

# Handout D: Characteristics of Command and Market Economies

## A. Characteristics of a command economy

1. The state owns the factors of production (natural resources, capital goods)
2. Planners in the state direct the economy
3. Planners in the state determine what should be produced
4. Planners in the state determine how to produce
5. Planners in the state determine how goods and services are distributed
6. Economic activity is based on collective well-being and in strengthening the state
7. Individuals have little power to make decisions in buying, producing, and even in the nature of their work
8. Private property is either limited or non-existent
9. Work is obligatory and is on behalf of the state

## B. Characteristics of a market economy

1. Individual buyers decide what should be produced
2. Individual sellers decide how to produce
3. There is no central planner directing economic activity
4. Emergent prices direct resources, goods, and services
5. Private property rights are strongly protected
6. People are free to buy and sell goods and services to satisfy their own desires
7. The state's power is strongly limited
8. Human freedom in decision-making must be maximized
9. The potential for profit provides the incentive to create and to work