Past-paper walk-through

Mixed economic system ▪ 2.10

eXercise

Questions in this set

- 0455/11 N25 Q8 ▪ 1 mark
- 0455/12 N25 Q8 ▪ 1 mark
- 0455/11 J25 Q9 ▪ 1 mark
- 0455/13 J25 Q9 ▪ 1 mark
- 0455/23 J25 Q3 ▪ 20 marks
- 0455/22 M25 Q4 ▪ 20 marks
- 0455/11 N24 Q8 ▪ 1 mark

Reading the mark scheme

- **B1** a mark that stands on its own – the point is either made or not.
- **M1** a *method* mark: the right approach, even if the number is wrong.
- **A1** an *answer* mark, and it usually needs its M mark first.
- **C1** a working mark on the way to the answer.
- // separates answers the examiner accepts equally.
- **ecf** = error carried forward: a later part is marked on your own earlier answer.
- **owtte** = "or words to that effect" – the wording need not match.

Question 8

0455/11 N25 ▪ Q8 ▪ 1 mark

8 Which pair of economic institutions can be found in a market economy?

A charities and public sector firms

B multinational companies and commercial banks

C public sector firms and private sector firms

D stock exchanges and government-funded hospitals

Solution 8

Answer: **B**

Why

- A market economy is built on private ownership and the profit motive.
- So its institutions are private firms, banks and multinationals.
- Public sector firms belong to a planned or mixed economy.

Question 8

0455/12 N25 ▪ Q8 ▪ 1 mark

8 How are economic decisions determined in a market economic system?

A by a mixture of market forces and government intervention

B by central planners of production and consumption

C by government regulation of the price mechanism

D by the forces of demand and supply

Solution 8

Answer: **D**

Why

- In a market system, decisions are made by private buyers and sellers.
- The price mechanism allocates resources with no central direction.
- Central planners belong to a planned economy, and a mixture to a mixed economy.

Question 9

0455/11 J25 ▪ Q9 ▪ 1 mark

9 What would a person believe who wished to encourage the use of the market system?

A people should have equal living standards

B people should have freedom of action

C profit maximisation is wrong

D the government should correct people's bad behaviour

Solution 9

Answer: **B**

Why

- Supporters of the market system value free choice and the price mechanism.
- They believe resources are best allocated by consumers and producers acting freely.
- Wanting equal living standards implies redistribution, which requires government intervention.

Question 9

0455/13 J25 ▪ Q9 ▪ 1 mark

9 Which combination correctly describes features of a market economic system?

	resource allocation	ownership of land and capital
A	by government	private sector
B	by government	public sector
C	by price mechanism	private sector
D	by price mechanism	public sector

Solution 9

Answer: **C**

Why

- In a market system, land and capital are privately owned.
- Resources are allocated by the price mechanism, not by government.
- So the row must pair private ownership with allocation through the market.

Question 3

0455/23 J25 ▪ Q3 ▪ 20 marks

3 The public sector in Andorra is focusing on developing the healthcare, biotechnology and sports industries. Andorra has the natural advantage of being a mountainous country. Several winter sports firms in Andorra have recently merged. This will affect the level of competition in the winter sports market in Andorra.

(a) Define public sector. [2]

(b) Explain two types of merger. [4]

(c) Analyse how differences in healthcare can lead to differences in economic development between countries. [6]

(d) Discuss whether or not competitive markets are beneficial for consumers. [8]

(a) (a) Define public sector. [2] **[2]**

(b) (b) Explain two types of merger. [4] **[4]**

Question 3

(c) (c) Analyse how differences in healthcare can lead to differences in economic development between countries. [6] **[6]**

(d) (d) Discuss whether or not competitive markets are beneficial for consumers. [8]**[8]**

Solution 3

(a)

Mark scheme

- Define public sector.
- Sector which is owned / managed / economic decisions
- made (1) by the government (1).
- 2

Solution 3

(b) Mark scheme

- Explain two types of mergers.
- Logical explanation which might include:
- ▪
- Horizontal merger (1) where two or more firms in the
- same industry at the same stage of production merge /
- relevant example (1).
- ▪
- Vertical merger (1) where two or more firms in the same

Solution 3

- industry but different stage of production merge /
- relevant example (1).
- ▪
- Conglomerate (1) where two or more firms in different
- industries merge / relevant example (1).
- 4 Accept, but do not expect, explanation of lateral mergers.
- Allow vertical backwards and vertical forwards as two
- different types of merger.
- 0455/23
- May/June 2025

