

Lesson 05: The Institution of Private Property

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1. Lesson 05: The Institution of Private Property

4. Chapter: Lesson 05: The Institution of Private Property

1. Lesson 05: The Institution of Private Property Questions

4.1.1. Did Crusoe need an institution of private property?

Author: Robert Murphy

Did Crusoe need an institution of private property?

- No, the only conflict Crusoe had was with Nature.
If he wanted more coconuts to eat, he simply had to decide whether the benefits outweighed the additional sacrifice of leisure.
There were no other intelligences who may have had their own designs on the scarce goods.

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4.1.2. Why does economic scarcity lead to potential conflict in society?

Author: Robert Murphy

Why does economic scarcity lead to potential conflict in society?

- Scarcity means that there aren't enough units of a good (or service) to satisfy everyone's potential uses for it. In society, people often have incompatible aims for the same unit of a good. (If Jim eats a piece of pizza, Sally can't eat the same piece.)

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4.1.3. What are the three main institutional settings we will study in thi...

Author: Robert Murphy

What are the three main institutional settings we will study in this course?

- Pure capitalism, pure socialism, and the mixed economy (as defined in the student text and also above).

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4.1.4. Is the sketch of a pure market economy a realistic depiction of the...

Author: Robert Murphy

Is the sketch of a pure market economy a realistic depiction of the United States?

- Not at all! Historically, the United States was the closest to a large, pure capitalist economy the world has ever known, but the U.S. federal government has grown steadily since its birth. Even though many people consider the United States in the early 21st century to be an illustration of the operation of capitalism, in our terminology it is most definitely a mixed economy.

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4.1.5. What does it mean when an economist says, "We should let the market..."

Author: Robert Murphy

What does it mean when an economist says, "We should let the market decide"?

- Such a statement means that the government should not interfere with the outcome of voluntary interactions among private property owners. It's important for students to realize that letting "the market" decide something isn't ceding decisionmaking authority away from concerned individuals and into the hands of a lifeless concept. On the contrary, "the market" in this context refers to the decisions made by certain individuals in the private sector, and any government involvement would simply substitute the desires of government officials for the people in the private sector. Decisions are always made by individuals.

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4.1.6. Explain why the boundaries imposed by property ownership are absolu...

Author: Robert Murphy

Explain why the boundaries imposed by property ownership are absolutely essential to a capitalist system.

- Capitalism gives people the freedom to start any business or to work for any employer that they desire. Consumers are also free to buy or not buy whatever products and services they desire. The only way this system can work is if there are strict boundaries on who owns what, so that it is clear which person has the right to use or trade away a particular good.

Sample Partial Credit Answer

If people didn't get to keep the fruits of their labor, they would have no reason to work hard.

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4.1.7. Explain how property rights minimize conflicts.

Author: Robert Murphy

Explain how property rights minimize conflicts.

- Resources are scarce, meaning that there aren't enough to satisfy everyone's desires for using those resources. This situation leads to conflict, because if one person uses a good to satisfy his goals, someone else won't be able to. Property rights provide an orderly way to determine which person gets to decide how a good will be used, and how that ownership can be transferred to a different person.

Sample Partial Credit Answer

Without property rights, people would always fight over resources.

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Question: [Explain how property rights minimize conflicts by Dr. Robert Murphy](#)

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