

# MEZZO ECONOMICS ANALYTICAL APPROACH AS THE PROPULSIVE PART OF MANAGERIAL ECONOMICS IN TOURISM

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## **Abstract:**

Mezzo Economics covers the area between the Micro and Macro Economics and the organizational approach of the economics of the integral economic communities, which are made of microeconomic entities. Mezzo Economics represents an organizational loop between the Macro economic system and Micro Economics.

Tourism industry is a typical represent of Mezzo Economics.

Mezzo Economics Analytical Approach represents a compositional and methodological approach that make constitution of the basic and derived segments of economics in general and special statistical methodology but its specifics consists on the level that make generalization of generated calculative indicators (in Tourism).

Marginal analysis are incorporated changes of the value of the choice of the level of small (infinitesimal) amounts in order to consider whether the functions of the aim is possible to be increased (in case of maximalization) or decreasing (in case of minimalization) in which the manager continues with upgraded adjustments in the variable choice until the moment when there is no possibility for further enhancing.

*Key words:* mezzo economics, managerial economics, marginal analysis, tourism cluster, calculative indicators.

## **INTRODUCTION**

Mezzo Economics covers the area between micro and macroeconomics, which the organizational approach of economics of the integrated economic communities, which are composed of microeconomic entities. It is an organizational loop between the economy (macroeconomic system) of national economies and the economy of the individual producer, as microeconomics. The purpose of mezzo economics is achieving the economic concepts of producer-individual and achieving the goals of social reproduction.

Mezzo economics is characterized by:

- balancing and decreasing of contradictions between the national macroeconomics and microeconomics and the producer-individual;

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- management and behavior according to their own (mezzo economics) principles;
- applying their own methods according to mezzo economics;
- implementation and achievement through their own organizational forms, consistent with the principles and methods of their own actions and social conditions of work.

In mezzo economics it express the tendencies and processes in macroeconomics, which are in accordance with economic laws, as well as activities and tendencies of macroeconomics of individual business entities, which in turn have subjective characteristics related to the characteristics of each specific business entity. Minating the negative impacts of these elements of facilities of each entity in mezzo economics shall be applied to:

- economic principles of reproduction, and
- application of organizational principles in establishing and functioning of mezzo economics.

Justification of the application of economic principles of reproduction lies in achieving the goals of reproduction at the level of the real economic maximum. This principle is realized as a desire to achieve maximum results with minimal investment. By applying the organizational principles of reproduction provides adequate regulation and organization of the available potential, and organization of procedures and attitudes of individual entity. The need for organizing the implementation of the economic principles of reproduction is determined by the transition of the objective conditions of reproduction, as well as efforts to eliminate the adverse influence of subjective factors arising from the character and personality of the individual entities in mezzo economics.

The organization methods of work, on each entity separately, represent a third characteristic of mezzo economics. They imply a stronger or less strong feature of the social conditions of production, depending on whether the socio-economic system based on directions of planning, or is more or less exposed to the action of economic laws.

The organization methods are influenced by business politics regarding the application of basic economic and organizational principles of reproduction. If the axis of business politics based on the principle of economy of time, all the organization methods of actions will be directed to it, or to shorten the time required to perform specific tasks in the process. If priority is given to the economic principle of use of rational resources engaged, all the more necessary adjustment to this principle. On the organization methods of actions also have an impact and changes that occur in scientific and technological advances that allow the application of new methods in terms of shortening the time to create, and increase the productive potential of economic entities in specified mezzo economics. Depending on the applied principles and methods, as well as socio-economic conditions of organization, there are several forms of mezzo economics organization, in all economic and non-economic spheres.

