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1] The market price may differ from the equilibrium price because markets are dynamic - prices can be temporarily set too high or too low relative to the point where quantity demanded equals quantity supplied.

- When price is not at equilibrium, market imbalances occur:
  - If price is too high, there will be a surplus (excess supply).
  - If price is too low, there will be a shortage (excess demand).
- These imbalances can happen due to delays in information, government controls (like price ceilings or floors), or shifts in demand or supply that take time for the market to adjust to.

Thus, disequilibrium occurs when forces of supply and demand are not balanced.

2] If the price is above the equilibrium, quantity supplied exceeds quantity demanded, creating a surplus.

- Sellers find that they cannot sell all their goods at this higher price.
- To avoid unsold inventories or losses, sellers begin to lower prices.

As price falls,

- quantity demanded increases (consumers buy more), and
- quantity supplied decreases (producers make less).
- This process continues until the surplus is eliminated and the price returns to equilibrium, where quantity demanded equals quantity supplied.

This illustrates the self-correcting nature of competitive markets.

3] If the price is below equilibrium, quantity demanded exceeds quantity supplied, causing a shortage.

- Someone consumers who want to buy at the low price will find the good unavailable.
- Competition among buyers will push the price upward - buyers are willing to pay more rather than go without the product

As price rises,

- quantity supplied increases (producers make more), and
- quantity demanded decreases (buyers purchase less).

These changes continue until the shortage disappears and the market reaches equilibrium again.

Thus, shortages drive prices up, just as surpluses drive prices down, ensuring that markets naturally move toward equilibrium.