Microeconomics

Managerial Economics

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Microeconomics vs. macroeconomics

- microeconomics - the study of individual economic agents and individual markets
- macroeconomics - the study of economic aggregates

Economics vs Managerial economics

How does managerial economics differ from “regular” economics?

There is no difference in the theory; standard economic theory provides the basis for managerial economics.

The difference is in the way the economic theory is applied.

Economic goods, free goods, and economic bads

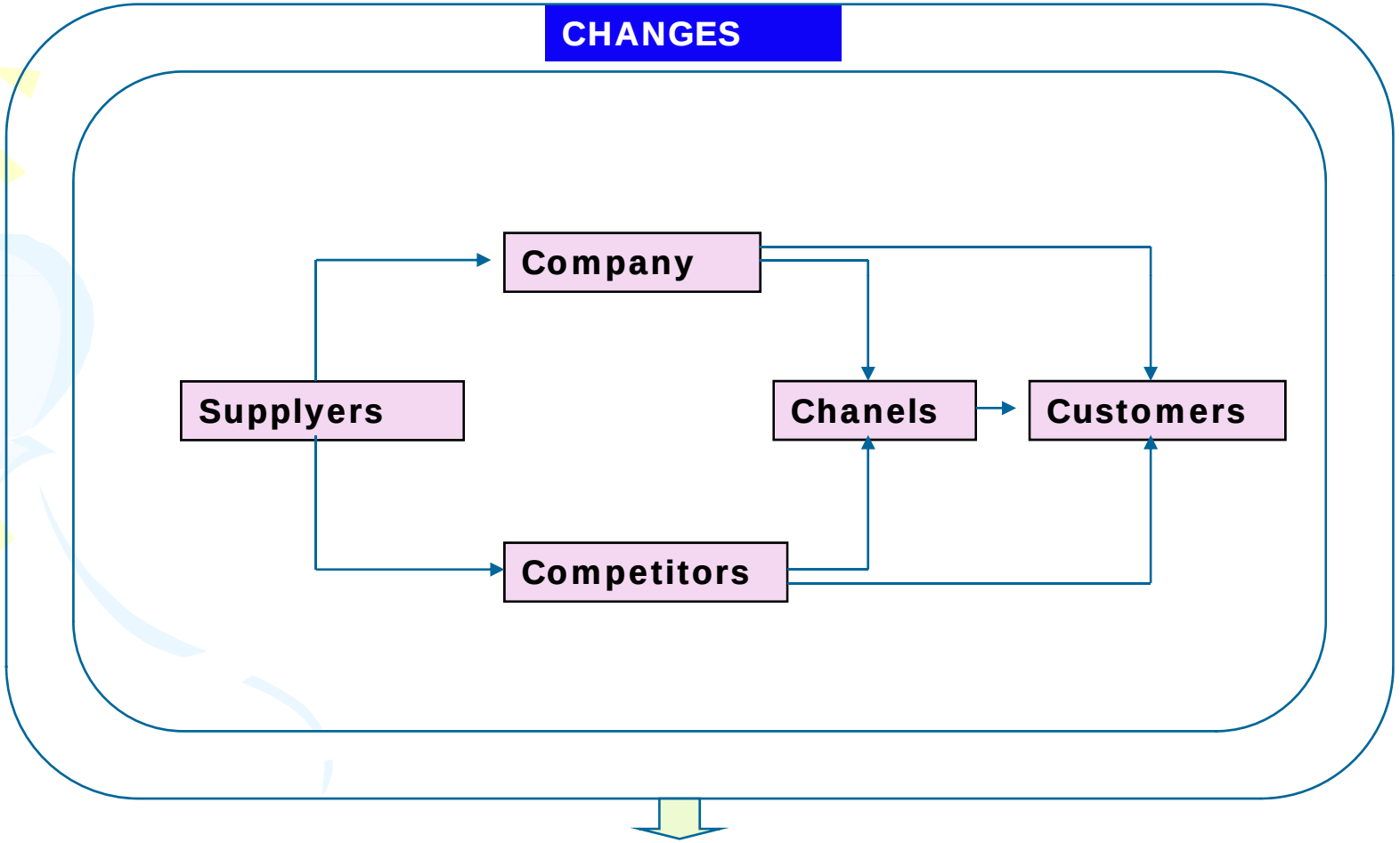
- economic good (scarce good) - the quantity demanded exceeds the quantity supplied at a zero price.
- free good - the quantity supplied exceeds the quantity demanded at a zero price.
- economic bad - people are willing to pay to avoid the item

