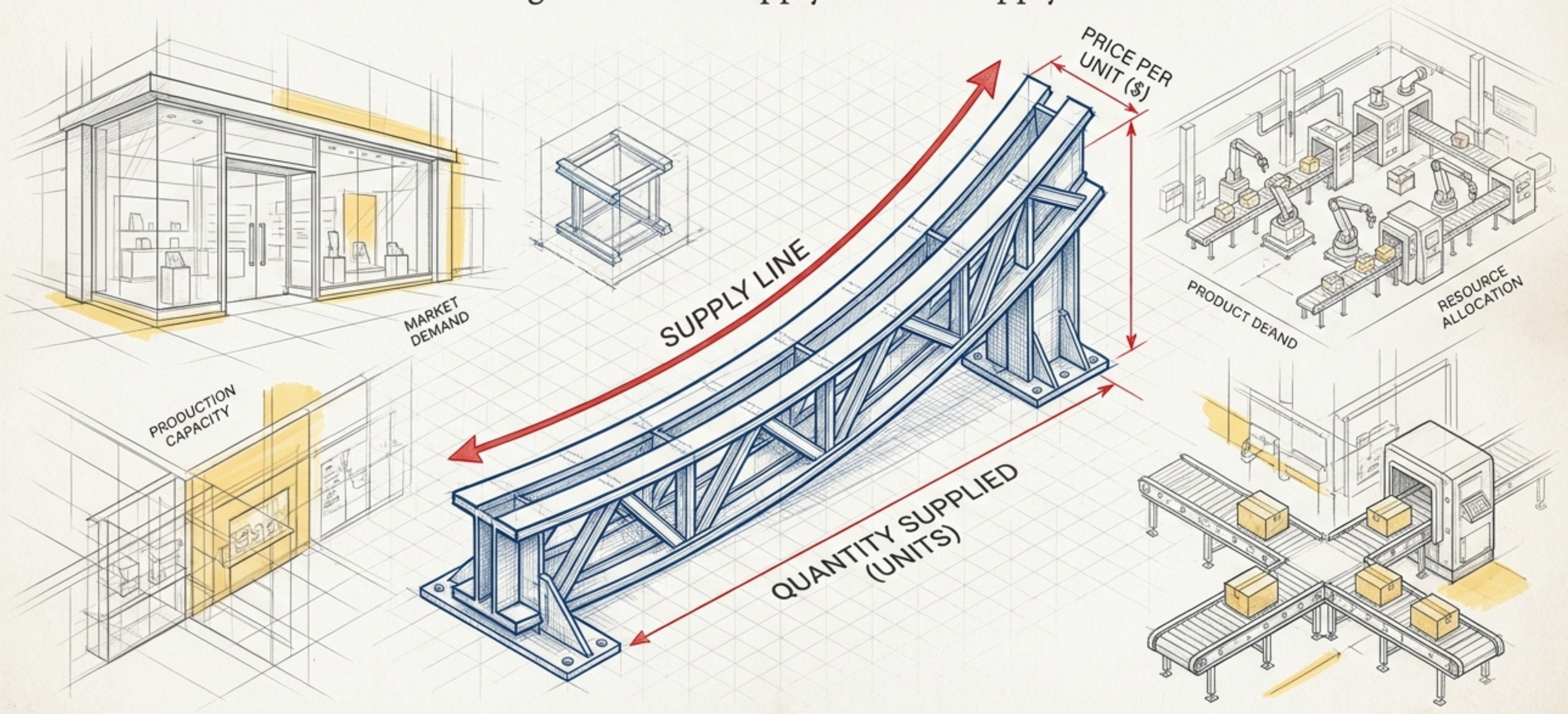


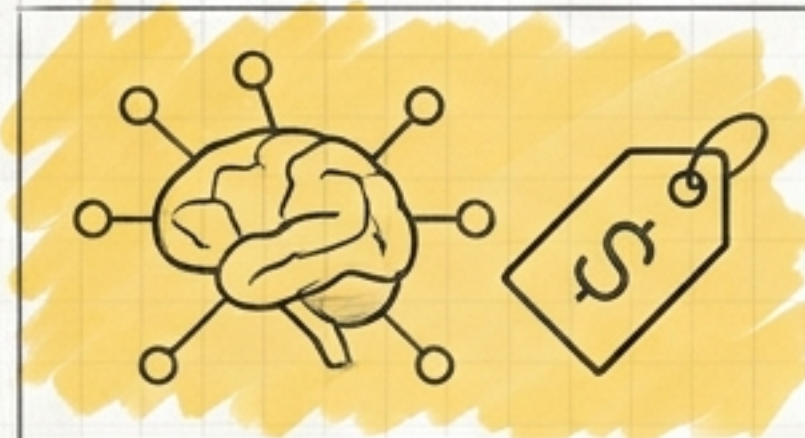
THE BLUEPRINT OF BUSINESS

Decoding the Law of Supply and the Supply Curve

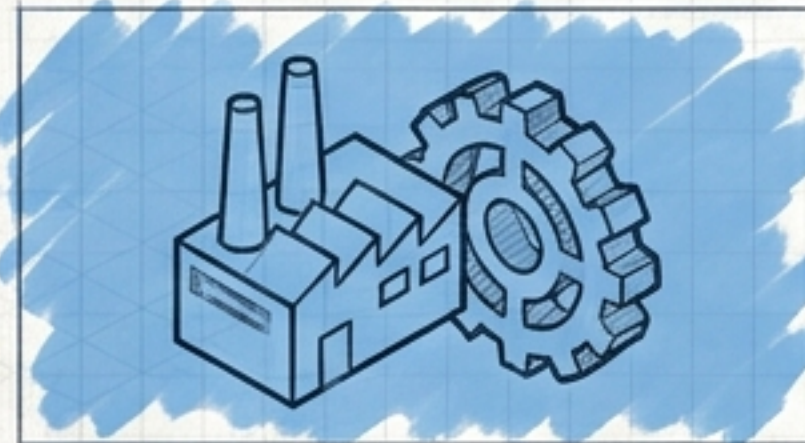


What Exactly is Supply?

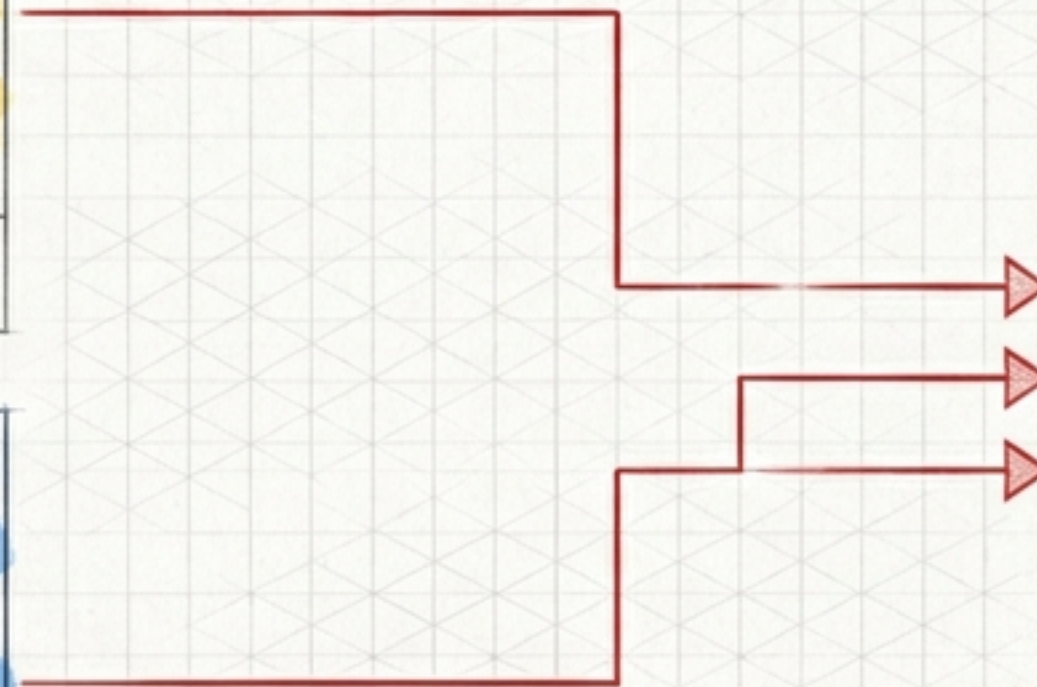
Supply refers to the quantity of goods and services that firms are willing and able to provide or sell in a time period.



