“Economics deals with society’s fundamental problems: it concerns everyone and belongs to all. It is the main and proper study of every citizen.”

– LUDWIG VON MISES
Economics in One Day

Participant's Workshop Guide

Compiled and written by:
Jason Riddle
Dan Sanchez

FEE.org/Courses

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Welcome
Welcome to Economics in One Day! In this workshop, we’re going to learn about some basic economic concepts. Don’t worry, we won’t be staring at charts and equations. Economics is not nearly as boring as you might have heard. In fact, economics can be exciting and inspiring. Economics is about life. It’s about how people can live together in friendship and harmony. It’s about growing rich and fighting poverty at the same time.

We’re going to explore these ideas through a combination of activities and discussions. By the end of this session, you will be able to explain how economic freedom empowers and uplifts the people of the world.

Overview
Today we will learn about some important economic concepts while playing three separate but related games. In the first game, we will work together in teams to piece together an illustrated story that introduces a few fundamental economic concepts. In the second game, we will simulate how the goods and services we need are produced using a simplified representation of an economy. In the third and final game, we will reinforce the concepts learned throughout the day in a powerful demonstration of how trade creates wealth. In the first two games, you’ll have chances to earn coupons called “Certificates of Service.” During the third game, you’ll be able to exchange your Certificates for real prizes you get to keep. So pay close attention during the presentations and discussions, because the better you do in the first two activities, the more you’ll be able to buy in the third!

Schedule
- Welcome and Opening Discussion (30 mins)
- Activity 1 - Picturing the Process to Make a Pencil (45 mins)
- Activity 2 - Producing Pencils (60-120 mins)
- Activity 3 - Trading Game (45 mins)
- Closing Discussion (30 mins)
Concepts and Terms
Here is a list of the key concepts and terms we will define during the workshop today. Let’s take a moment to read through this list. Please note any terms you do not recognize.

- Economics
- Scarcity
- Choice
- Subjective Value
- Tradeoffs
- Incentives
- Voluntary Exchange
- Gains from Trade
- Specialization and Division of Labor
- Emergent Order (Spontaneous Order)
- Institutions
- Property Rights
- Rule of Law
- Knowledge Problem
- The Seen and Unseen
- Entrepreneurship

Our Objectives Today
After completing this workshop, you will be able to:

- Recognize key economic concepts
- Understand the fundamentals of how the market works
- Describe the challenges of centralized economic planning
- Discuss the important role of the entrepreneur in society
- Understand the connection between personal character, free markets, and civil society
LET’S GET STARTED
The goal for today is to learn how the market empowers you to increase your happiness by increasing the happiness of others. Economics is a toolbox that helps us figure out how we can best do that.

Shared Values
People are very different, but we have a lot of basic things in common. Think back to when you last visited a busy public place. It could have been a mall, a park, a city street, a movie theater, or even sitting in traffic. Now most people you saw around you that day were basically decent. Like you, they want their families, communities, and society in general to be happy. They also hate to see people suffer, and want people in need to get help. We all share these basic goals. We all want prosperity for humanity.

What qualities do you think a society needs in order to prosper and be truly happy?

Virtues and Character
You may have noticed that many of the values we have listed are good personal qualities. Good personal qualities are called “virtues.” When someone has many virtues, we say that person has strong character.

Is strong character something you are born with or something you can develop?
Choosing Between Paths
Throughout history, people have had different ideas about how to achieve a prosperous society. These ideas can be grouped into two broad approaches. Some think that centralized economic planning (or central planning) is the best path to achieve our shared values. Some think that the free market economy (or the free market) is the best path toward those same goals. Does the free market lead to prosperity or poverty? How about central planning? Economics can help us answer these questions and help us choose the best path forward together.

Understanding the Past
In order to decide where we want to go, we must first understand where we are and where we’ve come from. In addition to helping us choose the path in front of us, economics can also shine a light on the path behind us.

According to the World Bank, “less than 10 percent of the world’s population will be living in extreme poverty by the end of 2015.” Some estimates project extreme poverty to be eliminated by 2030.

