Solutions

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

Each answer shows the steps, then the **result**.

2.1

- a **mixed economy** has both a **private sector** (price mechanism) and a **public sector** (government) (K)

2.2

- a maximum price below equilibrium
- a **shortage** (excess demand) (K)

2.3

- any **two** of: **maximum/minimum price** / **indirect tax** / **subsidy** / **regulation** / **direct provision** (K, K)

3.1 B

- a **minimum price** above equilibrium causes a **surplus** (K)
- A is a maximum price; C is the free-market outcome; D is not caused by the floor itself

3.2

- draw demand and supply with a maximum-price line **below** P_e (K)
- quantity demanded **exceeds** quantity supplied (An)
- a **shortage** forms, because the price is not allowed to rise to clear the market (An)

3.3

- **for a tax**: it raises the price → cuts consumption of the harmful good, raises revenue, and makes consumers pay for the external cost (K + An)
- **against**: if demand is inelastic, consumption falls little; the tax is **regressive**; a black market may form (An)
- **judgement (Ev)**: a tax helps, but works best with education and regulation — success depends on **PED**