10 Discuss the main components of growth in every society. (10)

Ans: Economists generally agree that economic growth are influenced by so many factors. The main componments of growth in developed and underdeveloped society are discussed below:

(1) Capital Accumulation: One of the main components of growth is capital accumulation. capital means the stock of physical reproducible factors of production. When the capital stock increases with the passage of time, this is called capital accumulation.

On the one hand, it reflects effective demand, and on the other hand, it creates productive efficency for future production. capital formation possesses special importance for LDCs The process of capital formation is essential to meet the requirements of an increasing population in such economies.

Again, according to Kuznets, the incremental capital-output ratio has played an important role in modern economic growth

(2) Natural Resources: The Principal componenils affecting the growth in economy is the

natural resources. For economic growth the existence of natural resources in abundance essential. The discovery of more natural resources, such as oil or mineral deposits, will give a boost to the economy by increasing a country's production capacity.

The effectiveness of a country and utilizing and exploiting its natural resources is a function of the skills of the labour force, type of technology and availability of capital

③ Organization: Organization is a important part of the growth process in developed and underdeveloped society. It relates to the optimum use of factors of production in economic activities Organization is complement to capital and labour and helps in increasing their productivities

④ Human Resources: The skills, education and training of the labour force have a direct effect on the growth of an economy. A skilled, well trained workforce is more productive and will produce a high-quality output that adds efficiency to an economy.

(5) Technological Progress: Technological improvement are regarded as the most important factor in the process of economic growth. They are related to changes in the methods of production which are the result of some new technique of reacharch or innovation. Chanches in technology leads to increase in the productivity of labour, capital and other factors of production.

In modern economic grooth have helped in the development of technology. Some countries like India, Argentina, Brazil have been modifying and adapting the techniques of their social, economic and technical absorption capacities and requirements.

(6) Division of labour and scale of production:
Specialisation and division of labour lead to increase in productivity. They lead to economies of large scale production which further help in industrial development. Division of labour leads to improvement in the productive capacities of laboren. Every labor becomes more efficient than before, ultimately, production increases manifold.

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(7) Social components: Social and cultural factors have also influenced modern economic growth. western culture and education led to reasoning. If economic growth is to take place, social attitudes, values and institutions will have to be changed. people should be aware of the objectives before them and have the capicity to atain them.

(8) Political and administrative components: political and administration factors also helped in modern economic growth. The economic growth of Britain, Germany, the united states, japan etc. has been due to their political stability and strong administration since 19th centuary.

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(11) What is the relationship between capital output ratio and productivity of capital.? (10)

Ans: Capital output ratio is the amount of capital needed to produce one unit of output. Again capital productivity is the output per unit of value of fixed production assets.

A frequently used tool that explain the relationship between the level of investment made in the economy and the consequent increase in GDP is capital output ratio. The concept of capital output ratio expresses the relationship between the value of capital invested and the value of output.

capital output ratio has very good use in economic planning. Suppose the government targets an economic growth of 9% for next year. If the capital output ratio is 4. Here, to realize 9% growth, investment should be increased to 36% (9×4).

Capital output ratio thus explain the relationship between level of investment and the corresponding economic growth. There is a simple equation in economics that shows the relationship between investment, capital output ratio and economic growth.

$$G = S/v$$

Here, G is economic growth, S is saving a percentage of GDP and V is capital output ratio.

Another variant of capital output ratio is incremental capital output ratio. The ICOR indicate additional unit of capital needed to produce an additional unit of output. The utility of ICOR is that with more and more capital, the capital output ratio itself may change and hence the usal capital output ratio will not be useful.

A lower capital output ratio shows productivity of capital and technological progress. This is considered as a desirable situation. Lower capital output ratio shows that capital is very productive or efficient.

The incremental capital output ratio is a frequently used tool that explains the relationship between the level of investment made in the economy and the consequent increase in GDP. ICOR indicates the additional unit of capital needed to produce an additional unit of output.

The capital-output ratio is the ratio between the amount of capital invested in a particular economy and the output of that economy in the particular amount of time. This ratio tells about the rate of growth of the output of an economy depending upon the amount of capital invested. A high capital output ratio indicates that to achieve a certain amount of output, there is a need to invest a higher amount of capital.

The ratio depends upon the availability of natural resources in a country. If there is an abundance of natural resources, the amount of capital to be invested would be low as it can be substitute by the natural resources. On the other hand, where there is a scarcity of natural resources, the amount of capital needed to be invested to attain the same level of output in the same amount of time would be high.

It is possible mainly through technological progress. When there is superior technology, capital will be efficient to produce more output ratio will be lower.

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