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Introduction to Managerial Economics

Managerial Economics uses the tools of economics to help managers make decisions. Recall that economics is a social science that uses the scientific method (observe, theorize, test, refine theory) to try to understand how the economy and its many parts function and interrelate. This allows economists to forecast future economic conditions. Perhaps you can see how this ability can be useful to managers making decisions such as these:

- Product pricing
- Production methods
- Employment
- Advertising
- Strategic responses to competitors
- Research and development
- Location
- And many more

In this class you won't learn enough to become practicing economists, but:

- You will be able to communicate in a knowledgeable manner with economists.
- You will be able to use the economists' way of thinking, which is to dispassionately **compare the relevant expected costs and benefits of the consequences of a decision** to evaluate its merits.

The language of economics is mathematics; models constructed by economists are highly mathematical. In this class we shall not employ the level of mathematical sophistication used by most practicing economists. Still, we shall employ a lot of algebra and a bit of calculus. In another set of class notes we shall review some of the mathematical techniques that we shall use in our course.

Warning! You may be tempted, after you complete this class, to try some economics forecasting on your own for your company. This is unwise! Collaborate with an economist, and your forecasts will be much more accurate.