

# PRINCIPLES OF ECONOMICS

B.Com Hons Part-I

TOPIC -

Meaning of total utility

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## Meaning of Total utility

It is the sum total of utility derived from the consumption of all the units of a commodity.

for example -

if 2 units of a commodity are consumed and 1<sup>st</sup> unit yields satisfaction of 10 units utils, while the 2<sup>nd</sup> unit yield satisfaction of 9 utils, then total utility = 10 utils + 9 utils = 19 utils (or 19 units of utility).

Total utility is a direct function of the number of units of a commodity. In other words, the total utility of a commodity is the sum of utilities derived from the consumption of the successive units till that quantity level.

It can be clear with the help of hypothetical table given below -

Table 1 - Total utility.

Units of 'x' Commodity	Marginal utility	Total utility (TU = $\sum MU$ )
1	40	40
2	30	40 + 30 = 70
3	20	70 + 20 = 90
4	10	90 + 10 = 100
5	0	100 + 0 = 100
6	-10	100 - 10 = 90
7	-20	90 - 20 = 70

It is clear from the table 1 that total utility increases as every successive unit is consumed by the consumer. At the first unit total utility is equal to 40 and further it increases to 70, 90, 100. This increases at diminishing rate but still positive utility. At 5<sup>th</sup> unit it is maximum because it is the point of maximum satisfaction. At the 6<sup>th</sup> unit it starts declining at an increasing rate. It is the point of dissatisfaction.

