

# PRINCIPLES OF ECONOMICS (B. Com Part-I)

chapter = 10.

## Utility - Meaning And Characteristics

### \* Meaning of Utility :-

A rational consumer will make demand for a commodity only when it provides utility to him. Utility is not concerned with the usefulness of a commodity. It is only related to its want satisfying power.

Utility means 'want satisfying power'. Or when a commodity has a capacity to satisfy human wants, the commodity has utility. Utility is a relative concept. Desire to a consumer is the cause of utility.

Utility is a function of intensity of want. More utility of want provides higher utility of a commodity.

'Utility' and 'satisfaction' both are psychological concepts. The term 'utility' should be differentiated from 'satisfaction'. Utility means 'expected satisfaction' whereas 'satisfaction' means 'realized satisfaction'.

### \* Characteristics of Utility :-

- ① 'Utility' is a psychological concept - Same amount of satisfaction from the consumption of a given commodity will not get everyone.

② 'utility is a subjective concept' -  
different persons derives different amount  
of satisfaction from the consumption of  
given commodity.

③ Relative Concept -  
utility is a relative concept, it means  
that differs from person to person, place  
to place and situation to situation.

④ utility is not linked with moral values -  
utility carries no moral or legal  
significances.

⑤ utility is associated with expected  
satisfaction and not the realized  
satisfaction -  
utility is associated with 'expected  
satisfaction' whereas satisfaction  
is associated with realized satisfaction.  
Both the terms are not same.

⑥ utility is measurable -  
utility is measured by two concept  
(i) cardinal approach (Given by Marshall's)  
(ii) Ordinal approach (Given by Pareto,  
Hick, Allen)