

Have you ever noticed the difference between the vending machine that sells soft drinks, and the vending machine that sells newspapers such as USA Today or The Washington Post?

As soon as you've inserted the required amount of money, the newspaper vending machine opens up, and you can take the one copy that you paid for. It seems to assume that you are honest enough not to take a second or even more copies without paying more.

By contrast, after you've inserted the right amount of money into the soft drink machine, you push the proper button, and out comes one bottle or can that you paid for. Unlike the newspaper vending machine, the soda machine does not give you the opportunity to take more than the one can or bottle that you paid for.

How would you explain the difference? The simplest answer may be common sense, and the nature of the product in the vending machine. In the case of USA Today or The Washington Post, the newspaper reader knows that he has very little use for a second copy of the day's newspaper...unless it's raining, and he has no umbrella. Moreover, the news value offered by today's paper is gone by the end of the day. So, he is not likely to be tempted to take a second copy even if he could take it without paying for it.

The case of the Pepsi or Coke machine presents a very different scenario in that a second bottle of Pepsi is quite capable of delivering significantly more satisfaction to the consumer than a second copy of newspaper can provide. Additionally, the satisfaction provided by the soft drink is not as perishable as the news value delivered by the newspaper. The consumer knows this, and so does the soft drink manufacturer.

Economists have given this bit of common sense a fancy name—"diminishing marginal utility" , which is they offer as the key to understanding the difference behind the thinking behind the two different vending machines. It is safe to assume that most consumers will take only one copy of the newspaper because the marginal utility of a second copy of the day's paper is fairly close to zilch. What added satisfaction could a second copy of the same newspaper issue provide a reader. So, in selling this product newspaper publishers rely not so much on the honesty of the average reader as much as on the close to zero marginal utility of a second copy of the day's paper.

On the other hand, soda manufacturers do not give consumers the opportunity to take more than one soda bottle at a time. Each bottle must be paid for before it is provided. And, sometimes, you may be forced to pay more than the posted price of a Pepsi when the vending machine fails to give you the change that rightly belongs to you.