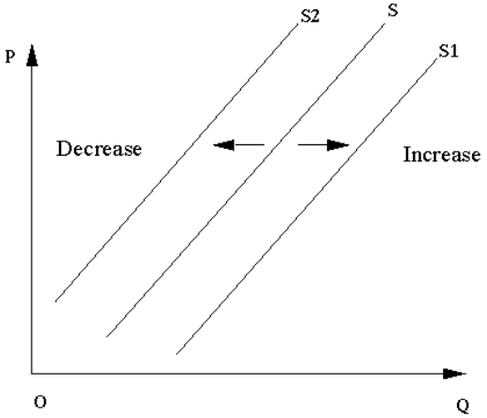


6 FACTORS can produce a Change in Supply

C = <u>Cost</u> of inputs (resources, land, labor, capital equipment, etc.)

R = <u>Regulations</u> (change in regulations can increase or reduce costs)

U = <u>U</u> know this should be P for <u>Productivity</u> (amIrite?)

I = <u>Improvements</u> in *Technology*

S = <u>Subsidies and taxes</u> (higher taxes/lower subsidies move curve to left; lower taxes/higher subsidies to the right)

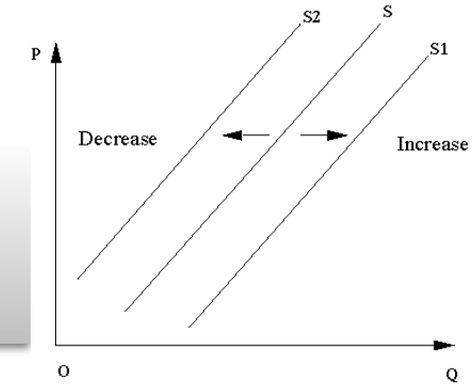
E = <u>Expectations</u> about the future change

S = Change in the number of <u>Sellers</u>

NAME _____ PERIOD _____

Non-price factors that can cause a Change in Supply:

CRUISES



C	R	U*	I	S	E	S
Cost of Inputs	**Regulations**	U know I wish this was a P for **Productivity**	**Improvements in *Technology***	**Subsidies and Taxes**	**Change in Expectations about the future**	**Change in the number of Sellers**
If the cost of inputs (such as resources, land, labor, capital, packaging, etc.) decreases, suppliers are willing to produce more of the product at each and every price point.	New government regulations (rules) typically increase costs for businesses to comply and tend to move the supply curve to the left.	If workers become more productive (each worker can produce more or serve more people in the same amount of time), then this tends to lead to increased supply and can shift the entire curve to the right.	New technologies tend to shift the entire curve to the right by increasing efficiency and lowering costs, or by raising the productivity of workers.	Raising taxes or lowering subsidies *raises the costs* of suppliers and typically shifts the entire supply curve to the left (in those industries affected by the higher taxes or lower subsidies).	If suppliers expect prices for their produce to rise in the future, they may reduce supply until the higher prices happen (so they can make more profit in the near future).	As more sellers enter a market, the supply curve shifts to the right.
If the costs of inputs rise, the opposite occurs.	Reduced regulations usually reduce costs for businesses and may cause the supply curve to move to the right.	If workers become less productive (perhaps they are overworked, under supported, poorly trained or otherwise unhappy), the opposite usually occurs.	This is only true, however, of technologies that are actual IMPROVEMENTS in the underlying process of making the good or providing the service.	Cutting taxes or raising subsidies *lowers the costs* for suppliers and typically shifts the entire supply curve to the right (for industries affected by the tax cuts or subsidy increases).	If suppliers expect prices for their product to drop in the future, they may increase supply now to try to sell more at the higher price currently happening. Expectations about future products also affect supply.	As more sellers leave a market, the supply curve usually shifts to the left (until other sellers increase their supply to compensate, which may or may not happen).