A **free market** is a market where price is determined by unregulated supply and demand; the opposite is a *controlled market*, where supply, demand, and price are set by a government. According to a more philosophical definition, a "free" market is a market where trades are morally voluntary and therefore free from the interference of force and fraud.

The notion of a free market is closely associated with *laissez-faire* economic philosophy, which advocates approximating this condition in the real world by mostly confining government intervention in economic matters to regulating against force and fraud among market participants. Hence, with government force limited to a defensive role, government itself does not initiate force in the marketplace beyond levying taxes in order to fund the maintenance of the free marketplace. A few extreme free market advocates oppose even taxation.

In political economics, the opposite extreme to the free market economy is the command economy, where decisions regarding production, distribution, and pricing are a matter of governmental control. In other words, a free market economy is "an economic system in which individuals, rather than government, make the majority of decisions regarding economic activities and transactions."[3] In social philosophy, a free market economy is a system for allocating goods within a society: supply and demand within the market determine who gets what and what is produced, rather than the state. Early proponents of a free-market economy in 18th century Europe contrasted it with the medieval, early-modern and mercantilist economies which preceded it.

Along with the concept of a free market is the concept of a perfect market. To have a "perfect market" specific market conditions must be present, generally referred to as: "perfect competition" in where no buyer or seller can unilaterally influence the price; "perfect knowledge" in where all buyers and sellers have the same information; and "perfect mobility" in where all buyers and sellers can move to where they have the greatest competitive advantage.

In an absolutely *free-market economy*, all capital, goods, services, and money flow transfers are unregulated by the government except to stop collusion that may take place among market participants. As this protection must be funded, such a government taxes only to the extent necessary to perform this function, if at all. This state of affairs is also known as *laissez-faire*. Internationally, free markets are advocated by proponents of economic liberalism; in Europe this is usually simply called *liberalism*. In the United States, support for free market is associated most with libertarianism. Since the 1970s, promotion of a global free-market economy, deregulation and privatization, is often described as neoliberalism. The term *free market economy* is sometimes used to describe some economies that exist today (such as Hong Kong), but pro-market groups would only accept that description if the government practices *laissez-faire* policies, rather than state intervention in the economy. An economy that contains significant economic interventionism by government, while still retaining some characteristics found in a free market is often called a *mixed economy*. A free market does not require the existence of competition, however it does require that there are no barriers to new market entrants.