Supply Curves, Movements along Supply Curves, and Shifts in Supply Curves

In this activity, we will assume that the supply curve of Greebes is upward sloping.

Part A: A Change in Supply versus a Change in Quantity Supplied

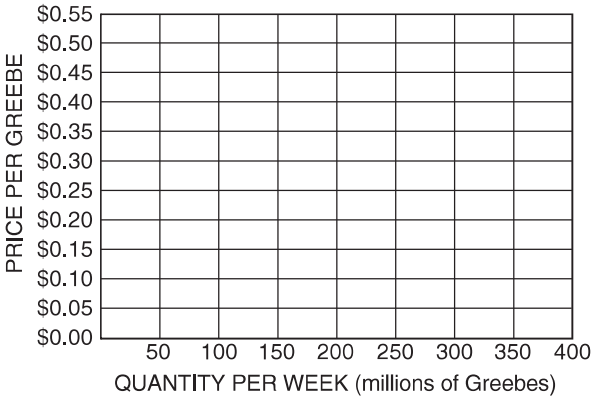
Student Alert: **The distinction between a "change in supply" and a "change in quantity supplied" is very important!**

Study the data in Table 1-6.1 and plot the supply of Greebes on the graph in Figure 1-6.1. Label the supply curve S and answer the questions that follow.

Table 1-6.1
Supply of Greebes

Price (per Greebe)	Quantity supplied per week (millions of Greebes)
$0.05	0
$0.10	50
$0.15	100
$0.20	150
$0.25	200
$0.30	250
$0.35	300
$0.40	350

Figure 1-6.1
Supply of Greebes



1. The data for supply curve S indicate that at a price of $0.25 per Greebe, suppliers would be willing to offer _____ million Greebes. All other things held constant, if the price of Greebes increased to $0.30 per Greebe, suppliers would be willing to offer _____ million Greebes. Such a change would be an increase in (*supply / quantity supplied*). All other things held things constant, if the price of Greebes decreased to $0.20 per Greebe, suppliers would be willing to offer _____ million Greebes. Such a change would be called a decrease in (*supply / quantity supplied*).

Now, let's suppose that there is a change in the price of several of the raw materials used in making Greebes. This change in the *ceteris paribus* conditions underlying the original supply of Greebes will result in a new set of data, such as that shown in Table 1-6.2. Study the data, and plot this supply of Greebes on the graph in Figure 1-6.1. Label the new supply curve S_1 and answer the questions that follow.

Table 1-6.2
New Supply of Greebes

Price (per Greebe)	Quantity supplied per week (millions of Greebes)
$0.15	0
$0.20	50
$0.25	100
$0.30	150
$0.35	200
$0.40	250

2. Comparing the new supply curve (S_1) with the original supply curve (S), we can say that the change in the supply of Greebes results in a shift of the supply curve to the (*left / right*). Such a shift indicates that at each of the possible prices shown, suppliers are now willing to offer a (*smaller / larger*) quantity; and at each of the possible quantities shown, suppliers are willing to accept a (*higher / lower*) minimum price. The cause of this supply curve shift was a(n) (*increase / decrease*) in prices of several of the raw materials used in making Greebes.

Now, let's suppose that there is a dramatic change in the price of Silopanna, a resource used in the production of Greebes. This change in the *ceteris paribus* conditions underlying the original supply of Greebes will result in a new set of data shown in Table 1-6.3. Study the data, and plot this supply of Greebes on the graph in Figure 1-6.1. Label the new supply curve S_2 and answer the questions that follow.

Table 1-6.3
New Supply of Greebes

Price (per Greebe)	Quantity supplied per week (millions of Greebes)
$0.10	150
$0.15	200
$0.20	250
$0.25	300
$0.30	350
$0.35	400

3. Comparing the new supply curve (S_2) with the original supply curve (S), we can say that the change in the supply of Greebes results in a shift of the supply curve to the (*left / right*). Such a shift indicates that at each of the possible prices shown, suppliers are now willing to offer a (*smaller / larger*) quantity; and at each of the possible quantities shown, suppliers are willing to accept a (*lower / higher*) minimum price. The cause of this supply curve shift is a(n) (*increase / decrease*) in the price of Silopanna, a resource used in the production of Greebes.

Part B: Do You Get It?

Now, to check your understanding, choose the answer you think is the one best alternative in each of the following multiple-choice questions.

4. All other things held constant, which of the following would *not* cause a change in the supply of beef?

   (A) A decrease in the price of beef

   (B) A decrease in the price of cattle feed

   (C) An increase in the price of cattle feed

   (D) An increase in the cost of transporting cattle to market

5. "Falling oil prices have caused a sharp decrease in the supply of oil." Speaking precisely, and using terms as they are defined by economists, choose the statement that best describes this quotation.

   (A) The quotation is correct: a decrease in price causes a decrease in supply.

   (B) The quotation is incorrect: a decrease in price causes an increase in supply, not a decrease in supply.

   (C) The quotation is incorrect: a decrease in price causes an increase in the quantity supplied, not a decrease in supply.

   (D) The quotation is incorrect: a decrease in price causes a decrease in the quantity supplied, not a decrease in supply.

6. You overhear a fellow student say, "Economic markets are confusing. If supply increases, then price decreases; but if price decreases, then supply also will decrease. If supply falls, price will rise; but if price rises, supply also will rise." Dispel your friend's obvious confusion (in no more than one short paragraph) below.