Clearly, the mezzo economics forms are organizational forms tied to the economic (and non-economics) branches, groups, clusters, chambers, cartels, through which jointly determine the membership of each participating entity, and the possibility of its comparison with others in mezzo economics, given the fact that different mezzo economies have different economic and non-economic treatment in the macroeconomic system on a national and international scale. The mezzo economics analytical approach represents a compositional and methodological approach that make constitution of the

basic and derived segments of the economy in general and special statistical methodology, but its distinctiveness consists in the level that makes generalization of the generated calculative indicators. This level absorbs the systemization of tests and statistical indicators, the level of individual microeconomic indicators of non-business and business entities, to the level of mezzo economics (clusters, groups, commerce, cartels, economic areas), or the organizational forms of the integrated economy of the economic communities.

This approach allows segregation settings of contemporary cognitive propulsion, that numbers and elaborates in continuance, which covers the statistical analysis problematic using appropriate methods of detection of quantitative characteristics and quantitative laws of behavior, the interdependence and development of tendencies of transition aspects in order to predict, research and direct.

## **HETEROSKEDASTICS IN THE FUNCTION OF PROPULSION**

Heteroskedastics represents one of the assumptions that define the classical linear regression model or requesting variances of the disorders of interdependence that are equal. If this condition is not fulfilled, it is said that disorders are heteroskedastic. Heteroskedastics requires to be expected in the case of simultaneous sections, for example when observing the dependence of the consumer of a product or service from the revenue per household in a given year.

If heteroskedastics exists, in the case of applying the method of the least squares, their results would not have been more effective, then, we would have incorrect intervals of the parameter confidence and the value of a statistical test would not be accurately calculated.

These are the reasons why the model with heteroskedastic disorders provides to the model of homoskedastic disorders, or having the same variance. When the variances of disorders would be known, it is not the case in transitional periods, homoskedastics would always be possible, but given that this rarely happens, it is implied in each case the starting point of a certain appropriate condition for their movement. An example of such a movement is seen if the variances grow with the growth of a transition from explainable variables, or to follow the movement of dependent variables. If it comes to larger observed sample, they can also be evaluated or tested.

Statistical hypothesis testing is the testing of hypotheses using randomly selected samples. Statistical tests can be divided into parametric and nonparametric.

*Parametric tests* represent testing the hypothesis of parameters of the sum (arithmetic mean, rank, relative frequency, variance) based on the parameters of the sample, whose distribution is known.

Knowing the distribution of the parameters of the sample provided, with an advance given of variance, with a certain distance which contains the examined parameter of the basic sum, if the tested hypothesis is correct. The boundaries of this sum represent an upper and lower threshold of significance. In cases where the calculated value of the parameter of the sample is located within these borders, sees no reason to reject the given hypothesis and that, with some probability, to be adopted as correct.

If the value of the parameter is less than the lower, or higher than the upper threshold of significance, this deviation can be either just a consequence of fluctuation of the sample, which is theoretically unlikely, or both the fluctuation of the sample and

the fact that the hypothesis is not correct, because the established hypothesis is rejected as unproven with a certain risk.

The parametric tests are especially widely used in agricultural, industrial and medical-biological research on different methods of efficient production or treatments. Typically, the hypothesis is assumed that there is no difference between two or more tested methods. This hypothesis is called the zero hypotheses.

*The non-parametric tests* fall in the recent advancements of statistical theory. They are applied when scheduling the parameters of the samples are unknown and are more economical than parametric tests, because it is often used when the conditions are met for application of parametric tests.

## VARIABILITY OF BUSINESS PROFITS

Business profits can be measured in money or as a percentage of sales, and the economic concept of the normal profit rate is calculated through the achieved rate of return of the shareholders' equity. (ROE – return on stockholder's equity).

Some of the variations in the rate of return indicate the degree of the risk which necessary should be to compensate investors in case a business is much more at risk than another. In the medicine industry, for example, new discoveries of effective therapies for serious illnesses are usually a good move in the long run.

The profit rates show the differences in economic profits caused by incorrect business decisions, which ultimately means that the investors receive indicators generated negative results from investments. The current accounting practice fails to include the expenses of advertising, research and development as investments with long-term effects.

