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

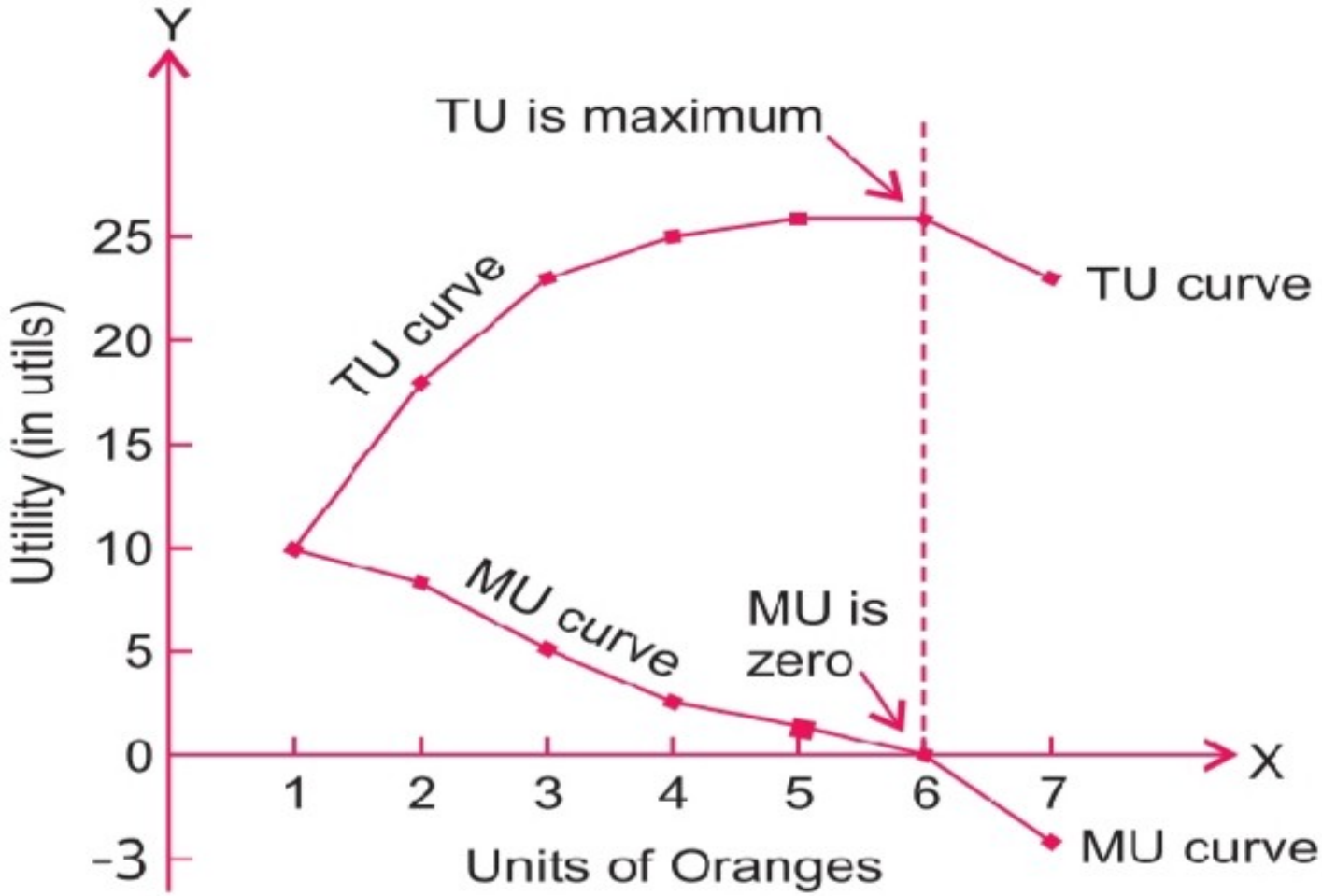
consumption of a commodity at particular point of time.

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.