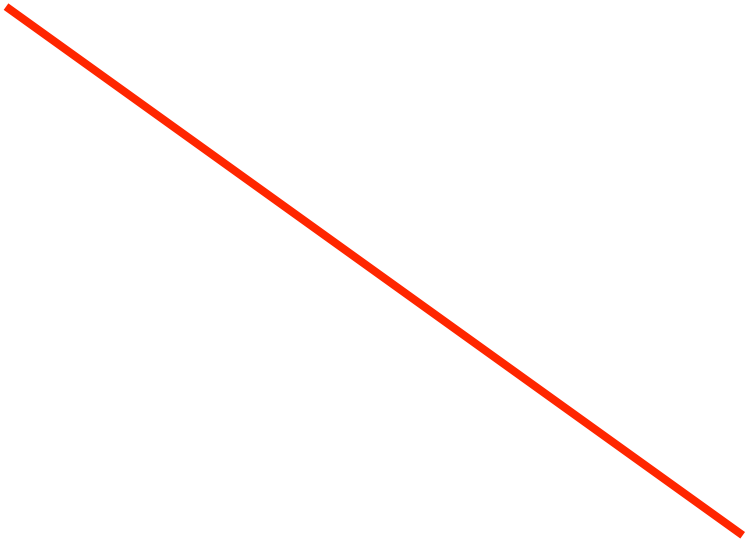


$S(\text{cost})$





**Optimum Output Level**





We **should**  
produce all units the  
consumer **values** enough to  
pay the **cost** of bringing  
them to market

Value to consumer

cost



Value to  
consumer  
Greater  
than Cost



**Cost Greater  
than**

**Value to  
consumer**

We **should not** produce units  
the consumer **does not value**  
enough to pay the **cost** of  
bringing them to market



































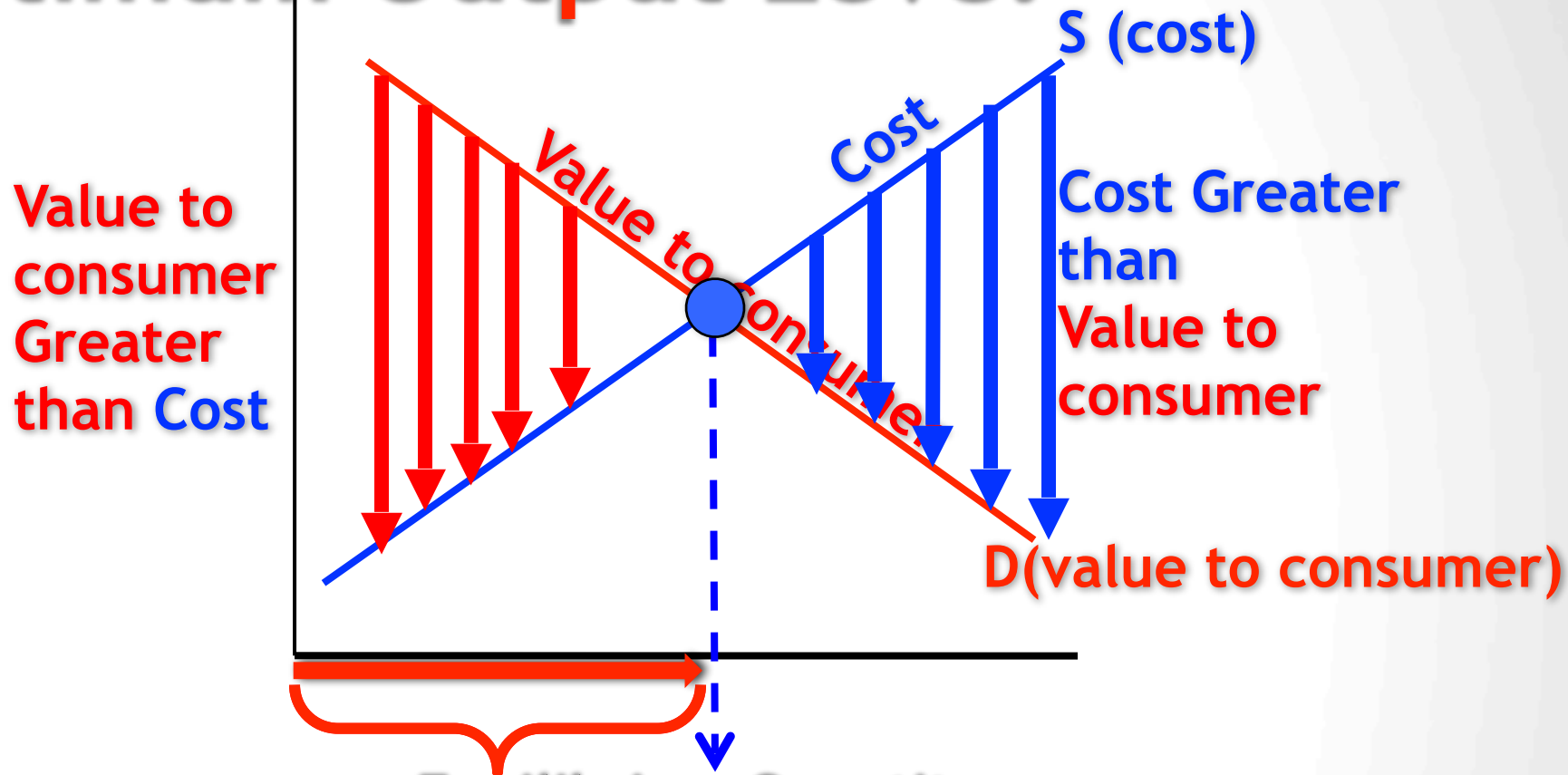
**Equilibrium quantity**



D (value to consumer)

**This many many units should be  
produced**

# Optimum Output Level



**This many many units **should** be produced**

