

Supply

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Supply

The various amounts of a product that producers are **willing** and **able** to supply at various prices during some specific period

Law of Supply

Positive relationship between the price and quantity supplied

	Price	Quantity supplied
a)	5	12,000
b)	4	10,000
c)	3	7,000
d)	2	4,000
e)	1	1,000

The Supply Curve

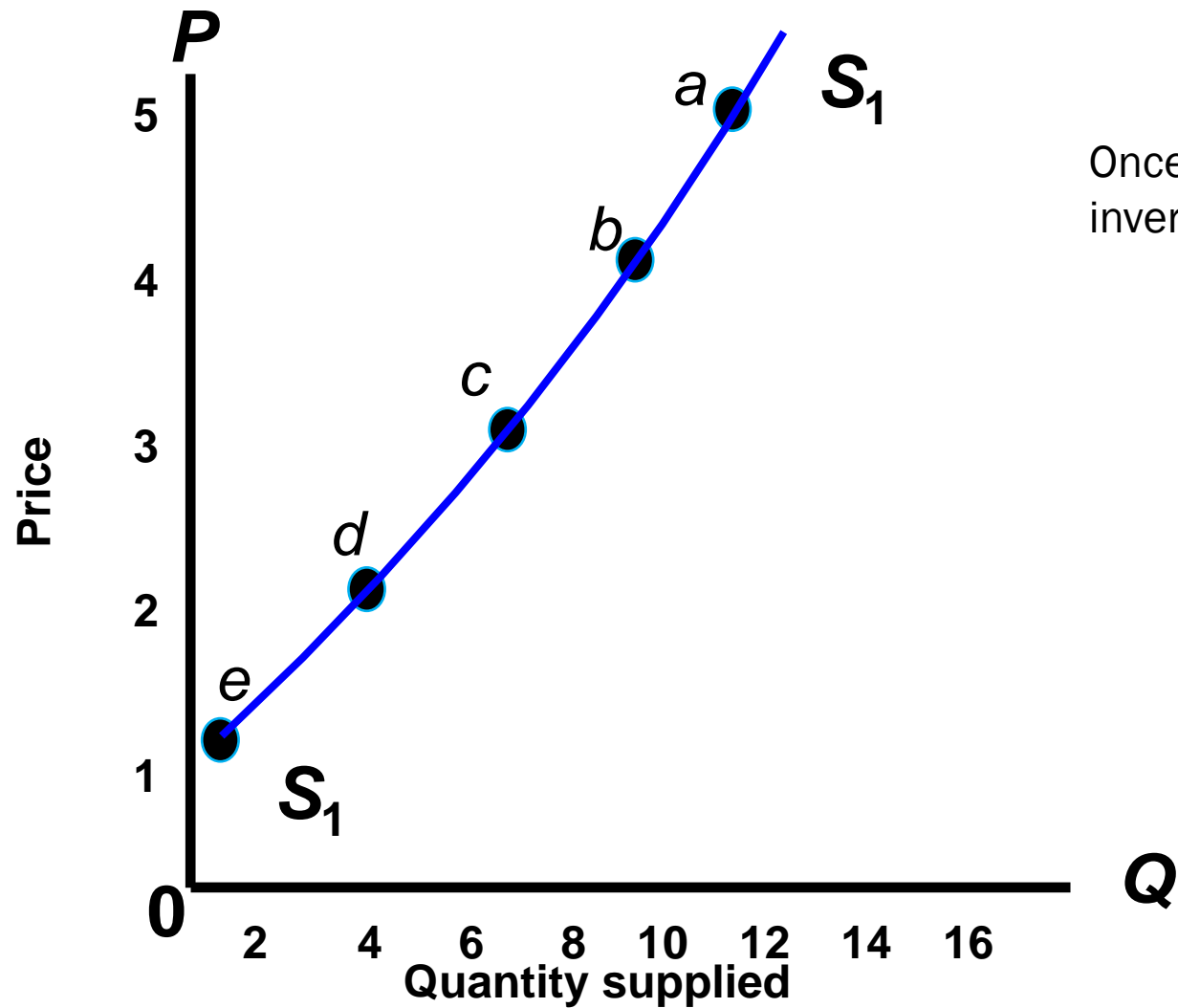
The supply curve is thus a relationship between the quantity supplied and the price. We can write this relationship as an equation:

$$Q_s = Q_s(P)$$

Determinants of supply:

1. Technology
2. Input price
3. Time

Supply Schedule



Once again we plot the inverse supply function.

