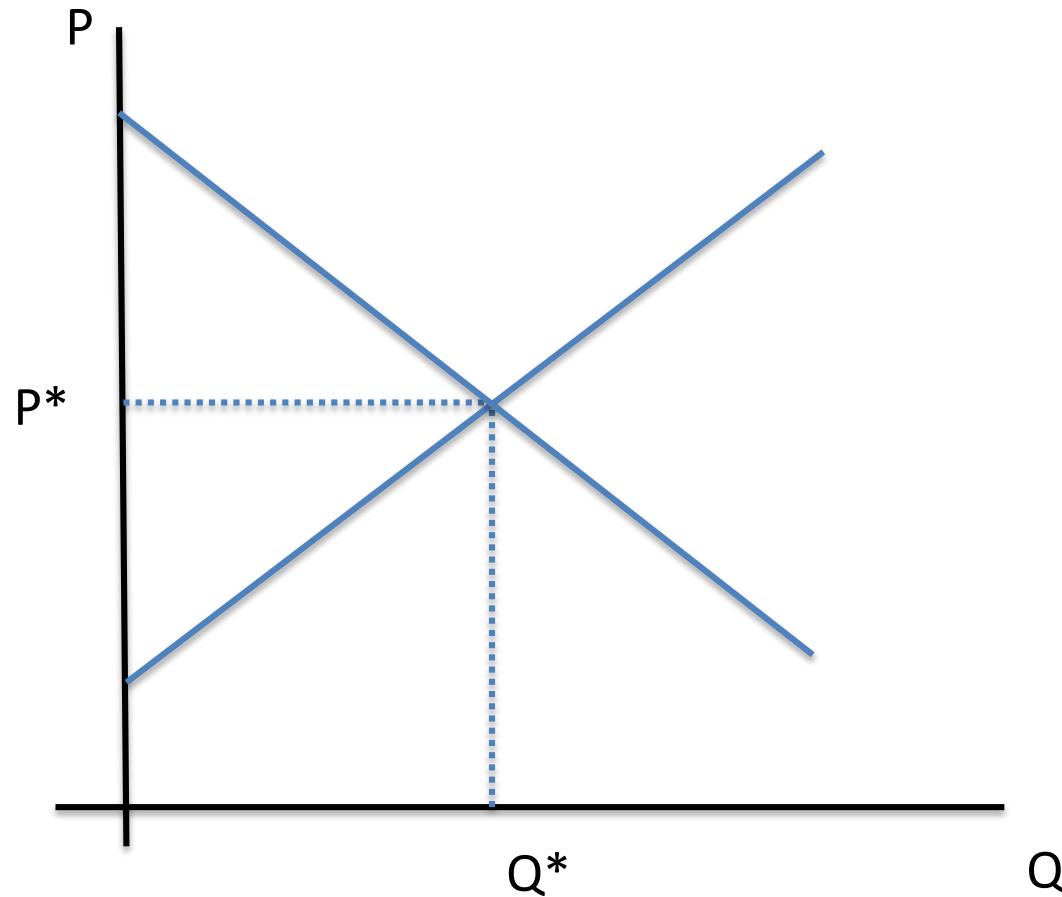




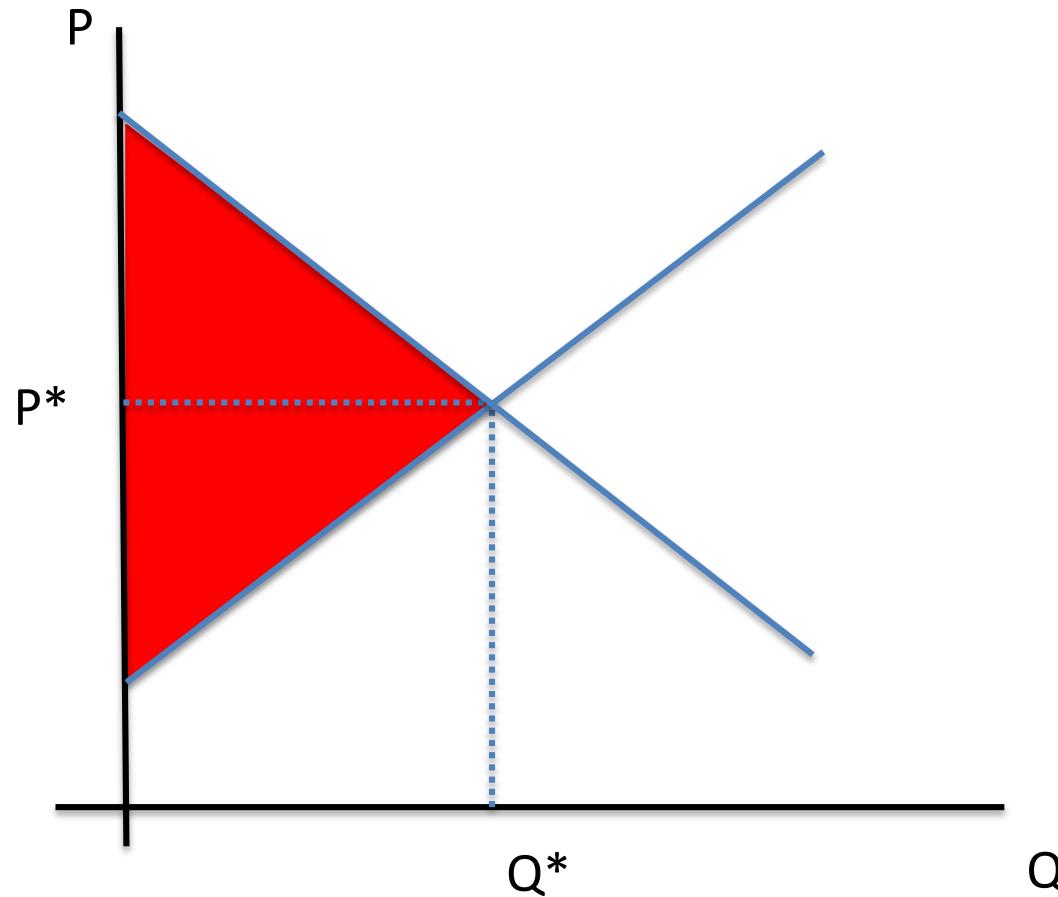
How Markets Work – The Basics and a Little More

