

Ch. 3 Supply



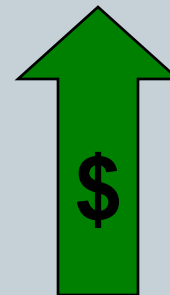
- **5) define and illustrate supply through schedules and graphs;**
- **6) distinguish between change(s) in supply and change(s) in quantity supplied;**
- **7) explain the direct relationship between price and quantity supplied;**
- **8) identify and explain the variables which cause a change in supply; and illustrate and explain the changes in quantity supplied given a price change.**

SUPPLY



- **Quantity supplied (QS)** is the amount of a good that producers are willing and able to sell at a specific price.
- **Law of Supply**
 - The relationship between price and quantity supplied is direct.

supplied



CHANGE IN QUANTITY SUPPLIED



- Movement along the supply curve.
- Caused by a change in the price of the product.

**Quantity
Supplied(QS)= ONE
POINT**

**Supplied (S)= ALL
POINTS**

BEN'S SUPPLY SCHEDULE



**Price of Ice cream
cone**

**Qty. of Cones
supplied**

\$0.00

0

0.50

0

1.00

1

1.50

2

2.00

3

2.50

4

3.00

5



CHANGE IN QUANTITY SUPPLIED

Price of Ice-Cream Cone

\$3.00

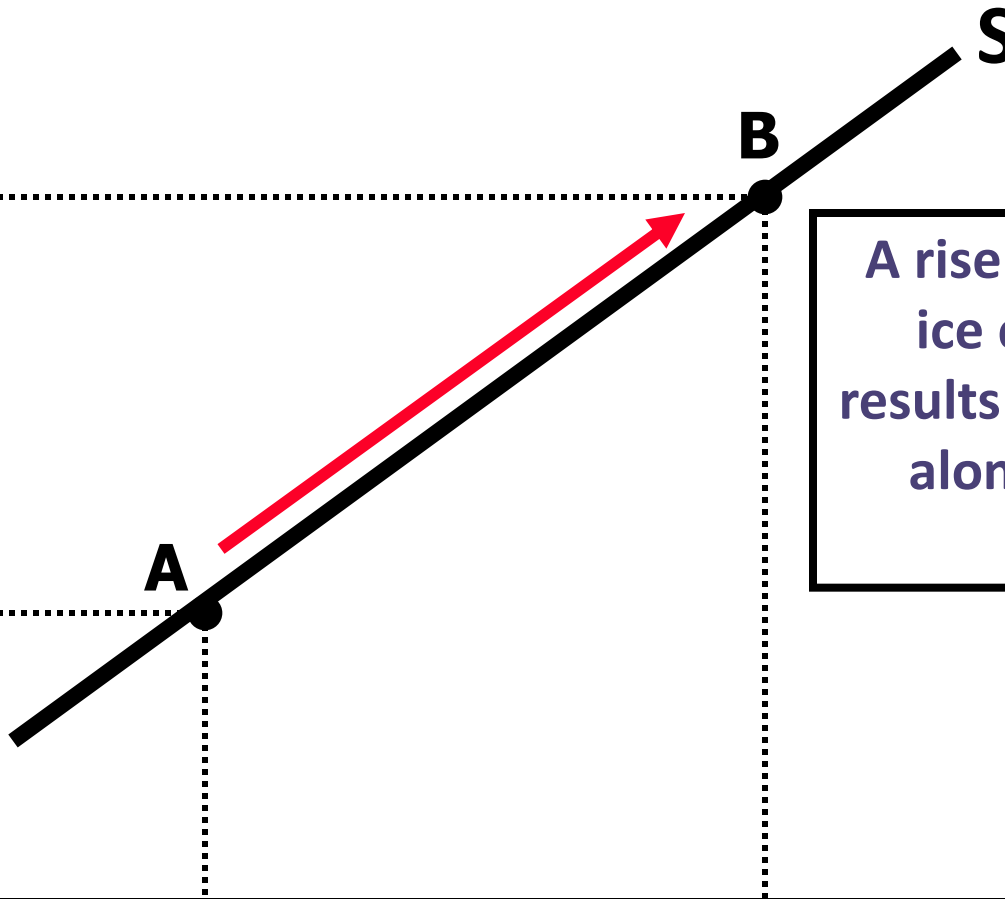
1.00

0

1

5

Quantity of Ice-Cream Cones



A rise in the price of ice cream cones results in a movement along the supply curve.

