

## Economics II

# Consumer behavior and Demand shaping

Part I.

Utility, preferences, consumer optimum

# Introduction

## 1 Utility, preferences and consumer optimum

1.1 rational consumer behavior assumptions

1.2 utility measuring

1.3 indifference curve in conditions of different preferences

1.4 budget line

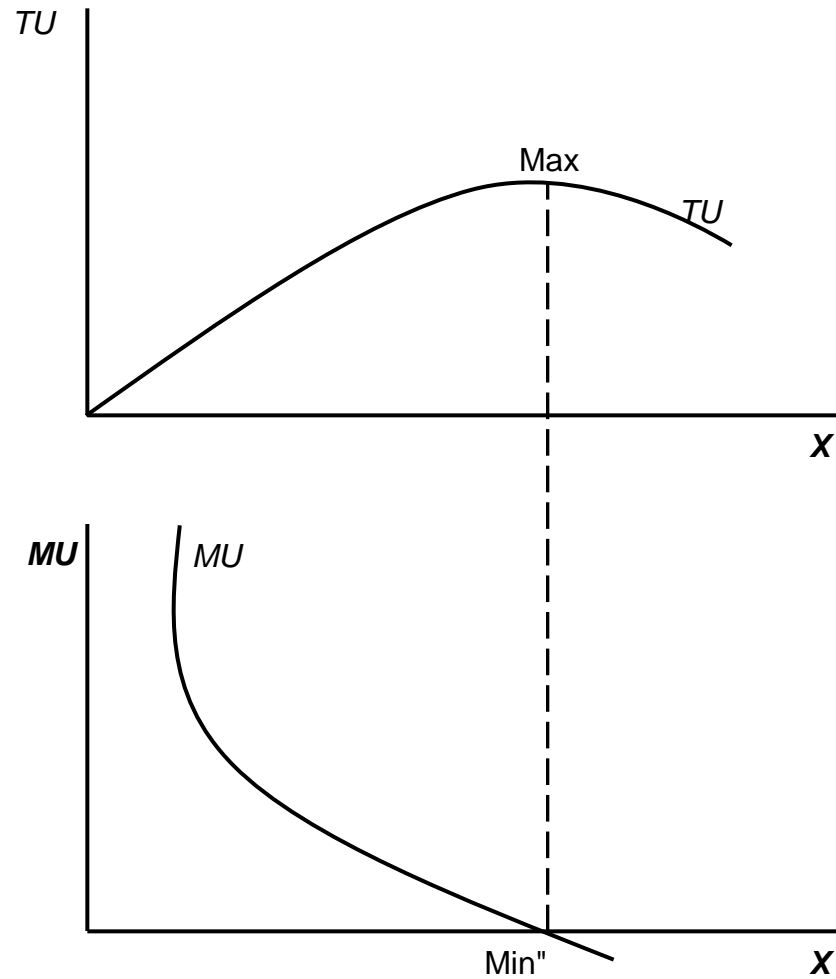
1.5 consumer optimum

1.6 consumer surplus

# Benefit measurement

- **Utility** - the term pointing preferences direction , if the consumer finds most preferred situation - maximizes benefits.
- **kardinalistic version theory** – utility considers to be directly measurable
- **The total utility - TU**
- **Marginal utility - MU**

