Name Date

SECTION **1**

READING STUDY GUIDE WITH ADDITIONAL SUPPORT

What Is Supply?

Before You Learned

Demand is the willingness to buy a good or service and the ability to pay for it.

Now You Will Learn

Supply is the willingness and ability of producers to offer goods and services for sale.

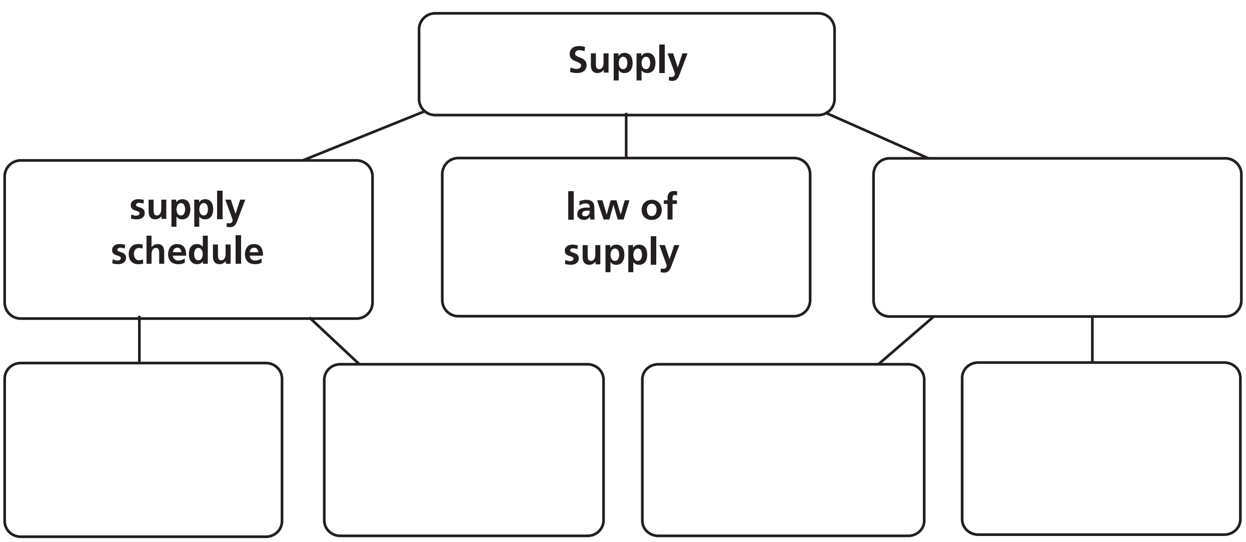
Economic Terms

- **supply:** The willingness and ability of a producer to offer goods or services for sale
- **law of supply:** The law that states that when price goes down, quantity supplied decreases, and when price goes up, quantity supplied increases
- **supply schedule:** A table that shows how much of a good or service one producer is willing and able to offer for sale at a number of different prices
- **market supply curve:** A graph that shows the data from a market supply schedule, which lists data from all producers in a market

CHAPTER 5

As You Read

Take notes to help you understand supply, the law of supply, supply schedules, and supply curves.



The Law of Supply

Supply is the willingness and ability of a producer to offer goods and services (or labor) for sale. Anyone who offers his or her time and skills in the labor market is a producer too. Supply depends on price. Producers are willing to sell more of a good or service at a high price and less of a good or service at a low price. This is known as the law of supply. Based on this law, there is a direct relationship between price and supply.

1. Explain why it makes sense that producers will offer more of a good or service if the price of the good or service is high.

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Supply Schedules

A two-column table showing how much of a good or service one producer will offer at particular prices is called an individual supply schedule. Such a table for a large group of producers is called a market supply schedule. Individual producers can create their own supply schedules. Both individual supply schedules and market supply schedules show the law of supply: suppliers will offer more of a product at higher prices than at lower prices.

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2. In terms of quantities, how does an individual supply schedule differ from a market supply schedule?

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Supply Curves

An individual supply curve is a graph that shows how much of a good or service one producer is willing and able to offer at certain prices. A market supply curve does the same but for all of the producers in a market. To make either type of supply curve, you simply plot data from a supply schedule. On any supply curve, the vertical axis shows the price per unit and the horizontal axis shows the quantity supplied.

A supply curve illustrates the law of supply: when the price of an item goes up, the quantity producers are willing to offer goes up; when the price of an item goes down, the quantity producers are willing to offer also goes down.

3. Describe how a supply curve slopes.

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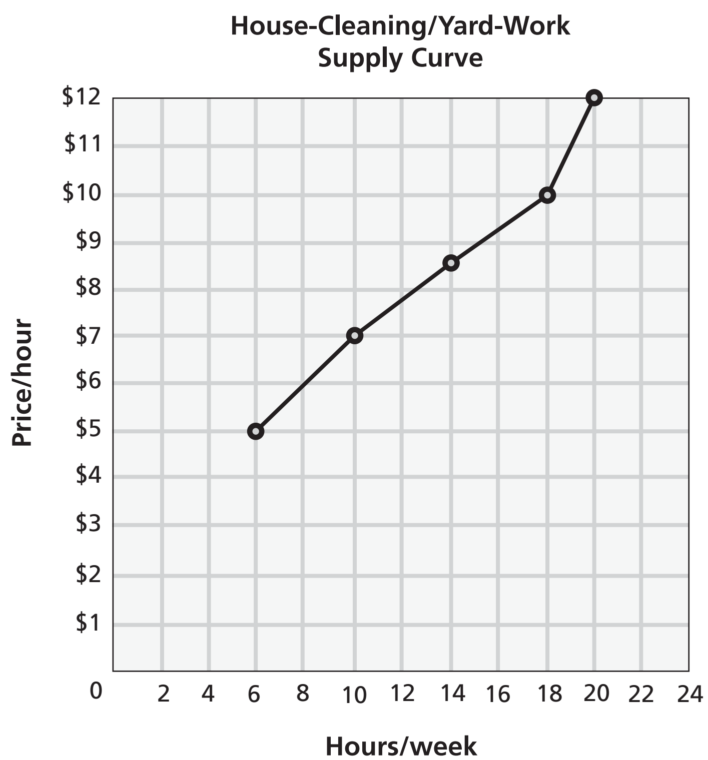
APPLICATION

Mark It Up!

Name ______________________ Date __________



4. **Label** the graph, **identifying** whether it is an individual or a market supply curve. **Explain.**

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5. Based on the supply curve, **list** the number of hours per week the supplier will offer to clean house or do yard-work at $5.00 per hour.

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6. **Tell** how the number of hours offered changes if the pay rate goes from $5.00 per hour to $8.50 per hour and from $5.00 per hour to $10.00 per hour.

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7. **Explain** whether this supply curve illustrates the law of supply or not.

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CHAPTER 5