

Introduction to Managerial Economics

Kyu Bong Cho

Handong Global University

June 27, 2020

Economics

- What is economics?
 - ① Economics is the study of the production, distribution, and consumption of goods and services.
 - ② Economics is the study of choice related to the allocation of scarce resources.
- The first definition indicates that economics includes any business, nonprofit organization, or administrative unit.
- The second definition establishes that economics is at the core of what managers of these organizations do.

Managerial Economics

- This course presents economic concepts and principles from the perspective of “managerial economics”.
- Managerial economics is a subfield of economics that places special emphasis on the choice aspect in the second definition.
- The purpose of managerial economics is to provide economic terminology and reasoning for the improvement of managerial decisions.
- Economics generally comprises two parts such as microeconomics and macroeconomics.
 - Microeconomics studies phenomena related to goods and services from the perspective of individual decision-making entities.
 - Macroeconomics approaches the same phenomena at an aggregate level, for example, the total consumption and production of a region.
- Most of the subject material in managerial economics has a microeconomic focus.

Why Managerial Economics Is Important?

- Every organization in our society can be viewed as providing a set of goods, services, or both.
- The responsibility for overseeing and making decisions for these organizations is the role of executives and managers.
- To make decisions, we can apply techniques from marketing, operations management, and finance without understanding the underlying economics.
- However, anyone who wants to understand the why and how behind the technique needs to appreciate the economic rationale for the technique.
- Organizations will survive and thrive only if they meet the needs for which they were created and do so efficiently under constrained conditions.

Outline

- ① Production theories
- ② Market structure
- ③ Horizontal mergers
- ④ Vertical relations