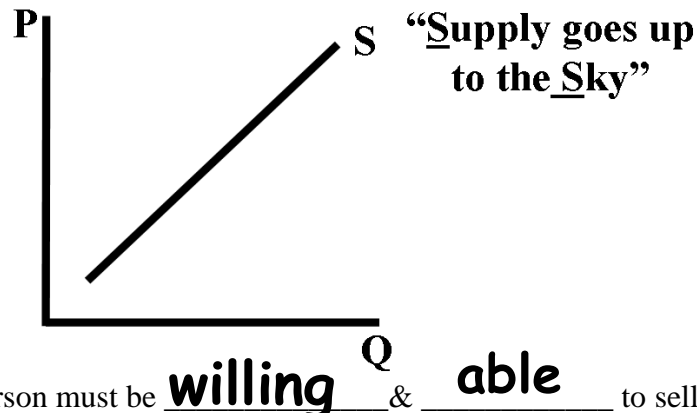


Supply Lecture Notes

Law of Supply: Holding all else equal, when the price of a good rises, suppliers increase their quantity supplied for that good.



To be ON THE CURVE, a person must be willing & able to sell a good or service.

DEFINITIONS:

Qs - it is the amount that will be sold at a specific price. It's one point on the curve

S - it is a schedule of quantities of goods and services that will be sold at various prices. It's the entire curve.

What changes Qs?

PRICE DOES NOT CHANGE supply. Price changes happen ALONG the CURVE, it doesn't shift the curve

What DOES shift the supply curve?

DETERMINANTS (SHIFTERS) OF SUPPLY

1. # of Suppliers

Like new store/restaurant opens or closes

↑# suppliers → S↑

↓# suppliers → S↓

2. Costs

Example: cost of ingredients, tax, or subsidy from government

↑Costs → S↓

↓Costs → S↑

3. Physical Availability of resources

Example: crops destroyed, unusually good harvest, war,, etc.

↑Phy Avail Resources → S↑

↓Phy Avail Resources → S↓

4. Technology

Example: new or better equipment, or law banning the use of something

↑Technology → S↑

↓Technology → S↓

5. Expected Future Price

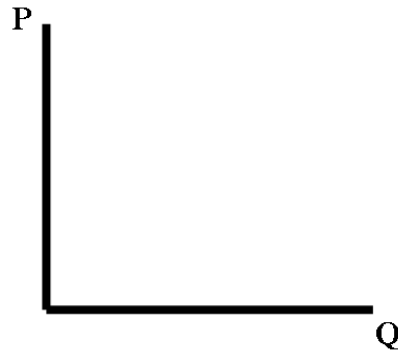
Example: Air Conditioner producers hears there will be a heatwave, during the heat wave he could charge a higher price so he will hold on to or not make as many now – decrease supply and sell them when the price is higher. & opposite, if he thinks the price will be lower in the future, he will sell more now (increase supply). Suppliers always want to sell more when the price is higher and less when its lower.

↑EFP → S↓

↓EFP → S↑

Supply Lecture Notes

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To be ON THE CURVE, a person must be _____ & _____ to sell a good or service.

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Qs -

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DETERMINANTS(SHIFTERS) OF SUPPLY

1. _____

↑# suppliers → S↑

↓# suppliers → S↓

2. _____

↑Costs → S↓

↓Costs → S↑

Example:

3. _____

↑Phy Avail Resources → S↑

↓Phy Avail Resources → S↓

Example:

4. _____

↑Technology → S↑

↓Technology → S↓

Example:

5. _____

↑EFP → S↓

↓EFP → S↑

Example: