

TAKE NOTES ON A PIECE OF PAPER to turn in for makeup credit

UTILITY

is the usefulness of a good or service in satisfying a need or want.

In order to have value, a good or service (or system) must have the capacity to be useful and provide satisfaction to someone.

But utility is not fixed or static.

The utility of a good or service may vary from one person to the next.

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UTILITY DEFINITIONS

Utility – the usefulness of an item purchased that generates satisfaction by filling a specific need or want.

Marginal Utility – the satisfaction or usefulness obtained from acquiring one more unit of a good or service.

Diminishing Marginal Utility – decreased satisfaction or usefulness as additional units of goods or services are acquired.

LOOK AT THE NEXT 2 SLIDES FOR EXAMPLES - you do not need to write all the information as notes; instead, just mention include the overall idea of the 1 of the 2 examples for each of the above definitions.

UTILITY EXAMPLES

Burger 1

Eating the first burger gives the consumer a lot of *satisfaction*

(*utility*)



Satisfaction thermometer

Burger 2

Eating a second burger will not give as much *extra satisfaction* as the first did

(*marginal utility*)



Burger 3

Eating a third burger will give even *less extra satisfaction* than eating the second one

(*diminishing marginal utility*)



UTILITY EXAMPLES



A REFRIGERATOR has a great deal of **utility**. It allows you to store foods in your home that must be kept cold or frozen. You are no longer limited to foods that can be stored at room temperature.

*There is a great deal of difference between having NO refrigerator and having ONE refrigerator. **This satisfaction difference is the refrigerator's utility for you.***



Buying ONE MORE REFRIGERATOR adds **marginal utility**. You could put it in the garage and store *even more* cold and frozen foods (probably helpful for a large family). While not absolutely necessary for most people, it can increase your satisfaction, *despite the high expense of refrigerators.*



Do you really want or need a third refrigerator if you have an average-sized home? You might find it a little more convenient (one on each floor??), but does it add as much satisfaction as getting a 2nd one did? Is it worth the large added expense? This is **diminishing marginal utility**.

UTILITY

**is the usefulness of something in satisfying
a need or want.**

**TO EARN FULL CREDIT ON THIS MAKEUP ASSIGNMENT, YOU
NEED TO COMPLETE THE FOLLOWING GOOGLE FORMS
SURVEY**

**Go to GOOGLE CLASSROOM > Click STREAM > Look for the
post titled “IF YOU WERE ABSENT FEB. 18” > Click the TOP LINK
in that post & take the survey**