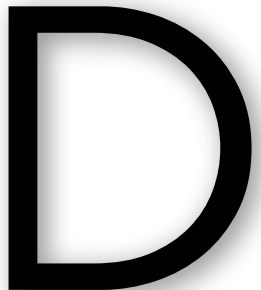
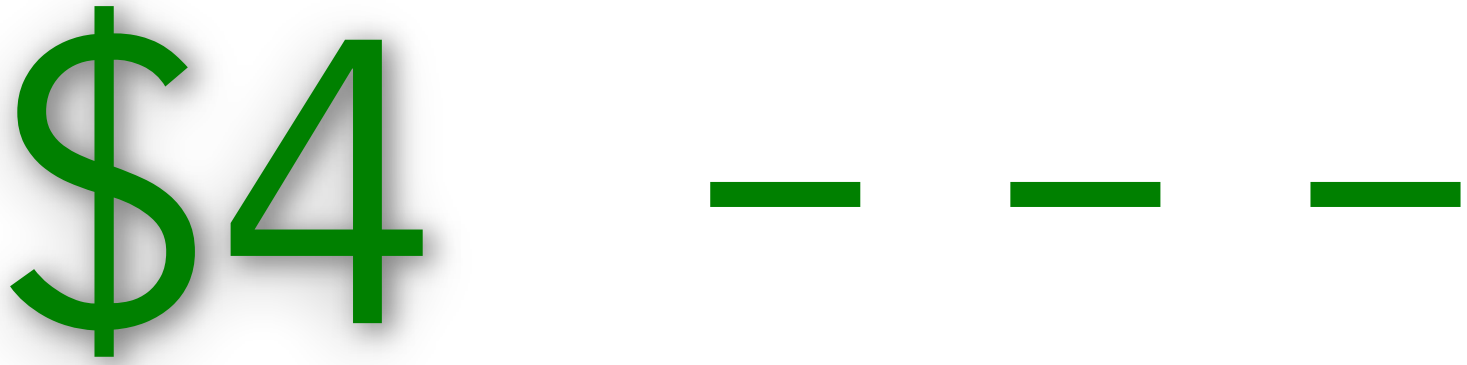
4

