

# AUSTRALIA AND THE GROWTH OF THE WORLD ECONOMY

By

**Dale W. Jorgenson**

Samuel W. Morris University Professor  
Harvard University

**Khuong Vu**

National University of Singapore

*<http://scholar.harvard.edu/jorgenson/>*



THE UNIVERSITY  
OF QUEENSLAND  
AUSTRALIA

**24th Colin Clark Memorial Lecture**

**July 8, 2014**



**Colin Clark, 1905-1989**

# **THREE MAJOR TRENDS IN THE WORLD ECONOMY**

## **CHINA OVERTAKES THE U.S.:**

The U.S. Has Been the World's Leading Economy for a Century

## **WORLD ECONOMIC GROWTH ACCELERATES:**

Mainly Due to China with a Contribution from India

## **THE NEW WORLD ORDER IN 2020:**

China, U.S., India, Japan, Germany, Russia, Brazil

# **GROWTH OF THE WORLD ECONOMY**

## **THE SOURCES OF ECONOMIC GROWTH:**

Capital Input, Labor Input, and Productivity

### **CAPITAL INPUT GROWTH:**

Information and Non-Information Technology

### **LABOR INPUT GROWTH:**

Hours Worked and Labor Quality

### **TOTAL FACTOR PRODUCTIVITY**

Output per Unit of Input

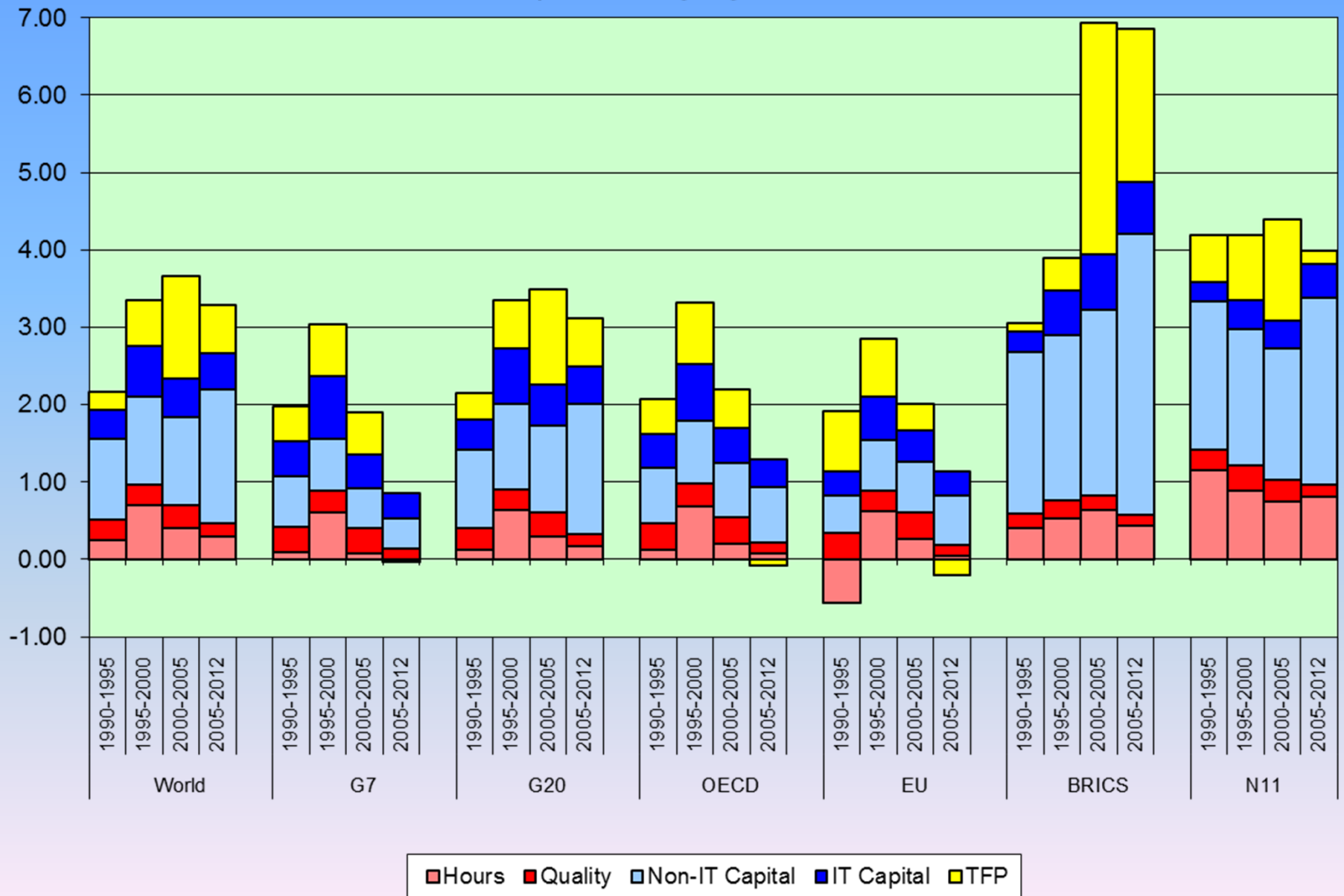
# Sources of Australia Economic Growth

Annual percentage growth rates



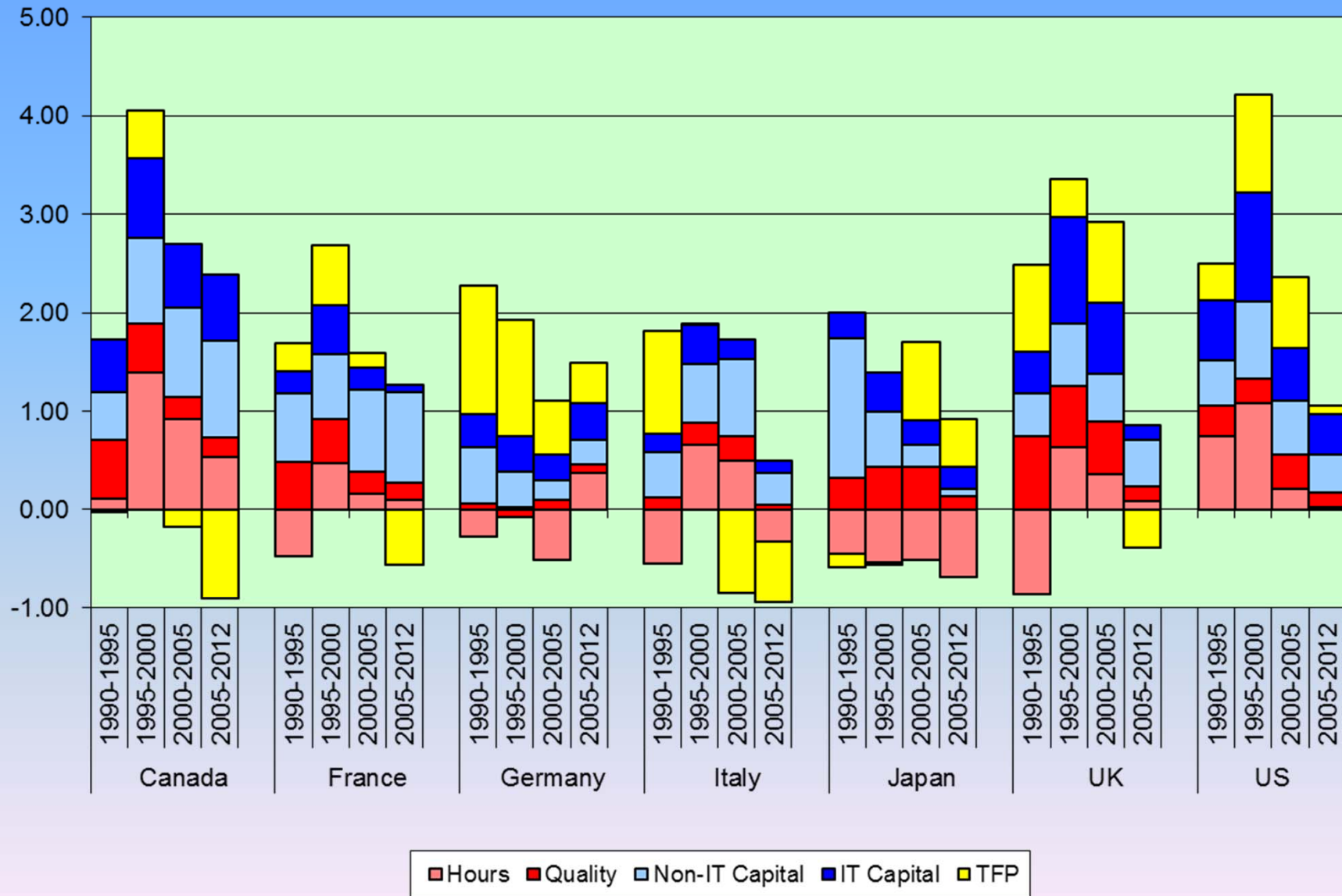
# Sources of World Economic Growth

Annual percentage growth rates



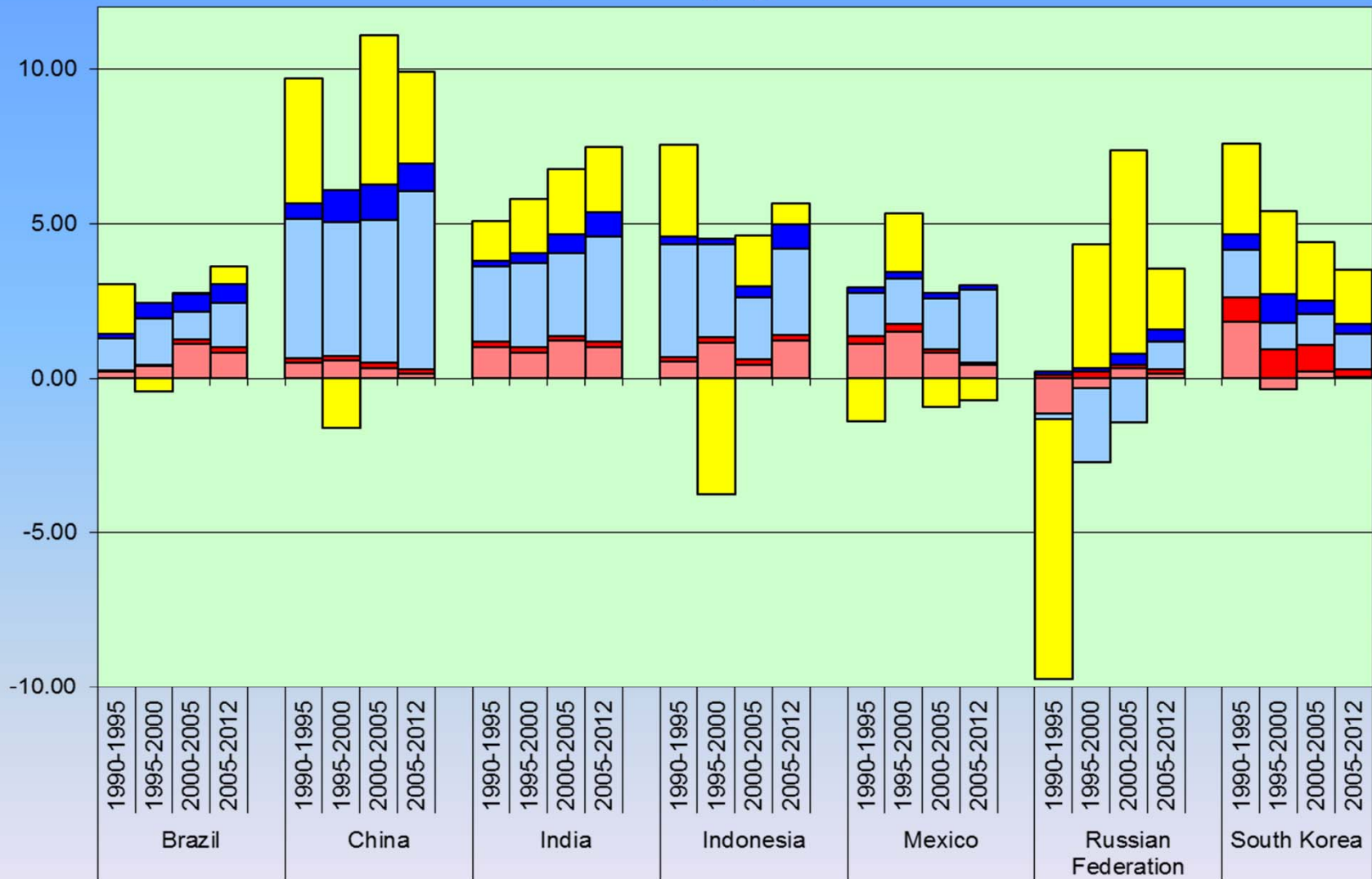
# Sources of G7 Economic Growth

Annual percentage growth rates



# Sources of BRICS Economic Growth

Annual percentage growth rates



