

Marginal utility



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Marginal Utility and Consumption “ The term marginal utility denotes the amount by which total utility changes when consumption changes by one unit” (Frank, R. H. , & Bernanke, B. S. , 2008). Many times throughout the day we consume certain products that we may grow tired of. For example, I drink approximately 4-5 cokes a day. I drink the first coke in the morning, which by far is the best. As the day goes on, I drink several more. If I ever have a day where I have consumed too many cokes, I begin to feel overloaded with caffeine. I have a lot of trouble sleeping. The more cokes I drink the less satisfied I am.

This is an example of decreasing my marginal utility. One of things that irritate me the most is when I go to use the restroom, and I glance over and there is no toilet paper. Maybe there are only 2 sheets left. Therefore, the more toilet paper I have available the more satisfied I am. The more I use does not decrease my satisfaction, thus increasing my marginal utility. The same goes for paper towels. I hate to go wipe something up or dry my hands and see that the roll is empty. There are often big spills in my home because that is the joy of having a three year old.

The more paper towels that I have available on hand the more satisfied I am. Once again, it increases my satisfaction and marginal utility. In economics, the more satisfaction you gain from something the more it increases your marginal utility. Food is a great example of decreasing marginal utility. Eventually, after you eat or drink enough of something you begin to feel sick. “ The tendency for marginal utility to decline as consumption increases beyond some point is called the law of diminishing marginal utility” (Frank, R. H. , & Bernanke, B. S. , 2008).