

Name \_\_\_\_\_

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

### Open-Ended Response Answer Key

1. Government control in a centrally planned economy is important for achieving income equality by setting wages and prices to promote fairness. However, it may also limit individual freedom and entrepreneurship, leading to potential drawbacks.
2. An example of adaptation in a centrally planned economy could be China's shift toward a mixed economy, allowing more market-based elements while maintaining government control. This adaptation led to significant economic growth and improved living standards for its citizens.
3. Economic freedom in a centrally planned economy is limited, as the government makes most economic decisions. Individuals have less control over their financial choices, investments, and career paths, as these are often determined by the state.
4. In a centrally planned economy facing shortages of essential goods, the government might increase production, import goods, or implement price controls. The impact on citizens could include improved access to essential goods but potential challenges in managing the economy's resources.

