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Macro Roundup Article

Headline: The Neoclassical Growth of China

Article Link: https://www.nber.org/papers/w31351

Author(s)	Jesús Fernández-Villaverde, Lee Ohanian and Wen Yao
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Tweet: .@lee_ohanian @AEIEcon finds that China's pattern of growth in per capita GDP matches that of Japan, South Korea and Taiwan at earlier stages of their development. He forecasts that China's per capita GDP will asymptote at 41% of the US level ~2050.

Summary: Figure 3.1 shows real GDP for China, Japan, South Korea, and Taiwan, in which each economy begins at approximately the same per capita income level. The most striking aspect of these data is that the time path of China's per capita GDP is remarkably similar to those of the three other East Asian miracle economies. After 25 years of becoming middle-income economies, China, Japan, and Taiwan achieved nearly the same per capita real GDP level. The one exception is Korea, which was somewhat ahead of the other three at that point in time. These data show that there is nothing unusual about China's real GDP growth rate relative to the experiences of these other economies. We use the model and the fitted TFP catch-up process to predict that China's relative per capita GDP level will asymptote to about 41% of the U.S. level around 2050, reflecting a substantial slowdown in China's observed TFP catch-up in recent years.

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