Ch. 3 Supply



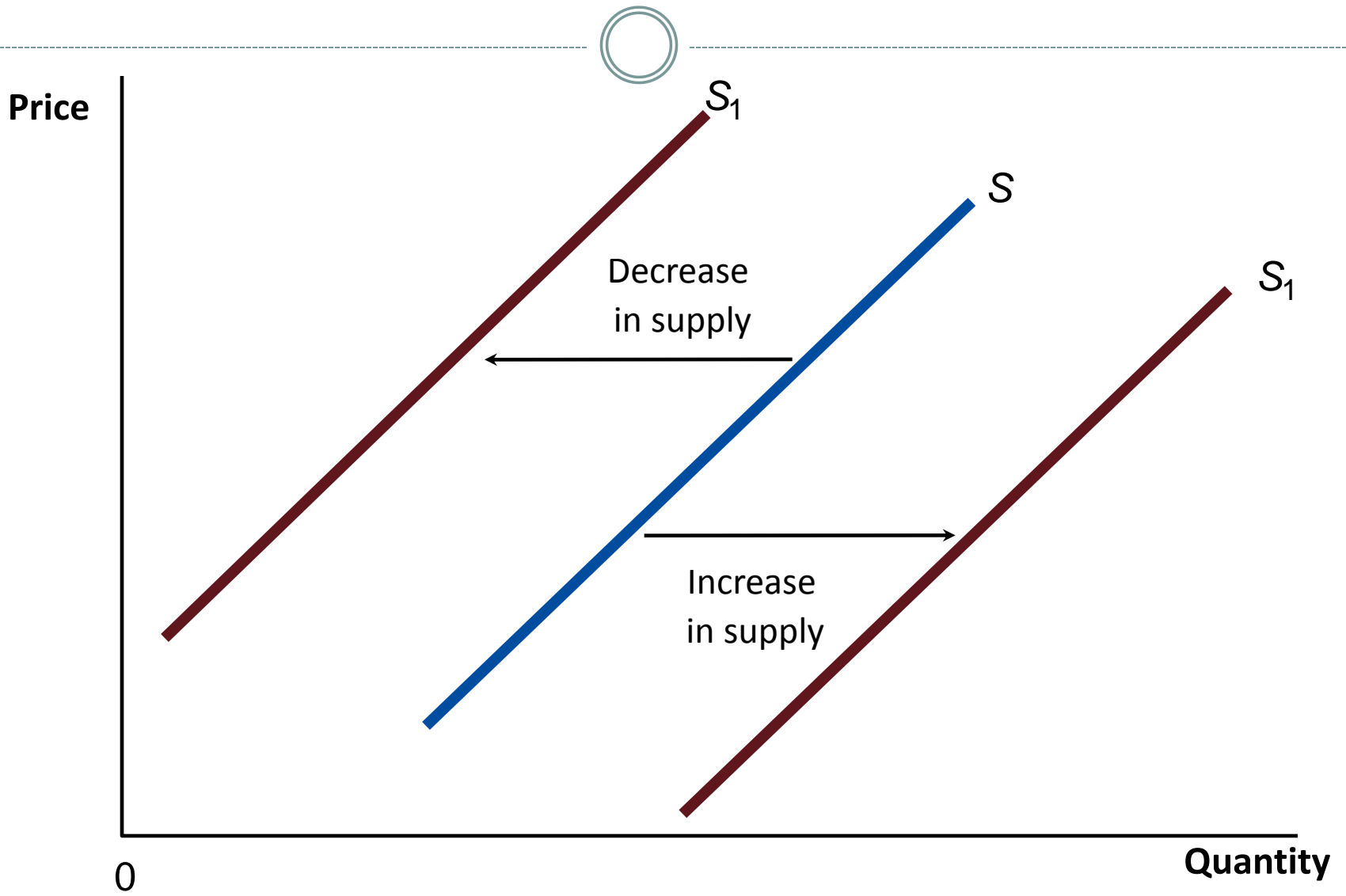
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What is a change in supply?