During the current era of globalized trade, we have seen the largest reduction in poverty in world history. Standards of living are skyrocketing. We also now see the world’s least well-off countries catching up with the richest countries in terms of human well-being.
The Free Market vs. Central Planning
Will human prosperity continue to rise: maybe even faster? Or will it come to a stand-still and even decline? That is up to you and your generation. It depends on the choices you all make in the future.

Central planning occurs when a few people design, manage, or regulate certain economic decisions for the many. In some societies, the government may attempt to make complicated economic decisions based on the collective will of the people.

In a free market, there is still economic planning, but each person plans for him or herself. There is no central plan or design. All economic decisions are personal and voluntary. But this doesn’t mean people can do whatever they want. Everybody must follow certain basic rules. Specifically, they must respect everyone else’s personal liberty and private property.

Civil Society
But, before we move on to our first activity, a note about community. Not everything in social life is about mass production. Civil society is also hugely important. Civil society includes all voluntary associations: the family, religious groups, charities, clubs, mutual aid societies, etc. Civil society provides help and security for the individual. So when we compare social cooperation under different economic systems, we must also consider civil society. Does civil society thrive best in the free market or under central planning?
ACTIVITY 1 – PICTURING THE PROCESS TO MAKE A PENCIL

“Simple? Yet, not a single person on the face of this earth knows how to make [a pencil].”

– LEONARD E. READ, I, PENCIL: MY FAMILY TREE

Pre-Activity Discussion

What are the parts of a pencil? What jobs, materials, and tools were involved in making those parts? Now think of those materials and tools. What was needed to make them?

As a group, take 5 minutes to brainstorm all the jobs, materials, and tools involved in producing a pencil. Don’t limit your discussion to only thinking of the pencil factory. Think about the where the wood came from. How did it get to the factory?

ACTIVITY 1: Follow your facilitator’s instructions to complete the Picturing the Process to Make a Pencil activity.
Post-Activity Discussion
Let’s take a few minutes for discussion about what we’ve learned from the first activity.

1. Between the blue team and the orange team, which represented the free market and which represented central planning?

2. The blue team had no central control, and yet it beat the orange team which did. Why do you think that is?

3. This game was extremely simple and stable compared to the real world challenges of pencil production. The real world is not only far more complex, but it is constantly changing. Do you think this makes the knowledge problem better or worse for a central planner? If there was a central planner in full control of pencil production, what do you think would be the result? Why?

4. The activity of the blue team might have seemed chaotic. Nobody was in charge. And yet it was actually very orderly, cooperative, harmonious, and effective. It worked. When order arises (or emerges) out of the interactions of the many without a central plan imposed by the few, that is called emergent order, or spontaneous order. Other examples of spontaneous order include language, manners, morals, and fashion.

5. What do you think about the claim that not a single person on the face of the earth has the knowledge required to make an ordinary pencil?

6. Even if you did have the knowledge to make a pencil, would you spend your time doing so? Why or why not?

7. Let’s not forget to consider personal character. Responsibility is a very important virtue. Do you think spending every working day following a central planner’s orders would help someone develop personal responsibility? Or would responsibility be better cultivated in a free market in which a person must make his/her own decisions about how to contribute and fit into the division of labor?

8. In the free market, we see large scale cooperation among strangers. Does that mean that a society with a free market cannot have small scale cooperation among friends and neighbors?
Key Concepts
Before moving on to the next activity, let’s review a few key concepts that serve as the foundation for understanding economic behavior.

1. **What is economics?**
   - Economics is the study of ________________ when ________________ is involved.

2. Human behavior involving choice is called action. Humans act when...
   - They are not perfectly content with the present circumstances.
   - They can imagine a way to achieve a ________________.
   - They believe their action can succeed in reaching that desired state.
     - Note: Humans act intentionally, but this does not mean that people are perfectly wise and never make mistakes!

