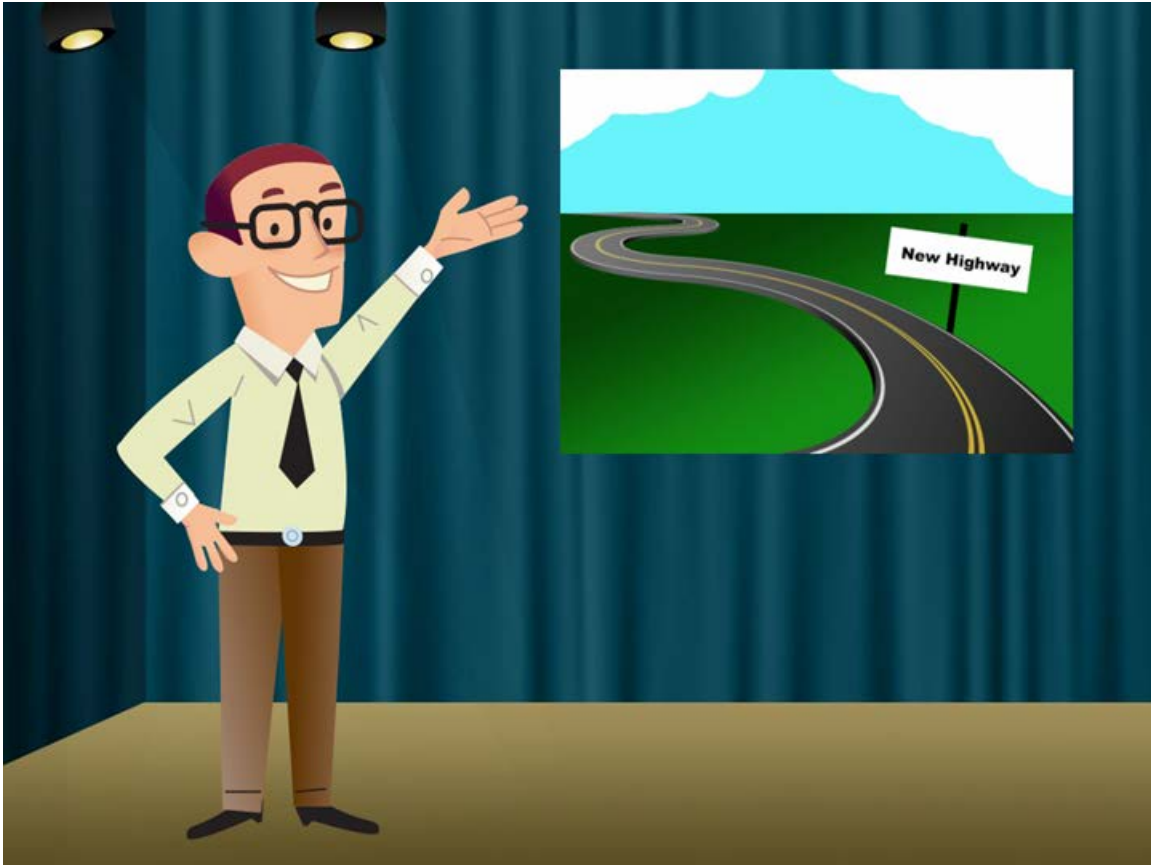


Cain S. Hayek: Private ownership is protected by contracts. Contracts are legally binding agreements between two or more parties. A contract may exist as an oral agreement, or it may be in writing. What do you think of when you picture a contract? Maybe you imagine business executives shaking hands and signing documents that deal with billions of dollars. Perhaps you picture movie stars or famous musicians being offered multi-million dollar deals for their next movie or album. Whatever you pictured, I can almost guarantee that it wasn't the signature you gave the cashier last time you used your credit card, or the terms and conditions you accepted when you updated your phone; however, these are all considered contracts, since they serve as legally binding agreements to exchange goods and services.

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Eminent Domain



Cain S. Hayek: Before I end today's segment, I would like to emphasize that individual property rights in the U.S. are relative and limited. Although the Fifth and Fourteenth Amendments require the national and state governments to fairly compensate individuals who have their private property taken, they are not completely prohibited from taking private property. Individual property rights are protected by the law through contracts, but the rights of society as a whole rank above the rights of an individual. This concept is known as eminent domain, and it means that the government may take private property for public use, but a fair level of compensation must be given in return.

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Ending of Episode



Glover Mint: Thank you, Cain, for that excellent segment on the American economic system. We hope you enjoyed it as well. That's all for this episode of WUSG News.