Review of
Public Administration and Management

OPEN ACCESS Freely available online

Editorial

Editorial Note on Economic Growth Theory

Poorvi Solleti*

Department of Public Administration, National Institute of Technology, Mangalore, Karnataka, India

EDITORIAL

The endogenous growth hypothesis is an economic theory that asserts that economic growth occurs as a direct outcome of internal processes within a system. Endogenous growth theory states that improving a country's human capital will lead to economic growth through the creation of new technologies and more efficient and effective manufacturing methods. The new growth theory provided a fresh perspective on what drives economic growth. It highlights the role of entrepreneurship, knowledge, innovation, and technology, opposing the neoclassical economics perspective of exogenous growth, which holds that economic advancement, is governed by uncontrollable external causes. Because profit margins are squeezed by competition, people must always explore better methods to do things or innovate new goods to maximise profits. One of the major pillars of the new growth theory is this concept.

One of the reasons for firms to invest in human capital, according to the new growth theory, is to foster internal innovation. Individuals should be encouraged to develop new concepts and technology for the consumer market by generating opportunities and making resources available within a business. A major corporation, for example, might let a portion of its workforce to concentrate on separate, internal initiatives that could lead to new innovations or businesses. In certain aspects, the company allows them to operate as if they were start-ups being nurtured within the company. When considering growth theories, it's important to distinguish between those that seek to explain growth (or lack thereof) in established countries and those that seek to explain growth (or lack thereof) in developing ones. The majority of what follows will focus on the former.

The shrinking of the global frontier, the slowing of population growth, and the capital-saving nature of recent breakthroughs, according to Hansen, have all contributed to the likelihood of stagnation by lessening the need for investment. At full employment, the amount of savings available in a mature economy would tend to surpass the amount that the economy would desire to invest by progressively bigger amounts as time went on. As the gap between demand and potential output increased, this circumstance would inevitably lead to higher unemployment rates. Hansen's perspective was heavily influenced by the economic difficulties of the 1930s. The three decades following WWII were essential in overcoming the pessimism engendered by the Great Depression.

Because a model stating that capitalism systems are intrinsically unstable would not correspond to historical events, most contemporary growth theory can be seen as an attempt to build a theoretical model that would bring the rate of growth of demand and the rate of development of supply into line. Models of growth can be categorised based on whether they stress demand changes (supply-determined models) or supply changes (supply-driven models) (demand-determined models). It was created one of the more well-known examples of the supply-determined model.

Consumer and investor spending proclivities were such that demand grew faster than maximum output growth. This premise implied that during any "boom," the economy would eventually hit a "ceiling," which, while also heading upward, would be slower than demand. The pace of ascent of the ceiling would determine the economy's long-run rate of growth, which would be influenced by supply factors like labour force expansion and technological progress or productivity growth. If these grew at a faster rate for some reason, output would increase at a faster rate as demand adjusted upward to the new level. An American economist, created a model of growth that is driven by demand. Consumer and investor spending proclivities in the Duisenberg model are such that demand grows steadily. Assume that instead of spending nine-tenths of any increase in income on consumer products, people chose to spend 0.95. As a result of this rise, demand will expand at a faster rate.

Correspondence to: Poorvi Solleti, Department of Public Administration, National Institute of Technology, Mangalore, Karnataka, India, E-mail: Solletipoorvi333@gmail.com

Received: October 09, 2021; **Accepted:** October 14, 2021; **Published:** October 19, 2021

Citation: Solleti P (2021) Editorial Note on Economic Growth Theory. Review Pub Administration Manag. 9:306.

Copyright: © 2021 Solleti P. This is an open-access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited.