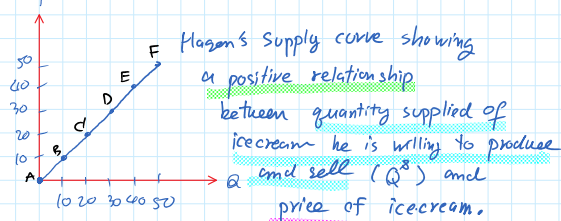


Quantity supplied = quantity or amount of a good or service that seller(s) is (are) willing to produce and sell at a specific price or at a given price.

Consider a potential seller: Hagen

	P (\$/cup)	Q (# scoops/wk)
A	0	0
B	10	10
C	20	20
D	30	30
E	40	40
F	50	50

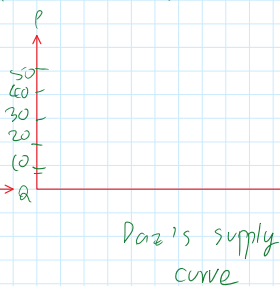
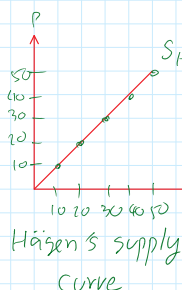


30.8.18 (Makeup class)

From individual supply curve to market supply curve

(consider a market w/ 2 sellers: Hagen & Daz)

P	Q _{Hagen}	Q _{Daz}	Q _{Hagen + Daz} = Total Quantity Supplied or Market Quantity supplied
0	0	0	= 0
10	10	20	= 30
20	20	40	= 60
30	30	60	= 90
40	40	80	= 120
50	50	100	= 150



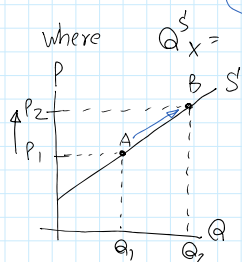
UNIT: # scoops/wk



Movements along the supply curve Vs. Shifts of the supply curve

$$Q_x^S = f(P_x, \text{Price of inputs, } \Delta \text{ in Technology, } \Delta \text{ in weather, } \Delta \text{ in number of sellers})$$

supply shifters: factors that cause the supply curve to shift.



- When we have Δ in price of good X in question, supply curve will not shift.
- We will ONLY observe movement along the supply curve

(CHANGE IN SUPPLY)
When supply curve shifts

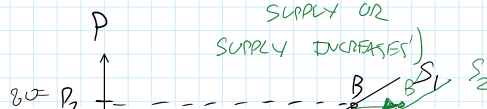
supply curve shifts LEFT

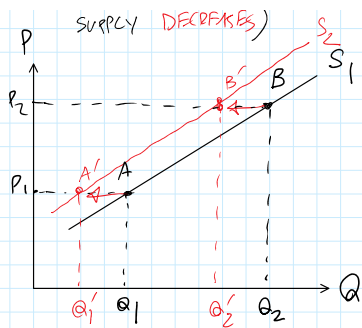
(DECREASE IN SUPPLY
(Δ DECREASES))



supply curve shifts RIGHT

(INCREASE IN SUPPLY OR SUPPLY INCREASES)



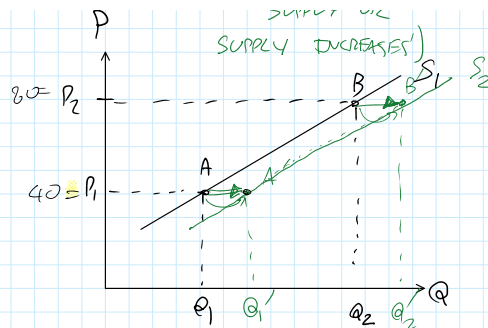


When supply curve shifts **left**,
it means that...

At each and every price level
we observe, sellers are willing
to sell **less** of the good.

≡

At each and every price level
we observe, **quantity supplied**
decreases.



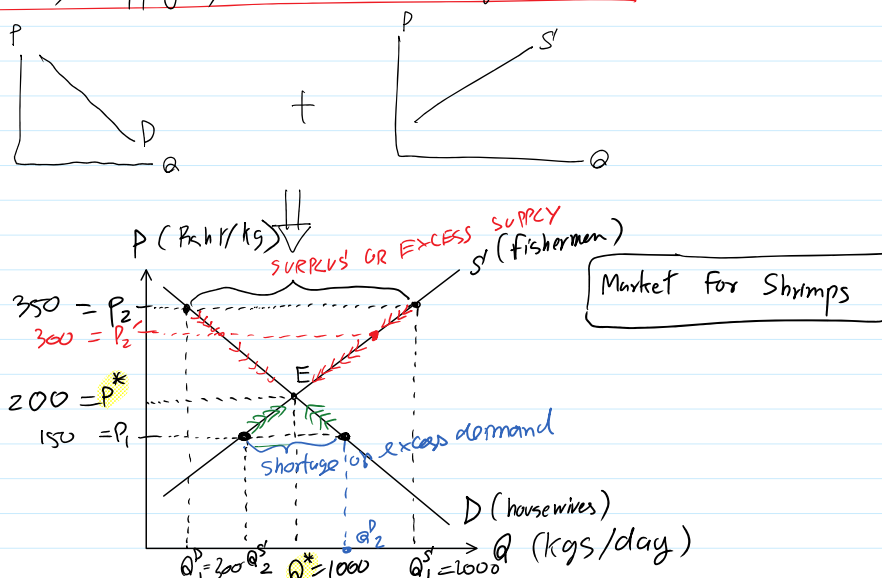
When supply curve shifts **right**,

At any observable price level,
sellers want to sell **more**
of the good.

≡

quantity supplied increases
at any observable price level.

Demand, Supply, and Market Equilibrium



Fact#1 P^* is called "equilibrium price" (why?)

b/c P^* makes quantity demanded = quantity supplied
 $(Q^D) \quad (Q^S)$

$$1000 = 1000$$

Q^* is so called "equilibrium quantity" (why?)

= no tendency to change



Fact#2

If price happens to be above the equilibrium price (P^*),

surplus or excess supply will occur as $Q^S > Q^D$.

(you will expect to see lots of unhappy fishermen)

To get rid of "unsold amount of shrimps", fishermen cut the price...

Price continues to fall until excess supply becomes zero.

Equilibrium price (P^*) is again restored.

P^* can also be called "market-clearing price."

Fact#3

When Price happens to be "below" the equilibrium price (P^*),

∴ shortage or excess demand would occur as

$Q^D > Q^S$. (you would expect to see lots of unhappy buyers)

To remove the shortage, price of shrimps will go up

until shortage becomes zero.