**Chapter 3 Supply and Price Elasticity of Supply**

3.1 The Supply Curve

a) The concept of ‘supply’.

b) The distinction between movements along a supply curve and shifts of a supply curve.

c) Factors that may cause a shift in the supply curve:

• changes in the costs of production

• the introduction of new technology

• indirect taxes (specific and ad valorem)

• government subsidies

• natural disasters

3.2. Price Elasticity of Supply

a) The concept of ‘price elasticity of supply’.

b) Calculation and interpretation of numerical values of price elasticity of supply:

• perfectly elastic supply

• elastic supply

• unitary elastic supply

• inelastic supply

• perfectly inelastic supply.

c) Factors that influence price elasticity of supply:

• the time period

• availability of stock/perishability

• mobility of factors of production

• legal constraints

• capacity.

d) The distinction between the short run and long run in economics and its significance for price elasticity of supply.