

University of Guelph Numeracy Project

About Supply



TABLE OF CONTENTS

About Supply.....	1
What is SUPPLY?	1
Supply.....	1
Notes.....	1
Case 1.....	2
THE LAW OF SUPPLY	2
Glossary.....	3
References	4

About Supply

What is SUPPLY?

- Supply is a measure of the relationship between a good's price and the amount of the good being offered. This measure is viewed through the use of supply curves and supply schedules.

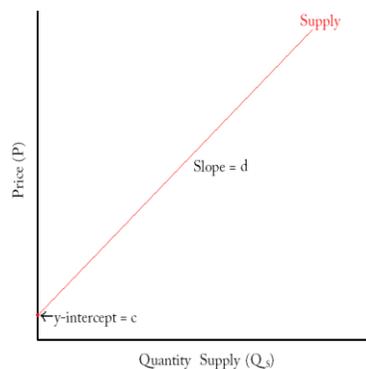
Supply

- Supply suggests that as prices rise, the available amount of the related good or service also increases. This is illustrated through the use of a supply schedule, supply curves, or equations.
- The equation related to a straight line supply curve is as follows:

$$P = c + dQ_s$$

Where P is the price and Q_s is the quantity supplied. The c and d are positive constants.

- A graph related to a straight line supply curve is below.



Notes

- Nobody will offer the good or service (i.e. $Q_s = 0$) if the related price is c . Graphically, c is the y-intercept on the supply curve.

- Rising prices translate to increased supply for a given good or service. So, given a non-zero Q_s (i.e. price $> c$), as Q_s for a particular good or service gets larger, the price rises.
- The constant d tells us how rapidly the price of a given good or service rises, relative to increased supply. Graphically, this constant represents the steepness of the supply curve.

Case 1

THE LAW OF SUPPLY

- If all aspects remain constant, but the price of a good changes, movement along the supply curve occurs. Due to the upward slope of a supply curve, the supplied quantity of a good increases as prices rise. Likewise, the supplied quantity of a good decreases as prices fall.

Glossary

Law of Supply:

expresses that a rise in the price of a good or service corresponds to an increase in supplied quantity of that good or service, and vice-versa.

Supply:

is a measure of the relationship between a good's price and the amount of that good being offered. This measure is viewed through the use of supply curves and supply schedules.

Supply Curve:

with all other factors constant, a supply curve demonstrates the relationship between supplied quantity of a good or service and its related price.

References

Bade, Robin, & Parkin, Michael. (2006). *Microeconomics: Canada in the Global Environment*. (6th ed.) Toronto: Pearson Addison Wesley.