

ECONOMIC GROWTH, CONCEPT AND FORMS OF EXPRESSION

**Cecilia – Elena
VĂDUVA¹⁸**

ABSTRACT. *THE ECONOMIC GROWTH IN ALL THE ECONOMIC PHENOMENA BELONGS TO THE CATEGORY OF LONG-TERM MOVEMENTS; WE MAY DIFFERENTIATE THE GROWTH FROM THE ECONOMIC EXPANSION.*

THE EXPANSION IS CONSIDERED A SHORT-TERM MOVEMENT WHICH PRESUPPOSES AN INCREASE OF THE LEVEL OF ECONOMIC ACTIVITY BUT WHICH CAN BE CANCELLED BY A RECESSION PHASE. THE EXPANSION AND RECESSION CAN ALTERNATE FOLLOWING DIFFERENT SCHEMES AROUND THE SAME GLOBAL PROFILE OF THE ECONOMIC GROWTH.

THE ECONOMIC GROWTH CAN BE DEFINED AS AN INCREASE OF THE PRODUCTION CAPACITY OF A COUNTRY IDENTIFIED BY THE SUSTAINED INCREASED OF THE REAL NATIONAL INCOME, OVER SEVERAL YEARS.¹⁹

THE ANNUAL RATE OF ECONOMIC INCREASE OF A COUNTRY CAN BE BETTER MEASURED WITH THE HELP OF THE AVERAGE GROWTH PERCENTAGE OF THE NATIONAL INCOME FOR A LONGER PERIOD OF TIME.

THE FIGURE OBTAINED IS AN ESTIMATE OF THE AVERAGE ANNUAL GROWTH RATE OF THE PRODUCTION CAPACITY IN A COUNTRY SUPPOSING THAT, THE UNEMPLOYMENT RATE IS BROADLY THE SAME, AT THE BEGINNING AND AT THE END OF THE PERIOD.

KEY WORDS: *ECONOMIC, CONCEPT, GROWTH, PRODUCTION CAPACITY, RATE, AVERAGE.*

The economic growth and the economic development are closely independent. A country enjoys economic development when it registers an economic growth and suffers major structural changes of the economy, the displacement of the center of interest from agriculture to industry.

We can mention the exposed considerations related to the correlation between the average growth rate of GDP and the rate of accumulation for rhythms of 4-6%, there are necessary rates of 20%, for rhythms of 7-8%, rates of 30%, and for the high rhythms of 9-10%, the accumulation rate has to reach 35-40% of GDP.

Tendencies regarding the evolution of the economic growth theory may be expressed by:

- Recognizing that macro-world models cannot give an adequate response to formulate the long-term economic development strategy of the countries;
- Inclusion in a central place in the economic growth models of the new restrictions appeared with the energetic crisis and continued with the worsening issues related to ensuring the raw materials necessary for development. These

¹⁸ PhD Lect. "Constantin Brâncuși" University from Targu-Jiu

¹⁹ Ph. Hardwich, S. Lengmeai, B. Khan, *Introduction in the modern political economy*, Polirom Publishing House, Iași, 2002, p. 25.

restrictions influence the growth rhythms, but especially the economic efficiency in all fields: in agriculture, increase in fertilizer, fuel, electricity prices for irrigation will lead to the appearance of certain problems related to the level and cost of agricultural production, in industry it is felt the tendency that the primary take-over of raw materials to be made where they are extracted, which implies a revision of the industrialization strategy, in transport, construction and other branches of the economy, the implications are important;

- The inability of this theory to solve the acute problems of the world economy: recession, inflation and unemployment have led to the abandonment of Keynes's theory and the search for new solutions to overcome the crisis and ensure growth rates of 5-6% of GDP for a long perspective.

The World Economics Conference held in Tokyo in 1977, condemning the zero growth as non-scientific, outlined the new premises of the increase concept, along with the increased role of economic research in this field.

An opinion was expressed on the increased role of the growth factors and the change of their hierarchy, meaning that the fixed assets and the labor force that held the first place are going to be overtaken by the technological progress, scientific research, training of the labor force, human capital, information, institutions, etc.