Willingness to Provide



Ability to Produce

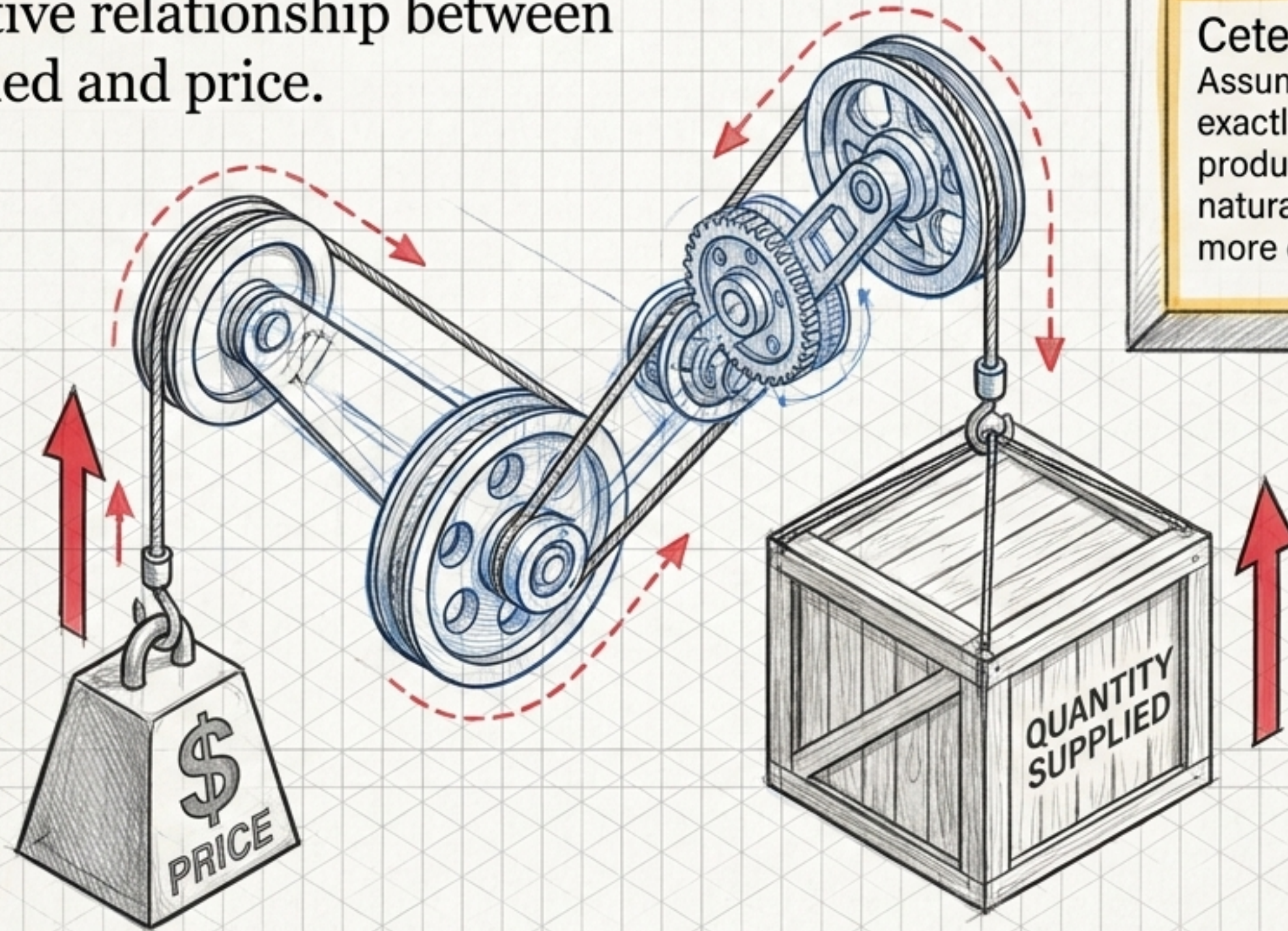


SUPPLY

Remember: It's not just stuff sitting in a warehouse. A business must **WANT** to sell it and **BE CAPABLE** of making it.

The Golden Rule: The Law of Supply

There is a positive relationship between quantity supplied and price.



Ceteris Paribus

Assuming everything else stays exactly the same. If you can sell a product for more money, you naturally want to produce and sell more of it.

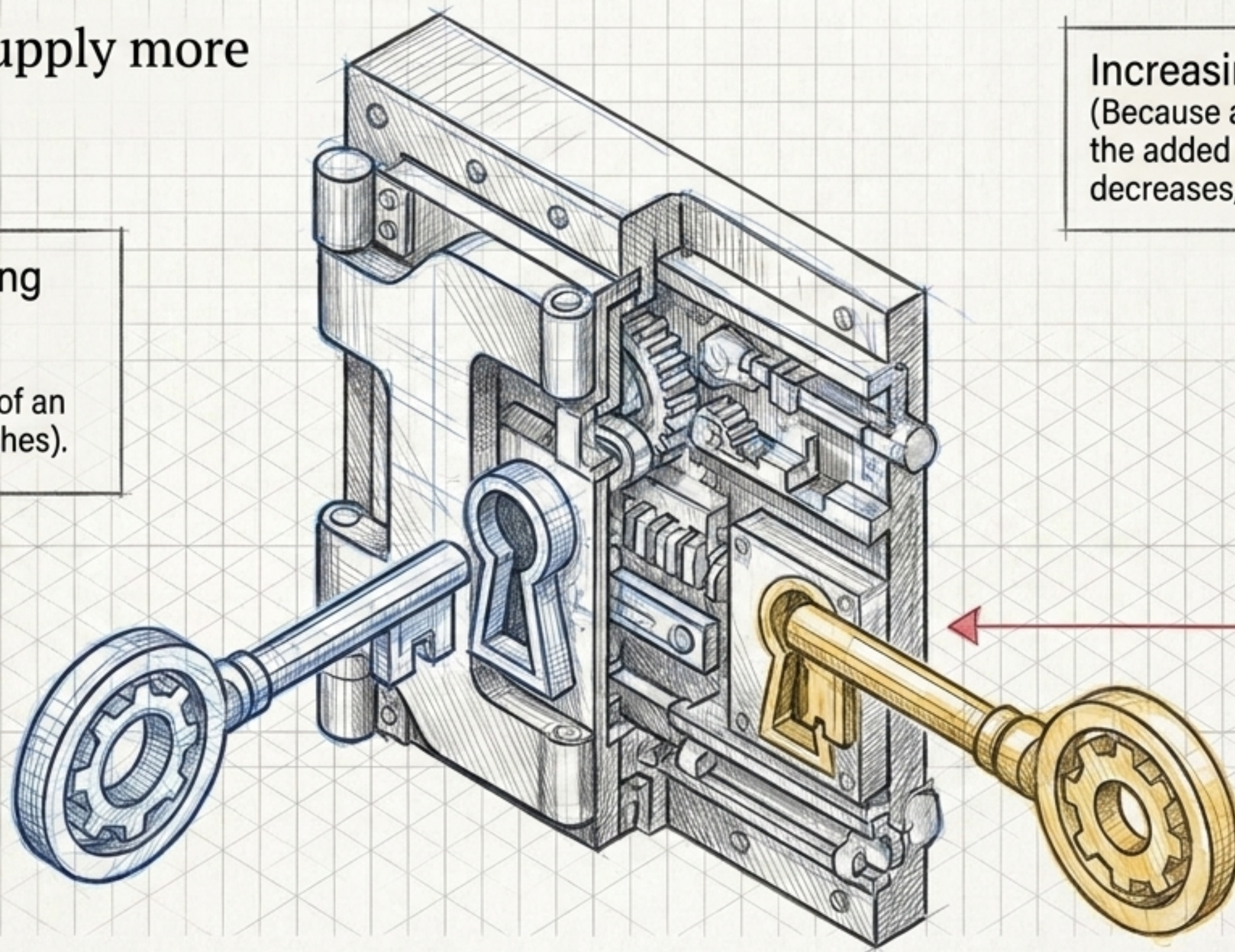
Positive Relationship: As Price Increases, Quantity Supplied Increases (*Ceteris Paribus*).

The Logic Behind the Upward Slope

Why firms only supply more at higher prices

The Law of Diminishing Marginal Returns
(As factors of production increase, the added return of an additional resource diminishes).

Increasing Marginal Costs
(Because added return diminishes, the added productive gain decreases, but costs do not).