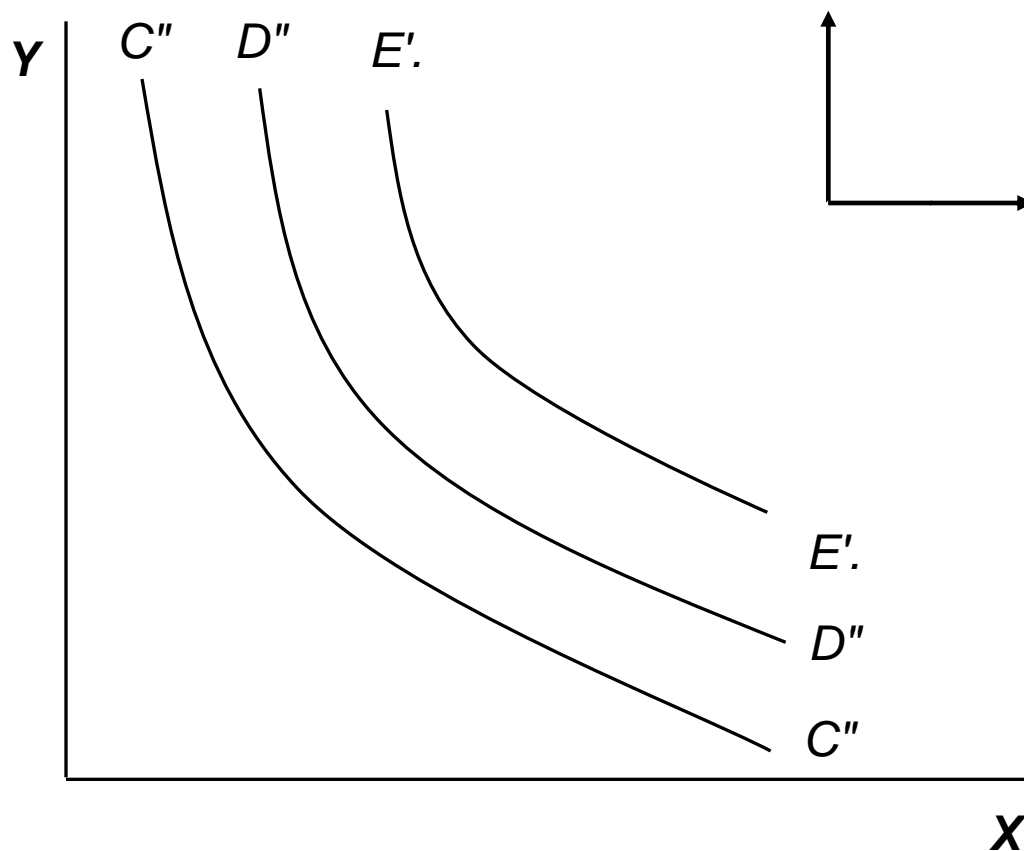
# Total and marginal utility



# Utility measurement

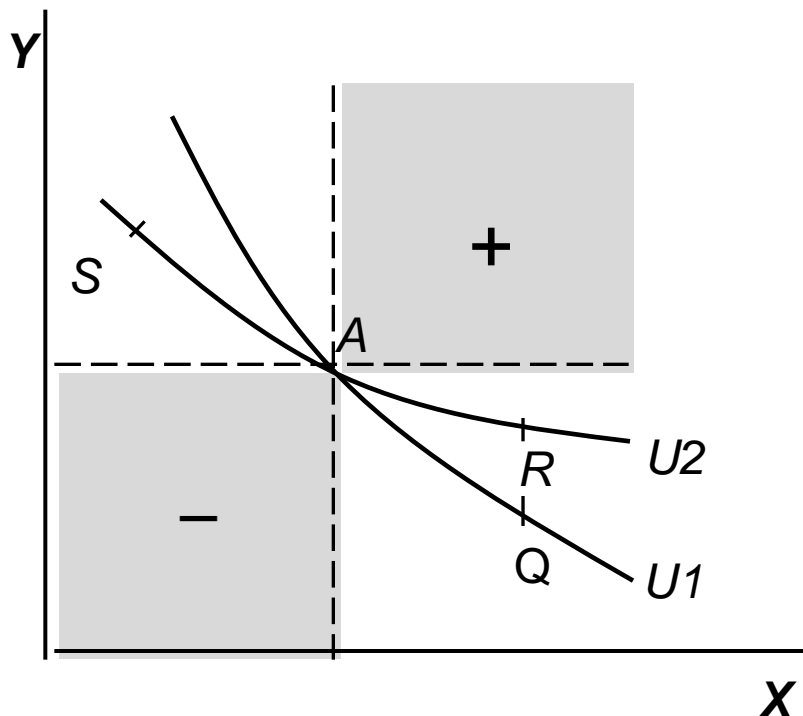
- *The law of diminishing marginal utility*
- **kardinalistic** version
- **ordinalistic** version