Economic resources

- land
  - natural resources, the “free gifts of nature”
- labor
  - the contribution of human beings
- capital
  - plant and equipment
  - this differs from “financial capital”
- entrepreneurial ability

Managerial Economics: is the science of directing scarce resources to manage more effectively

A Business System



Lessen the company's capabilities in satisfying customers needs and wants

Managerial economics deals with

"*how decisions <u>should</u> be made by managers to achieve the firm's goals* - in particular, how to maximize profit"

(Also government agencies and nonprofit institutions benefit from knowledge of economics.)

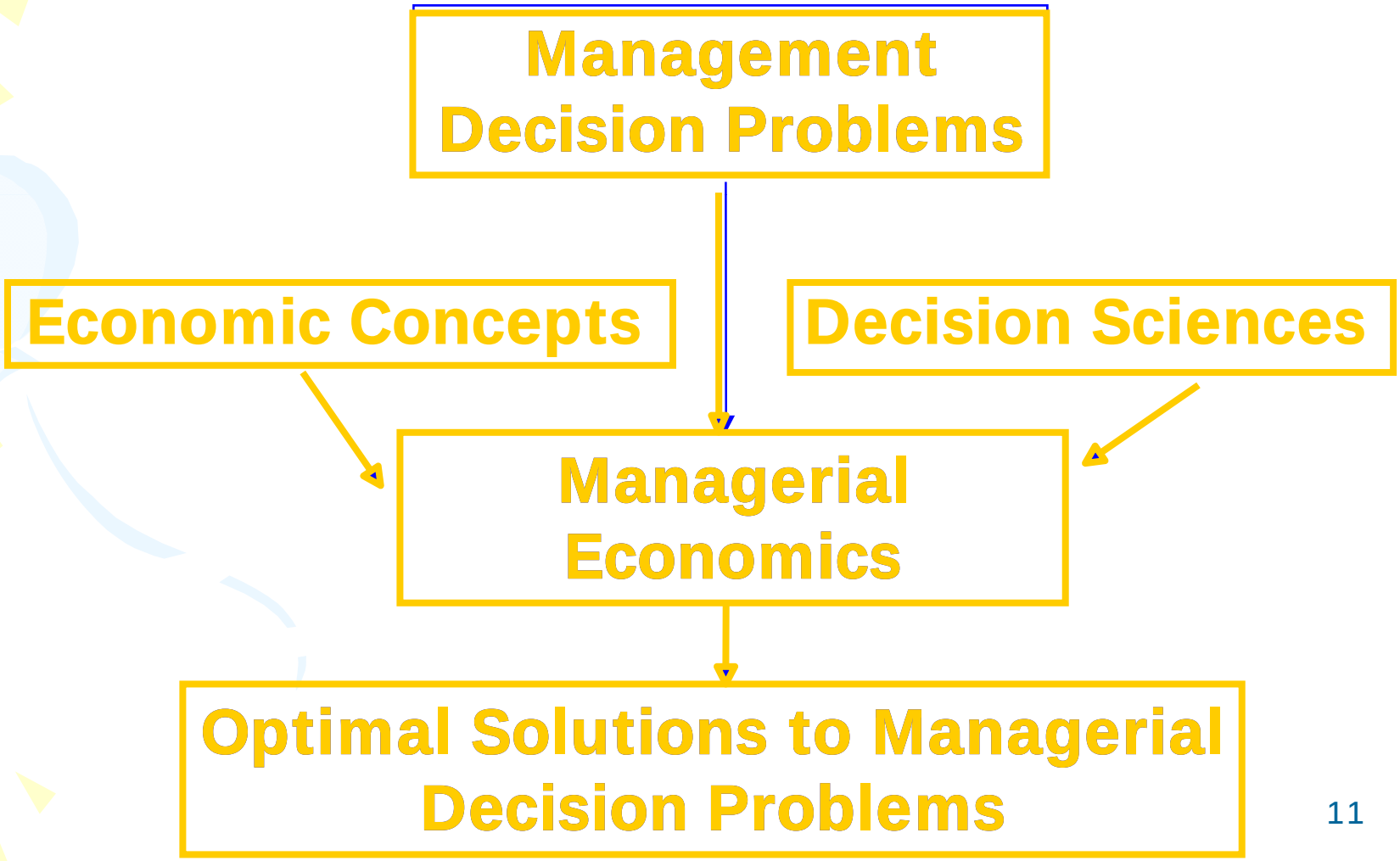
What is managerial economics?

