

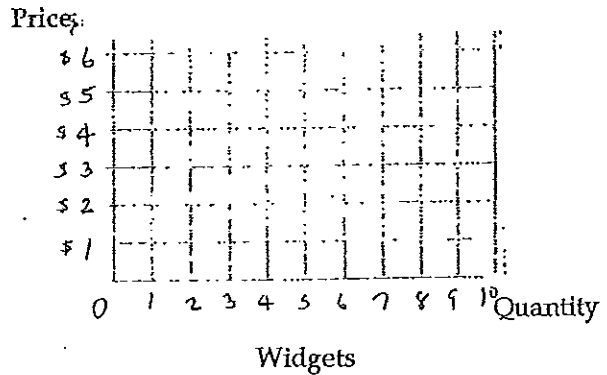
SUPPLY WORKSHEET

I. Supply schedules and graphs:

A. Use the following schedule to graph Acme Company's willingness and ability to supply widgets at various prices (label the curve S1).

Supply Schedule

Price	Quantity (in thousands)
\$5	5
\$4	4
\$3	3
\$2	2
\$1	1



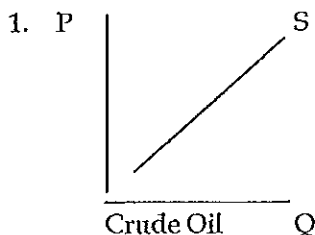
Show on this graph what happens when the market price changes from \$2 to \$3. Is this a change in supply or a change in quantity supplied?

B. Now suppose that Acme Co. has acquired a new machine which reduces their labor costs. Because their profit potential is now greater, they are now willing to provide twice as many widgets at each price. Complete this new supply schedule below and then graph this new curve with a dashed line (- - -) on the graph above and label it S2.

New Supply Schedule

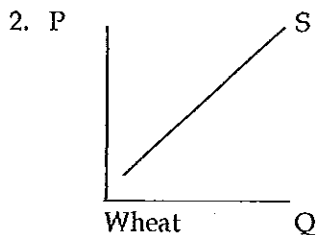
Price	Quantity (in thousands)
\$5	
\$4	
\$3	
\$2	
\$1	

II. Read the description for each of the following graphs. Determine if a change in supply (ΔS) or a change in quantity supplied (ΔQS) is described. Remember, the only thing that can cause a change in quantity supplied (ΔQS) is a change in the price of that good. Give the reason for each change. Then sketch the result on the curve. Label new supply curves S2.

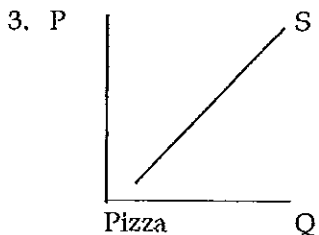


The price of crude oil increases 50%.
Will this cause ΔS or ΔQS ? _____

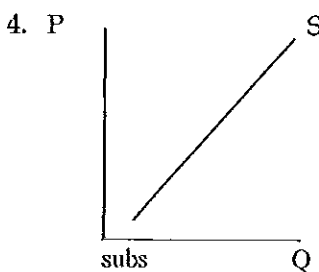
Reason? _____



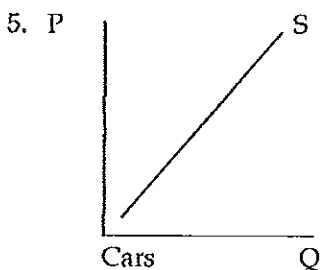
A severe drought damages over 60% of the nation's wheat. Will this cause ΔS or ΔQS ? _____
Reason? _____



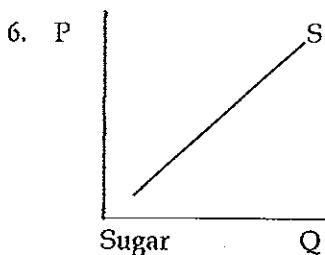
The producer of pizza is able to get cheese for half the regular price. What will be the impact on pizza? ΔS or ΔQS ? _____
Reason? _____



A school district has just announced that because of budget cuts they must decrease the salary of substitute teachers from \$90 per day to \$75 a day. What happens to the number of people willing to substitute teach? ΔS or ΔQS ? _____
Reason? _____



If the average cost of labor increases from \$50/hr to \$60/hr in the auto industry, what will be the impact on the supply of cars? ΔS or ΔQS ? _____
Reason? _____



The government bans the import of sugar from foreign countries. What will happen to the supply of sugar in the US? ΔS or ΔQS ? _____
Reason? _____