

## LAW OF RETURNS

\* When production is carried out with capital as fixed factor and labour as a variable factor; capital - labour proportions change. The change in factor proportion causes a change in Output at a certain rate. This is known as 'Law of returns.'

\* There are three Laws of production -

(i) Law of increasing Returns.

(ii) Law of constant Returns.

(iii) Law of diminishing Returns.

\* LAW OF INCREASING RETURNS

According to Dr. Marshall - "An increase of labour and capital leads generally to improved organisation which increase the efficiency & the waste of labour and capital."

\* According to Dr Marshall, this law operates in manufacturing industries and

not in extractive industries or agriculture. Agriculture and extractive industries are subject to diminishing returns. Modern economists are view of both can be subject to diminishing and increasing returns. \* We can show increasing return with following table -

Units of Variable Factors	Total Production (TP)	Average Production (AP)	Marginal Production (MP)
1	4	4	4
2	10	5	6
3	19	6.3	9
4	33	8.25	14
5	51	10.2	18
6	76	12.7	25