$1

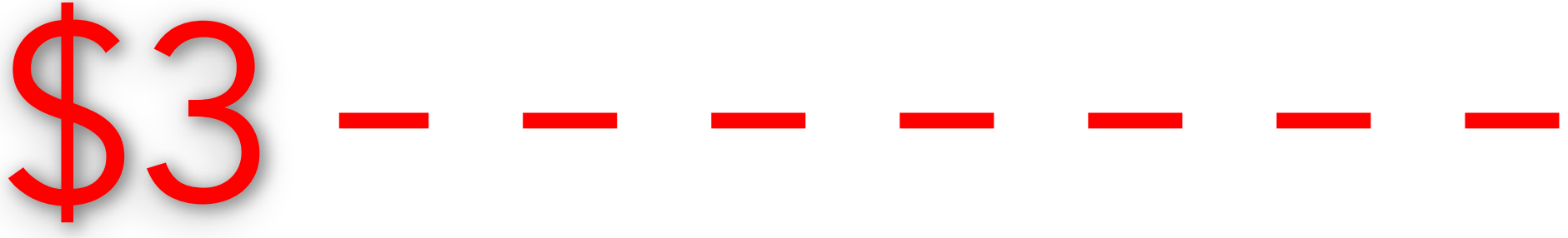
4




$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

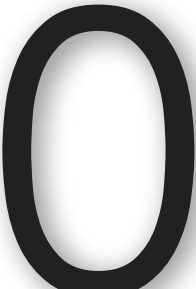

$3

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

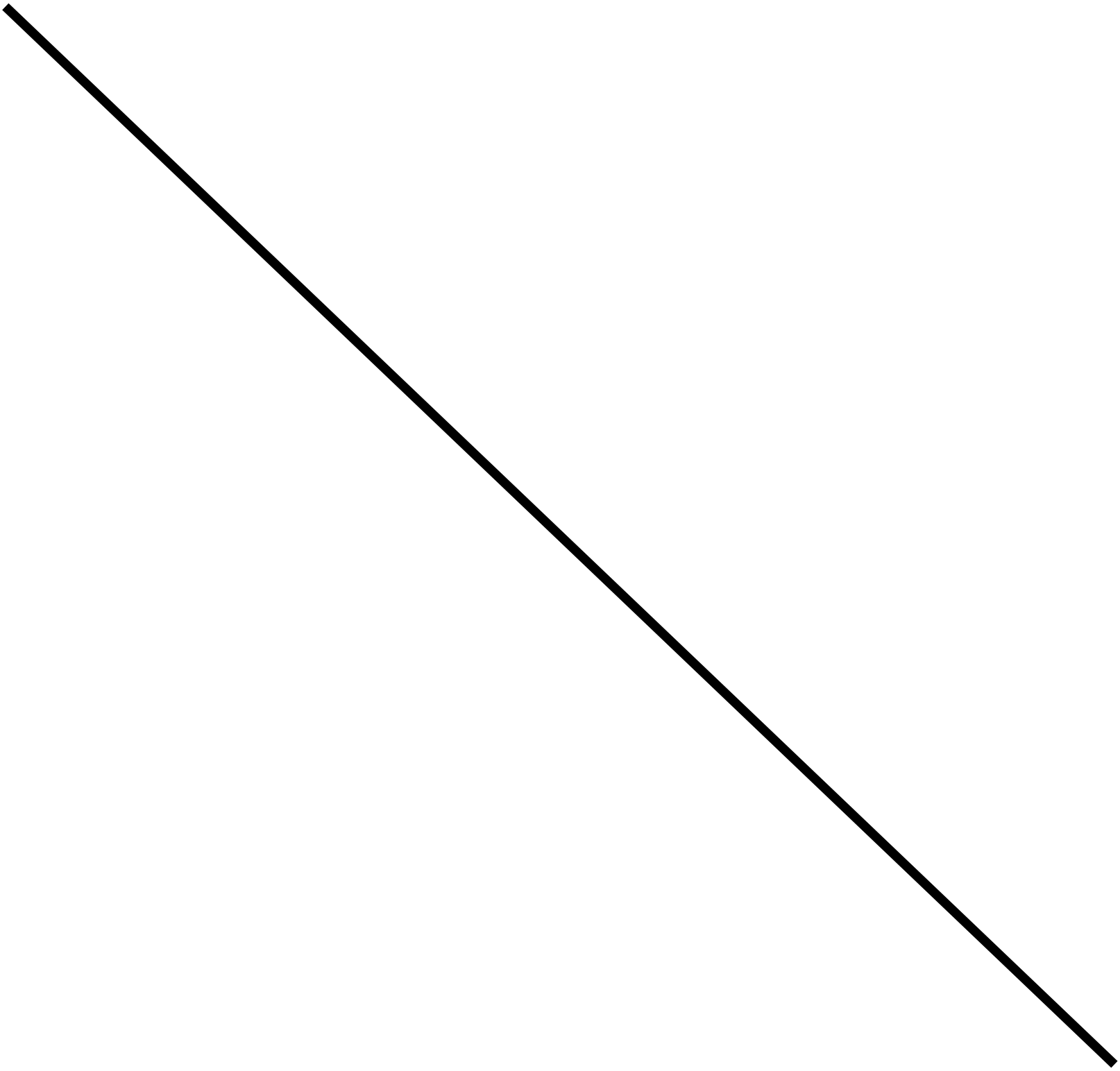
The 2nd cup is worth $3

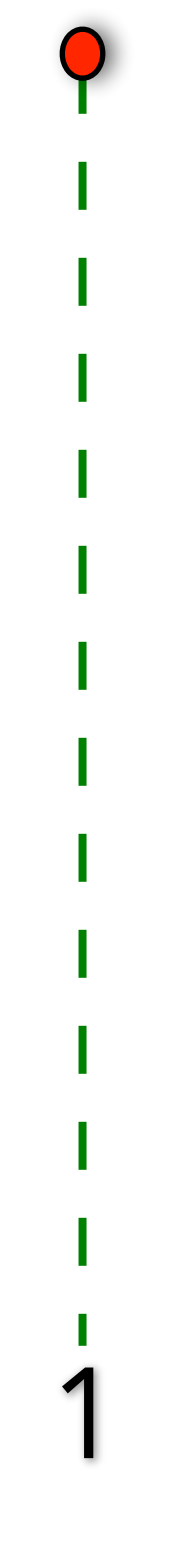
$5