The concept of economic growth must be associated with the process of putting forward and making efficient use of the natural and human resources, combining them with other production actors, so as to ensure a sustained increase in national income per capita and thus to satisfy the full demands of goods and services for the population, while increasing the economic potential, ensuring a dynamic balance and improving the structures of the national economy.²⁰

The economic growth can be seen not only as a general theory but also as a concrete study of long-term development. If the general theory explains the process of economic growth, the concrete studies deal with their retrospective analysis and future evolution. For this ultimate purpose, the economic growth uses the macroeconomic forecast, which examines the growth process retrospectively and predicts it over a long perspective, based on its hypotheses and restrictions formulated in building different variants.

The macroeconomic forecasting activity must be properly organized in terms of:

- The retrospective analysis of the complex system of national economy and establishing the status of this system, in the basic year of the long-term forecast;
- Evaluating the changes that take place over a long perspective, under the impact of science and technology progress;
- The estimation of the time factor influence, associated to the expenditure scheduling, transformation process speed (in production, investments) of the coverage period with reserves of raw materials. All this generates a specific way of analysis: the use of comparable values in time, the measurement of the intensity of production processes, the estimation of structural changes;

²⁰ Eugen Topală, *Investments and economic growth*, Politică Publishing House, 1984, p. 30.

• Taking into account the process of “accumulation” and “decumulation”, namely wear. This aspect has significance in the field of investments where the expenditures incurred lead to the accumulation of corporate assets, which are consumed over time.

The economic growth must be concerned not only with the evolution of national economies, the global economy cells, but also with the evolution of the group of countries, especially through the transfer of GDP, the transfer of labor, the transfer of investments and technologies.

The economic growth is defined in several ways, including the following:

- “The economic growth means a long-term increase in the capacity of a country to ensure the growing supply of the population with different economic assets.” (*Simon Kuznets*)

- “The economic growth is << product growth per inhabitant>> or <<per hour of work>>” (*W. Arthur Lewis*)

- “The economic growth is the process of creative destruction that continually revolutionizes the economic structure, continuously destroying old elements and continuously creating new elements. (*Joseph Schumpeter*)

- “The economic growth is the global process that expresses the ascendant evolution of certain aggregate economic sizes within a time horizon, nationally or internationally, with favorable effects in the economic and social life. In a narrow sense, the economic growth expresses the real size in a certain period of time, an aggregate economic indicator such as GDP, total or per capita, in a certain economic space. Broadly speaking, the economic growth is the form under which it manifests the assembly of quantitative, structural and qualitative transformations produced in the economic life, over a long period of time, pushing aggregate indicators or upward trend.”²¹

Based on the contemporary realities and taking into account the new acquisitions of economic science, it was used the characterization of the economic growth process in two plans, in two registers, as some specialists from other fields say.

Broadly speaking, the economic growth means the set of positive, negative, zero changes that take place over a time horizon and space in the dimensions of the macroeconomic outcomes.

In a narrow sense, the economic growth consists in the quantitative increase of the activities and their results on the whole (national) economy and on its various subsystems, in close connection with the factors that contribute to this increase.

The economic growth indicators are, in fact, the macroeconomic outcome indicators. So, there are taken into account the macro-economic outputs, not the inputs in general-level activities. In the context, it is worth noting that only the overall positive meaning of the project is taken into consideration, even if, conventionally, the terms of zero growth and negative credit are also used. In some systems of thought, the three senses shown that they were perceived by the notion of social reproduction (simple, broad, narrow).

Every man is confronted with problems that directly affect his existence. He can spend a great deal of time trying to provide food for himself and his family. He may be concerned about his personal power or that of the nation he is part of. He can bear the

²¹ The economy dictionary, 2nd edition, Economică Publishing House, 2001, p. 138.

consequences of a war during his or her life or benefit from the advantages of the general prosperity. The very different levels of concern and action at the microeconomic level are under the influence of the state and general evolution of the economy and society.

