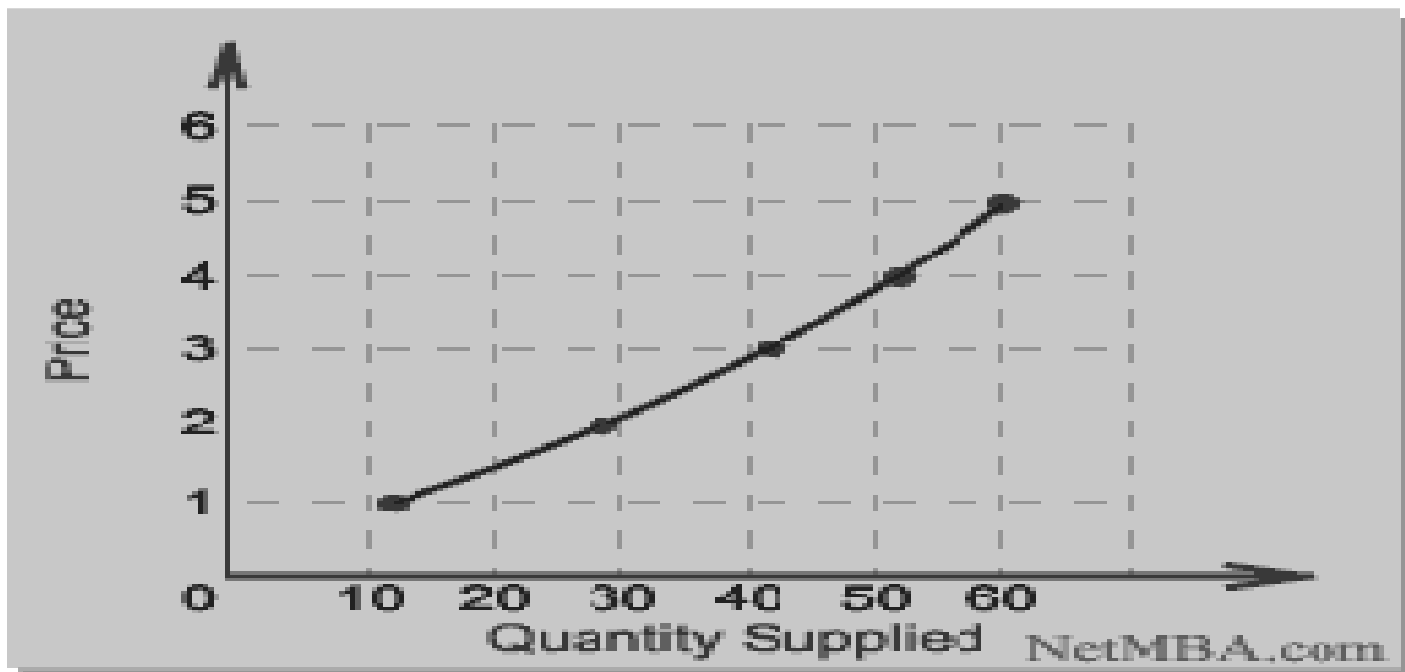




CHAPTER LEARNING OBJECTIVES

- 1. THE STUDENTS WILL BE ABLE TO DEFINE AND EXPLAIN THE “LAW OF SUPPLY ”**
- 2. THE STUDENTS WILL BE ABLE TO EXPLAIN THE ELASTICITY OF SUPPLY**
- 3. THE STUDENTS WILL BE ABLE EXPLAIN THE 5 CAUSES OF CHANGES IN SUPPLY**
- 4. THE STUDENTS WILL BE ABLE TO DEFINE, STATE THE PURPOSE OF, AND EFFECTS OF, “SUBSIDIES”, “EXCISE TAXES”, “TARIFFS”, AND “REGULATION ”**
- 5. THE STUDENTS WILL BE ABLE TO EXPLAIN WHAT A MARKET AT EQUILIBRIUM TELLS US**



WHAT IS “SUPPLY ”?

WHAT IS THE “LAW OF SUPPLY” ?

WHERE DO SOME PRODUCERS GO WHEN PRICES FALL AND WHY ?

WHAT ARE THE 5 CAUSES OF CHANGES IN SUPPLY ?

1.

WHAT IS THE MEANING OF “ELASTICITY OF SUPPLY” ?

WHAT ARE THE 2 FACTS REGARDING SUPPLY ELASTICITY ?

1.

2.

2.

