The World Economy: Growth or Stagnation?

by

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The World Economy:
Growth or Stagnation?

Edited by Dale W. Jorgenson, Kyoji Fukao, and Marcel P. Timmer
THREE MAJOR TRENDS IN THE WORLD ECONOMY


The Balance of the World Economy Is Shifting from the Advanced Economies of the G7 to the Emerging Economies of Asia, Especially China and India.

The Transformation of the World Economy has Led to a New World Order, Led by China, the U.S., India, and Japan.
Sources of World Economic Growth

Average annual growth rates, weighted by the income share.
PROJECTING THE GROWTH OF THE WORLD ECONOMY


OUTLOOK FOR THE G7 ECONOMIES


Downside Risk for the U.S. Economy Is the Failure of Attempts to Develop a Sustainable Fiscal Policy. Upside Risk for the U.S. Economy Is a Substantial Stimulus to Growth from a Long Overdue Major Tax Reform.


The Major Downside Risk for the Japanese Economy is Continuation of the Stagnant Productivity Growth of the Past Two Decades. A New Growth Strategy Will Be Required to Overcome the Two Decades of Economic Stagnation.
Range of G7 Output Projections
OUTLOOK FOR THE MAJOR EMERGING ECONOMIES


Future Growth of the Indian Economy: Our Project Is a More Modest Slowdown from the Growth of the Past Decade, Almost 7.5 Percent Annually, to a More Sustainable 6.5 Percent Annually in the Coming Decade.

The Downside Risk for the Indian Economy Is Failure to Restore Fiscal Balance and Maintain Control of Inflation. The Upside Potential of India’s Favorable Demographic Trends Depends on Labor Market Reform and Greatly Increased Integration with the World Economy.
SUMMARY OF THE TRANSFORMATION OF THE WORLD ECONOMY

Despite the Economic Turbulence of the Past Two Decades, the World Economy Is Entering a Period of Sustainable Growth at a Rate of almost 3.2 Percent Annually, Only Slightly below the Growth Rate of 3.3 Percent for the Past Quarter Century.

Relative Importance of the Major Emerging Economies, China and India, Will Continue to Increase, Even with Much Slower Growth in China and a Modest Slowdown in India. Growth Potential Will Increase Modestly in Both Japan and the U.S.


Conclusion: The Base Case Projection of World Economy Is for Moderate but Sustained Growth and a Continuing Shift from the Advanced Economies of the G7 to the Major Emerging Economies. This Has Established the New World Order of the 21st Century.