Because advertising, research and investments such as investments are calculated, are treated as spent and not withdrawn during their actuality, but the stated value of profits can cause to be withhold from making investment decisions of some companies.

By all means, even after settling the risk and modifications pre calculating, the accounting errors, the rates of return on equity on the stockholders' equity reflect valid economic profits. The considered variations in business profits clearly indicate that some companies realize a good majority of economic profit or have insignificant economic losses within a certain period. In order to better understand the real differences in the realized profits of firms, it is necessary to consider the profit variations and the reasons why there are differences in the amount of economic profits in the activity of the business market.

Mezzo economics (frictions) explains the different profits or above average profits derived by a company as a result of unexpected positive changes in demand for labor, i.e. the expenses of labor in the market. They are based on the thesis that markets are sometimes uneven because of unforeseen changes in the demand or offer. The economic crises and shocks that occur in national economies and the global economy create uneven conditions that lead to greater profitability or losses for certain firms, in terms of the normal average profits. For example, the increased use of plastic or aluminum in the automotive industry can lead to the decrease of profits in the production of metal sheets, due to the unpredictable drop in demand for sheet metal sheets. In transitional conditions, if insuperable barriers are not created to invest in a certain area, the investments will move to or from the most profitable institutions, the rates of return on

investment will be reduced to normal. In periods of adjustment, profits can be above or below normal because the friction factors hinder rapid adjustments to new market conditions.

The thesis that some companies with high barriers are protected to enter the market by the competition that generates profits realized in increased turnover, the needs of the dramatically increased investments, patents, protectionism at the time of import of some companies to build monopoly positions that allows to achieve extra profits in certain periods. Monopoly profits can be achieved as a result of fortunate circumstances, working in the right industry at the real time, or because of uncompetitive behavior. Unlike other extra profits, monopoly profits are irregular. The innovative economic profits imply extra profits that are realized as a result of successful inventiveness or modernization. Similar to the frictions or uneven mezzo economics profits, the profits that are a product line of innovations are susceptible, for shorter or longer period of time for achievement of the competition.

Compensable economic profits include extra profits of satisfaction of the needs of customers, or who have obtained the level of business efficiency in relation to others. For the firms operating within an average level of efficiency in mezzo economics (economic branches), it is normal to expect them to achieve the average profit rates, i.e. companies that operate in an above-average level will have above average profit rates. Inefficient firms realize unsatisfactory or under average profit rates. The compensable aspect, a portion of the achieved above-average economic profits achieved as a result of commitment and initiative of managers (and/or shareholders) is treated as a compensatory award for their work.

The explanation of achieving a compensatory profit lies in the fact that, although there are a great number of ideas for improving existing or introducing new options in terms of achieving sales of the revenue for the company, only successfully implemented for those who perform the most successful and most effective managers, which, among other things, further motivated by the possibility of receiving one part of the profit in this way, as compensation (bonus) for their dedication and pragmatism.

The Macedonian tourism mezzo economics till now have not been able to be a major economic factor, although it has propulsive leadership position in the world.

Indicators in the mezzo economics area-tourism in the Republic of Macedonia

- Participation in revenues from tourism in GDP 6.8%
- Number of employees 6.3%

The projected annual growth rate of the participation of tourism in GDP of 2007-2016 equaled 5.3%, while the projected increase in the number of employees is 2.4%.

According to the analysis and reports related to the estimation of Tourism mezzo economics area by the EU it is estimated that in the last 3 years the Republic of Macedonia is on the 83rd spot (out of 124), with an average estimation of 3.8 points (a scale from 1-7) according to competitive ability in the world, where it is determined by:

Spot	Estimation
1. Legal-political framework	
114	3.3
<ul style="list-style-type: none"> <li>• Political rules and regulations</li> <li>• Regulation in the field of ecology</li> <li>• Safety and security</li> </ul>	