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

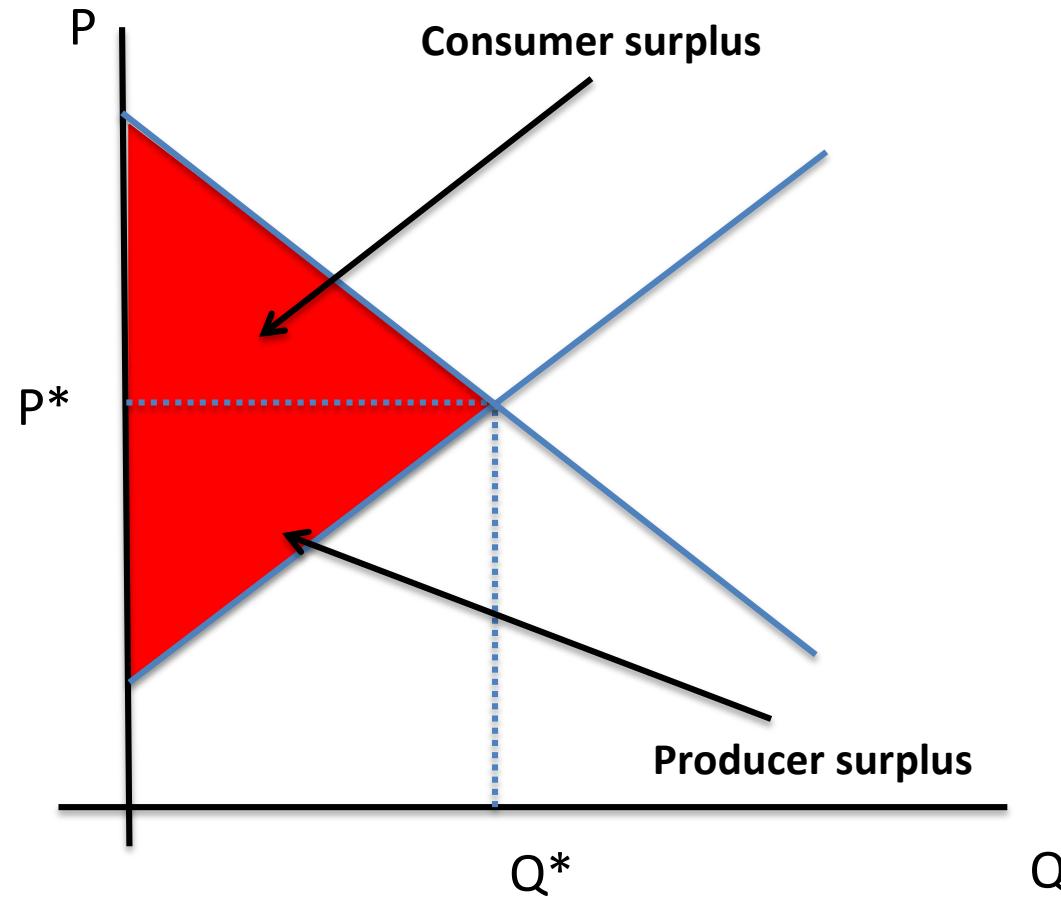
THE MARKET: WHERE DEMAND MEETS SUPPLY



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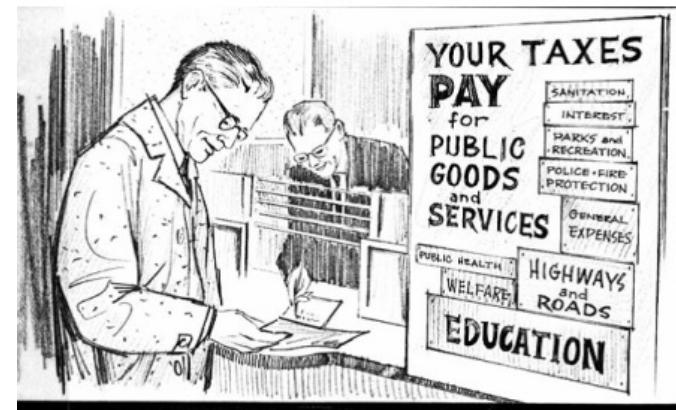


THE MARKET: WHO GETS WHAT?

