

⑦ Describe the interplay between economic growth and population. (10) or
explain the relationship between population growth and economic growth. (10)

Ans: If population growth affects per capita output growth, higher population growth rate would contribute to either higher or lower overall economic growth depending on the nature of

its effects on per capita GDP.

The relationship between population growth and economic growth is controversial. Low population in high income countries is likely to create social and economic problems while population growth in low-income countries may slow their development.

Population growth helps the process of development in certain ways and hampers it in certain other ways. This is so because the relationship between population growth and economic growth is intricate, complex and interacting.

Positive effect: On the positive side, an increasing population means an increase in the supply of labour - a basic factor of production. And growth of population and labour supply has all along been one major source of growth in recorded history. It is to be noted that human labour assisted by necessary tools and implements was always and still is greatest productive asset of nations.

In this context the following two-points may be noted.

(i) The pattern of spending reflects the age

distribution.

(ii) young workers are generally more productive and adaptable.

A growing population means a growing market for most goods and services. We know that division of labour is limited by the extent of the market. A potentially expanding market stimulates entrepreneurs to invest more and more in capital goods and machinery. Business activity will be spurred as a consequence.

And more income and employment will be created in the process. Moreover, it will provide an outlet for the products of efficient large-scale, mass-production industries. The net effect may be favourable to the country.

A growing population leads to an increasing total output. The effect of population growth on a society's per capita output level depends on the pattern of population growth as also its institutional framework.

Negative effect: Population growth has a negative effect on growth for the following reason.

(i) Capital shallowing: Rapid population growth

reduces per-capita availability of capital and thus lowers labour productivity.

(ii) Age dependency: rapid population growth produces a large number of dependent children whose consumption requirements lower the ability of the economy to save.

(iii) Investment diversion: rapid population growth shifts government expenditures from the country's infrastructure to education and health care.

The harmful effects of population growth seems to be more pronounced in countries where arable land and water are relatively scarce. The World Bank has stated that population growth above 2% per annum acts as brake on economic development, in a manner, economic development may also have important effects on population growth.

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Ans

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