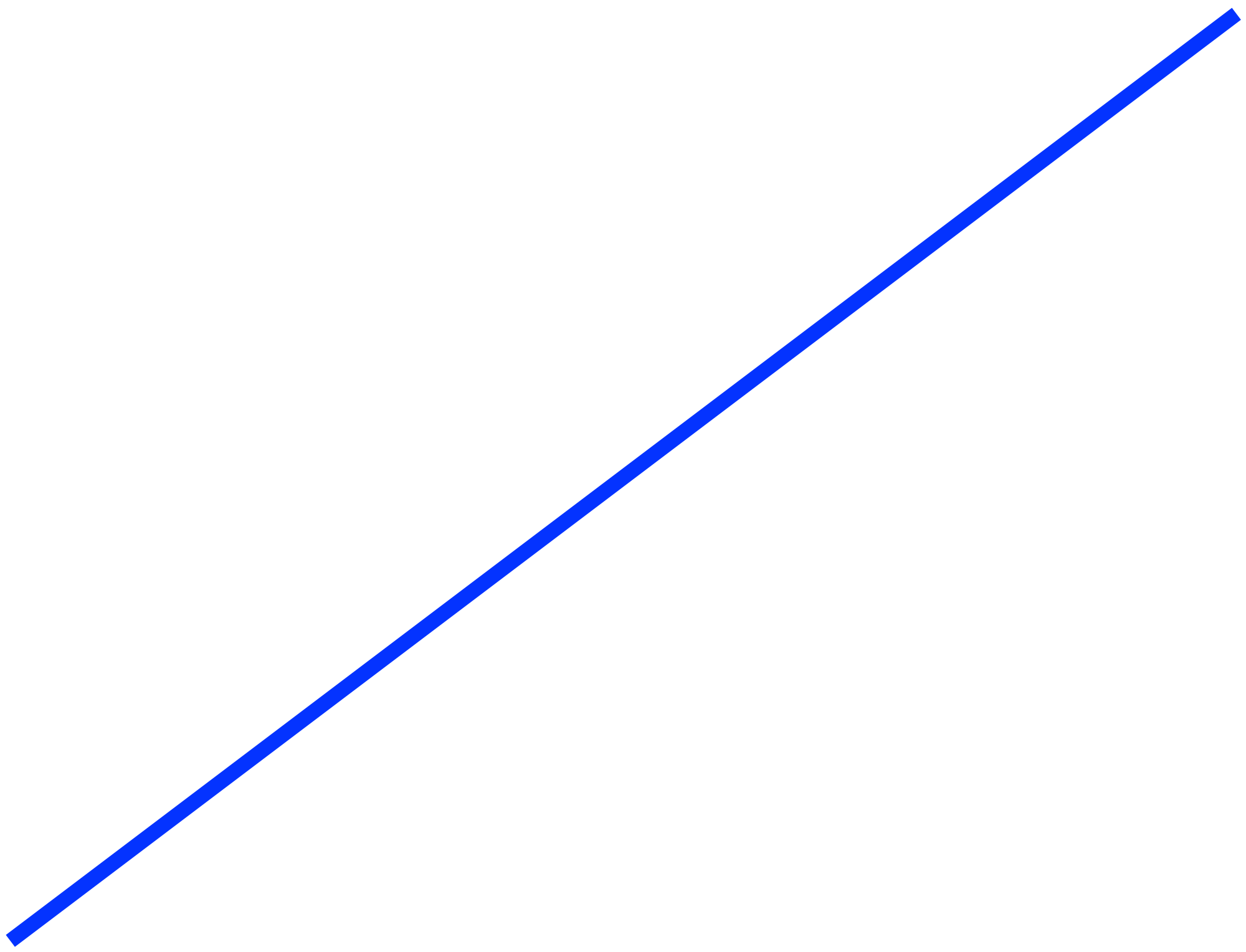


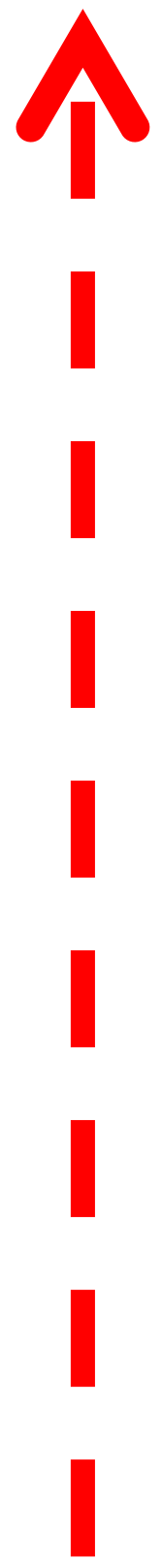
1st

100th

Supply (cost)

