



H



W



**m**

**a**

n



**Y**

**m m**

2

n

**Y**

u

n







**S**

S

h



u



d



**b**

e

**p**





o

u



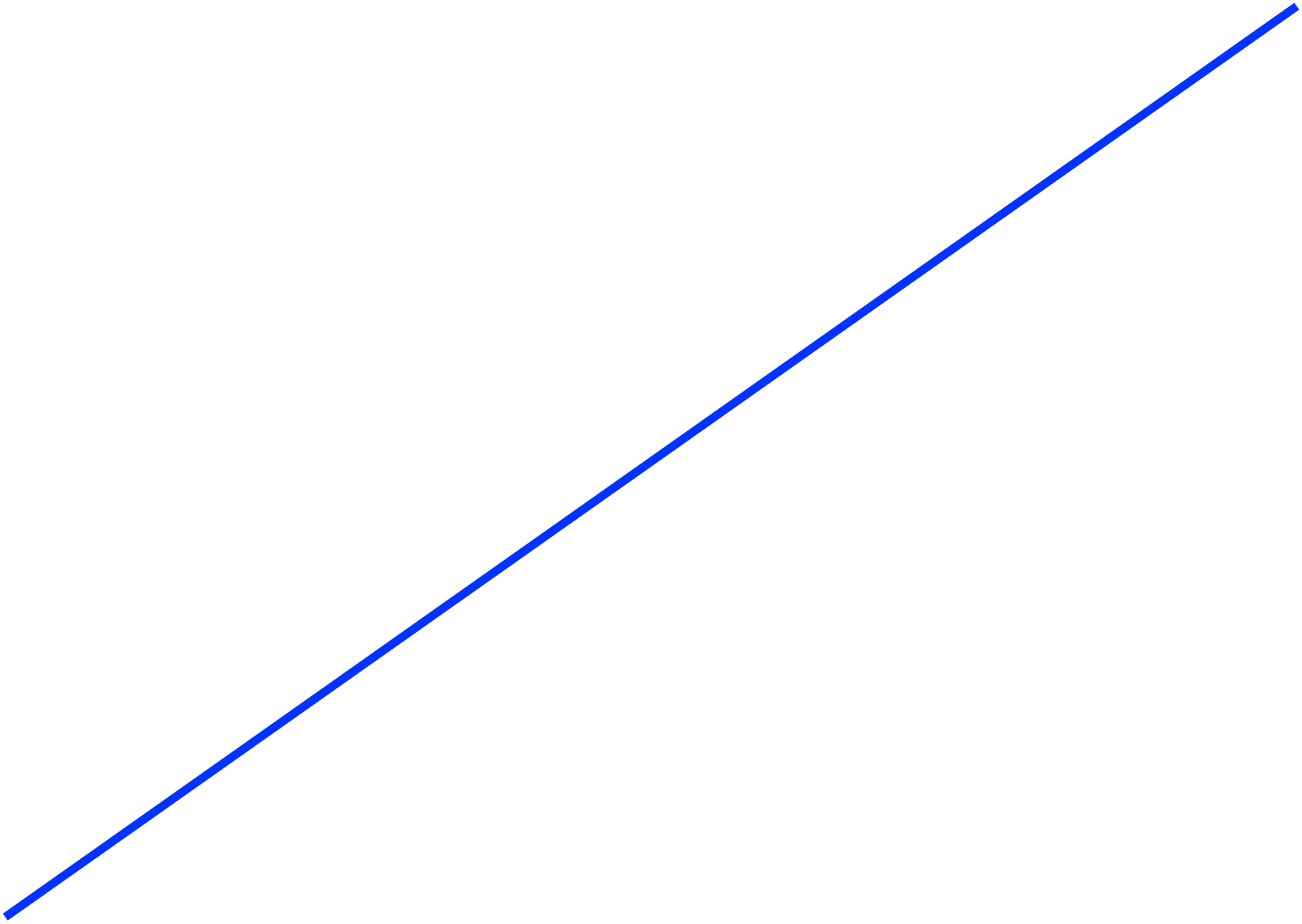


e

o

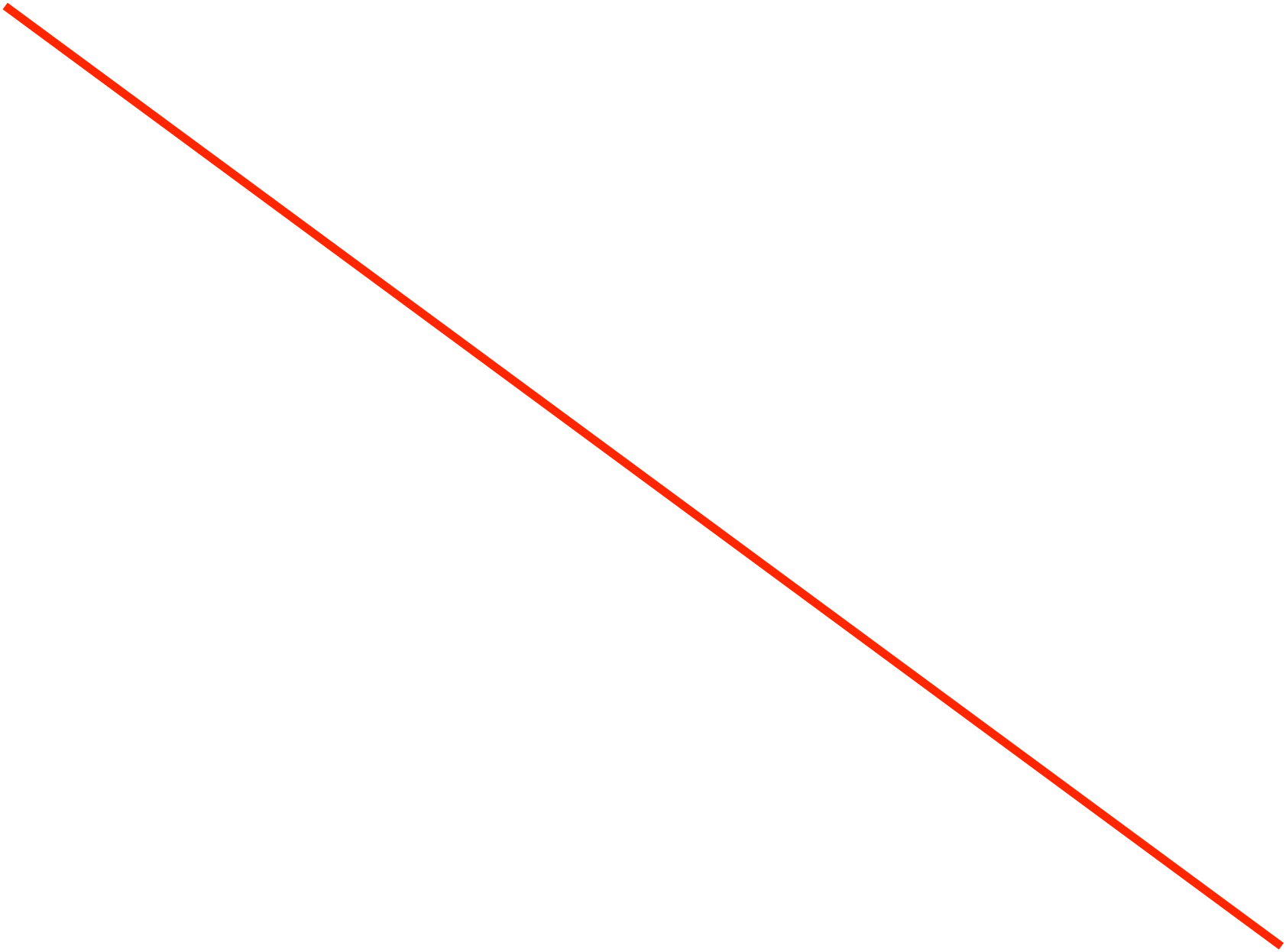






$S(\text{cost})$









Value to consumer

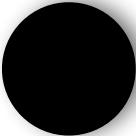
Cost

Value to  
consumer  
Greater than  
Cost

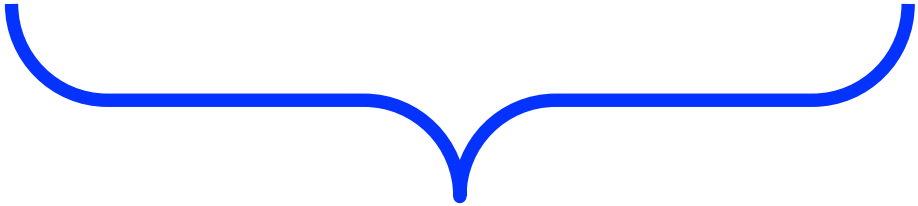
Cost

Greater than

Value to  
consumer



We **should not** produce units  
consumes **do not value** enough to pay  
the **cost** of producing these units





