

# Business



What is economics?

## 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 not having a good idea because even if you're allowed to carry it out, you won't get to keep any of the profits.

I think I should command some more money.



### 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.



## 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.

REDUCED



**In your own words - what do  
you remember?**

*click here*