3. Why should good economists always ask the question, “Compared to what?”
   - All economic questions arise from the problem of scarcity. Scarcity exists because we live in a world of ________________ that have alternative uses. Our wants and needs are virtually ________________.
   - The existence of scarcity means that we have to make choices because not all of our desires can be satisfied ________________.
     - Note: Scarcity is an unavoidable part of life. Scarcity and poverty are not the same thing! Absence of poverty implies some basic level of need has been met. We may someday eliminate poverty, but scarcity will always be with us.
   - Because we are faced with the fundamental economic problem of ________________, we have to make choices and every choice involves a tradeoff.

Activity Recap

- Emergent order (spontaneous order) occurs when an unplanned order emerges from individuals following their own plans.
- The knowledge problem exists because the special bits of knowledge for dealing with complex economic challenges are spread out among the minds of many individuals.
- Not a single person has the knowledge to make even a simple pencil. The products we enjoy are the result of a symphony of human activity that spans the globe.

**ACTIVITY 2 – PRODUCING PROGRESS**
Description

The goal for this activity is to increase your well-being and happiness while increasing the well-being and happiness of others in your society. You and your group will play a key role in producing progress to help realize the vision of a better world for all people.

In this activity, we will simulate how an economy works. You will work to combine resources to produce pencils in order to earn Certificates of Service. Remember, these Certificates of Service are yours to keep and will be redeemable for real prizes during the Trading Game in the next activity. Not only are you producing pencils to create value for yourself, the pencils your group produces will unlock the benefits of economic growth for your society in this activity.

ACTIVITY 2: Follow your facilitator’s instructions to complete the Producing Progress activity.
Discussion for Round 1

Let's discuss what we've learned from Round 1:

1. **Who was able to create value and improve the well-being of yourself and for people in your society?**

2. **Scarcity** occurs when there are limited resources with alternative uses to satisfy our virtually unlimited wants and needs. Scarcity is an inescapable fact of reality and a fundamental part of the human condition. All human action involves coping with scarcity. The challenge of scarcity is why individuals must take care how they use the resources available to them. Economics is thinking logically about the various ways of dealing with scarcity: production, exchange, etc. If there were no scarcity, then there would be no economic problems and nothing for economics to study. Name the scarce resources in this activity.

3. The unavoidable reality of scarcity forces us to make **choices**, and every choice involves a **tradeoff**. A tradeoff or **opportunity cost** is the alternative we give up when we pursue a certain course of action. It's what you have to give up to get what you want. Because every decision we make involves tradeoffs, the first question a good economist usually asks is, “Compared to what?” What choices and tradeoffs did you have to consider during Round 1?

4. Did you try to complete the production of a complete pencil yourself, or did you trade to get the pieces you needed? Why?

5. One reason we benefit so much from society is that we are all so different. We have different skills, talents, and interests between individuals in society. Because of this, everyone is better off if they **specialize** and trade. Through specialization, cooperation, trade, we can create greater wealth than we could hope to achieve working alone. **Division of labor** is an arrangement in which workers perform one step or a few specialized steps in a larger production process. Exchange and specialization lead to a system where “everybody works for everyone else” to provide things we want. In other words, exchange and specialization make the world more interconnected and harmonious. Did you trade with anyone outside of your team? Did your team specialize in any part of the production process? Why or why not?

6. **Incentives** are factors that motivate and influence human behavior. When a change in conditions increases the cost of an activity, individuals will tend to do less of it, other things being equal. If instead the benefits increase, people will tend to do more of the activity. What were the main incentives driving your behavior in Round 1?

7. The rules did not specify who should work to create what goods to produce the things your society wants and needs (pencils). Yet, you still produced the pencils that society needs. How did this happen? How did you know what and when to buy?

8. The “rules of the game,” or what economists call **institutions** condition the incentives people face, and as a result, the choices individuals make. Basic institutions like laws and cultural customs establish the fundamental incentive structure of an economic system. A key benefit of sound economic thinking is that it enables us to better understand which institutions promote or discourage beneficial exchanges. For example, societies with
an institutional environment that encourages entrepreneurship tend to see greater numbers of individuals involved in wealth creating activities.

