A-LEVEL ECONOMICS • HOLIDAY HOMEWORK 假期作业

2 Price determination – Part 1

Name: ____________ Class: ________ Date: __________

Vocabulary 词汇

Write each word three times. 把每个单词抄写三遍。

English	中文	Write it 3 times (English)
Demand	需求	
price	价格	
quantity demanded	需求量	
demand curve	需求曲线	
substitute	替代品	
complement	互补品	
Supply	供给	
supply curve	供给曲线	
subsidy	补贴	
equilibrium	均衡	
equilibrium price	均衡价格	
excess demand	超额需求	
shortage	短缺	
excess supply	超额供给	

Recall

In topic 1 you saw that prices guide a market. Bring this with you:

- Buyers want **low** prices; sellers want **high** prices.
- The price settles somewhere in between.

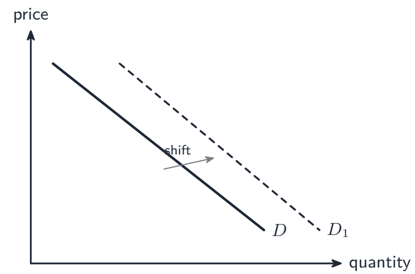
At AS we draw **demand** and **supply** as curves and find the market price where they meet.

New ideas

1 Demand

Demand 需求 is how much of a good buyers will buy at each **price** 价格. The **law of demand**: when the price rises, the **quantity demanded** 需求量 falls. So the **demand curve** 需求曲线 slopes **downward**.

A change in the good's own price is a **movement along** the curve. Other causes **shift** the whole curve: income, the price of a **substitute** 替代品 or **complement** 互补品, and tastes.

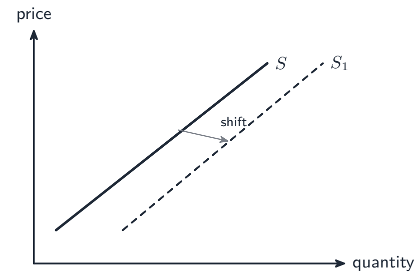


Micro-check. What happens to the quantity demanded when the price rises? [1]

2 Supply

Supply 供给 is how much of a good sellers will offer at each price. The **law of supply**: when the price rises, the quantity supplied rises (more profit). So the **supply curve** 供给曲线 slopes **upward**.

Other causes shift it: production costs, technology, and a **subsidy** 补贴 (raises supply) or a tax (lowers it).

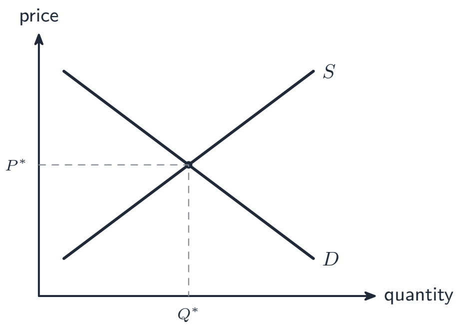


Micro-check. Why does the supply curve slope upward? [1]

■ 3 Equilibrium

The market settles at **equilibrium** 均衡, where the demand curve crosses the supply curve. This gives the **equilibrium price** 均衡价格, where the amount demanded equals the amount supplied.

- if the price is **too low** → **excess demand** 超额需求 (a **shortage** 短缺), so the price is pushed up;
- if the price is **too high** → **excess supply** 超额供给, so the price is pushed down.



Micro-check. At equilibrium, what is true about quantity demanded and quantity supplied? [1]

Watch out: a change in the good's *own* price *moves along* the curve; any *other* cause

(income, related-good prices, tastes, costs) *shifts* the whole curve. Below equilibrium → shortage (price rises); above → surplus (price falls).

Practice

2.1 State the **law of demand**. [1]

2.2 Give **one** cause that would shift the **demand** curve to the right. [1]

2.3 State the **law of supply**, and say why it holds. [2]

2.4 Explain what is meant by the **equilibrium price**. [2]

2.5 A price is set **below** the equilibrium. State what this causes, and what then happens to the price. [2]

2.6 Challenge. The price of coffee beans (a key input) rises sharply. Using demand and supply, explain what happens to the supply of coffee and to its equilibrium price. [2]