Long-term economic growth

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Long-term economic growth

Long-term economic growth means an increase in the productive potential or overall production of any nation; in other words, the country's gross domestic product (GDP) is increased. Long-term growth is a result of development in either the quantity or quality of factor contributions, because of which a country is able to create or produce more. It is sustained growth in the magnitude of services and goods that an economy yields.

Short term economic growth, on the other hand, is measured by the yearly proportion change in gross domestic product (GDP) of a country. Short-term growth is the output of a country in terms of GDP (gross domestic product) over a given period of time typically a year.

**Major determinants of long-term economic growth**

**The growth of productivity:** It is the proportion of outputs to inputs such as labor, energy, services, capital, and materials concerning the economy. With an increase in productivity the cost of merchandises is dropped. Lower costs of production mean lower prices which increase the demand for the services or products. An escalation in demand means greater revenues.

**Demographic changes:**demographic changes such as age etc. effect economic growth because of the employment to population proportion. Age structures of the population effects employment and long-term economic growth.

**Labor force participation:** The quantity of workforce contribution and the size of economic segments influence economy. The workforce or labor contribution is the number of job seekers available.

**Impact of long-term economic growth**

Long-run economic growth results in greater average incomes, lesser unemployment, enriched public services, increased research, and development, investment in all sectors of the economy and growth of jobs and the production of those working, etc.

Moreover, long-term economic growth causes businesses to have more confidence as the economy does well and the risk of currency devaluation buying the power of public is negligible. Such economic growth also results in technological advancements that benefits business. In addition, costs per unit production decrease with an increase in profits.