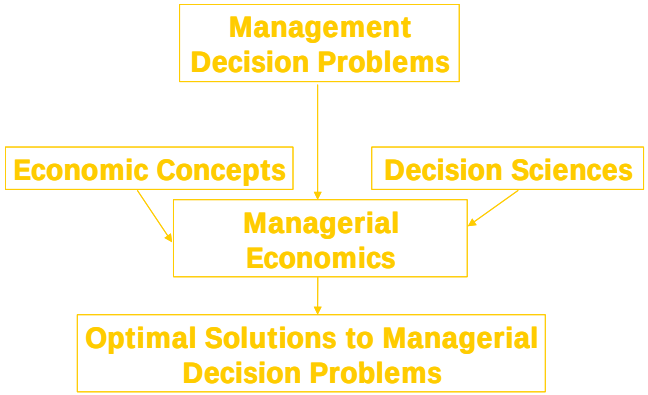
- Managerial economics is the application of economic theory and methodology to business administration practice
- Managerial economics is use of economic analysis in the formulation of business policies
- Managerial economics is (mostly) applied microeconomics (normative microeconomics)

Why Managerial Economics?

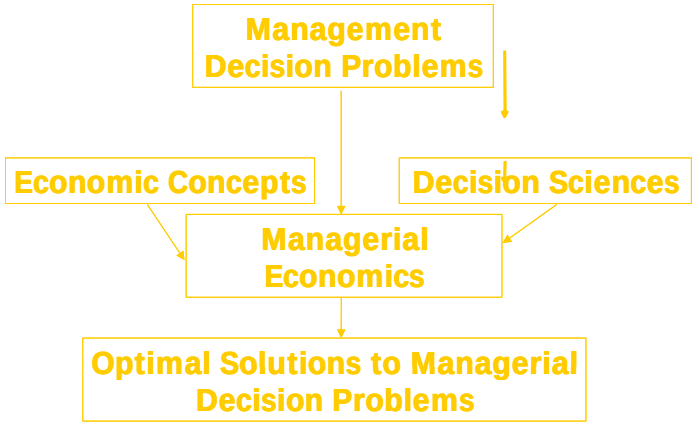
- Managerial economics organizes information for decisions
- Managerial economics leads to better understanding of a company's environment
- Managerial economics deals with the role of business in a market economy

Relationship between Managerial Economics and Related Disciplines





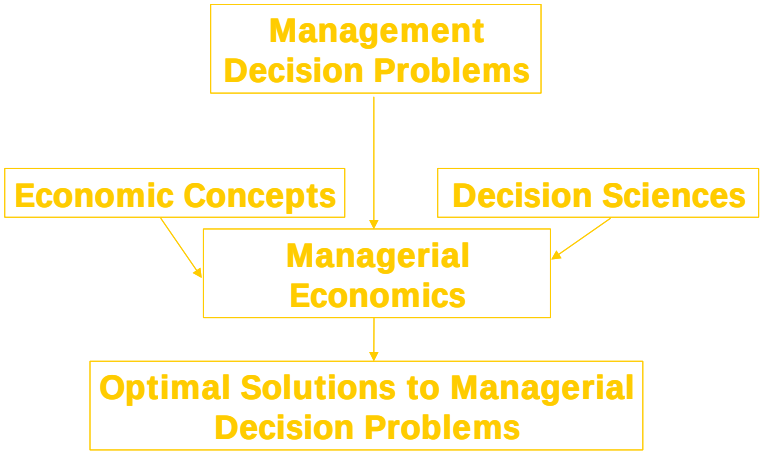
- Management Decision Problems
  - Product Price and Output
  - Make or Buy
  - Production Technique
  - Stock Levels
  - Advertising Media and Intensity
  - Labor Hiring and Training
  - Investment and Financing