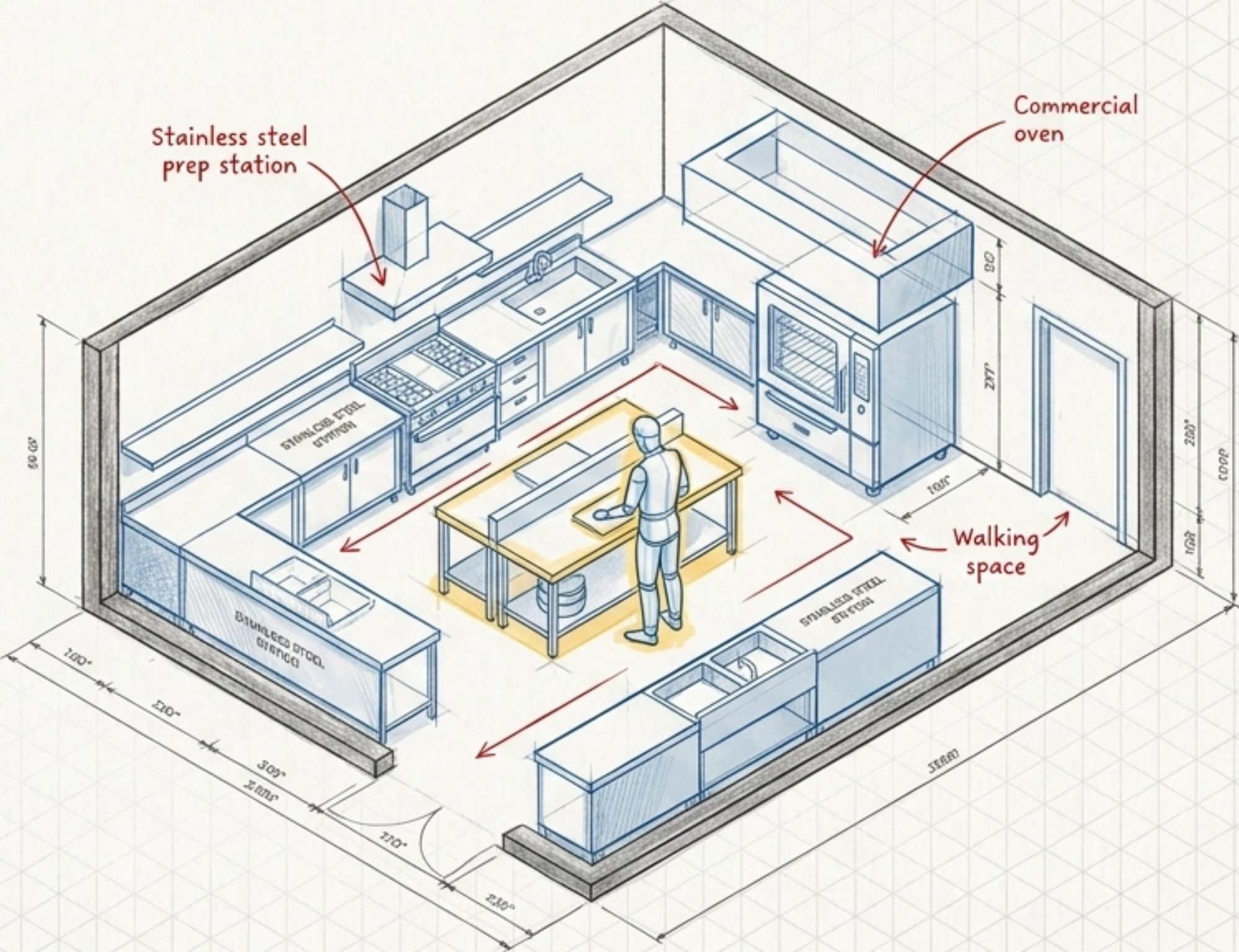


Step Into the Kitchen: The Baseline

Scenario:

You own a restaurant. You want to produce more food, so you decide to hire more chefs. But your kitchen size is fixed.

Metrics Dashboard	
Resources:	1 Chef
Output:	10 meals per hour
Status:	Efficient Flow



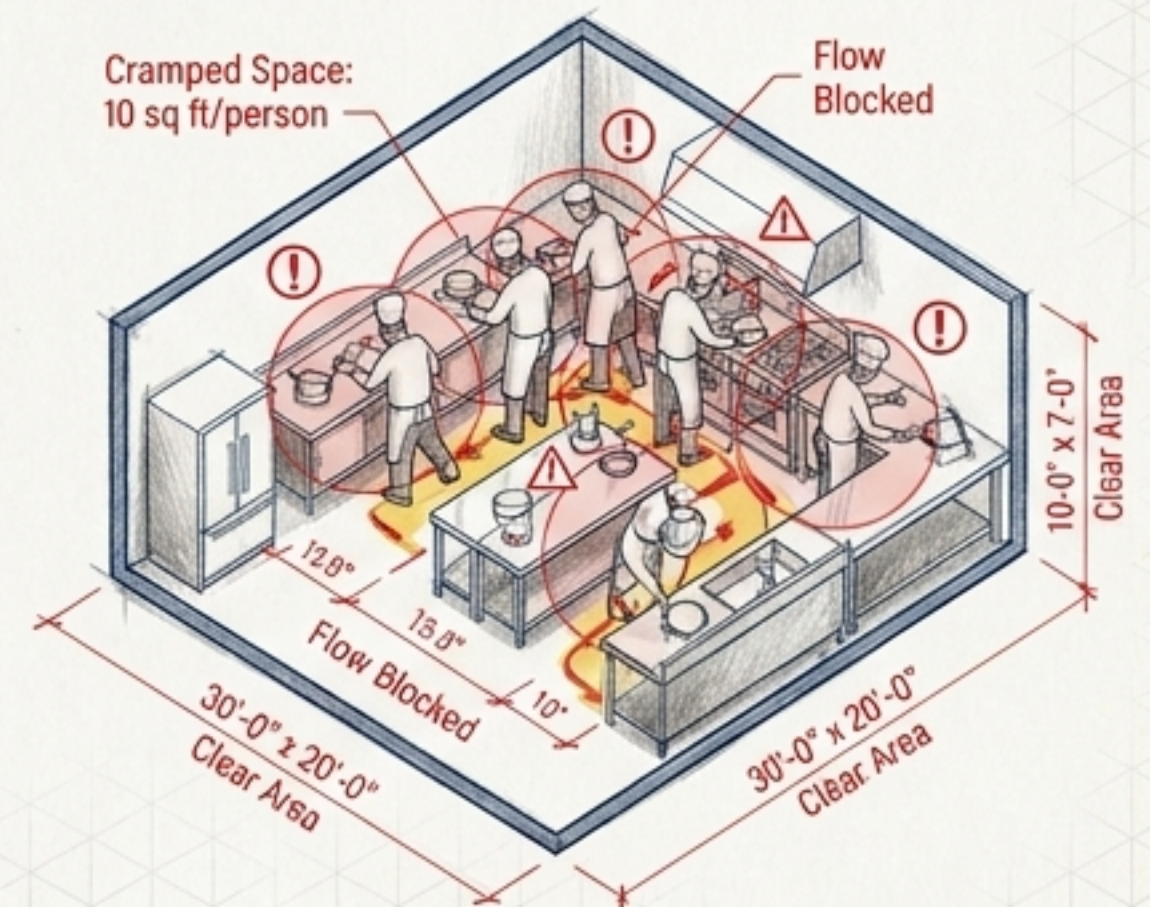
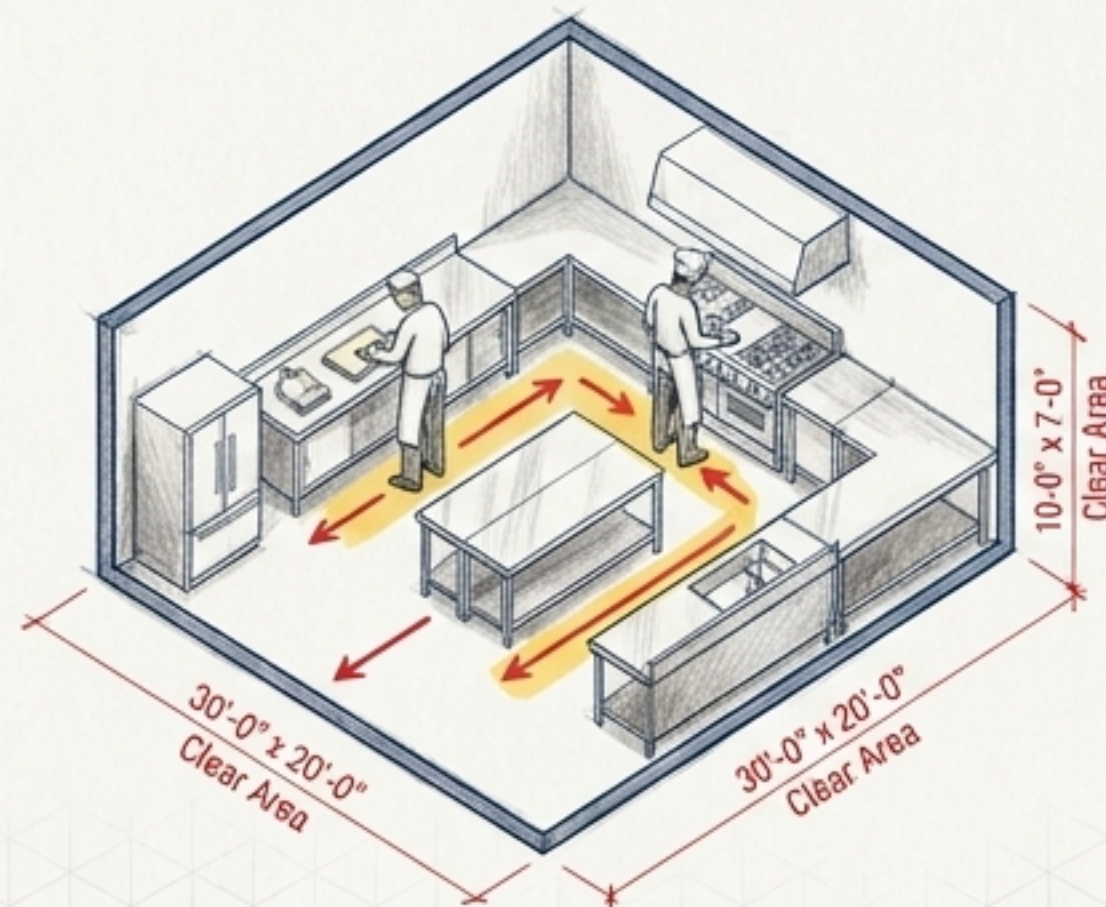
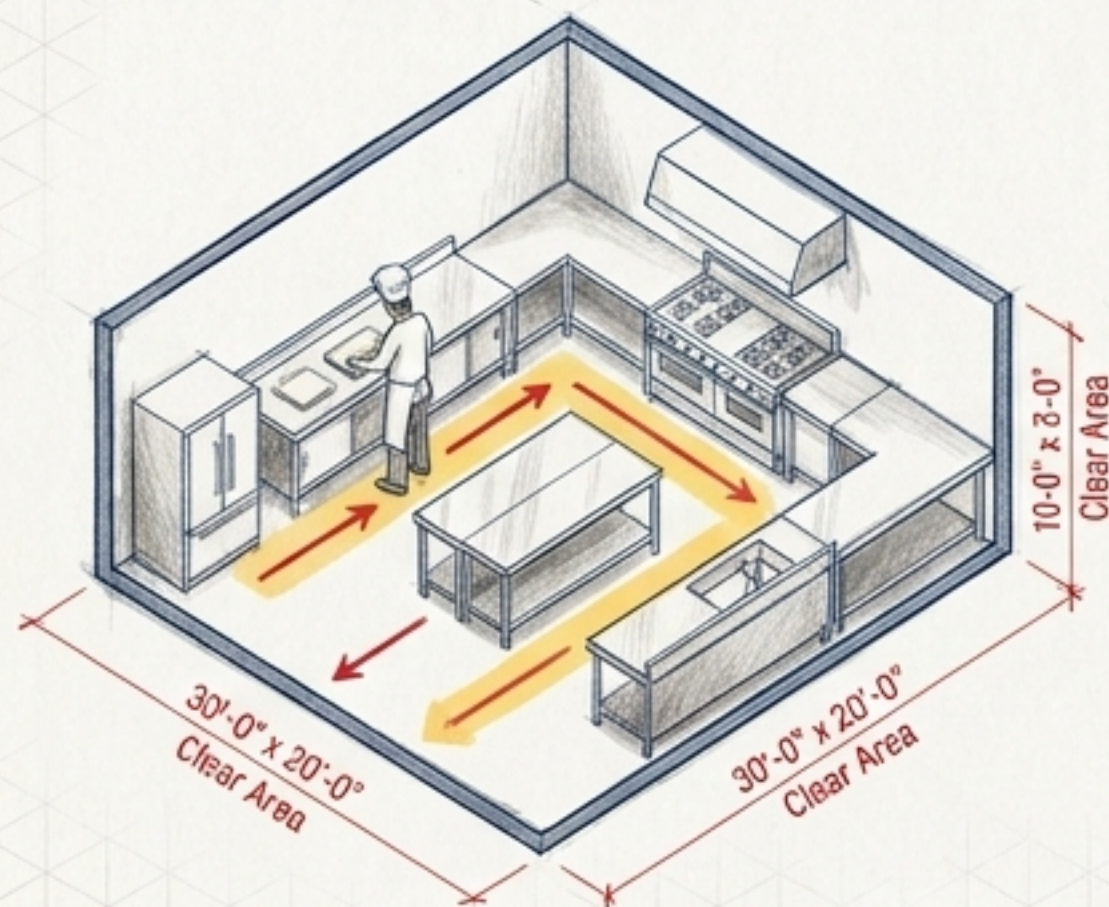
The Law of Diminishing Marginal Returns

