

Name _____

Resource Allocation Magic: How Different Economic Systems Do It

Open-Ended Response Answer Key

1. In a traditional economy, if customs dictate that farming must be done in a specific way without allowing innovation, it may lead to lower agricultural productivity and potential resource allocation problems.
2. Advantage: The government in a command economy can ensure essential goods are available to all citizens.
Disadvantage: It can lead to inefficiency and a lack of individual choice.
3. The concept of the "invisible hand" in a market economy encourages businesses and individuals to produce and consume goods and services based on demand, leading to more efficient resource allocation.
4. An example of a mixed economy might include the government controlling healthcare and education while allowing the market to determine the production of consumer goods and services.