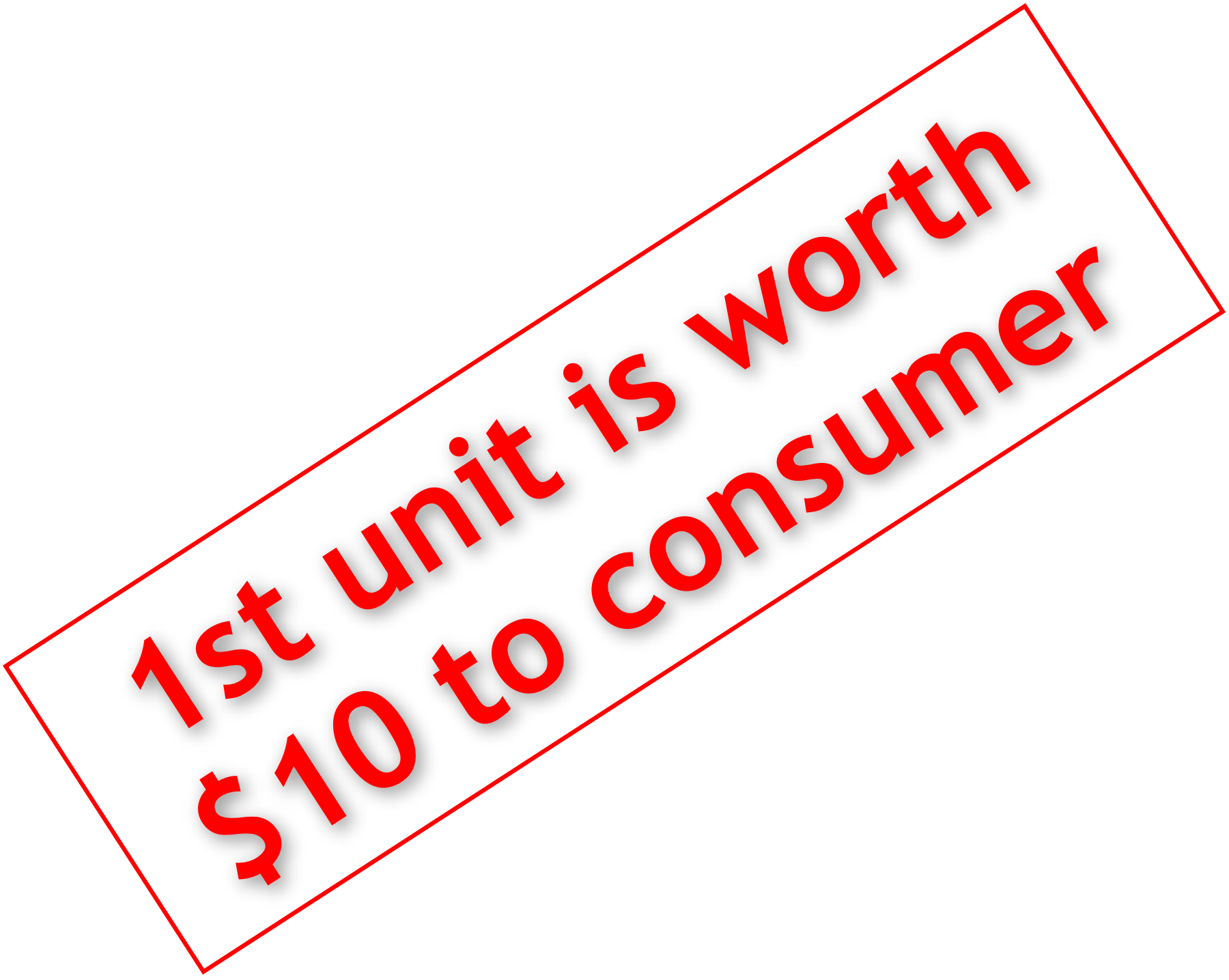
Cost=$10

$10



$1

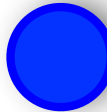
Cost=$1