As you add more resources (chefs) to a fixed space (the kitchen), the **ADDED RETURN** of each new worker eventually drops. The 5th chef has no room to cook!

1 Chef = 10 meals/hr (Perfect)

2 Chefs = 20 meals/hr (Working Great)

5 Chefs = 22 meals/hr (The Bottleneck)



Increasing Marginal Costs

The added productive gain of employing more workers decreases, but their costs do not. Therefore, the cost of each new resource increases.

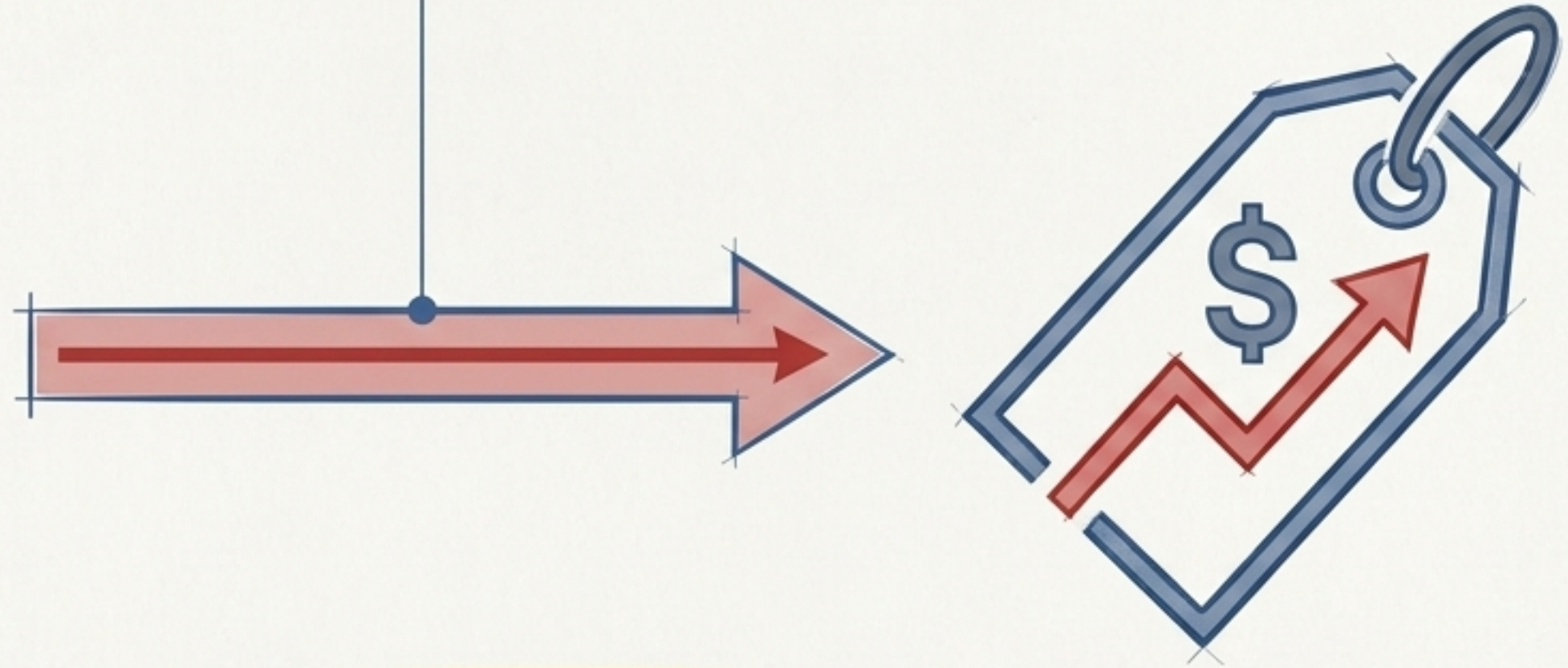
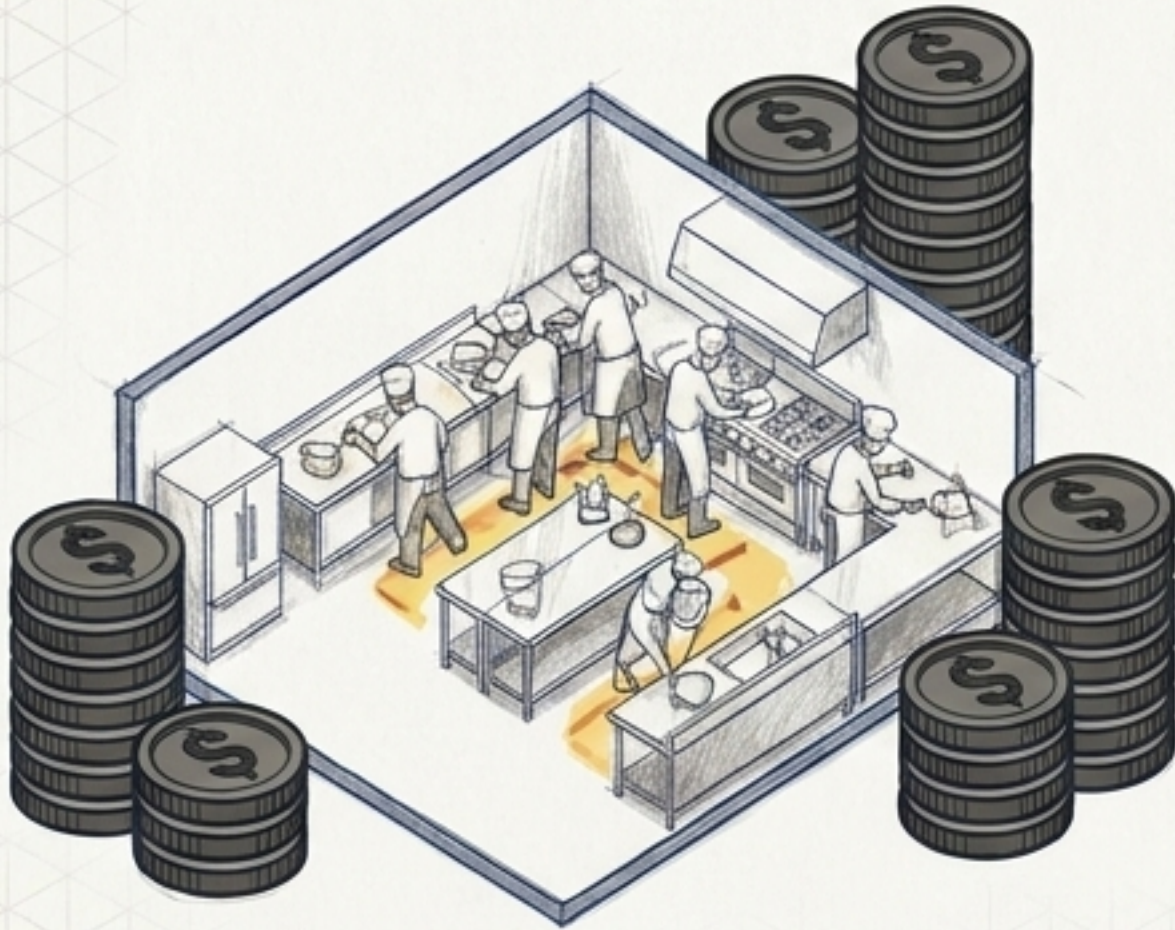
The First Chef

Wage	Added Output	Cost per new meal
Pays \$15/hour	Produces 10 extra meals	VERY LOW 
Wage	Added Output	Cost per new meal
Pays \$15/hour (Costs do not decrease!)	Produces only 2 extra meals	VERY HIGH 

The Business Logic Synthesized.

