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FACTORS AND THEORIES OF ECONOMIC GROWTH

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ABSTRACT

This article deals with ensuring sustainable economic growth in order to improve the standard of living of the population, determining the main factors of economic growth, improving the lifestyle of the population, economic growth models, theories of economic growth, analyzing the impact of technological development on the economy.

Keywords: economic growth, factors, need, development, priority direction, endogenous, growth models, macroeconomics, balance, theory, stable, empirical theories, social policy balance.

INTRODUCTION

In order to improve the standard of living of the population, it is necessary to ensure stable economic growth. In order to increase the rate of sustainable economic growth, there is a need to identify the main factors of economic growth and give more importance to those factors. One of the comprehensive tasks defined in the Strategy of Actions on the five priority areas of development of the Republic of Uzbekistan in 2017-2021 is to further strengthen macroeconomic stability and maintain and further improve high economic growth rates.[1]

In order to thoroughly study the topic of economic growth, we got acquainted with the views of Danny Leipziger, an expert on economic growth issues - Professor of George Washington University (USA). According to him, the high economic growth rates observed in countries such as China, Korea and Vietnam allowed for a sharp reduction in the level of poverty in these countries. In the absence of economic growth, the lifestyle of the population is not expected to improve. Only a handful of countries have consistently achieved economic growth figures of 7 percent per year. If the consistent reforms implemented today give the expected results, Uzbekistan will have the opportunity to join the ranks of such countries. At the same time, the question should not only be about achieving high economic growth, but also about who will benefit from this growth. Therefore, it is necessary to ensure the balance of economic and social policies aimed at improving the lifestyle of the nation.

Economic growth models, like all economic models, are represented in an abstract and simplified view of real processes, conditionally in graphs and equations. The following theories of economic growth are distinguished in economic theory: - new Keynesian theories of economic growth; – new classical theories of economic growth; – empirical theories of economic growth; – new theories of endogenous growth. Within these directions, various theoretical models of economic growth began to be created. In the middle of the 20 th century, on the basis of the Keynesian theory of macroeconomic balance, a new direction, namely, neo-Keynesianism, emerged. British economist Roy Harrod (1900-1978) among the neo-Keynesians who developed

[1] Decree of the President of the Republic of Uzbekistan dated February 7, 2017 No. PF-4947 "On the strategy of actions for the further development of the Republic of Uzbekistan"; http://lex.uz/docs/3107036;

dynamic models of economic growth studied the relationship between labor force, per capita income and cash capital growth in his model.[2] He created the concept of "capital coefficient", which represents the level of capital capacity of national income. R. Harrod used the criterion of capital capacity in the analysis of the impact of technical progress on the economy. Evsey Domar (1914-1997), an American economist, a representative of neo-Keynesianism, proposed a slightly different model of proportional economic growth, unaware of R. Harrod's research. He adds to J.M. Keynes's opinion that investments increase demand by generating income, and states that investments also lead to an increase in the supply of goods at the same time. In the models of E. Domar and R. Harrod, investments are cited as a factor stimulating economic growth, because they have a multiplier effect and therefore ensure sustainable growth. [3] In this model, unlike J. Keynes, the reproduction process is studied in the long-term period dynamics. The Harrod-Domar model justified the inability of the market economy to be self-regulating. The first new classical theories of economic growth appeared in the 1950s and 1960s. At that time, the problem of accelerating the rate of economic growth, not at the expense of unused capacities, but at the expense of introducing new techniques, increasing labor productivity, and improving the organization of production, came to the fore. The methodological basis of the theory of representatives of this direction (American economist Robert Solow and English economist James Smith, etc.) is the classical theory of production factors.[4] It is known that in this theory, labor, capital and land are interpreted as independent factors of creation of social product. Robert Solow (born in 1924), a representative of the neoclassical theory, identified in his model the mechanism of the growth of savings, labor resources, and scientific and technical progress affecting the standard of living of the population and its dynamics. The main conclusion of R. Solow is that in the long term, the rate of economic growth depends not on the increase of capital investments, but on the factor of technological development.[5] Therefore, according to him, constant technical development and efficient use of resources are the main factors of economic growth. Dj. Mid's model also has neoclassical foundations and explains economic growth through marginalist approaches. Dj. Mid expressed his concept in his book "The Neoclassical Theory of Economic Growth" (1961). Dj. Mid assumed constant growth rates of labor and technical progress and came to the following conclusion: a stable rate of economic growth is achieved in the conditions of a stable rate of capital growth and its equality with the rate of national income growth. If the rate of capital growth exceeds the rate of national income growth, then this will lead to a spontaneous decrease in the rate of accumulation. In Dj. Mid's model, the state performs the task of stabilization using monetary policy only. Only the necessary employment of these resources and the creation of a mechanism for the redistribution of income and savings that will ensure sustainable economic growth. Empirical studies focused on the study of the influence of various factors on economic growth made a great contribution to the formation of modern theories of economic growth. One of the greatest researchers in this field is Edward Denison (1915-1992).

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[2] Harrod–Domar Model. Anim Publishing, 2011. P.
[3] Ishmukhamedov A.E., Jumaev Q.Kh., Jumaev Z.A. Macroeconomics. - T.: "Publication of the Literary Fund of the Writers' Association of Uzbekistan", 2005. - p. 141.
[4] Solow, Robert M. A Contribution to the Theory of Economic Growth. // Quarterly Journal of Economics 70 (February), 1956. P. 65–94.
[5] Macroeconomics (eighth edition). N.Gregory Mankiw. 2013 by Worth publishers: 238

To measure the impact of the human factor, the American economist took into account not only the number of the workforce, but also the dependence of labor productivity on the age and gender of the employee, education and the level of professional training. According to E. Denison, the impact of labor productivity on economic growth occurs as a result of the following processes: - expansion of technological knowledge or improvement of production organization; - compensating for what has been lost", i.e. providing practical knowledge by developed countries to backward countries. This allows backward countries to approach the optimal level of economic growth of developed countries; - improving the placement of physical factors of production and their application in the most effective sectors and regions; - expansion of the scale of the economy, at the same time development of specialization of production and development of national markets.[6] Pol Romer (b. 1955) and Robert Lucas (b. 1937) developed a theory of endogenous economic growth in the late 1980s and early 1990s, dissatisfied with the Solow model. This theory provides a mathematical explanation of technological progress and includes the principle of human capital, which represents the knowledge, skills, and abilities that increase the productivity of workers. Unlike other forms of capital, the profitability of human capital tends to increase. Therefore, a country's economic growth does not slow down as capital accumulates, and the rate of economic growth depends on the type of capital being injected.[7] Education and innovation are cited as factors that increase human capital.

The high results achieved in the socio-economic development of our country are, first of all, the establishment of new modern networks and production facilities, as a result of which the economic potential of our country is significantly increasing, the types of products and services being created are increasing, and the quality is fundamentally improving. In other words, the right choice of the path of independent development, the comprehensively based strategy of the economic policy, and selfless work of our people serve as the most important and main factor in the acquisition of a new meaning and essence of our economy. Among these factors, the fact that our society has always been united in the path of the country's peace and development, and the well-being of our people, has made it possible to successfully pass through difficult trials while traveling the very complex path of independent development. At the very beginning of the global financial crisis, the President adequately assessed the level of its impact, scope and possible negative consequences, and said that "getting out of the world financial crisis as soon as possible, alleviating its consequences, is widely accepted within the framework of each country and the world community as a whole." it depends on the effectiveness of the measures, their harmony with each other"[8], he concluded.

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[8] www.stat.uz – the website of the State Statistics Committee of the Republic of Uzbekistan.

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