1 Marginal analysis and consumer choice – Part 2 — Answers

Answers

Work through these after you have tried the questions yourself.

2.1 marginal benefit is the extra benefit from one more unit; marginal cost is the extra cost of one more unit.
2.2 keep going while marginal benefit exceeds marginal cost, and stop where they are equal ($MB = MC$).
2.3 each extra unit of a good gives less added satisfaction – for example, the fifth slice of pizza is enjoyed far less than the first.
2.4 yes – the marginal benefit ($8) is greater than the marginal cost ($5), so the unit adds net value.
2.5 past $MB = MC$, each extra unit costs more than it is worth, reducing your total net benefit.