# Indifference curve

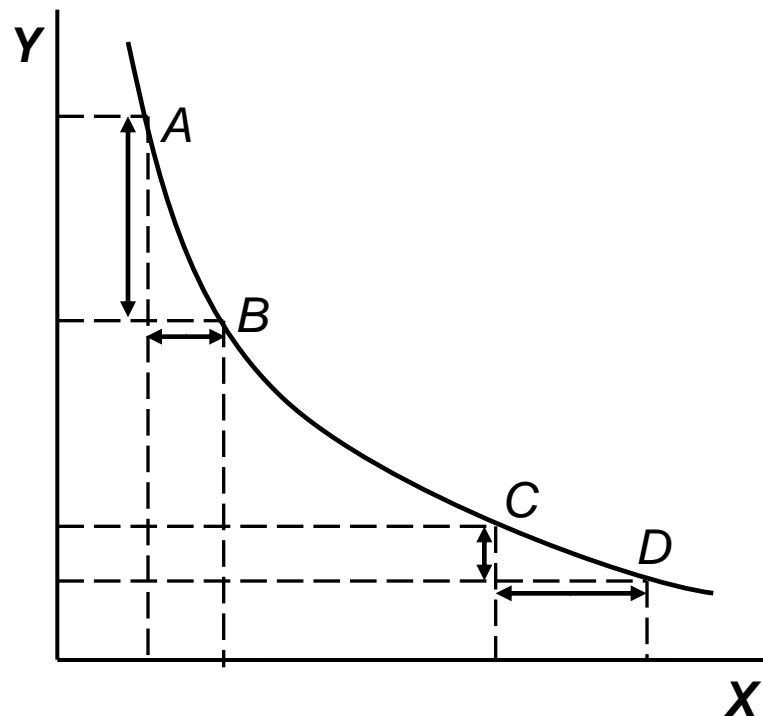


# Indifference curve properties

(a)



(b)



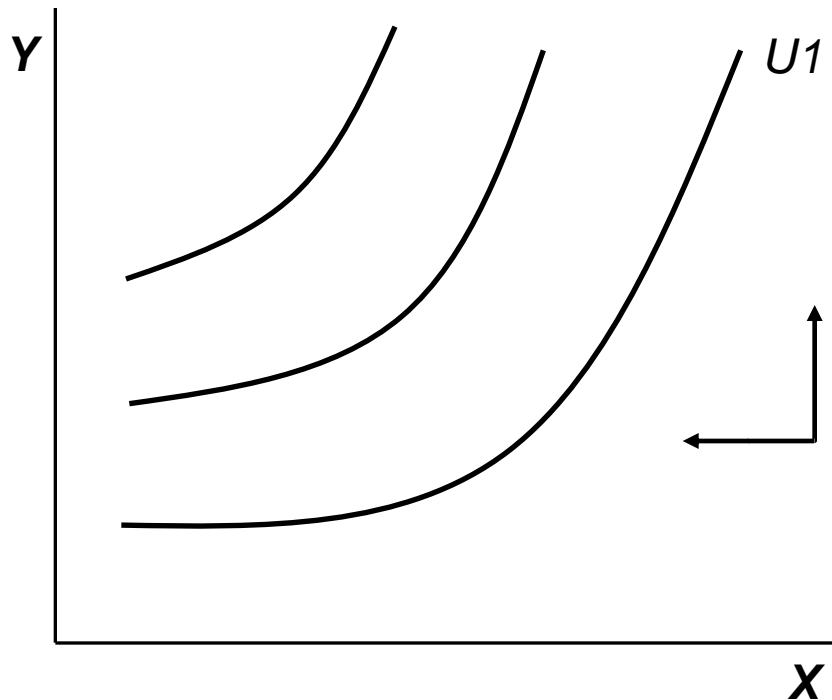
# Special shapes

- **Desirable goods** or *goods with positive*
- **Unwanted goods** or *goods with negative preferences*
- **Goods indifferent** or *neutral*

