



ECONOMIC GROWTH

Abdukhalilova Sabohat Naimovna

Tashkent State University of Economics

Associate Professor of the Department of Economic Theory

<https://doi.org/10.5281/zenodo.15613615>

Abstract. This process by which a nation's wealth increases over time. Although the term is often used in discussions of short-term economic performance, in the context of economic theory it generally refers to an increase in wealth over an extended period.

Key words. Growth, transformation, maturity, Entrepreneurship

Growth can best be described as a process of transformation. Whether one examines an economy that is already modern and industrialized or an economy at an earlier stage of development, one finds that the process of growth is uneven and unbalanced. Economic historians have attempted to develop a theory of stages through which each economy must pass as it grows. Early writers, given to metaphor, often stressed the resemblance between the evolutionary character of economic development and human life—e.g., growth, maturity, and decadence. Later writers, such as the Australian economist Colin Clark, have stressed the dominance of different sectors of an economy at different stages of its development and modernization. For Clark, development is a process of successive domination by primary (agriculture), secondary (manufacturing), and tertiary (trade and service) production. For the American economist W.W. Rostow, growth proceeds from a traditional society to a transitional one (in which the foundations for growth are developed), to the “take-off” society (in which development accelerates), to the mature society. Various theories have been advanced to explain the movement from one stage to the next. Entrepreneurship and investment are the two factors most often singled out as critical.

Economic growth is usually distinguished from economic development, the latter term being restricted to economies that are close to the subsistence level. The term economic growth is applied to economies already experiencing rising per capita incomes. In Rostow's phraseology economic growth begins somewhere between the stage of take-off and the stage of maturity; or in Clark's terms, between the stage dominated by primary and the stage dominated by secondary production. The most striking aspect in such development is generally the enormous decrease in the proportion of the labour force employed in agriculture. There are other aspects of growth. The decline in agriculture and the rise of industry and services has led to concentration of the population in



cities, first in what has come to be described as the “core city” and later in the suburbs. In earlier years public utility investment (including investment in transportation) was more important than manufacturing investment, but in the course of growth this relationship was reversed. There has also been a rise in the importance of durable consumer goods in total output. In the U.S. experience, the rate of growth of capital goods production at first exceeded the rate of growth of total output, but later this too was reversed. Likewise, business construction or plant expenditures loomed large in the earlier period as an object of business investment compared to the recent era. Whether other countries will go through the same experience at similar stages in their growth remains to be seen.

Comparative growth rates for a group of developed countries show how uneven the process of growth can be. Partly this unevenness reflects the extraordinary nature of the 1913–50 period, which included two major wars and a severe and prolonged depression. There are sizable differences, however, in the growth rates of the various countries as between the 1870–1913 and 1950–73 periods and the period since 1973. For the most part, these differences indicate an acceleration in rates of growth from the first to the second period and a marked slowdown in growth rates from the second to the current period. Many writers have attributed this to the more rapid growth of business investment during the middle of the three periods.

The relatively high rates of growth for West Germany, Japan, and Italy in the post-World War II period have stimulated a good deal of discussion. It is often argued that “late starters” can grow faster because they can borrow advanced technology from the early starters. In this way they leapfrog some of the stages of development that the early starters were forced to move through. This argument is nothing more than the assertion that late starters will grow rapidly during the period when they are modernizing. Italy did not succeed in growing rapidly and thereby modernizing until after World War II. Together with Japan and Germany it also experienced a large amount of war damage. This has an effect similar to starting late, since recovery from war entails building a stock of capital that will, other things being equal, embody the most advanced technology and therefore be more productive and allow faster growth. The other part of this argument is the assertion that early starters are actually deterred from introducing on a broad front the new technology they themselves have developed. For example, firms in a country that industrialized early may be inhibited from introducing a more modern and efficient means of transportation



on a broad scale because there is no guarantee that other firms handling the ancillary loading and unloading tasks will also modernize to make the change profitable.

Related to this is the problem of whether or not per capita income levels and their rates of growth in developed economies will eventually converge or diverge. For example, as per capita incomes of fast growers like the Italians and Japanese approach those of economies that developed earlier, such as the American and British, will the growth rates of the former slow down? Economists who answer in the affirmative stress the similarities in the changing patterns of demand as per capita income rises. This emphasis in turn implies that there is less and less chance to borrow technology from the industrial leaders as the income levels of the late starters approach those of the more affluent. Moreover, rising per capita incomes in an affluent society usually are accompanied by a shift in demand toward services. Therefore, so this argument goes, differences in income levels and growth rates between countries should eventually narrow because of the low growth in productivity in the service sector. The evidence is inconclusive. On the one hand, growth is a function of something more than the ability to borrow the latest technology; on the other hand, it is not clear that productivity must always grow at a slower rate in the service industries.

A rapidly increasing population is not clearly either an advantage or a disadvantage to economic growth. The American Simon Kuznets and other investigators have found little association between rates of population growth and rates of growth of GNP per capita. Some of the fastest growing economies have been those with stable populations. And in the United States, where the rate of growth of population has shown a downward historical trend, the rate of growth of GNP per capita has increased over the last century and a half. Another finding by Kuznets is that while GNP per capita in 1960 was substantially higher in the United States than in any European country, there was no significant difference in the per capita growth rates of all these countries over the period 1840 to 1960 as a whole. The conclusion is that the United States started from a higher per capita base; this may have been the result of its superior natural resources, especially its fertile agricultural land.

Literatures:

1. Gryaznova A.G. Economic theory / A.G.Gryaznova, N.N.Dumnaya, A.Yu. Yudanov. - M.: Yurait, 2014. - 592 p.
2. Vasilyeva E.V. Economic Theory: Lecture Notes / E.V.Vasilieva, T.V. Makeeva. - M.: Yurait, 2018. -- 191 p.

