

Why do economies grow



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Why do Economies Grow? Economies grow as a result of the increase in Gross Domestic Product (GDP) of a country which is an outcome of the increase in labor as well as capital. These were the fundamental economic indicators that influence the economic growth of a country, as per the mathematical model developed by the MIT economist Robert Solow (Hardesty, 2011). Here, the capital essentially includes all production tools. More work was done by other researchers after Solow to expand his mathematical model, as a result of which, certain other factors were also found to be the driving factors of a nation's economy. Such factors include but are not limited to human capital and land. The validity of information generated by Solow can be estimated from the fact that he was awarded "the 1987 Nobel Prize in economics" (Hardesty, 2011). Technology plays an important role in boosting the economy of a country. The following chart shows how the listed countries' economy grew from 1973 till 2007: Economic growth in different countries from 1973 to 2007 (Kenworthy, 2011). It can be seen in the chart above that certain countries showed a greater growth of economy as compared to others in the mentioned duration. "One reason is "catch-up": partly because they could borrow technology from the leaders, countries that began with a lower per capita GDP tended to grow more rapidly" (Kenworthy, 2011). Sustainability of economic growth depends on several factors like the property market, mortgage trends and interest rates etc. which vary between countries, thus making sustainability differ in different cases. Nonetheless, economic growth is desirable for all countries of the world. References: Hardesty, L. (2011, Feb.) Why do some countries' economies grow faster? Retrieved from <http://www.physorg.com/news/2011-02-countries-economies-faster.html>. Kenworthy, L. (2011, <https://assignbuster.com/why-do-economies-grow/>

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