

4





\$1

.

—

—

—

—

—

—

—

—

—

—

—

—

—

—

—

—

—

4

D

\$4

—

—

—

If the price is \$4, s/he would buy one cup

If the price is \$3, s/he would buy two cups: the first cup because it's worth more than \$3 (we know this because s/he was willing to pay \$4 for it) and the second cup because she gave up \$3 for it

\$3

—

—

—

—

—

—

—

If the price is \$2, s/he buys 3 cups: the first cup which it's worth \$4, the second cup which is worth \$3 and the third cup which is worth exactly \$2

The 1st cup is worth \$4 to the consumer

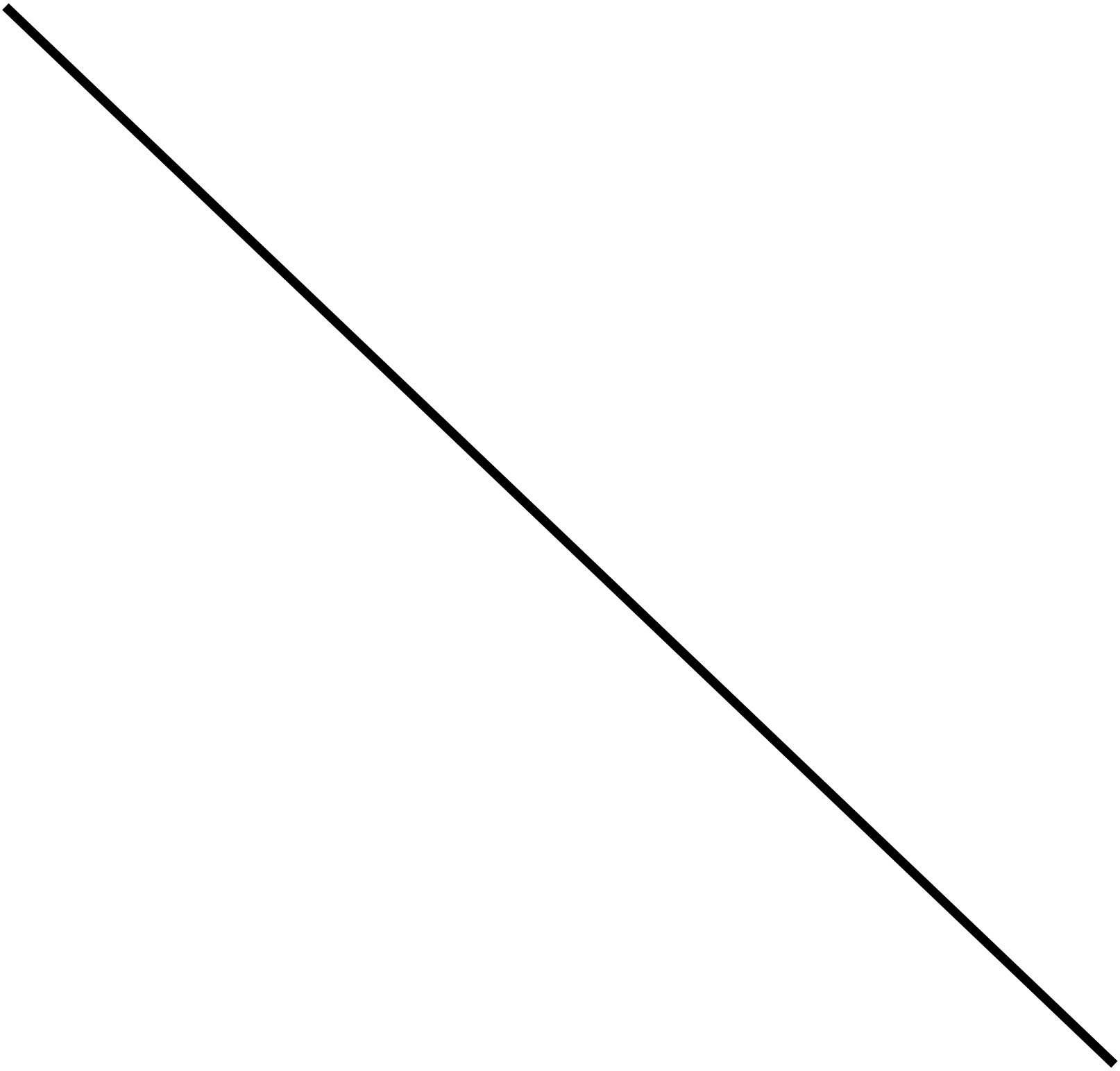
The 2nd cup is worth \$3

\$5



If the price is \$5, s/he does not buy coffee

Gives us the **Value**
of each unit to
consumer









2



Consider the
Demand for coffee
by the cup

\$2.