Hours Quality Non-IT Capital IT Capital TFP



# PROJECTING GROWTH OF THE WORLD ECONOMY

## DEMOGRAPHICS:

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

## LABOR PRODUCTIVITY:

Growth of TFP, Capital and Labor Quality, and the  
Gap between Output and Capital

## GDP GROWTH:

Sum of the Growth of Hours Worked and  
Labor Productivity

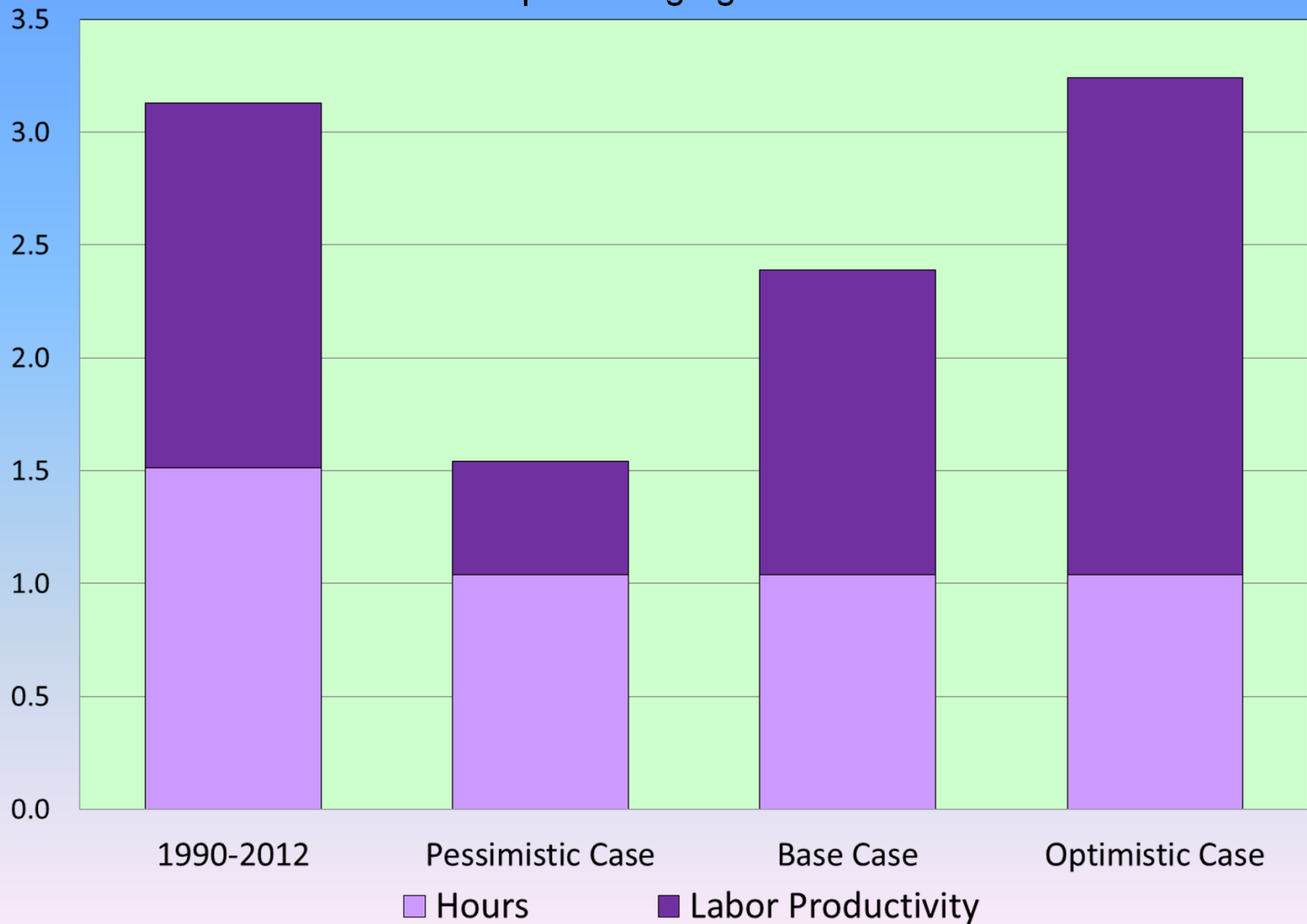
# Labor Productivity Projections for Australia, 2012-2022

