

2.10 Mixed economic system

Name: _____ Class: _____ Date: _____

Total: 17 marks

Objective

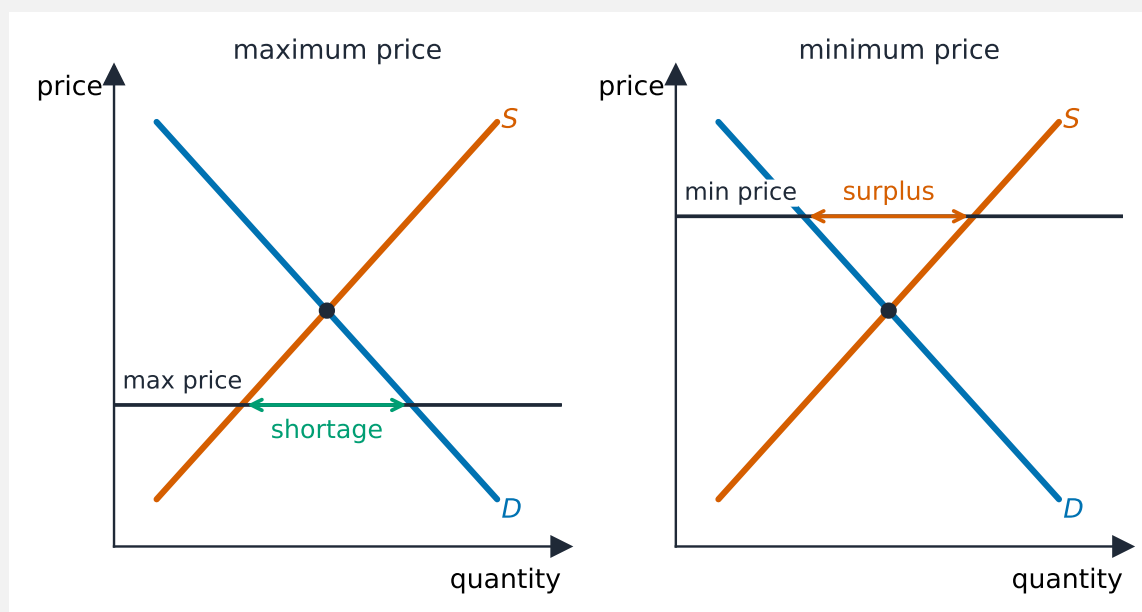
Build the skills to answer exam questions on **the mixed economic system** 混合经济体制—the **private and public sectors** 私营与公共部门, and government **intervention** 干预 (**maximum and minimum prices** 最高与最低价格, taxes, subsidies, regulation, direct provision).

You must be able to:

- explain what a mixed economy is
- describe the methods of government intervention
- analyse and evaluate government intervention to correct market failure

1 Worked examples

■ Government intervention

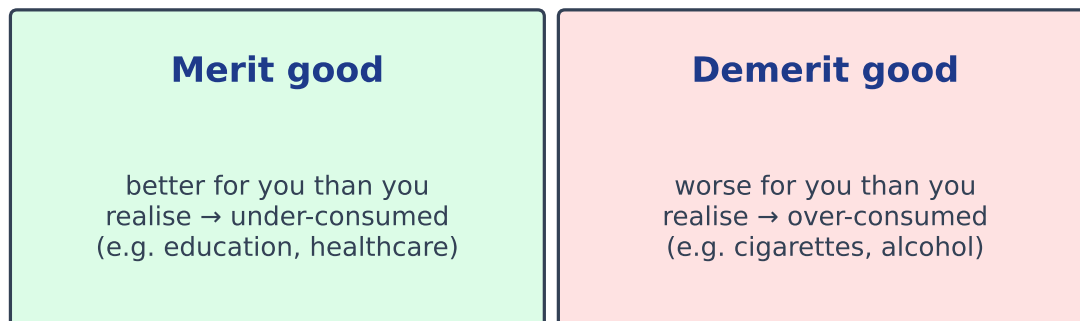


A mixed economy has both a private and a public sector

- **Mixed economy** 混合经济: a **private sector** 私营部门 (price mechanism) + a **public sector** 公共部门 (government).
- **Maximum price** 最高价格 (below equilibrium) → a shortage. **Minimum price**

最低价格 (above equilibrium) → a surplus.

- **Indirect tax** 间接税 (cuts demerit goods), **subsidy** 补贴 (raises merit goods), **regulation** 监管, **direct provision** 直接提供.



The public sector steps in for merit and demerit goods the market gets wrong

Answer shapes: an **Analyse** [up to 6] answer may use a price-control diagram; **Discuss** [8] adds a judgement (Ev).

2 Practice

2.1 Define the term *mixed economy*. [2]

2.2 State the effect of a **maximum price** set below the equilibrium price. [1]

2.3 Identify two methods of government intervention. [2]

3 Exam-style questions

3.1 A government sets a **minimum price** above the equilibrium. This will cause: [1]

- A a shortage
- B a surplus
- C the market to clear
- D demand to rise

3.2 Using a diagram, explain the effect of a maximum price set below the equilibrium price. [4]



3.3 Discuss whether a government should use an indirect tax to reduce consumption of a demerit good. [8]

4 Go further

You are now ready for the real exam questions on this subtopic. Open the **2.10 Mixed economic system** past-paper sheet in the Library, or try these in **Practice mode**:

- 0455/11 N25 —Q8 (government intervention)
- 0455/12 N25 —Q8 (mixed economy)
- 0455/11 J25 —Q9 (price controls)

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 an economy with both a private sector (guided by the price mechanism) and a public sector (run by the government) (2 for a clear definition; 1 for a partial idea).

2.2 a shortage (excess demand), because quantity demanded exceeds quantity supplied (1).

2.3 any two of: maximum/minimum price; indirect tax; subsidy; regulation; direct provision (1 + 1).

3.1 B. A minimum price above equilibrium causes a surplus.

3.2 [4] K 1 + **diagram up to 2** (demand and supply, a maximum price line below P_e , excess demand) + An 1 —a maximum price held below equilibrium means quantity demanded exceeds quantity supplied → a shortage forms, because the price is not allowed to rise to clear the market.

3.3 [8] K/App/An up to 5 + Ev up to 3. **For a tax:** it raises the price → cuts consumption of the harmful good, raises government revenue, and makes consumers pay for the external cost. **Against:** if demand is inelastic (addiction), consumption falls little; the tax is regressive (hits the poor more); a black market may form. **Judgement (Ev):** a tax helps, but works best combined with education and regulation —its success depends on the price elasticity of demand for the good.