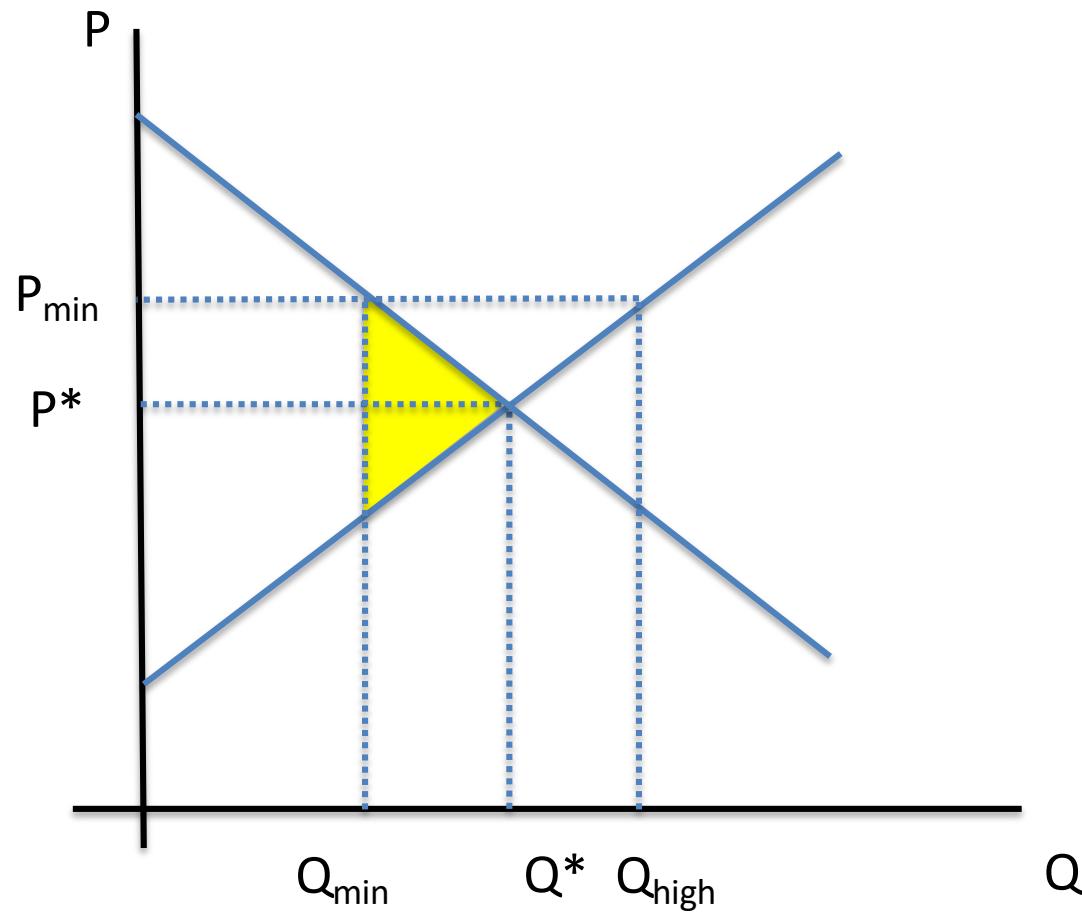


THE MARKET: WHEN SOMEONE INTERVENES

