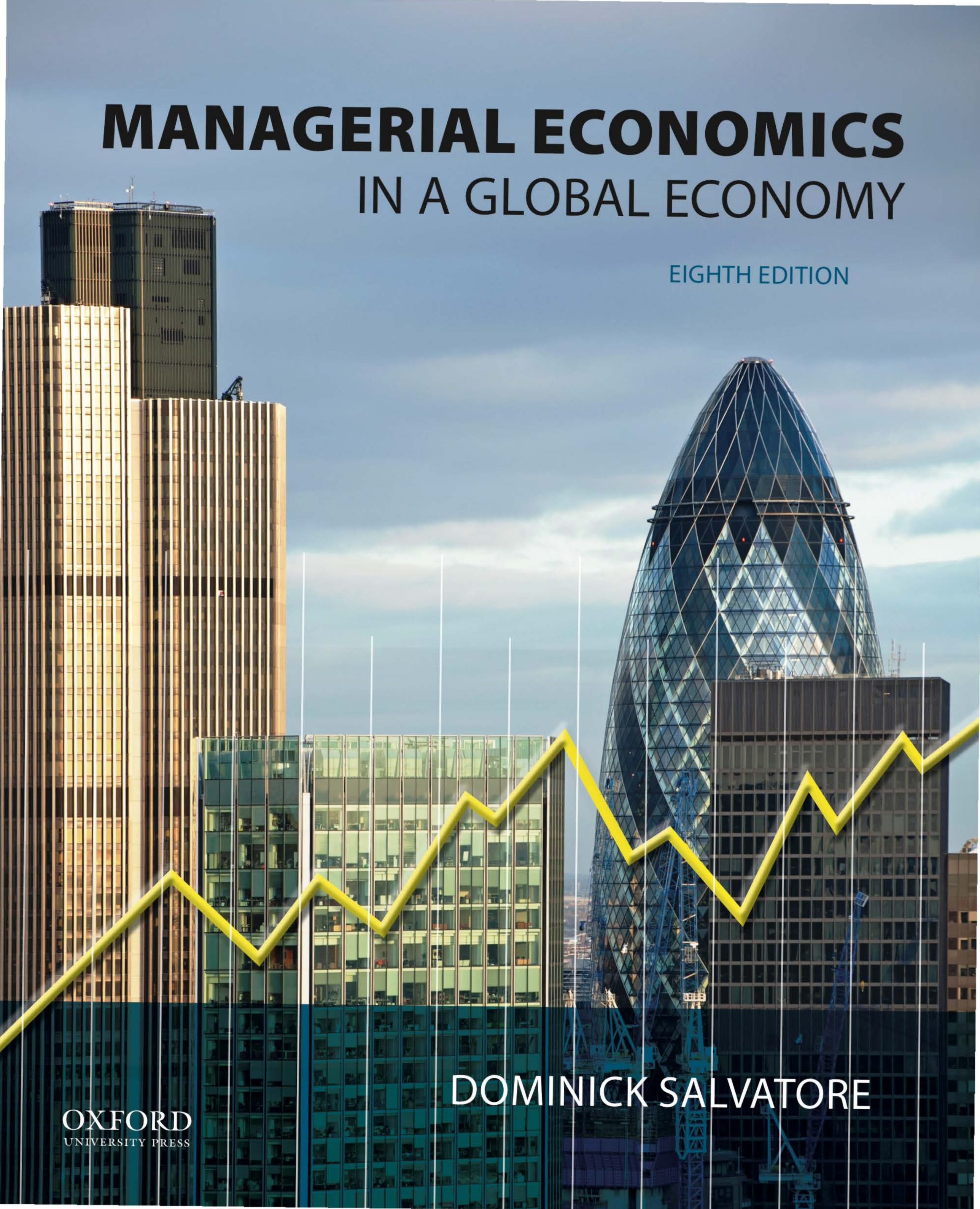
MANAGERIAL ECONOMICS
IN A GLOBAL ECONOMY

EIGHTH EDITION



DOMINICK SALVATORE

OXFORD
UNIVERSITY PRESS

MANAGERIAL ECONOMICS IN A GLOBAL ECONOMY

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DOMINICK SALVATORE

Professor of Economics and Business
Fordham University, New York

New York Oxford
OXFORD UNIVERSITY PRESS

Oxford University Press is a department of the University of Oxford.
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Kuala Lumpur Madrid Melbourne Mexico City Nairobi
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Published by Oxford University Press
198 Madison Avenue, New York, NY 10016
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CIP Data is on file at the Library of Congress
ISBN 978-0-19-939712-9

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Printing number: 9 8 7 6 5 4 3 2 1

Printed in the United States of America
on acid-free paper

To Madeleine

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PREFACE

Tastes, production, labor markets, financial markets, and competition have become highly globalized; financial and economic crises have become more frequent, and the risks of doing business have increased in a world economy that has become more sluggish (growing less rapidly than in past decades). Thoroughly recognizing and highlighting this new business environment, *Managerial Economics in a Global Economy*—while employing the theory of the firm as the unifying theme—examines how firms reach optimal managerial decisions in the face of these modern constraints.

As in past editions, the text balances concepts, application, and teachability. In clear, concise explanations and illustrations it surveys the time-tested as well as the many new and exciting topics in managerial economics (such as firm architecture, business ethics, the evolution of the creative firm, Porter's strategic framework, electronic commerce, the economics of information, and risk management) and then illustrates how firms actually behave through 127 real-world cases, 15 Boxes (one for each chapter of the text) on Managerial Economics at Work, as well as 14 more extensive, integrative cases (3 more than in the previous edition). The tools of decision making, such as spreadsheet applications, so much in demand by students, are prominent. A flexible, modular organization makes the book suitable for both full-term and abbreviated managerial economics courses, while an extensive instructor ancillary package, including online resources, makes it the perfect choice for lecture-based, online, or hybrid managerial economics courses.

The primary aims of this text have been and remain:

- *To provide a unifying theme of managerial decision making around the theory of the firm with applications in a globalized economy.* This text shows how managerial economics is not the study of unrelated topics but the synthesis of economic theory, decision sciences, and the various fields of business administration studies, and it examines how they interact with one another.
- *To identify and apply the basic decision-making process for optimal managerial decisions.* The text spells out the five steps of the managerial decision-making process that firms ought to follow, whether firms did in fact follow these steps in specific cases, and the outcome of their application (i.e., did it lead to the best managerial decision?).
- *To introduce an international dimension into managerial economics to reflect the globalization of tastes, production, distribution, and competition in our more risky and crisis-prone, sluggish global economy.* This text fully integrates and discusses, in each chapter and for each topic, the international ramifications of managerial economics. Simply put, the twenty-first-century manager must be prepared to operate—and compete—within a global economy that has grown more risky, crisis-prone, and sluggish, no matter how large the firm.
- *To include one "Box: Managerial Economics at Work" in each chapter of the text that can be used for class discussion and analysis.* The aim here is to try to simulate the