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[\[Economics Growth \(Part II\)\]](#)

Subject:	Business Economics
Course:	B.A., 4 th Semester, Undergraduate
Paper No. & Title:	Paper – 401 Macroeconomics-II
Unit No. & Title:	Unit - 4 Economics Growth
Lecture No. & Title:	2: Economics Growth (Part II)

Frequently Asked Questions

1. What do you understand by Golden Rule?

The Golden Rule of Accumulation in the Golden-Age per capita consumption is maximised when the saving rate equals the profit rate. If the saving rate is less than profit rate, the per capita consumption is less than the attainable maximum. If the saving rate is higher than the profit rate per capita consumption will decline. Thus, it is a specific target rate of saving that maximises per capita consumption in golden age. This is called the golden rule or optimal saving rate. If the same rate of consumption is provided to members of each current and future generation, the maximum amount of per capita consumption is called the Golden Age Path. This consumption maximising golden age path is called the Golden Rule Path.

2. What is Absolute Convergence?

If two closed countries have the same saving rate, the same rate of population growth, the same depreciation rate of capital and the same production function, they will have same steady state values of capital per capita and income or output per capita. But the country with low level of capital per capita and income per-captia will grow faster than the country with high level of capital per capita and income per capita. This is known as absolute convergence.

3. State the two types of convergence.

- 1.** Conditional Convergence
- 2.** Unconditional Convergence.

4. What is population growth?

The population growth is the net increase in the total population, incorporating mortality rate, birth rate and net migration.

5. Explain Golden Rule Path.

A golden age path is a growth path on which every variable changes at a constant proportionate rate i.e. consumption, output, etc. and everything else is growing at the same rate. The growth rate is 'g' which is the natural growth rate.

6. What does Conditional Convergence says?

If the parameters like rates of saving, population growth, etc., differ across countries, their steady state positions will also differ. But over time their growth rates will eventually equalise or converge.

7. Define economic growth.

Economic growth is a long-term expansion of the productive potential of the economy. Growth can be long term or short term, in both the cases there is slight difference. Let us understand the meaning of long-run as well as short run growth.

8. What is feasible output?

The purpose of the economic feasibility assessment is to determine the positive economic benefits to the organization that the proposed system will provide. It includes quantification and identification of all the benefits expected.

9. Explain Balanced growth

It is balancing growth between rural and urban, rich and poor, and eradicating imbalances between all the sectors of economy. It plans the policies in such a way that there is balance between the sectors and within the sectors too.