Viewed at macro level, the economic activities are carried out through an uninterrupted suite of growths, developments, stagnations, declines in processes and their outcomes. At the same time, there are periodic changes in the meaning of the evolution of these activities (with passing from the reduction of the activity and stagnation to growth and vice versa, from increases to stagnations). The intentions that take place are different from one period to another, from one country to another.

The dynamics of macroeconomic flows has been approached and analyzed with similar notions such as: economic growth (positive, zero, negative); expansion and recession (depression); economic development and socio-economic underdevelopment, progress and economic regression; social reproduction (simple, wide, narrow).

The economic growth takes place within a certain spatial and temporal framework. Over time, macroeconomic outcomes may show increases, stagnations and even decreases in quantitative terms. So, the economic growth must be understood as a linear process.

By its content, the economic growth means a positive, ascendant evolution of the national economy, in the medium and long term, but which does not exclude conjunctural oscillations, even temporal economic regressions. The appreciation that a national economy is recording economic growth is based on the trend of the real positive increase within a corresponding time horizon.

The concept of economic growth has been continually evolving. There are three stages with own features:

A first stage starts in 1930, when under the influence of Keynes' works, increase the concerns for macroeconomic analysis. He started from the premise that although the economies of the industrial countries are growing in leaps, there is still a tendency of identifiable growth. Keynes formulated a definition of the economic growth: "the analysis of what in an economic system determines the size of the gross domestic product and the use of labor at a certain time".²²

In a similar conception, Harrod and Domar think that the processes of the economic growth are continuous and permanent, an opinion that has been invalidated by the economic reality.

Simultaneously with the formulation of the concept of economic growth, a wide field was opened for the application of new methods of analysis and mathematical modeling of the economic processes, to which the theory of systems, operational research, strategic game theory, econometric methods contributed. The use of econometric models and methods was made especially after 1933, when Fisch's magazine appeared, "Econometria", it deflected the research to a mechanistic direction, and there was the opinion that the development variants could be set on the computer.

The weak point of the theory at this stage was the use of some parameters by means of which GDP growth is determined without an analysis of the causal aspects and internal correlations of the system. Keynes admits a component multiplier parameter that drives

²² Y M. Keynes, *The general theory of using workforce, interest and money*, Publishing House, Bucharest, 1970, p. 56

GDP growth, depending on the “marginal inclination to consumption” ratio, expressed in the report between the increase of consumption and the increase of incomes. It comes to the conclusion that GDP growth is linked to the volume of investments, by the multiplication parameter, and the balance between demand and offer is ensured when the investments are equal to the economies of society, which cannot be accepted.

Based on these premises, Keynes argues that this multiplier is at the same time an indicator of the proportions by which consumption and accumulation are made, being inversely proportional to the accumulation rate. If, within certain limits, the theory could be exemplified, however, Keynes's multiplier leads to paradoxical outcomes, when the marginal inclination towards consumption is high, because it has a large economic effect that he cannot explain.

Domar, using a similar concept, introduced an “investment productivity” multiplier as a ratio between the increase of the final product and the investments made. The introduction of these multipliers leads to difficulties when used in a global growth model, but above all due to the inconvenience of not taking into account the technical progress, which has become an important growth factor.

In this search phase, other multipliers are proposed, Kahn's coefficient, as a ratio between the labor growth and investment growth or the one proposed by Machlus as a ratio between the increase of the external trade and the increase of the investments. A dynamic multiplier that takes into account the time factor is formulated by Hicks, and Samuelson reaches an over-multiplier combining the action of Keynes's multiplier with an acceleration factor of the economic growth due to technical progress.

Keynes' theory was initially static, which contradicts the conception according to which the analysis of the economic growth should be made for a longer period. However, it brings new items, after which the interest rate and the volume of investments are set from themselves to an optimal level. He considers the international trade as a way of employment in the industrialized countries that seek to transfer unemployment into less developed countries.