Producing the last few meals costs significantly more money.

Firms **MUST** charge a higher price to cover these increasing marginal costs.



The Bottom Line:

This is why firms are **ONLY** willing to supply more at higher prices. The cost of expansion demands it.

Drawing the Curve: The Drafting Toolkit

Price (\$)



1

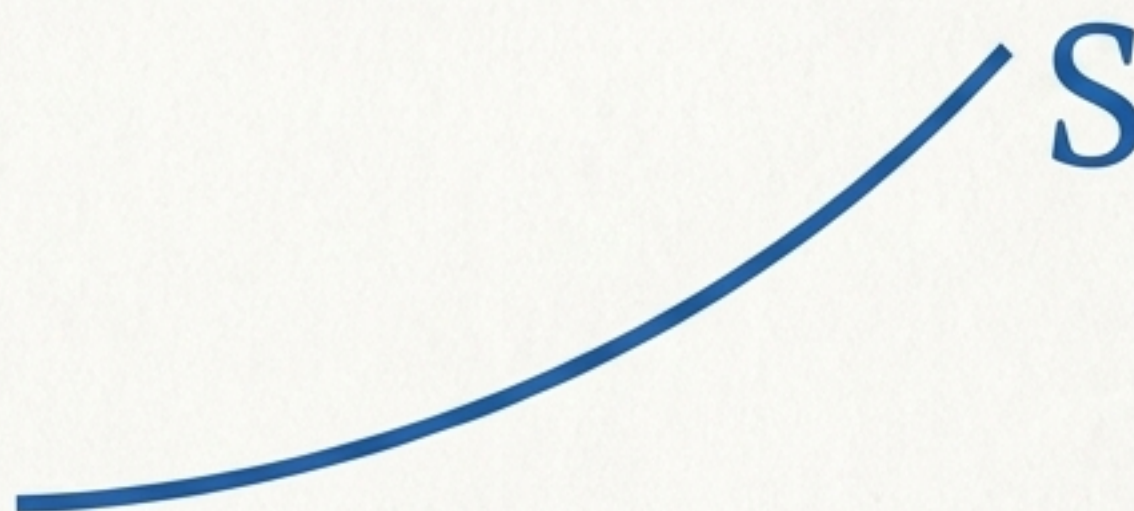
Quantity Supplied (units)



2



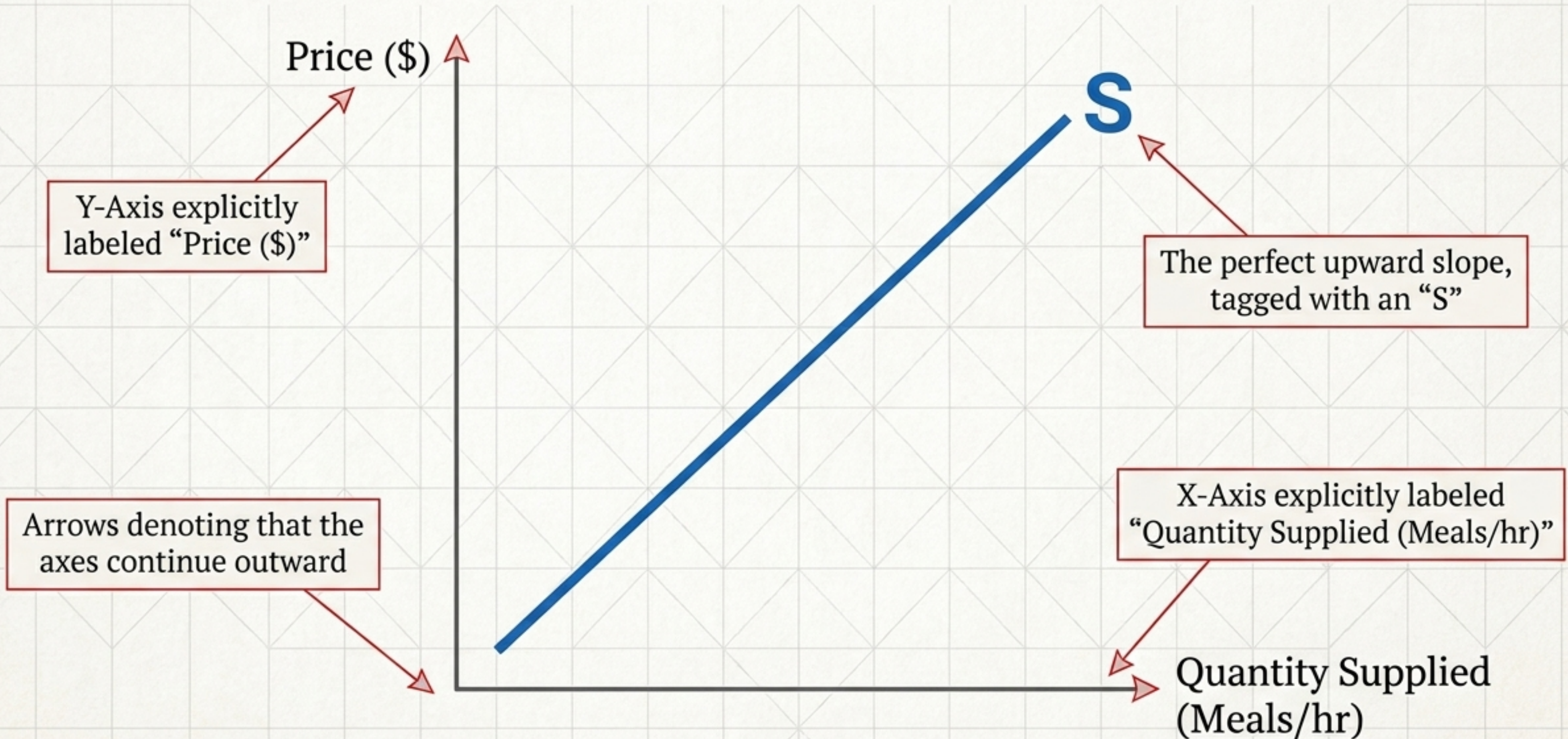
3



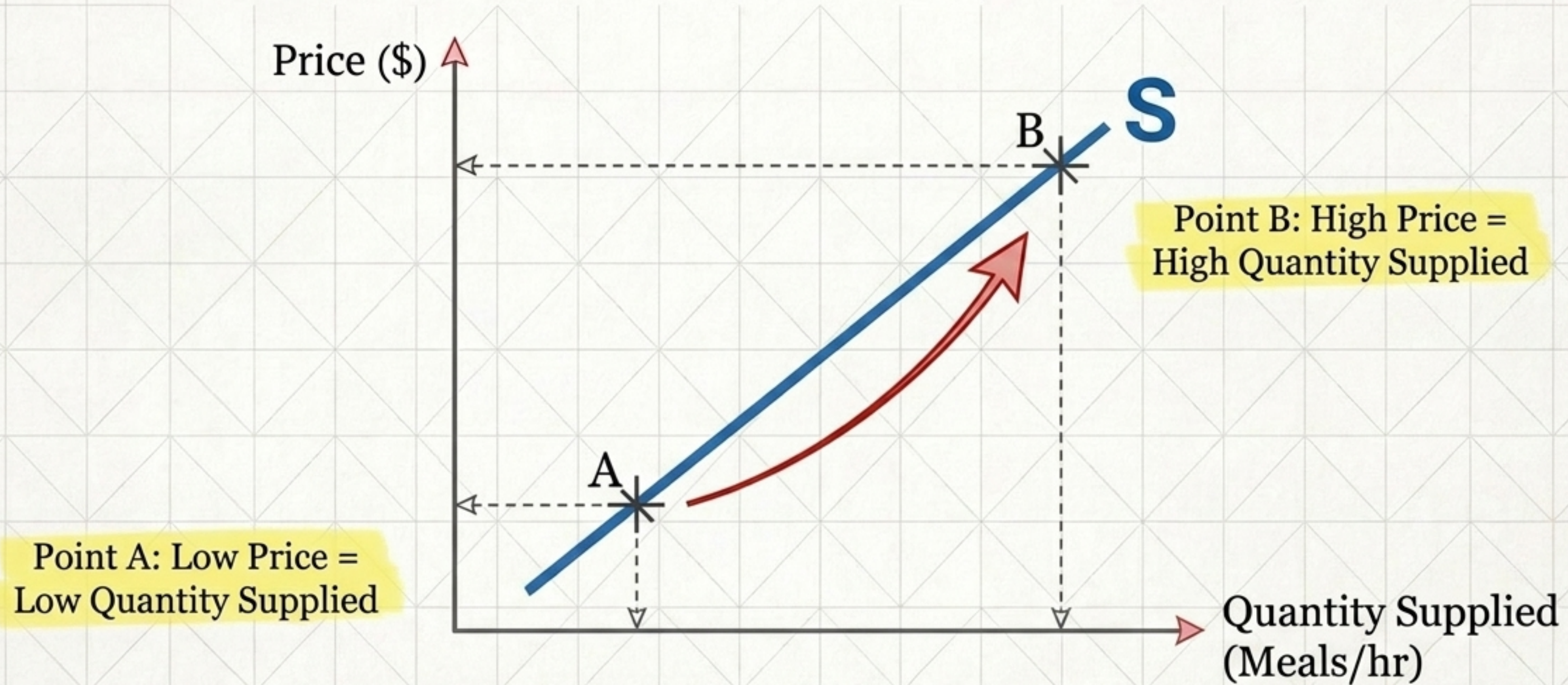
4

⚠ Don't lose points! A curve without proper axis labels is just a line in empty space.

