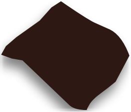
The price paid, measures the benefit (in dollars) the consumer gets from the good



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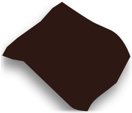

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Sometimes we buy on impulse and this does not apply…in economics, we assume consumers are rational most of the time

- 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

The price paid, measures the benefit (in dollars) the consumer gets from the good

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# Consider the Demand for coffee by the cup