MANAGERIAL ECONOMICS

An Introduction

Managerial economics is a branch of economics dealing with the application of economic theory and methodology to decision-making problems faced by public, private, and not-for-profit institutions.

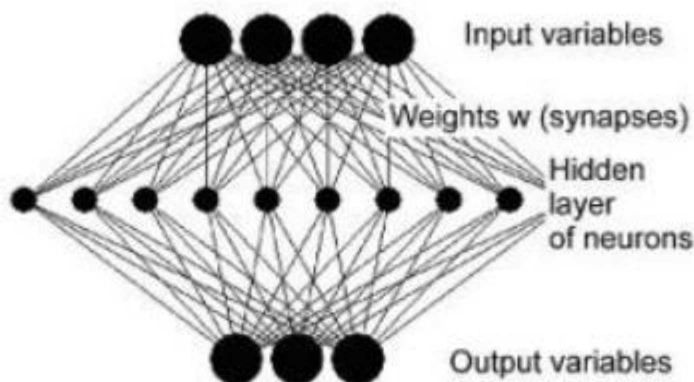
Managerial economists assist decision makers in efficiently allocating the scarce economic resources at the command of the organization.

Primary Goal: Maximize the value of the firm:

a. Long-run
b. Short-run
c. High Frequency (very short-run)

View: The Firm as a Complex Behavioral Decision Map

The Firm as an artificial neural network (ANN):



Inputs

1. Economic analysis and Decsions
    a. Demand analysis
    b. Forecasting
    c. Production and cost analysis
    d. Pricing analysis
    e. Impact of government
    f. Capital expenditure analysis
2. Political Environment
    a. External legal and regulatory limits
    b. Organizational limits
3. Social Environment
    a. Labor
    b. Raw materials
    c. Land / Capital
4. Decsion-Making Environment
    a. Weighted priorities
    b. Cash Flow Analysis and Decisions
5. Risk Assessment
    a. Impact of volatility in the global economy
    b. Impact of changing regulation
    c. Impact of shifting constraints on production

Outputs

a. Firm Value / Shareholder Wealth
b. Subsidiary firm objectives

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Learning Objectives:

- Develop the fundamentals of microeconomic theory while focusing on the use of high-frequency financial theory in managerial decision-making.
- To demonstrate how the theoretical concepts can: a) actually be used and implemented in real-world decision-making and b) how market participants trade firm value against both short- and long-run managerial decisions.
- To demonstrate the relation of managerial economics to other courses in a business school curriculum (eg., finance, marketing, business policy, and quantitative analysis).

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