Anatomy of the Supply Curve



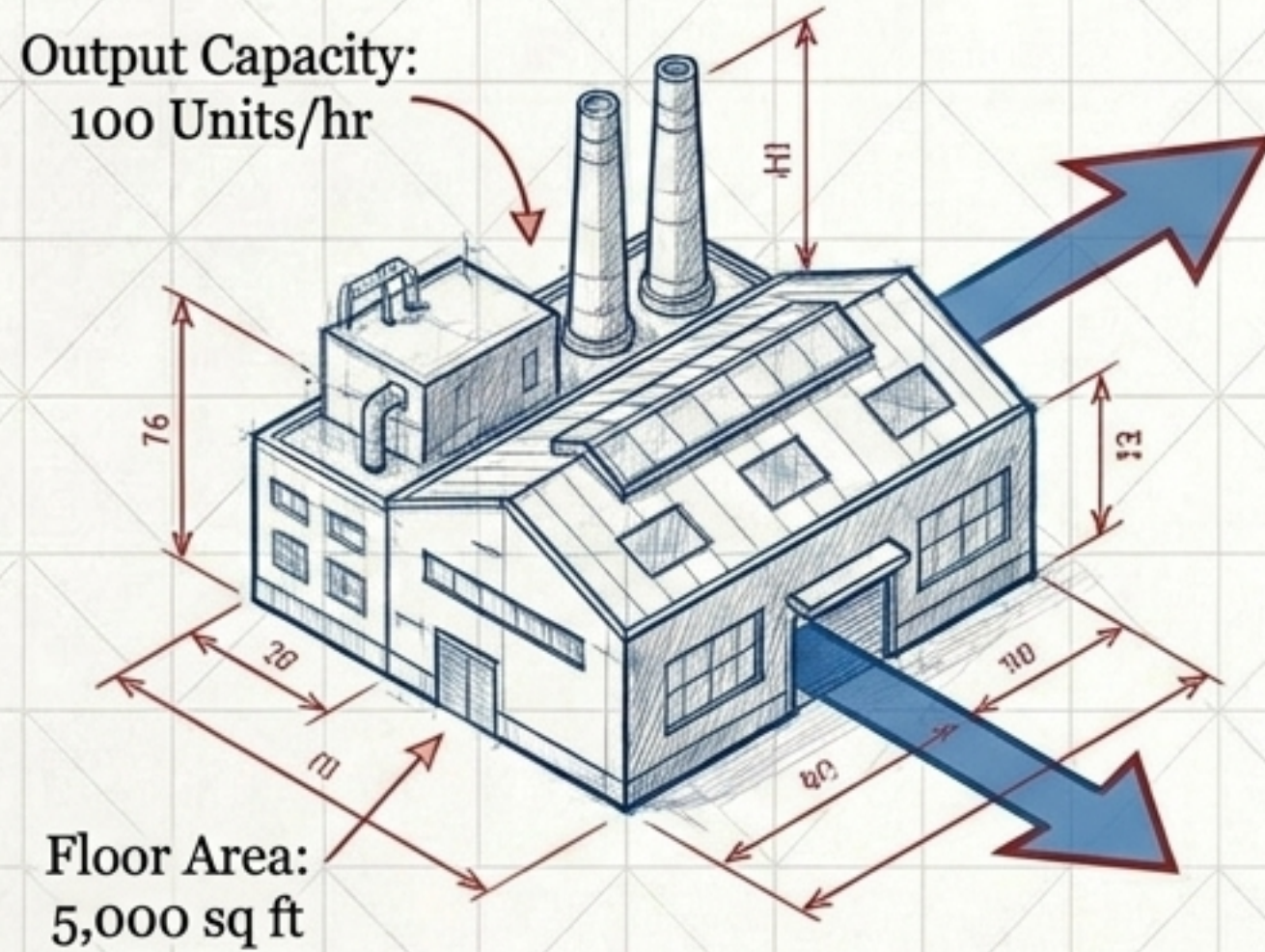
Mapping the Positive Relationship



As we move right to produce more quantity, the line forces us to move up to a higher price. The graph is simply a picture of the *Law of Supply*.

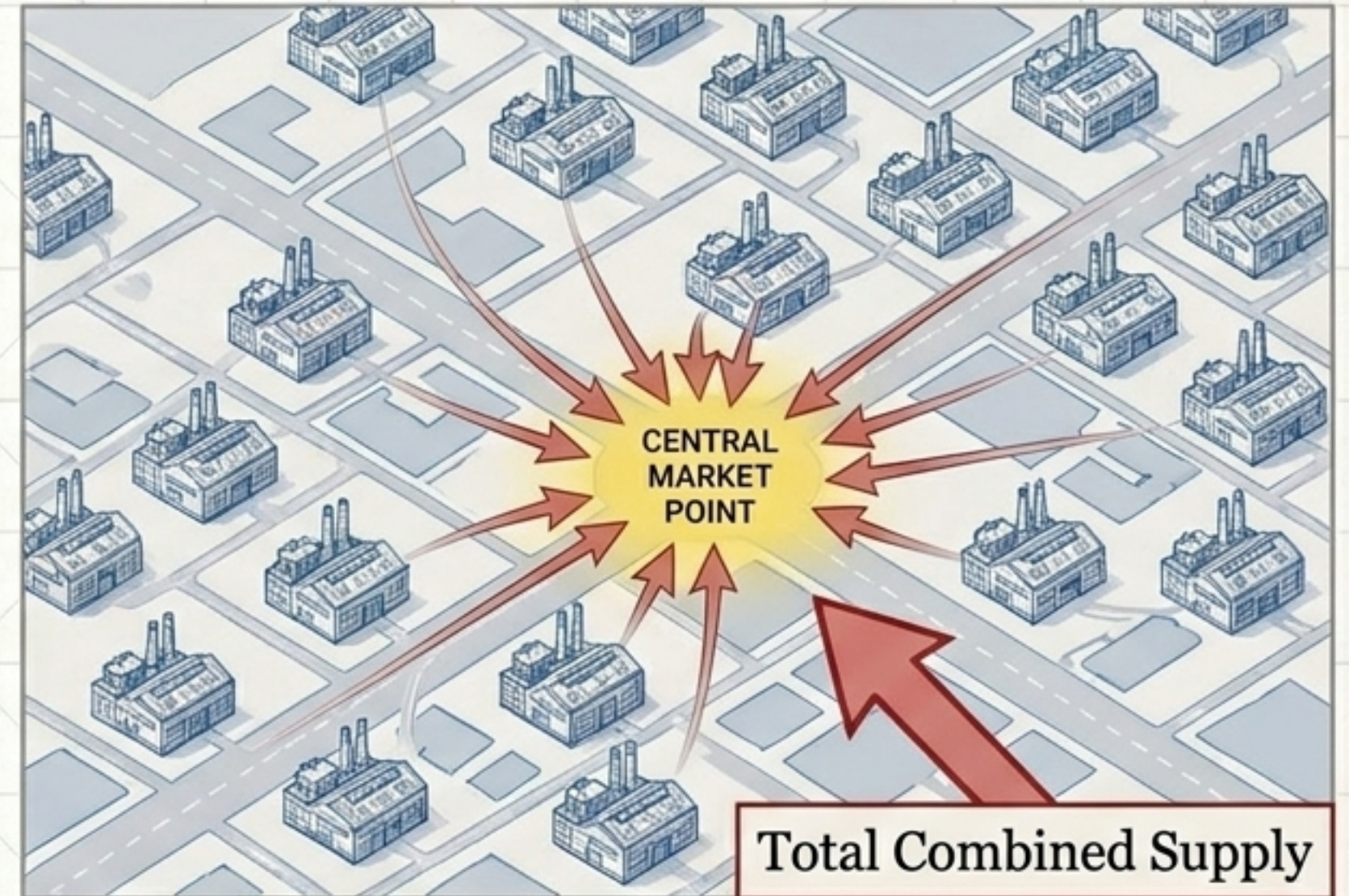
Zooming Out: Individual vs. Market Supply

Individual Supply



The quantity a single firm is willing and able to sell.

