

A business can have more customers than it knows what to do with and still face a difficult decision. Imagine a successful Black-owned hair salon with every appointment filled, several customers asking for weekend openings, and an owner considering whether to hire another stylist. More customers sound like good news, but serving them requires more than enthusiasm. Someone must do the work, a chair must be available, supplies must be purchased, and enough money must remain to meet the business's existing obligations. The owner could extend the hours, expand the space, raise prices, train an assistant, or keep the business at its present size. Each possibility brings benefits and gives up something else. Before we encounter a stock market report, a government budget, or a complicated graph, we have already arrived at economics: the study of how people and societies use limited resources among competing purposes. Its foundation is the relationship between what we would like to accomplish and what we currently have available to accomplish it. [OpenStax's introduction to economics](#) begins with this relationship between resources and choices.

The word *resources* deserves attention because it includes much more than money. Resources are the things we use to produce goods, perform services, and accomplish goals. A *good* is a product, such as a bottle of shampoo, a refrigerator, or a loaf of bread; a *service* is work performed for someone, such as styling hair, repairing a refrigerator, or teaching a lesson. In our imaginary salon, resources include the building's space, the water, the equipment, the products, and the workers' time and skill. Money helps the owner obtain many of these things, but having money does not automatically make every resource immediately available. An owner might be able to afford another stylist and still need months to find someone with the necessary ability. There might be room in the budget for a larger location without a suitable building nearby. Thinking economically requires us to identify the actual limitation. A business struggling to serve customers may need better scheduling, additional training, more equipment, or more money; those are different problems requiring different responses.

Economists use *scarcity* to describe the condition in which available resources cannot satisfy all their competing uses. The word can sound as though it means something is nearly gone, but its economic meaning is broader. Our salon's appointments are scarce even when the business is healthy and well supplied, because a stylist's afternoon cannot accommodate every person who wants that time. Scarcity also applies to desirable goals. An owner may want excellent wages, affordable prices, generous appointment times, a beautiful workspace, and enough earnings to expand. Every goal can be reasonable, yet achieving more of one may place pressure on another. Scarcity does not require selfishness or endless shopping; it exists whenever worthwhile purposes compete for limited means. Nor does it mean everyone experiences the same restrictions. Someone deciding between two vacation homes and someone deciding how to cover rent face dramatically different circumstances. Recognizing a common economic principle should make us more precise about those differences, never less attentive to them. The Federal Reserve's educational reading on [scarcity and](#)

choices explains why limited resources require decisions even when several alternatives are desirable.

Once we recognize a limitation, we can examine the *trade-off*, which is what we give up in one area to obtain something in another. Suppose our salon owner has set aside \$2,000 for improvements after covering the business's necessary expenses. For this teaching example, imagine that a training program costs \$2,000 and a replacement set of waiting-room furniture also costs \$2,000. Either purchase fits the available amount, but purchasing both does not. Training might allow the salon to offer a service customers have been requesting; furniture might improve comfort and replace worn seating. Choosing the training means postponing the furniture. Choosing the furniture means postponing the training. Neither option becomes foolish simply because another useful option exists. The decision depends on what the business most needs, what customers value, and what each purchase is likely to accomplish. *Allocation* is the term for assigning resources to particular uses. When the owner decides where that \$2,000 goes, she is allocating it according to a judgment about priorities.

A more exact idea sits inside that trade-off: *opportunity cost*, the value of the best alternative we give up when we make a choice. The word “best” matters. If the owner chooses training and the furniture was her next-best realistic use of the money, the opportunity cost is the benefit she would have received from replacing the furniture. We do not add together every imaginable purchase she might have made. She could not have bought all of them with the same \$2,000, so treating them all as sacrifices would exaggerate the cost. The price tells us how much money changes hands; opportunity cost directs our attention to what that money, time, or space could otherwise have accomplished. This also means something can involve an opportunity cost without requiring a payment. Spending an afternoon reorganizing the salon uses hours that could have served another purpose. OpenStax's explanation of opportunity cost emphasizes this next-best alternative, including the value of time.

Consider an additional choice involving the same owner. She has one open Saturday afternoon and can either take appointments that would leave \$240 after the additional business expenses or attend her daughter's performance. These numbers and circumstances are hypothetical, but the decision is familiar. If the appointments are her best alternative to attending, the forgone \$240 is part of the opportunity cost of going to the performance. That calculation does not tell her to miss it. She may value being present far more than the additional earnings. If she works, she receives the money while giving up that particular experience with her child. An economic explanation can make both sides visible without pretending that affection, memory, and responsibility fit neatly on a receipt. The point is to understand what is being chosen and sacrificed. A decision that produces less income can still serve a person's priorities exceptionally well.