One of the most important institutions is property rights. A property right is an individual’s freedom to use, modify, exchange, and dispose of a certain good. It also gives the owner the right to exclude non-owners from using his or her property. For example, having property rights in your car prohibits me from smashing your scarce resource for my entertainment without your permission. A system of property rights can help diverse groups of individuals effectively solve disagreements about how scarce resources should be used. It does this through clear rules according to which individuals can come to own scarce resources, and by making such ownership secure. Unnecessary conflict is introduced when property rights are not established and respected. In Round 1, your private property was respected. All of the exchanges made during Round 1 were voluntary and there was no risk of anyone arbitrarily changing the rules or confiscating your property. How did this impact your decision to create value and trade?

9. How did participating in the market process of Round 1 build cooperation and community with your team?

Round 1 Summary
We depend on an incredibly complex network of cooperation. Each day we benefit from countless acts of cooperation. Cooperation is an act of working together for mutual gain and has many advantages. Trade is a type of cooperation where both parties expect to gain. This allows people to specialize and rely on the cooperation of exchange with other people. It frees people to grow and improve their skills, increase knowledge, and utilize the luxury of free time to engage in other meaningful activities. With more trade, people become wealthier as well as more and more interdependent on the cooperation of others. The market is an interpersonal, complex, network of cooperation and mutual gain. Not only can we accomplish more by freely trading with one another, we also make available time to build our individual talents and pursue our dreams of a meaningful life.
Key Concepts for Round 1
Before moving on to the next round, let’s review a few key features of the market process.

In economics, saying that value is subjective means that the value of something is based on ________________.

- Different people desire (or like) things differently, and the same person can desire the same thing differently at different times.

- The value of a resource to an individual is determined by how well that resource can be used to satisfy our goals and plans relative to the available alternatives. We all have our own plans for how we want to satisfy our goals.

Trade, or voluntary exchange, is an act of freely and willingly exchanging goods or services when all parties involved ________________.

Gains from trade is the value created from exchange. Trade ________________ by directing resources from people who value them less to people who value them more.

- In an exchange, one party need not lose for the other party to gain. In other words, trade is not “zero-sum.” People choose to trade because each believes the trade will make them better off.

- Even when no new goods or services are produced, trade increases the wealth of individuals, societies, and nations.

- Through specialization and cooperation/trade, we can create greater wealth than we could hope to achieve working in isolation.

Cooperation is the act of ________________. Each day we benefit from countless acts of cooperation. Civilization and progress rely on our ability to cooperate.

Competition is a contest for some prize, resource, or advantage. Competition is everywhere. The fact that we live in a world of scarcity means we have to choose. In a cooperative society, this gives rise to competition, because individuals must choose between potential trading partners, and each candidate will naturally compete to be the one chosen. It has nothing to do with being “greedy.” Even in a world without greed, or without businesses, where everyone cared only about others, there would still be competition because limited resources would still have competing alternative uses.

Many falsely believe that markets encourage a sort of competition that erodes our ability to cooperate. In reality, markets are extensive networks of cooperation. Learning to cooperate essentially means you learn ________________. In an important sense, competition and cooperation are two sides of the same activity in the market. In the market, people compete over ways to better serve others. Competition within a free market economy is actually a competition over ________________.
Discussion for Round 2

An economy characterized by central planning is called a **planned economy**. The allocation of resources in a planned economy is determined by a small number of government officials. These central planners might be autocratic dictators, elected representatives, or unelected bureaucrats. By contrast, when resource allocation is left to the voluntary exchanges of people in the market, this is called a **free market economy**. In reality, most economies in the world today involve both central planning and market activity. Some call this a **mixed economy**.

Government intervention in the economy takes many forms. Government can influence economic outcomes when it:

- Collects revenue—and discourages behavior—using **taxes**
- Encourages certain behaviors using **subsidies**
- Requires certain products or activities by **mandate**
- Prevents certain products and activities through **prohibitions**
- Attempts to control market activity through **regulation**

Let’s discuss what we’ve learned from Round 2. In this round, our simulated economy was no longer a free market. Politics interfered by causing a change in the rules of the game. Through the political and legal process, rules are created to tell people how they must, must not, or may use scarce resources (including their own bodies). Politics and law both seek to influence human behavior by changing incentives. Such rules often influence human behavior in ways that were not intended or anticipated by the rule-makers. Economic insight can tell us why people might respond in seemingly surprising ways.