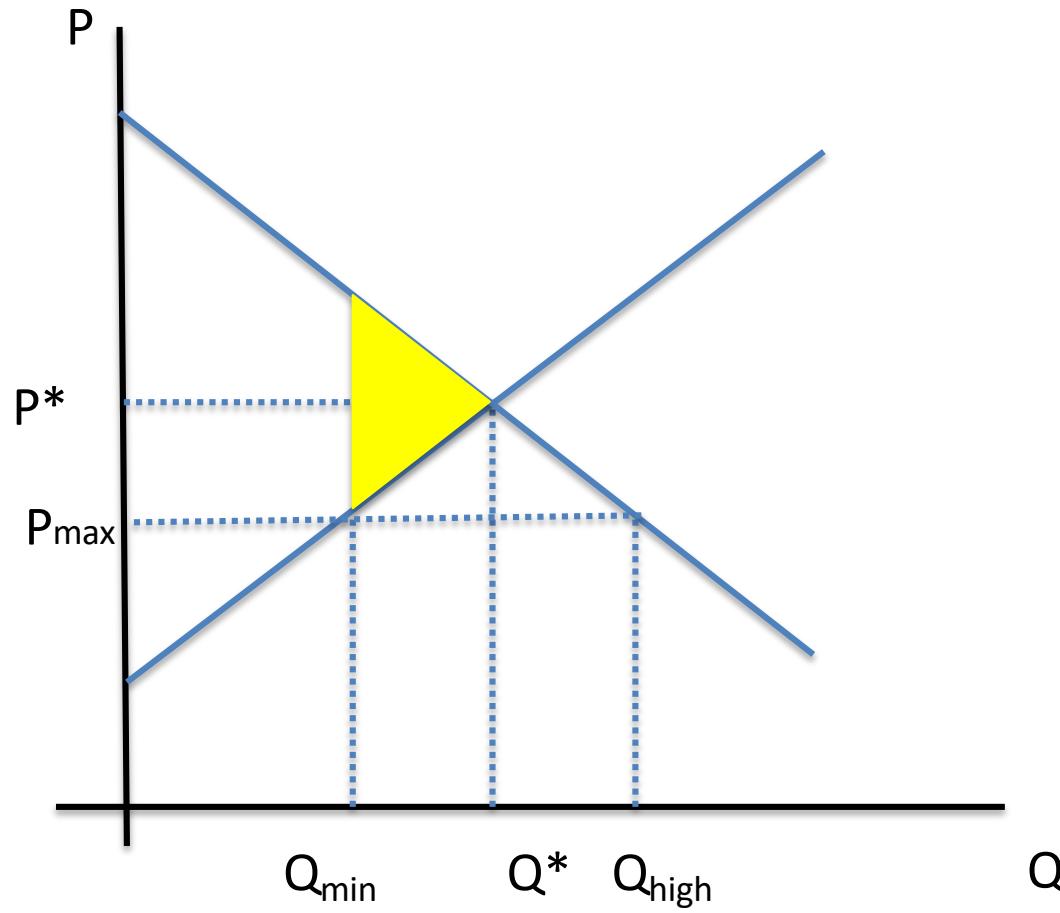
What happens when an actor intervenes?



