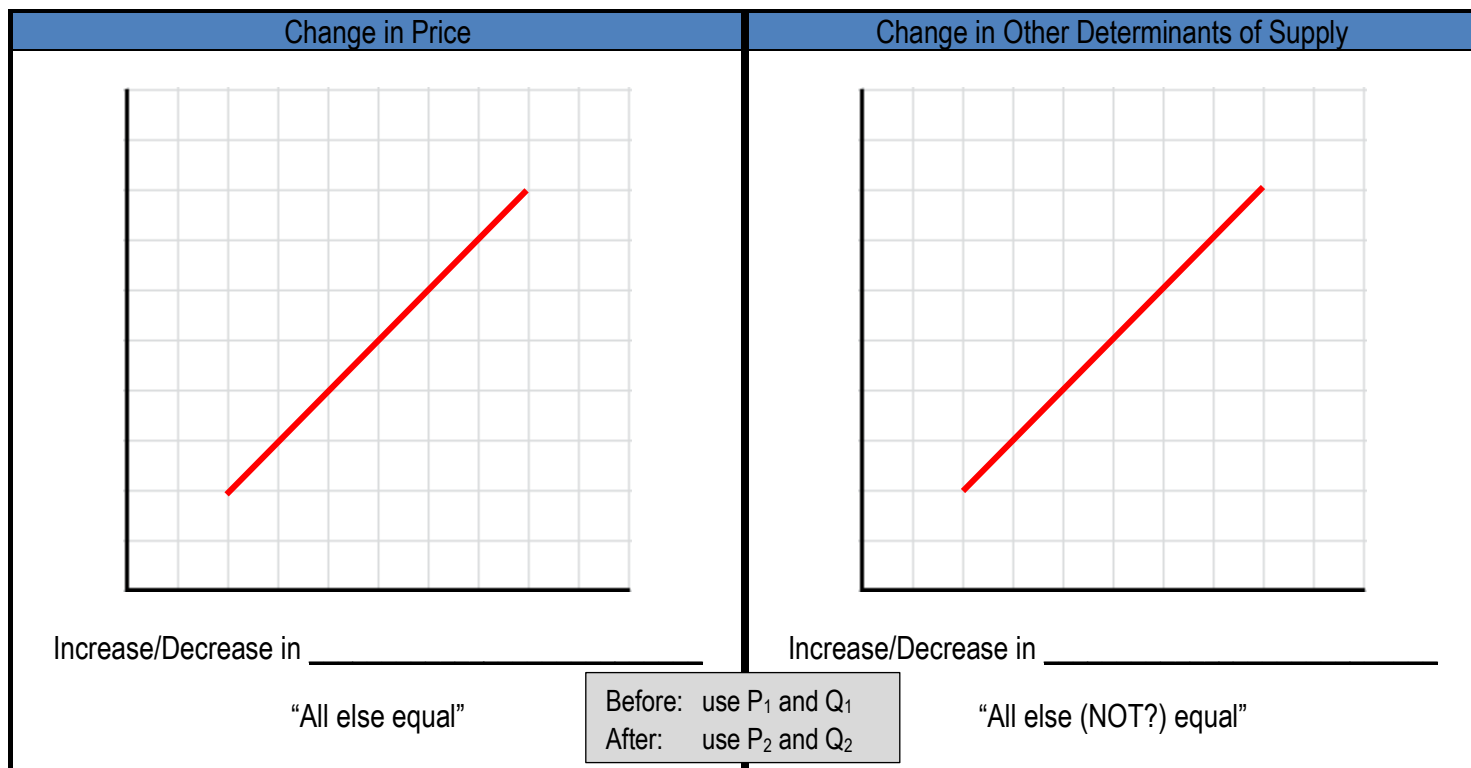


CONCEPT: SHIFTING SUPPLY – INTRODUCTION

- Certain events cause the supply curve to shift on the graph.

WARNING! A change in price **does not** shift the supply curve because it is already a variable in the graph.



- It helps to think of the events that shift supply in terms of “good” or “bad” events.



