AP MACROECONOMICS • EXERCISE SHEET

1.6 Market Equilibrium, Disequilibrium, and Changes in Equilibrium

Name: ______________ Class: __________ Date: ____________ **Total: 9 marks**

KEY WORDS equilibrium 均衡 • surplus 过剩 • shortage 短缺 • price ceiling 价格上限 • price floor 价格下限

Objective

Build the skills to answer exam questions on **market equilibrium, disequilibrium, and changes in equilibrium**.

You must be able to:

- identify the **equilibrium 均衡** price and quantity where supply meets demand
- explain how a **surplus 过剩** or **shortage 短缺** pushes price back to equilibrium
- predict the effect of a shift in supply or demand on price and quantity
- explain how a binding **price ceiling 价格上限** or **price floor 价格下限** works

1 Worked examples

Study these first. Each one shows the method for a question type used later.

■ Equilibrium

The price where quantity supplied equals quantity demanded; there is no pressure to change.

■ Surplus and shortage

Above equilibrium → a **surplus** (excess supply), so price **falls**. Below equilibrium → a **shortage** (excess demand), so price **rises**.

■ Shifts

- Demand **rises** → price up, quantity up.
- Supply **rises** → price down, quantity up.

A binding **ceiling** (below equilibrium) causes a lasting **shortage**; a binding **floor** (above) causes a lasting **surplus**.

2 Practice

2.1 Define market equilibrium. [1]

2.2 State what happens to price when there is a surplus. [1]

2.3 State the effect of an increase in demand on the equilibrium price and quantity. [2]

3 Exam-style questions

3.1 A price set above equilibrium creates a [1]

- **A** shortage
- **B** surplus
- **C** new equilibrium
- **D** trade deficit

3.2 A binding price ceiling causes a [1]

- **A** surplus
- **B** shortage
- **C** higher price
- **D** no effect

3.3 In the market for apples, a good harvest increases supply.

(a) State the effect on the equilibrium price. [1]

(b) State the effect on the equilibrium quantity. [1]

(c) If demand **also** rises at the same time, state which of price or quantity becomes indeterminate. [1]

Solutions

2.1 the price and quantity at which quantity supplied equals quantity demanded.

2.2 it falls.

2.3 price falls and quantity rises.

3.1 **B**.

3.2 **B**.

3.3 (a) it falls. (b) it rises. (c) the price becomes indeterminate (quantity clearly rises).