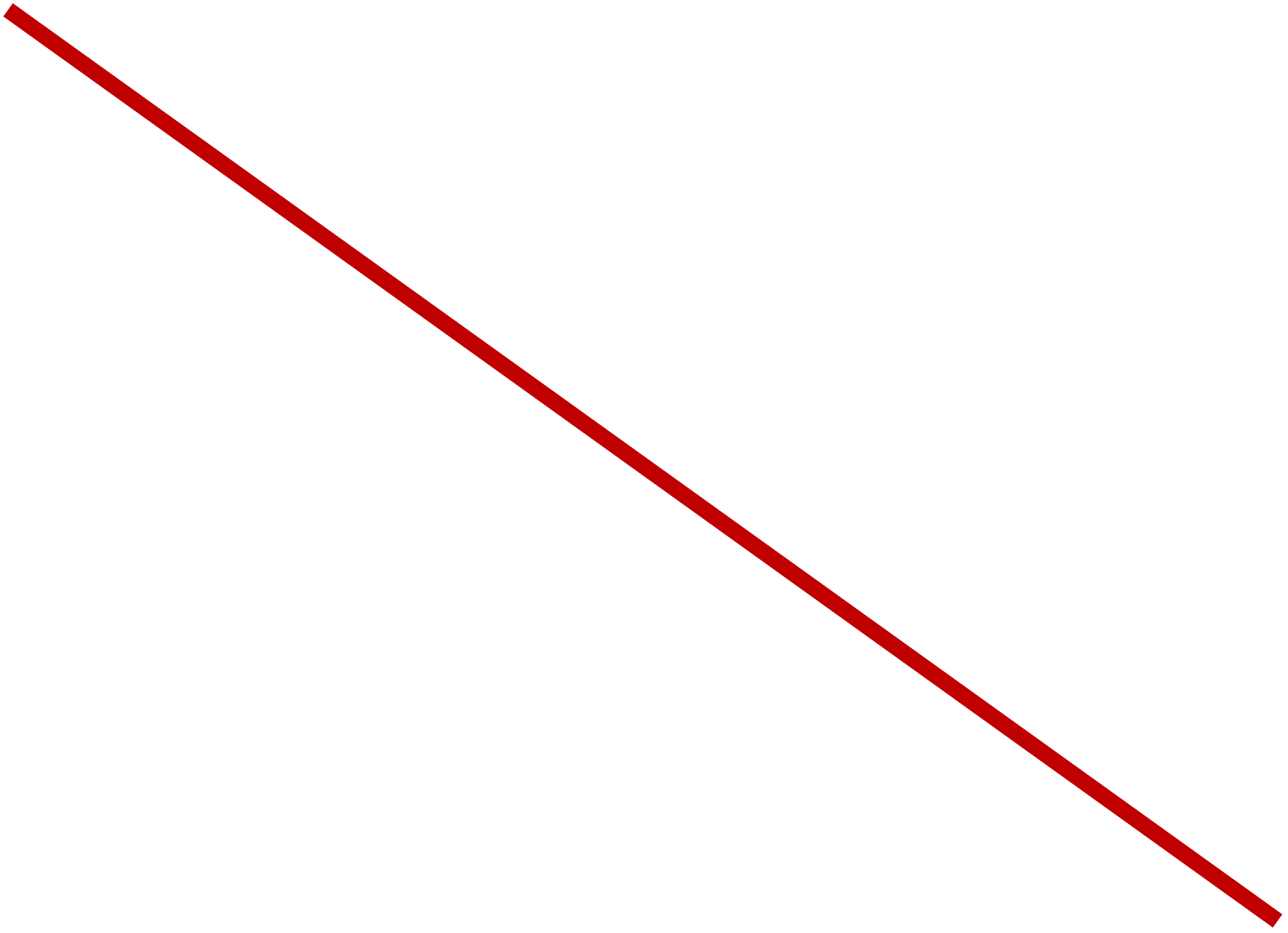

1st unit is worth
$10 to consumer

Demand (Value to consumer)

