

# 2.7 Market 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 disequilibrium and changes in equilibrium**.

You must be able to:

- explain how a price above equilibrium creates a **surplus** 过剩 and below creates a **shortage** 短缺
- predict the new equilibrium after a **shift** in demand or supply
- analyse a **simultaneous shift** and identify the **indeterminate** outcome

## 1 Worked examples

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Study these first. Each one shows the method for a question type used later.

### ■ Surplus and shortage

A price **above** equilibrium leaves a **surplus** (price falls back); a price **below** leaves a **shortage** (price rises back).

### ■ Single shifts

- Demand **right** → price up, quantity up.
- Supply **right** → price down, quantity up.

### ■ Simultaneous shifts

When **both** curves shift, one of price or quantity is clear and the **other is indeterminate** (depends on the relative sizes of the shifts).

## 2 Practice

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2.1 State what happens at a price above the equilibrium price.

[1]

**2.2** State the effect of an increase in supply on equilibrium price and quantity. [2]

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**2.3** State what makes an equilibrium outcome indeterminate. [1]

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### 3 Exam-style questions

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**3.1** A price below equilibrium creates a [1]

- **A** surplus
- **B** shortage
- **C** new equilibrium
- **D** tax

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**3.2** If demand rises and supply falls at the same time, the change in equilibrium **quantity** is [1]

- **A** definitely up
- **B** definitely down
- **C** indeterminate
- **D** always zero

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**3.3** In a market, demand increases.

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

(b) State the effect on the equilibrium quantity. [1]

(c) If supply **also** rises at the same time, state which variable becomes indeterminate. [1]

### 4 Go further

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- work through the **2.7 Market Disequilibrium and Changes in Equilibrium** lesson on the **Learn** page;
  - read the **Supply and Demand** section of the AP Microeconomics handout on the **Know** page.

## Solutions

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**2.1** a surplus forms and the price falls back toward equilibrium.

**2.2** the price falls and the quantity rises.

**2.3** when both curves shift, so the effect on one variable depends on the relative sizes of the shifts.

**3.1** B.

**3.2** C —price definitely rises, but quantity is indeterminate.

**3.3** (a) it rises. (b) it rises. (c) the price becomes indeterminate.