# Theory of Consumer Behavior

The satisfaction which a consumer gets by having or consuming goods or services is

called utility.

Total Utility

The total utility refers to the sum total of satisfaction which a consumer receives by consuming the various units of the commodity.

Marginal Utility

It refers as utility of every additional unit of the consumed or it can be defined as a change in total utility resulting from a one unit change in the

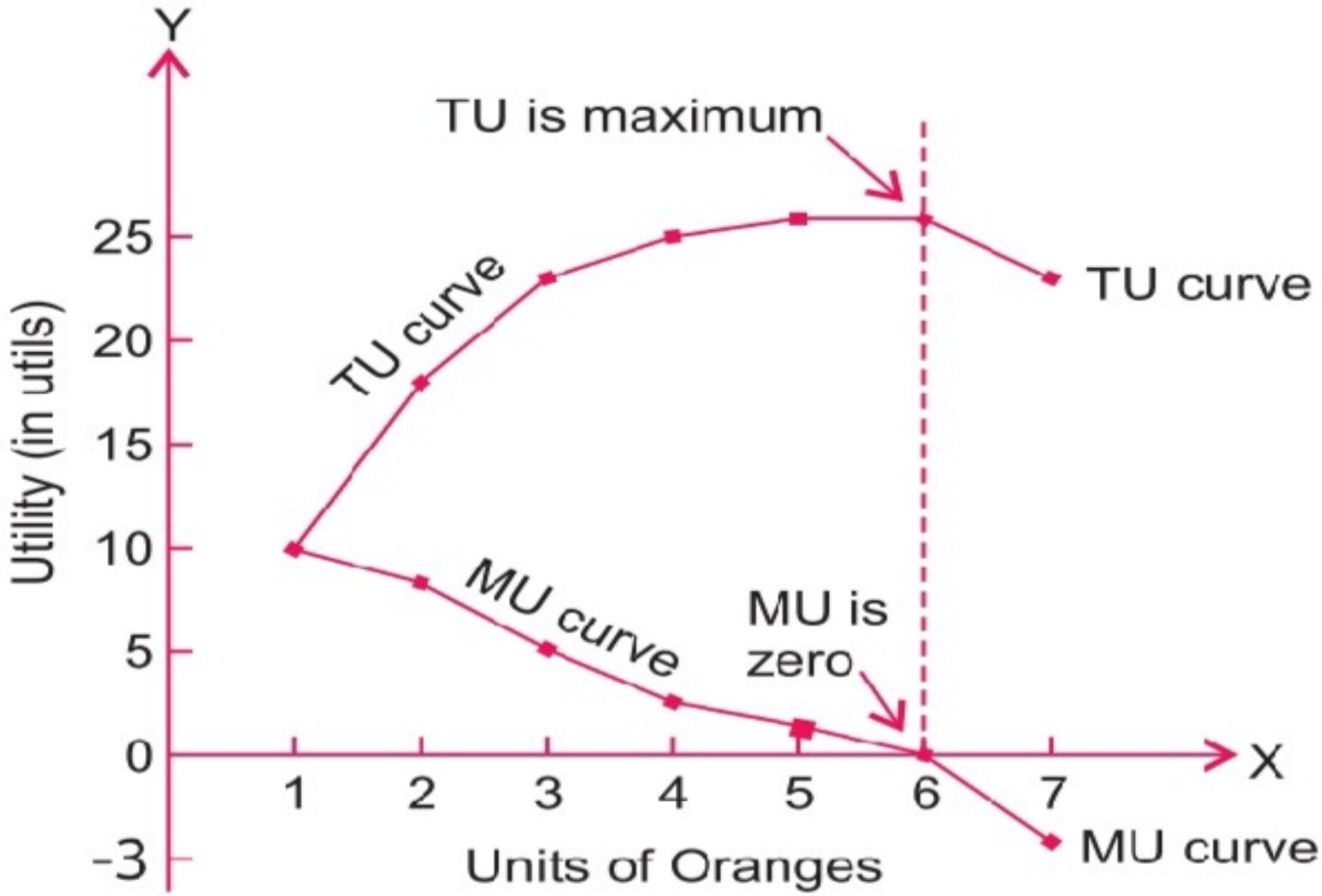
consumption of a commodity at particular point of time.

Total utility is the sum of marginal utility.

MUn = TUn – TUn-1

# Relationship between Total Utility and Marginal Utility

| Units of Oranges Consumed | Marginal Utility (utils) | Total Utility (utils) |
|---|---|---|
| 0 | – | 0 |
| 1 | 10 | 10 |
| 2 | 8 | 18 |
| 3 | 5 | 23 |
| 4 | 2 | 25 |
| 5 | 1 | 26 |
| 6 | 0 | 26 |
| 7 | –3 | 23 |




Where, TU = Total utility and MU = Marginal utility

Table and figure indicates the following relationship between Total Utility (TU) and Marginal Utility (MU).

- TU increases as long as marginal utility is positive .
- TU is maximum when MU is zero.
- TU starts declining when MU becomes negative.