



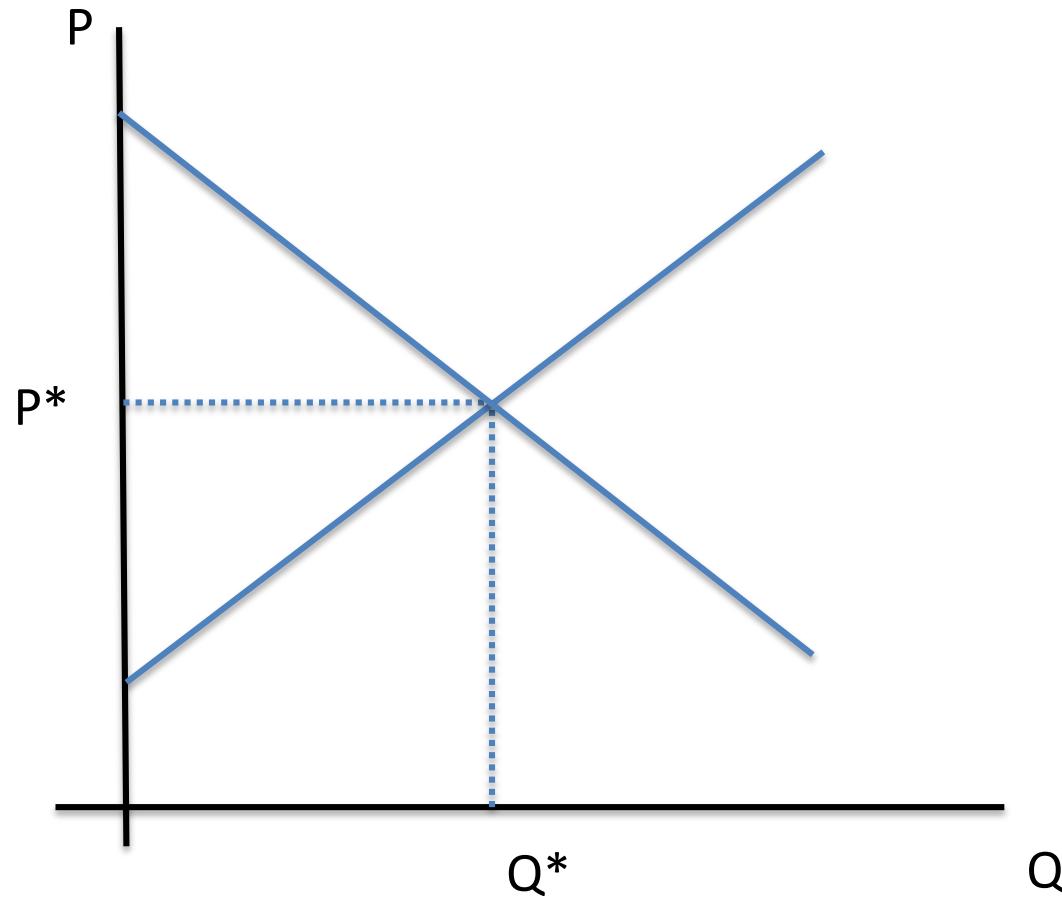
How Markets Work – The Basics

Session 2 – Managerial Economics – Pr. Jeremy Ghez (ghez@hec.fr)