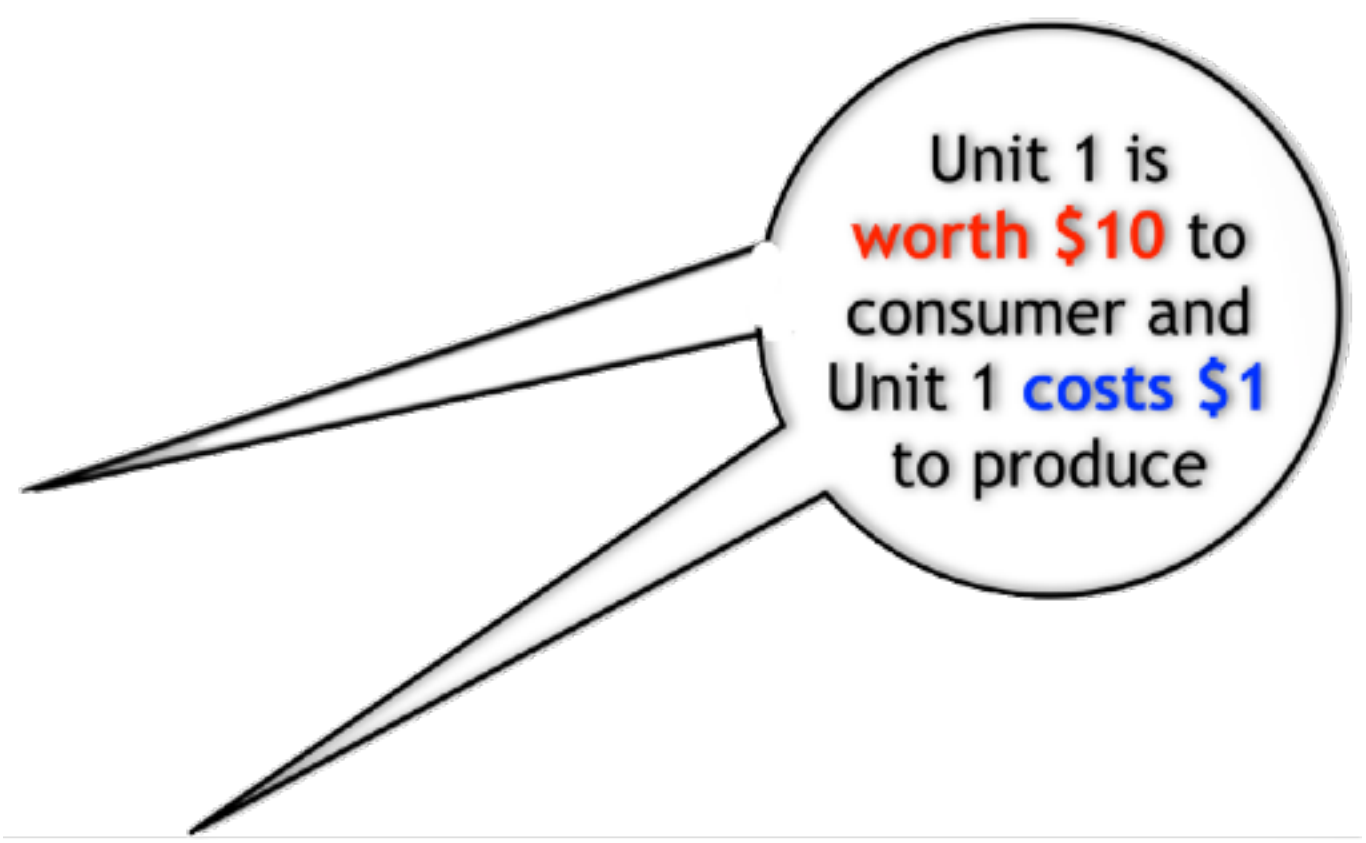
100th unit is worth
$1 to consumer

