

Conducting a Cost-Benefit Analysis

What is it? One way to make decisions is to conduct a **cost-benefit analysis** of your options. In this process, you compare the **costs** (disadvantages) of choosing a certain course of action with the **benefits** (advantages) of choosing that course.

How to do it. Identify the option you are considering. Make a list of all the costs of pursuing that option, and another list of the benefits. Compare the two lists. Are there more costs than benefits? Does any one cost weigh too heavily? Are the benefits guaranteed outcomes, or is there a chance they won't happen?

Finally, make the decision. Based on your analysis of the costs and benefits, which choice makes the most sense?

Try it. Suppose that you are a young man living in China in 1852. You are trying to decide whether to immigrate to California. You have heard stories of "Gold Mountain"—of great wealth, fine homes, and plenty of food. You have also talked to one man who returned empty-handed. He told you that he was badly treated in California. Meanwhile, your village in China has fallen on hard times. War, poor economic conditions, and overcrowded farms have forced your family into poverty. You have barely enough to eat. You will need to leave your family behind if you go to California.

Conduct a cost-benefit analysis of your option of immigrating to California.

Costs	Benefits
Might be badly treated in California.	Could make lots of money in California.

Put a star by any costs or benefits that are guaranteed.

Do you consider any of the costs too great?

What choice do you make? Why?