

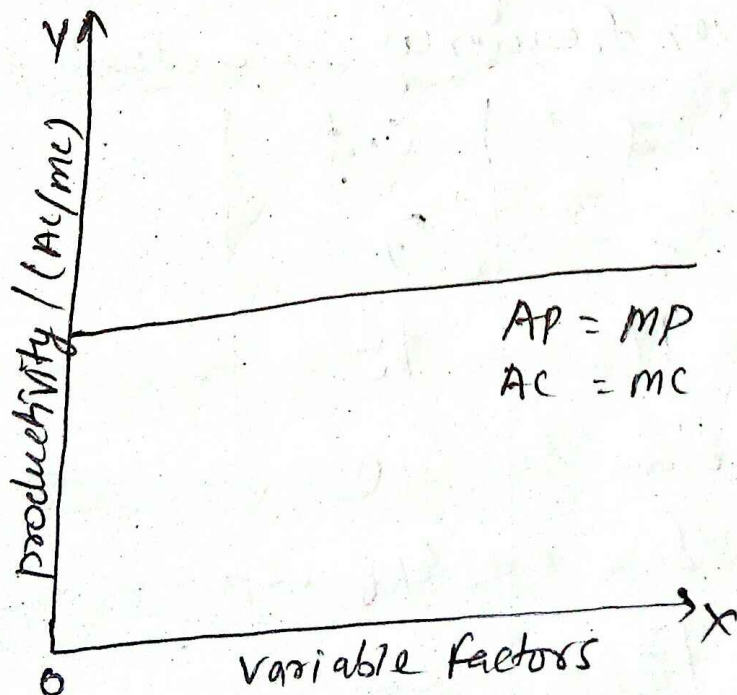
Law of Constant Returns

- * The law of constant returns establishes a relationship between the other two laws of returns increasing and diminishing returns.
- * According to 'Stigler' - "When all the productive services are increased in a given proportion, the production is increased in the same proportion".
- * Since the output increases exactly in the same proportion in which the productive factors are increased, costs do not change, but on the contrary, remains constant. It is important because its operation in an enterprise reflects and idea of optimum combination of the various factors of production.
- * In the law of constant returns —

average production and marginal production are equal at the same point but it is a temporary tendency.

As we show it with following table and curves.

Units of Variable factors (Labours)	Total production (TP)	Average production (AP)	Marginal production (MP)
1	30	30	30
2	60	30	30
3	90	30	30
4	120	30	30
5	150	30	30
6	180	30	30



Here AP and MP are in the form of horizontal line parallel to X axis shows constant returns.