



## How Markets Work – The Basics

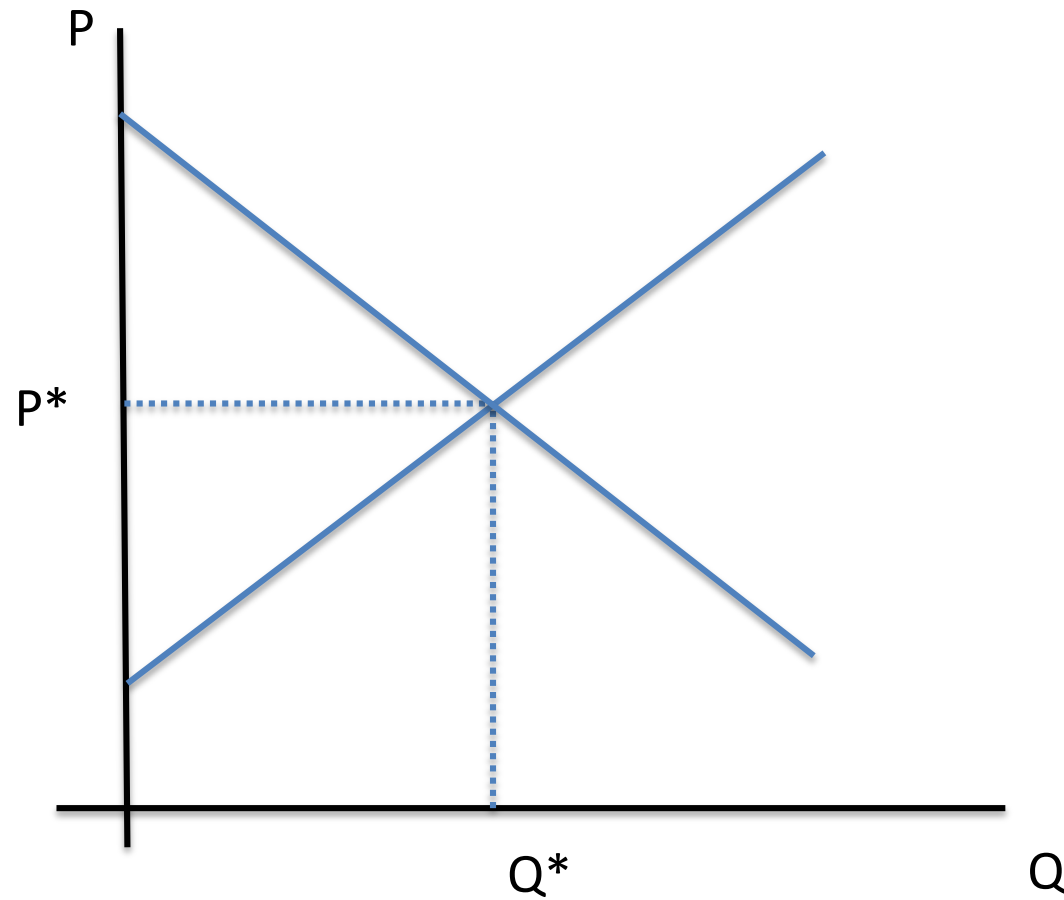
*Session 2 – Managerial Economics – Pr. Jeremy Ghez ([ghez@hec.fr](mailto:ghez@hec.fr))*