Violation of law supply:

Sometime we have negatively sloped supply curve due to:

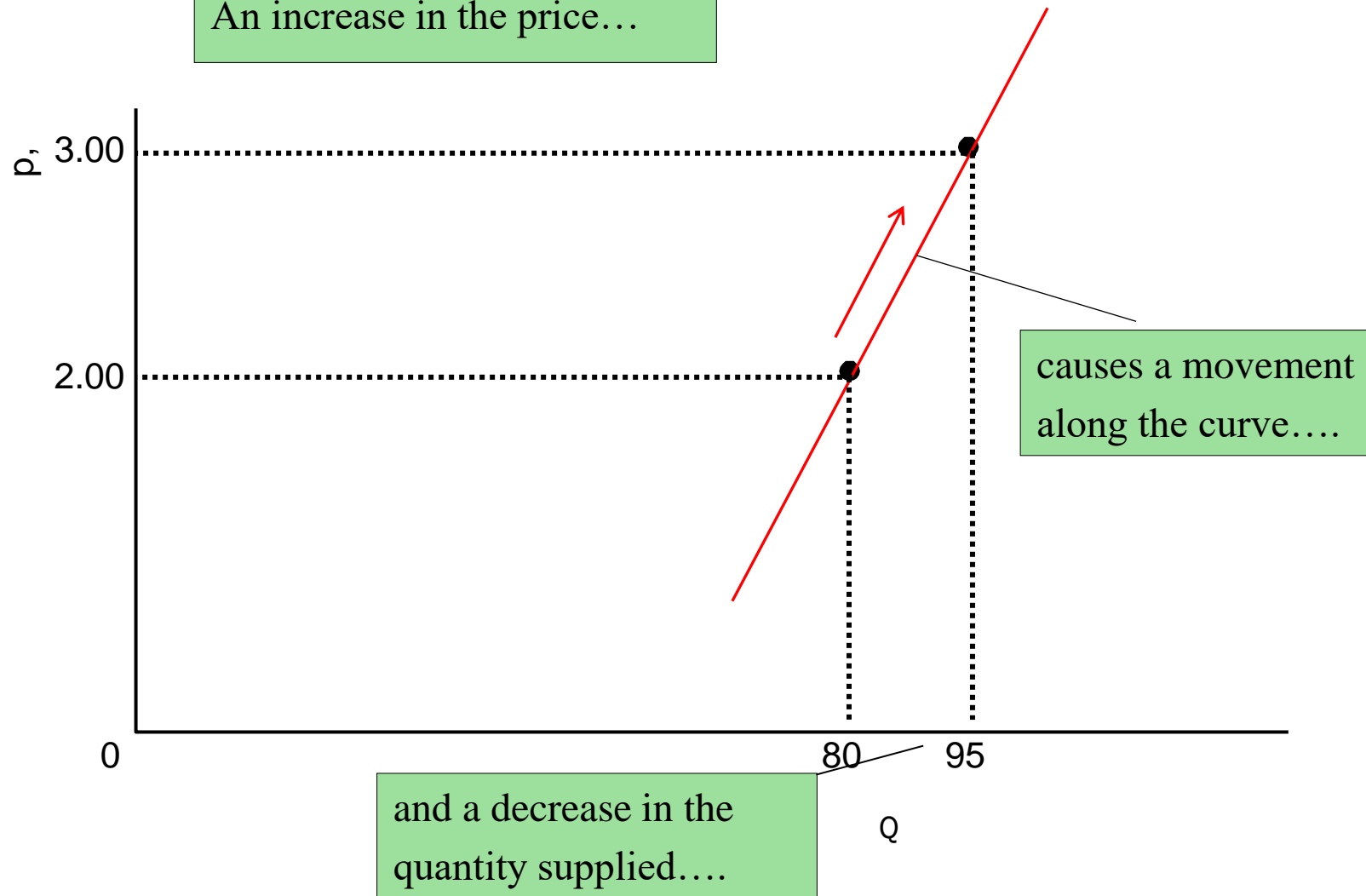
- I. Economies of scale (advantage of large scale production)
- II. Technological break through