- Any change that alters the quantity supplied at every price.
- A shift in the supply curve, either to the left or right.

SHIFTS IN THE SUPPLY CURVE



Supply Shifters:

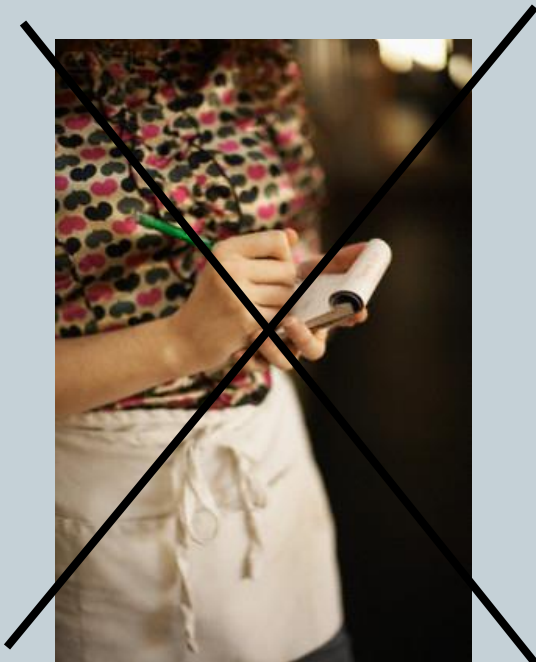
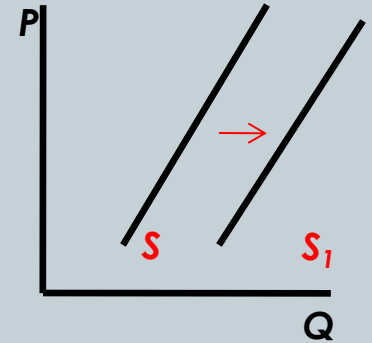


Changes in :

- **Technology**
- **Price of related goods/services**
- **Expectations for Future Price Changes**
- **Resource Costs/Input Prices**
- **# of Producers in the Market**

Technological Advancements

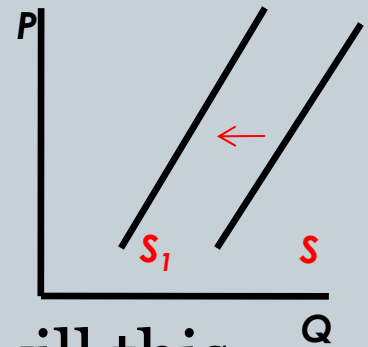
- As technology advances, production becomes more efficient and supply increases (shifts to the right).



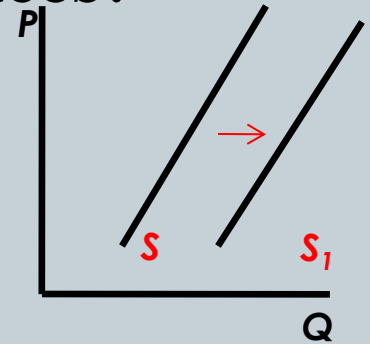
Price of Related goods/services



- If the price of shredded carrots goes up, how will this affect the supply of carrot juice?



