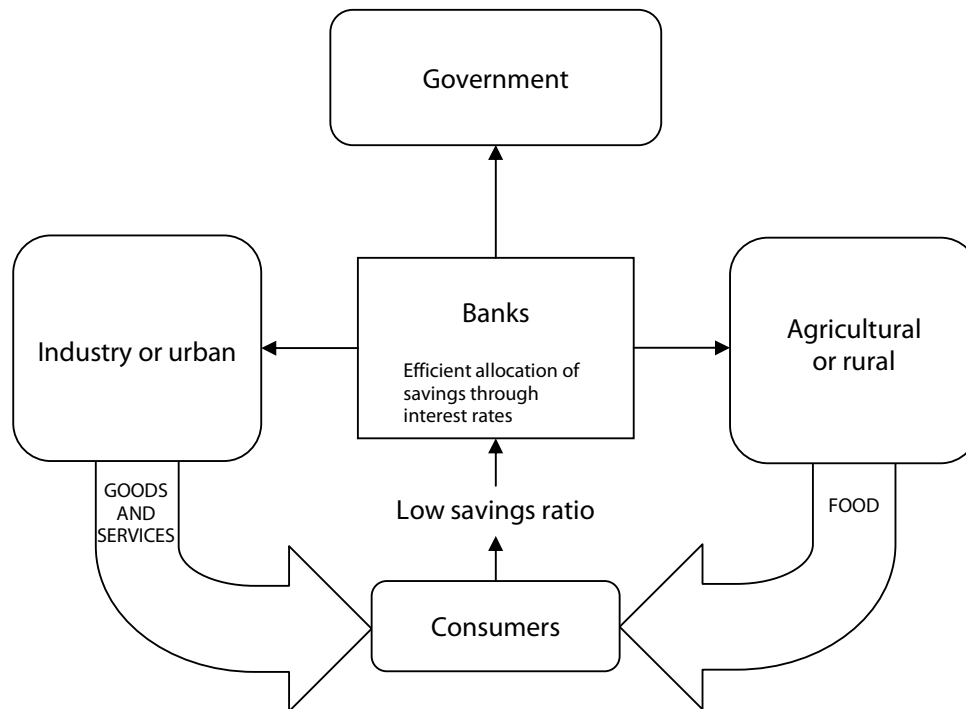


Free market

This was the favoured approach in the 80s by Thatcher and Regan both politically and economically. The free market model envisages a very restricted role for government in the economy.



- Reduced state sector and increase private sector.
- More diverse private sector embracing agriculture and industry.
- Removal of price controls/price regulation applied to food prices, interest rates and exchange rates, instead being competitively determined by market forces, referred to as price liberalisation.
- Increase competition to achieve an efficient allocation of resources i.e. to channel scarce savings into the most productive investments.
- Achieving free trade, eliminating protective tariffs and extending the principle of competition to trade.
- This makes for a more attractive economy for inwards investment.

These notes are from a lesson on 05/11/2004.