Economic policies have immediate, direct impacts on certain known groups; these consequences can be called **“the seen.”** They also have less visible, but no less important, impacts for all groups, especially over the long-term; these consequences can be called **“the unseen.”** All too often people focus merely on the highly-visible, narrow, and/or short-term effects. The art of economic thinking is to give appropriate consideration to both the short-term and specific consequences and the long-term and widespread consequences of an action or policy. Thinking more carefully about, not just the seen, but the **unseen consequences** can help us make better decisions.

**Unintended consequences** are results of an action—positive or negative—other than those intended by the actor.

1. *How did the incentives in Round 2 change from those we experienced in Round 1? What were the major changes from Round 1?*

2. *Who was able to create value and improve the well-being of yourself and people in your society in Round 2? How did this compare to Round 1?*

3. *How did you feel during Round 2? Did political interference in the market make cooperation and building community difficult?*

4. *What happened when the cost of trade increased?*
5. In Round 2 we saw a decrease in economic freedom as political power was used to grant special favor to special interest groups. This is similar to what happens in the Mixed Economies of most countries around the world today. How might politics and law encourage or discourage wealth creating activities?

6. A famous saying is, “Power corrupts.” How can power corrupt the character of politicians? How can power corrupt the character of market participants?

**Key Concepts for Round 2**
Before moving on, let’s review some concepts we learned in Round 2.

**Unintended consequences** are results of an action—positive or negative—other than those ________ by the actor.

The “rules of the game,” or what economists call **institutions**, condition the incentives people face, and as a result, the choices individuals make.

A system of rules that is ________ to everyone is the **rule of law**.

Seeking economic __________________________ is what economists call **rent-seeking**.

Government officials are no less self-interested than people in the private sector. In fact, politicians face strong **perverse incentives** to do things that are __________________________ in order to win elections or gain power.
Discussion for Round 3

An entrepreneur is someone who anticipates what people will want in the future, and adjusts production to provide for those wants. Entrepreneurs who anticipate correctly earn profit for themselves as they create value for others. Entrepreneurs are both problem solvers and wealth creators.

Entrepreneurs purchase the factors of production (land, labor, and capital) and recombine them to create something new: a product. They do this hoping that the buying public will appreciate the new product. If sales of the product are higher than the costs paid to produce it, the entrepreneur earns profit, which is a sign that the entrepreneur discovered a way to improve human welfare.

But in a truly free market, profit is not guaranteed. There is always a chance that the entrepreneur anticipates future wants incorrectly. Sales could end up being lower than costs, which means the entrepreneur would lose money. Losses are a sign that the entrepreneur did not create value for the public, but reduced it. But losses are an important part of the free market too. Losses teach entrepreneurs what the public doesn’t want, and drives them on to figure out what they do want.

Since they put their own money on the line and always face the possibility of losses, entrepreneurs are also risk-takers. Entrepreneurs take on the risks that are necessary to discover and blaze new paths toward improvement. Entrepreneurship is an ongoing process that is essential for economic progress.

Entrepreneurship is the essential foundation for economic growth. Societies that encourage entrepreneurship through economic freedom tend to see much faster economic growth than those that do not. Entrepreneurial discoveries and insights build on one another to create new and better products and processes.

Let’s discuss what we’ve learned from Round 3:

1. Who was able to create value and improve the well-being of yourself and people in your society? How did Round 3 compare to Rounds 1 and 2?

2. Can you imagine what types of innovations or new processes that entrepreneurs may have created in order to make wood and aluminum production more profitable in Round 3?

3. What is the relationship between economic freedom and entrepreneurship?

4. Do you think entrepreneurs are modern day heroes?

5. Now that we have completed 3 rounds, how many people are better off than they were at the start of the activity?

6. A popular slogan among critics of the market is, “People over profits!” This implies that there is a conflict between serving people and earning profit. Is this idea mistaken? How so?

