

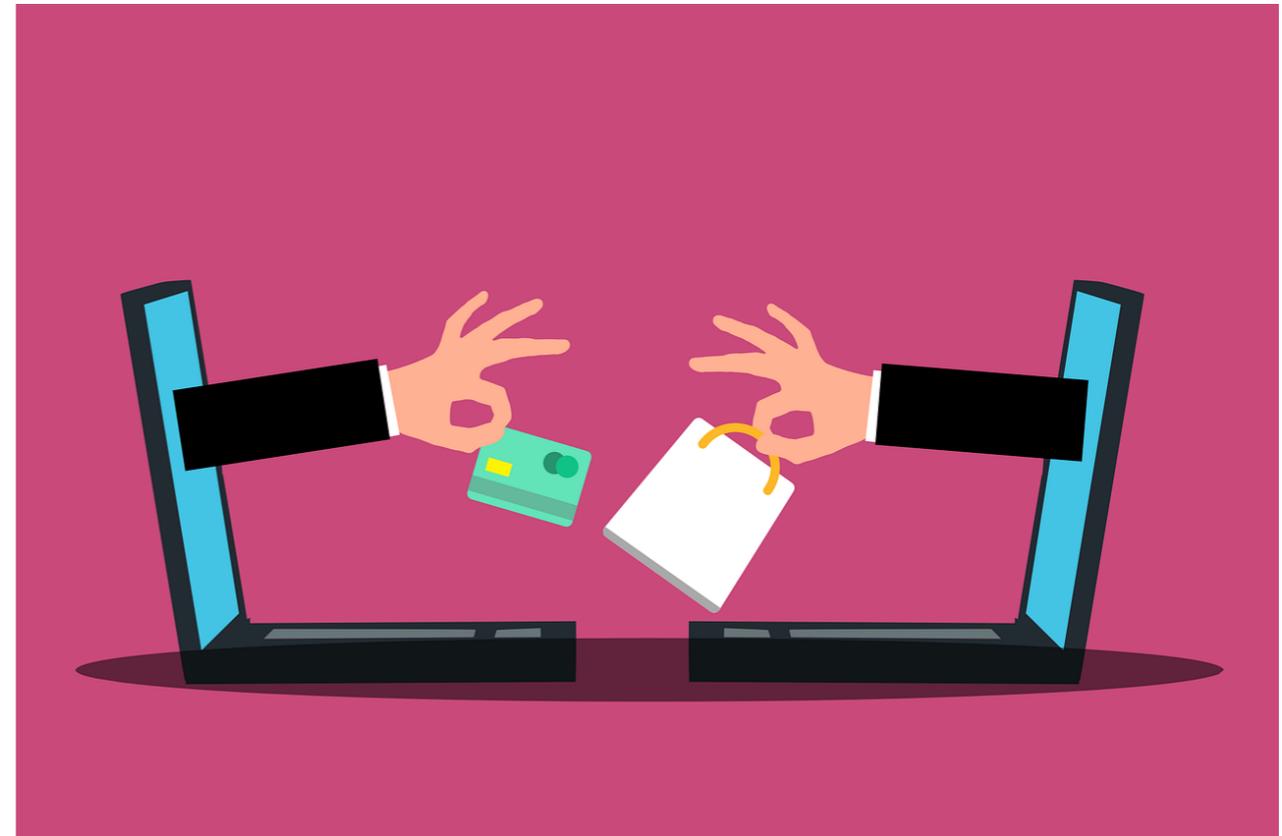
# **Capitalism Not Free Market**

**Capitalism  $\neq$  Free Market**

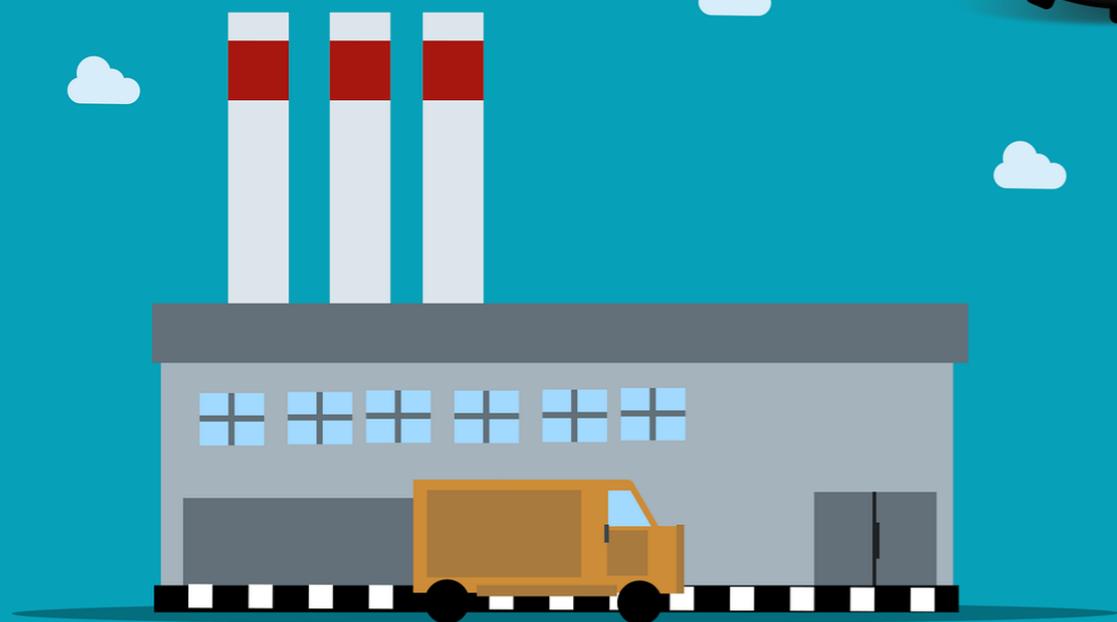
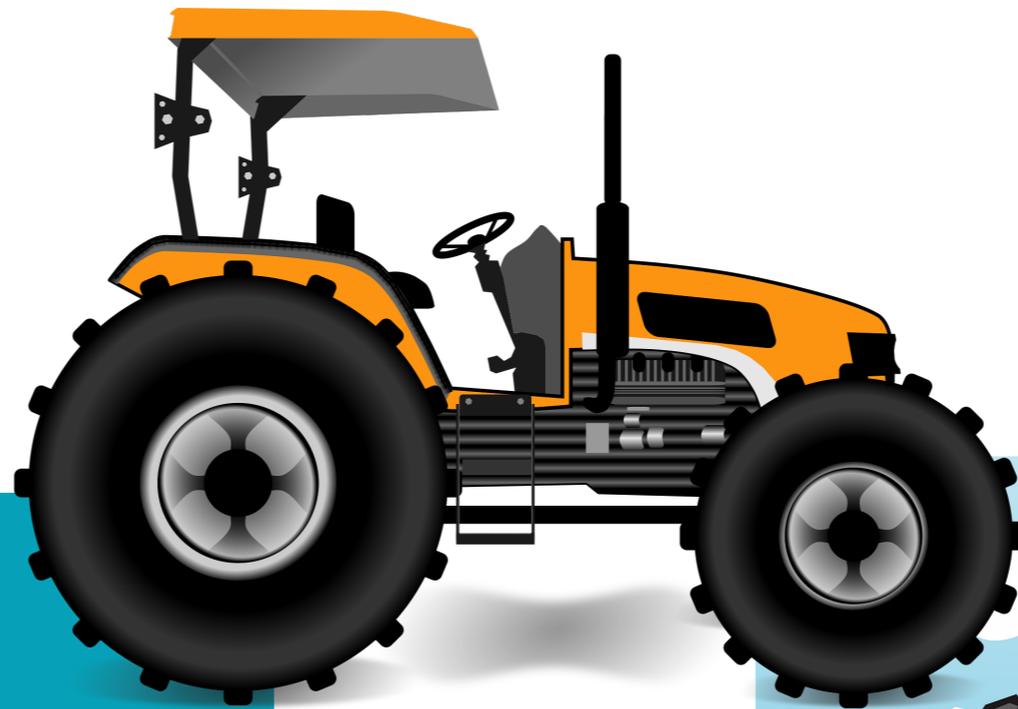
# Capitalism

Private  
Property

# Free Market



# Means of Production: Factories, Farms, Equipment, etc.





North Korea

Laos



CHINA

Viet Nam



Cuba







**SECURITY**



SWAP  
party







Capitalism = Competitive  
Markets

Have you ever wondered why sometimes our economy is described as Capitalist, and sometimes as free market?

These terms mean different things. Capitalism is about who owns things. The free market is about how trade operates.

In a Capitalist system, the means of production are owned by private individuals or corporations, and used for profit. In Communism, the means of production are publicly owned, in practical terms, by the government.

The means of production include factories and farmland, along with their equipment. Capital, in the economic sense, is any property that can be used to make more products.

We don't have any countries left that are purely Communist, where the government owns all the means of production. The Communist Party is still in charge of the Chinese government, and a few others, but they all have privately owned companies that produce goods.

The free market is a very simplified idealization of the competitive markets that we have all over the world. In a free market, everybody buys and sells with complete knowledge of what products are available and how many people want to buy them. Nobody would ever lie, cheat, or steal in a free market.

In real life, every kind of market requires protection for property rights. I suppose the closest we can get to a perfectly free market is a private swap party, where all the participants know each other and respect each other's property because they want to stay on good terms socially. In most market transactions, it is the government that protects property rights and prohibits cheating and stealing.

So we can have a free market without Capitalism, and Capitalism without free markets. We often hear that prices are set by the free market, but what we really mean is competitive markets. Competition is what sets prices and allocates resources.

Countries with pure Communism have no competition, and that may be the main reason we don't have such countries anymore. In practical terms, Capitalism = Competitive Markets.