TECHNICAL REPORT
WRITING ON

ECONOMIC DECISION MAKING

SUBMITTED BY

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Abstract

This study explores the theoretical underpinnings, models, psychological biases, and practical applications of economic decision-making. It provides insights into consumer behavior, investment decisions, and policy development by investigating rationality and the intricacies of human behavior. Making more informed decisions is made possible by the findings, which shed light on the complex processes influencing economic decisions.

Introduction

The basic goal of managerial economics is decision-making. The process of choosing the best course of action from among multiple alternatives can be referred to as decision-making. Whenever there are numerous options, decision-making becomes a challenge.

Well, making decisions affects everyone's life; they are not just for managers or the corporate sector. Whether a person is employed or unemployed, making decisions is important to everyone. Regardless of the work you are doing, a choice needs to be made. You have several choices to make as a participant.

Procedure and Discussion

Managerial economics provides a link between economic theory and the decision sciences in the analysis of managerial decision making. You need to make decision irrespective of the work you are doing. What if you go to the movies and shop at the very same time? It is impossible to do two things simultaneously. You must choose what to do first and then what to do next. As a result, decision making can be described as selecting the best choice from a set of options. To make a decision is to make a choice. Decision making involves deciding whether to do this or that.

Decision Making can be described as the process of choosing the best course of action from a variety of options. Most significant aim of business manager is decision making. Managerial Economics' main goal is to help people make better decisions. When a number of options are open, the issue of decision making occurs. For example: –

- What would the price of the product be?

- What should the plant's size be when it's installed?
- How many employees should be hired?
- What kind of education do they receive?
- What is the ideal level of finished goods, raw materials, spare parts, and other inventory?

As a result, we can assume that the issue of decision making occurs as a result of resource scarcity. We have an infinite number of desires and a finite number of ways to fulfill them;

when one desire is satisfied, another emerges, posing a decision making challenge. When doing his job, the manager must make several choices in order to achieve the firm's objectives. The majority of decisions are made in the face of uncertainty and include risks.

The key causes of instability and risk are the following market forces' unpredictable behavior are as follows: –

- The demand and supply
- Changing business environment
- Government policies
- External influence on the domestic market
- Changes in society and politics

➢ ***Nature of decision making in economics:***

The way of managing the firm decides its success and failure. This observation made by many economists led to the creation of this discipline. The manager invokes a sense of leadership and guides his team during the project. One more goal which should is important for a firm to succeed is the knowledge of the economic aspects of the project.

➢ ***Scope of decision making in Economics:***

Managerial economics is a proven concept and many big firms use it to better manage the different teams. The managers of the department and their heads look after the working of the company. Theorists have defined a set of rules for various problems using the principles which are helpful to better manage the efficiency of different teams and departments.

These are the four main aspects of decision making that help managers plan ahead for their team: –

1.**<u>Resource Allocation</u>: –** Resources always are the top concern for managers. It is often that most of them feel that their team has too little manpower to complete the task at hand. It is also one of the principles that allow the best use of the resources to complete the task.

2.**<u>Inventory</u>: –** Inventory allocation is another one of the major challenges. But, they must be on top of these aspects by analyzing the demand and supply models. Managers can get a better hold of management and transport of inventories by queuing products.

3.**<u>Pricing:</u> –** Fixing prices for the products in any firm is a crucial part of the decision making process. Pricing problems involve decisions about various methods of pricing that firms need to adopt.

4.<u>**Investment**</u>: **–** Managers must be aware of the future of their firms. In this manner, they can have oversight of falling prey to negative market forces. Thus, investment planning is of the pillars.

