

OPPORTUNITY COST



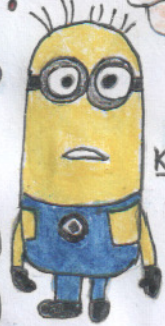
Hiking



Swimming



Dancing

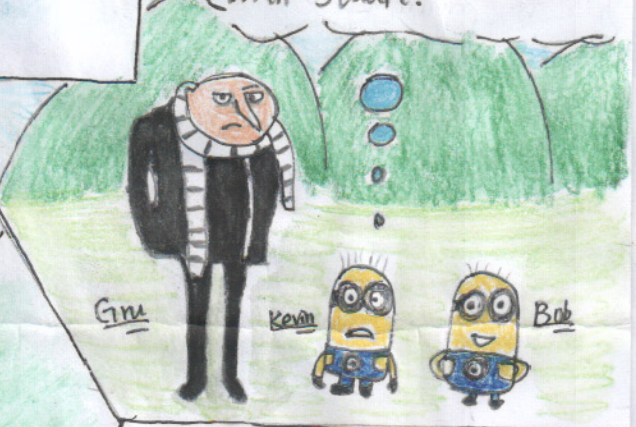


- Kevin
- 1st preference: hiking with Gru
 - 2nd preference: dancing with Agnes
 - 3rd preference: swimming with Stuart

Opportunity cost is the highest-valued option forgone. Therefore, when I go hiking with Gru, I give up the value of dancing with Agnes, instead of the value of swimming with Stuart.



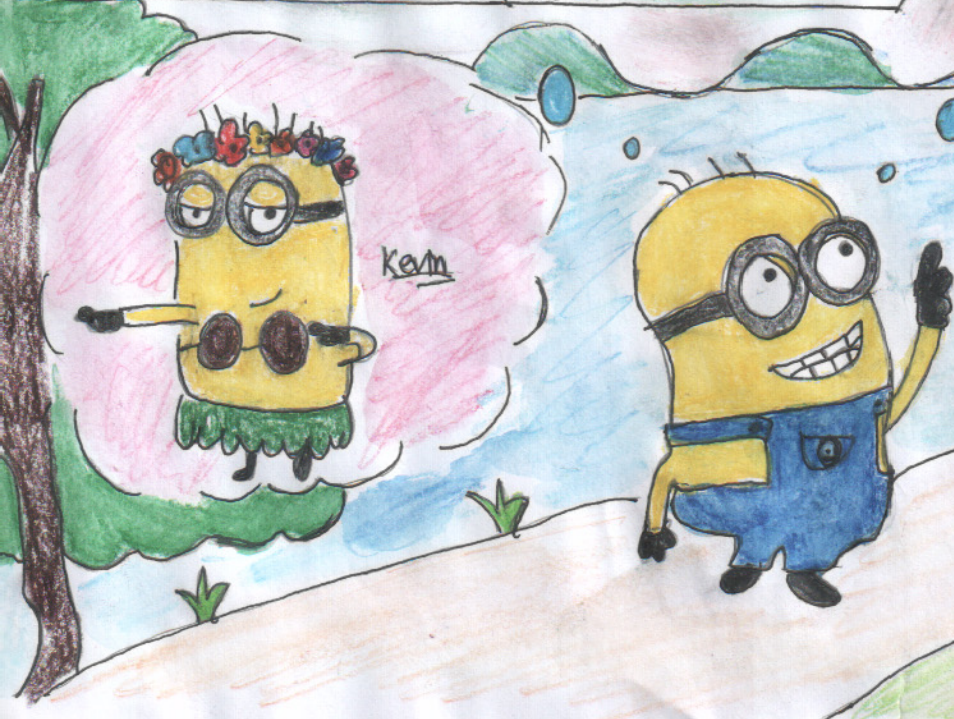
However, Agnes does not choose to dance with Kevin. She goes shopping with her sisters instead.



Gru Kevin Bob



Kevin



Kevin

Now, since Agnes will not come to dance with me. When I go hiking with Gru, I need not give up the opportunity to enhance my relationship with Agnes. Therefore, my opportunity cost decreases and the value of dancing is now even lower than swimming with Stuart. As a result, my opportunity cost shifts to the value of swimming with Stuart, instead of dancing myself.