At this stage, an important place was given to the analysis of the production factors, especially to the material factors, the labor force involved in the material production and the technical progress. At the same time, it was investigated the elasticity of GDP with each of these factors, substitution between factors and their elasticity. Such preoccupations led to the establishment of some production functions whose use was manifested in the next stage of evolution of the theory of growth.

The second stage of research, in the theory of economic growth, begins in the 1960s together with the occurrence of the disturbances caused by inflation, unemployment, decrease of the growth rates.

The evolution of the concept of economic growth at this stage must be associated with the elaboration of more complex macroeconomic models, whose realization was facilitated by the use of the mathematical instrument, the occurrence of modern computing technique and the generalization of economic-mathematical models, among which to a place of honor is Leontief's “input-output” model.

In this stage of research, several aspects can be mentioned, first of all the increase in the number of growth factors. Denison enumerates 12 factors adding the material factor, labor force, technical progress and accumulation rate, intensity of using the resource,

agricultural surfaces, size of the domestic market, international economic exchanges, organization and management of the economic activity, cost and quality of services, climate, and economic legislation.

This conception broadly widens the scope of the concerns and the ways of analysis.

Dynamic analysis, with a long perspective of economic processes and production processes, poses particular problems with the static or medium-term approach. This concerns not only the evolution of demand, but especially the evolution of technologies, natural resources, production factors and the changes introduced by the structural changes.

Dynamic analysis targets a new aspect and the balance problem. A static equilibrium can only be conceived in theory, the reality showing that economic processes are continuous, the imbalance and instability are permanent. The move, the action as a natural law, is at the same time an economic law governed by the homeostatic principle of the tendency to balance. These are the aspects that have made to take into account the dynamic balance, starting from the premise that the economic processes are presented differently and are analyzed over a longer period.

The attempts to stimulate Keynes's theory generating "neokeynesism" led to the modification of certain conceptions in which the theory of systems were also appealed, to the interdependences that are formed with the development and modernization of the national economy. It is concluded that Keynes's multiplier has an incomplete and deforming character, as it attempts to express the propagated effect of investment, rather than of increase in the national income, which can be more rationally evidenced by the balance of the links between branches. An investment made in one branch amplifies the degree of utilization of the production capacities in the other branches, but the effect propagated to the national economy as a whole is limited by the availability of production capacities in the other branches and by the resources availability especially of the natural resources and the labor force. All this leads to the necessity of the analysis "in system" of the investment effect through the "multiplier of reverse link expenses" as some authors show (Lange, Nemcinov, Kantorovici, Dobrescu) which is a more general but scientifically grounded form of Keynes' multiplier.

In this conception, the direct investments determined by the emergence of an additional income, having as purpose the satisfaction of concrete needs, trigger in the complex of the national economy, the action of the inverse connection, corresponding to the relations of the inter-branches balance of the investments in other branches. In the form proposed by Keynes, the effect of the multiplier is only when there is no need for related investments, if there are available production capacities in other branches or possibilities of intensive use of them, which is a particular case.

A third stage in the evolution of the concept of economic growth was manifested in the 70's through the transition from the macroeconomic analysis to macro-world analysis stimulated by the interest of certain international bodies, mainly the Club from Roma, the International Monetary Fund, the United Nations Organization for the Industrial Development, with the support of large multinationals interested in the development of world trade and in the supply of raw materials and energy.

The studies started from the necessity of the complex analysis of problems faced by the contemporary world, of the notification of all the aspects they raise and of the elaboration of solving proposals.

In this respect, reports to the Club of Rome are known, especially the first one, which shocked the world public opinion and determined some critics.

At this stage, the trends regarding the evolution of theory of the economic growth can be expressed by:

the recognition that macromondial models can give an adequate response to the formulation of the long-term economic development strategy of countries;

inclusion at a central place in the economic growth models of the new restrictions that occurred together with the energy crisis triggered in 1973-1975, aggravation of the problems regarding the insurance of the raw materials needed for development. These restrictions influence the rhythms of growth, but especially the economic efficiency in all branches: in agriculture, the increase of fertilizer prices, fuel, electricity for irrigation will lead to problems related to the level and cost of agricultural production, in the industry there is a tendency that the primary processing of raw materials to be done where they are extracted, which implies a revision of the industrialization strategy in transport, construction and other branches of the economy, the implications are important;

the inability of this theory to solve the acute problems of the world economy: recession, inflation, unemployment have led to the abandonment of Keynes' theory and to search for new solutions to overcome the crisis and ensure growth rates of 5-6% of GDP for a long perspective.

