

## VISUAL 1.1

### **CHARACTERISTICS OF A MARKET ECONOMY**

1. Private Property
2. Freedom of Enterprise and Choice
3. Motive of Self-Interest
4. Competition
5. A System of Markets and Prices
6. Limited Government

## VISUAL 1.2

### **ECONOMIC PROVISIONS OF THE U.S. CONSTITUTION**

- Commerce Clause
- Coinage Clauses
- Copyright Clause
- Contract Clauses
- Export Clauses
- Searches and Seizures Clause
- Due Process of Law Clauses
- Reserved Rights and Powers

VISUAL 1.3

**MATCHING THE PROVISIONS OF THE U.S CONSTITUTION WITH THE BASIC CHARACTERISTICS OF A MARKET ECONOMY**

	Art. 1, Sec. 8	Art. 1, Sec. 9	Art. 1, Sec. 10	Amend. 4	Amend. 5	Amend. 9	Amend. 10	Amend. 14
Private Property	X	X	X	X	X			
Freedom of Enterprise and Choice	X	X	X					
Motive of Self-Interest	X							
Competition	X							
A System of Markets and Prices	X							
Limited Government		X	X	X	X	X	X	X

## VISUAL 1.4

### **SOUTH KOREA AND NORTH KOREA**

The countries of North and South Korea are similar in many ways:

- They share the same peninsula.
- They have easy access to the sea for trade.
- They have many of the same natural resources.
- They have a similar culture.
- They have a similar language.

But the two countries differ greatly in economic performance. North Korea is a very poor country. Its economy is stagnant and its people suffer from chronic malnutrition and poor living conditions. South Korea, by comparison, is a prosperous country. Its economy has flourished and its people live well, compared with their neighbors to the north.

What might explain this contrast?

VISUAL 1.5

**COMPARING ECONOMIC PROVISIONS IN THE CONSTITUTIONS OF NORTH KOREA AND SOUTH KOREA**

	NORTH KOREAN CONSTITUTION	SOUTH KOREAN CONSTITUTION
1. Is private property protected?	No. Articles 21, 22, and 24 state that nearly all property is owned by the state or by state-endorsed cooperatives. Private property is restricted mainly to personal possessions and wages.	Yes. Article 126 states clearly that private enterprises may not be nationalized. In other words, they are to be privately owned.
2. Is freedom of enterprise encouraged?	No. Articles 21 and 25 call for a large role for the state in the production of goods and services, and almost no role for individuals.	Yes. Article 119 specifically calls for respect for the freedom and creative initiative of enterprises and individuals in economic affairs.
3. Is the role of government limited?	No. The government controls nearly all aspects of economic life. Articles 19, 21, and 24 help to make this clear.	Yes. There is a strong role for economic activity not controlled by the state, as suggested in Article 119 and 126. However, Articles 119, 120, and 122 call for a large regulatory role for government.
4. Is free trade encouraged?	No. Article 36 suggests that protectionism is the dominant goal of trade policy.	Yes. Article 125 suggests that international trade is encouraged.

## VISUAL 1.6

# COMPARING THE ECONOMIC PERFORMANCE OF NORTH KOREA AND SOUTH KOREA

## 1. North Korea

How has the economy of North Korea fared under its system?

Here is an excerpted report from the CIA World Fact Book

(<https://www.cia.gov/library/publications/the-world-factbook/index.html>).

- One of the world's most centrally planned and isolated economies, North Korea faces desperate economic conditions.
- Industrial capital stock (e.g., factories, equipment) is nearly beyond repair as a result of years of underinvestment and shortages of spare parts.
- Industrial output and power output have declined in parallel.
- Per Capita GDP in North Korea: \$1,900 (2007 estimate).

## 2. South Korea

How has the economy of South Korea fared under its system?

Here is an excerpted report from the CIA World Fact Book

(<https://www.cia.gov/library/publications/the-world-factbook/index.html>).

- Since the 1960s, South Korea has achieved an incredible record of growth and integration into the high-tech, modern world economy.
- Four decades ago, South Korean GDP per capita was comparable with levels in the poorer countries of Africa and Asia. In 2004, South Korea joined the trillion dollar club of world economies. Today its GDP per capita is equal to the lesser economies of the European Union.
- Per Capita GDP in South Korea: \$24,800 (2007 estimate).