

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.