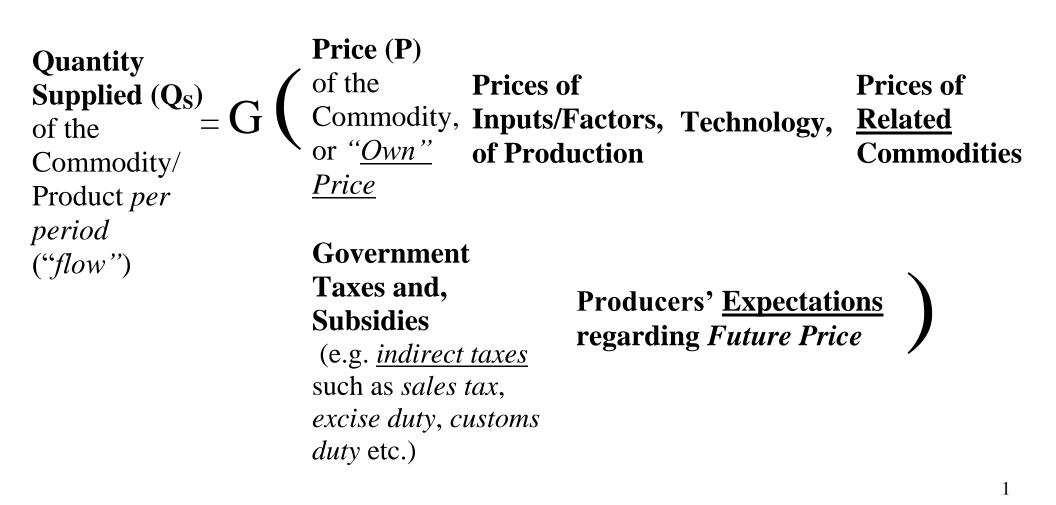# SUPPLY

'Meaning': *Willingness* and *ability* of producers to *sell* a commodity/product (good, or service) *at a given price.*

Determinants of SUPPLY (**SUPPLY FUNCTION**):

Quantity Supplied (Q_S) of the Commodity/ Product *per period* ("*flow*")

$= G \Big($

Price (P) of the Commodity, or "*Own*" *Price*

Prices of Inputs/Factors, of Production

Technology,

Prices of Related Commodities

Government Taxes and, Subsidies (e.g. *indirect taxes* such as *sales tax, excise duty, customs duty* etc.)

Producers' Expectations regarding *Future Price* $\Big)$

LAW OF SUPPLY: The *quantity supplied* of a commodity <u>*varies directly*</u> with the *price* of the commodity (*"Own"Price*), <u>*ceteris paribus*</u> (*"other things being equal"*), i.e. when *all other factors* that determine/influence quantity supplied – Prices of Inputs/Factors of Production, Technology, Prices of Related Commodities, Government Taxes and Subsidies, and Producers' Expectations regarding Future Price – are held <u>*constant*</u>.

P

S

Supply Curve (S)

$$P = g^{-1}(Q_S) = A + BQ_S$$

A

0

Q_S

Supply Equation:

$$Q_S = g(P) = G(P, \textit{other factors} - \textit{constant})$$

Inverse **Supply Equation**:

$$P = g^{-1}(Q_S)$$