

Section 1: Guided Reading and Review

Understanding Supply



A. As You Read

As you read Section 1, supply the missing causes or effects on the lines provided in the chart.

Cause	Effect
1. The price of pizza increases.	1. <i>On pizzerias:</i> _____ _____
2. The cost of tomato sauce increases along with the price of pizza.	2. <i>On pizza supply schedule:</i> _____ _____
3. _____ _____ _____ _____	3. <i>On market supply curve:</i> Prices will remain the same as on a single pizzeria's supply curve.
4. _____ _____ _____ _____	4. <i>On supply curve:</i> The curve always rises from left to right.
5. The supply of a good is not very responsive to price changes.	5. <i>On the value of elasticity of supply:</i> _____ _____
6. A supplier, such as an orange grower, has a long time to respond to a price change.	6. <i>On supply:</i> _____ _____

B. Reviewing Key Terms

Read the statements below. In the space provided, write *T* if the statement is true or *F* if it is false.

- ____ 7. Price and quantity supplied are variables on a supply schedule.
- ____ 8. A supply curve shows price and quantity in a table.
- ____ 9. Elasticity of supply states that the output of a good increases as the price of the good increases.
- ____ 10. To create a market supply schedule, an economist needs to know the total output of all suppliers in a given market.



Section 2: Guided Reading and Review

Costs of Production

A. As You Read

As you read Section 2, supply the requested information in the spaces provided.

1. A basic question a producer must answer: _____

2. Marginal product of labor benefits gained from worker specialization: _____

3. Negative effect of a firm's limited capital: _____

4. Curve pattern for marginal product of labor when capital is limited: _____

5. Examples of typical fixed costs: _____

6. Why labor is a variable cost: _____

7. How the marginal costs of production for the beanbag producer changed after the rate of three bags per hour was surpassed: _____

8. How total revenue and total cost can help set the most profitable output level: _____

9. How marginal revenue and marginal cost can help set the most profitable output level: _____

10. Why a producer would continue to increase output even though the marginal cost of production may be rising: _____

B. Reviewing Key Terms

Define the following terms.

11. marginal product of labor _____
12. diminishing marginal returns _____
13. total cost _____
14. marginal cost _____

Section 3: Guided Reading and Review

Changes in Supply



A. As You Read

As you read Section 3, supply information to complete each statement in the spaces provided.

1. Unable to control price, a profitable producer faced with rising labor and/or materials costs will _____.
2. New technology affects supply by _____.
3. European governments' reasons for subsidizing food producers include _____.
4. In the past, Western European governments subsidized banks and airlines by _____.
5. The United States government subsidizes such industries as _____.
6. An excise tax increases production costs by _____.
7. Consumers may be unaware of excise taxes because _____.
8. Government regulations often reduce supply because _____.
9. During periods of inflation, suppliers may temporarily withhold goods that can be stored for long periods because _____.

B. Reviewing Key Terms

Complete each sentence by writing the correct key term in the blank provided.

10. Government can increase supply by granting producers a(n) _____.
11. To reduce supply, a government might levy a(n) _____.
12. Requiring pollution control on automobiles exemplifies government _____.