

Utility (Economics)

In today's quick-moving and information-driven learning settings, it's not difficult for students of business and economics to become experts on rather advanced terms and ideas, while not fully understanding more basic matters; and when they try to learn these basics, students are often embarrassed because they aren't already familiar with them.

Utility, or the state of being beneficial and useful, falls under this category; many highly intelligent business students understand that market trends result directly from supply and demand, but other wonder why exactly there is demand in the first place.

The explanation is straightforward: demand, or the desire or need of consumers to own a certain product or receive a certain service, exists because these goods and services provide customers with advantages, pleasure, or other fulfillment. In short, demand exists because people naturally want to buy things that improve the quality of life! Demand has existed and will always exist; even if everyone gave up their hobbies, made their own food, and lived simply, they would still "demand" sharp axes to cut wood, and big stoves to cook with, and strong materials to build with, and so on.

In conclusion, demand exists because of the universal human desire to be comfortable, well-off, and content. This is the utility of goods and services, and this is why the overall business cycle will never be completely reinvented; its origin is rooted in human interest.

Did you understand the text?

1) What is utility?

- a) The price of specific goods
- b) The value of currency at any given time
- c) The state of being beneficial and useful
- d) The definition depends on which economist is consulted

2) Which of the following best describes demand?

- a) The desire or need of consumers to own a certain product or receive a certain service
- b) The process of customers calling for cheaper products and services
- c) The amount of money companies charge for goods and services
- d) 1 and 3

3) Which natural human desire results in demand?

- a) The desire to own as much stuff as possible
- b) The desire to spend money
- c) The desire to improve the quality of life
- d) The desire to be part of the economy

More questions about the text:

4) How can demand be eliminated?

- a) By lowering the prices of products
- b) By increasing the number of products and services available to buy
- c) By banning individuals from owning money
- d) Demand is natural and cannot be eliminated

5) How do companies offer the most possible utility through their products and services?

- a) They only sell very important goods and services, like water and medicine
- b) They adjust their products to demand and provide things that people want to benefit from
- c) They don't do so
- d) They release as many products and services as possible and hope one will stick