

Notes — Week 2

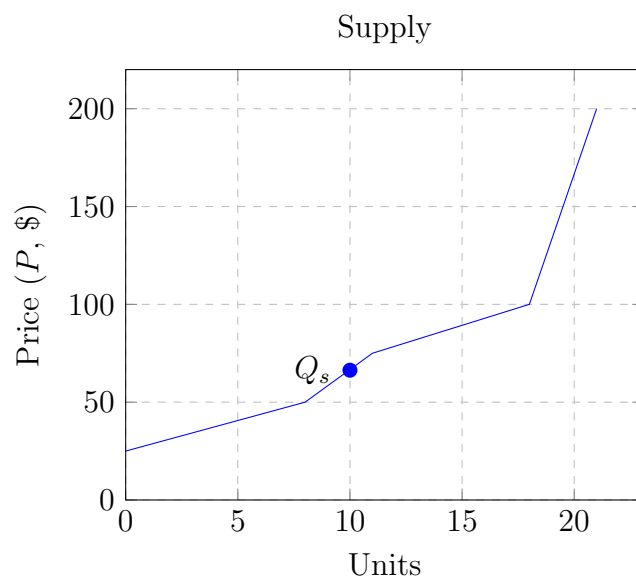
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Period 3

1. Elasticity — If demand/supply is elastic, a small change in price has a big effect on quantity demanded (*i.e. a slope close to zero*), and vice versa
2. Determinants of Elasticity:
 - Urgency of Need
 - Availability of Substitutes
 - Proportion of Income
3. Supply — The schedule of quantities that would be offered for sale at all of the possible prices that might prevail in the market

Price, (P , \$)	Quantity Supplied (Q_s)
25	0
50	8
75	11
100	18
200	21



4. Law of Supply — The tendency of suppliers to offer more for sale at high prices than at low prices
 - Quantity supplied can only be changed by price

5. Determinants of Supply:

- (a) Change in the cost of factors of production
- (b) Change in technology — New technology often reduces producers' costs, leading to an increase in supply
- (c) Change in profit opportunities producing other products — If producers expect to make more selling something else the supply of what they currently produce decreases. If profit opportunities producing other things decrease, more sellers will begin producing this product, increasing supply
- (d) Change in producers' price expectations

