

Summary

In this unit we have understood that technical progress is the key to economic growth. In order to boost its growth, a firm may make inventions and later to reap its benefits to the fullest, it is required to make it commercially feasible. This would further lead to diffusion of the same innovation and allow other firms in the industry to imitate or adopt the new product or process. Thus it would push the production function up and there would be efficient and effective allocation of resources of an industry. This is an autonomous function which raise the level of output for ach different level of capital labor ratio. Hence innovation not only aims at technological advancement but it is an economic activity which increases social welfare. The only limitation it carries is the enormous expense behind R & D. large firms may find it easy but small firms will have to depend on capital market or government intervention. Government would also be keen to invest in this as it possesses the characteristic of public good. The attitude of the industry towards innovation along with government involvement can help society progress via technical progress.