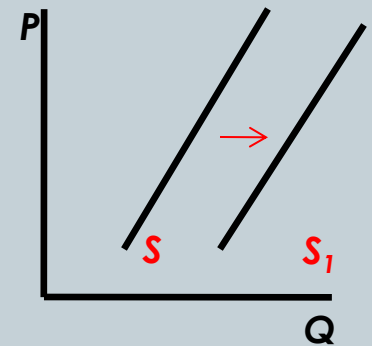
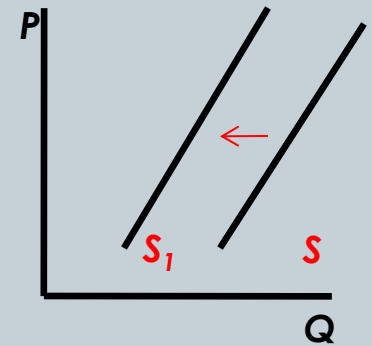
- If the price of chicken wings goes up, how will this impact the supply of chicken talon necklaces?



Expectations of Future Price Changes



- If producers expect the price of a good to rise in the future, immediate supply decreases (shifts to the left).
- If producers expect the price of a good to decrease in the future, immediate supply increases (shifts to the right).

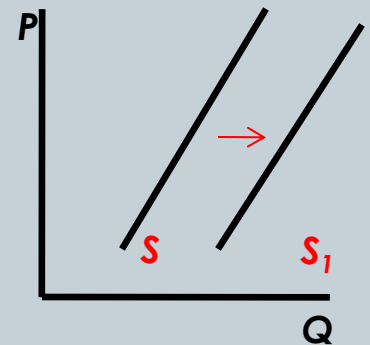
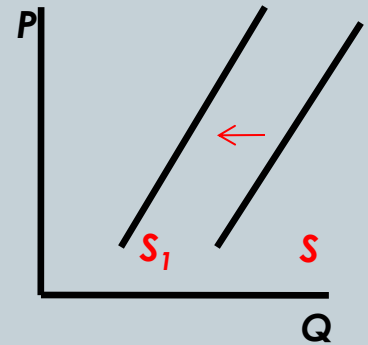


Example: If Farmer Joe hears that the price of corn is going to increase next month, he's going to wait to sell his corn (therefore decreasing the immediate supply of corn).



Resource Costs

- As the factors of production (land, labor, and capital) become more expensive for the producer to purchase, supply decreases (shifts to the left).
- As the factors of production (land, labor, and capital) become less expensive for the producer to purchase, supply increases (shifts to the right).



Gov't role: Taxes & Subsidies

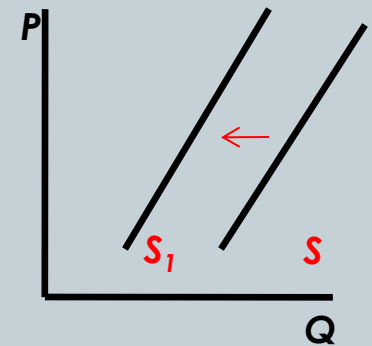
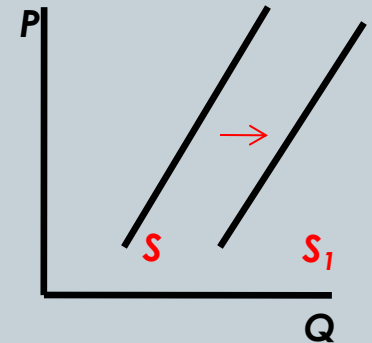
Example: Don's landlord increases his rent, which increases Don's costs of production. Since it's more expensive to make a donut, the profit per unit earned decreases and supply of Don's Donuts falls.



of Sellers in the Market



- When additional firms (businesses) enter a market, supply of the product increases (shifts to the right).
- When firms (businesses) exit a market (go out of business or for some other reason cease production), supply of the product decreases (shifts to the left).



Example: If the Andover City Council passed a law banning pizza from being sold within city limits, pizza producers would have to close/move, decreasing the supply of pizza in Andover.

