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\$4

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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

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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

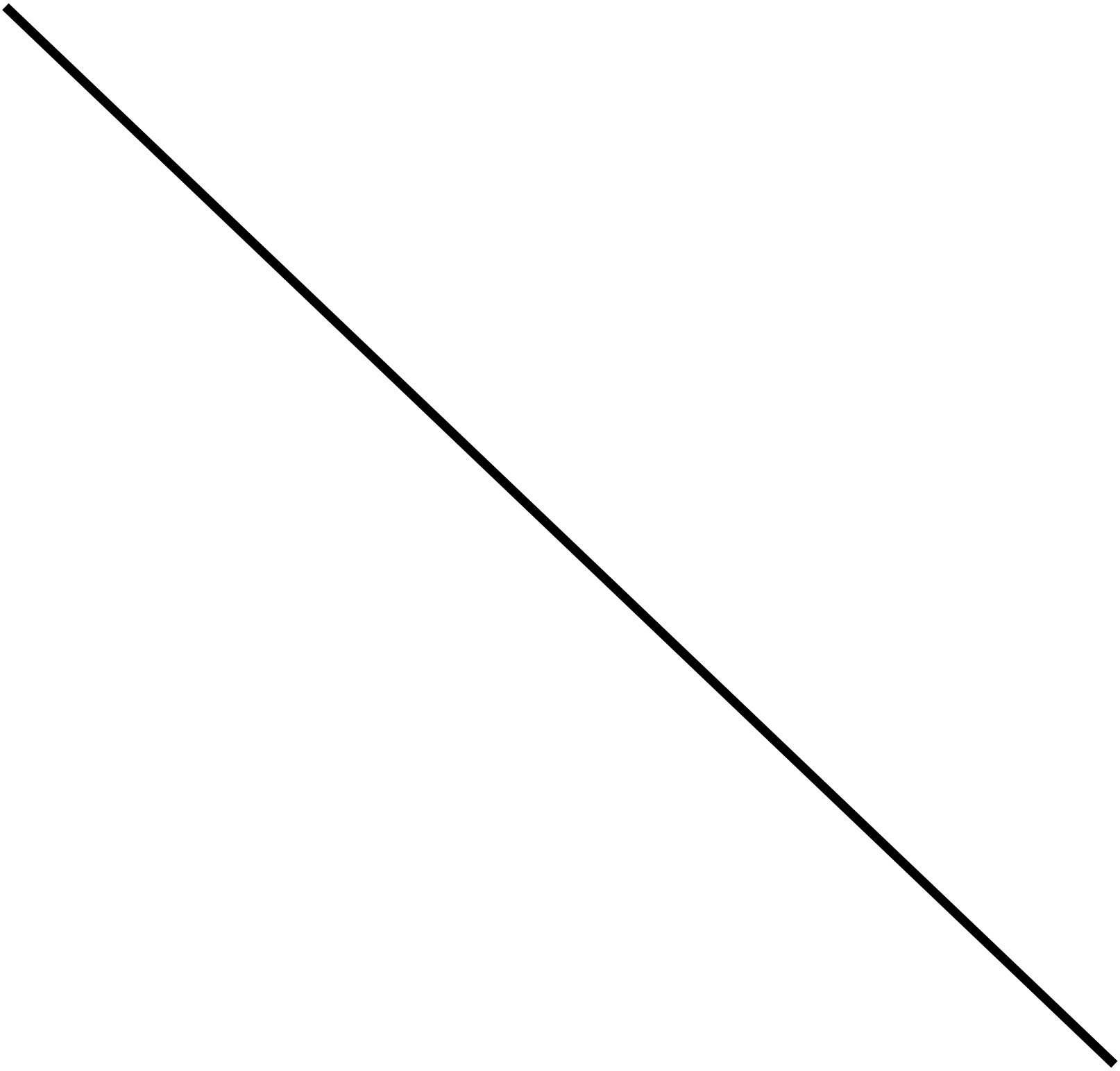
**\$5**





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.