**We should**

produce all units consumers **value**  
enough to pay the **cost** of producing  
these units

























*Equilibrium  
Quantity*

D(value to consumer)

The Optimum Output Level

For these units





For these units







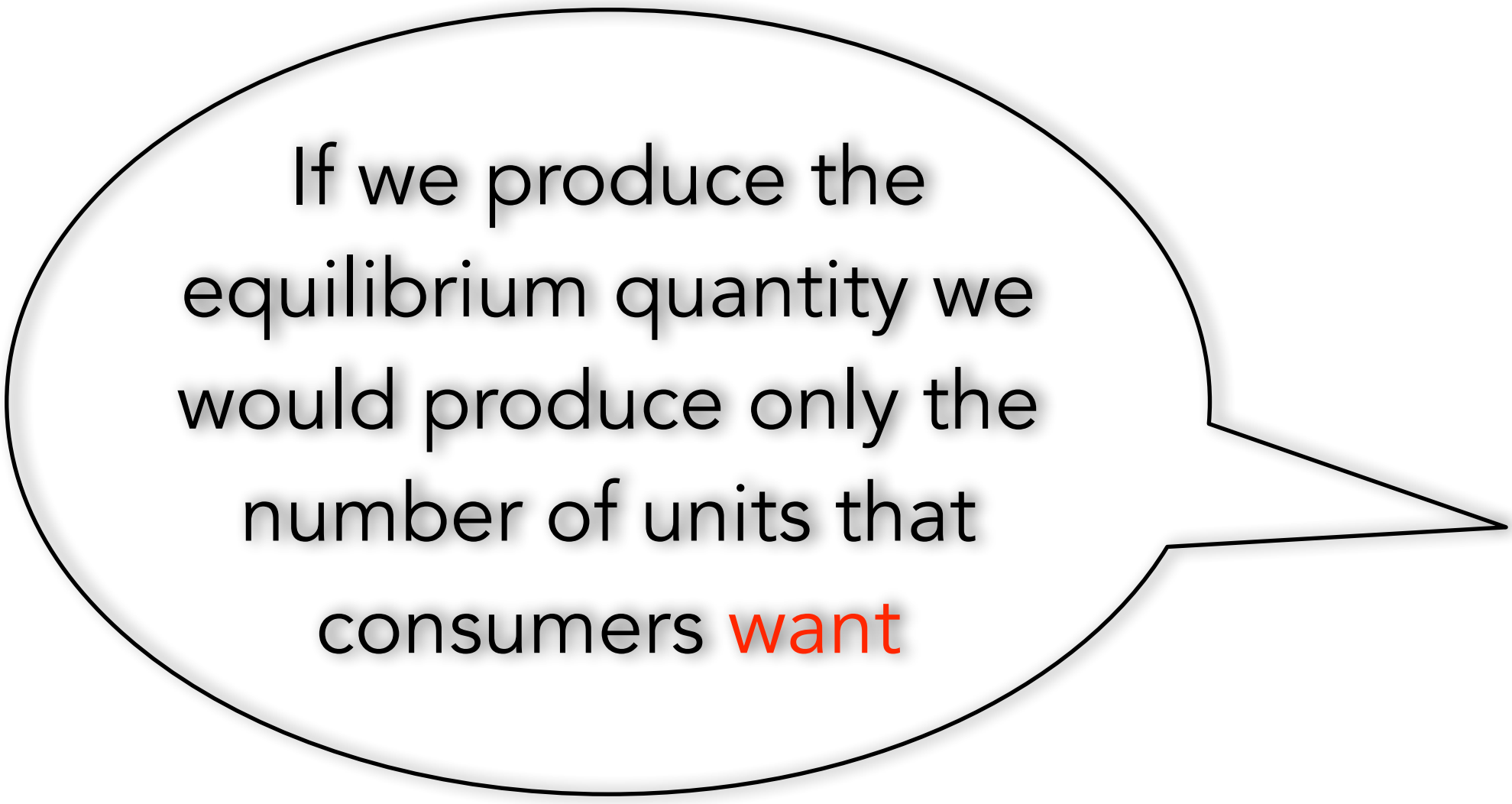




