Demand & Supply
Supply

- **Supply**: the willingness and ability of sellers to produce and sell goods and services

- **Law of Supply**: As the price of a good increases, the quantity supplied of the good increases, and as the price of a good decreases, the quantity supplied of the good decreases

\[
\text{If } P \uparrow \text{ then } Q \uparrow
\]
Supply Schedule

<table>
<thead>
<tr>
<th>Price</th>
<th>Quantity Supplied</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1</td>
<td>16</td>
</tr>
<tr>
<td>$2</td>
<td>39</td>
</tr>
<tr>
<td>$3</td>
<td>62</td>
</tr>
<tr>
<td>$4</td>
<td>85</td>
</tr>
</tbody>
</table>

Take a moment and graph the supply schedule, putting Price at the Y-axis, and Quantity at the X-axis
Supply Curve

Price

Quantity
Change in supply vs. change in quantity supplied

- Change in *quantity supplied* = a change along the supply curve caused by a change in price for the good

- Change in *supply* = a shift of the entire supply curve to the left (decrease in supply) or the right (increase in supply)
Change in supply vs. change in quantity supplied

Change in supply

Change in quantity supplied
What Factors Cause the Supply Curve To Shift?

1. **Price of Resources**
   - When resource prices fall, sellers can produce more and sell more of a good because it is cheaper to produce. When prices rise, they produce less because it is more expensive.
   - Ex: If wages increase at a coat factory, fewer coats will be produced and sold.

2. **Technology/Productivity**
   - An advancement in technology creates the ability to produce more output with a fixed amount of resources.
   - Ex: The invention of the motorized plow increased productivity for farmers.

3. **Taxes**
   - An increase in taxes will increase production costs, a decrease in taxes will decrease production costs.
   - Ex: If a shoe manufacture must pay a $2 tax for each pair of shoes she makes, this extra cost will create less production of shoes.
What Factors Cause the Supply Curve To Shift?

4. **Subsidies**
   - A financial payment made by the government for certain actions (the opposite of a tax), will increase production
   - Ex: If the government is paying corn farmers $3 for every bushel of corn, the production of corn will increase

5. **Number of Sellers**
   - If more sellers begin producing a particular good, supply increases
   - Ex: Silly Bandz become popular and more manufacturers begin to produce similar items

6. **Expectation of Future Price**
   - Sellers who expect the price of a good to be higher in the future may hold back the good now to supply the good in a future market
   - Ex: You need to sell your house, but you have heard the price of houses is expected to rise in 6 months, so you wait to sell your house then
Only one factor can cause a change in quantity supplied: **Price**