SECTION 7.4 POPULATION AND ECONOMIC GROWTH

- What role does population play in economic growth?
- If population were to expand faster than output, per capita output would fall; population growth would inhibit growth. While some economists believe that population growth helps economic growth, the general feeling is that in developing countries today, population growth threatens the possibility of sustained economic growth.

***Debate** - Should Canada Continue Its Growth Targets Based on Immigration Growth?*

- Malthus predicted that per capita economic growth would eventually become negative and wages would ultimately reach equilibrium at subsistence level. Fortunately, he turned out to be spectacularly wrong.
- As population increases, the number of workers increases but at some point, the law of diminishing returns means that output will rise but at diminishing amounts. However, Malthus's assumptions proved wrong about the quantity and quality of tillable land being fixed, the absence of technological improvement and desire of humans to reproduce until wages are driven down to subsistence levels.
- However, some developing countries reflect the Malthusian assumptions fairly closely although non-Malthusian explanations such as political instability, the lack of defined and enforceable property rights, and adequate investment in human capital may help explain recurring poverty in those countries.