

Semester V

MJC 8

Intermediate Microeconomics 2

Unit 2

Theories of Distribution

The theory of distribution in economics explains how the national income is divided among the factors of production—land, labour, capital, and entrepreneurship. Different theories, such as the classical theories of David Ricardo and Karl Marx, and the modern marginal productivity theory, provide different explanations for how the rewards (rent, wages, interest, and profit) are determined by the supply and demand for these factors. The theory also addresses the distribution of income among individuals or households, a topic also influenced by public policies like taxation.

Read through the links given below....

<https://www.economicdiscussion.net/theories-of-distribution/distribution-and-theories-of-distribution-with-diagram/13897>

And

<https://egyankosh.ac.in/bitstream/123456789/13510/1/Unit-17.pdf>

After having gone through the contents given in the above links you should be able to answer the following questions

1. Explain the concepts of distribution ? Distinguish between functional and personal distribution.
2. Why are equitable distribution of income so important for the welfare of the society? Explain your answer in light of distribution theories as they evolved over time.