Solution 3

- Mark
- Guidance

Solution 3

(c) Mark scheme

- Analyse how differences in healthcare can lead to
- differences in economic development between
- countries.
- Coherent analysis which might include:
- If healthcare is better in one country than another, workers
- will be healthier / take less time off sick (1) the productivity of
- labour may be higher (1) leading to higher incomes of
- workers (1) improved standard of living (for workers) 1

Solution 3

- longer life expectancy / lower death rate (1) higher HDI (1).
- Firms may gain higher profits (1) due to lower average cost /
- higher revenue (1) higher quality output (1) productivity
- capacity of the economy will increase (1) leading to
- economic growth (1) exports may increase due to higher
- competitiveness (1) investment may increase (1) creating
- more jobs (1) reducing unemployment (1) increasing
- incomes and reducing (child) poverty (1) may increase
- spending on education (1).
- 6 The question can be analysed from either poorer or better

Solution 3

- healthcare provision in one country compared with another
- but the same point should not be rewarded twice.
- 0455/23
- May/June 2025
- Mark
- Guidance

Solution 3

(d) Mark scheme

- Discuss whether or not competitive markets are
- beneficial for consumers.
- In assessing each answer, use the table opposite.
- Why it might:
- ▪
- more firms in the market leads to lower price
- ▪
- higher quality

Solution 3

- ▪
- more choice
- ▪
- firms may be smaller and so may not experience
- diseconomies of scale
- ▪
- more innovation in terms of production methods and
- products
- Why it might not:
- ▪

Solution 3

- lower profits for firms – less innovation and quality
- improvement
- ▪
- too many choices – takes up consumer time and effort
- ▪
- firms may spend on advertising, increasing their costs
- and prices
- ▪
- lower quality due to race to the bottom
- ▪

Solution 3

- firms may be smaller and may not experience
- economies of scale
- ▪
- competition may lead to resource depletion / negative
- externalities
- 8
- Level
- Description
- 3
- A reasoned discussion which accurately

Solution 3

- examines both sides of the economic
- argument, making use of economic
- information and clear and logical
- analysis to evaluate economic issues
- and situations. One side of the argument
- may have more depth than the other, but
- overall both sides of the argument are
- considered and developed. There is
- thoughtful evaluation of economic
- concepts, terminology, information

Solution 3

- and/or data appropriate to the question.
- The discussion may also point out the
- possible uncertainties of alternative
- decisions and outcomes.
- 6–8
- 2
- A reasoned discussion which makes use
- of economic information and clear
- analysis to evaluate economic issues
- and situations. The answer may lack

Solution 3

- some depth and development may be
- one-sided. There is relevant use of
- economic concepts, terminology,
- information and data appropriate to the
- question.
- 3–5
- 0455/23
- May/June 2025
- Mark
- Guidance

Solution 3

- 8
- Level
- Description
- 1
- There is a simple attempt at using
- economic definitions and terminology.
- Some reference may be made to
- economic theory, with occasional
- understanding.
- 1–2

Solution 3

- 0
- A mark of zero should be awarded for no
- creditable content.
- 0
- 0455/23
- May/June 2025
- Mark
- Guidance

Question 4

0455/22 M25 ▪ Q4 ▪ 20 marks

4 Nigeria has a mixed economic system. In January 2023, Nigeria had a high unemployment rate of 33% which created a number of costs. Its high inflation rate of 22% had several effects on the country's firms. In 2022 and the start of 2023, Nigerians increased their demand for foreign currency.

(a) Identify two costs of unemployment. [2]

(b) Explain how the key resource allocation decisions are made in a mixed economic system.

[4]

(c) Analyse the causes of an increase in the demand for foreign currency. [6]

(d) Discuss whether or not inflation will harm a country's firms. [8]

(a) (a) Identify two costs of unemployment. [2] **[2]**

Question 4

(b) (b) Explain how the key resource allocation decisions are made in a mixed economic system. [4] **[4]**
(c) (c) Analyse the causes of an increase in the demand for foreign currency. [6] **[6]**
(d) (d) Discuss whether or not inflation will harm a country's firms. [8] **[8]**

Solution 4

(a) Mark scheme

- Identify two costs of unemployment.
- Two from:
- ▪
- loss of output / low economic growth
- ▪
- loss of tax revenue / budget deficit
- ▪
- high government spending on benefits

Solution 4

- ▪
- higher government spending on measures to reduce unemployment /
- training the unemployed
- ▪
- loss of income / poverty / low living standards
- ▪
- loss of skills
- ▪
- health problems / high government spending on healthcare
- ▪

Solution 4

- more crime
- ▪
- movement of a production point inside the PPC / not producing at full
- capacity.
- 2 If more than two costs given, consider the first
- three.

