



H



W



**m**

**a**

n



**Y**

**m**

**a**

n

**Y**

u

n







**S**

S

h



u



d



**b**

e

**p**





o

u



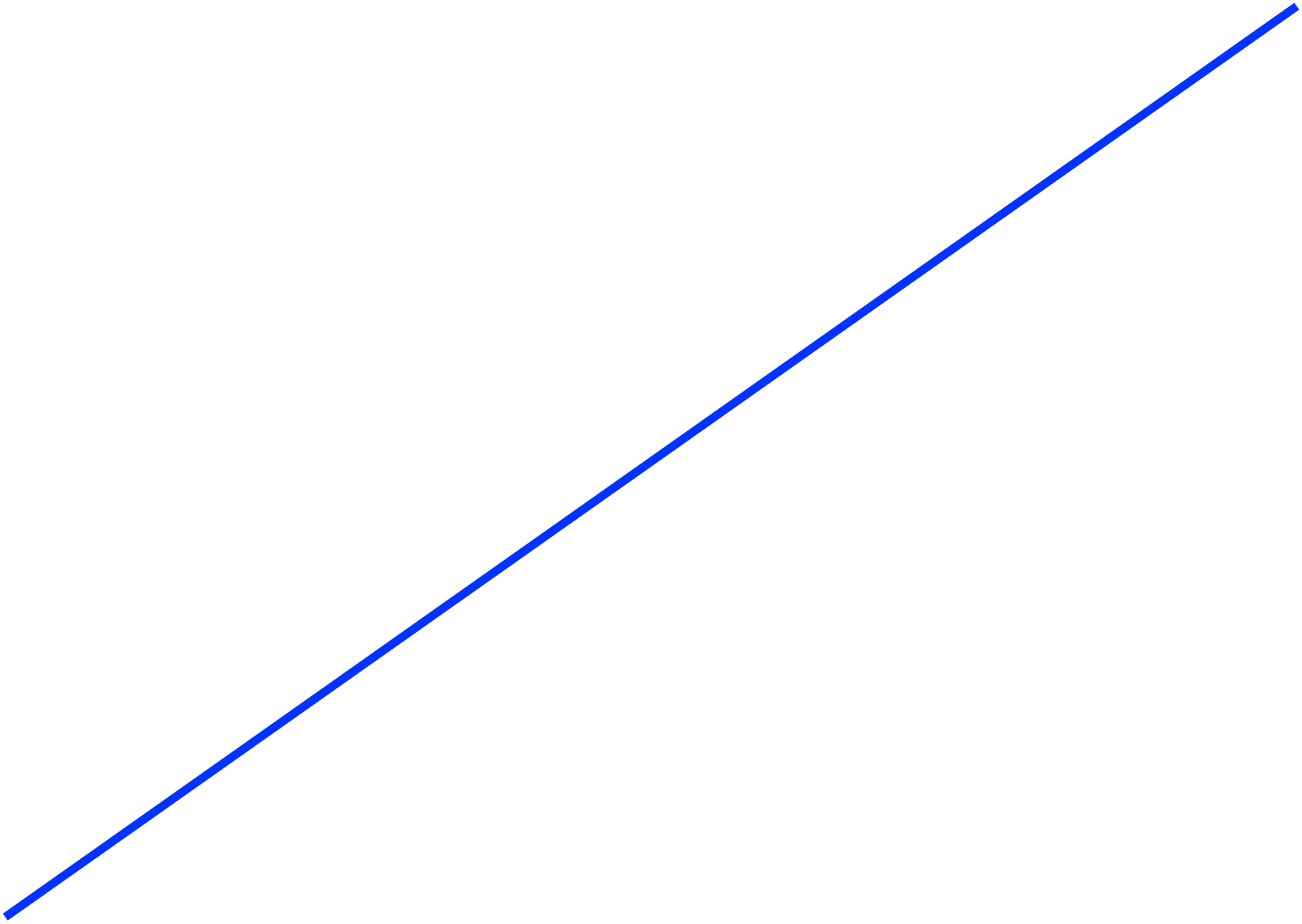


e



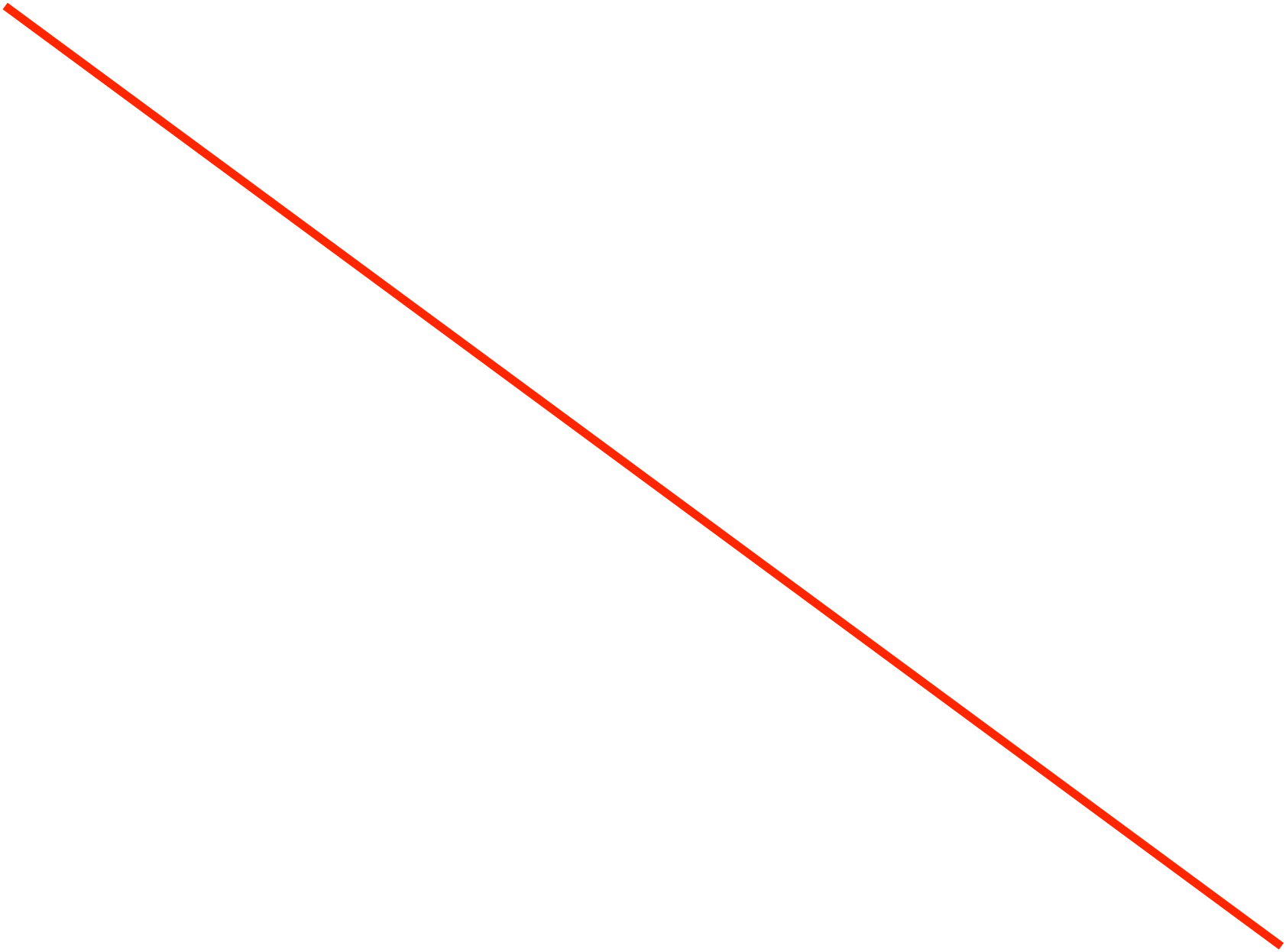






$S(\text{cost})$









Value to consumer

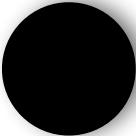
Cost

Value to  
consumer  
Greater than  
Cost

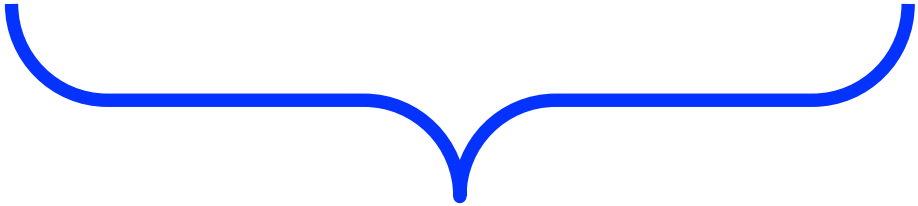
Cost

Greater than

Value to  
consumer



We **should not** produce units  
consumes **do not value** enough to pay  
the **cost** of producing these units