CONCEPT: SHIFTING SUPPLY – INPUT PRICES

- Changes in the price of inputs of a good (i.e. labor and materials) affects the good's supply.

□ If input prices increase, supply will _____

- Inversely proportional

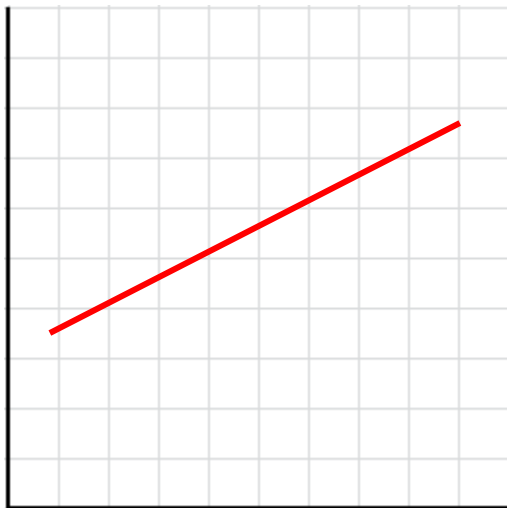
- Note: This is NOT a change in price. This is a change in *input prices*.

Examples of input price changes:

- Minimum wage increases
- Price of gasoline decreases
- Price of microchips decreases

EXAMPLE: If the cost of plastic, which is necessary for the production of the noodle-cooling chopsticks, rises, what will happen to the supply curve in this industry?

Noodle-cooling Chopsticks



CONCEPT: SHIFTING SUPPLY – TECHNOLOGY

- Changes in technology affect the supply of a good.

□ If technology increases, supply will _____

- Directly proportional

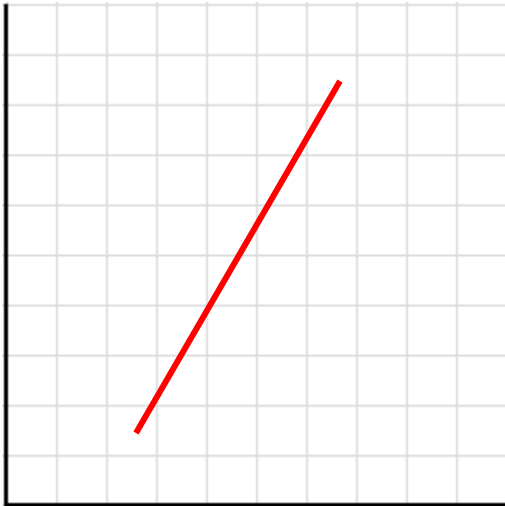
Examples of technology increases:

- Wireless technology

- Industrial Revolution

- Movie Rentals

EXAMPLE: A new super pizza oven has revolutionized the time it takes to bake a stuffed crust pizza. Stuffed crust pizzas can be hot and ready in less than one minute! What happens to the supply of stuffed crust pizza?



CONCEPT: SHIFTING SUPPLY – TAXES AND SUBSIDIES

- Taxes and subsidies can affect the supply of a good.

☐ Businesses treat most taxes as costs. If taxes increase, supply will _____

- Inversely Proportional

☐ Subsidies are basically “reverse taxes.” If subsidies increase, supply will _____

- Directly Proportional

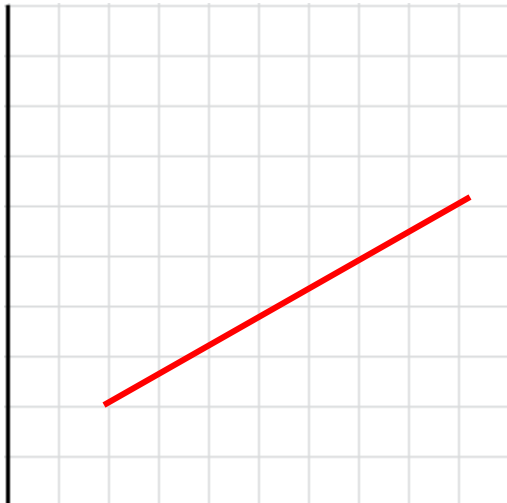
Examples of changes in taxes and subsidies:

- Property taxes

- School funding

- Agricultural subsidies

EXAMPLE: The new president of a well-known country has decided to slash funding for the arts. What will happen to the supply of arts education?



