

Opportunity cost essay

[Business](#), [Customers](#)



In every economic scenario, productive resources are limited hence people cannot acquire all the services and goods they desire. This means that choices have to be made and whenever a choice is made, something has to be foregone. The opportunity cost of a chosen item is the value of the best alternative forgone. The evaluation of opportunity costs and choices is subjective meaning that such evaluations differ across societies and individuals. Subjectivity enters into the calculation of opportunity cost using the concept of persuasion whereby an individual will be influenced to make certain choices by making opportunity costs unambiguous by appearing either small or large (McEachern, 29). In the first example, subjectivity enters the calculation of opportunity cost by enabling the buyer realize that he or she could have more items that is a Sony stereo and 20 compact disks for \$1000 as opposed to buying a Pioneer stereo. The buyer feels that the two items are the real value of his money. In the second example, it is established across the globe that diamonds are expensive. Using this concept in an advertisement by De beers triggers the concept of subjectivity in the calculation of opportunity cost in that the cost of renovating one's kitchen appears cheaper than obtaining a pair of diamond earrings. The buyer is influenced to think that renovating the kitchen is an immediate need. Lastly, subjectivity is expressed in weighing the option of buying a modern heavy bomber and construction of modern brick schools in 30 cities. It sure is expensive to destroy homes that could have housed over 8, 000 citizens.

There are different factors that would influence an individual's assessment of the identified opportunity costs. The above three examples are financial

planning activities influenced by personal values, economic factors and life situations. In the first and second examples, the decision could be influenced by family situations and values whereby the individual purchasing the stereo could be single and the opportunity to buy 20 CDs could mean the selection of his personal favorite music and movie selection. On the other hand, the individual choosing to renovate his kitchen could be married with no constant source of income. His family values could have influenced him to forego diamond earrings for his wife to ensure that the dining room is comfortable since it's where the whole family comes together during meals. In the third example, the government decision is influenced by economic factors whereby in order to remain a super power, the United States has attract foreign investors as well as entertain productive competition form other countries. Construction of modern schools and housing units implies the country spends more dollars of American consumers.

Work cited

McEachern, William A. Economics: A Contemporary Introduction. , 2014.

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