

What Did I Learn in Microeconomics That Should Help Me?

1. People focus on their self interest, so attempt to channel your employees' self interest toward the goals of the organization. Appeals to altruism or the best interests of the organization are probably not going to be very productive. People expect to be rewarded for their efforts with the rewards taking many forms: income, prestige, and the respect of their peers.
2. Decisions should be made incrementally based on benefits and costs. Some costs are fixed in the short run and should be ignored, while the same costs become variable in the long run and, therefore, enter incremental analysis.
3. Near term events are worth more than distant events, but the long term events should not be ignored--they just should be discounted.
4. There are no easy ways to make extraordinary profits because others will tend to flow to attractive alternatives. Extraordinary profits can occur because of good fortune in the face of an unexpected outcome or unusual expertise with the profits being maintained if it is difficult for others to enter the market. Entry can be restricted by economies of scale, restricted information or legal restraints.
5. The more unique your product the greater the markup that you can charge over the costs of production because of less elastic demand.
6. Your goal from employment should be to maximize the difference between what is necessary to attract you to a position and the salary of the position. Focusing only on the salary will often lead to a less satisfactory outcome. This goal is assisted by attempting to locate positions that are unattractive to others, but attractive to you.