THE MARKET: WHEN SOMEONE INTERVENES



THE MARKET: WHEN SOMEONE INTERVENES



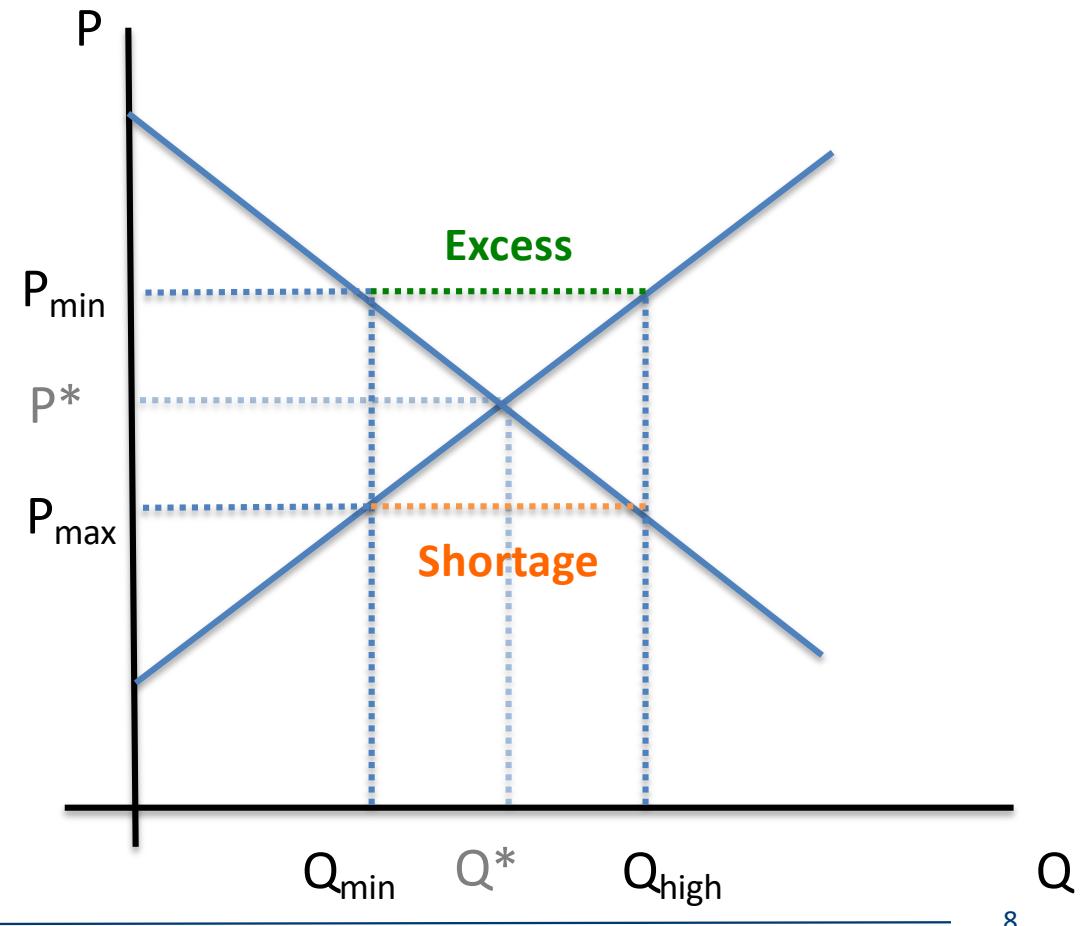
THE MARKET: WHERE DEMAND MEETS SUPPLY

To summarize...

Economists like “free markets” because of the claim that only they are in a position to maximize gains from trade for society as a whole. Hurdles like a maximum or a minimum price limit artificially the amount of gains created by creating **excesses** or **shortages**.

And yet, **the political motive may be legitimate**. This might be about protecting an industry that needs to transition towards a new model, or protecting a consumer against the practice of a dominant firm.

