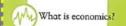
Business



What is a FREE MARKET?

I can choose how much to sell my goods for because this is a free market economy



What's the opposite?

In a command economy, the government owns all resources, and it decides what should be made, how much should be made, and who should make it. It's no se having a good idea because even if you're allowed to carry it out, you won't get to keep any of the profits.





RECORDING ONE

A free market doesn't mean you can get stuff for free! It means you have the freedom to trade.

RECORDING TWO

WHAT IS A FREE-MARKET ECONOMY?

People who live in a free-market economy are free to make choices, and to benefit from the choices they make.

FREEDOM

People are free to choose where to live, what work to do, and who to work for.

People can choose what to spend their money on goods and services, savings, or investment in a business.

TRADE

PROFIT

Producers are allowed to sell stuff for more than it costs to make, and to keep the profit.

Different businesses are free to offer similar products. This can help keep costs down for the consumer.

COMPETITION

PRIVATE PROPERTY

The law allows people to own things, and punishes theft.

This makes it worthwhile to try and make money so you can get more things.

RECORDING THREE

IS IT REALLY FREE?

Although many countries operate a free-market economy, most also have laws to stop people from doing exactly what they want. Laws prevent people from buying or selling certain goods (such as babies and illegal drugs). There are also laws that force people to give some of their profits to the government as tax.

I'm not for sale—I'm priceless.

RECORDING FOUR

Sunk costs

You run a flower stall. It's Friday afternoon and your flowers won't last until Monday. Someone offers you \$6 for a \$10 bouquet (which cost you \$5). Should you sell? Yes, you've already spent \$5 so \$6 still means a \$1 profit. What if they offer \$5? Again, yes, at least you're covering your costs. \$4? Well, yes again, you'll lose \$1 instead of \$5. The money you've already spent is a sunk cost you may never recover.



In your own words - what do you remember?

click here