



UTILITY AND PRICES

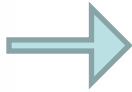
Victoria Gershova
Sveta Belyakova
PII-1, 2012

Content

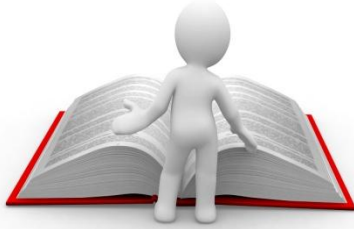
- Utility
- Utility and usefulness
- The utility is related
- Law of Diminishing Marginal Utility
- Shortage. Surplus
- Equilibrium price

UTILITY

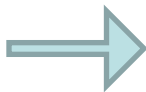
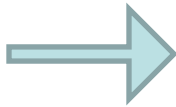
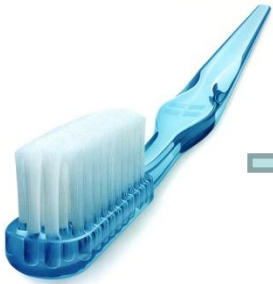
Commodities of different kinds satisfy our wants



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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”

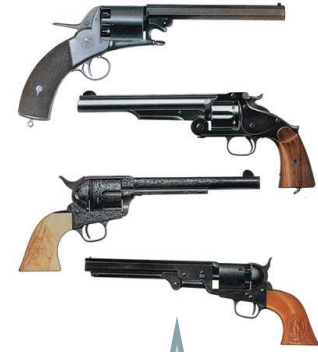


THE UTILITY IS RELATED:

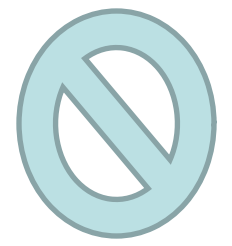
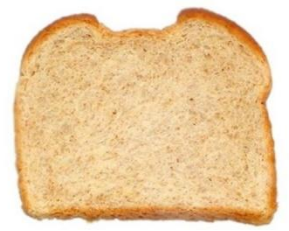
Time

In wartime

Different people and nations



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

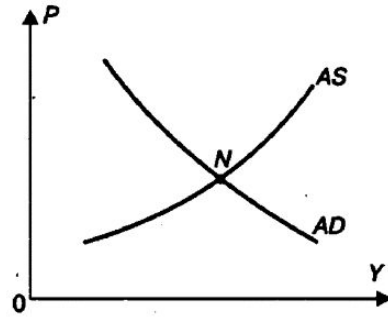


High price



EQUILIBRIUM PRICE

High prices!



Low prices!



AS

AD





**THANK YOU FOR YOUR
ATTENTION!**