THE RISE OF ASIA AND THE NEW ECONOMIC ORDER

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Technology Policy Institute ~ Aspen Forum
August 22, 2011

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THREE MAJOR TRENDS IN THE WORLD ECONOMY

CHINA OVERTAKES THE U.S. IN 2018:
The U.S. Has Been the World’s Leading Economy for a Century

DEVELOPING ASIA OVERTAKES THE G7 IN 2018:
Mainly Due to China with a Contribution from India

THE NEW WORLD ORDER IN 2020:
China, U.S., India, Japan, Russia, Germany, and Brazil
THE RISE OF ASIA AND THE NEW ECONOMIC ORDER

THE SOURCES OF ECONOMIC GROWTH:
Capital Input, Labor Input, and Productivity

CAPITAL INPUT GROWTH:
Information Technology and Non-Information Technology

LABOR INPUT GROWTH:
Hours Worked and Labor Quality

PRODUCTIVITY
Output per Unit of Input
Sources of U.S. Economic Growth
Annual percentage growth rates

1990-1995
1995-2000
2000-2005
2005-2009

Hours
Quality
Non-IT Capital
IT Capital
TFP
Sources of World Economic Growth

Annual percentage growth rates

![Chart showing sources of world economic growth with annual percentage growth rates from 1990-1995 to 2005-2009 for various regions including World, G7, Developing Asia, Non-G7, Latin America, Eastern Europe, Sub-Saharan Africa, and N. Africa & M. East. The chart includes categories for hours, quality, non-IT capital, IT capital, and TFP growth.]
PROJECTING GROWTH OF THE WORLD ECONOMY

DEMOGRAPHICS:
Hours Worked from Labor Force Projections;
Labor Quality from Educational Attainment

PRODUCTIVITY:
Growth of TFP, Capital Quality, and the
Gap between Output and Capital

GDP GROWTH:
Sum of the Growth of Hours Worked and
Labor Productivity
Range of U.S. Labor Productivity Projections, 2010-2020

Annual percentage growth rates

- **1990-2009**
  - TFP: 0.5
  - Capital Deepening: 1.0
  - Labor Quality: 0.2

- **Pessimistic Case**
  - TFP: 0.2
  - Capital Deepening: 0.3
  - Labor Quality: 0.1

- **Base Case**
  - TFP: 1.0
  - Capital Deepening: 1.0
  - Labor Quality: 0.2

- **Optimistic Case**
  - TFP: 2.5
  - Capital Deepening: 1.5
  - Labor Quality: 0.5
Range of U.S. Potential Output Projections, 2010-2020

Annual percentage growth rates

<table>
<thead>
<tr>
<th>Period</th>
<th>Labor Productivity (years)</th>
<th>Hours (years)</th>
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<tbody>
<tr>
<td>1990-2009</td>
<td>2.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Pessimistic Case</td>
<td>1.0</td>
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<td>Base Case</td>
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<td>Optimistic Case</td>
<td>3.2</td>
<td>0.5</td>
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</tbody>
</table>
Growth Projections for the World Economy
Annual percentage growth rates

[Bar chart showing growth projections for various regions and time periods, with bars indicating annual percentage growth rates for 1990-2009 (Actual) and 2010-2020 (Projection).]
Growth Projections for the G7 Economy
Annual percentage growth rates

Canada 1990-2009 (Actual), 2010-2020 (Projection)
France 1990-2009 (Actual), 2010-2020 (Projection)
Germany 1990-2009 (Actual), 2010-2020 (Projection)
Italy 1990-2009 (Actual), 2010-2020 (Projection)
Japan 1990-2009 (Actual), 2010-2020 (Projection)
UK 1990-2009 (Actual), 2010-2020 (Projection)
US 1990-2009 (Actual), 2010-2020 (Projection)

Hours and Productivity
Growth Projections for the Asia 7 Economy
Annual percentage growth rates
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RESEARCH ON ECONOMIC GROWTH:
Growth of Input Greatly Exceeds Productivity Growth; Most Growth is Replication Not Innovation

OFFICIAL STATISTICS:
Growth Belongs in Our National Accounts. This Requires a New Architecture for the National Accounts

THE ASIAN MODEL OF ECONOMIC GROWTH:
The Magic Sauce Is Globalization and the Accumulation of Human and Nonhuman Capital