

7 Utility – Part 1 —Answers

Answers

Work through these after trying the questions yourself.

7.1 The satisfaction a consumer gets from a good.

7.2 The extra satisfaction from one more unit.

7.3 Each extra unit consumed gives less extra satisfaction.

7.4 Less.

7.5 Yes—it rises, but more slowly.

7.6 Each extra unit gives the customer *less* extra satisfaction (diminishing marginal utility), so they are willing to pay *less* for it. To persuade them to buy a second or third unit, the shop must therefore drop the price to match the lower value they place on it.