

# 1.6 Market Equilibrium, Disequilibrium, and Changes in Equilibrium

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Name: \_\_\_\_\_ Class: \_\_\_\_\_ Date: \_\_\_\_\_

Total: 9 marks

## Objective

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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

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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

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2.1 Define market equilibrium.

[1]

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

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

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### 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]

### 4 Go further

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- work through the **1.6 Market Equilibrium** lesson on the **Learn** page;
  - read the **Basic Economic Concepts** section of the AP Macroeconomics handout on the **Know** page.

## Solutions

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**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).