Economists assume consumers are “rational”: The price paid, measures the benefit (in dollars) the consumer gets from the good

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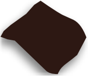

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Sometimes we regret a purchase: once home we feel we paid “too much”. Economists call this “irrational” behavior

- 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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Consider the Demand for coffee by the cup