We should

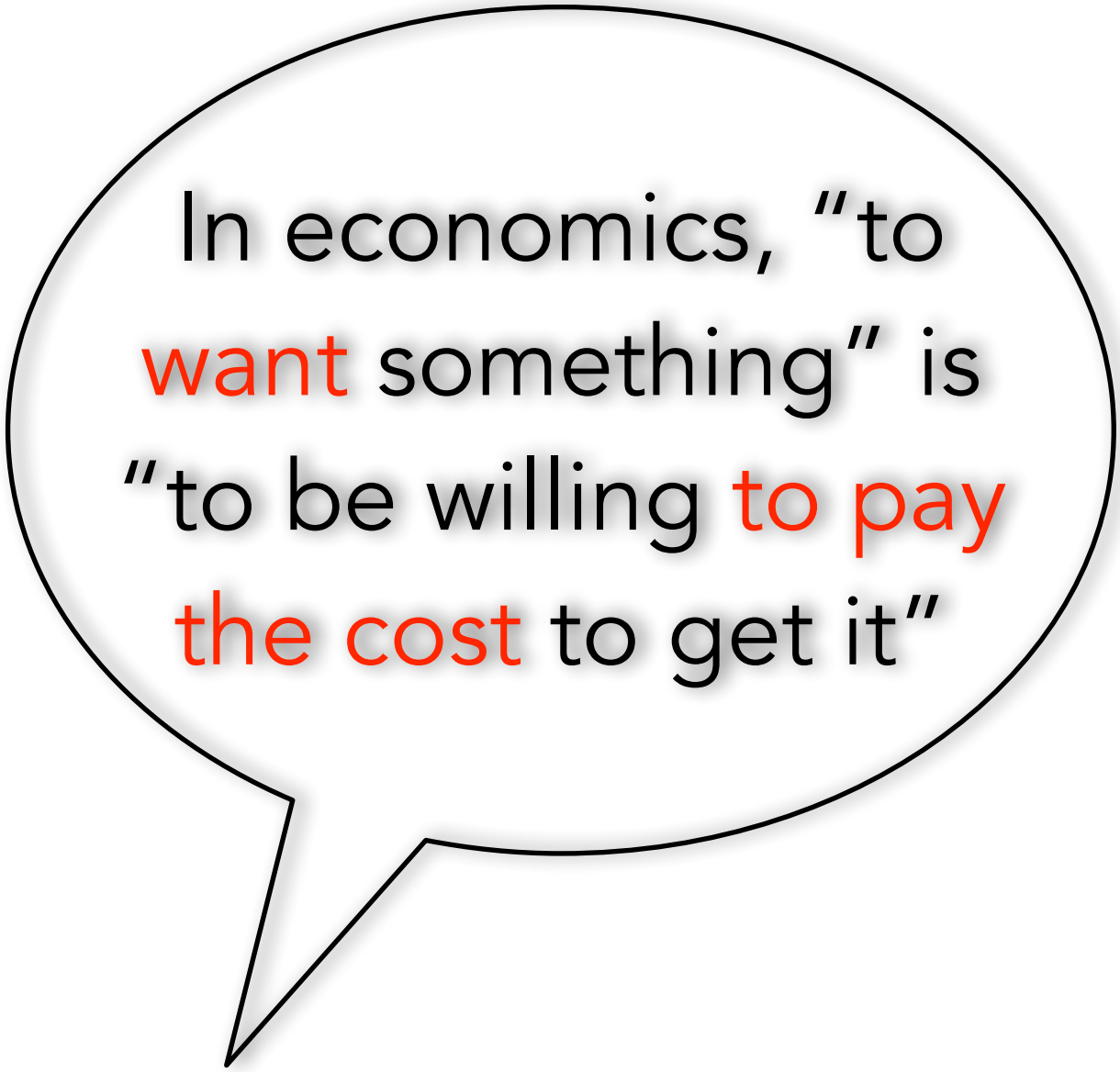
produce all units consumers want

We should not produce units  
consumes do not want



If we produce the  
equilibrium quantity we  
would produce only the  
number of units that  
consumers **want**

