

2.5 Price changes

Name: _____ Class: _____ Date: _____

Total: 16 marks

Objective

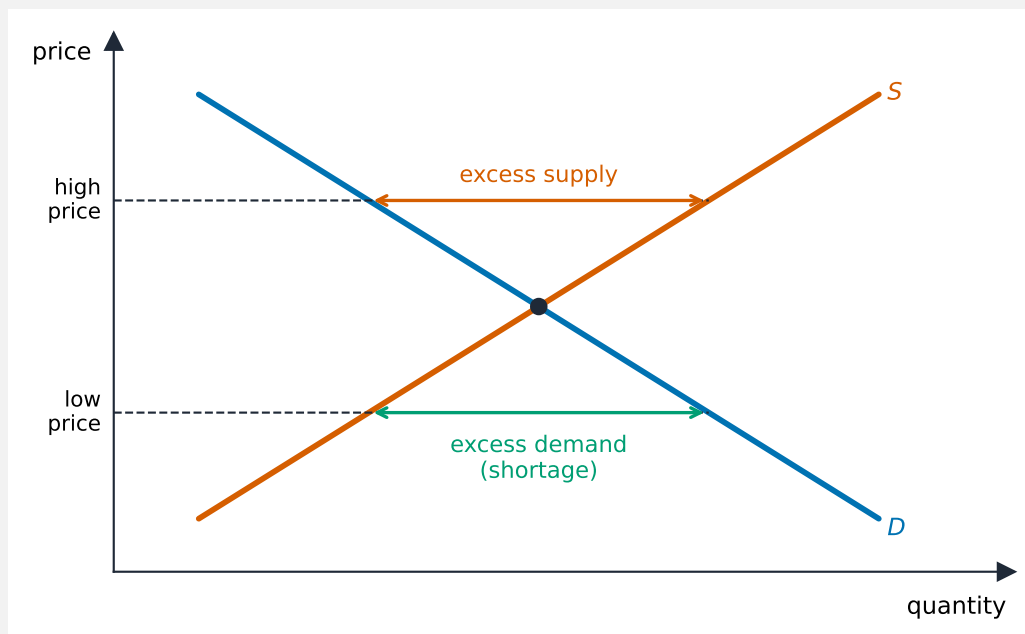
Build the skills to answer exam questions on **price changes** 价格变化—how a **shift** in demand or supply changes the equilibrium, and **disequilibrium** 非均衡 (**excess demand** and **excess supply** 超额需求与超额供给).

You must be able to:

- state how a shift in demand or supply changes price and quantity
- explain excess demand (a shortage) and excess supply (a surplus)
- analyse how the market returns to equilibrium

1 Worked examples

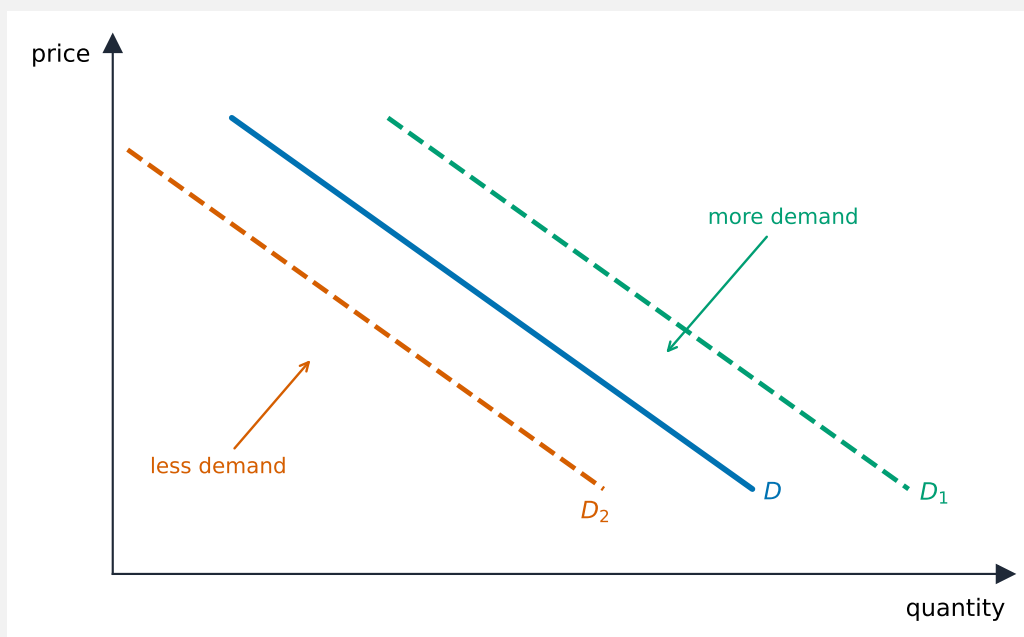
■ Disequilibrium



Either way the price is pushed back to equilibrium

- **Demand right** → price ↑, quantity ↑. **Supply right** → price ↓, quantity ↑.
- **Excess demand** 超额需求 (price too low) = a **shortage** 短缺 → buyers compete, price rises.

- **Excess supply** 超额供给 (price too high) = a **surplus** 过剩 → sellers cut the price.



A shift in demand (or supply) moves the equilibrium to a new price and quantity

Answer shapes: an **Analyse** [up to 6] answer should use a labelled diagram; **Discuss** [8] adds a judgement (Ev).

2 Practice

2.1 Define the term *excess demand*. [2]

2.2 State what happens to price when there is a **surplus** (excess supply). [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 demand curve to shift left
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3.2 Explain how a market with a **surplus** returns to equilibrium.

[4]

3.3 Bad weather destroys part of a coffee harvest. Analyse the effect on the market for coffee.

[6]

4 Go further

You are now ready for the real exam questions on this subtopic. Open the **2.5 Price changes** past-paper sheet in the Library, or try these in **Practice mode**:

- 0455/12 N25 —Q5 (price changes)
- 0455/11 J25 —Q5 (disequilibrium)
- 0455/12 J25 —Q7 (shifts and equilibrium)

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 when, at the current price, the quantity demanded is greater than the quantity supplied (a shortage) (2 for a clear definition; 1 for a partial idea).

2.2 the price falls (1).

2.3 price falls and quantity rises (1 + 1).

3.1 B. Below equilibrium there is excess demand, which pushes the price up.

3.2 [4] K 1 + An up to 3 —a surplus means firms supply more than buyers want at the current price → unsold stock builds up → sellers cut the price → as price falls, quantity demanded rises and quantity supplied falls → the market returns to equilibrium.

3.3 [6] K/App/An (diagram: supply shifts left) —destroying part of the harvest cuts supply → the supply curve shifts left → at the old price there is excess demand → the price is bid up → the new equilibrium has a higher price and lower quantity of coffee.