1.28 Economic Systems: Market, Mixed and Planned Economies: Test Pack

AQA 7136 · Calculators not allowed · about 20 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

Answer all questions. Allow about 20 minutes. Write working where calculations or stepwise reasoning are required.

1 Define a free market economy as used in discussions of resource allocation and economic systems.

(Total for Question 1 is 2 marks)

2 Compare briefly the likely outcomes for productive efficiency and allocative efficiency in a market economy versus a planned economy. Give two comparative points and a short conclusion.

(Total for Question 2 is 6 marks)

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3 Define a mixed economy and state one reason governments adopt mixed systems.

(Total for Question 3 is 2 marks)

4 State two disadvantages of a command economy for answering the how and for whom questions of allocation.

(Total for Question 4 is 3 marks)

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Mark scheme · 1.28 Economic Systems: Market, Mixed and Planned Economies: Test Pack

Question 1

an economy where most resources are allocated through private markets via price signals and voluntary exchange, with limited government intervention **B1**

private ownership of most factors of production and firms responding to profit incentives **B1**

Answer: An economy in which private markets and prices allocate resources, firms are privately owned and respond to profit incentives, with limited state intervention.

Question 2

point 1: productive efficiency, market: competitive pressures and profit incentives encourage firms to minimise costs and innovate, improving productive efficiency **M1**

planned economy: lack of competitive pressure and weak incentives often leads to lower productive efficiency and slower innovation **A1**

point 2: allocative efficiency, market: prices reflect marginal benefit and marginal cost so markets can achieve allocative efficiency where consumers' preferences determine output mix **M1**

planned economy: without price signals, planners may misjudge consumer demand, producing goods that do not match preferences, reducing allocative efficiency **A1**

second-order nuance: markets may still fail allocatively when externalities or public goods are present, requiring government intervention **B1**

short conclusion: markets tend to outperform planned systems on productive and allocative efficiency, but market failures mean planning or regulation can sometimes improve outcomes **A1**

Answer: Markets generally deliver higher productive and allocative efficiency because of price signals and competition, while planned systems often suffer from poor incentives and information; however, market failures can justify some planning or regulation.

Question 3

an economy combining private markets and public sector provision, where both market mechanisms and government intervention shape resource allocation **B1**

reason example: to correct market failures or provide public goods, or to pursue redistribution and social objectives **B1**

Answer: A mixed economy combines private markets with government provision and intervention; governments adopt it to correct market failures or provide public goods and redistribution.

Question 4

disadvantage 1: inefficient resource use and shortages or surpluses due to lack of price signals and inaccurate central information **B1**

disadvantage 2: limited incentives for productivity and innovation, leading to low efficiency in production methods **B1**

brief development linking to 'how' (production methods) and 'for whom' (political priorities may ignore consumer preferences) **B1**

Answer: E.g. command economies often misallocate resources because planners lack price information, causing shortages or surpluses, and they offer weak incentives for efficient production and innovation, reducing productive efficiency.

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