CONCEPT: SHIFTING SUPPLY – SUBSTITUTES IN PRODUCTION

- Factories can usually produce more than just one good.

□ If the price of a substitute in production increases, the supply of a product will _____

- Inversely Proportional

- Note: This is NOT a change in price. This is a change in price of a *related* product.

Examples of possible substitutes in production:

- Basketballs and Volleyballs

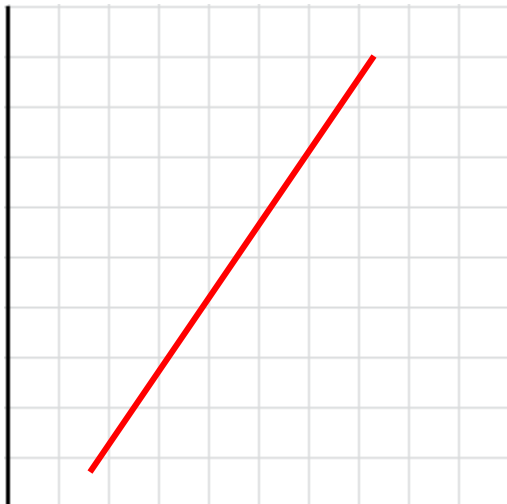
- Corn and Wheat

- Pizzas and Calzones

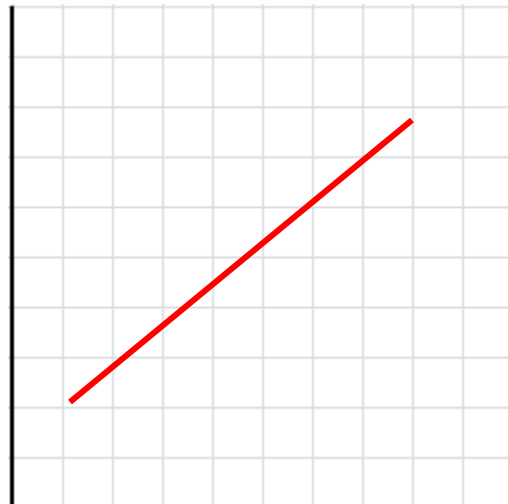
EXAMPLE: A company that produces peanut butter is also equipped to make almond butter. The company noticed that the prices of almond butter are rising.

- What will happen to the supply of peanut butter?
- What will happen to the supply of almond butter?

Peanut Butter



Almond Butter



CONCEPT: SHIFTING SUPPLY – EXPECTATIONS

- Like demand, expectations about the future can affect current supply for a good. However, the supply side is trickier.

□ If suppliers expect prices to increase in the future, the supply for the good today _____

- Note: This is NOT a change in price. This is a change in *expectations* about price.

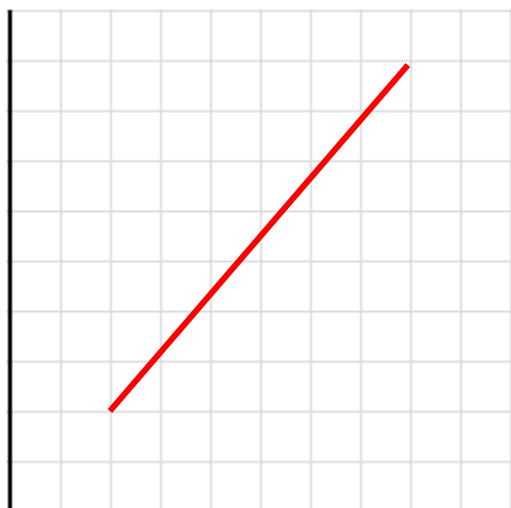
Examples of changes in producer expectations:

- Expected price changes

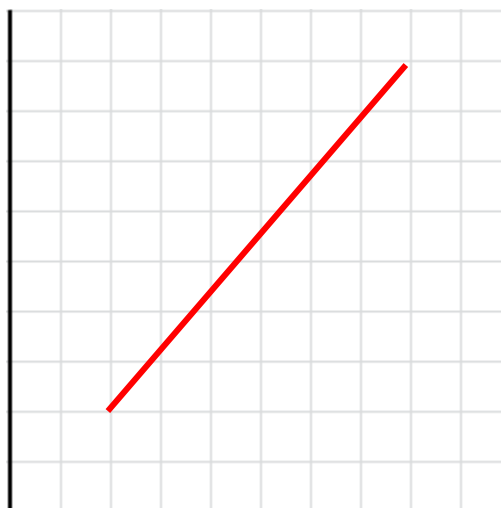
EXAMPLE: Señor Coffee makes artisanal coffees in an underdeveloped part of town. When, all of a sudden, a relentless mob of hipsters moves into the neighborhood. Señor Coffee knows that hipsters will pay way too much for artisanal coffee and expects future prices in the artisanal coffee industry to rise.

- a. What happens if Señor Coffee stores some of his current production for sale when prices increase?
- b. What happens to the supply of artisanal coffee if Señor Coffee hires another worker to anticipate demand?

Storage



Hire Worker



CONCEPT: SHIFTING SUPPLY – NUMBER OF SUPPLIERS

- A change in the amount of suppliers in a market will affect supply.

□ If the amount of suppliers in a market increases, the supply for the good _____

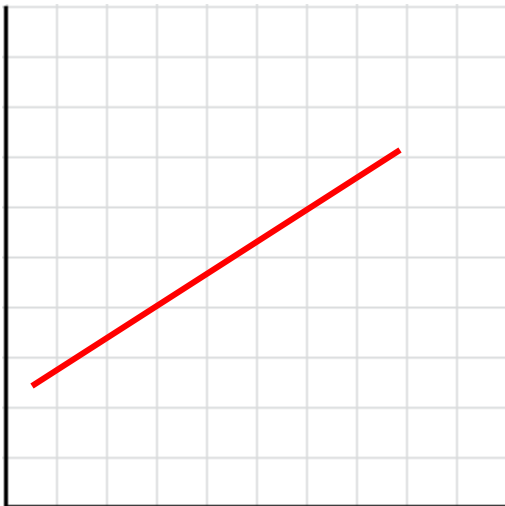
- Directly Proportional

Examples of changes in number of suppliers:

- WNBA

- Tattoo Parlors

EXAMPLE: Jimmy Freezer sells ice cream in a small town. All of a sudden, it seems like everybody and their moms are selling ice cream on every corner. What has happened to the supply of ice cream?



CONCEPT: SHIFTING SUPPLY – NATURE

- Nature can have positive or negative effects on supply.

☐ If there is a “positive event” in nature, the supply for the good _____

- Directly Proportional

Examples of events in nature:

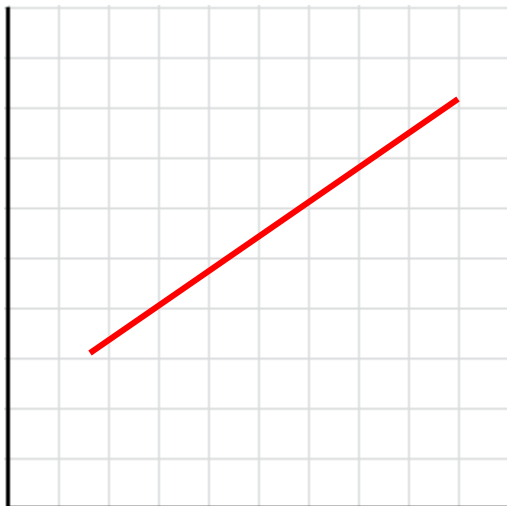
- Good weather

- Bad Weather

EXAMPLE: It seems like all season long the ideal amount of sunshine and rain has graced the farmlands in Iowa.

- How will this affect the supply of wheat?
- What if, instead of sunshine and rain, a meteor struck a different farm in Iowa every day of the season?

Sunshine



Meteors