Annual percentage growth rates



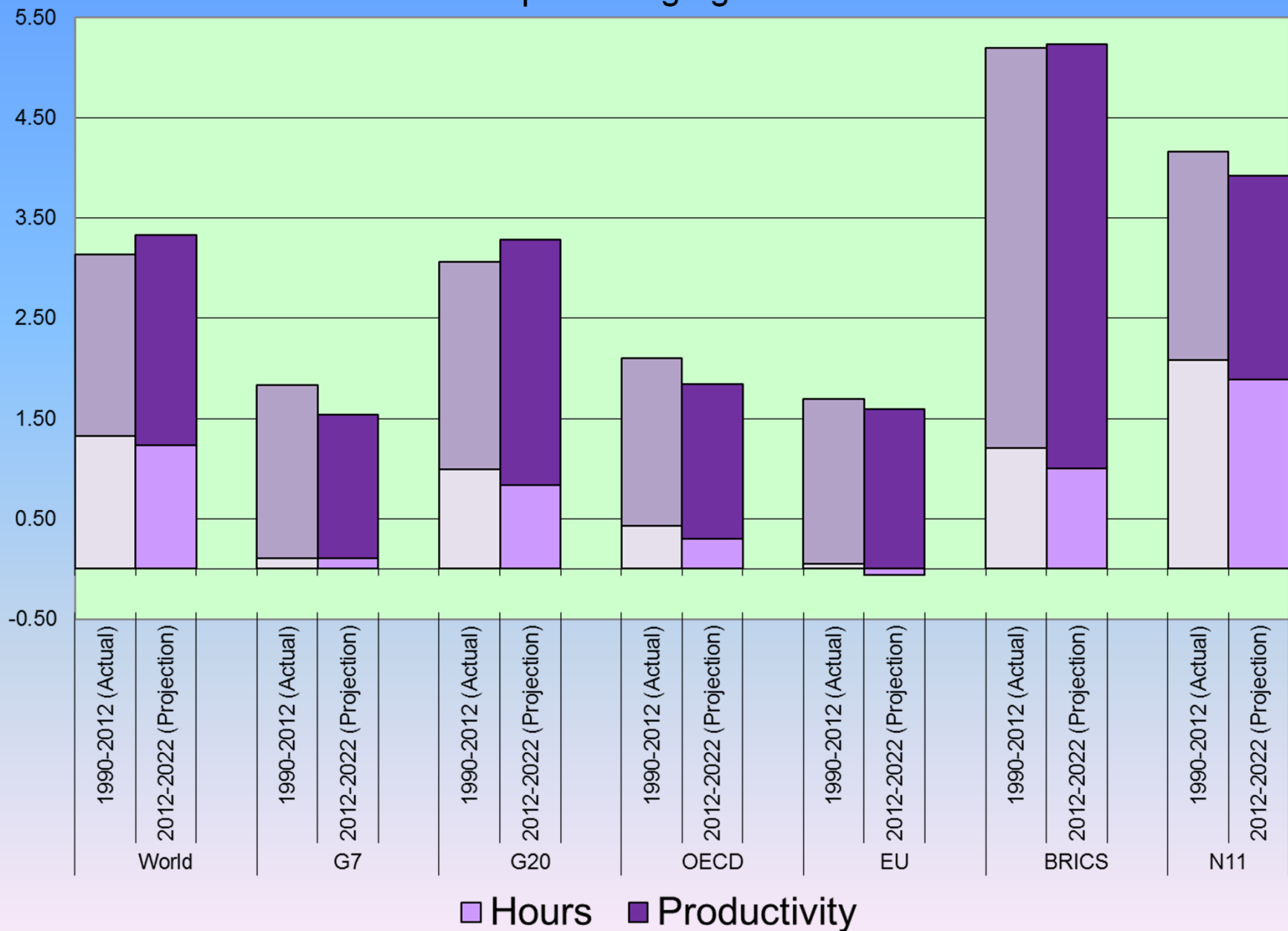
# Growth Projections for Australia, 2012-2022