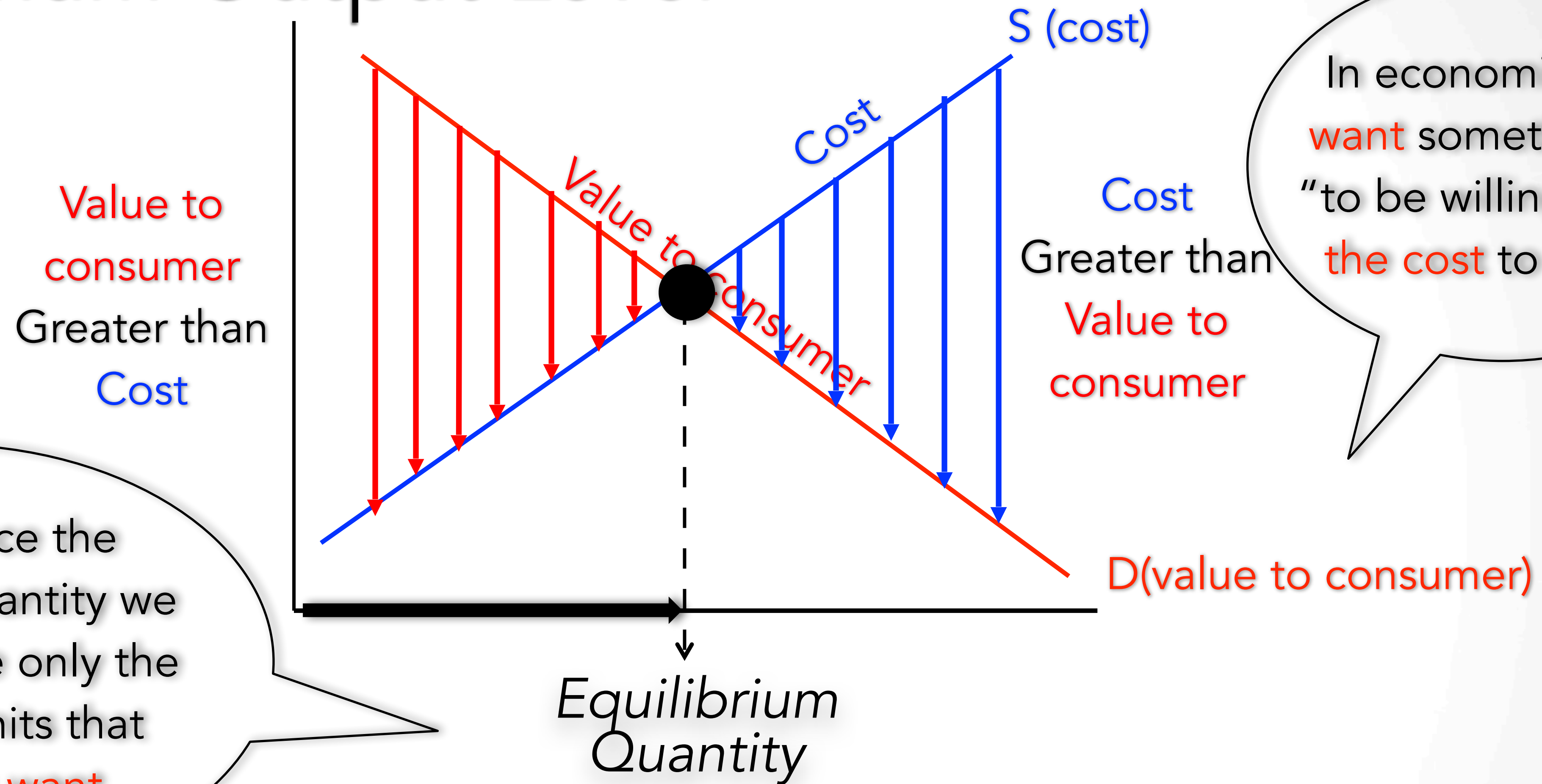




In economics, "to  
**want** something" is  
"to be willing **to pay**  
**the cost** to get it"

How many many units should be produced?

# The Optimum Output Level



In economics, "to **want** something" is "to be willing to **pay** the **cost** to get it"

If we produce the equilibrium quantity we would produce only the number of units that consumers **want**

We **should** produce all units consumers **want**

We **should not** produce units consumers **do not want**

