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UTILITY AND CHOICE

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The Theory of Choice considers consumer behavior: decisions and choices in buying goods or services preferences at the market.

First of all the whole group of consumers are individuals and have different preferences. This is a basic definition value that Theory of choice explain.

Ultimate decision of individual depends on many factors. There are psychological or external factors such as goods of services prices, consumer preferences and incomes etc. It shows how the choice affects by price of goods, income of buyer and how they maximize absolute advantages of purchases.

The basis of consumer choices always is the buyer's desire to satisfy a particular needs.

It is very important to provide freedom of choice for consumers cause its limitation will deprive the buyer possibility to purchase a particular product on the market and affect on its production.

The analysis of consumer behavior requires knowledge of consumer criterias that he uses in own free choices.

And this criterion is the utility of goods and services.

Utility of a good or service is ability of this good or service to satisfy any human needs and wants. Utility of good or service depends from the consumption. When the spread, number of the consumers and level of their satisfaction are rising, utility is rising too.

Utility is necessary to any object acquired exchange value. Some economists even tried to build the theory of exchange value, based on utility. It can be divided into objective and subjective.

Objective utility can be measured or compared. The problem of measuring subjective utility is that each person can have his own estimation of the utility, which can have big difference in comparison with the average.

Objective utility can't be measured or compared.

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