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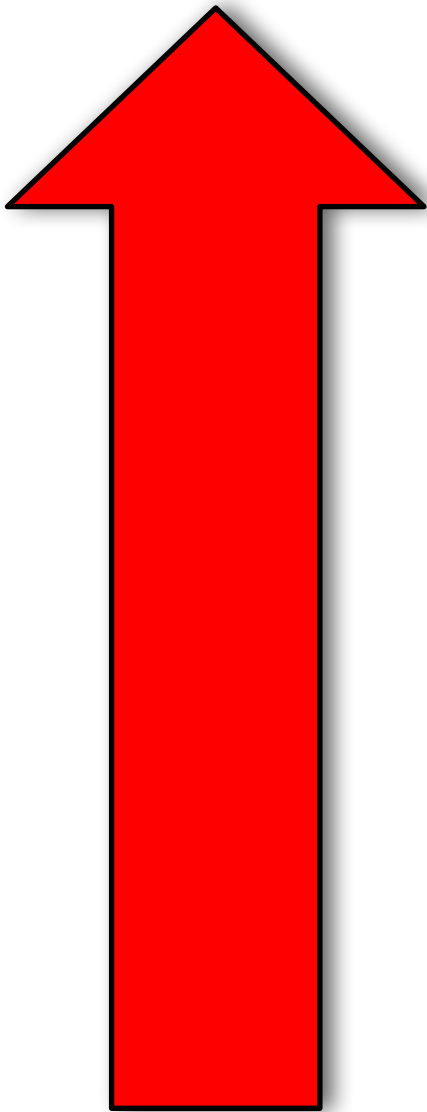
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If the price is \$1, s/he buys 4 cups: the first cup because it's worth \$4, the second cup which is worth \$3, the third cup which is worth \$2 and the fourth cup which is worth exactly \$1

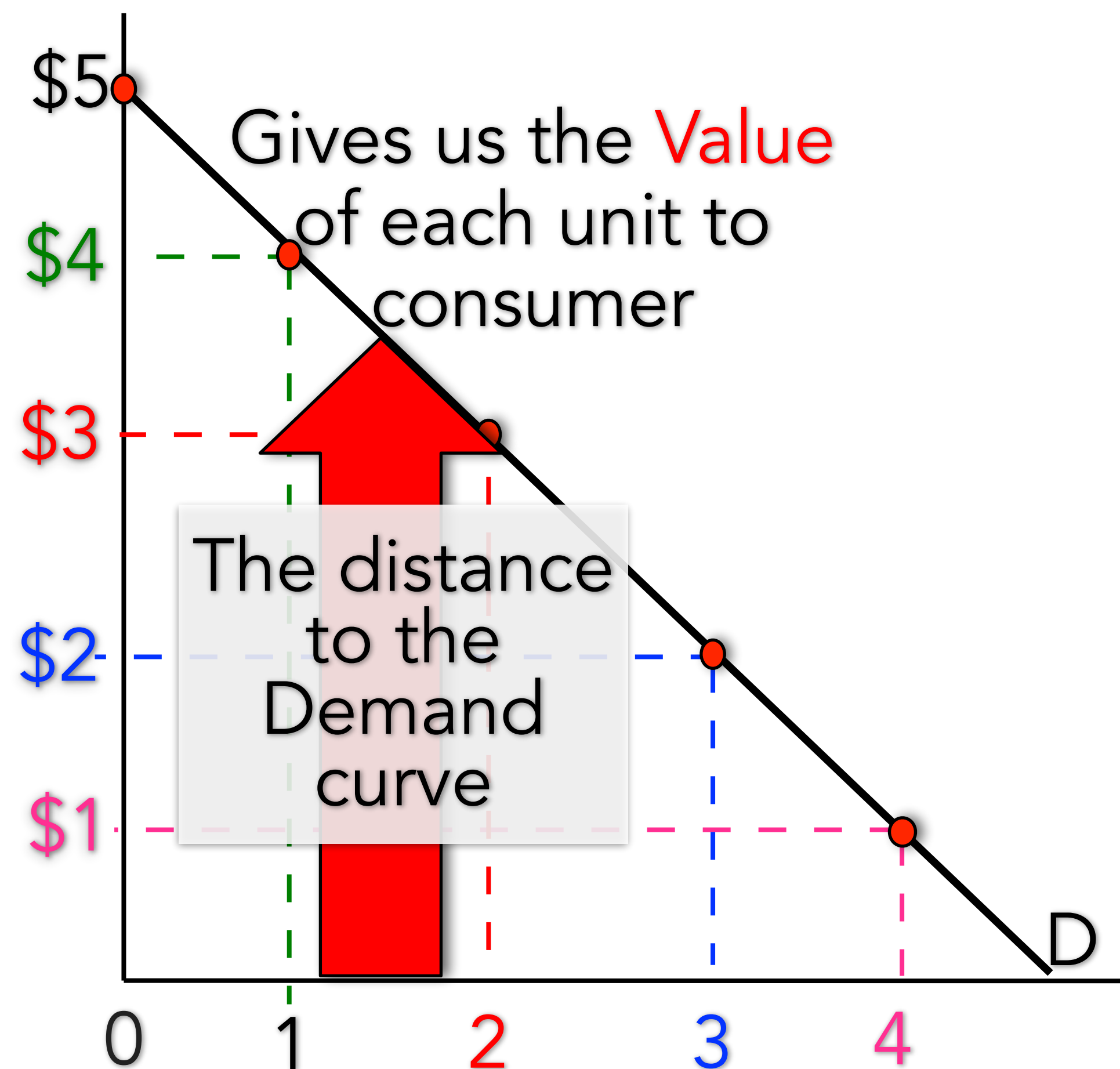
The 3rd cup is worth \$2

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

