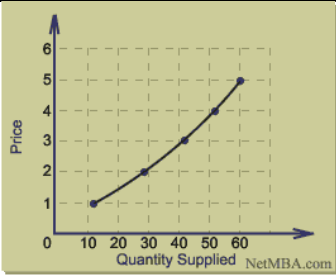
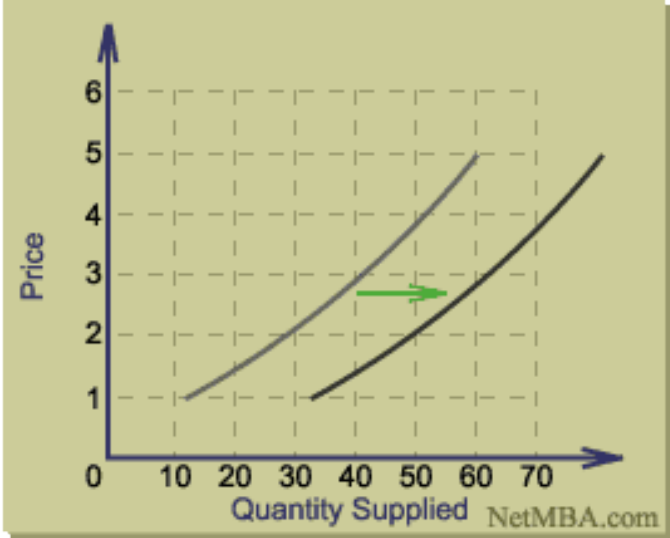


Terms: Supply, Law of Supply, Supply Schedule, Supply Curve, Cost, Revenue Profit, Change/Shift in Supply, Input Costs, Increasing Returns, Diminishing Returns

Term	Definition	Examples/Notes										
Supply	The willingness and ability of producers to offer goods and services for sale.	John is <i>willing</i> and <i>able</i> to mow lawns as a service. <ul style="list-style-type: none"> • Mark is <i>willing</i> to sell tutoring services, but isn't <i>able</i> because he's not very smart = not supply • Fred is <i>able</i> to clean sewers as a service, but is not <i>willing</i> to do so – gross = not supply 										
Law of Supply	Producers are willing to sell more of a good or service at a higher price than at a lower price.	<ul style="list-style-type: none"> • I can tutor students – Mary says she'll pay \$25 per hour. I say I'll tutor for 2 hours. • John says he'll pay \$50 per hour – I can cut some time with the family – I'll tutor him for 4 hours. 										
Supply Schedule	A table that shows how much of a good or service an individual or all producers in a market are willing and able to sell at a certain price.	<table border="1"> <thead> <tr> <th>Price Per Hour</th> <th>Quantity Supplied (per hour)</th> </tr> </thead> <tbody> <tr> <td>\$ 25</td> <td>2</td> </tr> <tr> <td>50</td> <td>4</td> </tr> <tr> <td>75</td> <td>6</td> </tr> <tr> <td>100</td> <td>8</td> </tr> </tbody> </table>	Price Per Hour	Quantity Supplied (per hour)	\$ 25	2	50	4	75	6	100	8
Price Per Hour	Quantity Supplied (per hour)											
\$ 25	2											
50	4											
75	6											
100	8											
Supply Curve	A graph that shows how much of a good or service an individual or all producers in a market are willing and able to sell at a certain price.											
Cost	Expenses that producers must pay to produce goods or services.	Babysitting: Gas to get there, ? Clothing store: Merchandise, capital goods (cash register, etc.), rent, employee pay, etc.										
Revenue	The income a producer receives for producing a good or service.	Bill sells ice cream cones at \$2 per cone <ul style="list-style-type: none"> – Each cone brings in revenue of \$2 (“marginal revenue”) – Bill sells 100 cones, bringing in \$200 (“total revenue”) 										
Profit	The money left over after costs have been subtracted from revenue.	<ul style="list-style-type: none"> • Revenue – cost = Profit • Bill provides ice cream cones at \$2 each <ul style="list-style-type: none"> – It costs him \$1.00 to provide each cone (the cones, the ice cream, the cooler and electricity, etc.) – His profit per cone is \$2 (revenue) - \$1(cost) = \$1 profit per cone 										

<p>Change/Shift in Supply</p>	<p>When something prompts producers to offer different amounts for sale at every price.</p>	<p>(Draw an example, but also take notes – leave space)</p>  <p>What causes shifts in supply?</p> <ul style="list-style-type: none"> - Change in input costs = the cost of resources to produce increases or decreases (i.e. the minimum wage increases the cost of labor) - Changes in technology = technology makes it cheaper to produce something - Excise Taxes = A tax on the <u>production</u> of a good or service (just for making it) to discourage its production (i.e. tax on alcohol) - Regulation = A change in the rules or requirements to make something (i.e. the gov't requires coal factories to install new clean coal technology)
<p>Increasing returns</p>	<p>The idea that each new worker adds more to total output than the last (therefore, it makes sense for a producer to continue hiring workers).</p>	<p>Bill's ice cream stand hires John for \$10/hour to work for 5 hours (cost of \$50 for his labor)</p> <ul style="list-style-type: none"> • He is able to support the sale of an addition 100 cones per day – the company makes an additional profit of \$50 per day – hiring him is worth it.
<p>Diminishing returns</p>	<p>The idea that each new worker causes total output to grow, but at a decreasing rate (therefore, producers need to consider the opportunity cost of hiring any new workers).</p>	<ul style="list-style-type: none"> • Bill's ice cream has limited space (i.e. room to move around, coolers, etc.). After hiring John, he thinks about hiring Anne for \$10/hour for 5 hours (cost of \$50). <ul style="list-style-type: none"> – Because the other resources (space, ice cream, etc.) are limited, hiring her would only result in the sale of 60 ice cream cones – (using the same rules as for John), that's a profit of \$10 – IS IT WORTH IT?