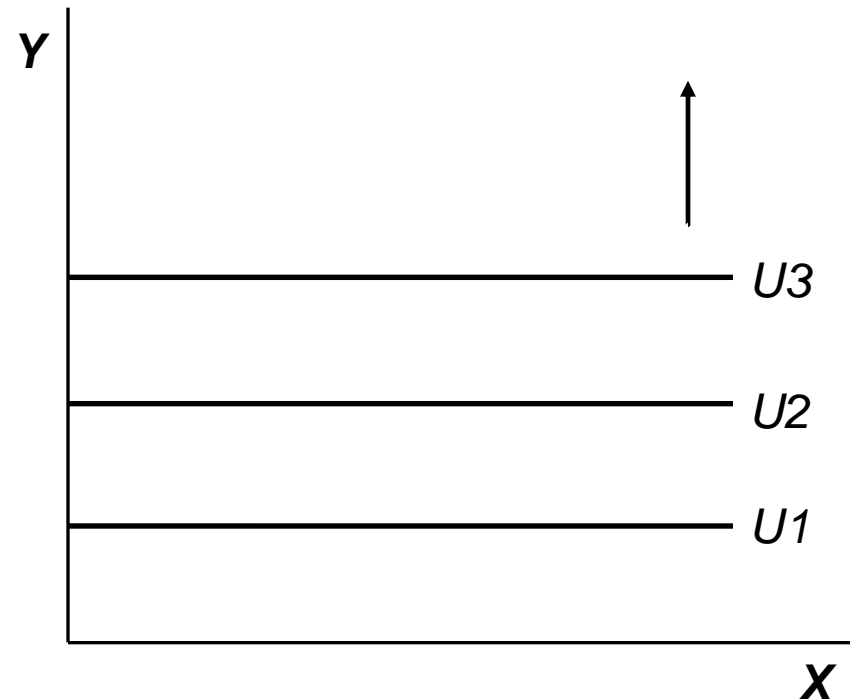


# Special shapes

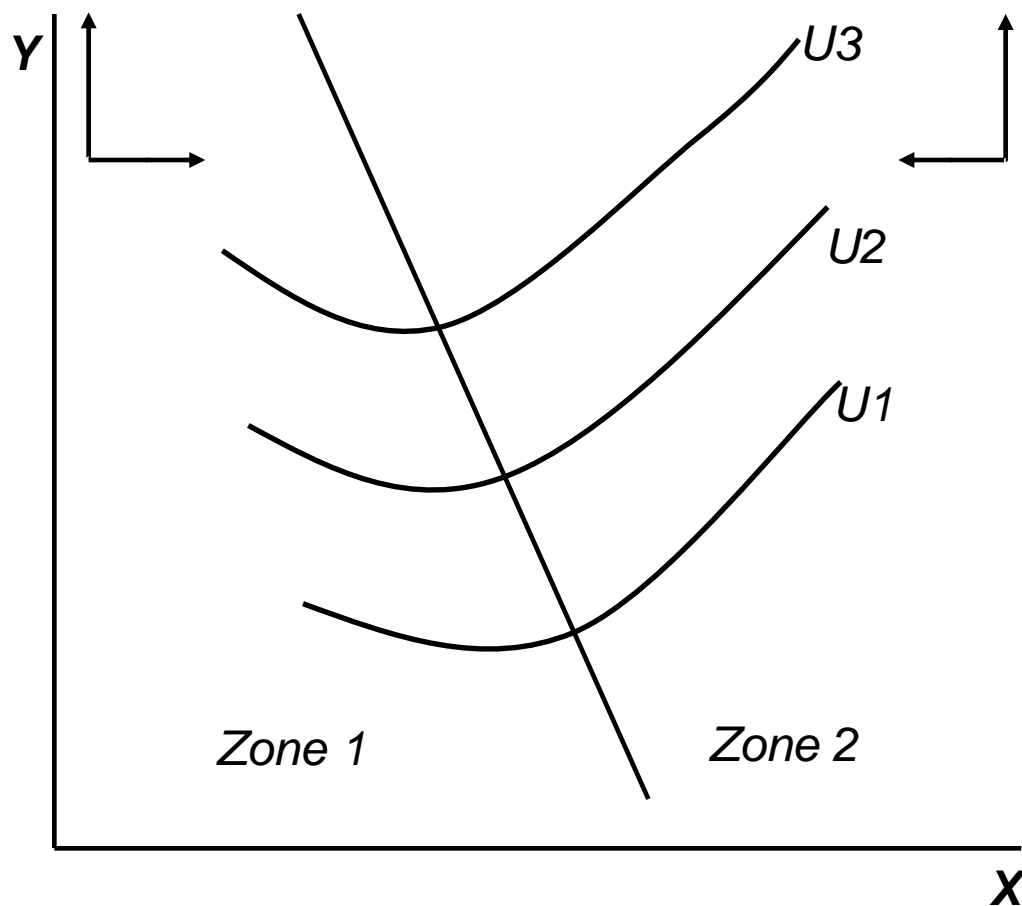
(a) it's a domain  $X$  is undesirable



(b) it's a domain  $X$  is indifferent