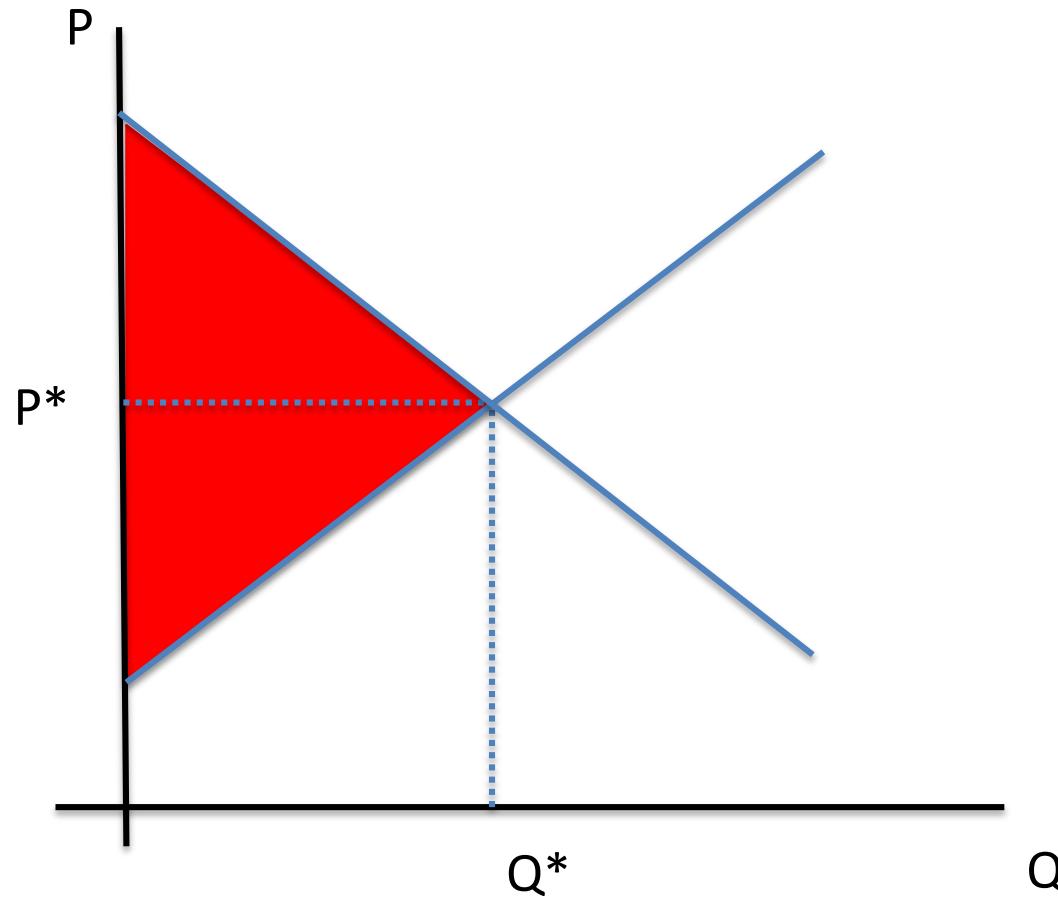


WHY THIS MATTERS

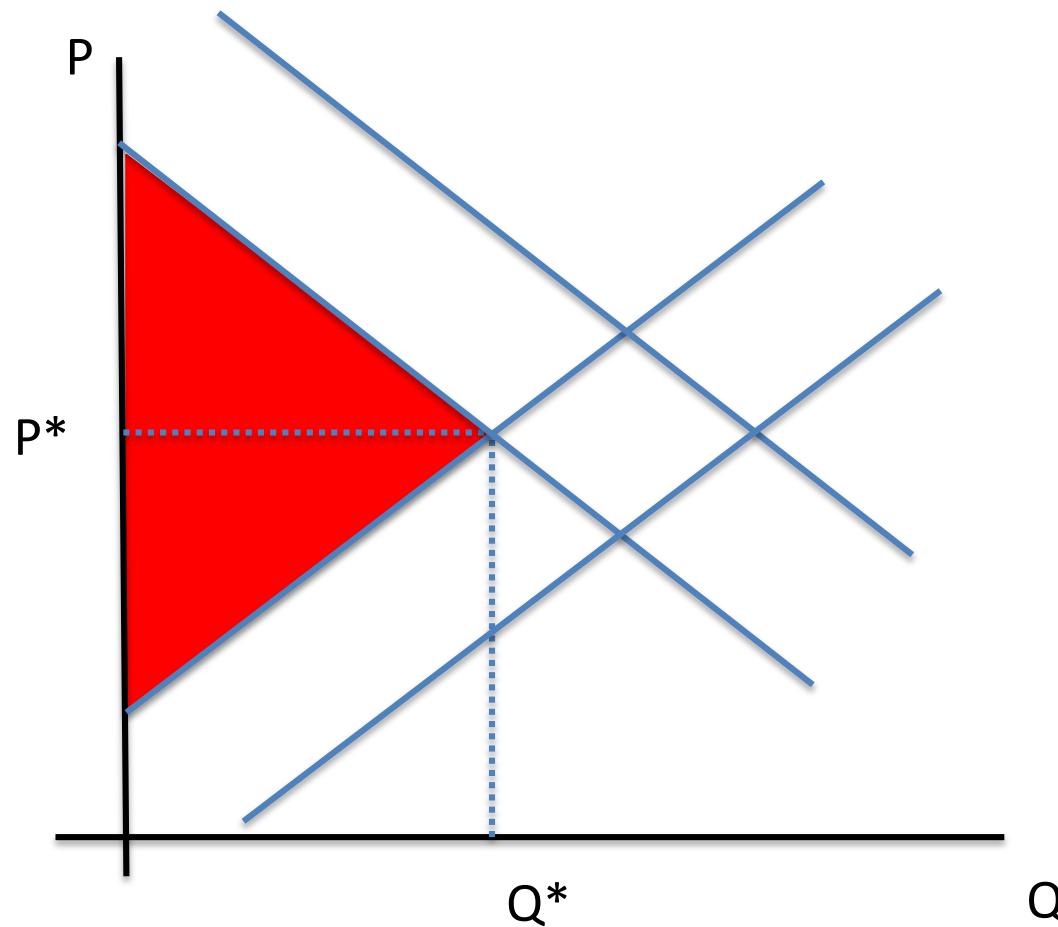
THE MARKET: WHERE DEMAND MEETS SUPPLY



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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;
-
- ✓ Production costs
 - ✓ Productivity
 - ✓ Number of firms producing the good

DEMAND

SUPPLY

SUPPLY

DEMAND



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

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”)



