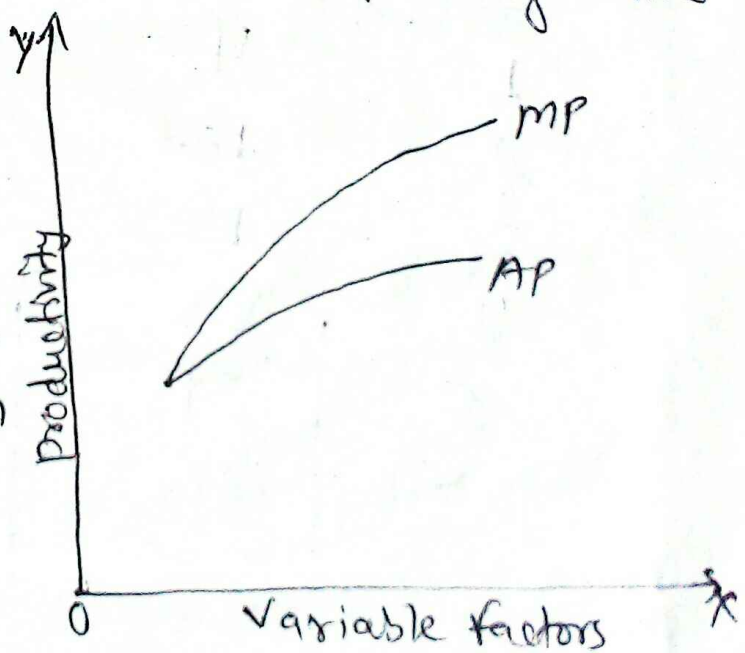


The table shows that every additional number of labour yields output which is greater than that resulting from preceding number. The marginal output goes on increasing 4, 6, 9, 14, 18 and 25 as more and more of labour are applied.

We can show Law of increasing returns with the following curve

The curve shows that the additional numbers of labour increases the marginal and average production. But MP increases faster than AP.



* Conditions of operation of law of increasing return.

(i) Fixed factors - The fixed costs do not vary with every change in output.

It remains constant throughout the level of output, but the average of increasing returns fixed cost diminishes with every increase in output.

(ii) Indivisibility of factors - certain inputs,

particularly mechanical equipments and managerial skills, used in the process of production are available in given size. Such factors have to be employed in a minimum quantity even if volume of production is much less than their capacity output.

(iii) Division of labours and specialisation -

It increases the productivity of factors and decreases the cost of production.

These all helps in getting law of increasing returns.