# Change in preferences direction



# Special shapes

- **Perfect substitutes**
- **Perfect complements**

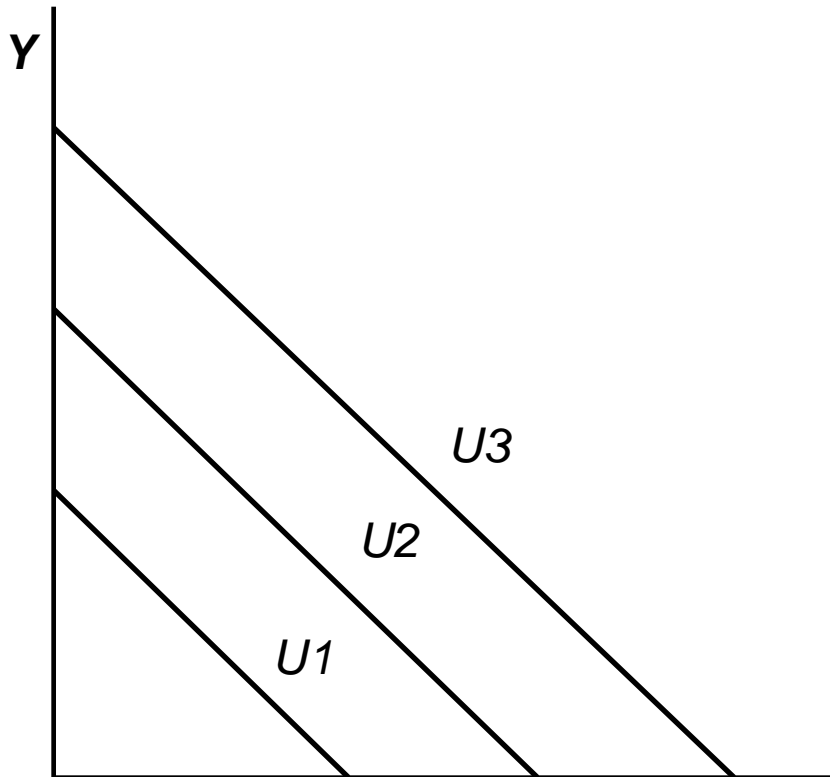


INVESTICE DO ROZVOJE VZDĚLÁVÁNÍ

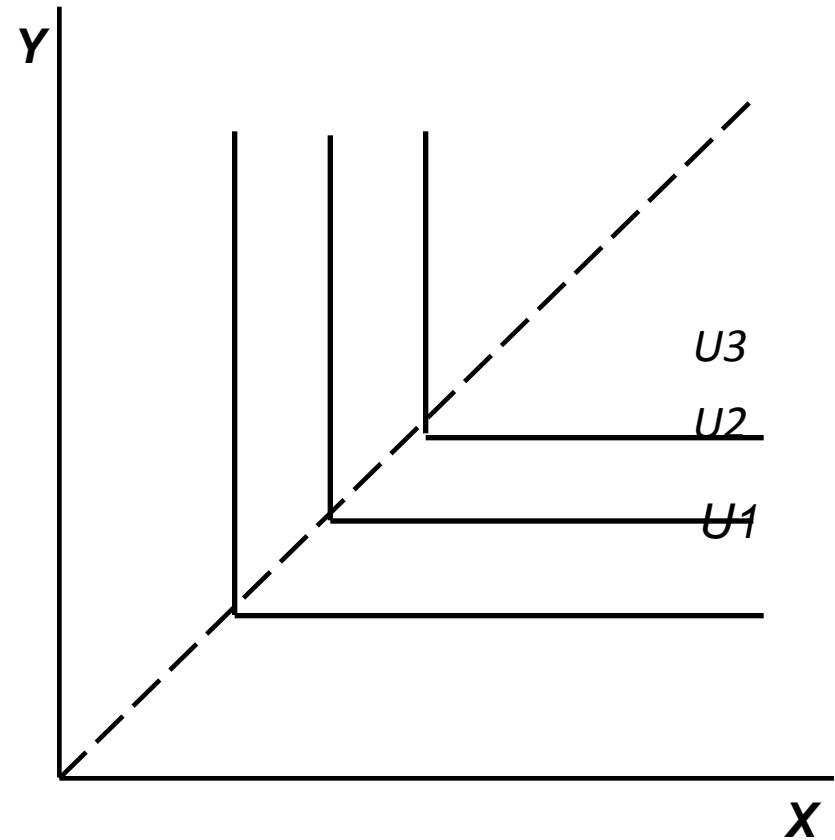


