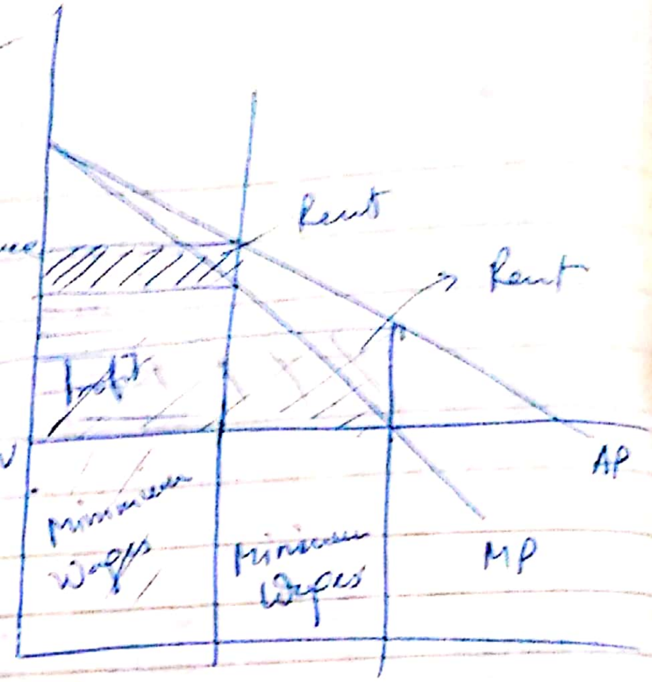
Ricardo's Growth Model

One Sector Model

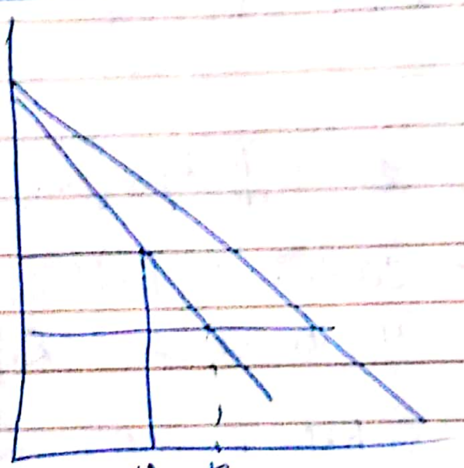


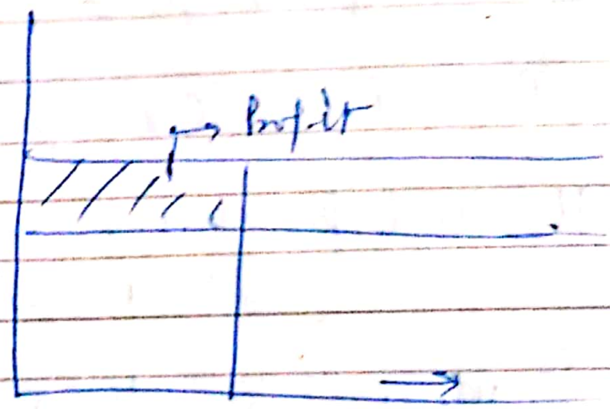
Profit = (MP − Minimum Subsistence wages) × Total No of persons employed.

Rent = (AP-MP) × Employment.

If MP=OW, Profit=Zero.

Two Sector Model





Industry

first of all at a given wage fund, in Industry enterpreneurs earn profit. They invest the profit in developing industry and employment is increased in industry putting pressure on agricultural prices and production. Agricultural production can increase on only increasing cost (decreasing MP and AP). which ultimately eliminates profit in agriculture and subsequently in industry also because wage rate in industry in terms of ~~volume~~ of corn prices also increase