Annual percentage growth rates



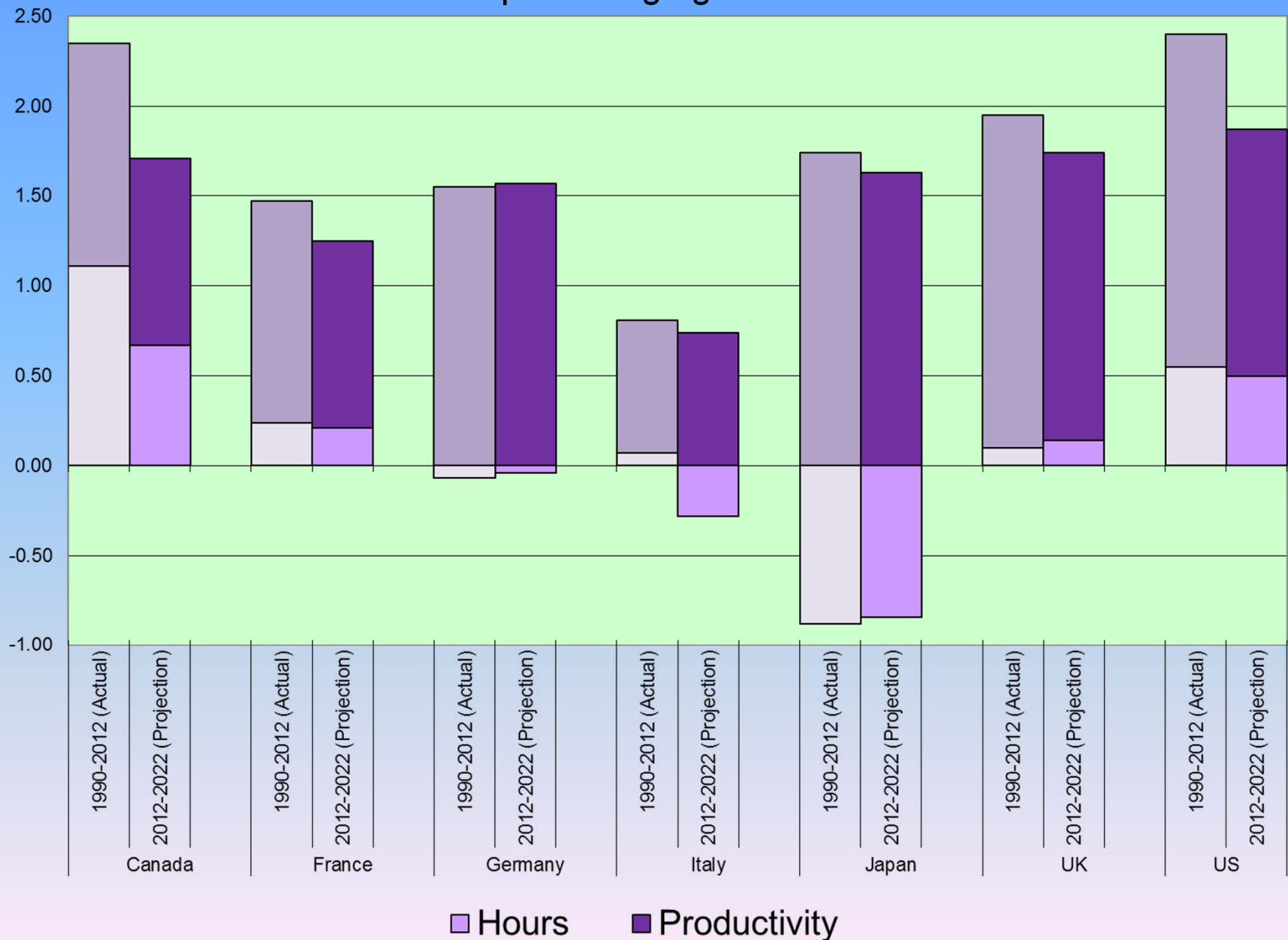
# Growth Projections for the World Economy

