

Name _____

Central Planning: The Pros and Cons of a Centrally Planned Economic System

Short Answer Key

1. Economic equity in a centrally planned economy refers to the fair distribution of resources and income among the population, ensuring that everyone's basic needs are met. This can lead to reduced income inequality and increased social welfare.
2. Central planning can limit the role of entrepreneurs and innovation, as incentives for risk-taking and innovation may be limited in a system where rewards are fixed.
3. A challenge of central planning related to resource allocation is the potential for inefficient allocation, resulting in shortages of some goods and surpluses of others. This can lead to imbalances in the economy.
4. In a centrally planned economy, the government plays a significant role in providing public services like healthcare, education, and social welfare. This is significant because it ensures access to these services for all citizens, regardless of their income.
5. Advantages of transitioning from a centrally planned economy to a mixed economy may include increased economic flexibility, greater incentives for innovation, and improved access to a variety of goods and services.

