

Name _____

The Free-Market Playground: Advantages and Disadvantages

Short Answer Key

1. Income inequality in a free-market economy refers to the unequal distribution of wealth and income, where some individuals and businesses accumulate significant wealth while others have limited income. Consequences can include disparities in access to education and healthcare, social divisions, and limited opportunities for some.
2. Competition benefits consumers by driving businesses to offer better products and services at lower prices. It encourages innovation as companies strive to outdo each other.
3. Government regulations in a free-market economy can address market failures by preventing monopolies, protecting consumers, and ensuring fair competition.
4. Social safety nets are government-provided programs or benefits that support individuals in need, such as unemployment benefits and healthcare. They may be limited in a free-market system due to the emphasis on individual responsibility.
5. A balance between the advantages and disadvantages of a free-market system can be achieved through government intervention and regulations that address income inequality, protect consumers, and provide social safety nets.

