

ECONOMIC GROWTH: THEORETICAL AND PRACTICAL ASPECT

Bustonov Mansurjon Mardonakulovich

Namangan Engineering and Technological Institute, DSc., Associate Professor of the Department of Economics, Uzbekistan. Email:

bustonov1975@mail.ru

<https://doi.org/10.5281/zenodo.7428219>

ARTICLE INFO

Received: 30th November 2022

Accepted: 10th December 2022

Online: 12nd December 2022

KEY WORDS

Criteria and methods for assessing the quality of economic growth, theoretical foundations for the formation of the quality of economic growth, main indicators, macroeconomic trends, patterns and factors of sustainable economic growth, economic growth model.

ABSTRACT

The construction of a new economic system requires, on the one hand, consideration of traditional factors of economic growth - the accumulation of material resources, the natural increase in the working-age population, technological progress and the growth of labor productivity, and, on the other hand, ensuring an effective combination of human, natural and physical capital - the main factors of economic development.

At the same time, despite the existing potential, for its use in the interests of the development of the national economy, it is necessary to create a qualitatively new mechanism that allows using the potential and real opportunities of Uzbekistan, ensuring high rates of economic growth.

It should be noted that among the key problems in the development of new strategic guidelines, there are insufficiently studied aspects of them - the priorities of the quality of economic growth, its indicators and models of use in forecasting practice.

The specified problem, as well as its insufficient practical development, determined the relevance of the chosen topic of this study.

INTRODUCTION.

Today, extensive and intensive types of economic growth are used. The ratio of the growth rate of the social product and the

change in the number of factors of production determines the intensive or extensive types of economic growth.

Table 1
Types of economic growth¹

Supply Factors	Demand factors
Cost of fixed capital	Reducing the level of market monopolization
Quantity and quality of natural resources	The tax environment in the economy

¹ Compiled by the author



The level of opportunities for the development of entrepreneurship in society	Efficiency of the banking and credit system
Organization and production technology	Growth in consumption, investment and government spending
Quantity and quality of labor resources	Export development
	Opportunities for the redistribution of production resources in the economy
	Current income distribution system

The first type of economic growth is characterized by a quantitative and qualitative increase in economic resources: this type of construction of new additional enterprises, power plants, roads, etc. called extensive economic growth. GDP growth is achieved by expanding the scope of human and social labor. In the second type of intensive economic growth, the transformation of production occurs in a slightly different way, that is, in a dynamic state. This occurs when the growth in gross domestic product exceeds the growth in the number of employed economic resources. Because the possibility of economic growth depends on a number of factors, which mean an increase in the efficiency and quality of growth, phenomena and processes that determine long-term growth rates and the scale of the real product.

In our opinion, it is advisable to give the following definition: "today, economic growth means the growth of production per capita, the growth of the spiritual, cultural and everyday potential of people." According to this definition, firstly, due to the fact that production activity is the primary basis of social life, the dynamic growth of the economy at an accelerated pace creates a material basis for social progress. The transformation of production occurs depending on the pace of high and qualitative changes.

Secondly, since the growth of the country's economy is high, this leads to an increase in the morale of the population. This, in turn, leads to an increase in the level of knowledge of the population. Thirdly, the standard of living of the population is usually determined by the interdependence of the following two indicators:

the state of labor resources, average life expectancy, the level of literacy of the population, the level of consumption of basic products per population, the level of qualification of labor resources, the share of expenditures on education in GDP, education at the third and fourth levels of education; the amount of expenses; development of the service sector (number of doctors per 10,000 population, number of hospital beds per 1,000 population, provision of housing for the population, etc.).

In conclusion, it should be noted that the quality of economic growth is a characteristic of the rapid growth of the gross domestic product, which ensures a positive trend in the quality of life in the present and future, the improvement of living conditions and the strengthening of national security.

Economic growth is directly related to the national savings rate, the level of literacy and education of the population, and the degree of openness of the economy. As for



the factor of redistribution of income by state institutions, there are different situations. An increase in government spending in the structure of GDP can have a two-way impact on economic growth. Exceeding the norm hinders economic

growth. Considering all factors of economic growth in terms of costs and efficiency will allow to recognize also the growth achieved due to labor productivity or due to the growth of labor costs.

