

SUPPLY

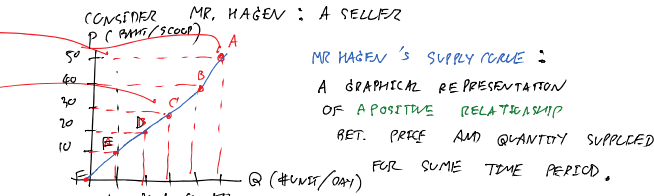
- SUPPLY SCHEDULE ✓
- SUPPLY CURVE ✓
- LAW OF SUPPLY ✓
- FROM A SELLER'S SUPPLY CURVE TO MARKET SUPPLY CURVE ✓
- SUPPLY SHIFTERS ✓

SUPPLY SCHEDULE SHOWS THE RELATIONSHIP BET. PRICE OF A GOOD AND ITS QUANTITY SUPPLIED.

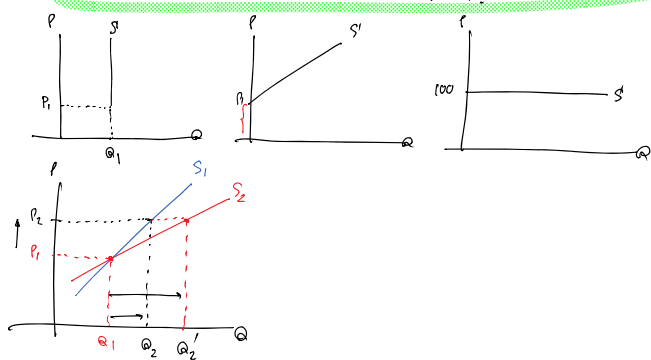
↳ AMOUNT THAT SELLER(S) IS(ARE) WILLENG TO PRODUCE AND SELL AT A GIVEN PRICE.

MARKET FOR ICECREAM

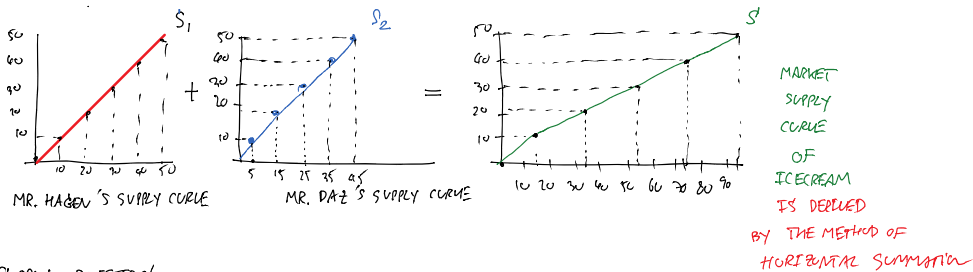
| | P | Q ^d |
|---|----|----------------|
| A | 50 | 50 |
| B | 40 | 40 |
| C | 30 | 30 |
| D | 20 | 20 |
| E | 10 | 10 |
| F | 0 | 0 |



LAW OF SUPPLY : WHEN P ↑, QUANTITY SUPPLIED ↑ AND WHEN P ↓, QUANTITY SUPPLIED ↓, ALL OTHER FACTORS REMAIN CONSTANT.



FROM A SELLER'S SUPPLY CURVE TO A MARKET SUPPLY CURVE

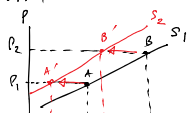


SUPPLY SHIFTERS'

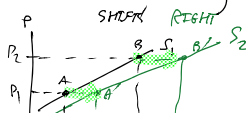
- Δ IN WEATHER
- Δ IN PRICE OF INPUTS
- Δ IN TECHNOLOGY
- Δ IN NUMBER OF SELLERS'
- Δ IN SELLERS' PRICE EXPECTATION.

