

The **price** paid, measures the **benefit** (in dollars)

the consumer gets from the good



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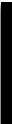


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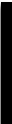
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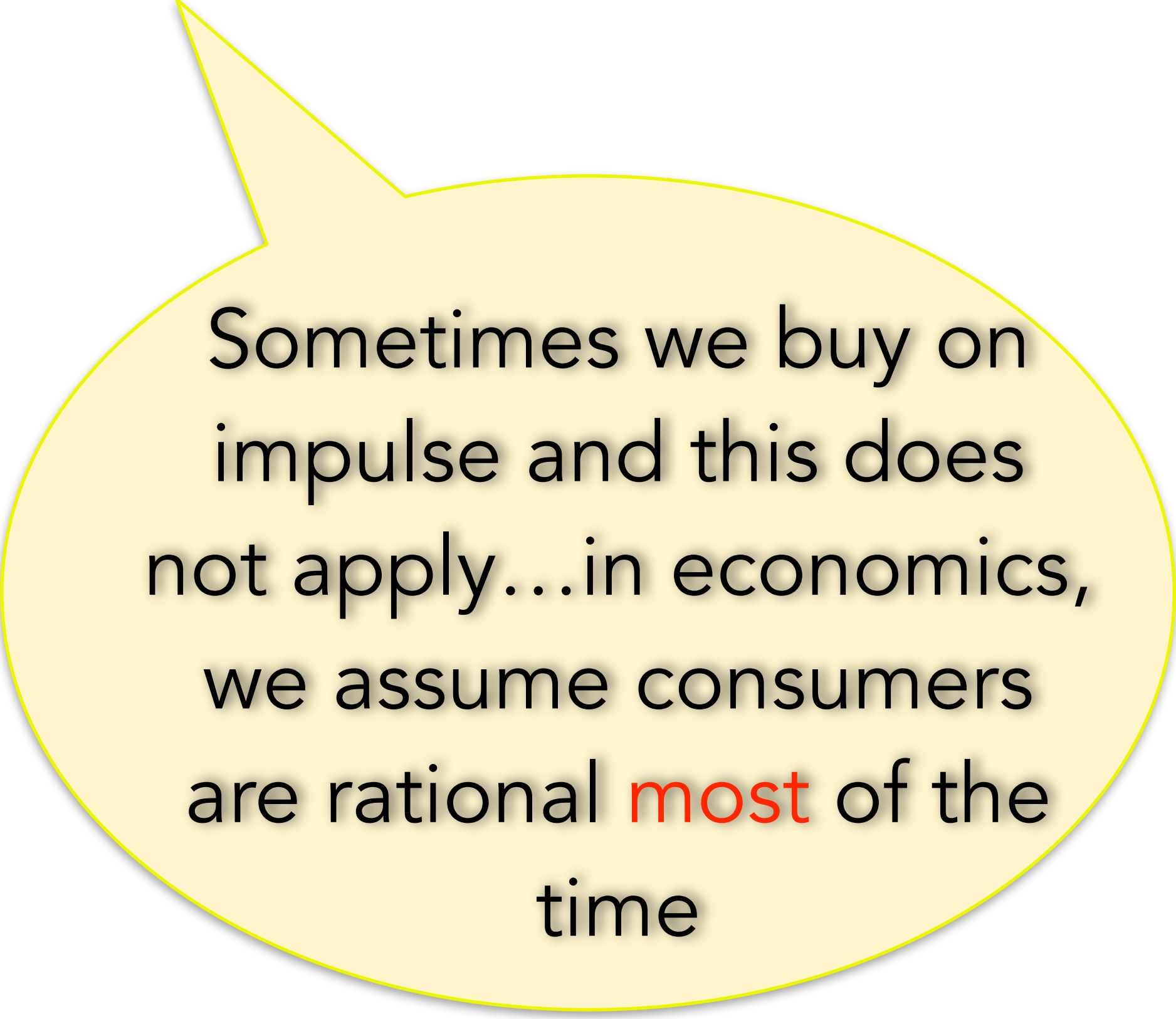
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Sometimes we buy on impulse and this does not apply...in economics, we assume consumers are rational **most** of the time

◆ When you are **willing to pay** \$30 for a shirt, it must be that the benefit you get from the shirt, is greater than the benefit you get from keeping the money. Otherwise you would not have made the exchange.

◆ You reveal that the shirt's dollar "value" to you is equal (or higher) than \$30

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- ◆ When you are **willing to pay** \$30 for a shirt, it must be that the benefit you get from the shirt, is greater than the benefit you get from keeping the money. Otherwise, you have not made the exchange.
- ◆ You reveal that the shirt's dollar "**value**" (the benefit you get from the shirt, higher) than \$30

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Consider the
Demand for coffee
by the cup

