

Critique the assumptions of mainstream theory

[Literature](#), [Russian Literature](#)



Critique of the assumptions of mainstream theory One of the major assumptions of the marginal productivity theory of distribution is existence of perfect competition. This assumption is however unrealistic because imperfect competition characterizes the market. Competitive forces that influence market demand such as standard based and price based initiatives exist for overcoming competition among different sellers. Low quality products, for example, exist for lower prices that aim at attracting customers while some products have high quality for branding and these identify different standards against properties of competitive markets. The market also experiences power centers, such as in monopolies, oligopolies, and government regulations, for price determination. Mobility of factors of production and high levels of awareness also identify imperfect market, contrary to the theory's assumption. Sellers are for example free to move into and out of a market based on presumed profitability levels.

The assumption that consumers are consistent in their preferences is also not valid. Existence of sales promotion strategies such as advertisement continues because of their success in influencing consumers' preferences towards marketed products. Consumers' preference also depends on environmental factors such as peer influence, weather conditions, and religious and political ideologies and is therefore a variable in individual consumers subject to environmental changes.

The theory's assumption of homogeneity of factors of production is an inaccurate assumption because the factors of production can be classified based on their distinct characteristics. Land, for example, has distinct features from labor and capital to dispute the homogeneity assumption. Each

of the factors of production further lacks homogeneity within it and has sub classes with distinct features.