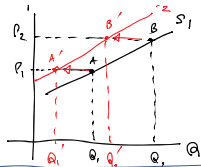
CHANGE IN SUPPLY (CURVE)
(≡ SHIFTS OF THE SUPPLY CURVE)

A DECREASE IN SUPPLY
OR
SUPPLY DECREASES!
(≡ SUPPLY CURVE SHIFTS LEFT)

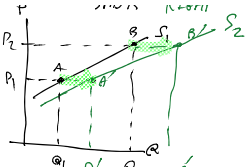


AN INCREASE IN SUPPLY
OR
SUPPLY INCREASES!
(≡ SUPPLY CURVE SHIFTS RIGHT)



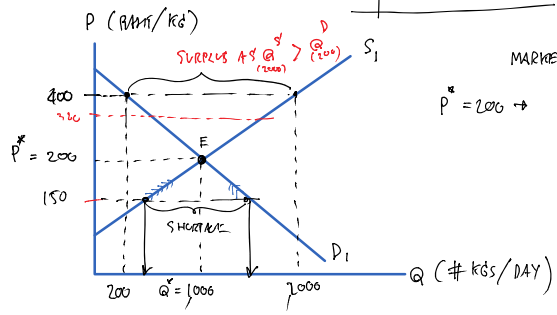
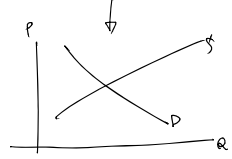
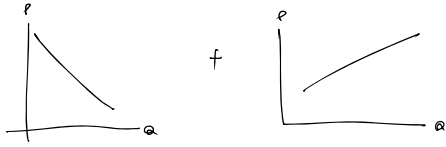


QUANTITY SUPPLIED HAS DECREASED AT ANY OBSERVABLE PRICES.



QUANTITY SUPPLIED HAS INCREASED AT ANY PRICE WE OBSERVED!

PUTTING SUPPLY AND DEMAND TOGETHER ...



MARKET FOR RIVER SHADUPS

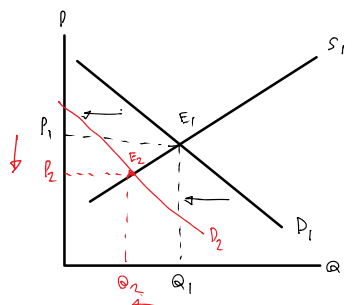
$P^* = 200 \rightarrow$ EQUILIBRIUM PRICE: PRICE THAT MAKES $Q^D = Q^S$.

WHAT IF DEMAND CURVE OR SUPPLY CURVE OR BOTH CURVES SHIFT(S)?

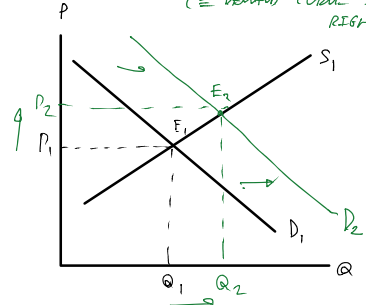
CASE 1 CHANGES IN DEMAND

CASE 1A: DECREASE IN DEMAND (= DEMAND CURVE SHIFTS LEFT)

CASE 1B: INCREASE IN DEMAND (= DEMAND CURVE SHIFTS RIGHT)



