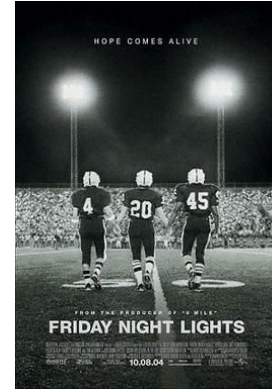


# 2.6- SUPPLY AND DEMAND- SUPPLY & MOVEMENTS V. SHIFTS

**Demonstrate an understanding of supply in  
competitive markets**

# KICKOFF:

- ❖ Go to Google Classroom and complete the assignment “9/26-KO”
  - Quiz Prep
- ❖ **Roll Call:** Favorite movie



# ANNOUNCEMENTS:

- ❖ 9/27- Have module 7 read
- ❖ FRQ grades are in (quiz grade)
  - Will talk more about how to answer these questions before the next test
- ❖ Knight Time this week

# QUIZ:

- ❖ 15 Questions
- ❖ ABSOLUTELY NO TALKING EVEN WHEN YOU ARE FINISHED
- ❖ When you are finished, read either module 6 or 7 of the textbook

# 2.6- SUPPLY AND DEMAND- SUPPLY & MOVEMENTS V. SHIFTS

**Demonstrate an understanding of supply in  
competitive markets**

# SUPPLY

- ❖ Supply- availability of goods
- ❖ Quantity supplied- amount producers are willing to produce/sell at specific price points
- ❖ Supply schedule- chart displaying quantity supplied at various price points
  - Used to build supply curve-
    - Graphical representation of supply schedule

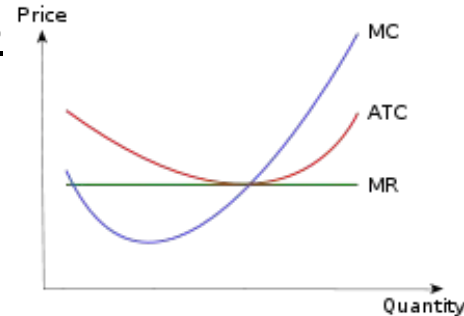
Price of coffee beans (per pound)	Quantity of coffee beans supplied (billions of pounds)
.....\$2.00	11.6
.....1.75	11.5
.....1.50	11.2
.....1.25	10.7
.....1.00	10.0
.....0.75	9.1
.....0.50	8.0

# Candy Bar Experiment: Supply



# LAW OF SUPPLY

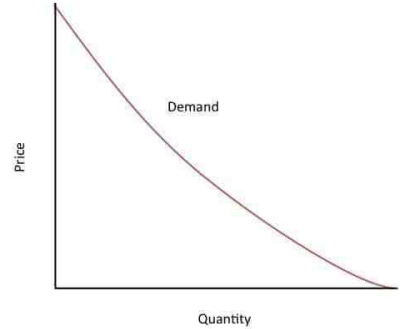
- ❖ Law of Supply- as price increases, quantity supplied increases
  - And vice versa
  - Price and quantity supplied are directly related/ have a positive relationship
- ❖ Reasons:
  - As price increases, profit generally increases
  - As production increase, costs generally increases, meaning higher prices are needed to induce producers





# REMEMBERING DEMAND/SUPPLY

- ❖ Demand- has a negative slope/slopes down
  - Law of Demand
  - D- Demand; D- Down
  - Demand- Declines
- ❖ Supply- has a positive slope/slopes up
  - Law of Supply
  - Supply
  - Supply to the sky
    - It rhymes



# SUPPLY MOVEMENTS V. SHIFTS

# QUANTITY SUPPLIED V. CHANGE IN SUPPLY

## ❖ Change in Quantity Supplied

➤ Caused by:

- Change in price

➤ Displayed by:

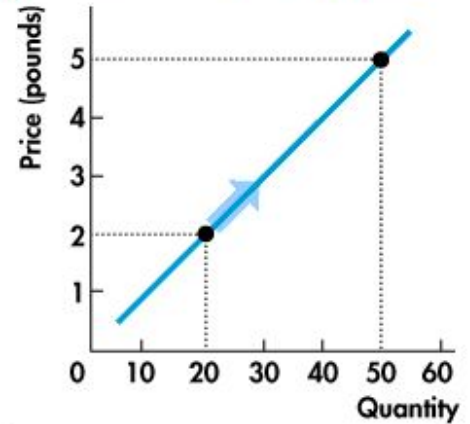
- Movement along the curve

- Price increase = increase in  $Q_s$

- Law of Supply

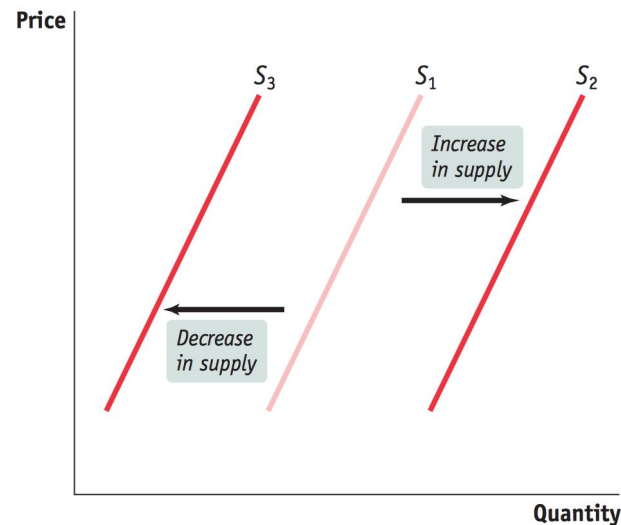
❖ PRICE IS ONLY THING THAT CAUSES A MOVEMENT ALONG THE CURVE

Change in the Quantity Supplied;  
A Movement Along a Supply Curve



# QUANTITY SUPPLIED V. CHANGE IN SUPPLY

- ❖ Change in Supply
  - Caused by:
    - Shock to supply curve
    - Determinants/shifters of supply
  - Displayed by: Shift of supply curve



