

Demolishing the Pillars of Prosperity in the Name of Art

Imagine you own a modest house in the countryside. You go there with your family on the weekends, fleeing the noisy and congested atmosphere of the city. Your husband and you are still paying back the mortgage you took a few years ago to purchase the house, working hard to make ends meet.

Now imagine that one day you find that the facade of your beautiful dwelling has been graffitied by a renowned artist whose paintings are considered art treasures by experts. Because it's your property, you don't hesitate for a second and immediately start cleaning the front of your house. A few days later, you find out you have been sued for breaking a law that protects public art of "recognized stature." You are finally condemned to pay a large fine to the artist for erasing his *work of art*.

If you are thinking this could never happen in the U.S., where private property rights are allegedly protected by the [Fifth Amendment](#), you are wrong. Last week the *New York Times* [reported](#) that a real estate developer had been condemned to pay \$6.7M for whitewashing, back in 2013, dozens of *artistic* murals on the walls of his buildings. Apparently, some of these murals were under the protection of the Visual Artists Rights Act for their "recognized artistic stature."

Some will say that this is just an anecdote that doesn't deserve a great deal of attention. After all, that a person isn't permitted to whitewash the facade of his building under certain specific circumstances doesn't seem a terrible infringement of his rights. Personally, I see this case as an excellent opportunity to show why it is essential for a society aimed at achieving economic prosperity to have a legal framework that doesn't undermine private property rights. Or

put differently, private property rights are a condition *sine qua non* for a society to thrive; protecting them is, thus, of the utmost importance.

Let's start from the beginning. What do I mean by private property rights?

The right to private property contains [three main corollaries or dimensions](#): the exclusive right to use a resource; the right to the services or utility rendered by it; and the right to exchange it at any price one considers appropriate. What happens when these rights are somehow restricted, limited or flagrantly violated by law?

Before answering this question, let me introduce the concept of incentive. From an economic point of view, an incentive is a potential pecuniary reward that moves someone to do something. When economists say that *incentives matter*, they mean that a legal framework that establishes the right incentives will result in economic growth and prosperity. And vice versa: the wrong incentives can lead a country to the abyss of poverty.

Now back to the previous question. One way of violating private property rights are price controls. When a government imposes a price ceiling, producers aren't allowed to sell their goods or services at any price they choose. This implies a clear breach of the third corollary mentioned above, which very often leads to [disastrous outcomes](#).

For instance, if a seller is forbidden to sell a good at a price that covers all costs, she will stop producing it (remember the incentives?), which in turn will bring about a shortage of that particular good. If price ceilings are extended to the rest of the economy, the result will be a generalized shortage of goods (including first necessity goods) with the subsequent impact on the living standards of society. If you think this is just economic theory divorced

from reality, [ask Venezuelans about it](#).

Price controls are only one way of undermining private property rights, but not the only one. Excessive tax burdens, regulations limiting the right to use your property (as in the case of the real estate developer) or [asset seizures by government](#) are blatant violations of private property rights that end up depriving economic agents of incentives to create wealth, thereby demolishing one of the most fundamental pillars on which prosperity rests.

So, if someone asks you why private property rights are so important, tell him about the damaging consequences of lacking a legal framework that protects such rights. It will be an eye-opener.

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