—

—

—

—

—

—

—

—

—

—

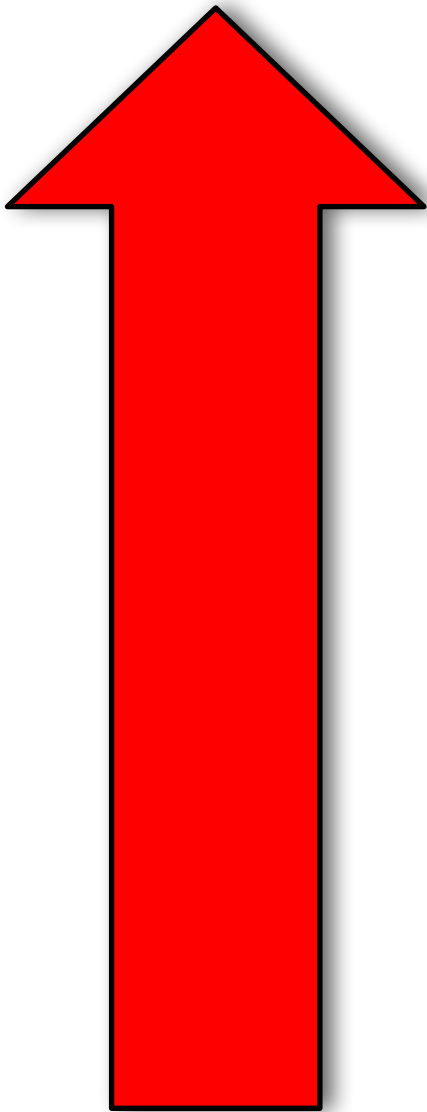
—



If the price is \$1, s/he buys 4 cups: the first cup because it's worth \$4, the second cup which is worth \$3, the third cup which is worth \$2 and the fourth cup which is worth exactly \$1

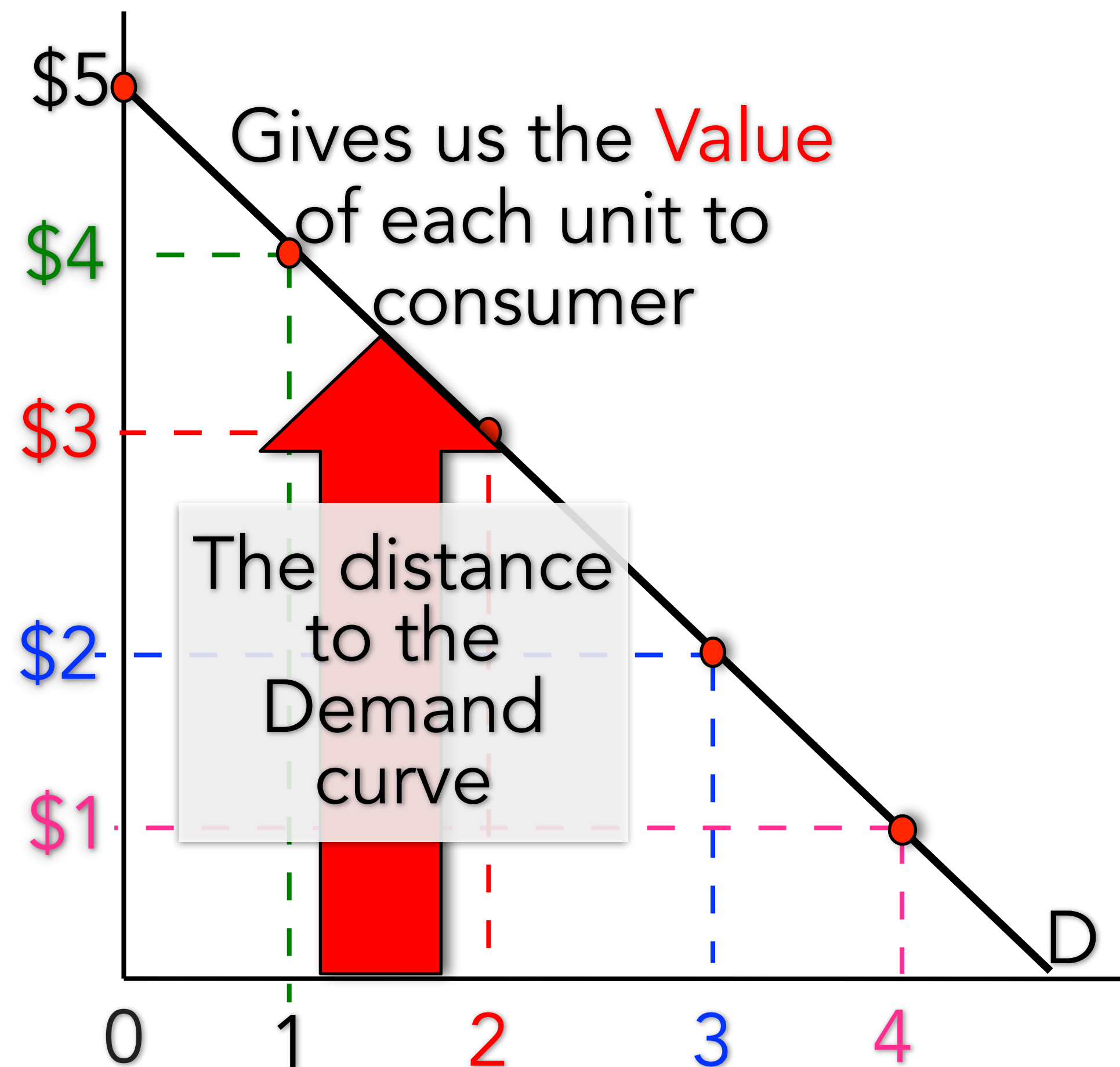
The 3rd cup is worth \$2

The 4th cup is worth \$1



The distance
to the
Demand
curve

Consider the
Demand for coffee
by the cup



If the price is \$5, s/he does not buy coffee

If the price is \$4, s/he would buy one cup

If the price is \$3, s/he would buy two cups: the first cup because it's worth more than \$3 (we know this because s/he was willing to pay \$4 for it) and the second cup because she gave up \$3 for it

If the price is \$2, s/he buys 3 cups: the first cup which it's worth \$4, the second cup which is worth \$3 and the third cup which is worth exactly \$2

If the price is \$1, s/he buys 4 cups: the first cup because it's worth \$4, the second cup which is worth \$3, the third cup which is worth \$2 and the fourth cup which is worth exactly \$1

Cost per unit