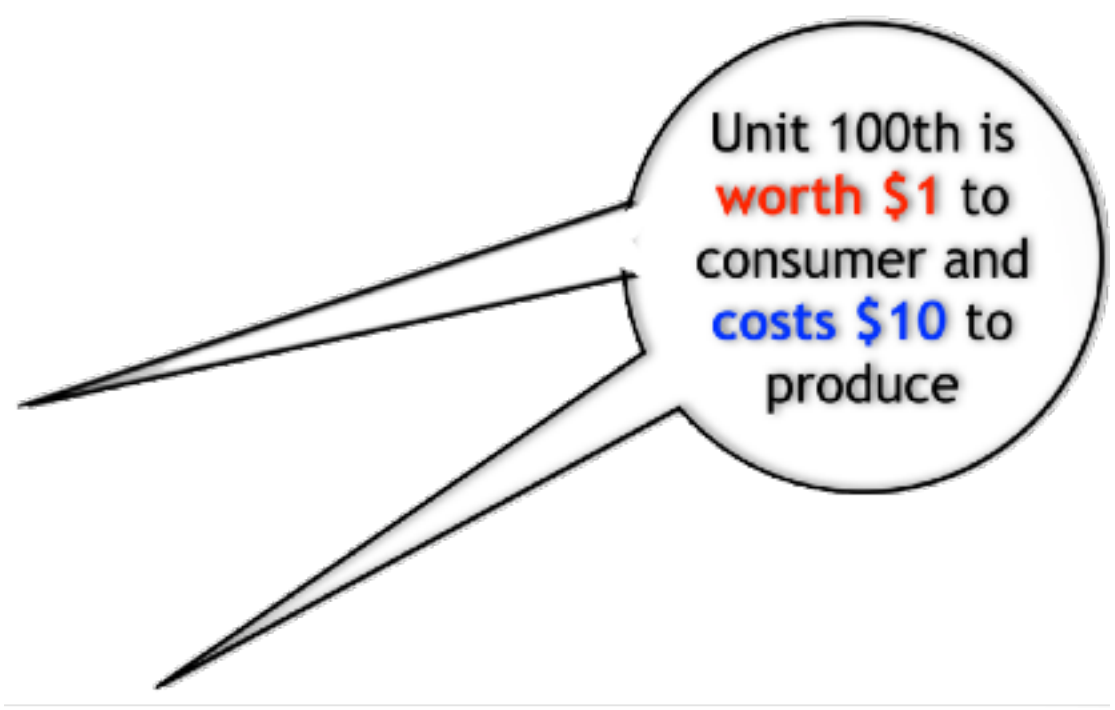
How many many units should be produced?