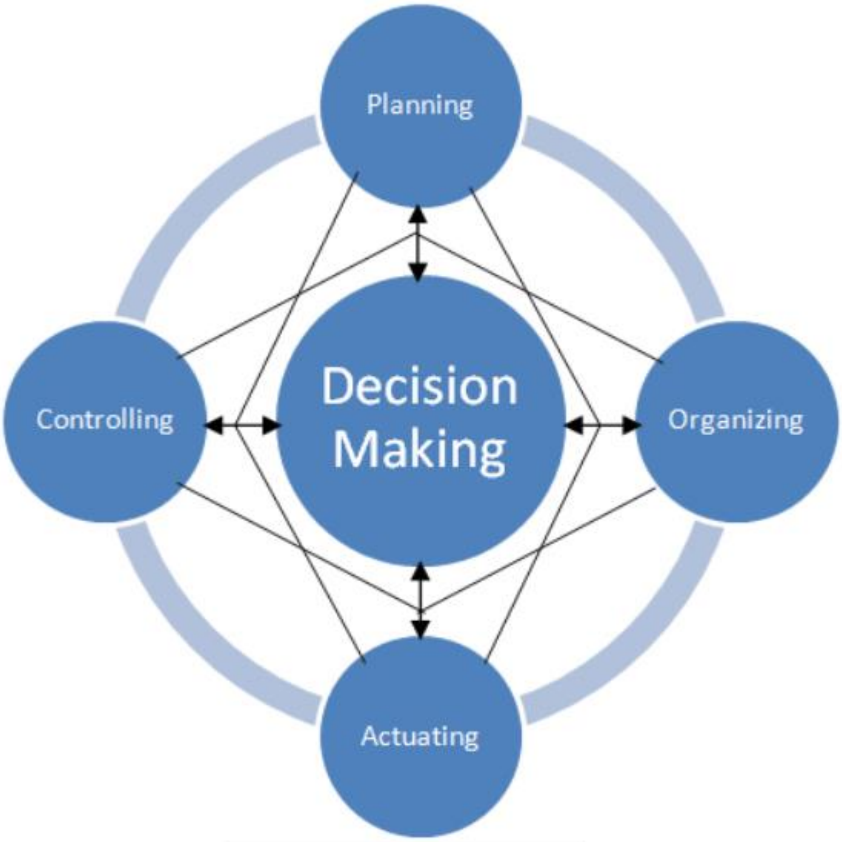
➢ ***Steps of decision making in Economics:***

The steps taken in Decision Making are as follows: –

- <u>**Problem Definition**</u>**: –** Defining the problem is the first step in realizing the potential errors of the team. Managers must be aware of the problems and define them for faster resolution. Otherwise, the failure to define and identify the problem often derails projects. Important in economics.
- <u>**Identifying the goal**</u>**: –** Creating detailed goals of the firm may help managers later arrive at good results. Managers should know about the current strengths and weaknesses of the firm. Also, having knowledge of the chances that exist in the market makes up for a better realization of the goals.

- **Coming up with alternatives: –** It is not always that everything aligns as per the set goals. Markets are highly volatile and a slight change might impact heavily on the firm. Thus, managers must have a deep knowledge of the framework set by them. Also, they must then devise plans for all possible cases where changes might affect the project. A crisis management plan must be devised by the manager in order to not be heavily impacted by external changes.
- **Forecasting: –** The manager must work based on the crisis management plan. Also, they must be good at predicting the results of their decisions. In this way, the manager still is in charge of the situation. Also, things can be saved from going south even if a slight change in the market forces the team to adopt new ways.
- **Decision Making: –** Once all the inquiry is done then the preferred action is taken in this final step, the aims and the results are directly measurable. A crest to the plan set by the manager. The final step involves him/her making decisions for the team and the firm at large. These decisions are inspired by in-depth study and after weighing the pros

and cons of the problem at hand, employing all the above steps in sequence.



Conclusion

Economic decision making is a complex process that involves the evaluation of multiple factors, such as costs, benefits, risks, and opportunities. The best decision is the one that is most likely to achieve the desired outcome, given the available information and resources. However, there is no guarantee that any decision will be successful, as the future is uncertain. Ultimately, the decision maker must weigh the risks and rewards of each option and choose the one that they believe is the best.

References

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