- Decision Sciences

Tools and Techniques of Analysis

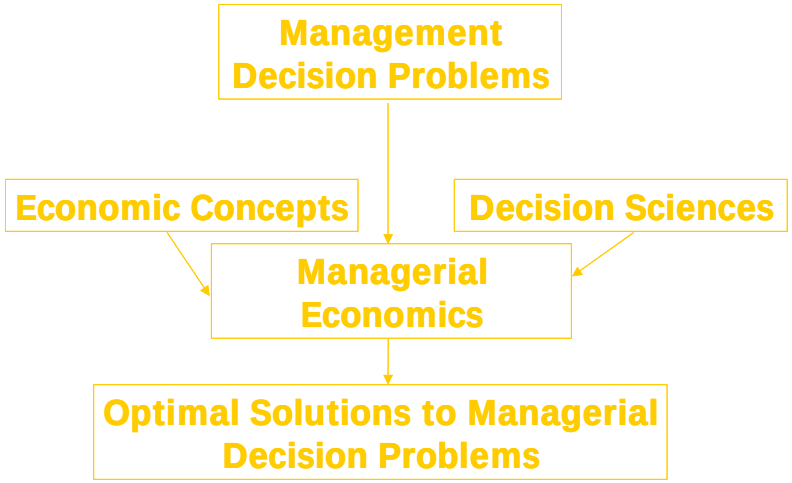
- Numerical Analysis
- Statistical Estimation
- Forecasting
- Game Theory
- Optimization
- Simulation



- Economic Concepts

Framework for Decisions

- Theory of Consumer Behaviour
- Theory of the Firm
- Theory of Market Structure and Pricing



- Managerial Economics
  - Use of Economic Concepts and Decision Science Methodology to Solve Managerial Decision Problems

THE GOALS OF A FIRM

- Economic Goals:
  - Maximizing or Satisficing
  1. Profit
  2. Market share
  3. Revenue growth
  4. Return on investment
  5. Technology
  6. Customer satisfaction
  7. Shareholder value

THE GOALS OF A FIRM continued

- Non-economic Objectives:
  1. “A good place for our employees to work”
  2. “Provide good products/services to our customers”
  3. “Act as a good citizen in our society”

Optimal Decision:

Given the goal(s) that the firm is pursuing, the optimal decision in managerial economics is one that brings the firm closest to this goal.

Roles of Managers:

Making decisions and processing information are the two primary tasks of managers.

Examples:

- Whether or not to close down a branch of the firm?
- Whether or not a store or restaurant should stay open more hours a day?
- How a hospital can treat more patients without a decrease in patient care?

