

Name _____

The Free-Market Playground: Advantages and Disadvantages

Open-Ended Response Answer Key

1. One example of a market failure in a free-market economy is environmental degradation caused by unregulated pollution from industries. This can harm the environment and impact the health of communities living nearby.
2. Economic freedom in a free-market system allows individuals and businesses to make decisions about their finances and investments with minimal government interference. For example, entrepreneurs have the freedom to start businesses and innovate.
3. Government intervention in a free-market system can be important to address income inequality by implementing progressive taxation and social welfare programs. It also helps protect vulnerable individuals from economic hardships.
4. If a free-market economy becomes too focused on short-term profits, it may neglect long-term sustainability, environmental responsibility, and social welfare. Consequences could include environmental damage and disparities in access to essential services. Mitigation measures might include stricter regulations and incentives for responsible business practices.

