

Formula Sheet for "Economics of the Firm"

Elasticity of Demand: $\varepsilon = \frac{\% \Delta Q}{\% \Delta P} = \left(\frac{\Delta Q}{\Delta P} \right) \left(\frac{P}{Q} \right)$

Optimal Monopoly Pricing: $\frac{P - MC}{P} = \frac{1}{|\varepsilon|}$

Concentration Ratios: If firms are ranked by size of market share (MS), $CR(N) = MS_1 + \dots + MS_N$

HHI Index: $HHI = \sum MS^2$ (MS = Market Share)

Consumer Surplus: $CS = \frac{1}{2}(P' - P)Q$