Table 2
Economic development and economic growth, comparative table²

	Economic development	Economic growth
Scope of application	Associated with structural changes in the economy.	Growth is associated with an increase in the output of the economy
Growth	Development is associated with an increase in human capital indicators, a decrease in inequality indicators and structural changes that improve the overall quality of life of the population.	Growth is associated with a gradual increase in one of the components of the gross domestic product: consumption, government spending, investment, net exports.
Note	Assumes progressive changes (institutional and technological changes) in the socio-economic structure of the country along with changes in the volume of income, savings and investment.	This is an increase in the production of real goods and services in the country, income, savings, investments, etc.
Measurement	Quality. Human Development Index (HDI), Gender Inequality Index (GII), Multidimensional Poverty Index (MPI), Child Mortality, Literacy Rate, etc.	Quantitative. Growth of real GDP.
Efficiency	Causes qualitative and quantitative changes in the economy	Causes quantitative changes in the economy
Involvement	Economic development is more important in measuring the progress and quality of life of developing countries.	Economic growth is the most important indicator of the progress of developed countries. However, it is widely used in all countries, since growth is a necessary condition for development.

² Compiled by the author

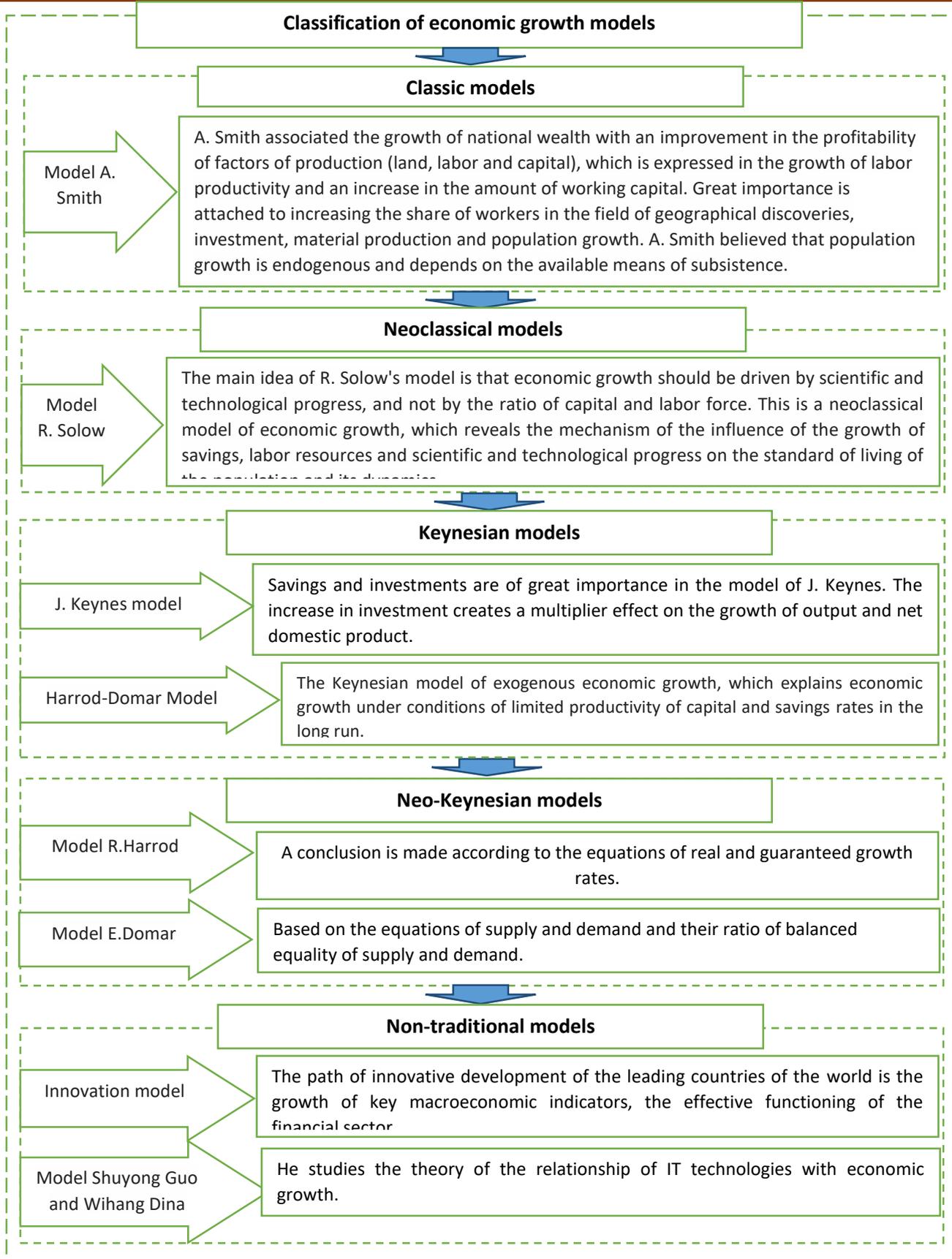


Fig.1. Classification of economic growth models³

³ The resource was developed by the author based on the results of the study.



