

Comparative Advantage

Student's Name

Institutional Affiliation

### **2-2 Simulation Discussion: Comparative Advantage**

Opportunity costs refer to the prospective benefits that an individual, investor, or corporation sacrifices by choosing one alternative over another. Opportunity costs are easily overlooked due to their intangible nature. Knowing the potential losses that may occur when selecting one investment option over another is advantageous for facilitating more informed decision-making (Fernando, 2022). Opportunity cost refers to the benefit that could have been acquired through the selection of an alternative course of action. A correct evaluation of opportunity costs requires a comparison and analysis of the benefits and drawbacks associated with each potential option. When making choices for my organization and myself, it will be more advantageous for me to consider the value of opportunity costs. An internal expense utilized for strategic planning, opportunity cost is not reflected in the accounting profit and is not disclosed to the outside world. Opportunity cost can be observed in choices such as constructing an entirely new plant in New York instead of Ohio, postponing the installation of new firm equipment, or opting for the most expensive product packaging option.

In accordance with the concept of comparative advantage, one should concentrate efforts in areas where they will yield the most significant impact (*Learn Economics*, 2022). We mean this by our capacity to produce something more quickly than others. It denotes the capacity to deliver an item using a reduced amount of resources. Consider that we are in the process of deciding what to make for dinner. You are a skilled chef, while I am not. You possess a greater capacity for preparing an exceptionally refined steak than I do. The term for this is "comparative advantage."



The production possibility frontier (PPF) is a graphical representation that illustrates the potential quantities of two products whose manufacturing processes share a restricted resource

(Bloomenthal, 2022). Furthermore, PPF plays a critical role within the field of economics. It could indicate, for instance, that the economy of a nation has achieved its highest level of efficiency possible. Economists and businesses utilize the PPF to imagine potential production scenarios through the modification of a number of resource factors. Companies may employ the PPF to ascertain the impact of various factors on production or to determine which products to develop. By utilizing it, economists can assess economic growth and efficiency by selecting the quantity of one product a country can produce without producing another.

**End of Round 1 - (With Trade)**

**The Solution**

Our analysts have determined that **WITHOUT TRADE**, the optimal solution was:

 80  80


**Optimal Combos: 80**

Were you able to do better **WITH TRADE**?

**The Solution**

Units	Produced	Traded	Final
Burgers	80	15	95
Fries	80	-17	63

**Combos You Sold: 63**





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**End of Round 1 - (No Trade)**

**The Solution**

Our analysts have determined that to produce the most combos, you need to produce:

 80


 80

**Optimal Combos: 80**

**The Solution**

Units	Produced
Burgers	76
Fries	88

**Combos You Sold: 76**



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### References

Bloomenthal, A. (2022, August 17). *Production Possibility Frontier (PPF): Purpose and Use in Economics*. Investopedia.

<https://www.investopedia.com/terms/p/productionpossibilityfrontier.asp>

Fernando, J. (2022, June 27). *Opportunity Cost Formula, Calculation, and What It Can Tell You*. Investopedia. <https://www.investopedia.com/terms/o/opportunitycost.asp>

*Learn Economics: The Law of Comparative Advantage - 2022*. (2022, October 13). MasterClass. <https://www.masterclass.com/articles/learn-economics-the-law-of-comparative-advantage>