Supply Curves, Movements Along Supply Curves and Shifts in Supply Curves

In this activity and those that follow, we will assume that the long-run supply curve of Greebes is typically upward sloping.

Part A

Study the data in Figure 5.1 and plot the supply of Greebes on the axes in Figure 5.2. Label the supply curve S and answer the questions that follow. Write the correct answer on the answer blank, or underline the correct answer in parentheses.

✳ Figure 5.1
Supply of Greebes

Price ($ per Greebe)	Quantity Supplied (millions of Greebes)
$.15	100
.20	150
.25	200
.30	250
.35	300

✳ Figure 5.2
Supply of Greebes
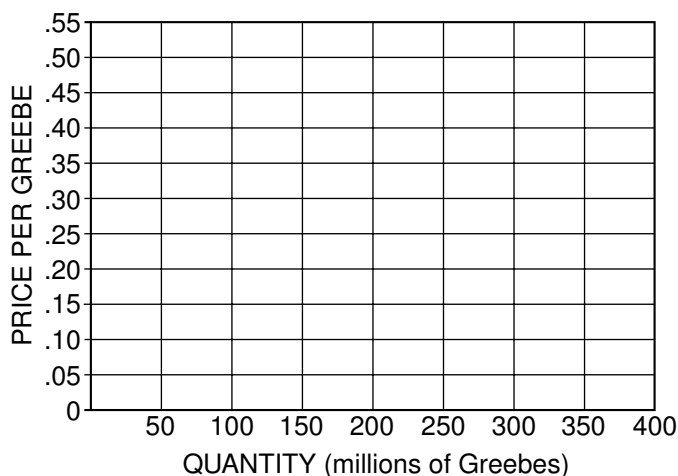
1. The data for supply curve S indicate that at a price of $0.25 per Greebe, suppliers would be willing to offer _____ million Greebes. Other things constant, if the price of Greebes increased to $0.30 per Greebe, suppliers would be willing to offer _____ million Greebes. Such a change would be an increase in *(supply / quantity supplied)*.

Other 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)*.

2. Now, let's suppose that there is a dramatic 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 Figure 5.3. Study the data, and plot this supply of Greebes on the axes in Figure 5.2. Label the new supply curve S_1 and answer the questions that follow.

Figure 5.3
New Supply of Greebes

Price ($ per Greebe)	Quantity Supplied (millions of Greebes)
$.20	50
.25	100
.30	150
.35	200
.40	250

3. Comparing the new supply curve (S_1) with the original supply curve (S), we can say that a 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.

4. 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 Figure 5.4. Study the data, and plot this supply of Greebes on the axes in Figure 5.2. Label the new supply curve S_2 and answer the questions that follow.

Figure 5.4
New Supply of Greebes

Price ($ per Greebe)	Quantity Supplied (millions of Greebes)
$.10	150
.15	200
.20	250
.25	300
.30	350

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 indi-

cates 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

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

5. Other things constant, which of the following would *not* cause a change in the long-run 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

6. "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 always causes a decrease in *supply*.
   (B) The quotation is incorrect: A decrease in price always 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*.

7. A multiyear drought in Florida has dried the land so that rampant wildfires have destroyed many orange groves. Florida oranges supply much of the nation's orange juice. Which statement below is correct?
   (A) The price of orange juice will rise because of a movement up the supply curve.
   (B) The price of orange juice will rise because the supply curve will shift to the left.
   (C) The price of orange juice will fall because of a movement down the supply curve.
   (D) The price of orange juice will fall because the supply curve will shift to the right.

8. A popular movie star wears a certain style of sunglasses. If her fans want to copy her look,
   (A) the price of the movie star's brand of sunglasses will rise because of a movement up the supply curve.
   (B) the price of the movie star's brand of sunglasses will rise because the supply curve will shift to the left.
   (C) the price of the movie star's brand of sunglasses will fall because of a movement down the supply curve.
   (D) the price of the movie star's brand of sunglasses will fall because the supply curve will shift to the right.