



## PROPERTY RIGHTS

The fundamental requirement of a market economy is a strong system of **property rights**. A property right is the exclusive **authority** to determine how to use and service a resource. Thus, for example, the **owner** of an apartment with complete property rights to the apartment has the right to **determine** whether to rent it out or to live in it himself. He has the right to determine which **tenant** to rent the apartment to. He can also use it in any other way. If the owner rents out the apartment, he also has the right to all the after-tax rental **income** from the property.

A private property right includes the right to **delegate**, rent, or sell any portion of the rights by **exchange** or gift at the price the owner determines.

The three **basic** elements of private property are (1) **exclusivity** of rights to the choice of use of a resource, (2) exclusivity of rights to the services of a resource, and (3) rights to exchange the resource at **mutually** agreeable terms.

MUTUALLY    EXCHANGE    DELEGATE    INCOME    OWNER    PROPERTY    RIGHTS  
AUTHORITY    DETERMINE    TENANT    BASIC    EXCLUSIVITY