

**Answer on Question #40066 – Economics – Macroeconomics
Assignment**

Under what conditions an economy realizes steady state?

Solution

A steady state economy is an economy of relatively stable size. It features stable population and stable consumption that remain at or below carrying capacity. The term typically refers to a national economy, but it also can be applied to the economic system of a city, a region, or the entire planet. Note that Robert Solow and Trevor Swan applied the term steady state a bit differently in their economic growth model. Their steady state occurs when investment equals depreciation, and the economy reaches equilibrium, which may occur during a period of growth.

Development of steady state economics (sometimes also called full-world economics) is a response to the observation that economic growth has limits. Macroeconomic policies in most countries, particularly those with large economies as measured on a GDP scale, typically have been officially structured for economic growth for decades. Given the costs associated with such policies (e.g., global climate disruption, widespread habitat loss and species extinctions, consumption of natural resources, pollution, urban congestion, intensifying competition for remaining resources, and increasing disparity between the wealthy and the poor), some economists, scientists, and philosophers have questioned the biophysical limits to growth, and the desirability of continuous growth.

Economic growth in terms of a modern state economy is an increase in the production and consumption of goods and services. It is facilitated by increasing population, increasing per capita consumption, and productivity gains, and it is indicated by rising real GDP. For millennia most economies, in the current sense of the term, remained relatively stable in size, or they exhibited such modest growth that it was difficult to detect. Proponents of steady state economics note that the general transition from hunter-gatherer societies to agricultural societies resulted in population expansion and technological progress. From this they stress that the industrial revolution and the ability to extract and use dense energy resources resulted in unprecedented exponential growth in human populations and consumption.