**We should**

produce all units consumers **value**

enough to pay the **cost** of producing

these units

























*Equilibrium  
Quantity*

D(value to consumer)

The Optimum Output Level

For these units





For these units







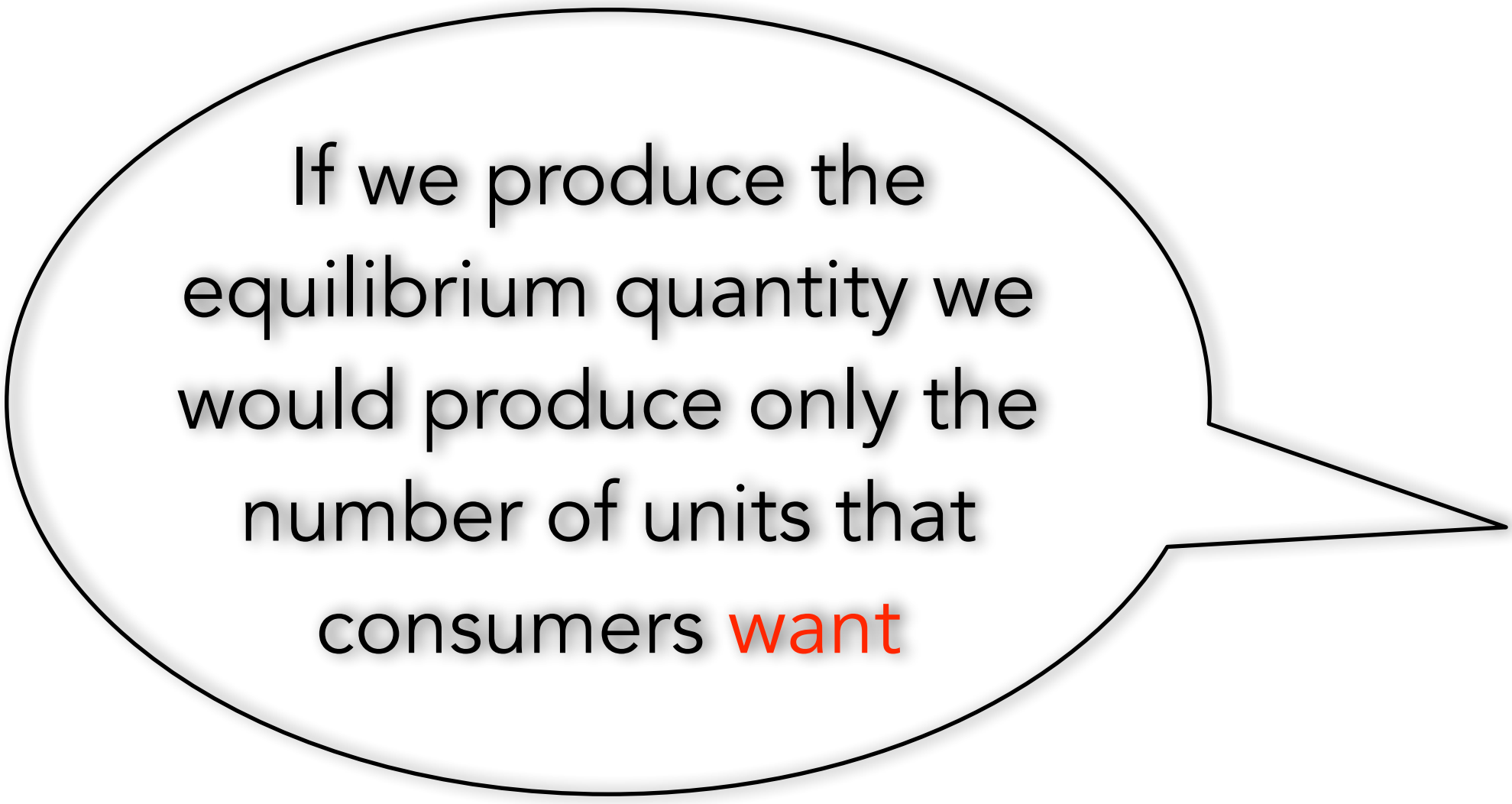




