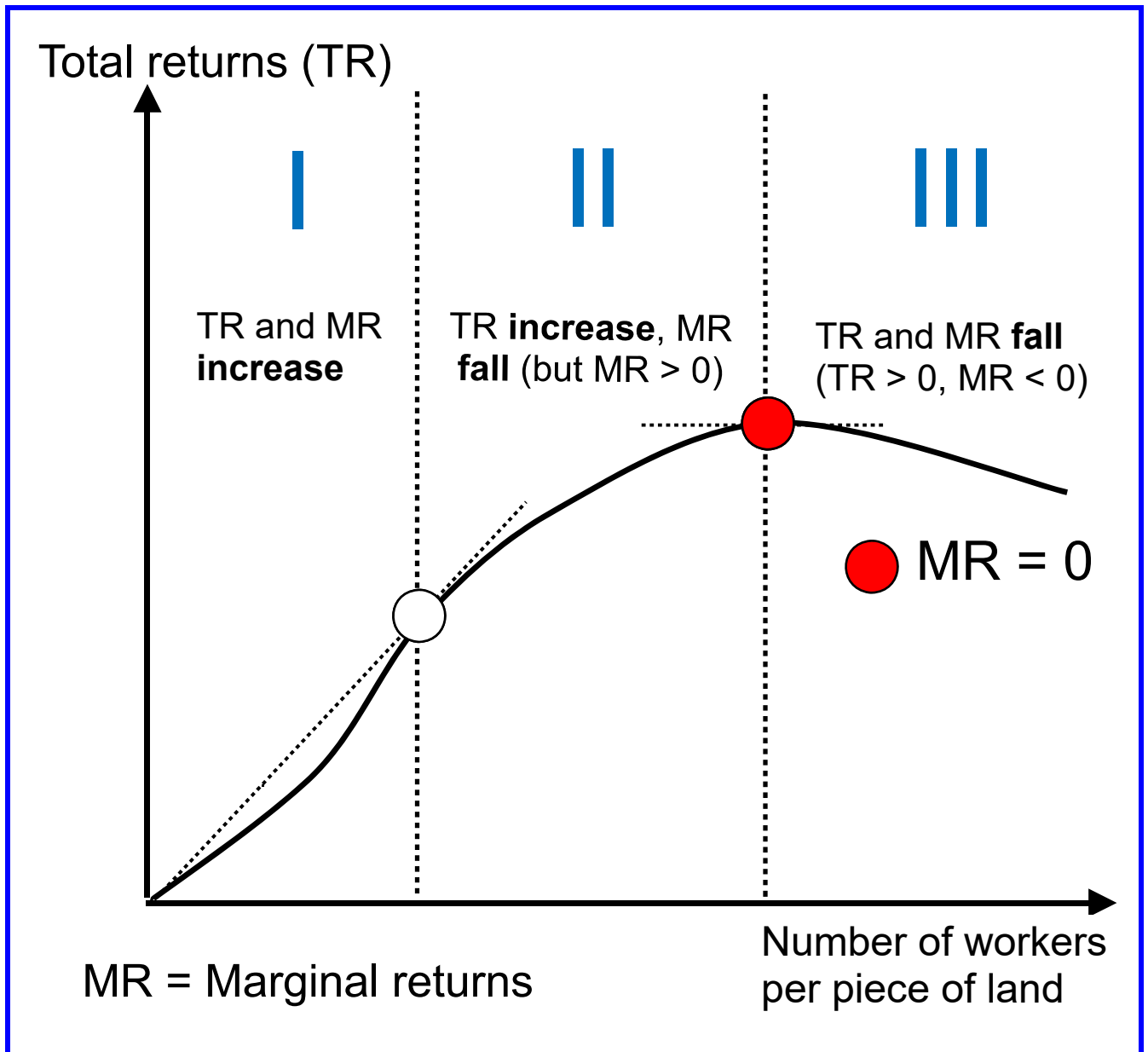


# Law of returns to a factor (classical)

Assumptions:

- The production factor 'labor' is variable;
- all other factors of production are constant (fixed).



Note:

Neoclassical law of returns to a factor (special case of the classical law of returns to a factor) → Law of diminishing (marginal) returns to a factor (MR falls, but  $MR > 0$ ) (graph looks like area II).