# DETERMINANTS/SHIFTERS OF SUPPLY

- ❖ **Subsidies and taxes**
- ❖ **Technology**- advancements and increased efficiency
- ❖ **Other goods**- what else could firms sell
- ❖ **Number of producers**- how many firms
- ❖ **Expectations**- future prices
- ❖ **Resource Cost**- cost of inputs

# SUBSIDIES/TAXES



## ❖ Subsidies

- Government subsidies provides a positive incentive to produce
- Increase in supply, shift right

## ❖ Taxes

- The government issuing/increasing a tax on the production of a good decreases incentive to produce
- Decrease in supply, shift left

# TECHNOLOGY

- ❖ New technology or methods of producing increases efficiency and cuts long term costs
  - Increase in supply, shift right
- ❖ When can technology cause a decrease in supply/leftward shift?



# OTHER GOODS

❖ Companies look at profit they could receive from production of other goods



- Farmer A currently produces equal amounts of corn and wheat. World wheat prices increase significantly due to unknown factors. What will happen to the farmer's supply of corn? Why?
- Decrease as he begins to use more of his land to grow wheat and therefore less to grow corn





# NUMBER OF SELLERS

- ❖ Direct correlation between number of firms in an industry and supply
  - More firms enter a market
    - Increase supply, shift right
  - Firms begin to leave a market
    - Decrease supply, shift left



# EXPECTATIONS

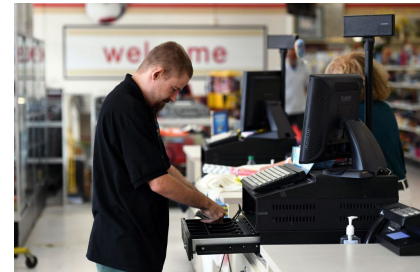


- ❖ Producers look at future prices to determine how much of a product they will bring to the market
- ❖ Inverse relationship between expectation of future price and supply today
  - Price of cotton expected to increase in the future
    - Decrease in supply today/shift left
  - Why?
    - Profit motive

# RESOURCE COST

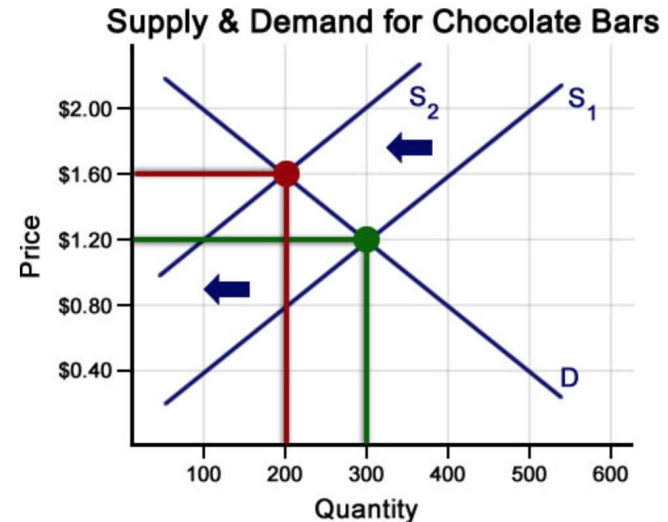
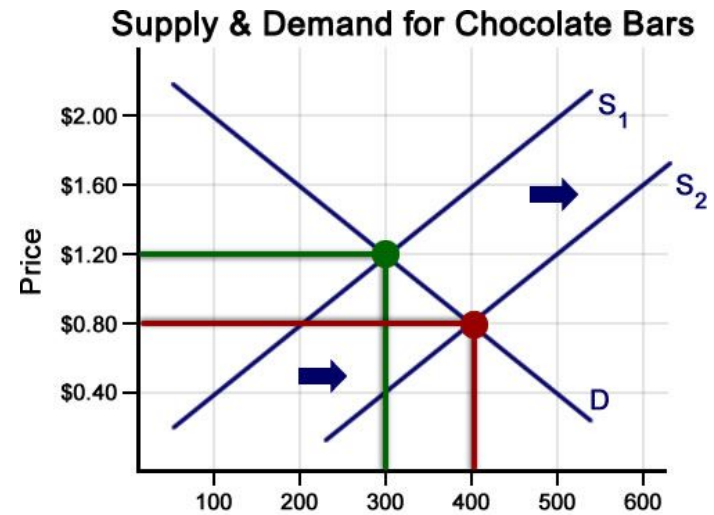


- ❖ Cost of producing a product and supply of product have inverse relationship
  - Increase/decrease in cost of any Factor of production
- ❖ Cost of producing product X goes up
  - Decrease in supply, shift left
- ❖ LABOR



# SUPPLY SHIFTS - EFFECT ON EQUILIBRIUM PRICE

- ❖ Increase in Supply causes:
  - Decrease in Equilibrium Price
- ❖ Decrease in Supply causes:
  - Increase in Equilibrium Price



# NOT A GAME, PRACTICE

- ❖ Supply shifts and movements along the supply curve for cell phone market and Caribbean cruises
- ❖ Same way we worked with demand on Friday
- ❖ Be careful these are tougher
- ❖ Answers are on the back table
  - Check when you are finished to make sure you are on the right track

CLOSURE