

Economists assume consumers are "rational": The **price** paid, measures the **benefit** (in dollars) the consumer gets from the good



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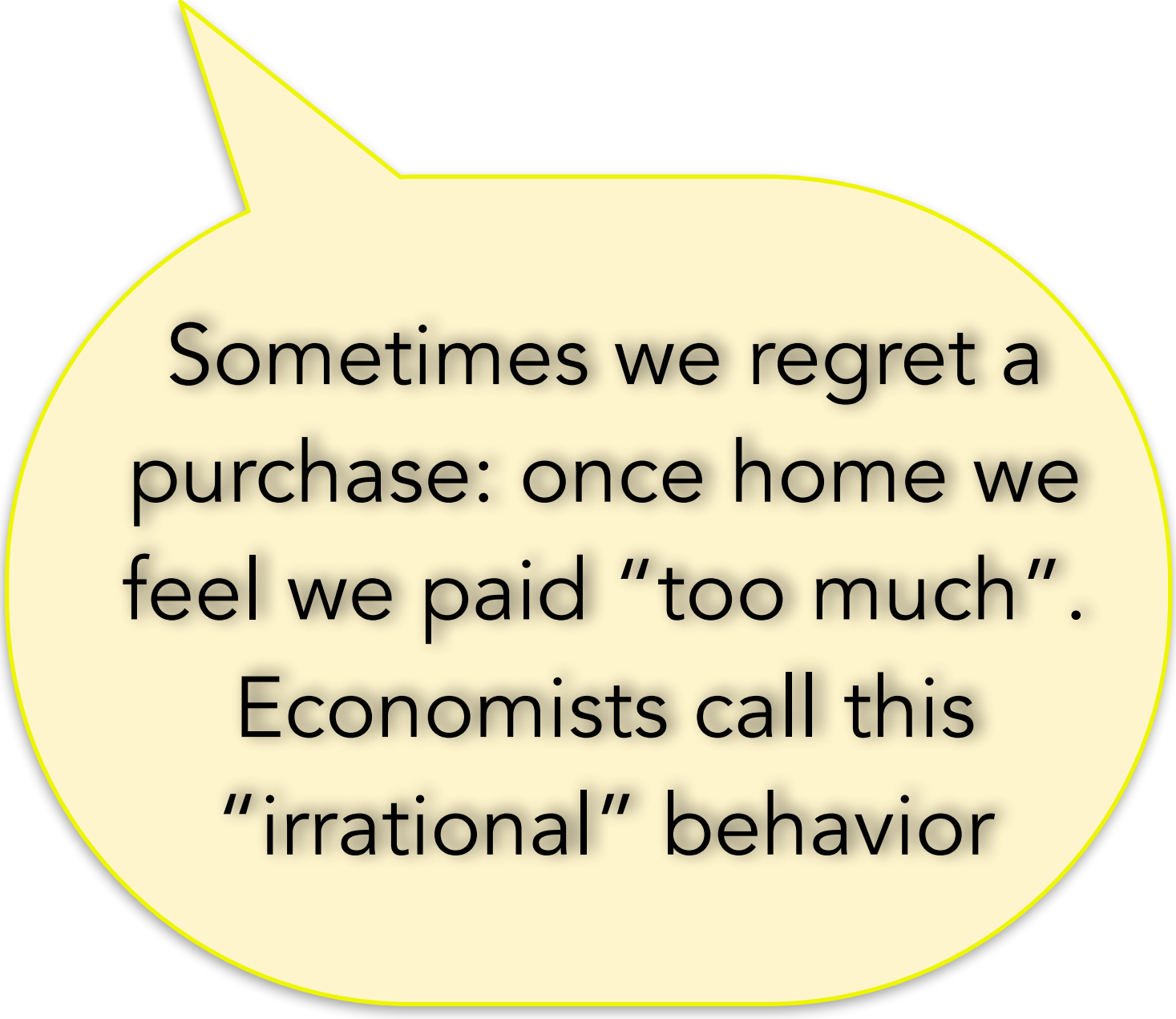
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Sometimes we regret a purchase: once home we feel we paid "too much".

Economists call this "irrational" behavior

- ◆ When you are **willing to pay** \$30 for a shirt, it must be that the benefit you get from the shirt, is greater than the benefit you get from keeping the money.

Otherwise you would not have made the exchange.

◆ You **reveal** that the shirt's dollar "**value**" to you is equal (or higher) than \$30

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Consider the
Demand for coffee
by the cup

