

- Analyze the concept of supply and its law.

What is the law of supply?

- Market economy- split into two opposing ideas- demand side and supply side.
- Demand side: consumers demand goods and services at the lowest possible prices.
- Supply side: Suppliers exist to make a profit
- Economic definition of demand: a consumer's willingness and ability to purchase goods and services at different prices in the market.
- Economic definition of supply: A supplier's willingness and ability to provide goods and services at different prices in the market place.

Law of supply

- -economic rule stating that price and quantity supplied move in the same direction
- Contrast with the law of demand- price and quantity demands move in opposite directions.
- As price rises quantity supplied rises- As price falls quantity supplied falls
- In general a larger quantity will generally be supplied at higher prices than at lower prices.

How does profit incentive affect supply

- Profit incentive leads a producer to produce more of a good the higher the price because it leads to higher profits.
- Profit= sale price – production costs
- Production costs- cost of the factors of production.

What does a supply schedule and curve show?

- Supply schedule- table showing quantities supplied at different possible prices
- Supply curve- shows the graph from a supply schedule