We should

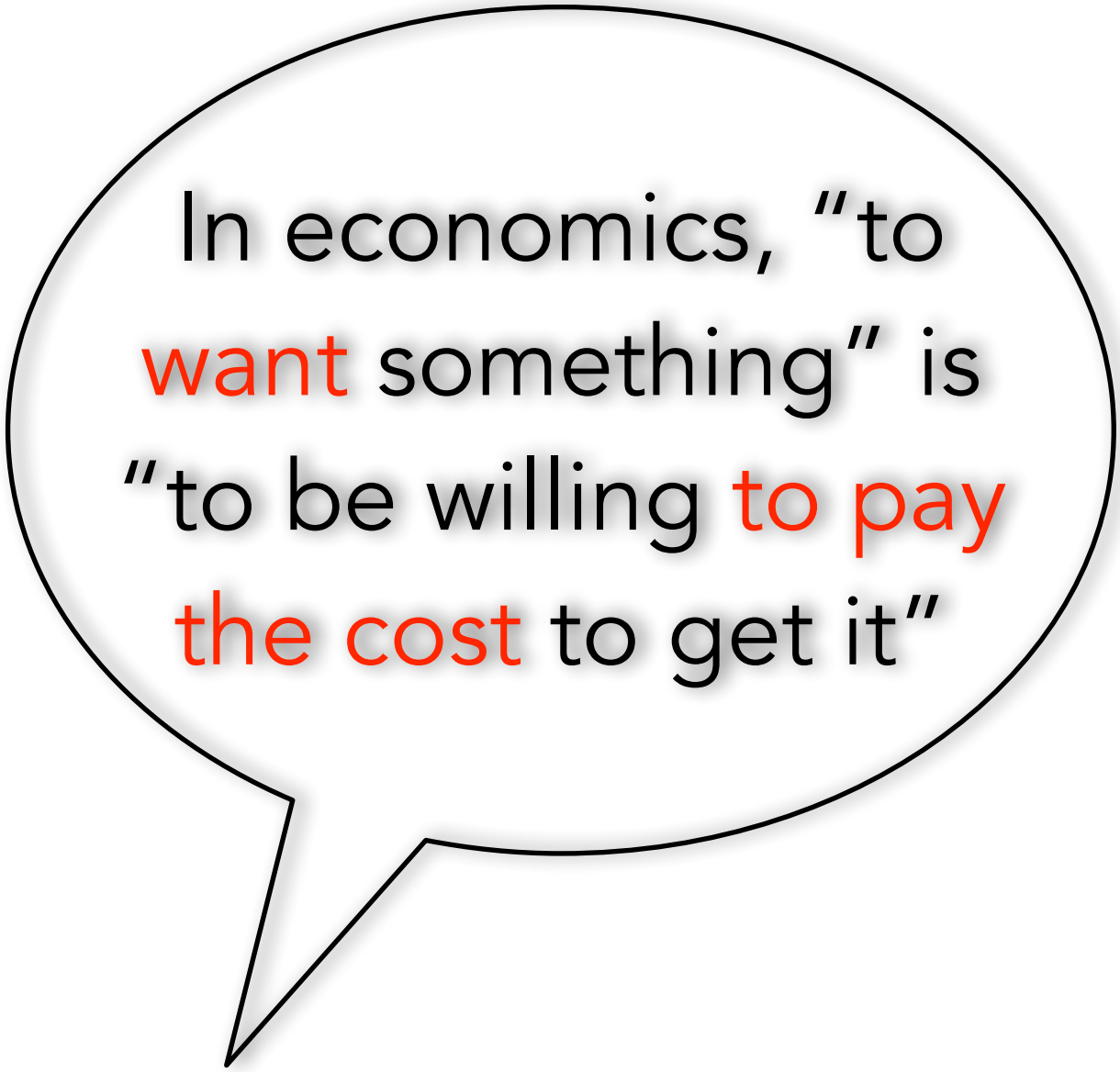
produce all units consumers want

We should not produce units  
consumes do not want

A large, white speech bubble with a black outline and a drop shadow, pointing towards the right. Inside the bubble is text explaining equilibrium quantity.

