IGCSE ECONOMICS • EXERCISE SHEET

2.10 Mixed economic system

Name: ____________ Class: ________ Date: __________ **Total: 18 marks**

KEY WORDS public sector 公共部门 • private sector 私营部门 • intervention 干预 • maximum price 最高价格 • minimum price 最低价格

Objective

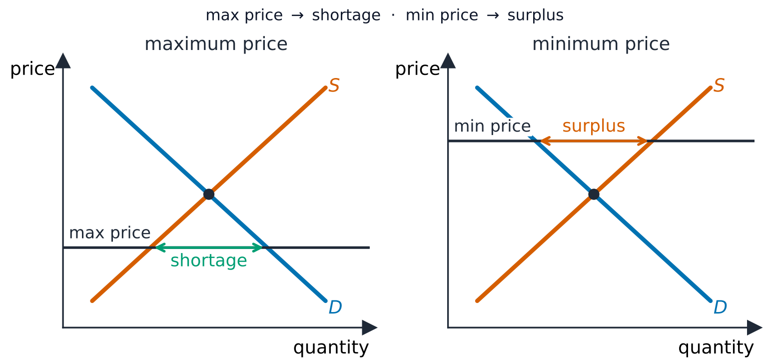
Build the skills to answer exam questions on **the mixed economic system 混合经济体制** — the **private and public sectors** 私营与公共部门, and government **intervention** 干预 (**maximum and minimum prices** 最高与最低价格, taxes, subsidies, regulation, direct provision).

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

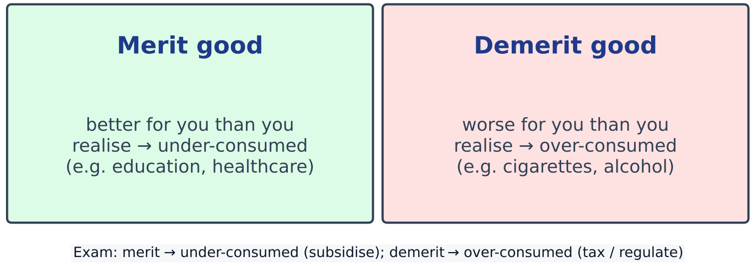
Government intervention



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]