A-LEVEL ECONOMICS • EXERCISE SHEET

2.4 The interaction of demand and supply

Name: ____________ Class: ________ Date: __________ **Total: 26 marks**

KEY WORDS equilibrium 均衡 • equilibrium price 均衡价格 • excess demand 超额需求 • excess supply 超额供给 • disequilibrium 非均衡

Objective

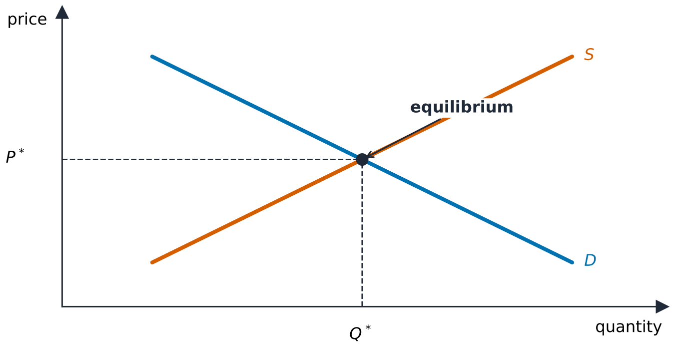
Build the skills to answer exam questions on the **interaction of demand and supply** 需求与供给的互动 — **equilibrium** 均衡, **disequilibrium** 非均衡 (excess demand/supply), and how **shifts** change the equilibrium.

You must be able to:

- draw and explain market equilibrium
- explain excess demand (shortage) and excess supply
- analyse how a shift in demand or supply changes price and quantity

1 Worked examples

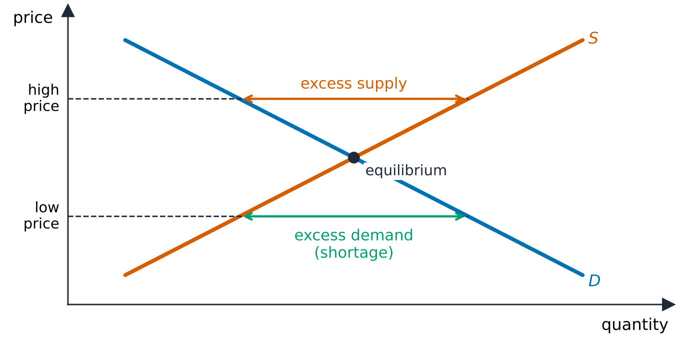
■ Market equilibrium



equilibrium: $Q_d = Q_s$ at (P^*, Q^*) (market clears)

Equilibrium P^*, Q^*: quantity demanded = quantity supplied

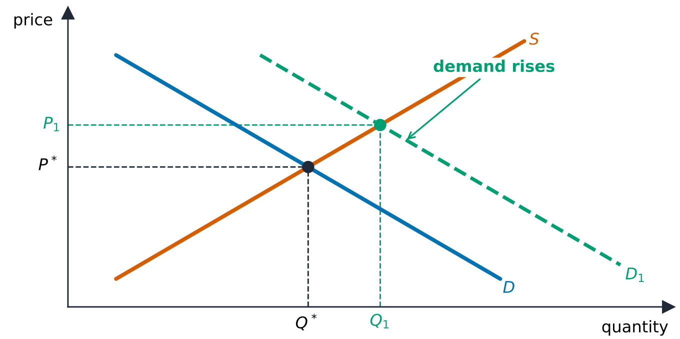
- **Equilibrium** 均衡: where demand crosses supply — no pressure for price to change.
- **Too low a price** → **excess demand** 超额需求 (a shortage) → price pushed up.
- **Too high a price** → **excess supply** 超额供给 → price pushed down.



P too high ⇒ surplus · P too low ⇒ shortage · price adjusts toward P^*

Disequilibrium: excess supply (above P^*) and excess demand (below P^*)

- **Shifts:** demand right → price ↑, quantity ↑; supply right → price ↓, quantity ↑.



D↑ (S fixed) ⇒ P_e↑ and Q_e↑

A shift in demand or supply moves the equilibrium

Answer shapes: an **Explain** [up to 8] answer should use a labelled diagram (AO3); **Discuss** [12] adds a judgement (AO4).

2 Practice

2.1 Define the term *equilibrium price*. [2]

2.2 State what happens to price when there is **excess demand**. [1]

2.3 State the effect on equilibrium price and quantity of a rightward shift in supply. [2]

3 Exam-style questions

3.1 A price set **below** the equilibrium price will cause: [1]

A excess supply, pushing price down
B excess demand, pushing price up
C the market to stay in equilibrium
D the supply curve to shift left

3.2 Using a demand and supply diagram, explain how an increase in demand changes the equilibrium price and quantity. [8]

3.3 The price of coffee beans (an input) rises sharply. Discuss the likely effects on the market for coffee. [12]