

M.A. Sem - II

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CC - 6,

Economics of Growth and Development

Topic: - Kaldor's Growth Theory.

Assumption: -

- 1) There are two factors of production capital and labour (K and L) and thus two types of income profit and wages (P and W). All profit are saved and all wages are consumed.
- 2) There are constant returns to scale and production function remains unchanged over time. Capital and labour are complementary.
- 3) There is perfect competition as such the rates of wages and profits are same over different places.
- 4) The marginal propensity to consume (MPC) of workers is greater than of capitalists.

- 5) The investment - income (output) into (I/Y) is an independent variable.
- 6) There is a state of full employment so that total output or income (Y) is given.
- 7) There is an unlimited supply of labour at a constant wage in terms of wage goods.

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