



MARGINAL PRODUCTIVITY THEORY OF DISTRIBUTION

AND

WAGE DETERMINATION

[Summury]

Course Name : Commerce
First Year Under Graduates

Paper No. & Title : BC 1.5, AF 1.5, BM 1.5, IB 1.5, BI 1.5,
BEc 1.5
Business Economics

Topic No. & Title : Unit - 6
Introduction
Basic Problems of an economy;
Working of price mechanism

Summary

According to marginal productivity theory of distribution, all factor prices equal their respective marginal revenue productivities, given the assumptions of perfect competition in goods and factor markets and homogeneity of factor units. Any deviation of factor price from marginal revenue productivity of factor will automatically be corrected by the market mechanism.