Labor productivity depends on the intensity of labor. Labor productivity is the efficiency of labor expended per unit of time. The intensity of labor characterizes the amount of labor expended by an employee in a certain period of time. Labor intensity shows the costs (capacity) expended by the labor force per unit of time. The similarity of the general content of intensity and productivity lies in the fact that their growth, in turn, leads to the rational use of a unit of time. Their difference is represented by total costs and costs per unit of output.

An important feature of macroeconomic growth models is the technological growth rate of an endogenous variable (for example, national income), also called Harrod's guaranteed growth rate⁴. Based on the table 2 above, in the course of the study, we presented the following classifications of economic growth and their representatives in Figure 1.

Based on the requirements of sustainable economic growth in the context of economic modernization, economic growth and its efficiency in our republic must be carried out in a number of areas (Fig. 2).

⁴ Allen, R.G.D. *Mathematical Economics*, 2nd ed.; Macmillan: London, UK, 1960; p. 812, doi:10.1007G'978-1-349-81547-0.

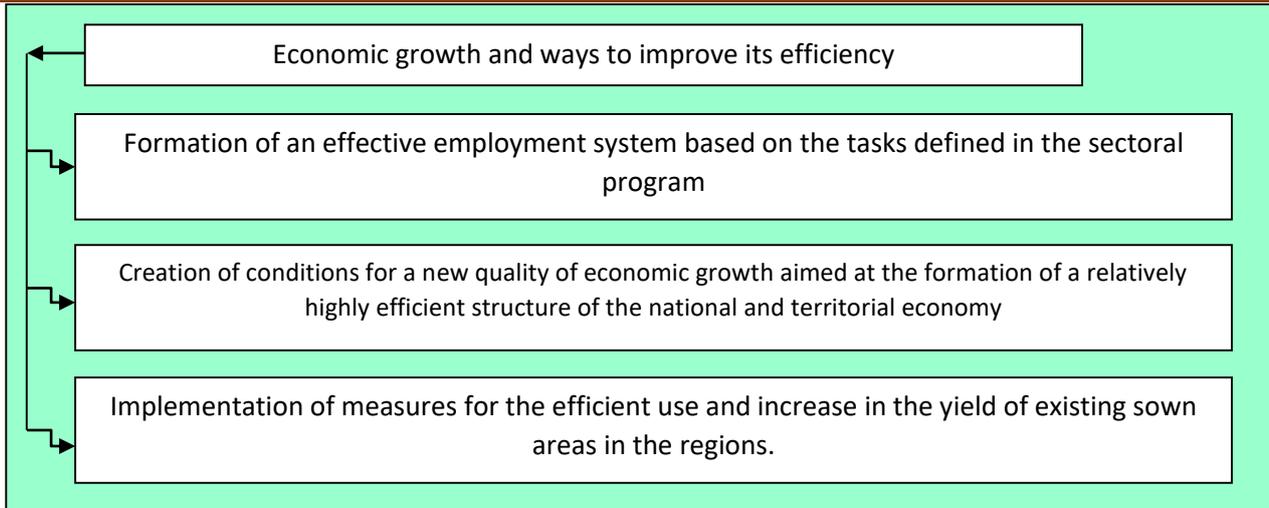


Fig.2. Economic growth and ways to improve its efficiency⁵

Based on the tasks presented in the figure, set in sectoral programs, the priority in the formation of an effective employment system is to reduce the number of people not employed in the national economy by involving them in housing construction and creative activities in the countryside, as well as to determine a reasonable level of employment in inefficient areas.

Technological (guaranteed) growth rate characterizes the growth rate in conditions of an unchanged structure of the economy and the absence of external influences. An immutable structure indicates that model parameters do not change (for example, s , v are constants). Low externalities indicate the absence of exogenous variables ($A(t) = 0$).

From a mathematical point of view, the rate of technological growth is characterized by the asymptotic behavior of the solution of a homogeneous differential equation for a macroeconomic model. In the standard Harrod-Domar model, the solution of equation (1) for $A(t) = 0$ has the following form

$$Y(t) = Y(0)\exp(\omega t) \quad (1)$$

⁵ Compiled by the author

Thus, the technological growth rate of this standard model is characterized by Equation 6 defines a Harrod-Domar model without memory and lag, where the behavior of national income $Y(t)$ is determined by the dynamics of autonomous investment $A(t)$. The solution of equation (1) depends on the assumptions about the change in autonomous costs over time. At the same time, economic growth models include non-traditional models, that is, an innovative model (innovations and IT technologies are considered as a factor in achieving economic growth)⁶.

⁶ S.Guo, W.Ding, T.Lanshina. Digital Economy for Sustainable Economic Growth. International Organisations Research Journal. Vol. 12. No 4 (2017). 16-p/
<https://www.hse.ru/data/2018/01/15/1160391576/S.%20Guo,%20W.%20Ding,%20T.%20Lanshina.pdf>.



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