

Guided Reading Activity

Supply

Lesson 1 *What is Supply?*

Review Questions

Directions: Read each main idea and complete the statements below. Refer to your textbook as you write the answers.

A. An Introduction to Supply

Main Idea: Supply is the amount of a product available for sale at all possible prices. Many factors affect product supply.

1. The Law of Supply states that _____ of a product will be offered at a high price and _____ of a product will be offered at a low price.
2. The supply schedule lists the different _____ of a product that are supplied at all possible _____ in the market.
3. The market supply curve is a graph that shows how much of a _____ is offered at various prices by _____ producers who sell that product in a given market.
4. A change in quantity supplied only takes place if there is a change in _____.

B. Change in Supply

Main Idea: Various factors cause the supply of a product to change.

1. The cost of _____ and using more efficient _____ are two factors that affect the supply of a product.
2. When _____ are motivated and well-trained, _____ goes up and supply increases.
3. Paying higher _____ sometimes causes a dip in supply because they raise the _____ of production.

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4. A _____ paid to a business by the government usually has the effect of lowering cost and increasing _____.
5. Although some government _____ increase product _____ for consumers, they may also cause an increase in prices.

C. Elasticity of Supply

Main Idea: Supply elasticity refers to how much the quantity supplied of a product responds to changes in the price of that product.

1. Supply elasticity is a _____ of how much the quantity of a product supplied reacts to a change in _____.
2. In a product with _____ supply, a change in price leads to a proportionally larger change in quantity supplied.
3. For _____ supply, a change in price leads to a proportionally smaller change in quantity supplied.
4. With _____ elastic supply, price changes and changes in supply are _____.
5. Supply is _____ if a company can react to new prices _____.
6. If the resources needed to make a product are very limited or it is difficult to _____ production quickly, then the supply is generally _____.

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Summary and Reflection

Directions: Summarize the main ideas of the lesson by answering the questions below.

Suppose you are a farmer who grows wheat that people need to make bread and other foods. Discuss the factors that affect the supply of wheat, such as weather, amount of the crop grown, population, etc. Is wheat supply elastic or inelastic? What type of help might you expect or need to even out the supply of wheat and make sure your farm remains profitable and productive?