Madam C. J. Walker's business history gives these ideas a real setting. Before establishing her own hair-care enterprise, Walker worked as a sales agent for Annie Turnbo Malone, another accomplished Black entrepreneur. Walker later built a

manufacturing business, established a factory in Indianapolis, and developed training programs for a network of sales agents. Her achievement involved products, instruction, manufacturing, advertising, and ways of reaching customers. The [National Women's History Museum's biography](#) documents these parts of her growth. Viewed through economics, this organization helps explain how a founder's work can reach beyond the limits of her personal schedule. A single person has only so many hours to demonstrate products or serve customers. Training others and organizing production create additional capacity—the ability to produce or deliver more. This is an economic interpretation of her business structure, rather than a claim that we know every calculation she made.

There is a useful lesson in that distinction between using resources and developing them. Scarcity describes limitations, but some limitations can change. Return to our imaginary salon and suppose the owner identifies a recurring problem: customers regularly arrive without knowing how long their requested service will take. Appointments overlap, stylists fall behind, and part of the day disappears into confusion. A clearer booking process might allow the existing staff to serve customers more reliably without extending their hours. Alternatively, training an assistant to handle appropriate preparation tasks might free an experienced stylist for work that requires advanced skills. These possibilities illustrate why an economic decision should include an examination of how the work is organized. Simply demanding greater effort may miss the problem. The owner needs to determine whether the restriction comes from a lack of resources, wasted resources, or resources being assigned to tasks poorly suited to them.

We can make this visible with a small calculation. Suppose one stylist has six hours available for customer appointments, and each appointment requires exactly ninety minutes, including preparation and cleanup. Under those assumptions, the stylist can complete four appointments. Accepting a fifth requires another ninety minutes, a change in the process, or someone else's assistance. Writing five names on the calendar does not create the missing time. Now suppose better preparation reduces each appointment to seventy-two minutes while preserving service quality and reasonable working conditions. Five appointments would then fit into six hours. These invented numbers illustrate an increase in *productivity*, which means producing more output from a given amount of input: here, more completed appointments from the same working time. But the conditions matter. If the faster schedule produces rushed work, dissatisfied customers, or exhaustion, the appointment count alone gives an incomplete picture. A useful improvement must be evaluated against what the business is trying to deliver.

The ability to change a limitation also depends on which opportunities are actually available. Imagine two equally capable salon owners who identify the same useful training program. One has enough savings to attend and can arrange for an experienced employee to manage the shop. The other must close the business during training and would struggle to cover the lost earnings. The program has the same advertised price, but the decision is different for each owner. One can pursue the opportunity with

relatively little disruption; the other faces an additional sacrifice. This is why explanations that say only “successful people make better choices” are incomplete. We need to examine the options, obligations, information, and resources surrounding a choice. Skillful judgment matters, and so does having room to act on that judgment. In this example, offering evening instruction or providing temporary staffing support could change what the second owner is able to consider.

Economics also follows choices beyond the person who makes them. Suppose the salon extends its evening hours. Customers who work during the day may benefit, employees may earn more, and the owner may bring in additional business. Yet the employees might also need different transportation arrangements or additional childcare, while the building consumes more electricity. A sound evaluation would examine these consequences instead of stopping at the increase in sales. The same habit of thought applies to a town deciding how to use an available building. A training center, a childcare facility, and a business incubator—a place that provides space and support to developing businesses—could each serve valuable purposes. The question involves who will use the building, what staffing and maintenance it requires, and which benefits are sacrificed when another use is selected. Calling a proposal beneficial begins the evaluation; comparing it with realistic alternatives makes the evaluation useful.

Even an offer described as free becomes clearer through this approach. Imagine the salon hosts a free workshop teaching teenagers how to care for their hair and introducing them to careers in the industry. The participants pay nothing, but the workshop still uses products, electricity, space, preparation, and teaching time. Perhaps the owner willingly contributes those resources because the educational benefit matters to her. Perhaps another business supplies the products. Recognizing those contributions helps us understand how the workshop becomes possible and what it would take to offer it again. It also distinguishes a zero price to the participant from an activity requiring no resources. The Federal Reserve’s lesson on [the economics of a free lunch](#) explores that distinction. Accounting for the work behind an opportunity allows us to appreciate its value and plan for its continuation.

The salon owner now has a more disciplined way to approach her decisions. Before spending the improvement money, she can identify the problem she wants to solve, examine what is limiting the business, and compare the benefits of the realistic alternatives. If she chooses training, she can explain why its expected value justifies delaying the furniture. If she keeps Saturday afternoon for her daughter, she can acknowledge the forgone earnings while standing confidently behind her priority. If appointments remain difficult to obtain, she can investigate whether another employee, better scheduling, or a different service mix would help. None of these choices becomes automatic, and none comes with guaranteed results. What changes is the quality of the reasoning: she can name the resource, recognize the limit, identify the sacrifice, and explain the purpose. That is economics becoming useful in the hands of the person making the decision.

