

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.