7. Entrepreneurship involves noticing and seizing opportunities, perceiving what others want and value, taking calculated risks, and innovating improvements. What are some ways you can be entrepreneurial in your daily life?
Key Concepts for Round 3
Before concluding this activity, let’s review what we have learned in Round 3.

Entrepreneurship is:

- Serving yourself by _________________.
- Creating ________________ by making higher-value products out of lower-value factors of production.
- Innovating new products or processes to replace old ones
- ________________ unnoticed opportunities to profit and acting on those opportunities

An entrepreneur is someone who anticipates the future wants of his fellow human beings, and reorganizes production to provide for those wants. Entrepreneurs who anticipate correctly earn profit for themselves as they create value for others. Entrepreneurs are both problem solvers and wealth creators.

Entrepreneurs who do not anticipate correctly suffer losses and learn from them. Since entrepreneurs face the possibility of losing their own resources, they are risk-takers.

Entrepreneurs discover and blaze new paths toward improvement. Entrepreneurship is an ongoing process that is essential for economic progress. There is a direct relationship between freedom and entrepreneurship. Greater economic freedom tends to promote more entrepreneurship.

If we want economic progress, we should encourage more entrepreneurship by celebrating entrepreneurs and promoting economic freedom.

Today you have all played the role of an entrepreneur!
Activity Recap

- Each day we benefit from countless acts of cooperation. Free markets encourage cooperation, which leads to social progress and prosperity in a civil society.

- The “rules of the game,” or what economists call institutions, influence the incentives people face, and as a result, the choices individuals make. Basic institutions like laws and cultural customs establish the foundational incentive structure of an economic system.

- Private property makes economic planning possible. Lack of enforced property rights discourage people from being innovative or producing more since they have no incentive to keep what they earn.

- Government officials are no less self-interested than people in the private sector. Politicians face perverse incentives to do things that are not in the best interest of their constituents or the public at large in order to win elections or gain power.

- Whenever government power exists to control economic outcomes, special interest groups have strong incentives to seek political privilege to influence outcomes for their benefit. Seeking economic favor through government is what economists call rent-seeking.

- Political decision-making often results in outcomes that conflict with the preferences of the general public.

- All too often people focus merely on the highly-visible, short-term effects of economic policies. The art of economic thinking is to give appropriate consideration to both the short-term specific consequences and the long-term pervasive consequences of an action or policy. Thinking more carefully about, not just the seen, but the unseen consequences can help us make better decisions.

- An entrepreneur is someone who discovers and provides for an unmet need by producing value for others in the community and for themselves.

- Entrepreneurship is the essential foundation for economic growth. Societies that encourage entrepreneurship through economic freedom tend to see much faster economic growth than those that do not.
ACTIVITY 3 – THE TRADING GAME

Description
Through the Trading Game you will experience firsthand the power of markets. The Trading Game is one of the most engaging and memorable activities used to learn about gains from trade. Voluntary exchanges occur when each person involved believes he or she will be better off. Wealth, as measured by satisfaction levels in this activity, is created through the magic of trade – even when no new items are produced!

ACTIVITY 3: Follow your facilitator’s instructions to complete the The Trading Game activity.
Discussion Questions for the Trading Game

Compile the results from the four rounds and plot the results on a graph for the group. Discuss the results:

1. Why do people trade?

2. Does anyone have a success story they would like to share?

3. Besides people having different preferences, what other conditions do you think must be present for trade to flourish?

4. How is this game different from the real world?

5. What are the main challenges or obstacles that might make trade difficult?

6. Do you think trade does more to create cooperation or conflict between people?

Lesson Recap

- Trade, or voluntary exchange, is an act of freely and willingly exchanging goods or services.
- Even when no new goods or services are produced, the act of trading can create wealth. This is called gains from trade.
- Trade, or voluntary exchange, happens when all parties involved expect to gain.
- Trade directs resources from people who value them less to people who value them more.
- Trade increases the wealth of individuals, communities, and nations.
- Policies and institutions that restrict trade make individuals and societies relatively poorer.
CLOSING DISCUSSION

Remember, the big question of the workshop is whether the free market or central economic planning helps us achieve our shared values. Let’s revisit the list we made at the beginning. Based on what you learned today, how does the free market measure up in helping us achieve our common goals? How about central planning? Let’s consider the shorter list of shared values, and their opposites:

Order vs. Chaos
The challenges of production for the needs of millions of individuals are so complicated that a central planner could never have enough knowledge to handle them all. A centrally planned economy is chaotic because there is no way of knowing whether any particular plan actually improves human well-being.

