IGCSE ECONOMICS · 1.1 THE MARKET SYSTEM · CHAPTER 11 · PAPER 1

The Mixed Economy

Topic question sheet L11 | **Total: 32 marks** | **Time: 35 minutes** | **Student Book pp. 70–80**

Instructions: answer **all** questions. Write your answers on lined paper. The marks for each question are shown in brackets: use them as a guide to how much to write.

Calculators may be used. Show your working. Draw diagrams in pencil and label them fully. The mark scheme starts on a new page: do not look at it until you have finished.

Section A: Multiple choice

One mark each. Choose **one** answer: A, B, C or D.

1 Which of the following is most likely to be provided by the public sector in a mixed economy? **(1)**

A Motorways **B** Cars
C Books **D** Cinemas

2 Which of the following is an aim of a public sector organisation? **(1)**

A Profit maximisation **B** Survival
C Providing a public service **D** Growth

3 A good that people cannot be prevented from using once it is provided is: **(1)**

A non-rival **B** non-excludable
C a merit good **D** a luxury good

4 In a command economy, resources are allocated mainly by: **(1)**

A market forces **B** the state
C private firms **D** consumers

Section B: Short answers

Define, state, calculate, draw and explain. Show your working for calculations.

5 What is meant by a **mixed economy**? **(2)**

6 Define the term **free rider**. **(1)**

7 State **one** characteristic of a public good. **(1)**

8 Explain **one** difference between the aims of private sector and public sector organisations. **(3)**

9 Explain why public goods are unlikely to be provided by the private sector. **(3)**

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Section C: Data response

Read the extract, then answer the questions. Use evidence from the extract in every answer.

Extract: Two economies

In Norland, government spending is 55% of national income. Health care, education and public transport are free, and the state owns the electricity company. Income tax rates are high.

In Sudmark, government spending is 18% of national income. Most health care and education is provided by private firms and paid for by families. The government provides defence, policing, courts and street lighting. A large chemical company in Sudmark has been accused of polluting a river.

Fictional case, written for this sheet.

10 With reference to the extract, analyse why the pollution of the river is an example of market failure in Sudmark. **(6)**

11 With reference to the extract, evaluate whether Norland's or Sudmark's approach is likely to give its citizens a better standard of living. **(12)**

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Mark scheme: The Mixed Economy

How to mark: Multiple choice, Define, State: 1 mark. **What is meant by** (2): two separate parts to the definition. **Calculate**: working and answer (with units). **Draw** (3): one mark per correct labelled feature. **Explain** (3): 1 for a point, 2 for developing it in context. **Analyse** (6): knowledge 2, application 2, analysis 2. **Assess** (9) and **Evaluate** (12) are marked by levels: choose the level that best fits the whole answer. Indicative content is a guide: credit other valid points.

Section A

1 *Which of the following is most likely to be provided by the public sector in a mixed economy? (1 mark)*

Answer: A (Motorways). Roads are usually provided by the state.

2 *Which of the following is an aim of a public sector organisation? (1 mark)*

Answer: C (Providing a public service). Public sector bodies exist to provide services.

3 *A good that people cannot be prevented from using once it is provided is: (1 mark)*

Answer: B (non-excludable). Non-excludability.

4 *In a command economy, resources are allocated mainly by: (1 mark)*

Answer: B (the state). The state plans production.

Section B

5 *What is meant by a mixed economy? (2 marks)*

An economy where goods and services are provided (1) by both the private and the public sectors (1).

6 *Define the term free rider. (1 mark)*

Someone who enjoys the benefit of a good but lets others pay for it (1).

7 *State one characteristic of a public good. (1 mark)*

Non-excludable or non-rival (1).

8 *Explain one difference between the aims of private sector and public sector organisations. (3 marks)*

Point: private firms mainly aim for profit; public sector aims to provide a service (1).

Development: e.g. a public water company aims for quality and equitable supply (1) rather than maximising profit, so it may serve areas that are unprofitable (1).

9 *Explain why public goods are unlikely to be provided by the private sector. (3 marks)*

Point: they are non-excludable (1).

Development: people can free ride (1), so firms cannot charge and make a profit (1).

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Section C

10 *With reference to the extract, analyse why the pollution of the river is an example of market failure in Sudmark. (6 marks · K2 · Ap2 · An2)*

Knowledge (2): market failure = inefficiency; externality = cost to third parties.

Application (2): chemical company polluting a river; small public sector (18%).

Analysis (2): the firm does not pay for the damage to people/fishing/health, so it over-produces and resources are wasted; government may need to regulate or fine it.

Knowledge 2 · Application 2 · Analysis 2.

11 *With reference to the extract, evaluate whether Norland's or Sudmark's approach is likely to give its citizens a better standard of living. (12 marks · levels)*

Norland: free health care, education and transport (merit goods) for all; greater equality; but high taxes may reduce incentives; state electricity company may be inefficient.

Sudmark: low taxes, choice and competition, efficient private firms; but poorer families may not afford health and education; market failures (pollution) may go uncorrected.

Judgement: depends on how efficiently Norland's services are run, how equal incomes are in Sudmark, and what citizens value; most successful economies mix both approaches.

Levels: L1 1–3 · L2 4–6 · L3 7–9 · L4 10–12 (balanced, well-developed arguments using the data throughout, and a justified conclusion that answers the question).

Original practice questions written in the style of the Pearson Edexcel International GCSE Economics (4EC1) papers. This is not an official paper. Unless a source is given, the firms, countries and figures are fictional and made up for practice.

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