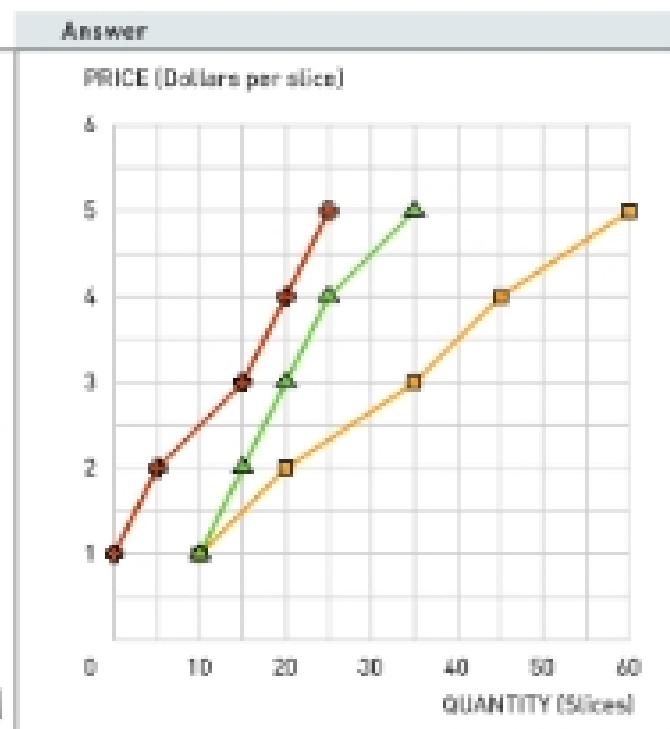
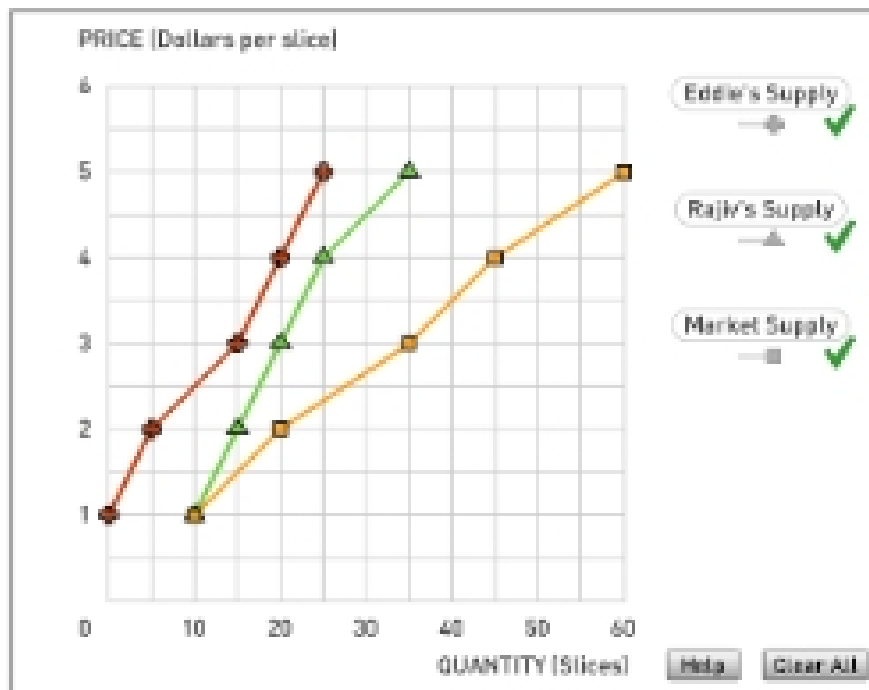


4. Individual and market supply

Suppose that Rajiv and Eddie are the only suppliers of pizza slices in New York City. The following table shows their supply schedules.

Price (\$ per slice)	Eddie's Quantity Supplied (Slices per week)	Rajiv's Quantity Supplied (Slices per week)
1	0	10
2	5	15
3	15	20
4	20	25
5	25	35

On the following graph, plot Eddie's supply of pizza slices using the red points (cross symbols). Next, plot Rajiv's supply of pizza slices using the green points (triangle symbols). Finally, plot the market supply of pizza slices using the orange points (square symbols). Line segments will automatically connect the points. Remember to plot from left to right.



Explanation:

Close ^

Each point on an individual's supply curve corresponds to one of the entries in his or her supply schedule. For example, when the price of a slice of pizza is \$2, Rajiv supplies 15 slices per week, and Eddie supplies 5 slices per week. Therefore, the point (15, 2) lies on Rajiv's supply curve, and the point (5, 2) lies on Eddie's supply curve.

You can find the points for the market supply curve by adding up the quantity supplied by each individual in the market. For example, when the price of a slice of pizza is \$2, Rajiv supplies 15 slices, and Eddie supplies 5 slices; therefore, total market supply is $15 + 5 = 20$ slices per week. Repeating this process, you can construct the following market supply schedule:

Price (\$ per slice)	Eddie's Quantity Supplied (Slices per week)		Rajiv's Quantity Supplied (Slices per week)		Market Quantity Supplied (Slices per week)
1	0	+	10	=	10
2	5		15		20
3	15		20		35
4	20		25		45
5	25		35		60

Visually, this corresponds to a horizontal summation of the supply curves. In other words, though each point on an individual's supply curve refers to a price and a quantity, it's best to think of that point as the quantity the individual would sell at that price rather than as the price he or she would be willing to accept for that quantity. Therefore, to find the total quantity supplied in a market, you add up the quantity supplied by each individual at the same price—that is, you add the horizontal component of each point on each individual's supply curve.