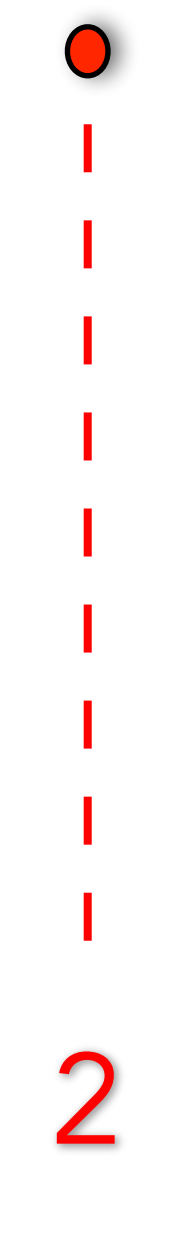


If the price is $5, s/he does not buy coffee

Gives us the Value of each unit to consumer




1


2

Consider the Demand for coffee by the cup

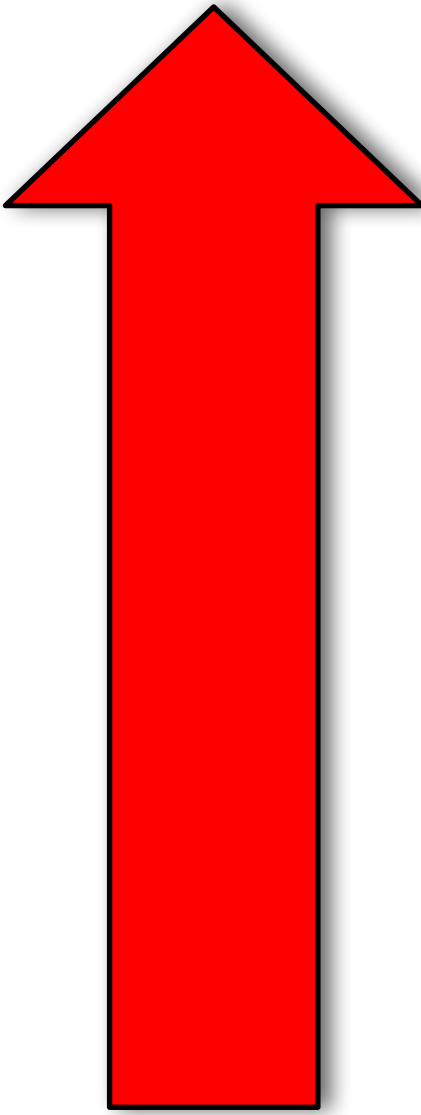
$2

3

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

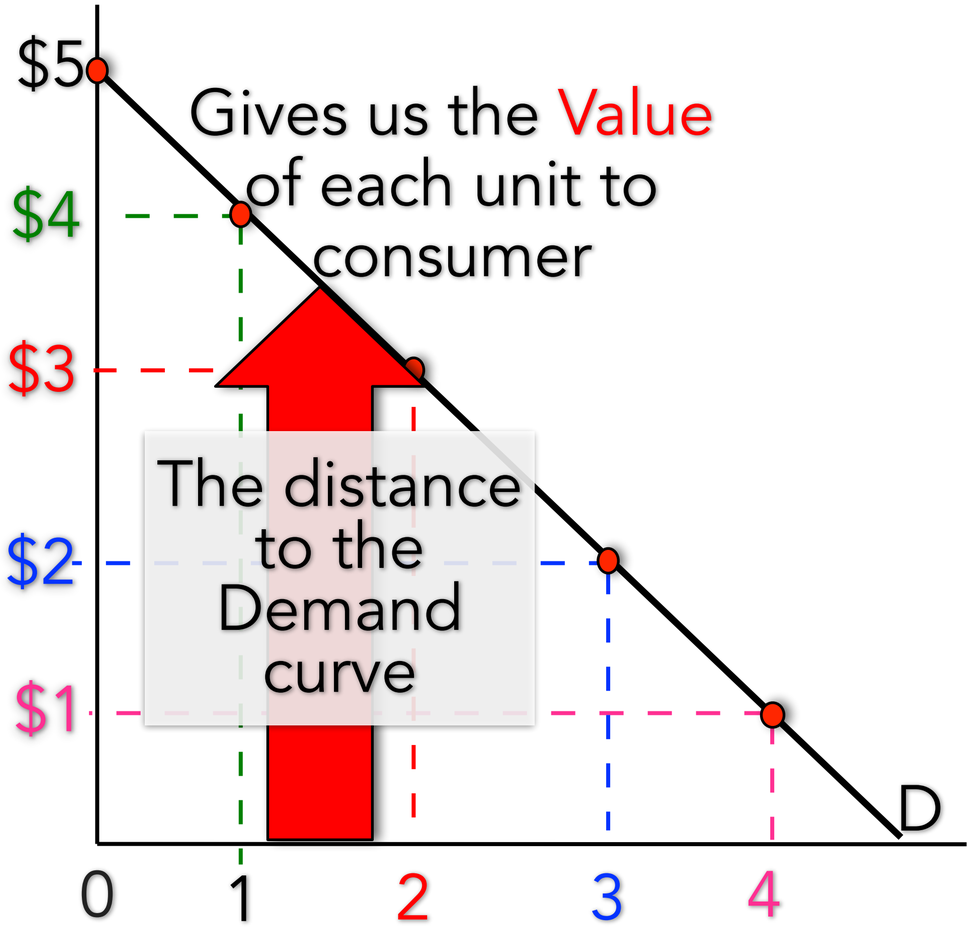
