PRINCIPLES OF ECONOMICS

B.Com Hons Part-I

TOPIC - Law of Diminishing Marginal utility

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Law of Diminishing Marginal utility

or

First law of Grossen

The law of Diminishing marginal utility was propounded by Hermann Henrich Grossen. It is also called as Grossen's first law. It was further developed by Marshall and the law is based on the fact that human want are unlimited and any one want can be satisfied at a time.

This law states that as the amount of goods consumed increases, the marginal utility of that goods tends to diminish (If other things remaining constant)

This laws states that the increase in the consumption of successive or additional units of a commodity, the marginal utility of that commodity tends to diminish or decline.

⇒ There are two reasons for the operation of law :-

(i) All the wants of man cannot be satisfied, one particular want is satiable. for example, a person's desire for a commodity can be fully satisfied if he consumes increasing quantity of that commodity.

He is fully satisfied when marginal utility is zero. The law would not operate if one particular want were not satiable.

(ii) Commodities are not perfect substitutes of each other.

⇒ Assumptions of Marshall's Law :-

(i) The commodity are homongenous
(ii) No change in tastes, preference and fashion of the consumer.
(iii) The process of consumption should be continuous.
(iv) No new substitutes are of the commodity are available.
(v) Mental situation of consumer should remain the same.
(vi) unit of the commodity should be of a suitable size.
(vii) No change in the income of the consumer.