



# Chapter 5 Section 1 and 2

Supply



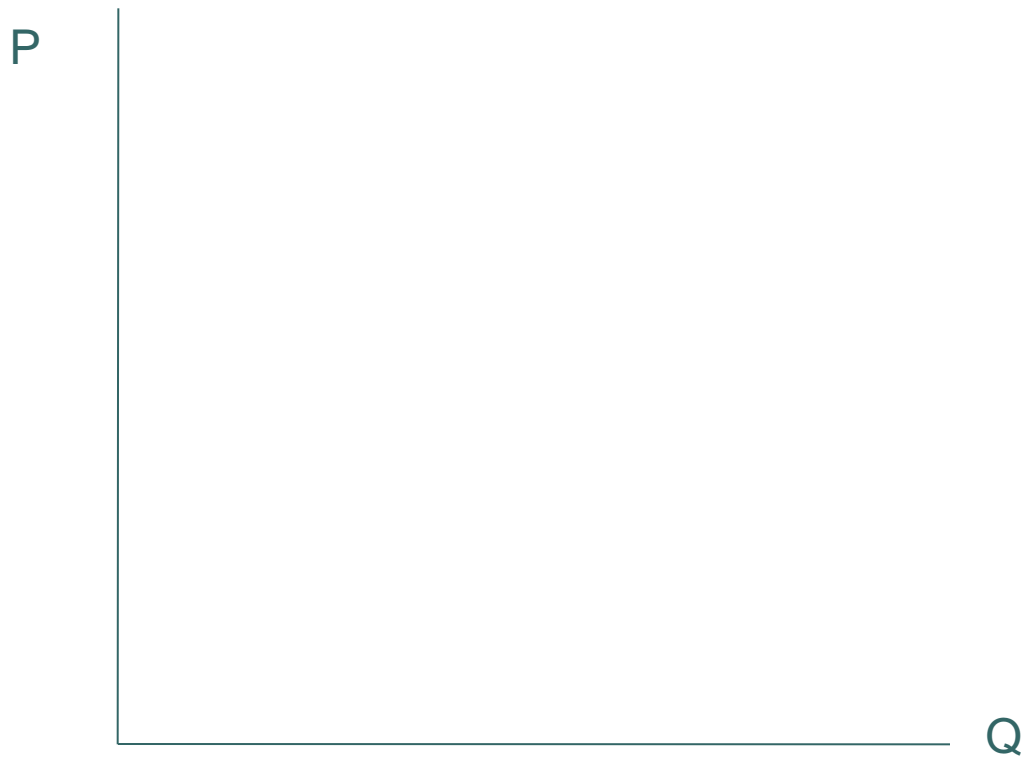
# Imagine if you will...

- You would like to go into business making cookies. You can sell as many cookies as you'd like at the following prices. Given that the cost of making each cookie is constant at .10 and every cookie made takes 2 minutes, how many cookies (per evening to sell in school the next day) would you make?



Price	Quantity Supplied
.10	
.20	
.30	
.40	
.50	
.60	
.70	
.80	
.90	
1.00	

● ● ● | Create a graph that shows  
your results



Now repeat the process for the class (market)



# Supply

- The willingness and ability of a producer to offer a good or service.

