

# **JIM C – QUIZ OF THE WEEK**

## **MONDAY - 07/28/08**

**HOW DID THE TERM “(FREE) MARKET ECONOMY” ORIGINATE?**

***Definition (businessdictionary.com):*** A market where decisions regarding resource allocation, production, and consumption, and price levels and competition, are made by the collective actions of individuals or organizations seeking their own advantage.

***Origin:*** The principles behind a free-trade economy came from the Scottish economist, Adam Smith. His central thesis in *The Wealth of Nations* (published in 1776) is that capital is best employed for the production and distribution of wealth under conditions of governmental noninterference, or laissez-faire, and free trade.

***Invisible Hand:*** Every individual in pursuing his or her own good is led, as if by an invisible hand, to achieve the best good for all.

***Reality:*** By definition, in a free market environment buyers and sellers do not coerce or mislead each other nor are they coerced by a third party. As a result, no pure free market economy exists in the world today; market economies are always regulated by society.

***Interesting Fact:*** Even though the People's Republic of China is run by the Communist Party, its economy involves considerable private enterprise and market forces in both private and public sectors.

***Moment of Zen:*** Economic freedom is simply a requisite for political freedom. (Milton Friedman)