

Business Economics and Traditional Economics

Managerial Economics has been described as economics applied to decision-making. It may be viewed as a special branch of Economics. We are aware that Business Economics has evolved from Traditional Economics. Even though there are many similarities between them, but there are certain differences between the two. The main points of differences are the following:

- The traditional Economics has both micro and macro aspects whereas Managerial Economics is essentially micro in character.
- Economics is both positive and normative science but the Managerial Economics is essentially normative in nature.
- Economics deals mainly with the theoretical aspect only whereas Managerial Economics deals with the practical aspect.
- Managerial Economics studies the activities of an individual firm or unit. Its analysis of problems is micro in nature, whereas Economics analyzes problems both from micro and macro point of views.
- Economics studies human behaviour on the basis of certain assumptions but these assumptions sometimes do not hold good in Managerial Economics as it concerns mainly with practical problems
- Under Economics we study only the economic aspect of the problems but under Managerial Economics we have to study both the economic and non-economic aspects of the problems.
- Economics studies principles underlying rent, wages, interest and profits but in Managerial Economics we study mainly the principles of profit only.
- Sound decision-making in Managerial Economics is considered to be the most important task for the improvement of efficiency of the business firm; but in Economics it is not so.
- The scope of Managerial Economics is limited and not so wide as that of Economics.

Thus, it is obvious that Managerial Economics is very closely related to Economics but its scope is narrow as compared to Economics.

Managerial Economics is also closely related to other subjects, viz., Statistics, Mathematics and Accounting. A trained managerial economist integrates concepts and methods from all these disciplines bringing them to bear on business problems of a firm.

Business Economists

Business economist applies economics in decision-making. He uses the tools of economic analysis in clarifying problems, in organizing and evaluating information and in comparing alternative courses of action. He is concerned with analytical tools that are useful, that have proven themselves in practice or that promise to improve decision-making in the future.

The **role of managerial economist** can be summarized as follows:

- He studies the economic patterns at macro-level and analysis it's significance to the specific firm he is working in.
- He has to consistently examine the probabilities of transforming an ever-changing economic environment into profitable business avenues.
- He assists the business planning process of a firm.
- He also carries cost-benefit analysis.
- He assists the management in the decisions pertaining to internal functioning of a firm such as changes in price, investment plans, type of goods /services to be produced, inputs to be used, techniques of production to be employed, expansion/ contraction of firm, allocation of capital, location of new plants, quantity of output to be produced, replacement of plant equipment, sales forecasting, inventory forecasting, etc.
- In addition, a managerial economist has to analyze changes in macro- economic indicators such as national income, population, business cycles, and their possible effect on the firm's functioning.
- He is also involved in advising the management on public relations, foreign exchange, and trade. He guides the firm on the likely impact of changes in monetary and fiscal policy on the firm's functioning.
- He also makes an economic analysis of the firms in competition. He has to collect economic data and examine all crucial information about the environment in which the firm operates.
- The most significant function of a managerial economist is to conduct a detailed research on industrial market.
- In order to perform all these roles, a managerial economist has to conduct an elaborate statistical analysis.
- He must be vigilant and must have ability to cope up with the pressures.
- He also provides management with economic information such as tax rates, competitor's price and product, etc. They give their valuable advice to government authorities as well.
- At times, a managerial economist has to prepare speeches for top management.