If we produce the  
equilibrium quantity we  
would produce only the  
number of units that  
consumers **want**

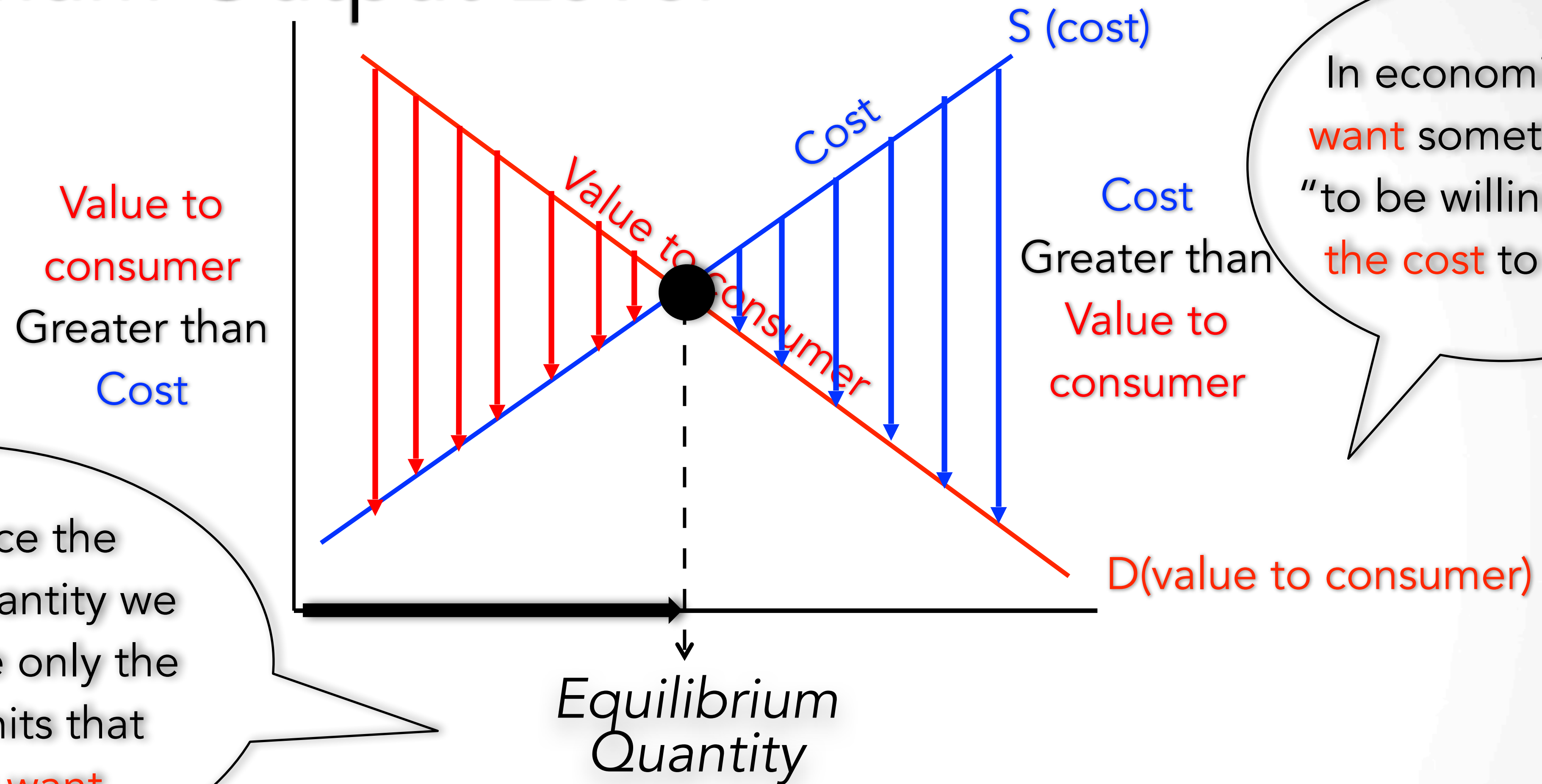




In economics, "to  
**want** something" is  
"to be willing **to pay**  
**the cost** to get it"

How many many units should be produced?

# The Optimum Output Level



In economics, "to **want** something" is "to be willing to **pay** the **cost** to get it"

If we produce the equilibrium quantity we would produce only the number of units that consumers **want**

We **should** produce all units consumers **want**

We **should not** produce units consumers **do not want**

