

VISUAL 1

MARKET VS. COMMAND ECONOMY

ECONOMIC SYSTEM:

rules about how resources are allocated in a particular country or group of people.

MARKET ECONOMY:

An economy that relies on a system of interdependent market prices to allocate goods, services, and productive resources and to coordinate the diverse plans of consumers and producers, all of them pursuing their own self-interest.

Characteristics of a market economy include:

- a. **Private property:** The factors of production are owned by private individuals and private institutions rather than by the government.
- b. **Freedom of enterprise and choice:** Entrepreneurs are free to obtain and organize resources to produce and sell goods and services. Consumers are free to purchase goods and services to best satisfy their wants. Workers are free to pursue any job for which they are qualified.
- c. **Motive of self-interest:** Entrepreneurs seek profits, consumers seek satisfaction from their use of goods and services, workers seek the highest wages possible.
- d. **Competition:** Sellers compete on the basis of price, service and product quality.
- e. **System of Markets and Prices:** Markets bring buyers and sellers together and interact with one another with the buyers wanting to get the item at the lowest price and the sellers wanting to sell at the highest price.
- f. **Limited Government:** Competitive markets promote the efficient use of resources. Government does not allocate resources, goods or services.

COMMAND ECONOMY:

An economy in which most economic issues of production and distribution are resolved through central planning and control.

Characteristics of a command economy include:

- a. **Community property:** There is community ownership of the factors of production – no private ownership.
- b. **Planned economic activity:** Production is planned by a central planning unit and resources are assigned as needed

VISUAL 2

WHAT IS CAPITALISM?

Capitalism, a.k.a. private enterprise

An economic system based on the private ownership of the means of production and distribution, characterized by the freedom of capitalists to operate or manage their property for profit in competitive conditions.

VISUAL 3

FACTORS OF PRODUCTION

NATURAL RESOURCES

"Gifts of nature" that can be used to produce goods and services; for example, oceans, air, mineral deposits, virgin forests and actual fields of land.

CAPITAL RESOURCES

Resources and goods made and used to produce other goods and services. Examples include buildings, machinery, tools and equipment.

HUMAN RESOURCES, A.K.A. LABOR

The quantity and quality of human effort available to produce goods and services.

ENTREPRENEURSHIP

The act of being an entrepreneur, one who assumes the risk of organizing productive resources to produce goods and services; a resource.

VISUAL 4

CAPITALISM CRITIQUES

I think the most important factor in getting out of the recession actually is just the regenerative capacity of American capitalism.

Warren Buffett, American business magnate, investor, and philanthropist

The inherent vice of capitalism is the unequal sharing of blessings; the inherent virtue of socialism is the equal sharing of miseries.

Winston Churchill, former prime minister of the United Kingdom

The problem of social organization is how to set up an arrangement under which greed will do the least harm. Capitalism is that kind of a system.

Milton Friedman, American economist

Capital as such is not evil; it is its wrong use that is evil. Capital in some form or other will always be needed.

Mohandas (Mahatma) Gandhi, political and ideological leader of the Indian independence movement

Capital is dead labor, which, vampire-like, lives only by sucking living labor, and lives the more, the more labor it sucks.

Karl Marx, revolutionary socialist and author of The Communist Manifesto

These capitalists generally act harmoniously and in concert, to fleece the people.

Abraham Lincoln, 16th President of the United States

Advocates of capitalism are very apt to appeal to the sacred principles of liberty, which are embodied in one maxim: The fortunate must not be restrained in the exercise of tyranny over the unfortunate.

Bertrand Russell, British philosopher, logician, mathematician, historian, and social critic

VISUAL 5

THE BENEFITS OF ENTREPRENEURSHIP

Those who benefit from entrepreneurial activity:

1. The entrepreneur
2. Those who purchase the entrepreneur's product
3. Those who provide resources to the entrepreneur
4. Those who are employed by the entrepreneur
5. Society as a whole