

Free Market Definition & Impact on the Economy



What Is a Free Market?

The free market is an economic system based on supply and demand with little or no government control. It is a summary description of all voluntary exchanges that take place in a given economic environment. Free markets are characterized by a spontaneous and decentralized order of arrangements through which individuals make economic decisions.

Based on its political and legal rules, a country's free market economy may range between very large or entirely illegal.

KEY TAKEAWAYS

- A free market is one where voluntary exchange and the laws of supply and demand provide the sole basis for the economic system, without government intervention.
- A key feature of free markets is the absence of coerced (forced) transactions or conditions on transactions.
- While no pure free market economies actually exist, and all markets are in some ways constrained, economists who measure the degree of freedom in markets have found a generally positive relationship between free markets and measures of economic well-being.