

Growth Theory

■ 1. Introduction

Growth theory studies the determinants of long-term economic growth. It explores how capital accumulation, labor, technology, and institutions influence output and standards of living.

■ 2. Classical Growth Models

Adam Smith: division of labor and capital accumulation

David Ricardo: land scarcity limits growth

Malthusian model: population growth constrains output

■ 3. Neoclassical Growth Model (Solow Model)

Output: $Y = F(K, L)$

Technology as exogenous factor

Convergence hypothesis: poor countries grow faster under similar conditions

■ 4. Endogenous Growth Models

Knowledge, innovation, and human capital drive growth

Policies and institutions can permanently affect growth rate

■ 5. Measurement

GDP per capita growth

Total Factor Productivity (TFP)

Capital and labor accumulation

■ 6. Policy Implications

Investment in education and R&D

Efficient institutions

Stable macroeconomic environment

■ 7. Conclusion

Growth theory provides a framework for understanding long-term economic development. It informs policies to improve productivity, income levels, and welfare globally.