Is the Chinese Economy Headed for a “Lost Decade”?

Starting around 1990 Japan entered a twenty-year span with very little growth. The housing prices in Tokyo and the stock market’s Nikkei Index have not recovered to their all-time highs from that period. There were two larger factors in the end of rapid growth in the Japanese economy: demographics and productivity. The population of Japan peaked around 1990 and started a period of decline. At the same time the per person productivity had increased to be on par with other developed countries. The latter factor ended the post war recovery period. Japan had reached the equivalent to first world per person productivity. The former created a headwind against overall GDP growth that countries with continued population growth, such as the United States, do not face.

So how does China today compare to Japan in the 1990s?