

SUPPLY

I. Definition - a relation showing the various amounts of a good or service that producers are willing and able to produce and sell at alternative prices during a given time period (all else remaining the same).

II. Law of Supply - the quantity of goods and services for sale varies directly with price (assuming all other things remain the same).

higher price - producers willing to supply more
lower price - producers willing to supply less

III. Change in Quantity Supplied (ΔQS)

This is a movement along the supply curve which results from changes in quantities supplied by producers in response to changes in the price of that good or service (all other factors remaining the same).

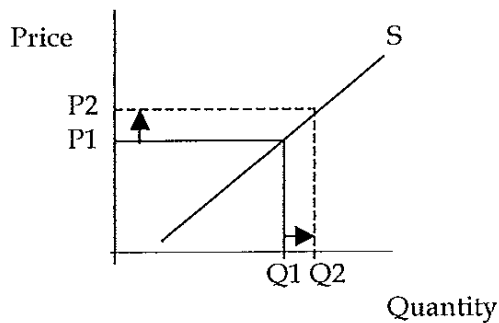


Fig. 1

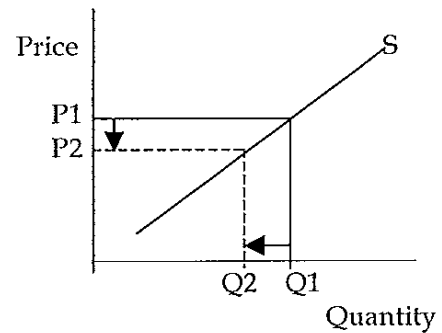


Fig. 2

IV. Change in Supply (ΔS)

This is a *shift in the supply curve* caused by factors *other than a change in the price of that good or service*. It reflects a change in the supply schedule itself, showing either an increase or decrease in the amount producers are willing and able to supply at each price.

Factors that will shift supply:

1. Change in input costs
2. Government's influence—taxes, subsidies, regulations
3. Expectations of lower or higher prices in the future
4. Change in the number of sellers
5. Changes that affect imports, like trade barriers (tariffs, quotas)
6. Physical changes, like droughts, hurricanes

When the supply curve shifts, the new supply curve shows that producers are willing to supply more (Fig. 1) or less (Fig. 2) than before at each price. Remember:

- Any factor that decreases the cost of production increases supply.
- Any factor that increases the cost of production decreases supply.

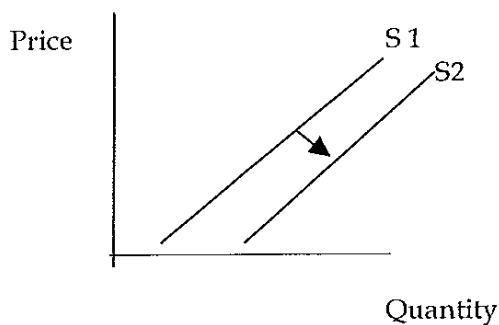


Fig. 1

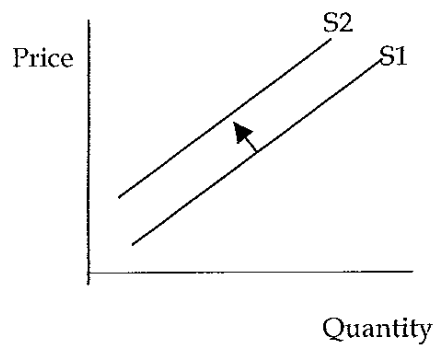


Fig. 2