

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
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3.2 A binding price ceiling causes a [1]

- **A** surplus
 - **B** shortage
 - **C** higher price
 - **D** no effect
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3.3 In the market for apples, a good harvest increases supply.

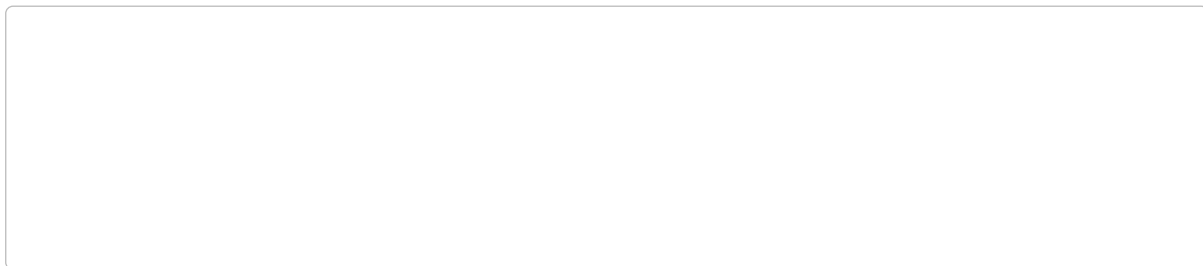
(a) State the effect on the equilibrium price. [1]

(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).