



[Frequently Asked Questions]

[Economics Growth (Part I)]

Subject:	Business Economics
Course:	B.A., 4 th Semester, Undergraduate
Paper No. & Title:	Paper – 401 Macroeconomics-II
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Lecture No. & Title:	1: Economics Growth (Part I)

Frequently Asked Questions

1. What is Endogenous growth theory?

Endogenous growth can be defined as the notion that policies, internal processes and investment capital, rather than external factors, are chiefly responsible for economic growth.

2. State the two exogenous variables on which Solow Model is based on:

The Solow Model is based on following two exogenous variables:

- the rate of population growth *and*
- the rate of technological progress

3. 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.

4. State the two important points to check the level of growth.

To determine the level of growth one need to check rate of growth considering the following points:

- Every biography has its own pros and cons, hence every economy, every factor of the given economy works differently at a given point in time.
- In the world of globalisation, planning only for one's county is not sufficient. Other world economies also matter equally for the significant growth of the economy.

5. State in brief determinant of growth.

The determinant of growth are:

- a) Expanding the Capital Stock,
- b) Increasing the active labour supply
- c) Extracting and selling natural resources
- d) Improving factor productivity and
- e) Driving innovation and enterprise.

6. 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.

7. What is potential output?

Potential Output can be described as what an economy can produce when all its resources such as workforce, equipment, technology, natural resources and others are fully utilized. Thus, potential output is an expected rate of growth in an economy.

8. 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.

9. State difference between sustainable and inclusive growth.

Sustainable growth means that the current rate of growth is not so fast that future generations are denied the benefit of scarce resources, such as non-renewable resources, and a clean environment.

Whereas, Inclusive growth believes in expanding the horizon of the growth achieved. That is it believes in raising the median per capita income. Like Balanced growth model, inclusive growth also tries to minimize the economical gap between poor and rich. It tries to improve opportunities for all the groups

10. How improvement in Labour force will lead to economic growth?

With the improvement in education level there is growth in the size of the active labour force available for production. The growth in the quality of labour can also attributed to skills, if the available human resources are educated with the required skills the quality of labour increases.