

Handout C: Characteristics of Market and Command Economies Chart

Directions: Examine both the Soviet Constitution (1936) and the U.S. Constitution (1787). For each economic statement below, cite the article or clause from each constitution that applies to that statement in the appropriate box. If there is no article or clause that applies, leave the box blank. Finally, answer the concluding questions on a separate sheet of paper in well-written, well-organized paragraphs.

Economic statement:	Soviet Constitution	U.S. Constitution
Private property is individually owned.		
Private ownership is virtually eliminated. Almost everything is owned by the state or by 'collectives.'		
Private property rights are protected.		
Almost all property belongs to the state.		
The state's role in economic activities is severely limited.		
The state directs almost all economic activities.		
The state facilitates trade among free individuals.		
Economic activity exists to strengthen the state.		

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Concluding Questions

1. What evidence does the Soviet Constitution provide that establishing a command economy requires the subordination of individual desires, decision-making, and initiative?
2. Unlike the Soviet Constitution, the United States Constitution has relatively few clauses that directly relate to economics.
 - a. What are the main themes of the clauses of the U.S. Constitution that relate to the economy? Why were these the dominant themes?
 - b. What is significant about the fact that, while the Soviet Constitution dedicates the entirety of its first section to economic matters, the U.S. Constitution has few clauses that are directly economically related? Why do you believe the Founders did this?
3. Consider the relative merits of a command economy relative to a market economy.
 - a. What are some potential strengths of a command economy relative to a market economy?
 - b. What economic problems exist in a command economy that do not exist in a market economy? What characteristics of a market economy eliminate these problems?
4. In discussing socialism/communism's attempts to create command economies, twentieth century economist Frederick Hayek stated, "Even the striving for equality by means of a directed economy can result only in an officially enforced inequality – an authoritarian determination of the status of each individual in the new hierarchical order." Why did Hayek believe that the establishment of a command economy inevitably meant the loss of personal freedom?