

# Managerial Economics - Lecture Notes

## 1. Demand and Consumer Theory

This topic explores how consumers make choices based on preferences and constraints.

- Utility: A measure of satisfaction derived from consumption.
- Budget Constraint: The combinations of goods a consumer can afford.
- Marginal Utility: Additional satisfaction from consuming one more unit.
- Law of Diminishing Marginal Utility: Each additional unit provides less utility.
- Demand Curve: Shows the relationship between price and quantity demanded.
- Elasticity: Measures how sensitive quantity demanded is to price changes.

## 2. Production and Cost Analysis

This section analyzes how firms convert inputs into outputs and their associated costs.

- Production Function: Relationship between inputs and output.
- Short Run vs Long Run: In the short run, at least one input is fixed.
- Marginal Product: Additional output from an extra unit of input.
- Law of Diminishing Returns: Marginal product eventually declines.
- Costs: Fixed, Variable, Total, Average, and Marginal Costs.
- Economies of Scale: Cost advantages from expanding production.

## 3. Market Structures and Pricing

Firms operate under various market conditions that affect pricing and output decisions.

- Perfect Competition: Many firms, identical products, no pricing power.
- Monopoly: Single seller, significant pricing power.
- Monopolistic Competition: Many firms, differentiated products.
- Oligopoly: Few firms, strategic interdependence.
- Pricing Strategies: Price discrimination, bundling, penetration pricing.