

# PRINCIPLES OF ECONOMICS

B. Com Hons Part-I

TOPIC -

Criticism of law of Equi -  
Marginal Utility

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## Criticism of Law of Equi-Marginal Utility

- ① Ignorance of the consumer :-  
Ignorance of the consumer may prevent him from making a rational use of money. His satisfaction may not be maximum because the marginal utilities from his expenditure cannot be equalised due to ignorance.
- ② Indivisibility of Commodities :-  
Prof. Boulding has said that for the operation of this law the goods must be of divisible nature but people in their normal life consume such commodities which are of indivisible nature, therefore, this rule may not apply. for example - Use of radio, watch, Motor Car etc.
- ③ Durability of the Goods :-  
Consumption of some goods is for long period where it becomes difficult to find out its marginal utility. for example - use of refrigerator, Motor cycle etc.
- ④ Effect of Customs and Fashion :-  
Sometimes a consumer may be in the strong clutches of custom or is a slave of modern fashion. In that case, he will not be able to derive maximum satisfaction out of his expenditure.

because he cannot give up the consumption of such commodities.

⑤ Fixed proportion of Consumption:-

There are certain goods whose consumption is fixed portion is possible. It cannot be either increased or decreased. for example - consumption of milk, tea, bread or butter etc. Consumer can use these commodities only upto proper quantity. Hence, this law cannot be active or can operate actively.

⑥ Control or rationing of Consumption Goods:-

Sometimes, government puts rationing or control over the consumption of certain commodities, then in that case the desire of the consumer is to use more goods but he cannot use it due to control or rationing.

⑦ Unable to Explain Giffen Paradox:-

Since the utility analysis is unable to describe income effect, Price effect and substitution. so, it fails to describe the inferior goods and Giffen goods. This is another limitations of the law.

⑧ Unrealistic assumption of Independent Goods:-

Utility analysis treats every commodity as an independent commodity. The utility of a commodity according to this analysis, depends on the quantity of that commodity alone.