- Health and hygiene
- Priority of tourism strategies
- 2. Tourism mezzo economics business environment and infrastructure  
82                      3.0
  - Airport infrastructure
  - Road infrastructure
  - Tourism infrastructure
  - Information and communication infrastructure
  - price competitiveness of the tourism area
- 3. Tourism personnel, cultural and natural resources  
44                      5.1
  - Human Resources
    - Training
    - Availability of skilled work force
    - Health conditions of workforce
  - Perception of the significance of tourism
  - Natural and Cultural Resources

## **THE DEVELOPMENT COMPONENT OF PROFITS IN MANAGERIAL ECONOMICS IN TRANSITION**

All of the above mentioned segmentation describes the economic profits obtained in several ways in several economic ambiances. In transitional periods, more conditions can change. An example, of the highly efficient producer can earn above average profits in terms of the theory of compensable profits, but during the eventual strike of employees of the competitor (shock condition) the quoted profits you can increase profits even from the frictional profits.

The economic profits play a crucial role in the economy. Extra profits imply an important signal that production of a firm or industry should be increased. Expansion of the existing firms or the entry of new competitors often happens very rapidly in periods of achieving high profits. Achieving extra profits signal expansion and investments, while below average profits can serve as a punishment for the stagnation and inefficiency in the operation. The profits play a role in motivation towards innovation, and to increase production, efficiency and allocation of necessary investments from one branch to another economic branch. If they come to the decision that requires an increase in the objective function, the problem of optimization implies a problem of maximization. Alternatively, if the objective function should be decreased, the problem of optimization is called the problem of minimization.

As a general rule, when the objective function measures the profits, the decision makers seek to maximize profits and solve the problem of maximization. When the objective function measures the expenses, the decision makers seek expense reduction, and solve the problem of minimization. The value of the objective function is determined by the level of one or more alternatives such as variable selection. The decision maker controls the value of the objective function by choosing a new activity or variable selection. Variable selection in problems of optimization in a certain period of time varies discontinuous (with interruptions), and in another time period varies continuously (continuous). The rules of optimization differ insignificantly in discontinuous and

continuous cases. As previously made categorization for the problem of maximization and the problem of minimization and categorization is made in accordance with decision that would be made by decision makers, for value of choice in changing the objective function, the restricted or unrestricted set of values. The unrestricted optimization problems arise when decision makers can choose any level of activity which they like in order to maximize the objective function. Problems of the restricted maximization and unrestricted minimization use a simple solution, which applies to all the problems of restricted optimization, i.e., although there are a myriad of possible solutions of minimization and maximization, all of optimization problems can be solved by a simple analytical technique called “marginal analysis”. Marginal analysis include variations in the value of level choice with small (infinite) amounts to see if the objective function can be further increased (in case of maximization problems) or decrease (in case of minimization problems), and the manager continues with increased adjustment of variable selection until the moment when there is no possibility for further improvement.

The most important reason for using marginal analysis in the function of decision-making is that economists take into account the marginal analysis as a central principle of organization of mezzo economics theory. Marginal analysis, focuses mainly on variations in the total revenue and total expenses, provide simple and complete explanation of the trends that cause variation in net profits. If we understand exactly what causes net profit to increase, allowing determination of the concepts for further decision-making when the activity should increase, decrease, or maintain the current level. The use of marginal analysis for making optimal management decisions there is no need to take into account the irrelevant information on fixed expenses, lost expenses or average expenses in the process of decision making, it is obvious that decision-makers using the marginal analysis can achieve the level of optimal activity.

Definitely, understanding the role and importance of the profit in the operation of business behavior is of crucial significance of the relations between the firm, mezzo economics and overall the social environment, as a objective function, which measures the result of the decision makers (managers), whether it represents a decrease or increase in certain situations and results.

We value that mezzo economics analytical approach, raises and accelerates the recovery of managerial economics in transition and post transition periods, as effective theoretical-methodological improvement of conjuncture and the separately offered programmed solutions in the function of the utilization of developing component of the business entities in the tourism mezzo economic area, as well as the entire system of macroeconomic planning.

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