



# UTILITY AND PRICES

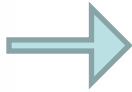
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PII-1, 2012

# Content

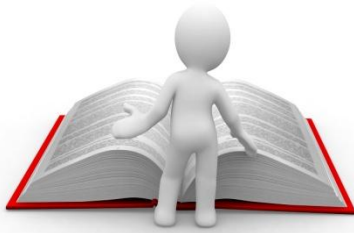
- Utility
- Utility and usefulness
- The utility is related
- Law of Diminishing Marginal Utility
- Shortage. Surplus
- Equilibrium price

# UTILITY

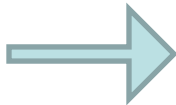
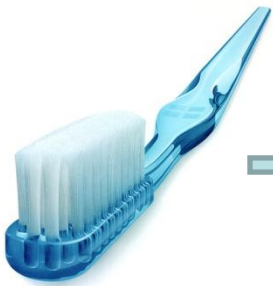
Commodities of different kinds satisfy our wants



ii



is



This characteristic of satisfying a want is known in economics as “utility”

# UTILITY AND USEFULNESS

Utility should not be confused with



Utility determines  
“the relationship  
between a consumer  
and a commodity”



# THE UTILITY IS RELATED:

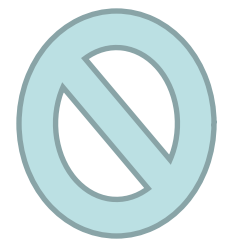
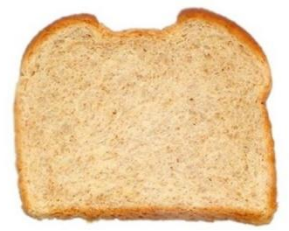
Time

Different people and nations

In wartime



Quantity, which is available to the consumer



# LOW OF DIMINISHING MARGINAL UTILITY



- 1st ice-cream
- 2nd ice-cream
- 



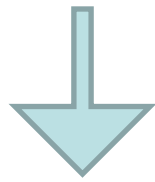
The consumer's desire for a commodity tends to diminish as he buys more units for it



# SHORTAGE. SURPLUS



Low price



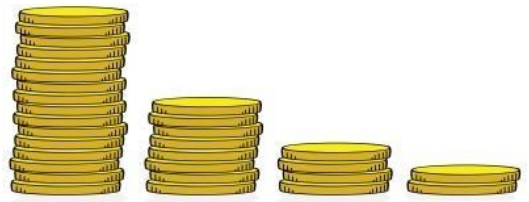
Shortage will develop



Surplus will

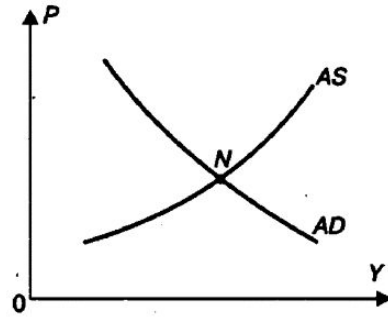


High price



# EQUILIBRIUM PRICE

High prices!



Low prices!



AS

AD







**THANK YOU FOR YOUR  
ATTENTION!**