# Perfect substitutes and complements

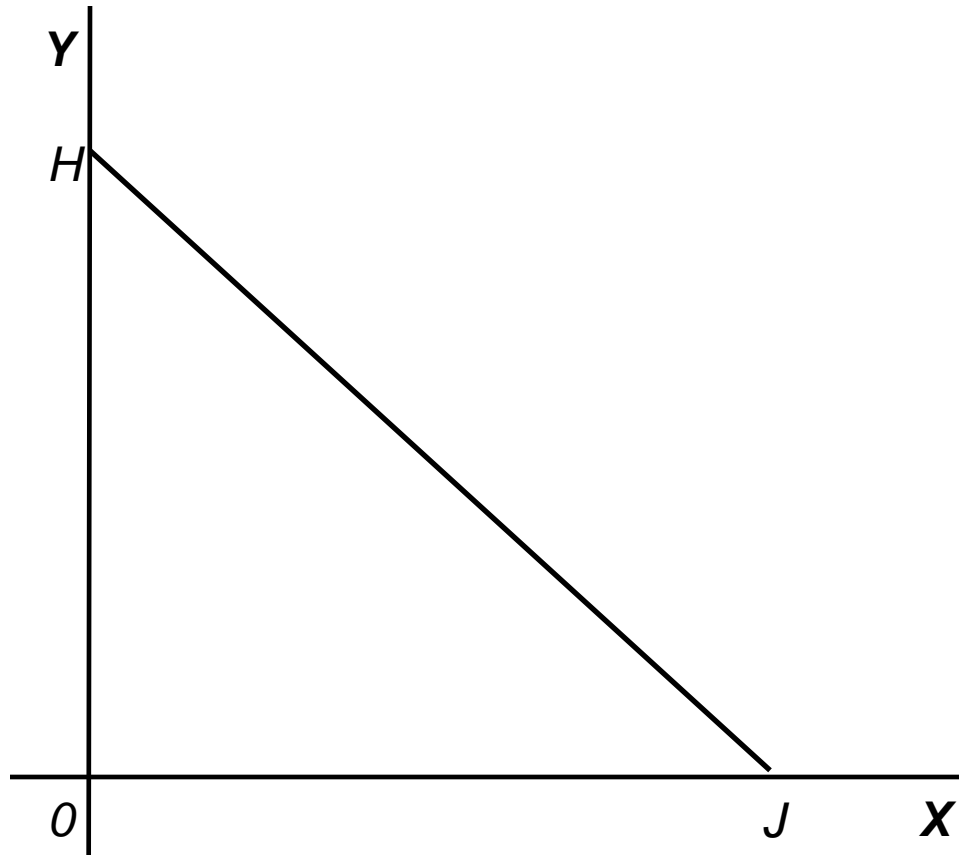
(a) perfect substitutes



(b) perfect complements



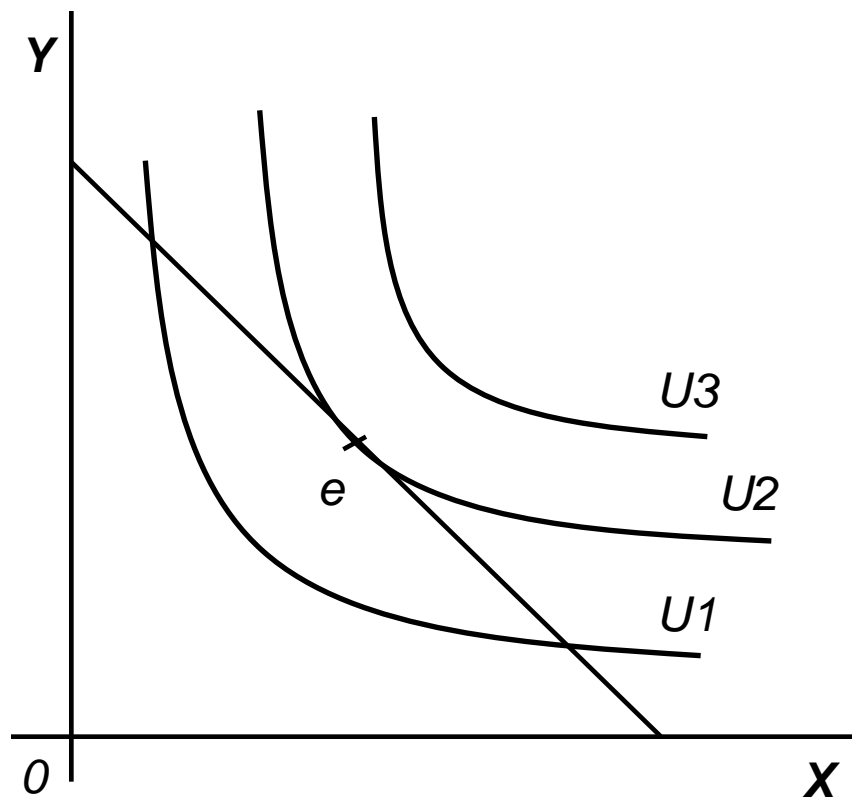
# Line budget (budget restrictions)