Change in Supply

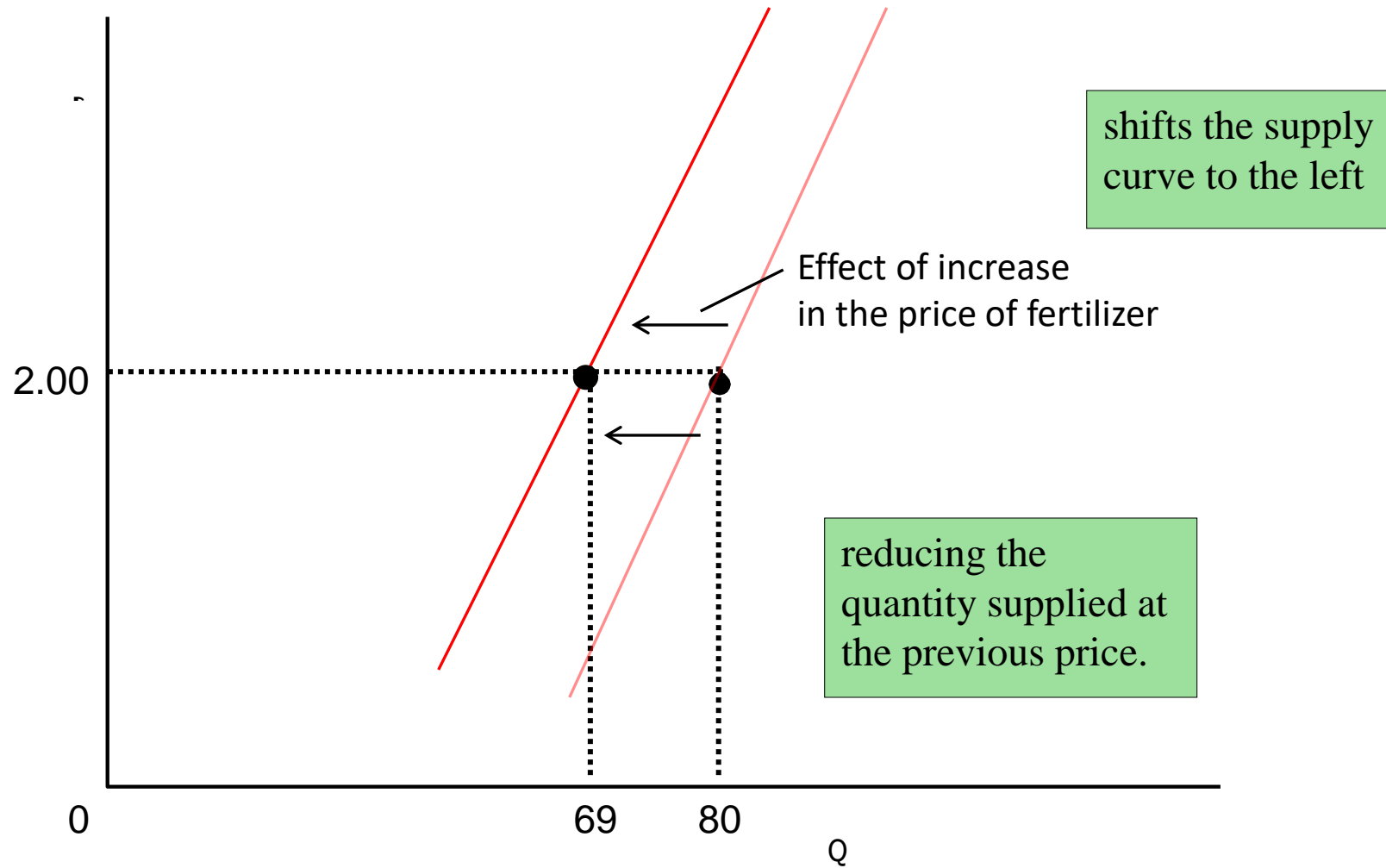
- ❑ Represented as a shift of the supply curve
- ❑ Caused by changes in determinants of supply other than price like input price, technology, weather, expectations, number of sellers

A Supply Curve

An increase in the price...