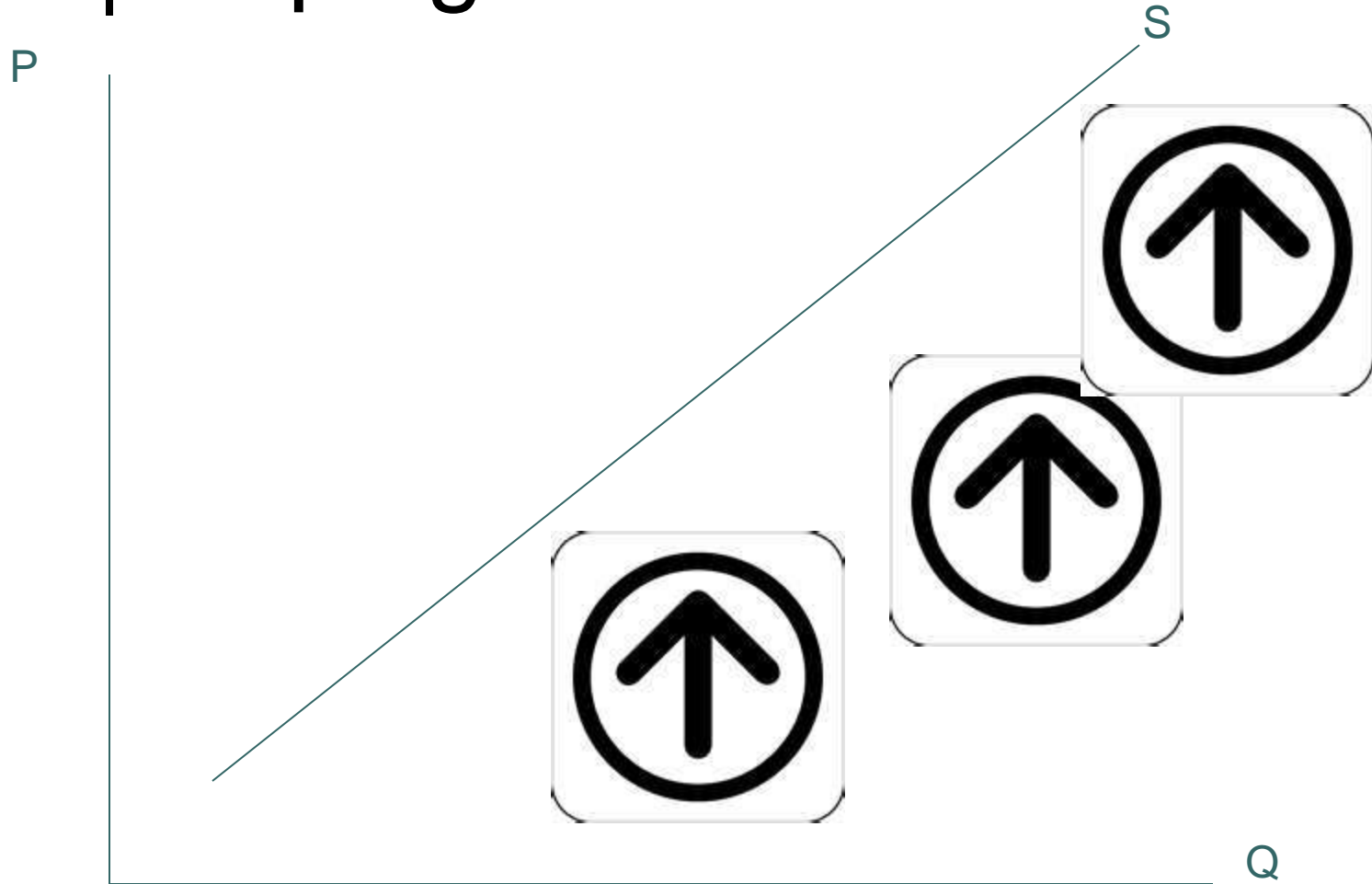


# Law of Supply:

- As  $P$  increases,  $Q_S$  increases
- As  $P$  decreases,  $Q_S$  decreases



# The Supply Curve is Upward sloping





# What factors affect supply?

- Input costs: resources needed to make a good (As these increase, supply will decrease-shift to the left)



# What factors affect supply?

- Labor productivity: better training, specialization will increase supply-shift to right



# What factors affect supply?

- Technology: better technology increases supply



# What factors affect supply?

- Government Policies
  - Taxes decrease supply
  - Subsidies increase supply
  - Regulations can effect S depending on what its regulating (example: banning a pesticide could decrease S)



# What factors affect supply?

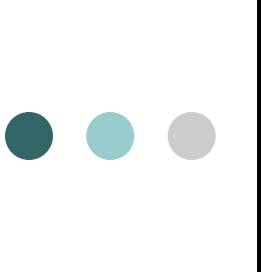
- Number of producers
  - More producers, supply will increase



# What factors affect supply?

- Producer expectations:
  - If a producer believes that prices will increase in the future, they'll lower supply now (and stockpile for later)
  - If producers believe  $P$  will decrease, they increase supply now before the  $P$  goes down



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- [http://www.classzone.com/cz/books/econ\\_cnc/get\\_chapter\\_group.htm?cin=1&ci=1&rg=animations&at=animated\\_economics&npos=1&spos=1&var=animated\\_economics](http://www.classzone.com/cz/books/econ_cnc/get_chapter_group.htm?cin=1&ci=1&rg=animations&at=animated_economics&npos=1&spos=1&var=animated_economics)



What does a trillion dollars  
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- <http://www.pagetutor.com/trillion/index.html>