EFFECT ON P: $P \downarrow$
EFFECT ON Q: $Q \downarrow$

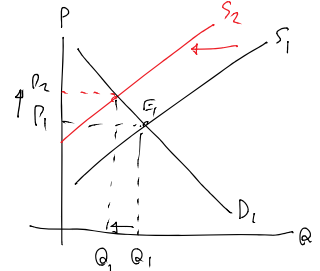


EFFECT ON P: $P \uparrow$
EFFECT ON Q: $Q \uparrow$

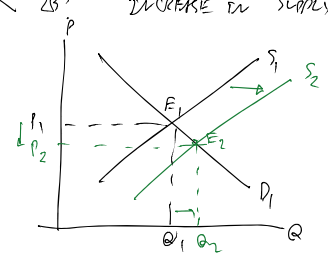
CASE 2 CHANGES IN SUPPLY

2A: DECREASE IN SUPPLY

2B: INCREASE IN SUPPLY



EFFECT ON P: $P \uparrow$
EFFECT ON Q: $Q \downarrow$



EFFECT ON P: $P \downarrow$
EFFECT ON Q: $Q \uparrow$

CASE 3 CHANGES IN BOTH SUPPLY AND DEMAND

3A: DECREASE IN DEMAND & DECREASE IN SUPPLY

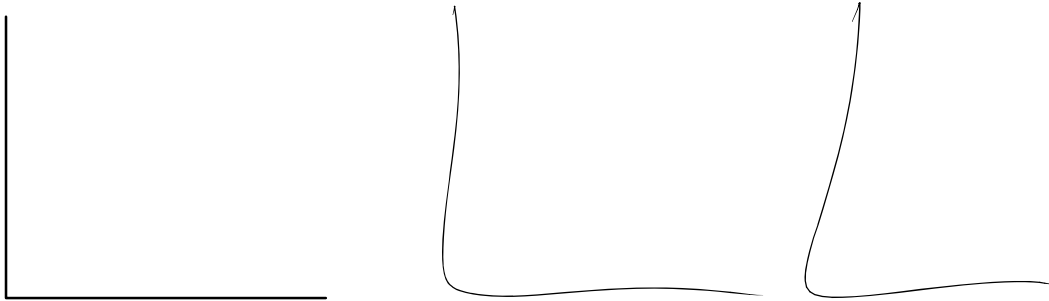
3B: INCREASE IN DEMAND & INCREASE IN SUPPLY

CASE 3

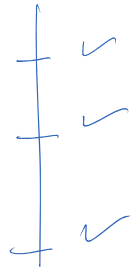
CHANGES IN BOTH SUPPLY AND DEMAND

- 3A INCREASE IN DEMAND & INCREASE IN SUPPLY
- 3B INCREASE IN DEMAND & INCREASE IN SUPPLY
- 3C DECREASE IN DEMAND & INCREASE IN SUPPLY
- 3D INCREASE IN DEMAND & DECREASE IN SUPPLY

