Choice, models and market adjustment

Pearson Edexcel · International A-Level · Economics

Supported transfer: Choice, models and market adjustment

Scope and prerequisite teaching

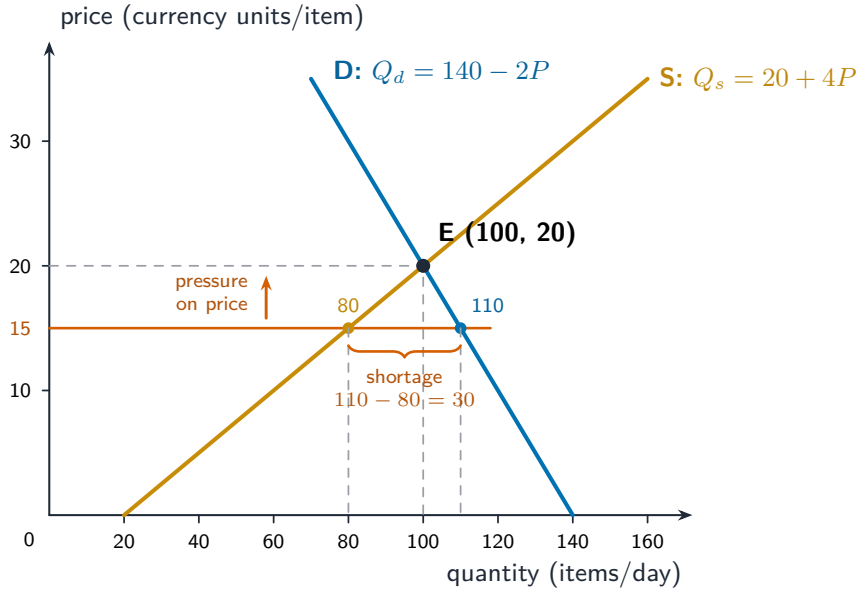
Issue 2, June 2018. All four units have a complete lettered objective map; IAS and IA2 target teaching authored; qualification rubric certified from recent WEC11–WEC14 schemes.

This focused rehearsal adopts the linked native explanations; it does not replace them or certify a whole qualification. Supported objective IDs: 1.3.1.1a, 1.3.1.1b, 1.3.1.1c, 1.3.1.2a, 1.3.1.2b, 1.3.1.3a, 1.3.1.3b, 1.3.1.3c, 1.3.1.3d, 1.3.1.4a, 1.3.1.4b, 1.3.1.4c, 1.3.1.4d, 1.3.1.5a, 1.3.1.5b, 1.3.1.5c, 1.3.1.6a, 1.3.1.6b, 1.3.1.6c, 1.3.2.1a, 1.3.2.1b, 1.3.2.2a, 1.3.2.2b, 1.3.2.2c, 1.3.2.2d, 1.3.2.3a, 1.3.2.3b, 1.3.2.3c, 1.3.2.3d, 1.3.2.3e, 1.3.2.3f, 1.3.2.3g, 1.3.2.3h, 1.3.2.3i, 1.3.2.3j, 1.3.3.1a, 1.3.3.1b, 1.3.3.1c, 1.3.3.2a, 1.3.3.2b, 1.3.3.2c, 1.3.3.2d, 1.3.4.1a, 1.3.4.1b, 1.3.4.1c, 1.3.4.2a, 1.3.4.2b, 1.3.4.3a, 1.3.4.3b, 1.3.4.4a, 1.3.4.4b, 1.3.4.4c, 1.3.4.4d.

Native prerequisites: 0102, 0103, 0104, 0105, 0106, 0107, 0108, 0109, 0110, 0111, 0112, 0113, 0114, 0115.

Key terms

scarcity ; **opportunity cost** ; **equilibrium** ; **excess demand** .



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A model specifies variables and holds other relevant influences constant. Scarcity requires choice; opportunity cost is the benefit of the next-best alternative. Marginal choice compares additional benefit and cost. A positive statement can in principle be tested; a normative statement adds a value judgement. Consumer and firm objectives are model assumptions, not a claim that everyone calculates perfectly.

■ Worked case

In an original market model, Qd=140−2P and Qs=20+4P, where P is currency units per item and Q is items per day. Explain equilibrium and a price of 15.
Equilibrium requires Qd=Qs. Thus 140−2P=20+4P; 120=6P; P=20 currency units/item. Qd=140−2(20)=100 items/day and Qs=20+4(20)=100 items/day. At P=15, Qd=110 and Qs=80 items/day, giving excess demand=110−80=30 items/day. In the simple adjustment story, buyers bid up price or suppliers change prices; quantities then move along unchanged curves. A demand shift requires a different determinant, such as income or preferences. Shortages do not prove instantaneous adjustment or unrestricted competition.

■ Independent transfer

A publicity campaign raises demand while a supplier's input costs increase. Explain why equilibrium quantity cannot be predicted from these directions alone and describe the diagram.

■ Checked original model

Demand shifts right and supply shifts left on axes of price and quantity. Both changes tend to raise equilibrium price, but their quantity effects oppose one another. Draw both new curves and compare relative shifts before judging quantity. Identify the unchanged determinants and time horizon. A large demand increase can outweigh the supply contraction; a large contraction can reverse that result. Do not confuse a movement caused by the new equilibrium price with a second demand shift.

Evidence and assessment limits

The tasks and marking points here are original, not official questions or mark schemes. The essay rubric follows the actual WEC11–WEC14 schemes (20-mark essays: 12 KAA + 8 evaluation, with Level-3 caps for missing diagram or context).

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