In this context, in the contemporary stage, the process of economic growth shows some characteristics:

a) it is carried out based on a process of formation of a new technical way of production. Through the use of specific techniques and technologies, the new technical way of production will ensure the achievement of large productions by taking over from the natural environment those resources that are reproduced on a large scale and have a non-polluting character, impelling economic growth.

b) the intrinsic link with social purpose, with the quality of life. Based on the accentuation of the economic growth process, the income of all categories of the population is increased, the consumption of material goods and services per inhabitant increases, the social security issues of that part of the population living in a disadvantageous situation are being solved.

c) a new way of economic thinking and a behavior proper for the integration of individual into the economic and social exigencies of the market economy.

In today's economies, there is an opinion that the dynamics of economic growth will depend on the position of each country on the international market in terms of competitiveness and product quality.

BIBLIOGRAPHY

1. Babusiaux, D. , Decision d'investissement et calcul economique dans l'entreprise, Economica, Editions Techniq, Paris, 1990.
2. Bain S., Structure versus Conduct as Indicators of Market Performance, Antitrust Law and Economic Review, ol. 18, 1986.

3. Baldwin R.,
Fundamental
R. Martin,
Two waves of globalization: Superficial Similarities,
Differences, NBER, Working Paper 6904, January, 1999.
4. Băncescu M,
Publishing
Băncescu A.,
Macroeconomics – Bases of macroeconomics, All
House, Bucharest, 1993.
5. Băhăiță I., Silasi
House,
Gr., Duță Al.
Macroeconomics, Orizonturi Universitare Publishing
Timișoara, 1995
6. Băhăiță I., Duță
A.
Markets and prices, Vest Publishing House, Timișoara, 1995
7. Băhăiță I., Duță
A.
Introduction in microeconomics, Vest Publishing House,
Timișoara, 1996
8. Băhăiță I., Duță
2000
A.
Microeconomics, Mirton Publishing House, Timișoara,
9. Băhăiță I., (coord.)
Microeconomics, Applications, Mirton Publishing House,
Timișoara, 2000
10. Băileșteanu Gh.,
Publishing
Diagnosis, risk and efficiency in businesses, Milton
House, Timișoara, 1998
11. Biber E.,
Publishing
Investment process in the market economy, Infomin
House, Deva, 1998
12. Blang M.,
Publishing
Economic theory in retrospect, Didactică si Pedagogică
House, 1992
13. Blomstrom M.,
The Determinants of Host Country pillovers from Direct
14. Globerman S,
Kokko A
Foreign Investment; Review and Synthesis of the
Literature, Journal of Economic Surveys, 1998
15. Blomstrom M.,
Kokko A.
Multinational Corporation and Spillovers, Journal of
Economic Surveys, 1998
16. Bonciu Fl.
1997
Promoting foreign investments, Tribuna Economică, no. 46,
17. Bordo M.,
Eichegreen B.
Irwin D.
la Globalization Today Really Different than
Globalization a Hundred Years Ago?, NBER Working
Paper 7195, June, 1999
18. Boujnah S
Elements d'economie industrielle appliques a la Banque,
Facultes des Sciences Economiques et Sociales, Lille, 1996
19. Bourguinal H.
Paris,
Finance Internationale, Presses Universitaires de France,
1992
20. Bransteller I.
Is Foreign Investment a Channel of Knowledge Spillovers?,
NBER Working Paper, 8015, November, 2000
21. Burgenmeier B.
Les nouvelles forms d'investissement international et les
strategies des firmes, PUF, Paris, 1993
22. P.J. Bucklez
Contemporary Theories of International Direct