

Answer on Question #64005, Economics / Microeconomics

Suppose that the marginal utility you derive from the last slice of cheese pizza purchased is 50 utils and its price is \$1.00. Also, the marginal utility you derive from the last bottle of soda purchased is 300 utils and its price is \$3.00.

- a) You are presently maximizing your total utility from consuming pizza and soda
- b) You can increase your total utility by purchasing more pizza and less soda
- c) You can increase your total utility by purchasing more soda and less pizza
- d) You can increase your total utility by purchasing zero units of both goods

Solution:

Marginal utility - a utility that a person receives from the use of one more additional benefit unit. In other words, the marginal utility - is to increase the overall usefulness of the consumption of one additional unit of the good (derivative).

$$MU = \frac{dU}{dQ}$$

Where U - utility function, Q - quantity of consumed good.

In terms of pure competition determines the market price of the goods.

In order to marginal utility the goods sold at different prices, were compared with each other, it is necessary to consider the marginal utilities per one dollar spent (according to the second law of Gossen.).

That is why marginal utility of the purchase pizza for \$1.00 is:

$$MU = \frac{50}{1} = 50$$

Marginal utility of the purchase soda for \$1.00 is:

$$MU = \frac{300}{3} = 100$$

Answer:

- c) You can increase your total utility by purchasing more soda and less pizza

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