**Command (Planned) Economy vs Free Market (Capitalist) Economy**

Watch the video and take notes to find out about the comparisons between the two types of economies.  
Pay particular attention to the answers for the following questions:

* Why did the state-controlled industries suffer from a lack of investment?
* What are the three main problems with a command economy?
* Explain the importance of competition.
* Why is Hayek’s view that the state “lacks the relevant information” relevant?
* How does the free market deal with the problem of a shortage?

Comparing types of economies…

**Market disequilibrium**

One of Hayek’s criticisms of state planning, is their lack of information and one problem was the subsequent inability to set the correct price. Illustrate the consequences of setting the price **too high** and **too low** in a market:

Too high:

Too low:

**Opportunity Cost 3 (12:44)**

*Command economies and free market economies  
Discusses disadvantages and advantages of command and free market*

*Portsmouth Professor*

https://www.youtube.com/watch?v=4SfjyqNVh9c