Elasticity of Supply

1. What is the difference in elasticity of supply in the short run vs. the long run? Why?
2. When you produce too much of something it is called a surplus. Draw a supply and demand graph overlapping, then label which part of the graph would be the surplus side? Where is the shortage located?
3. How do you find the total cost of making a product? (FC +VC=TC)
4. How can the government intervene to affect the supply of something that has a surplus at the moment. Ie… when farmers may overproduce this year, what will the government do to keep supply low?
5. What could the government do to try to increase the supply of something that they deem necessary, even though producers do not want to produce more of the product for the price they have been getting?
6. What is the difference between a price floor and a price ceiling? What happens if the price ceiling is below the equilibrium price?
7. If people are willing to purchase your product at a high price, according to the Law of Supply, what should you do with the production of that product to get the highest profit possible for the time being?
8. Which has a more elastic supply in the short run, ice cream or oranges? Why?
9. In the long run can farmers increase the supply of lemons to meet the demand of previous seasons? Short Run?
10. Describe the law of diminishing returns. How does that law affect production?
11. Why is it difficult to figure out how many employees to hire?
12. What would happen to the supply of rice if there were a drought? What would happen to the price? What might people do because of the change in price?