

2.2 Supply

Name: _____ Class: _____ Date: _____

Total: 8 marks

Objective

Build the skills to answer exam questions on **supply**.

You must be able to:

- state the **law of supply** 供给定律 and the direct price-quantity relationship
- explain the upward slope in terms of rising **marginal costs** 边际成本
- distinguish a movement **along** supply from a **shift**
- derive **market supply** by horizontally summing individual supply

1 Worked examples

Study these first. Each one shows the method for a question type used later.

■ The law of supply

As price rises, quantity supplied rises —the supply curve slopes **upward** because higher prices cover the **rising marginal cost** of extra output.

■ Movement vs shift

A change in the good's **own price** is a movement along the curve; a determinant change (input prices, technology, taxes, expectations, number of sellers) **shifts** it.

■ Market supply

The horizontal sum of all individual firms' supply curves.

2 Practice

2.1 State the law of supply. [1]

2.2 State why the supply curve slopes upward. [1]

2.3 State how market supply is derived from individual supply curves. [1]

3 Exam-style questions

3.1 The supply curve slopes upward because of rising [1]

- A demand
 - B marginal costs
 - C taxes
 - D incomes
-

3.2 An improvement in technology shifts the supply curve [1]

- A to the left
 - B to the right
 - C not at all
 - D vertically
-

3.3 The wage paid to workers producing a good rises.

(a) State the effect on supply. [1]

(b) State the direction the supply curve shifts. [1]

(c) Name one other determinant of supply. [1]

4 Go further

- work through the **2.2 Supply** lesson on the **Learn** page;
- read the **Supply and Demand** section of the AP Microeconomics handout on the **Know** page.

Solutions

2.1 as the price of a good rises, the quantity supplied rises (other things equal).

2.2 producing extra units costs more (rising marginal cost), so a higher price is needed to supply more.

2.3 by horizontally summing all individual firms' supply curves at each price.

3.1 B.

3.2 B.

3.3 (a) supply falls. (b) to the left. (c) any one of: input prices, technology, taxes/subsidies, expectations, number of sellers.