In the free market, the challenges of production are spread out among millions, even billions of people who each plan on a manageable scale.

In a free society (or market economy), workers are free to plan their own careers. They are free to pursue their specialized role in the division of labor, according to what suits them. Think of all the specialized roles in the “I, Pencil” story. Workers sign up for roles in projects planned and funded by entrepreneurs, who also specialize on a few manageable roles.

Each entrepreneur knows whether a new plan improved customer satisfaction based on whether it made a profit or loss. By chasing profits and avoiding losses, entrepreneurs make constant tiny improvements to how goods and services are being produced.

The beauty of a free market economy is that everyone is free to plan for their own lives and property, and everyone is encouraged by market incentives to coordinate their plans with the plans of everybody else. This coordination arises out of the free choices of millions of individuals without a mastermind or a central plan.

Harmony vs. Conflict
How should people spend their days, in terms of both work and leisure? How should scarce resources—the material wealth of society—be used, and for whose benefit? If these decisions are to be made by the government, then everyone will have the incentive to influence the government to decide according to their own benefit, even if it is to the detriment of others. This will make individuals in society preoccupied in political battles with each other. Central planning encourages conflict.

However, in the free market, things are not “up for grabs” in the political arena. Every individual is secure in his/her person and property. So, instead of engaging in unnecessary political conflict in which there are winners and losers, people are motivated to engage in voluntary exchange, in which both sides are winners. Furthermore, the free market creates economic interdependence among the people of the world. This encourages peace, because it doesn’t make good business sense to wage war on your trading partners. However, when central planners create trade barriers, the only way to profit from other nations is to seize their resources. The free market encourages peace and harmony, while central planning encourages conflict and war.

Cooperation vs. Isolation
Governments often try to centrally plan economic outcomes by restricting voluntary exchanges. Examples of this include minimum wages, trade barriers, and sales prohibitions. By outlawing certain forms of cooperation, central planning imposes greater isolation on people.

Some believe it is good to centrally plan help for people in need and security for people at risk through large government programs. Examples of this in America include welfare, social security, and government health
care. Centrally planned programs like these can impact the bonds of civil society? Individuals are less likely to support private charities and other organizations if they think that the government has it covered with tax-funded programs. In this way, government programs “crowd out” civil society.

The free market is often accused of encouraging selfishness, but it actually encourages cooperation. It makes serving others the most effective way to serve oneself. And the market makes it possible for millions of strangers to cooperate in the production of a single product.

*Prosperity vs. Poverty*

Economic chaos, isolation, conflict, and war all hamper production. So central planning leads to poverty and suffering.

Economic order, harmony, and cooperation all boost production. So the free market leads to prosperity and happiness.

Only the free market can coordinate the economic activity of billions of strangers. And only economic cooperation on that scale is productive enough to provide the kind of living standards we enjoy today.

Economic freedom is also essential for good character, including humane values like integrity, responsibility, benevolence, and charity. Virtuous behavior is about making good choices. Without the freedom to choose, there is little room for virtue. Just like a muscle, one cannot develop moral judgment without the freedom to exercise it.

One of the best ways to make the world a better, more thriving place, is to support economic freedom and the free market.
WHAT'S NEXT?
Thank you for participating in Economics in One Day! Take the next step on your journey to discover the power of economic thinking! Here are three things you can do right now.

1. Check out FEE’s Economics in One Day Online Course. This handy reference can be used to refresh the ideas discussed today or dig a little deeper into the concepts you find most interesting. [http://at.fee.org/1OqydzE]
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OFFICE
Foundation for Economic Education
1819 Peachtree Road NE, Suite 300
Atlanta, Georgia 30309
404-554-9980

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