- Analyze the determinates of supply and how they impact the supply curve

What is supply?

- Supply is a prediction which anticipates what producers will do if one incentive is changed and no other incentives are changed. As prices rise the additional revenue will encourage producers to produce more/ AS prices fall the reduced revenue will encourage producers to reduce production.

Four determinants of supply

1. Price of inputs
2. Number of firms in an industry
3. Taxes
4. Technology

- Remember we are talking about shifting the curve not a movement on the curve.

Price of inputs

- Input- raw materials used to make the good or services, wages of works, costs of machines, tools, and equipment- factors of production.
- If the price of inputs drops the supplier can supply more at a lower production cost. The supply curve shifts right-more supply
- If the price of inputs rises- the supplier should supply less at a higher production cost. The supply curve shifts left- less supply

Number of firms in the industry

- More firms enter an industry, greater quantities are supplied at every price, shifting the right-more supply
- As firms leave curve shifts left- less supply

Taxes

- If the government imposes more taxes, businesses will not be willing to supply as much as before because the cost of production will rise. If taxes rise, supply curve shifts left.

Technology

- The use of science to develop new products and new methods for producing and distributing goods and services. An improvement in technology generally leads to increased efficiency, which in turn creates more supply. This increased technology reduces the cost of production, which increases supply.