



[Summary]

LEWIS MODEL

Subject:	Business Economics
Course:	B. A. (Hons.), 6 th Semester, Undergraduate
Paper No. & Title:	Paper – 641 Elective PaperE2 – Economic Growth and Policy
Unit No. & Title:	Unit – 2 Growth Model
Lecture No. & Title:	Lecture – 3 LEWIS MODEL

Summary

We studied that less developed countries have a dual character. There is a traditional sector with surplus labour and disguised unemployment. If such countries seek to raise their growth rate and level of development, they must remove disguised unemployment and raise labour productivity. Disguised unemployment can be removed only when alternative work is made available for the surplus workers. Growth process also requires the expansion of industrial sector. Hence, if government makes efforts to increase savings and investment as well as towards credit expansion for investment then the industrial sector will expand. Expansion of industrial sector creates demand for labour in the industrial sector. This demand can be met by shifting the surplus labour from the traditional sector to the industrial sector. Hence, disguised unemployment can be reduced in the traditional sector. The productivity of this labour will rise in the industrial sector as this sector is supported by capital and the industrial sector will demand productivity at least equal to the industrial wage rate.