Humanities 12 Name: _____ M. Hughes

The Water Game

(The Law Of Diminishing Marginal Utility, or Diminishing Marginal Value)

Objectives: Students will be able to...

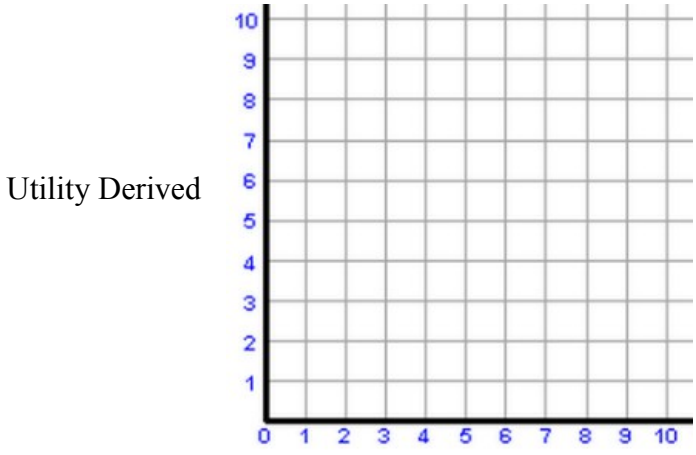
- Define "marginal" (from and economic perspective)
- Define and measure "utility" derived from consumption of a good (in this case, water)
- Graph their utility derived as a demand curve
- Explain why demand curves, generally speaking, slope downwards
- Explain the Law of Diminishing Marginal Utility

In this demonstration, you will be given a glass of water. Wait - we will drink them together. After you drink it, write down how much utility you earned by drinking the water. 10 would be maximum utility ("that was the best water ever!!!"), 1 would be minimum utility ("I'd rather die that do that again!"). Repeat. Repeat. Repeat. We will be taking notes on this data to construct a demand curve for water.

Part I: Measuring your utility. After each drink of water, write down a number that accurately represents how much "utility" consuming the water gave you in the table below.

Drink Number	Utility derived from consumption 10: "That was the best water ever!!!" 1: "I'd rather die than do that again"
1	
2	
3	
4	
5	
6	
7	
8	
9	

Part II: Graphing your data. Place the points above into the graph below. Connect the dots.



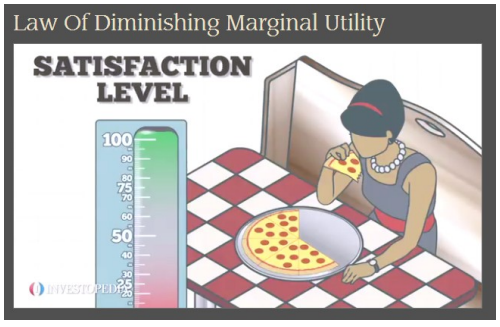
Discussion Questions:

- Why did your demand for water go down over time? (Water's the elixir of life!)
- Do you think demand for ALL goods/services go down in a set amount of time? Why?
- Demand curves pretty much always are shown with a downward slope. Explain.
- What can/does this say about consumer behavior? Why, and to whom, would this kind of information be important?

***** In your own words, can you describe the Law of Diminishing Marginal Utility?**

More Resources!

Click the link at the bottom of the page to watch this Investopia clip on the law of DMU (See Blog+Docs)



Definition of 'Law Of Diminishing Marginal Utility'

A law of economics stating that as a person increases consumption of a product - while keeping consumption of other products constant - there is a decline in the marginal utility that person derives from consuming each additional unit of that product.

Investopedia explains 'Law Of Diminishing Marginal Utility'

This is the premise on which buffet-style restaurants operate. They entice you with "all you can eat," all the while knowing each additional plate of food provides less utility than the one before. And despite their enticement, most people will eat only until the utility they derive from additional food is slightly lower than the original.

For example, say you go to a buffet and the first plate of food you eat is very good. On a scale of ten you would give it a ten. Now your hunger has been somewhat tamed, but you get another full plate of food. Since you're not as hungry, your enjoyment rates at a seven at best. Most people would stop before their utility drops even more, but say you go back to eat a third full plate of food and your utility drops even more to a three. If you kept eating, you would eventually reach a point at which your eating makes you sick, providing dissatisfaction, or 'dis-utility'.

http://www.investopedia.com/video/play/law-of-diminishing-marginal-utility/