The 3rd cup is worth $2

The 4th cup is worth $1



The distance to the Demand curve

Consider the Demand for coffee by the cup



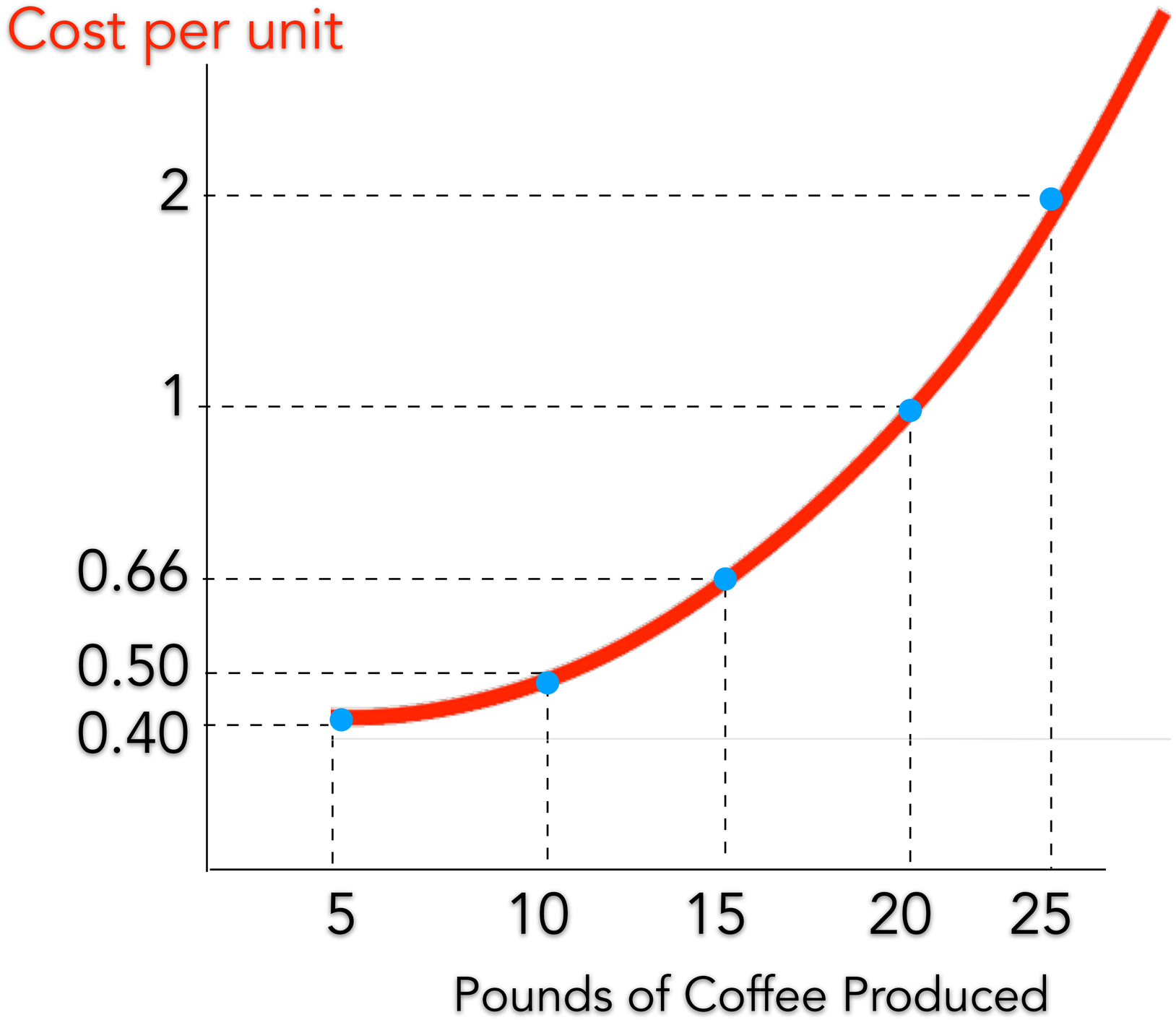
If the price is $5, s/he does not buy coffee

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
2
1
0.66
0.50
0.40
5
10
15
20
25
Pounds of Coffee Produced