

Demand, supply, equilibrium and elasticity

Edexcel IGCSE Economics 4EC1 sections 1.1.3-1.1.4 full package

1. Topic 2 at a glance

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4EC1 topic 2: spec sections 1.1.3 and 1.1.4 - demand, supply and market equilibrium (ten rows) and the three elasticities (nineteen rows), all on the shared model $Q_d = 140 - 2P$, $Q_s = 20 + 4P$ with equilibrium (20, 100).

Must-know: own-price changes MOVE ALONG a curve; other determinants SHIFT it (five demand factors, five supply factors); excess demand 48 at price 12; excess supply 30 at price 25; PED -0.4 with the TR test 2000 to 2112; PES +0.8; YED +0.8 normal, negative for inferior.

2. Demand, supply and equilibrium

Demand, supply and equilibrium

Demand: willing AND able at each price. Supply: willing AND able to sell. Own price moves along; shifts follow advertising, income, tastes, substitutes, complements and demography (demand); costs, technology, taxes, subsidies and natural factors (supply).

Equilibrium solves $Q_d = Q_s$ at (20, 100). At 12 the shortage is $116 - 68 = 48$ - price bid up; at 25 the surplus is $120 - 90 = 30$ - price pushed down. Market forces restore equilibrium without planning.

3. Elasticity

Elasticity

PED = %change in quantity over %change in price: 20 to 22 gives -0.4, inelastic - confirmed by the TR test (2000 rises to 2112). Five value ranges from perfectly inelastic to perfectly elastic; drivers: substitutes, necessity, income share, time.

PES = %change in quantity supplied over %change in price: 20 to 24 gives +0.8 - manufactured goods elastic via stocks and spare capacity; primary products inelastic. YED: +0.8 normal necessity, above 1 luxury, below zero inferior - bus travel at -0.4 rises in recessions. Significance: tax inelastic goods reliably; forecast luxuries with incomes.

Check yourself

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Definitions; movements versus shifts with both determinant lists.

Equilibrium and the two excess calculations with market-force adjustment.

PED with the TR test; PES with the manufactured-versus-primary contrast; YED thresholds and the recession logic for inferior goods.