

Macro Roundup Article

Headline: [Will Technology Differentiate China Today from Japan in the 1990s?](#)

Article Link: <https://carnegieendowment.org/posts/2024/08/will-technology-differentiate-china-to-day-from-japan-in-the-1990s?lang=en>

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Publication	Carnegie Endowment for International Peace
Publication Date	August 09, 2024

Tweet: [@michaelxpettis](#) argues that supply-side measures focused on developing new technologies won't substitute for rebalancing the Chinese economy; he notes the same approach failed in Japan in the early 1990s.

Summary: The consumption share of Japan's GDP bottomed out at 63.3% in 1991 (compared to 53.4% for China in 2022), and it took seventeen years for the consumption share to rise by 10 percentage points. In 2008, it had reached 73.8% (still below the global average). During that time, Japan's share of global GDP dropped from 15% to 7.9%. I am not arguing that an intense supply-side focus on developing new technology won't make a difference for China and will fail. It is certainly possible that such a focus could help China avoid—or at least reduce—a long and difficult adjustment associated with boosting a very weak demand side of the economy. But it is foolish to suggest that such a focus must inevitably work, and even more foolish to claim that China is the first country to try this approach. Many countries have tried to resolve demand imbalances with technology-driven supply-side measures—most notoriously the Soviet Union in the 1960s and Japan in the late 1980s and early 1990s—but it has always proved far more difficult than expected.

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Primary Topic: China

Topics: China, GDP, Growth, Op-Ed/Blog Post

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