3A

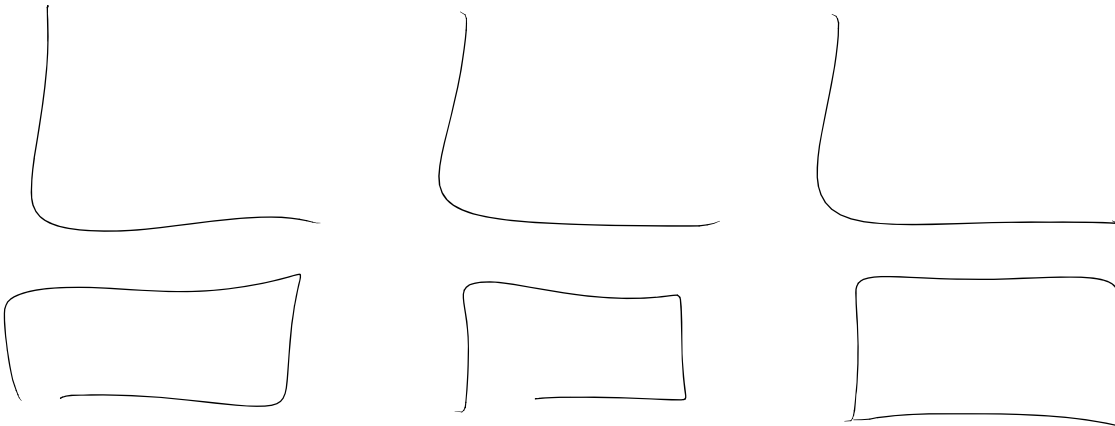


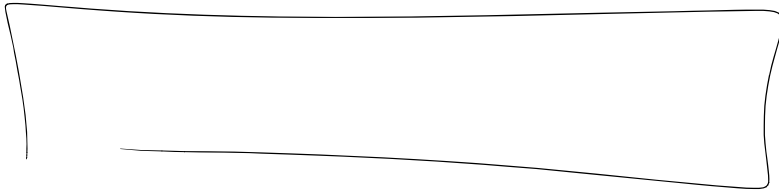
EFFECT ON P : UNCLEAR . PRICE MAY RISE, FALL, OR REMAIN THE SAME DEPENDING ON RELATIVE MAGNITUDE OF THE SLOPES OF THE TWO CURVES



EFFECT ON Q : CLEAR : Q ↓
(CONCLUSIVE)

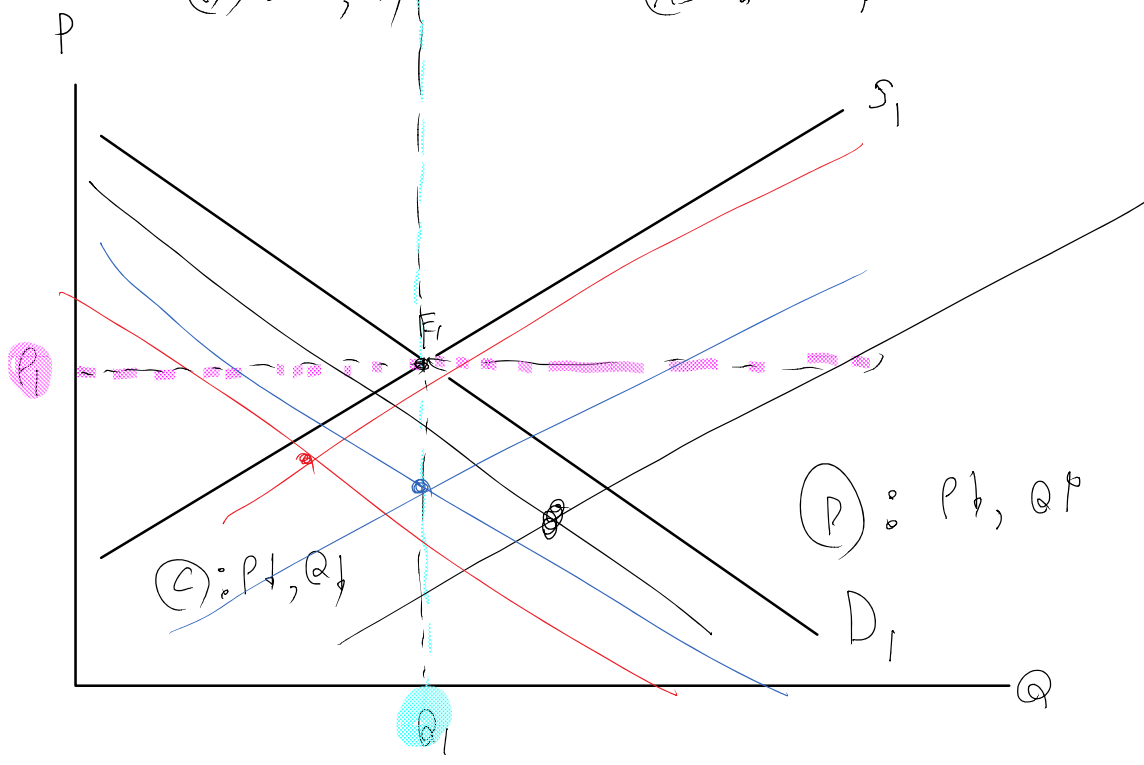
3B





(B) : $P \uparrow, Q \downarrow$

(A) : $P \uparrow, Q \uparrow$



(C) : $P \downarrow, Q \downarrow$

(D) : $P \downarrow, Q \uparrow$

Pfman

sum