

## What Factor Causes a Change in Quantity Supplied?

We identified the factors (resource prices, technology, etc.) that can cause *supply* to change. As we stated earlier, a change in supply is represented as a shift in the supply curve. The curve moves either right or left. See Exhibit 5-5(a).

But what factor(s) can cause a change in *quantity supplied*? Only one: price. For example, the only thing that can cause sellers to change their quantity supplied of computers is a change in the price of computers. A change in quantity supplied is shown as a movement along a given supply curve. See Exhibit 5-5(b).

Many people are, at first, confused about what leads to a change in quantity supplied and what leads to a change in supply. To many, it seems as if changes in quantity supplied and supply are the same thing.

To make sure you understand the difference, let's look back at a couple of examples in this chapter. Turn back to Exhibit 5-1 on page 115 and look at point A. There you see a price of \$1 and a quantity supplied of 10. Now ask yourself what must happen before you can move from quantity supplied of 10



### Supply Goes Up, or Down?

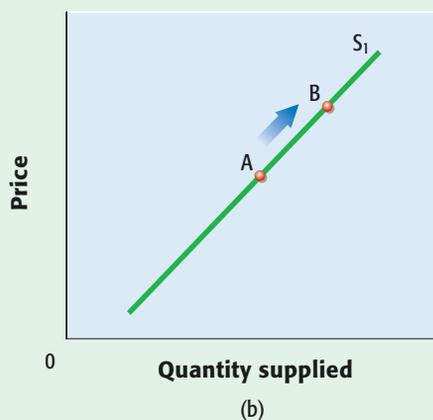
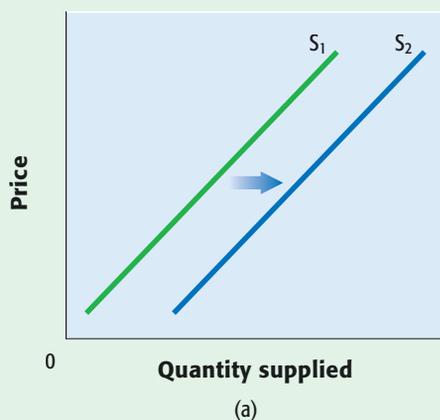
On March 21, 2005, Dell Computers opened its third Call Center in India. (A Call Center is a place where people who have purchased Dell computers call if they have technical problems with their computers.) At the time, Dell employed 7,500 people in India and planned to hire about 1,500 more. Dell hires Indians to service U.S. customer calls because it is cheaper to hire Indians than Americans.

**ECONOMIC THINKING** If Dell keeps its costs of building and servicing computers down, how might this affect the supply of Dell computers for sale?

to 20, or from point A to B. Stated differently, what has to change before a move from A to B will happen? The answer is that the price (on the vertical axis) must increase from \$1 to \$2. In other words, the only factor that will change the quantity supplied of a good is a change in price: the factor that is on the vertical axis.

EXHIBIT 5-5

### A Change in Supply Versus a Change in Quantity Supplied



▲ (a) A change in supply refers to a shift in the supply curve. A change in supply can be brought about by a number of factors. (b) A change in quantity supplied refers to a movement along a given supply curve. A change in quantity supplied is brought about *only* by a change in a good's price.