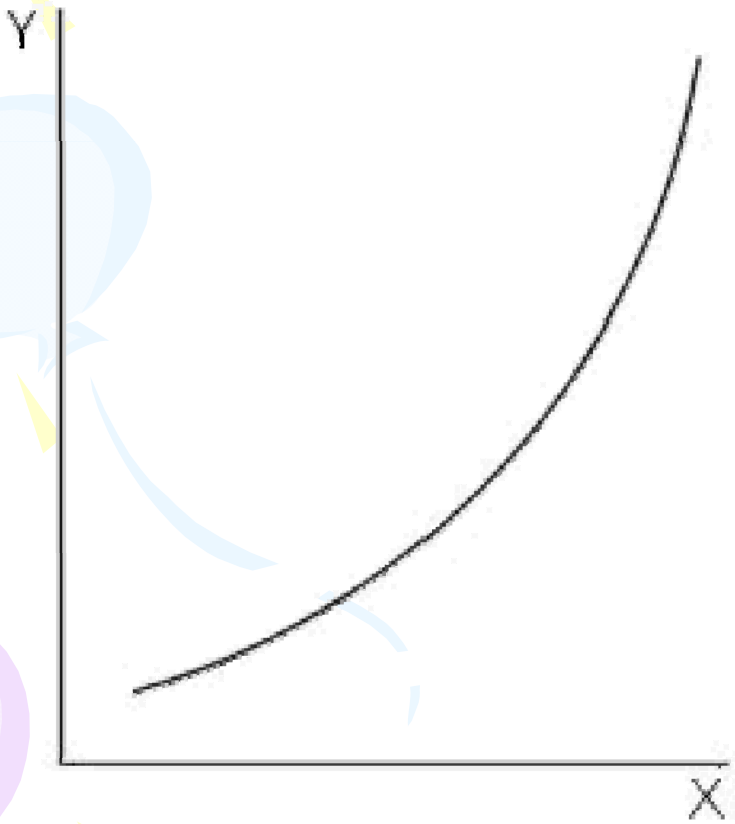
Roles of Managers continued

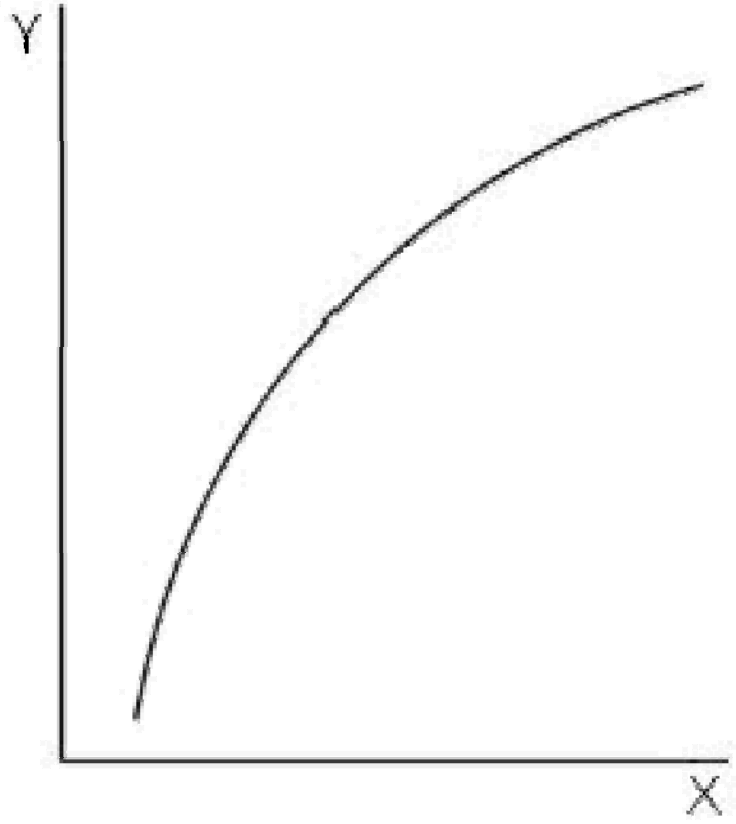
- How a government agency can be reorganized to be more efficient?
- Whether to install an in-house computer rather than pay for outside computing services?

All these, as well as many other managerial decisions require the use of basic economics.