Solution 4

(b) Mark scheme

- Explain how the key resource allocation decisions are made in a
- mixed economic system.
- Logical explanation which might include:
- Private sector / individuals / households / firms / consumers (1) will use
- price mechanism (1) demand and supply / demand / market forces 1
- influenced by the profit motive (1) use most cost-effective methods of
- production (1).
- Public sector / government / state (1) will use its spending (1) taxation 1

Solution 4

- regulation / maximum prices / minimum prices / directives (1) influenced
- by social costs / social benefits / economic welfare (1).
- 4 Maximum of three marks if only one sector is
- covered.
- For the last mark: accept, but do not expect
- reference to ‘may carry out a cost-benefit
- analysis’,
- 0455/22
- February/March 2025
- Guidance

Solution 4

(c) Mark scheme

- Analyse the causes of an increase in the demand for foreign
- currency.
- Coherent analysis which might include:
- To buy more goods and services from that country / higher demand by
- other countries for that country's products (1) increased foreign tourism
- (1) may be the result of higher inflation in the buying country (1) may be
- due to removal of trade restrictions (1) rise in quality of the other
- country's products (1) higher incomes in the buying country (1).

Solution 4

- To speculate / increased confidence in the currency (1) that it will rise in
- price / value (1) make a profit (1).
- To invest more in that country (1) e.g. set up a branch of a MNC / FDI 1
- MNC sending profit home (1).
- To send more money home to relatives (1) workers' remittances (1).
- The government / central bank may buy it (1) to influence the exchange
- rate (1) add to the reserves (1).
- To take advantage of a rise in interest rates in that country (1) increase
- hot money flows (1) increase return on saving / financial investment (1).
- More people may migrate to that country (1) to e.g. buy a home in

Solution 4

- another country (1).
- 6
- 0455/22
- February/March 2025
- Guidance

Solution 4

(d) Mark scheme

- Discuss whether or not inflation will harm a country's firms.
- In assessing each answer, use the table opposite.
- Why it might:
- ▪
- may increase price of raw materials and capital goods
- ▪
- increase costs of production
- ▪

Solution 4

- increase menu and shoe leather costs
- ▪
- workers may take industrial action to gain wage rises
- ▪
- increase costs and disrupt output
- ▪
- cost-push inflation
- ▪
- less internationally competitive
- ▪

Solution 4

- profits may fall
- ▪
- may make it difficult to plan.
- Why it might not:
- ▪
- demand-pull inflation can increase sales
- ▪
- revenue may rise by more than costs, increase profits
- ▪
- if lower than rival countries can make products more internationally

Solution 4

- competitive
- ▪
- if low and stable, may not be a problem
- ▪
- may reduce real value of debts
- ▪
- may be able to reduce real costs of wages.
- 8
- Level
- Description

Solution 4

- 3
- A reasoned discussion
- which accurately
- examines both sides of the
- economic argument,
- making use of economic
- information and clear and
- logical analysis to evaluate
- economic issues and
- situations. One side of the

Solution 4

- argument may have more
- depth than the other, but
- overall both sides of the
- argument are considered
- and developed. There is
- thoughtful evaluation of
- economic concepts,
- terminology, information
- and/or data appropriate to
- the question. The

Solution 4

- discussion may also point
- out the possible
- uncertainties of alternative
- decisions and outcomes.
- 6–8
- 0455/22
- February/March 2025
- Guidance
- Level
- Description

Solution 4

- 2
- A reasoned discussion
- which makes use of
- economic information and
- clear analysis to evaluate
- economic issues and
- situations. The answer
- may lack some depth and
- development may be one-
- sided. There is relevant

Solution 4

- use of economic concepts,
- terminology, information
- and data appropriate to
- the question.
- 3–5
- 1
- There is a simple attempt
- at using economic
- definitions and
- terminology. Some

Solution 4

- reference may be made to
- economic theory, with
- occasional understanding.
- 1–2
- 0
- A mark of zero should be
- awarded for no creditable
- content.
- 0
- 0455/22

Solution 4

- February/March 2025
- Guidance

Question 8

0455/11 N24 ▪ Q8 ▪ 1 mark

8 Why does a government provide certain goods and services in a mixed economic system?

A The government always provides goods more cheaply than private firms.

B The government considers only private costs and private benefits.

C The government provides goods to prevent the development of monopolies.

D The government provides public goods because private firms cannot charge for them.

Solution 8

Answer: **D**

Why

- A mixed economy has government provision because the market fails in certain cases.
- Public goods would not be provided at all, and merit goods would be under-consumed.
- It is not that the state is always cheaper – it is that some goods the market will not supply.