Optimum Output Level

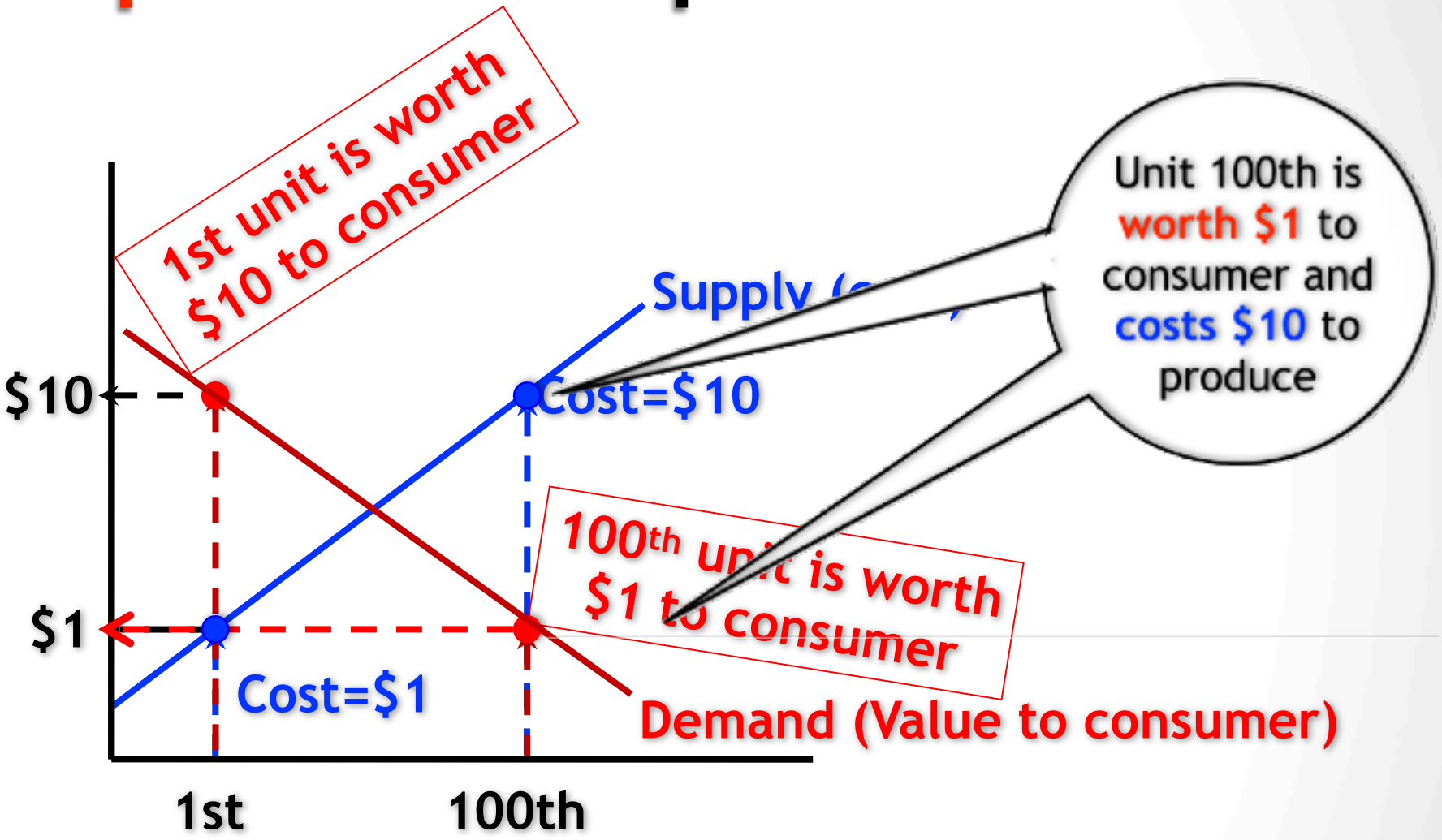

Unit 1 is
worth $10 to
consumer and
Unit 1 costs $1
to produce

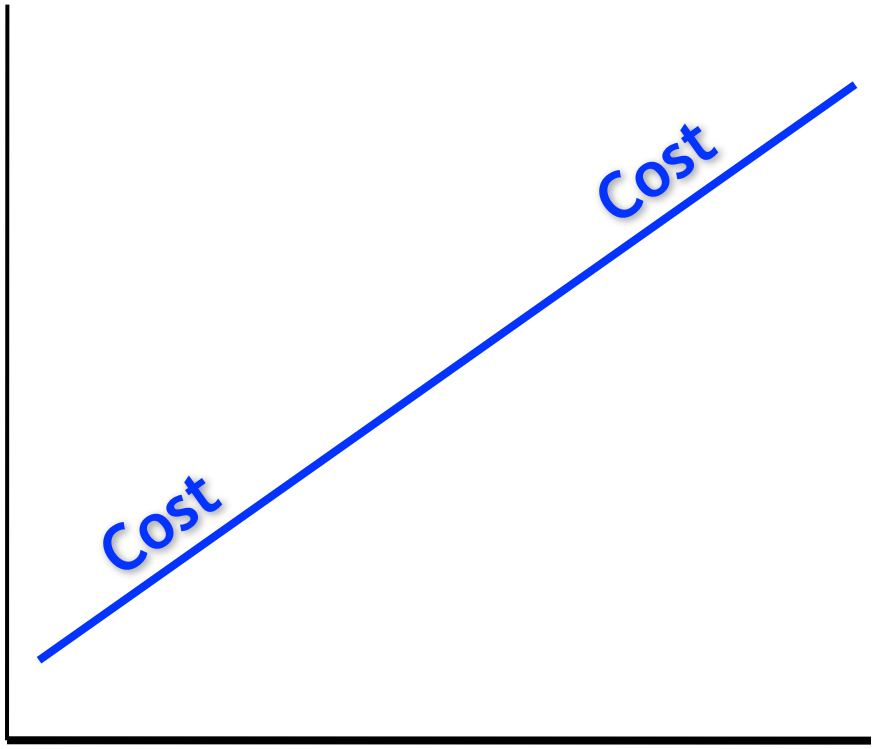

Unit 100th is
worth $1 to
consumer and
costs $10 to
produce

Unit 1 should be produced

Unit 100th should NOT be produced

Optimum Output Level




Cost
Cost