## Annual percentage growth rates



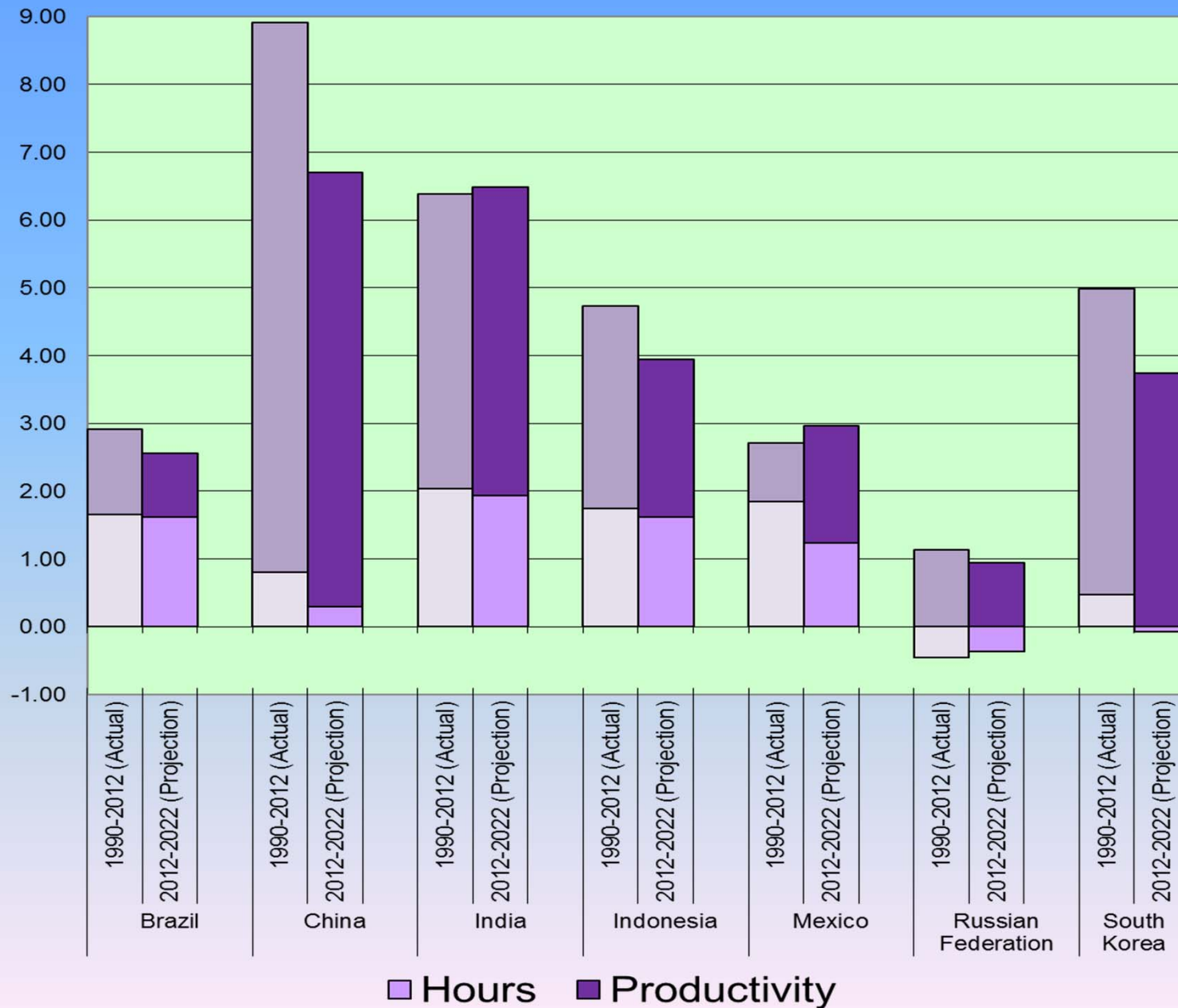
# Growth Projections for the G7 Economy

Annual percentage growth rates



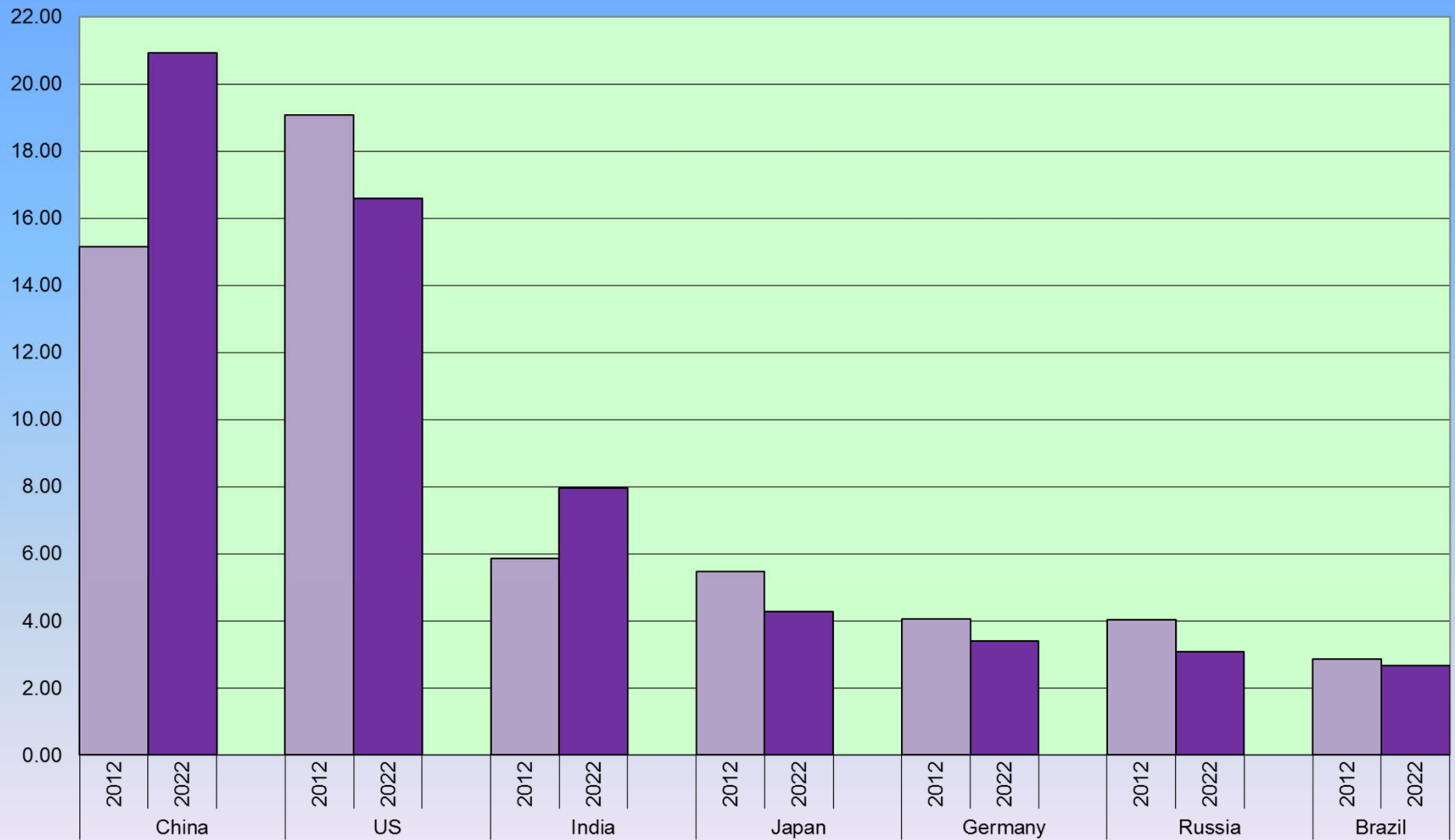
# Growth Projections for the BRICS Economy

Annual percentage growth rates



# New Economic Order 2022

Percentage shares of world GDP



# AUSTRALIA AND THE GROWTH OF THE WORLD ECONOMY

## RESEARCH ON ECONOMIC GROWTH:

Growth of Input Greatly Exceeds TFP Growth;  
Most Growth is Replication Not Innovation

## THE ASIAN MODEL OF ECONOMIC GROWTH:

The Special Sauce Is Globalization and the  
Accumulation of Human and Nonhuman Capital

## OFFICIAL STATISTICS:

Growth Is Now Included in Our National Accounts; This  
Involves a New Architecture for the Accounts





