

Answer on question # 54220 – Economics of Enterprise

Other things remaining the same, what would happen to the supply of a particular commodity if the following changes occur?

a. The price of the commodity decreases.

If sellers expect decreasing the price of the commodity they will increase the supply of it. Thanks to low prices sellers will expect increasing of consumers' demand.

b. A technological breakthrough enables the good to be produced at a significantly lower cost.

Using the new technologies lead to increasing of the supply.

c. The price of inputs used to produce the commodity increases.

When the price of inputs used to produce the commodity increases the price of the commodity can be increase. That's why the supply of a particular commodity decreases.

d. The price of a commodity that is a substitute in production decreases.

In this case the supply of a particular commodity will be decreased, because a commodity, which is a substitute, can become competitive for a particular commodity. It can decrease the demand on our commodity.

e. The managers of firms that produce the good expect the price of the good to rise in the near future.

In this case the supply of a particular commodity can decrease, because the price should be higher than a current price.

f. Firms in the industry purchase more plant and equipment, increasing the productive capacity in the industry.

50/50. Firms can increase the price of a particular commodity to cover their costs on a purchasing of new plant and equipment. On the other hand they can decrease the price, because they will increase their productive capacity in comparison with other firms in this industry.