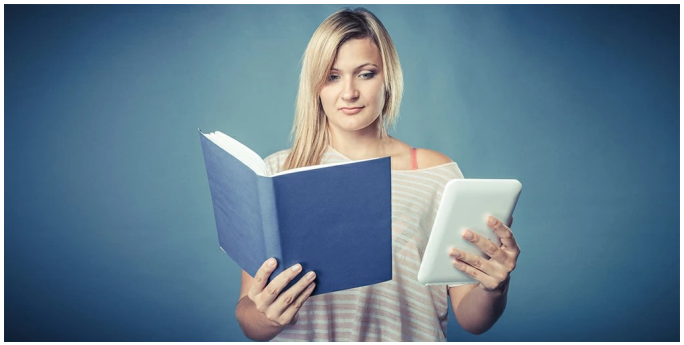
Behind the supply curve: Three determinants

Technology: Supply depends on the technologies available to producers. Technology must be taken in a very broad sense: (know-how relating to production methods, technical progress, etc.) If the computer tools for making a digital book are more efficient, we can expect an increase in the quantity supplied for the same selling price. Thus, an improvement in technology usually results in more production and an increase in product supply.

The cost of the means of production: To distribute a digital book, the publisher (the manufacturer) must switch to a platform on which his supply will be sold (for example Amazon). If the cost of putting digital books online decreases (for example as a result of a drop in the intermediary's commission), it is also likely that the quantity supplied for the same price will increase. Lower costs encourage firms to produce more, which increases supply.

Government regulation: For example, the producer pays taxes on the books he sells. If these taxes are modified (upwards or downwards), the quantity offered on the market will be influenced, whatever the selling price.



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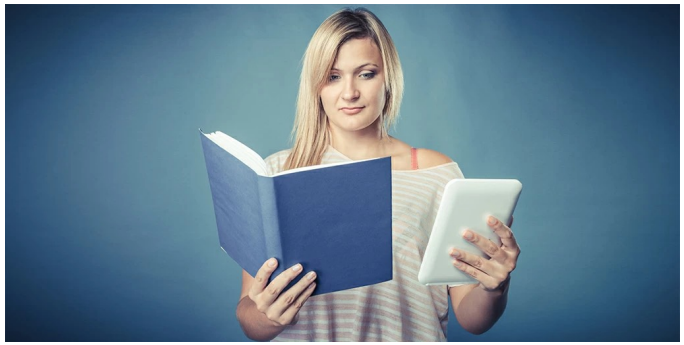

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