

CHAPTER
3
SECTION 1

SOURCE READINGS IN ECONOMICS

Eminent Domain

2

Eminent domain is the right of the government to take private property for public use as long as owners are paid for their property. A city government might take houses to build a park or road. Read the following excerpts from a news story about a 2005 Supreme Court case that explored the meaning of "public use."

The Supreme Court ruled ... that governments can seize property to make room for private development projects to try to boost the economy.

The 5-4 ruling gave the Court's blessing to cities ... not just to clear the way for public projects such as roads and parks, but also for private developments involving hotels, offices and retail centers. ...

The ruling drew a sharp dissent from Justice Sandra Day O'Connor, who warned that it will allow governments to seize any property simply to allow developers to upgrade it. "Nothing is to prevent the state from replacing any ... home with a shopping mall," said O'Connor. ...

Susette Kelo and the other owners of 15 homes in New London, [Connecticut], challenged the plan to take their property for a project that will include a hotel, office complexes and a marina. ... Kelo's lawyers urged the Court to find that cities cannot seize land that is not ... [run-down] for private development. ...

"Promoting economic development is a ... long-accepted function of government," Justice John Paul Stevens wrote. He noted that the project was expected to create jobs and increase tax revenue. ...

"Seizing Land for Private Use Ok'd" by Joan Biskupic from *The USA Today*, June, 23 2005. Copyright © USA Today. Used by permission.

Questions to Think About

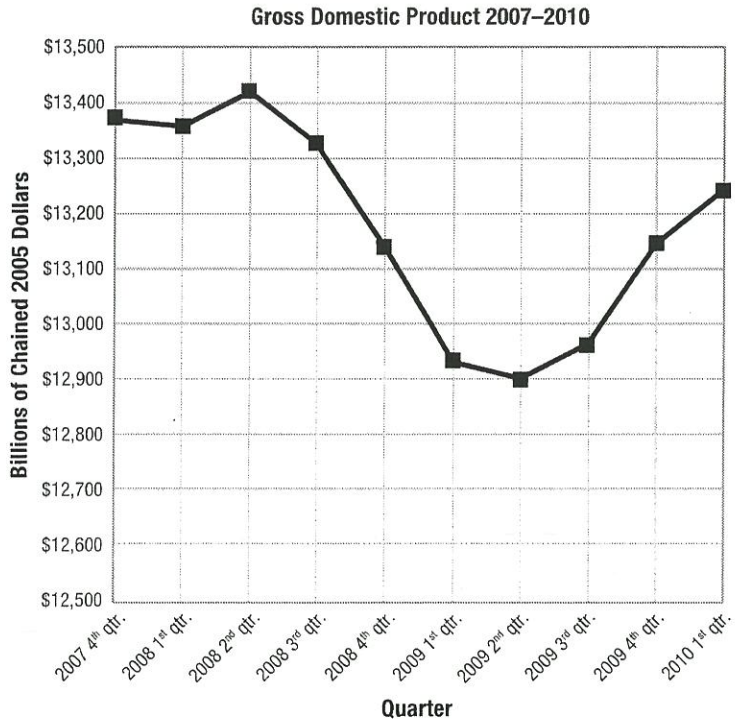
Directions: Using the news story above, answer the following questions. Use complete sentences.

1. Why did the homeowners challenge the city's plan? They argued that governments do not have the right to take private property for private development unless the property is run-down
2. What did the Supreme Court decide? How did the Court's ruling expand the right of eminent domain? They sided with the city of New London against the homeowners. The ruling expanded the right of eminent domain saying that it does not apply only to public use.
3. Why did Justice O'Connor disagree with the ruling? He said it will give governments the right to seize property just to upgrade it.

CHAPTER
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SECTION 2

ANALYZING CHARTS AND GRAPHS
GDP and Business Cycles **2**

Gross domestic product (GDP) is the total value of all final goods and services produced in a country in a given year. GDP is one way to measure the size of a country's economy. A growing GDP shows that the economy is healthy. Study the graph below to see what happened to U.S. GDP between the end of 2007 and the beginning of 2010. Then answer the questions that follow.



Source: U.S. Bureau of Economic Analysis

Questions to Think About

Directions: Using the graph above, answer the following questions.

- How did the U.S. GDP change between the end of 2007 and the beginning of 2010? It went down about half a trillion dollars between 2007 and 2009 but was on the rise again by 2010, gaining about 300 billion dollars
- When did GDP grow the most? Express your answer in terms of quarters of a particular year or years. Quarter 4 of 2009
- In which two quarters did GDP go down the most? Quarter 4 of 2008 and Quarter 1 of 2009

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STUDENT ACTIVITY

Providing Public Goods

2

Directions: Study the chart below. Think about why each public good in the first column is an example of market failure. In other words, why would it be difficult for the free market to provide this good or service efficiently? Then think of at least one positive and one negative externality for each public good in the chart. Use the first example as a model, and complete the rest of the chart.

PUBLIC GOOD	MARKET FAILURE	POSITIVE EXTERNALITY	NEGATIVE EXTERNALITY
Interstate highways	<ul style="list-style-type: none"> Highways are too expensive for private companies to build. Companies could charge high tolls or not build roads in rural areas. 	<ul style="list-style-type: none"> Jobs are created to build and maintain highways. Restaurants and stores near highways get more business. 	<ul style="list-style-type: none"> Highway traffic causes pollution and noise. Cars getting on and off at exits create traffic for local communities.
Street lights	<ul style="list-style-type: none"> Some people may not want to pay for lights if they think they are not necessary. 	<ul style="list-style-type: none"> Property values go up because crime goes down. 	<ul style="list-style-type: none"> City electric bill goes up. Workers must be hired to maintain light.
National defense	<ul style="list-style-type: none"> Only the government can afford to pay for it. 	<ul style="list-style-type: none"> Jobs created in related industries. New technology may be created. Soldiers gain skills. 	<ul style="list-style-type: none"> Loss of life. Need for medical care rises. Money spent on defense not available for other things.
Flood control projects	<ul style="list-style-type: none"> People who are not affected do not want to pay. 	<ul style="list-style-type: none"> Jobs created. Rich farm land. Less money spent on flood damage. 	<ul style="list-style-type: none"> Dams ruin scenic areas. People's homes may be taken through eminent domain to build dams.

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SURVEY
Helping People in Need **2**

* Study the following survey. It asks several questions about the government safety net that tries to help people in need.

1. Does the government spend too much money on welfare and other programs to help people in need?	<u>YES</u>	NOT SURE	NO
2. Should the government spend more money on such programs?	YES	NOT SURE	<u>NO</u>
3. Should the government help everyone who is poor?	YES	<u>ONLY FOR A LIMITED TIME</u>	NO
4. Should everyone who is 65 or older receive Social Security?	<u>YES</u>	ONLY IF THEY NEED THE MONEY	NO
5. Should the government provide health insurance for all children who do not have insurance?	<u>YES</u>	ONLY IF THEIR PARENTS CANNOT AFFORD IT	NO
6. Should the government help everyone who is disabled?	YES	<u>DEPENDS ON THE DISABILITY</u>	NO
7. In general, which is the best way to help people in need?	<u>GOVERNMENT PROGRAMS</u>	PRIVATE CHARITIES	

Conducting the Survey

Directions: Ask ten people the survey questions above. Record their answers by making a mark next to or below each response. Then answer the following question about your survey results.

* 8. Did most of the people you surveyed support a government safety net to help those in need? Explain your answer.

Answers will depend on survey answers.