Analysis matters.





WHY THIS MATTERS

WHAT WE AIM FOR IN THIS SESSION

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

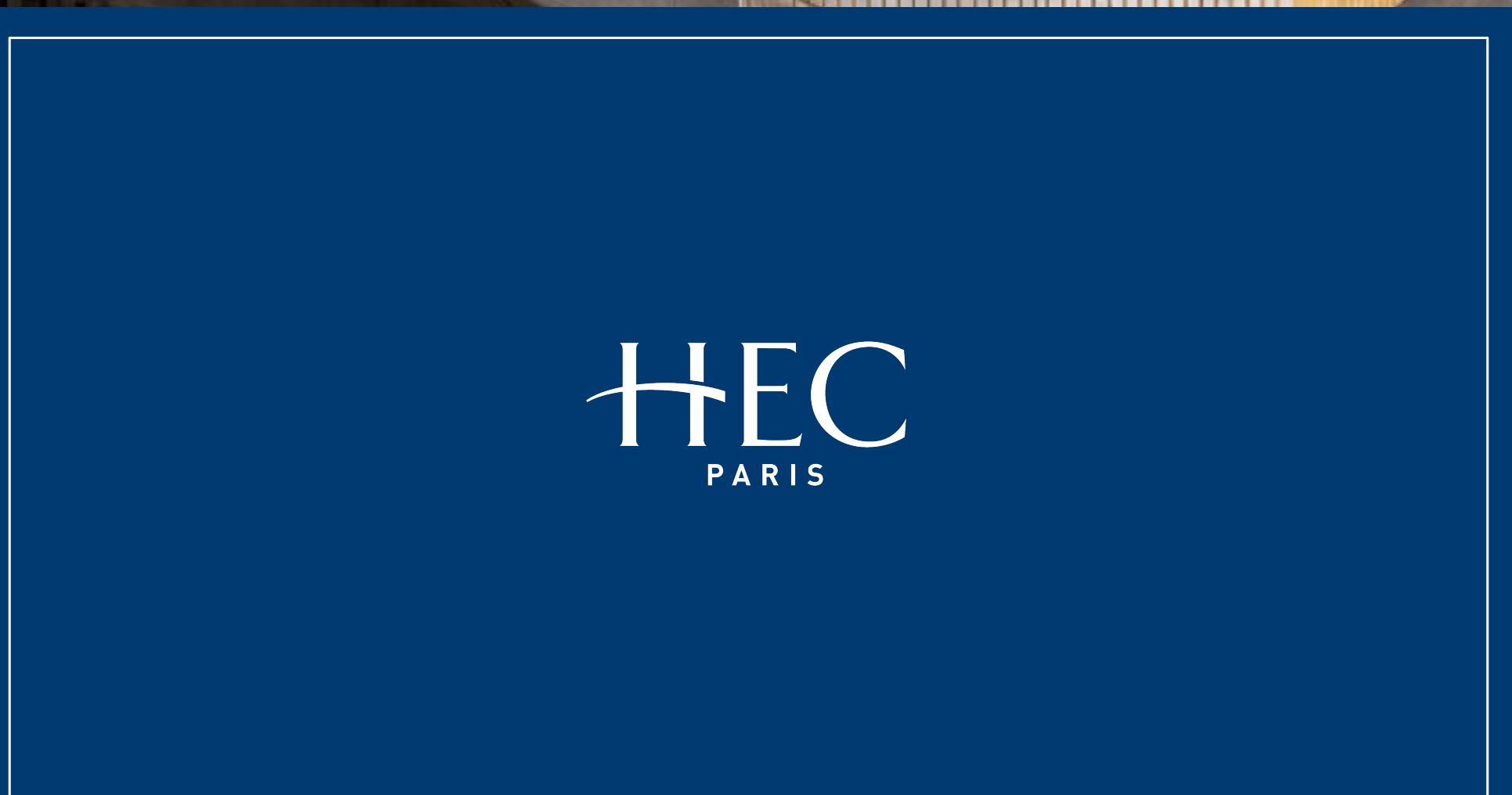
Represent a market and its growing or shrinking opportunities

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”)





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