Market Supply

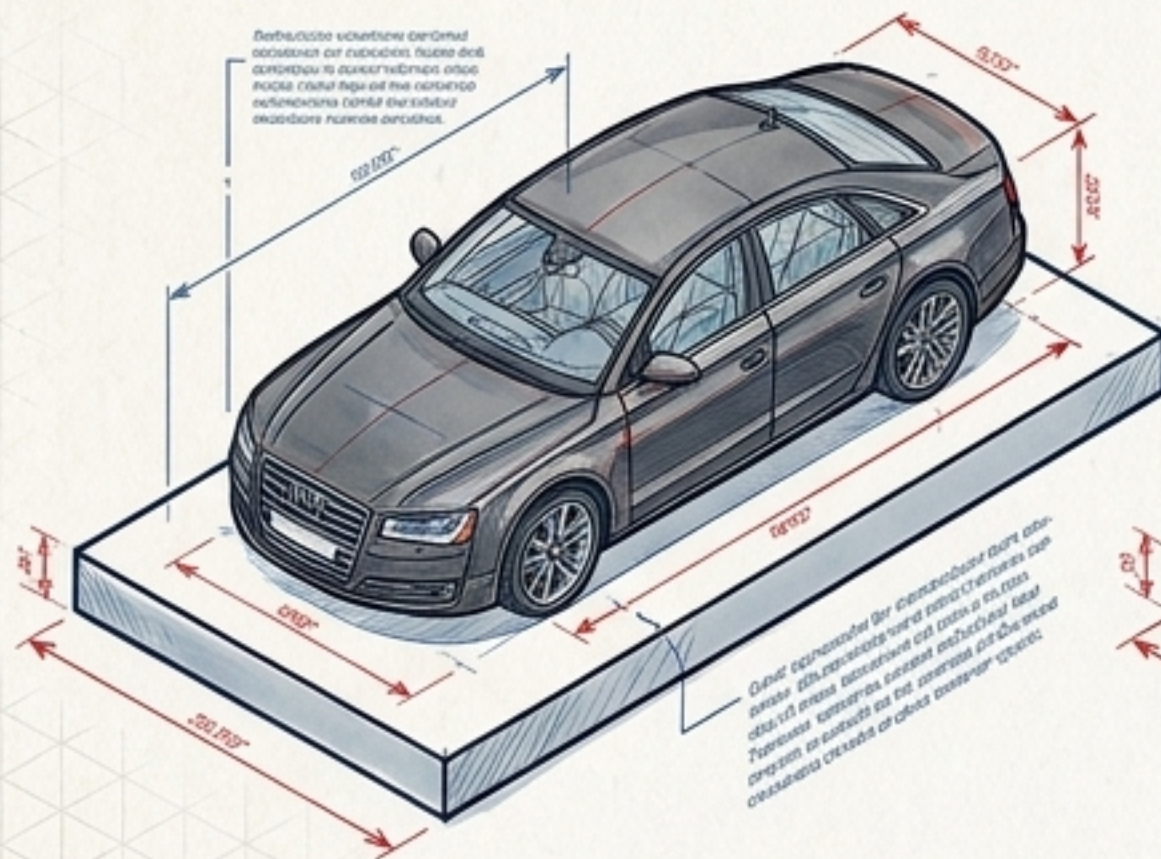


The combined, total supply provided by **EVERY** individual firm operating in a market at a specific price level.

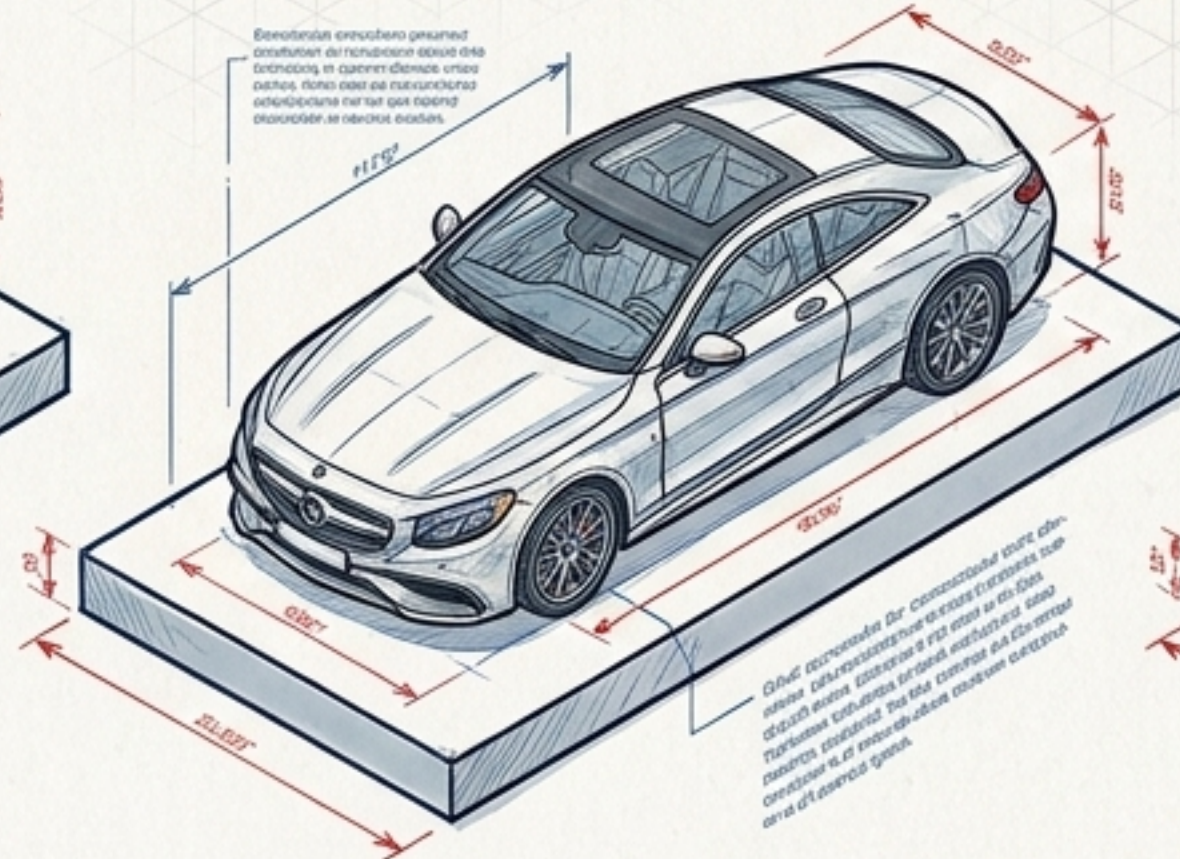
The German Auto Industry

The Scenario:

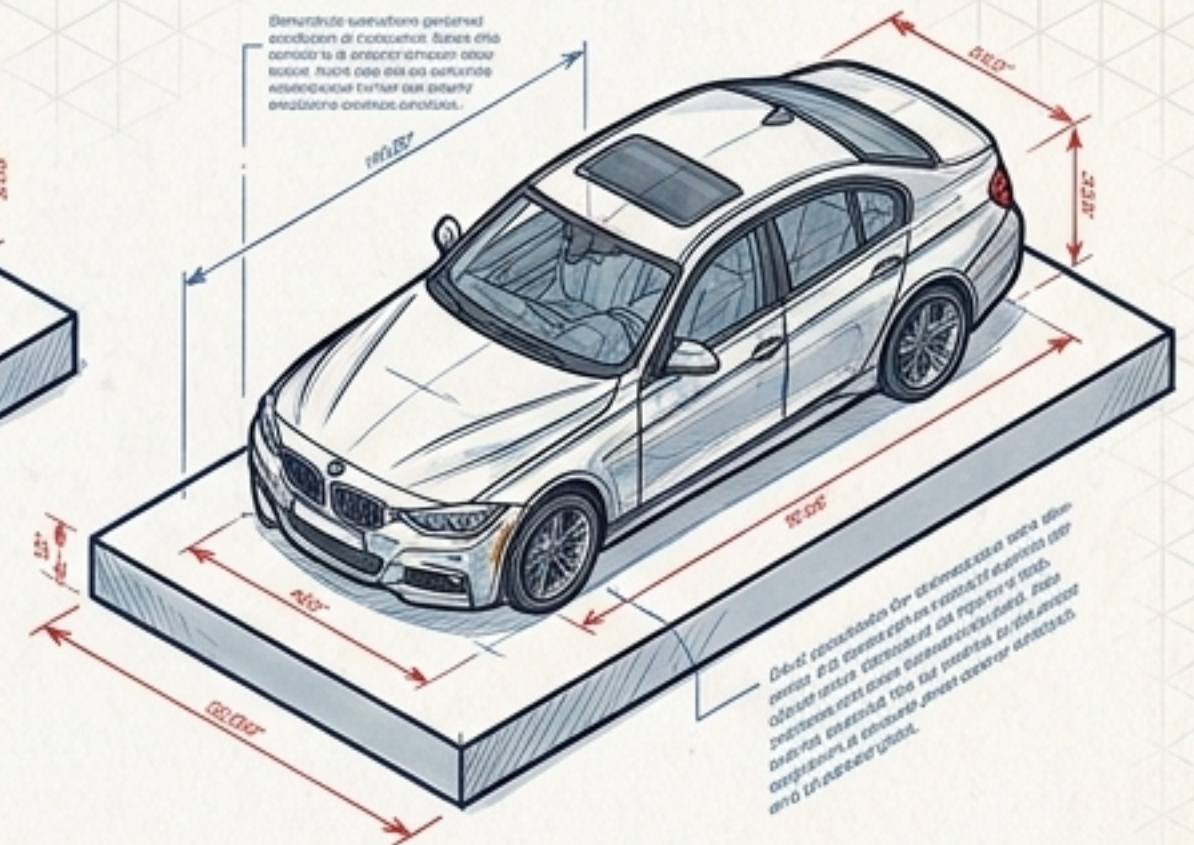
In one year, at a specific price point, German firms are willing and able to sell:



Audi: 10,000 cars



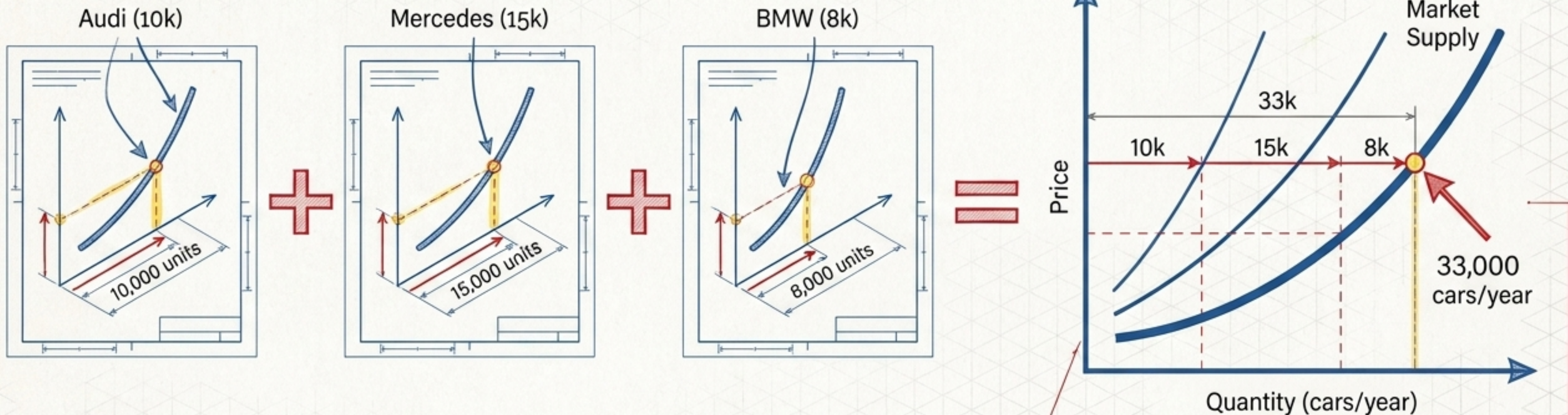
Mercedes: 15,000 cars



BMW: 8,000 cars

Source Note: The market for “overpriced cars for inflated egos”.

The Market Supply Equation

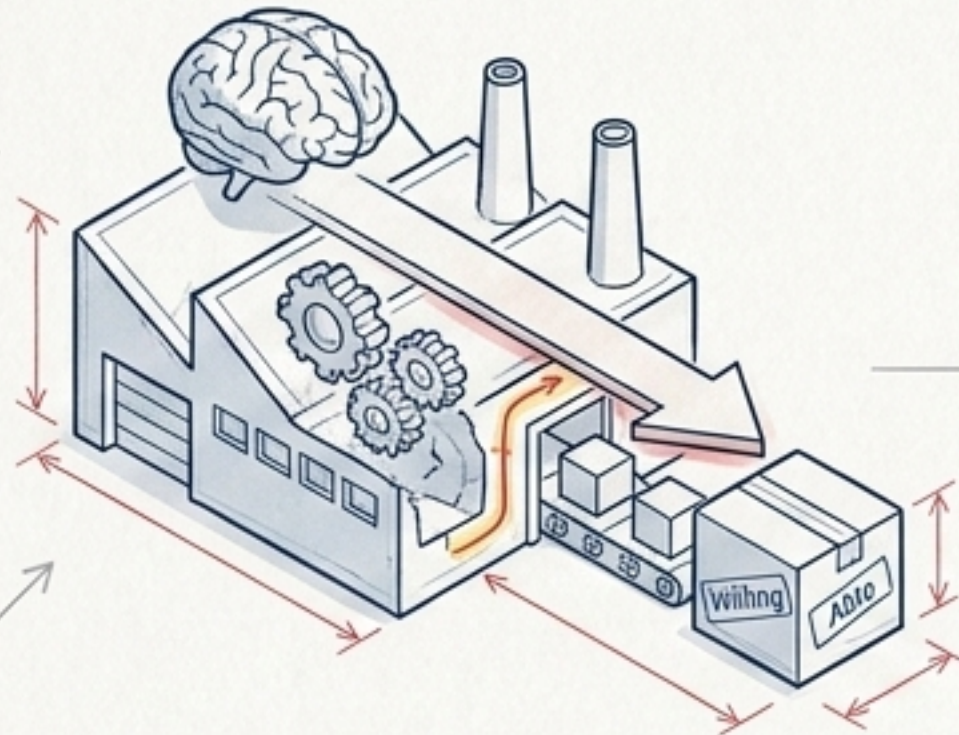


$$10,000 + 15,000 + 8,000 = 33,000$$

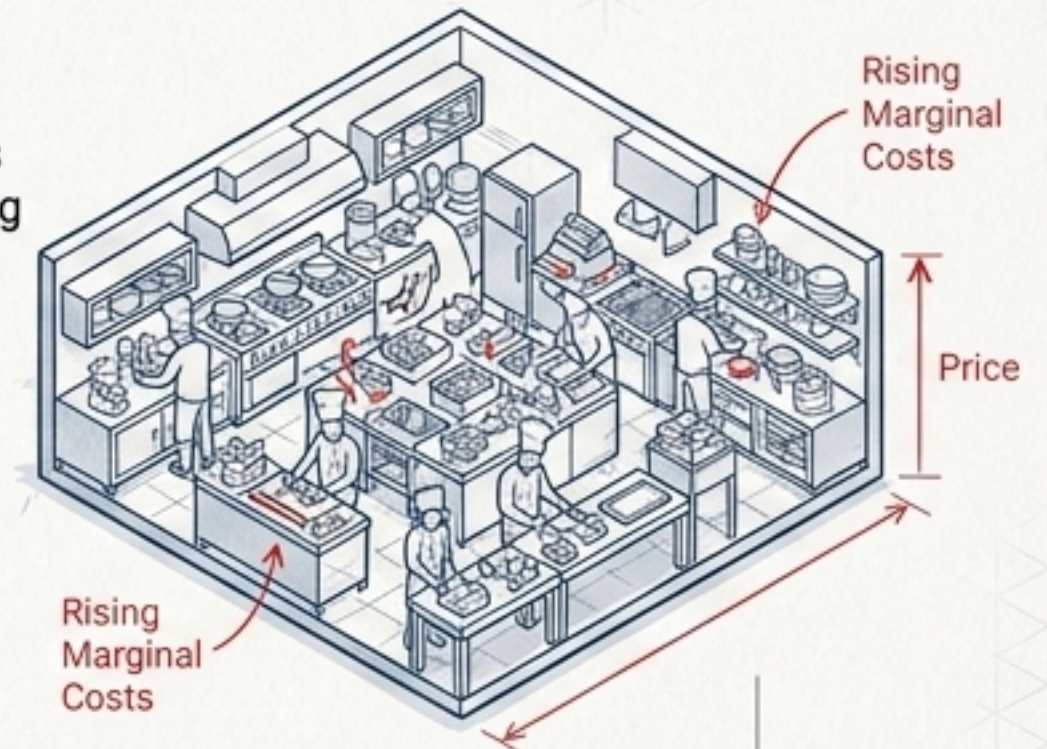
Market supply is simply the horizontal addition of all individual supply quantities at a given price level.

The Blueprint Mastered

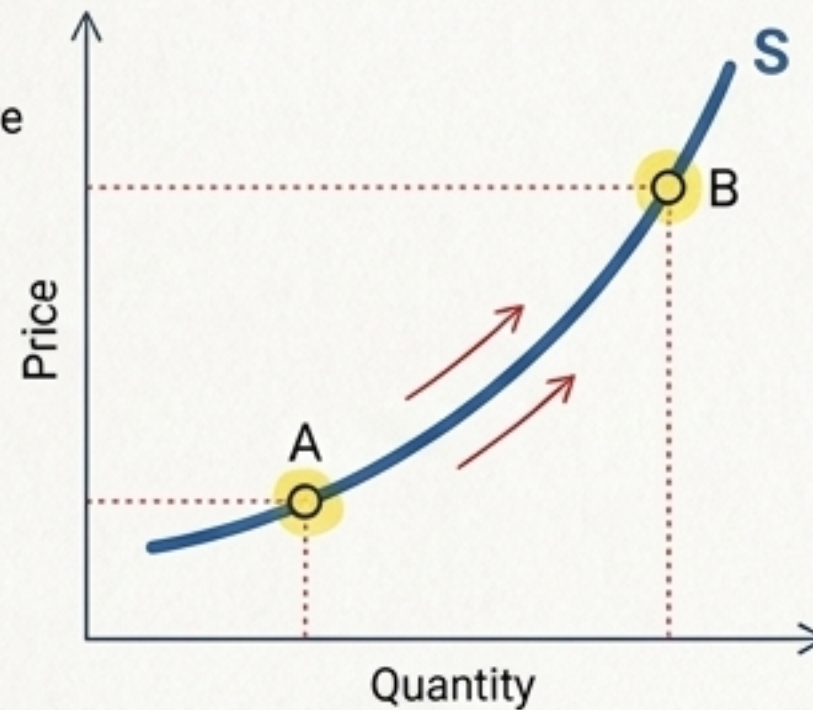
Step 1:
Supply requires
willingness and ability.



Step 2:
The Law dictates that
higher quantity demands
higher prices due to rising
marginal costs.



Step 3:
The Supply Curve ('S')
maps this exact positive
relationship.



Step 4:
Market Supply aggregates
every individual producer
into one total number.