“FIXED COSTS” -

“VARIABLE COSTS” -

“TOTAL COSTS” -

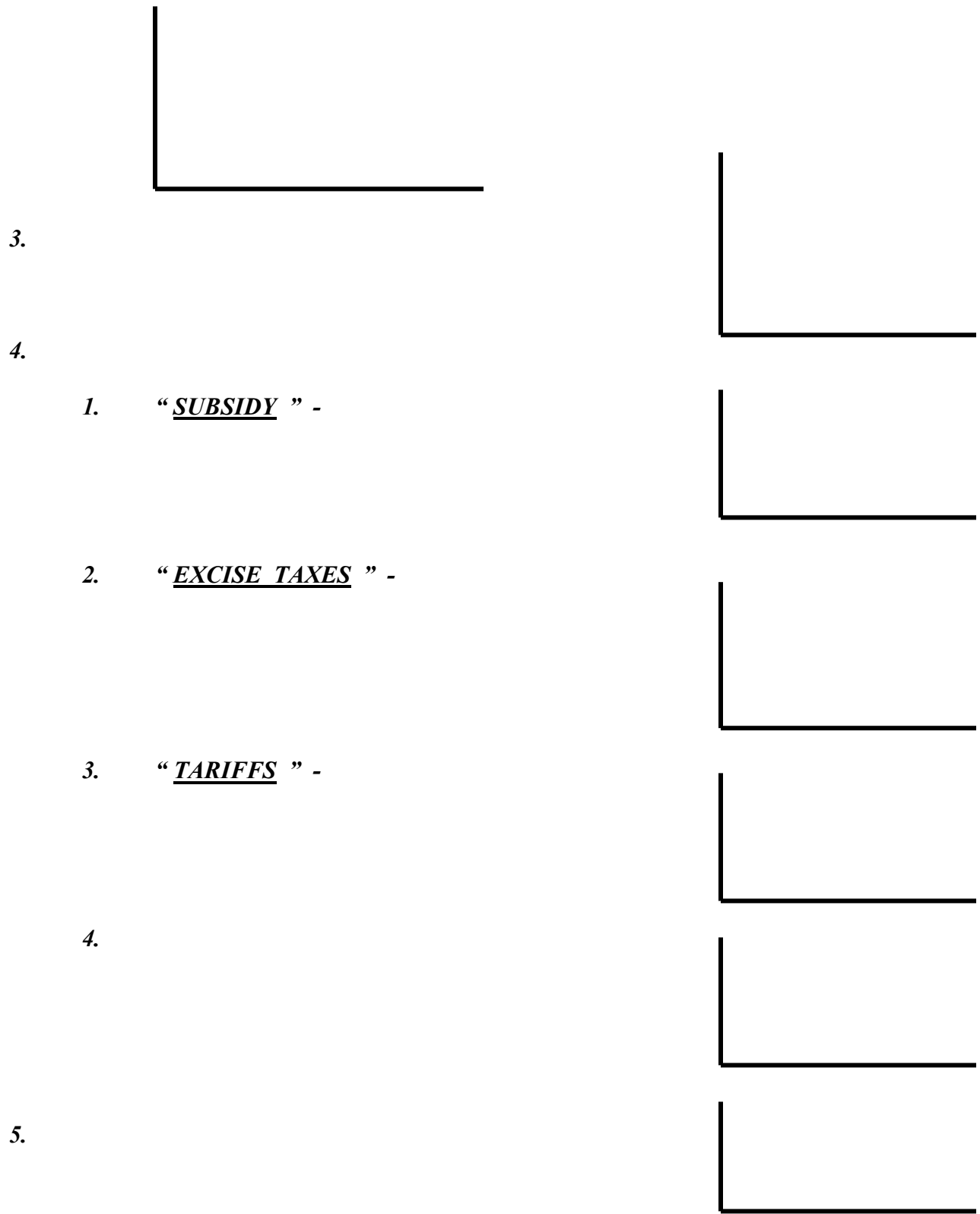
“GROSS PROFITS” -

“NET PROFITS / INCOME” -

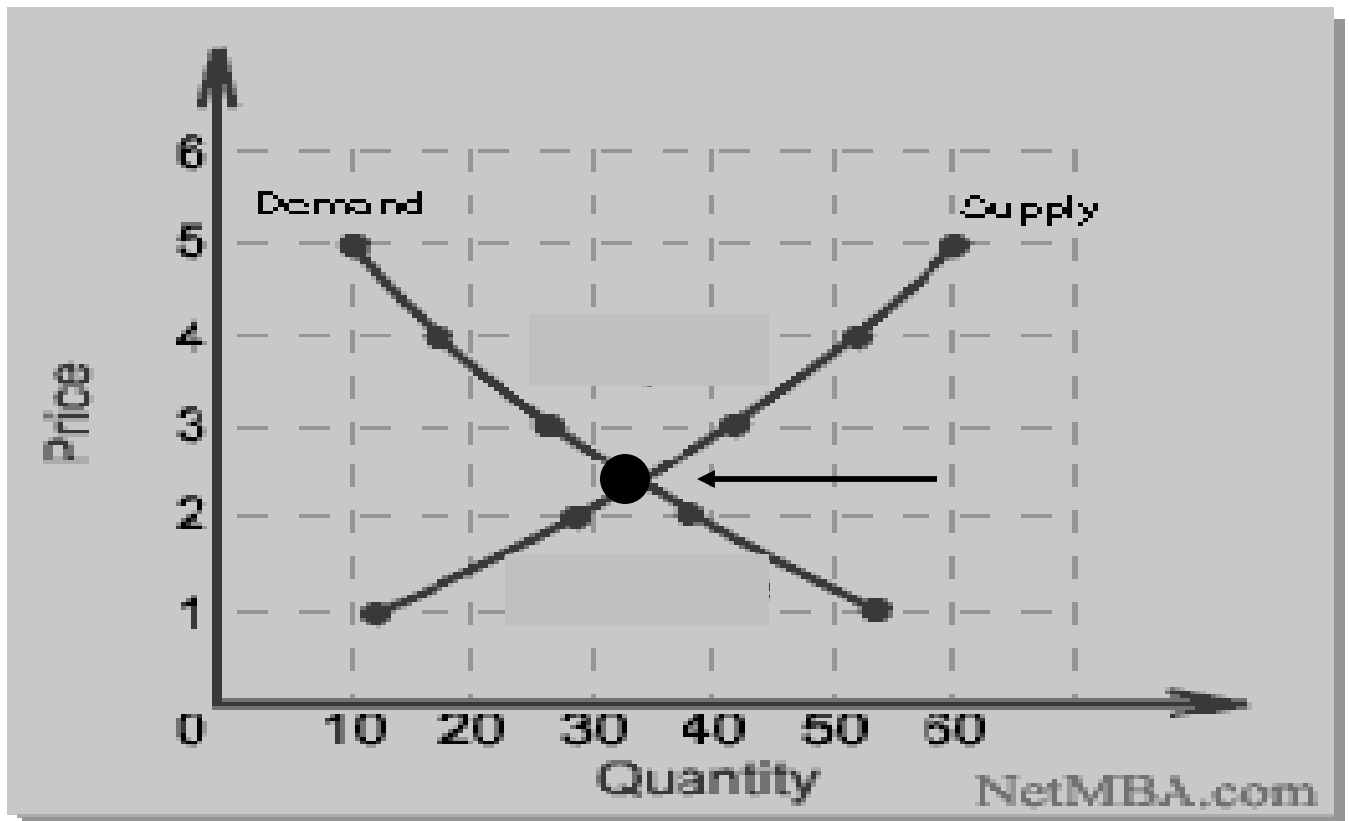
_____ - _____ = **GROSS**

PROFITS - _____ = **NET PROFITS / INCOME**

ILLUSTRATION OF THE EFFECT OF AN INCREASE IN VARIABLE COSTS :



WHAT DOES A MARKET AT "EQUILIBRIUM" TELL US ?



WHAT EVENTS MIGHT DISRUPT A MARKET AT EQUILIBRIUM ?

- 1.
- 2.
- 3.
- 4.
- 5.



WHAT ARE THE 4 STEPS TO FIGURING OUT SUPPLY AND DEMAND GRAPHS ?

- 1.
- 2.
- 3.
- 4.

SHORT TERM SUPPLY AND DEMAND GRAPH EXAMPLES :

1. **MARKET > ORANGES , EVENT > A FROST HITS FLORIDA**



2. **MARKET > CD s , EVENT > THE PRICE OF CD PLAYERS GOES DOWN**



3. **MARKET > CD s , EVENT > THE AMOUNT PAID IN ROYALTIES TO SONG ARTISTS GOES UP**



4. **MARKET > CASSETTE TAPES , EVENT > THE CD IS INVENTED**



5. **MARKET > BEEF , EVENT > UNITED STATES ECONOMIC GROWTH IS UP**



6. *MARKET > SUVs AND TRUCKS , EVENT > THE PRICE OF GASOLINE DOUBLES*



7. *MARKET > FOREIGN CARS , EVENT > UNITED STATES AUTOMOBILE MANUFACTURERS INVENT HYBRID TECHNOLOGY*



8. *MARKET > BUS TICKETS , EVENT > THE PRICE OF AIRLINE TICKETS DOUBLES*



LONG TERM SUPPLY AND DEMAND GRAPH EXAMPLES :

1. *MARKET > CD s , EVENT > THE PRICE OF CD PLAYERS GOES DOWN*



2. *LONG TERM EXAMPLE > MARKET > CD PLAYERS , EVENT > INVENTION OF THE MP3 PLAYER*

