



Economics Questions By Topic:

**Types of Economies (1.1.6) Mark
Scheme**

A-Level Edexcel Theme 1

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Table Of Contents

Section A Page 1

SECTION A

Question Number	Answer	Mark
1(a)	<p style="text-align: center;">Knowledge 1</p> <p>Knowledge/Understanding 1 mark for definition, e.g. A free market economy refers to an economic system where the prices of goods and services are set freely by the forces of supply and demand (1) or without intervention by the government (1)</p>	(1)

Question Number	Answer	Mark
1(b)	<p style="text-align: center;">Knowledge 2</p> <p>Knowledge/understanding 1 mark for one reason.</p> <p>Possible answers include:</p> <ul style="list-style-type: none">• Competitive markets responsive to consumers (1) no competition in command economies to ensure firms are efficient (1)• Market prices transmit information between buyers and sellers (1) no need for costly bureaucracy (1)• Reduces risk of government failure (1) as governments do not know what is demanded (1)	(2)

Question Number	Answer	Mark
2(a)	<p style="text-align: center;">Knowledge 1, Analysis 1</p> <ul style="list-style-type: none"> • Resources are allocated via the price/market mechanism/market forces of supply and demand/ the invisible hand of the market (1) • If there is an increase in demand prices rise to ration the good (1) • Price changes act as a signal (1) • If there is a fall in supply prices rise to ration the good (1) • Consumer sovereignty (1) • By privately owned firms (1) • Limited intervention by government/laissez-faire (1) 	(2)

Question Number	Answer	Mark
2(b)	<p style="text-align: center;">Knowledge 1</p> <p>The only correct answer is D</p> <p>A is not correct because Hayek promoted the idea of private investment rather than government spending B is not correct because Hayek was a critic of command economies allocating resources, advocating instead the many price signals in a free market economy C is not correct because Marx was a critic of the free market economy allocating resources</p>	(1)

Question Number	Answer	Mark
3	<p>Answer D (1 mark)</p> <ul style="list-style-type: none"> • Definition of mixed economy (e.g. resources are partly allocated by the price mechanism / market and partly by the government / state) (1 mark). <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> • Definition of a free market economy (e.g. resources are allocated by the price mechanism / demand & supply) <p>NB: Award just one mark even if both definitions are given.</p> <ul style="list-style-type: none"> • Identification and development of a type of market failure (e.g. externalities / public goods / commodity price instability / immobility of labour / asymmetric information / unequal distribution of income / monopoly formation) (1+1 marks). • Definition of market failure (e.g. price mechanism / market fails to allocate resources efficiently) (1 mark). 	(4)

END OF SECTION A