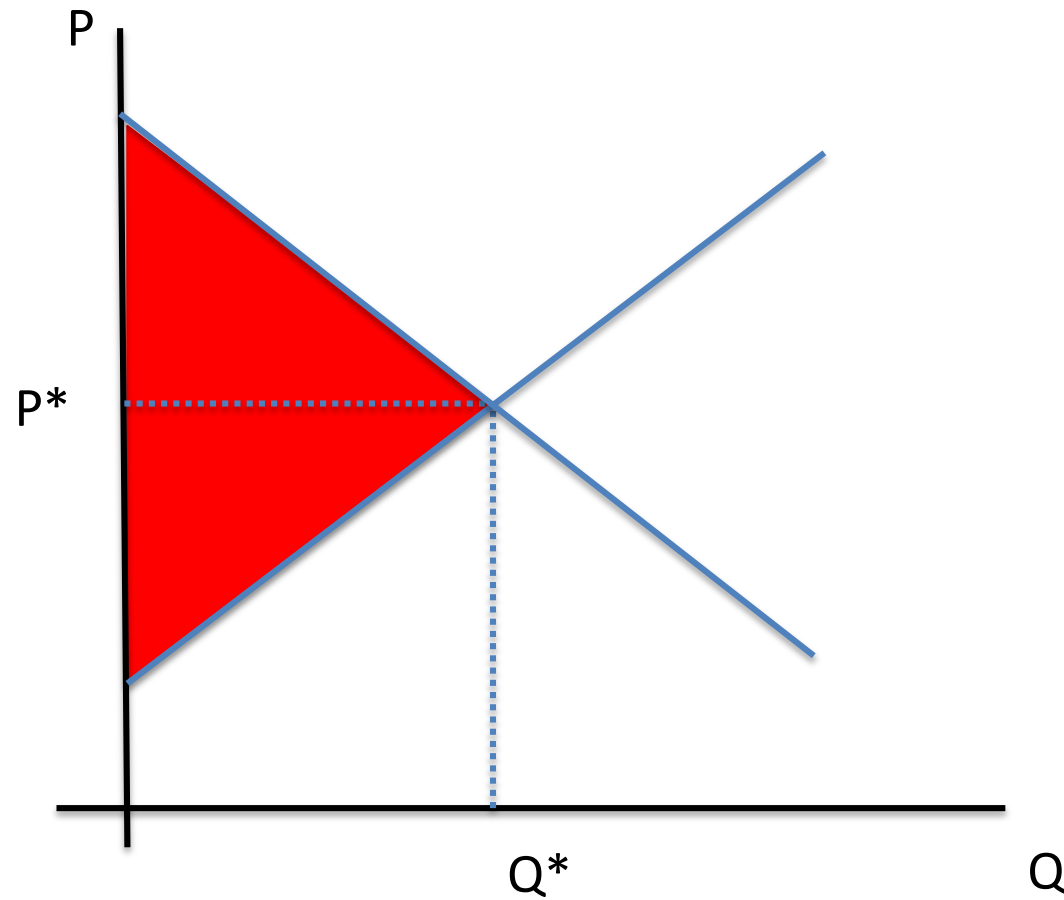
# WHY THIS MATTERS

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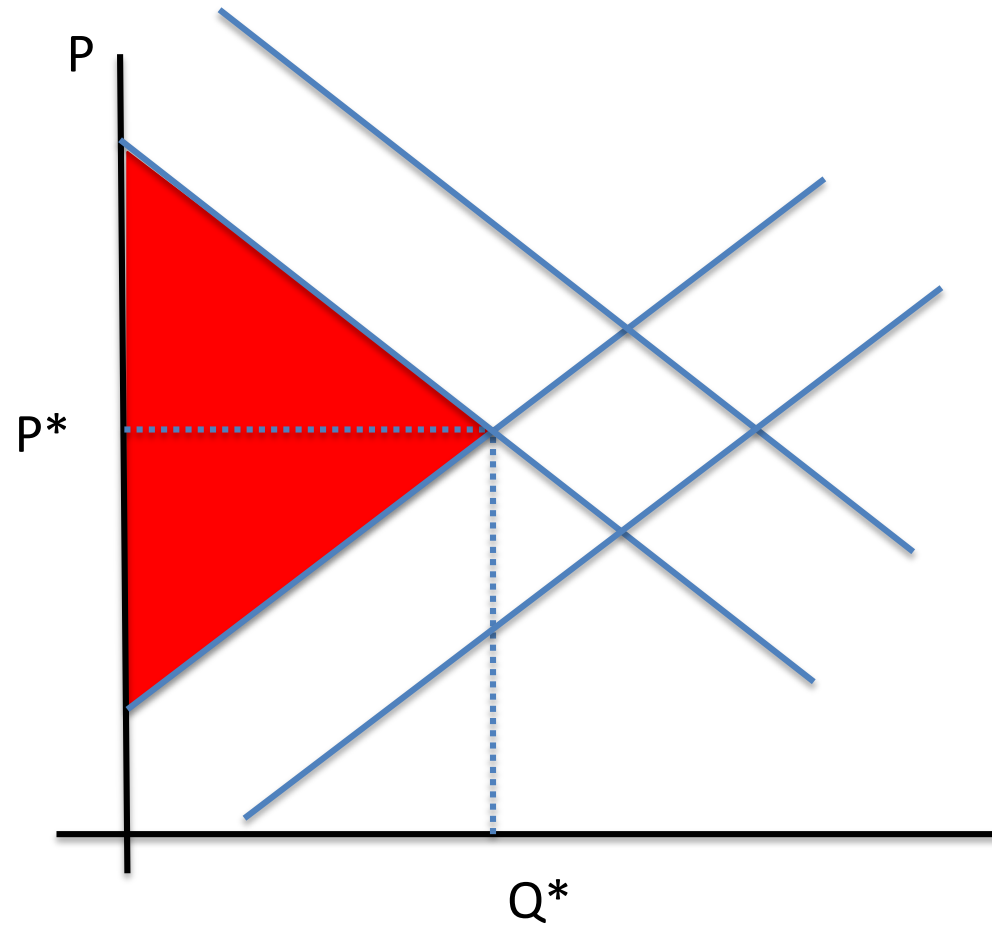
## THE MARKET: WHERE DEMAND MEETS SUPPLY



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# UNDERSTANDING YOUR MARKET

## Remember: What's your market?

We've learned that growing and shrinking opportunities are driven by the change of a wide range of factors:

- ✓ Income;
  - ✓ Substitutes;
  - ✓ Complements;
  - ✓ Preferences for the good;
  - ✓ Price expectations;
- DEMAND**
- ✓ Production costs
  - ✓ Productivity
  - ✓ Number of firms producing the good
- SUPPLY**

What matters most is to recognize the sign that one or many of these things are happening and to act on what they mean.





## KEY TAKE-AWAYS

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## WHAT WE AIM FOR IN THIS SESSION

**At the end of the session, you should be able to...**

**Represent** a market and its growing or shrinking opportunities

**Understand** what “demand” is and how it works

**Understand** what “supply” is and how it works

**Explain** how demand and supply can interact and shape market outcomes (the notion of “equilibrium”)





The image shows a large, dark blue rectangular screen or wall in a modern building. The screen displays the HEC Paris logo in white. The logo consists of the letters 'HEC' in a large, serif font, with a horizontal line passing through the middle of the 'H'. Below 'HEC', the word 'PARIS' is written in a smaller, sans-serif font. The background of the image shows a modern interior with a staircase on the left and a glass door on the right.

HEC  
PARIS