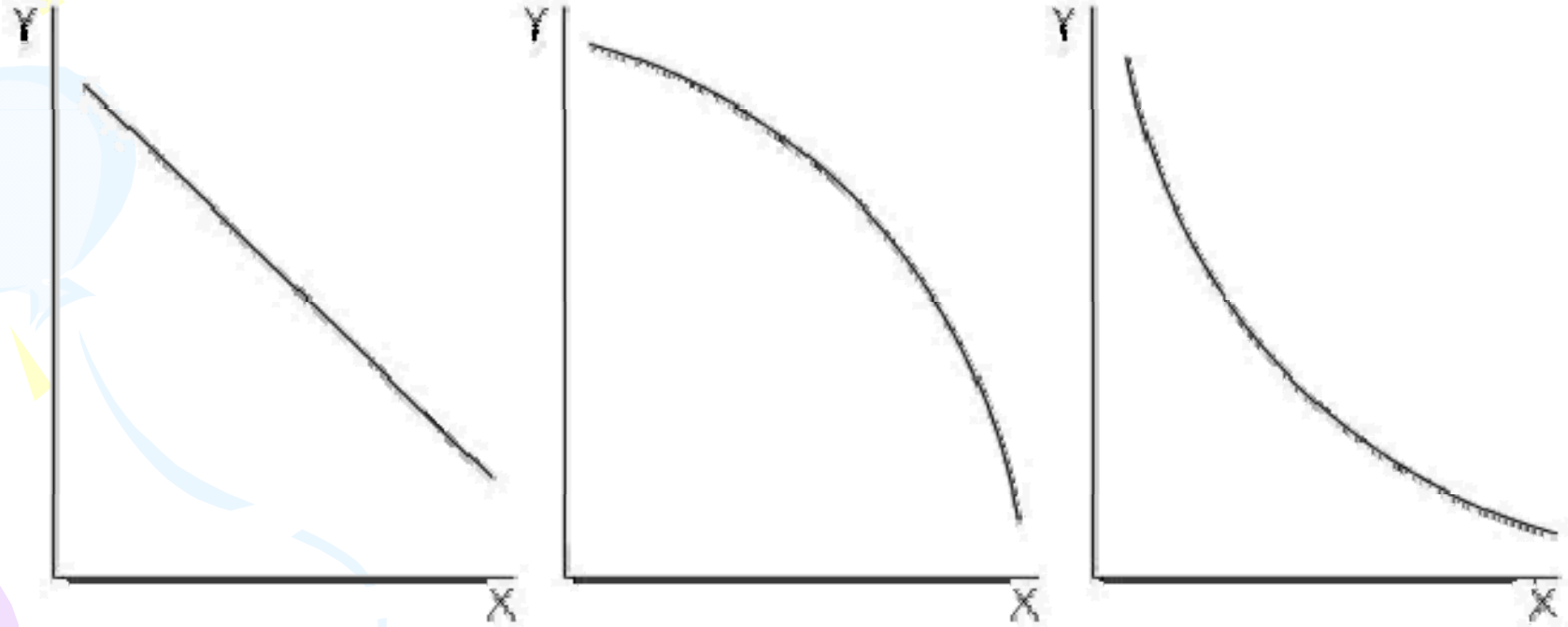
Economic theory helps decision makers to know what information is necessary to make the decision and how to process and use that information.

Direct Relationship





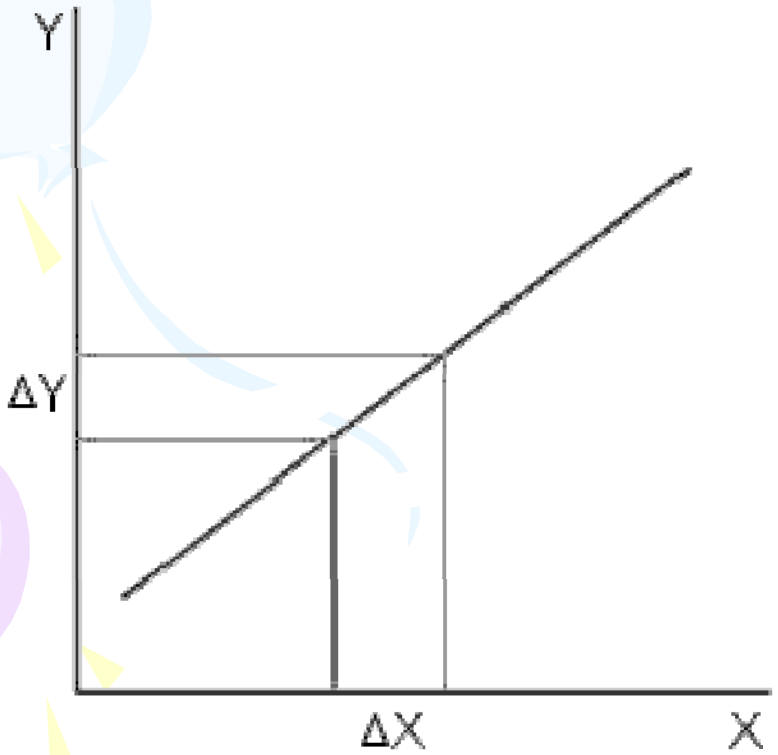
Inverse relationship



Linear relationships

- A linear relationship possesses a constant slope, defined as:

$$\frac{\Delta Y}{\Delta X}$$



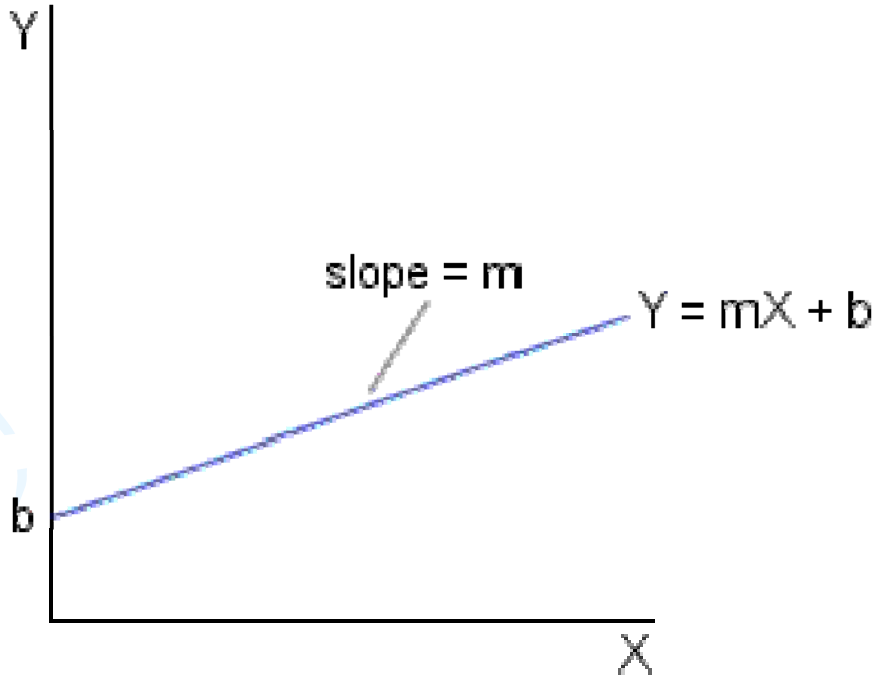
Direct relationship (continued)

If an equation can be written in the form:

$Y = mX + b$, then:

m = slope, and

b = Y - intercept.



Silabus kuliah Ekonomi Manajerial

1. Ruang lingkup ekonomi manajerial(overview)
2. Konsep dasar Teori Permintaan dan Penawaran.
   - Fungsi Pemintaan
   - Fungsi Penawaran
   - Market equilibrium
   - Demand forecasting
3. Konsep dasar perhitungan Elastisitas
   - Elastisitas harga
   - Elastisitas pendapatan
   - Elastisitas silang (cross elasticity)
   - Combine effects of Elasticity
4. Konsep dasar oerilaku konsumen
   - Consumer behaviour
   - Consumer Constraint
   - Consumer Equilibrium
   - Indeference curve Analysis

Silabus ekonomi manajerial (lanjutan)

5. Konsep dasar Analisis Produksi

- Total product, Marginal product, and average product
- Isoquant, Isocost
- Cost minimimization

6. Konsep dasar analisis Biaya

- Total cost, variable cost, Fixed cost
- Sunk cost

7. Struktur pasar

- Perfectly competition
- Monopolistic
- Monopolistic competition
- Oligopoly

8. Strategi penetapan harga

- Price in Monopoly / Monopolistic Competition
- Price in Cournot Oligopoly
- Price to capture Consumer surplus: Price descrimination.
- Price metod