A Shift of a Supply Curve

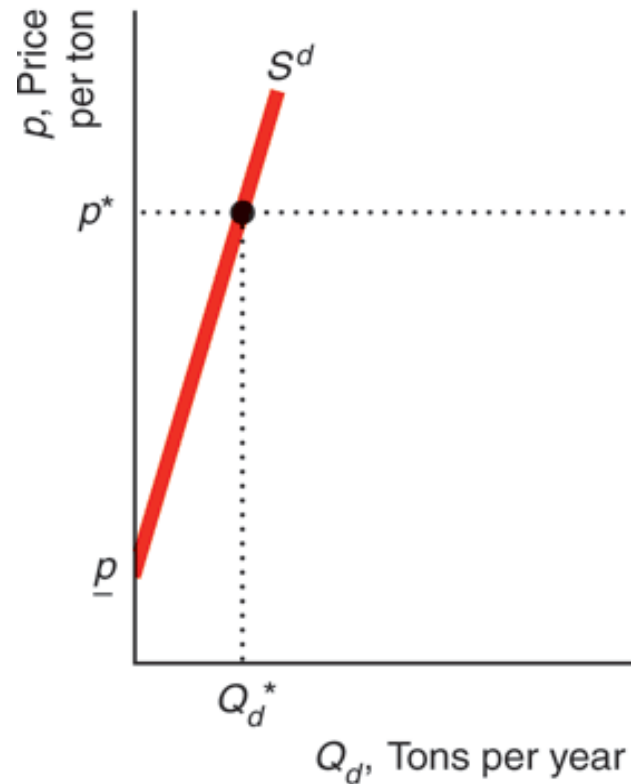


Market Supply Curve

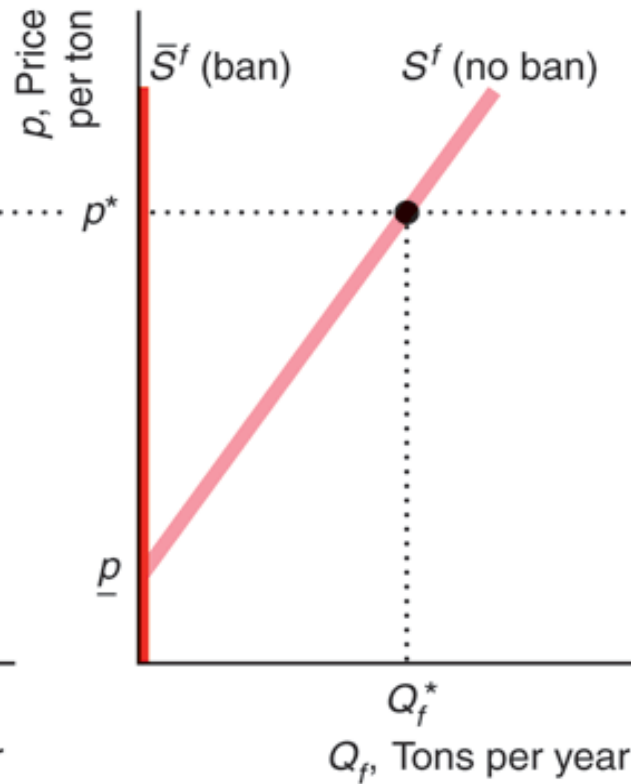
- ❑ The total supply curve shows the total quantity produced by all suppliers at each possible price.
- ❑ Horizontal sum of each producer's supply curve.
 - Sum of all quantities supplied at a given price.

Example

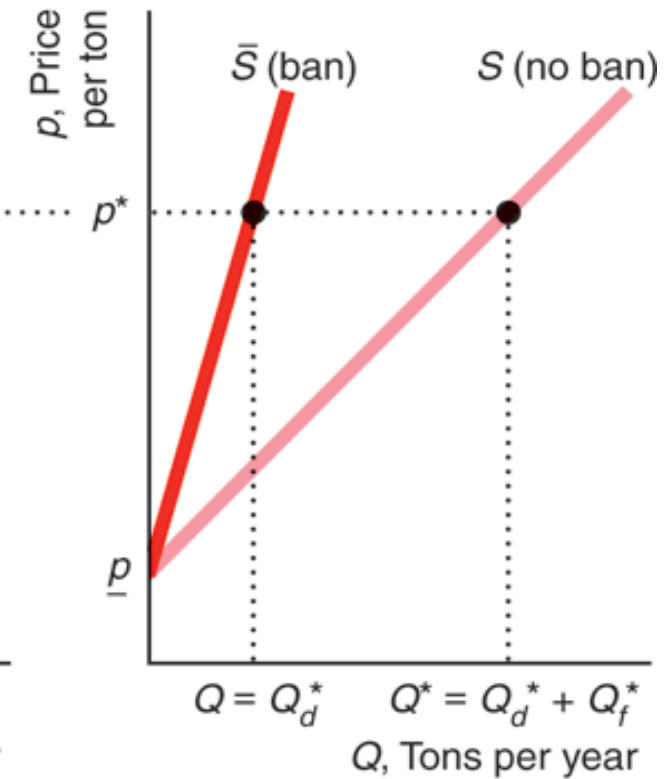
(a) Japanese Domestic Supply



(b) Foreign Supply



(c) Total Supply



References:

- ❑ Maddala & Miller
- ❑ Pindyck & Rubinfeld