

Name _____

Resource Allocation Magic: How Different Economic Systems Do It

Short Answer Key

1. In a traditional economy, resource allocation is determined based on customs and traditions passed down through generations.
2. In a command economy, the government has significant control over resource allocation, deciding what to produce, how much to produce, and who receives goods and services.
3. The "invisible hand" in a market economy represents the force of supply and demand. It influences resource allocation by guiding individuals and businesses in their decisions.
4. The main idea behind a mixed economy's resource allocation approach is a collaboration between government and private individuals, allowing both to play a role in decision-making.
5. Scarcity is a significant challenge in resource allocation for all economic systems because resources are limited while demands are unlimited, requiring difficult choices.