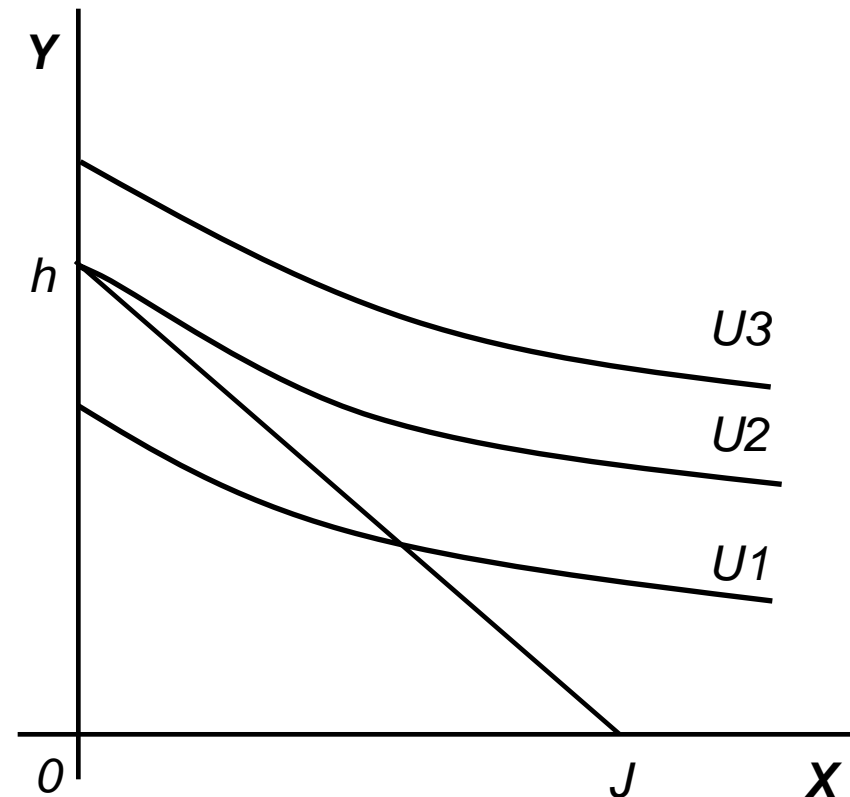
$$P_X \cdot X + P_Y \cdot Y = I$$

# Consumer optimum

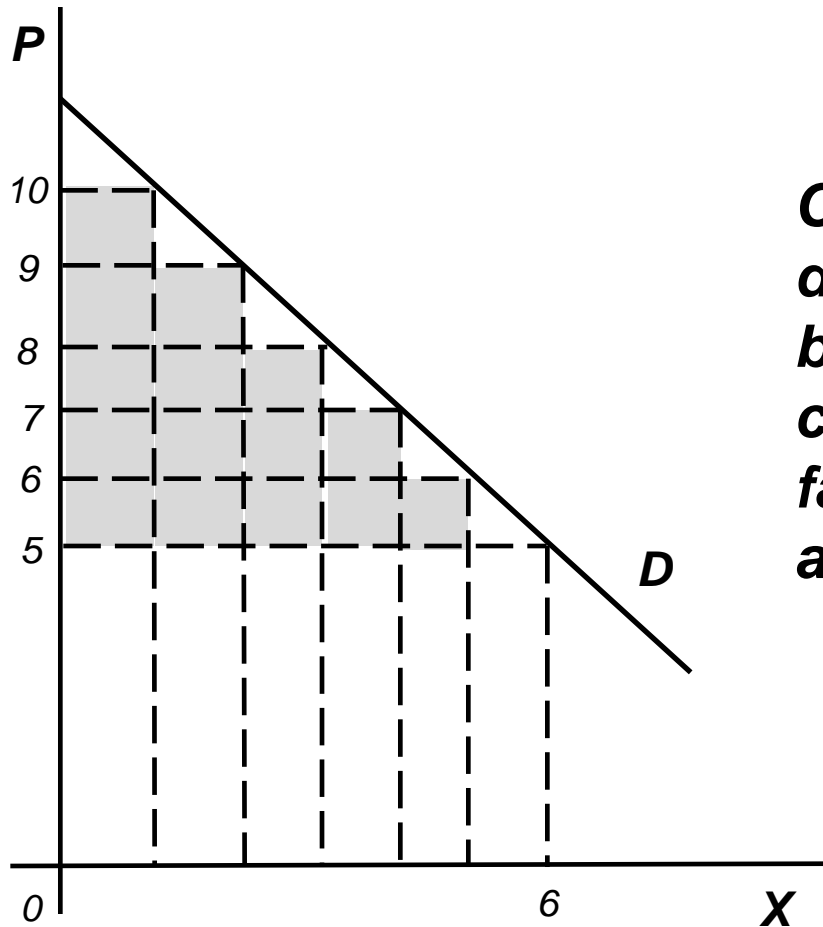
(a) internal solutions



(b) corner solutions

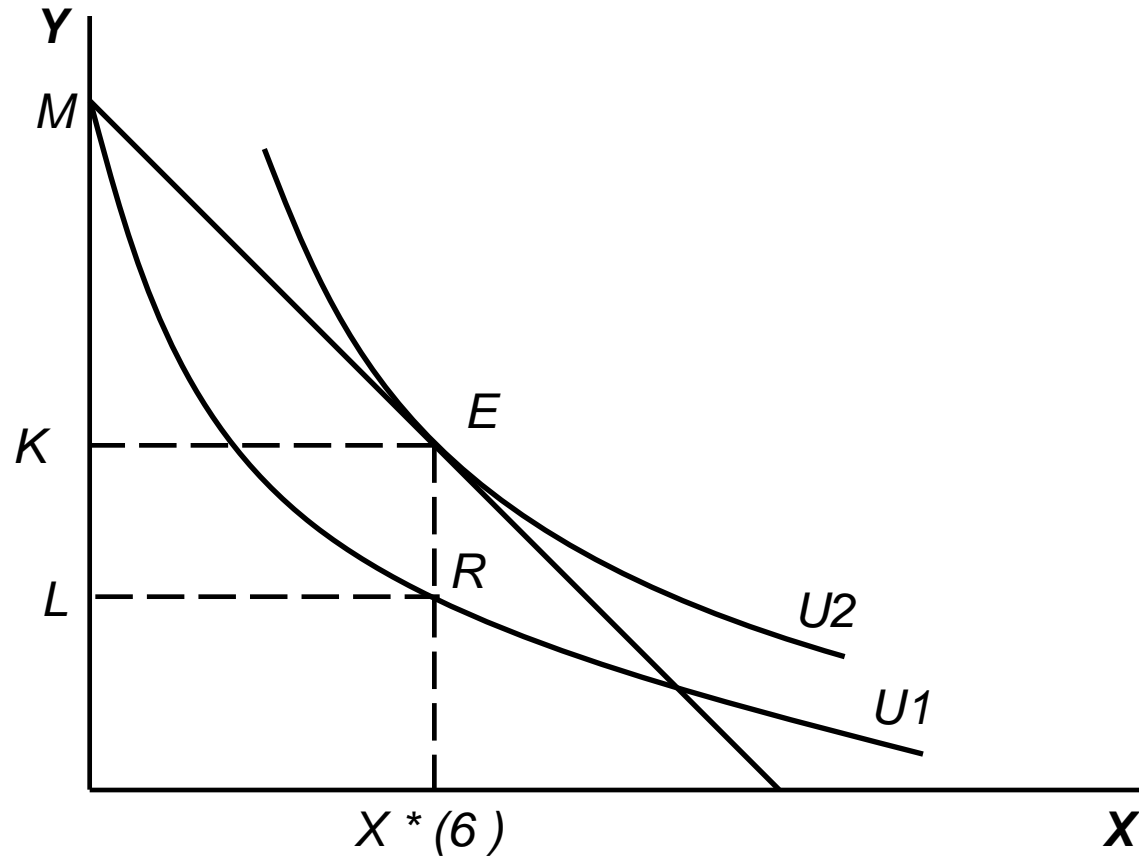


# Consumer surplus



***Consumer surplus is the difference between the total benefit, which will bring him consumed quantity of a given farm, and expenditure on the acquisition.***

# Consumer surplus





# Thank you for your attention.



INVESTICE DO ROZVOJE VZDĚLÁVÁNÍ