

1.2 Resource Allocation and Economic Systems

Name: _____ Class: _____ Date: _____

Total: 9 marks

KEY WORDS price mechanism 价格机制 • incentives 激励 • mixed 混合经济
• economic system 经济体制 • market economy 市场经济

Objective

Build the skills to answer exam questions on **resource allocation and economic systems**.

You must be able to:

- explain the three basic questions: what, how, and for whom to produce
- compare a **command economy** 计划经济, a **market economy** 市场经济, and a **mixed economy** 混合经济
- describe the role of **incentives** 激励 and the **price mechanism** 价格机制

1 Worked examples

Study these first. Each one shows the method for a question type used later.

■ The three questions

Every economy must answer **what** to produce, **how** to produce it, and **for whom**.

■ Three systems

- **Command** — the government decides.
- **Market** — the **price mechanism** decides through supply and demand.
- **Mixed** — a blend of both (most real economies).

■ Prices and incentives

Prices **signal** what is wanted and **ration** scarce goods; incentives guide producers and consumers toward efficient choices. Each system trades off efficiency, equity, and freedom.

2 Practice

2.1 Name the three types of economic system. [2]

2.2 State how a market economy allocates resources. [1]

2.3 State one trade-off that an economic system must make. [1]

3 Exam-style questions

3.1 In a command economy, resources are allocated by [1]

A	B
C	D

- A market prices
- B the government
- C individual firms
- D consumers alone

3.2 The price mechanism in a market economy [1]

A	B
C	D

- A is set entirely by the state
- B signals and rations goods
- C ignores demand
- D fixes all wages

3.3 A country uses both markets and some government planning.

(a) Name this type of economy. [1]

(b) State one advantage of using markets. [1]

(c) State one reason for government involvement. [1]