

Vivekanand College, Kolhapur (Autonomous)

Department of Economics

Subject- Micro Economics

Topic- Law of Diminishing Marginal Utility (DMU)

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Law of Diminishing Marginal Utility

- ❖ We have seen concept of utility and Marginal, Average and Total utility.
- ❖ Law of Diminishing Marginal Utility is the fundamental law of consumer behaviour.
- ❖ ‘Gossen’ has developed this concept.
- ❖ It is also known as Gossen’s **first law** of consumption.
- ❖ **Statement of the law-** *“As a consumer increase the consumption of any one commodity, keeping constant the consumption of all other commodities, the marginal utility of the variable commodity must eventually decline.”*

- ❖ According to this law, as a consumer consumes one unit after the other unit of the same product continuously, the utility gets goes on diminishing.
- ❖ This is so because as consumption increase the intensity of want goes down.
- ❖ This tendency on the part of utility to diminish is known as the Law of Diminishing Marginal Utility.
- ❖ Here we consider only one commodity.

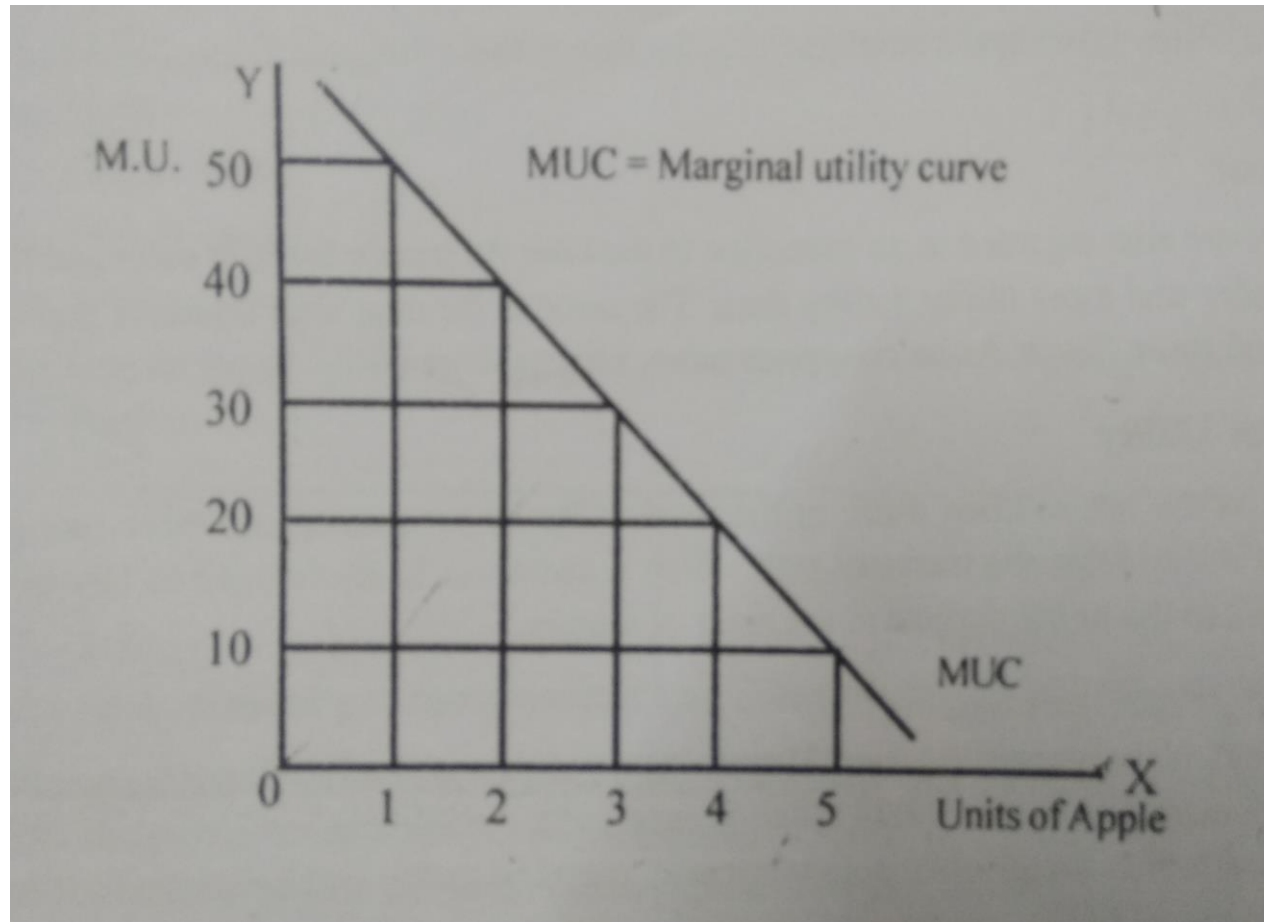
Assumptions of the law-

1. The various units of goods are homogenous-
2. Units should be consumed continuously without any time gap-
3. Consumer is rational-
4. Taste and preferences of the consumer do no change.
5. Units are not rare collection- like coins, stamps, paintings
6. Units of a commodity should be identical.

Let us assume that, consumer is consuming apples. When he consumes 1st apple, he gets more utility. While consuming 2nd apple he gets less utility than 1st apple cause his want is already satisfied in some extent. Like this it happens with all subsequent units of apple.

Units of Apple	Marginal Utility	Marginal Utility in terms of Money
1	50	Rs. 20
2	40	Rs. 16
3	30	Rs. 10
4	20	Rs. 08
5	10	Rs. 05

Diagram



Limitations

- 1. Money**
- 2. Hobbies**
- 3. Music and Liquor**