

Economic Analysis of Supply

The Behavior of Firms
Core Component of Market Model

What is Supply?

- "Wish to" Sell or Make Available
- Goods Generate Revenues
 - Inflow of Money
 - Maybe Profits
- Wishing Not Enough
- **Effective** Supply
 - Ready
 - Willing
 - Able

Supply =
Willingness to Sell

- How Much?....Depends
- **Supply Function**
 - Summary of What Supply Depends on
 - List of Factors Affecting
 - What Matters?

Things We Are Interested In:

- **What** Matters?
 - List of Factors Affecting
- **Which Way** does it Matter?
 - Demand Changes Up or Down
 - When Something that Matters Changes
- **How Much** does it Matter?
 - Little Response to a Big Change
 - Big Response to Little Stimulus

What Matters?

- Price
- Expectations about Future Prices
- Price of Related Goods (in Production)
- Price of Inputs
- Technology
- Number of Sellers

Wrap Up:

- Supply = Wish to Sell, Get Revenues & Profits
- Effective Supply: Ready, Willing & Able
- Supply Functions: What?, Which Way?, How Much?
- What Matters:
 - Price
 - Expectations about Future Prices
 - Price of Related Goods
 - Price of Inputs
 - Technology
 - Number of Sellers
