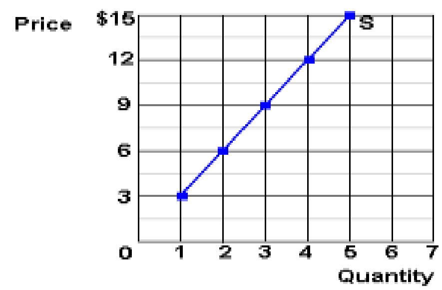
LAW OF SUPPLY

The other side of demand is supply. This represents producers or firms that use resources to make goods and services which are then sold to households. Producers attempt to ___________________________ by selling what consumers want and ____.

Supply: the amount of a product that firms are willing to offer ____________________________________ that might prevail in the market.

Supply Schedule: a table or schedule that shows the various ____________________________________ ___________ that might prevail in the market at a given time.

Price	Quantity Supplied per Month
$15	5,000
12	4,000
9	3,000
6	2,000
3	1,000



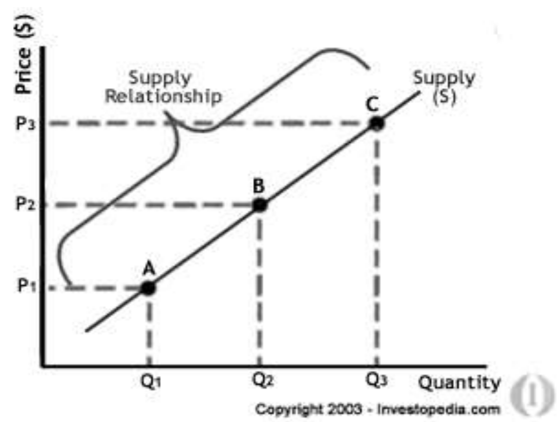
Supply Curve: the graphical representation of the supply schedule. It contains the same information as the schedule but in a different format.

Law of Supply: states that the price and the quantity supplied are ____________________________________.

Direct means that both variables ________________. As price increases, ______________________________.

As price ______________________, so does quantity supplied.

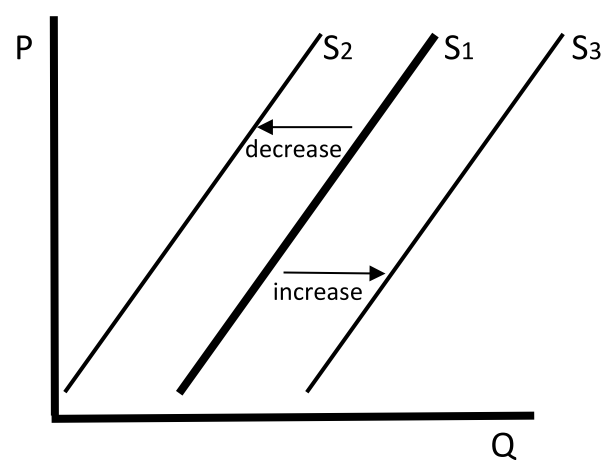
Change in Quantity Supplied: is a _______________________ _______________________________ showing a change in the quantity of the product supplied in response to a ___________ __________________. This is simply a restatement of the law of supply.



Change in Supply: when firms are now willing to offer ____ as before. This is shown as a ____, not a movement along the curve.

An increase in supply is a ________________________.

A decrease in supply is a ________________________.



UNIT 2 – MICROECONOMICS _____________________________________NAME

There are 6 factors that can shift the supply curve to the right or left. These factors have nothing to do with the price of the product.


1. **Government Regulations**: when the government regulates a firms product, costs

   _________ and supply _______. Ask yourself how much more expensive it is to comply with federal standards on exhaust emissions for cars. More regulation means __________ supply. Less regulation means ___________ supply.

   Taxes: firms view taxes as ____________________________________ and therefore supply will fall. Taxes will always shift the supply curve to the __________.

   Subsidies: are the opposite of a tax. In this case the government _______________________________ to encourage or protect a certain type of economic activity. Subsidies ________ costs and ___________ supply.



2. **Resource Cost**: when a firm pays ___________ for its land, labor or raw

   materials, it is willing to supply ________ now. The reason is that the firm is ____.

   If the cost of resources ____________, the firm will supply ___________.

3. **Expectations of Sellers**: expectations ___________________ determinants

   of supply, meaning future prices, future input costs and future technology

   ___________________ ___________________ ___________________

4. **Education/Productivity**: when workers are more efficient they can produce

   more. The result is that costs ______________, so firms are willing to _________________________ than before. When workers are not as productive, _______________________ and the firm is not as willing to supply.

5. **Technology**: the introduction of a new machine or process will ___________

   the firm's ____________ and will result in an _______________________________. Think about flat screen TV's and computers. What has happened to their costs over the last several years?

6. **Number of Sellers**: more firms leads to more supply, ____.