**Free Market**

* What is a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_?
  + A market is an “arrangement” that allows people to buy and sell items
* Why are markets important?
  + No one is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_; as a result, people must exchange goods and services
  + In our society, people \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. As a result, everyone does their own thing in hopes of being more efficient with the resources available

**Free Market Economy**

* Free market economies are based on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of goods and services
* Factors of production are owned by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* Individuals answer the 3 basic economic questions
  + \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_?
  + \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_?
  + \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_?

**Circular Flow**

The flow of payments in an economy is a circular flow. Individuals--people living in households--work for businesses, rent their property (or their capital) to businesses, and manage and own the businesses. All these activities generate incomes--flows of payments from businesses to households. But households then spend their incomes--on consumption goods, in taxes paid to governments (that then spend the money on goods and services), and on assets like stock certificates and bank CDs that flow through the financial sector and are then used to buy investment and other goods. All these are expenditures

* The two flows--of incomes and of expenditures--are equal: all expenditures on products are ultimately someone's income, and every piece of total income is also expended in some way

**Free Market Economy**

* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ nature of the Marketplace
  + \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is key – \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ – The Wealth of Nations – because we all are looking out for our best interests, we are the motivating force of the free market
  + \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ – the regulating force – to sell as much as a company can, they must have the best price or the best item to sell
* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ – a term coined by Adam Smith – term economists use to describe the self-regulating nature of the marketplace
* The self-interest of people combined with the competition from businesses causes the market to work without any outside help

**Advantages of a Free Market**

* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ – producers make only what consumers want, when they want, and at prices willing to be paid
* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ – including freedom to work where you want, firms to produce what they want and consumers to buy what they want
* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ – innovations and growth encouraged, entrepreneurs are trying to find new ways to do things
* Additional Goals – \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the power of consumers to decide what gets produced
  + Wide variety of goods and services offered

**Free Market**

* NO PURE MARKET EXISTS ON ANY MEANINGFUL SCALE
* Much of what makes a free market so attractive can also be a weakness

**Free market vocabulary**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

* An expectation that encourages people to behave in a certain way

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

* The doctrine that states that government generally should not intervene in the marketplace

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

* something new or different introduced
* something newly introduced, such as a new method or device