

# PRINCIPLES OF ECONOMICS

B.Com Hons Part-I

TOPIC -

Meaning of Marginal  
utility

By - DEEPA KUMARI

P.G. Dept. of Commerce & BUSINESS  
MANAGEMENT

H.D. JAIN COLLEGE, Ara, Bhojpur,  
Bihar - 802301

## Meaning of Marginal Utility.

It refers to additional utility on account of the consumption of an additional unit of a commodity. If 10 units of a commodity yield satisfaction of 100 utils, and 11 units of a commodity yield satisfaction of 105 utils, then additional utility on account of the consumption of 11<sup>th</sup> utility unit of the commodity is  $105 \text{ utils} - 100 \text{ utils} = 5 \text{ utils}$ . This is called marginal utility. Thus, marginal utility (MU) is measured as under :-

$$MU_{n^{\text{th}}} = TU_n - TU_{n-1}$$

Referring to above example -

MU (when 11 units of a commodity are consumed)

$$\Rightarrow TU_{11} - TU_{10}$$

$$\Rightarrow 105 \text{ utils} - 100 \text{ utils} \\ = 5 \text{ utils.}$$

The additional satisfaction will go on decreasing with every additional or successive unit till it drops down to zero. It is the point of satiety for the consumer.

The concept of marginal utility (MU) can be explained with the help of hypothetical table given below -

Table 1 - Marginal utility.

Consumption of Commodity - X (units)	TU <sub>x</sub>	MU <sub>x</sub>
0	0	-
1	8	8 - 0 = 8
2	14	14 - 8 = 6
3	18	18 - 14 = 4
4	20	20 - 18 = 2
5	20	20 - 20 = 0
6	18	18 - 20 = -2

Decreasing but positive utility (for MU values 8, 6, 4, 2)  
 Saturation Point (Zero MU) (at 5 units)  
 Negative utility (for MU value -2)

From the above table, it is evident that so long as total utility is increasing but marginal utility is decreasing as more and more units of X commodity are consumed.

