

What is Supply?

21-1 Notes

- I. Exploring Supply and Demand
- A: Supply is the various quantities of a good or service that producers are willing to sell at all possible market prices
- B: Supply refers usually to a single business or producer
- C: Market Supply refers to all the producers in a market
- D: Suppliers offer different quantities of a product depending on the price that buyers are willing to pay

- II. The Law of Supply
- A: Demand stated that quantity demanded varied INVERSELY according to price
- B: Supply states that the quantity supplied goes in the same direction as the price
- C: Law of supply is that producers will offer more for sale at higher prices and less at lower
- D: The higher the price, the greater the incentive to produce more
- E: The producer looks at the profit motive to make more money and offer more

- III. The Individual Supply Curve
- A: A graph that shows the amount of a product that would be supplied at all possible prices
- B: Prices are on the vertical, quantities on the horizontal
- C: These are the goods the business will supply
- D: The curve slopes upward
- E: Suppliers are generally willing to offer more goods and services at higher prices

- IV: The Profit Motive
- A: Businesses invest time and money in order to make money
- B: They need to not only cover costs but also make a profit
- C: To do this, they need to sell their goods at higher prices
- D: Profit is the money a business receives over and above its costs
- E: They can use profits to increase wages for workers
- F: They can use profits to invest back into their business to make it more efficient or larger

- V: Graphing Market Supply
 - A: Graphing supply you can look at individual or market producers
 - B: Market supply is when you combine the supply schedules of all the businesses that provide the same good or service
-
- VI: An Upward Slope
 - A: Supply and Market Supply Curves all have the same slope
 - B: The upward slope shows that producers want to sell more at high prices and less at low prices

- VII: Influence of Price
- A: Price is the most significant influence on the quantity supplied of any product
- B: Suppliers will produce more at higher prices than at lower ones

- VIII: Other Factors:
- A: Supply curves are drawn to show how prices move supply up and down
- B: When other factors change, the entire supply curve will shift