JAPAN AND THE GROWTH OF THE WORLD ECONOMY

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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 Japanese Economic Growth
Annual percentage growth rates

Sources of World Economic Growth

Annual percentage growth rates
Sources of G7 Economic Growth

Annual percentage growth rates

<table>
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<tr>
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<tbody>
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Legend:
- Hours
- Quality
- Non-IT Capital
- IT Capital
- TFP
Sources of BRICS Economic Growth

Annual percentage growth rates

- Brazil
- China
- India
- Indonesia
- Mexico
- Russian Federation
- South Korea

- 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 Japan, 2012-2022

Annual percentage growth rates

- **1990-2012**: Capital Deepening (1.1), Labor Quality (0.3), TFP (0.5)
- **Pessimistic Case**: Capital Deepening (1.0), Labor Quality (0.2), TFP (0.3)
- **Base Case**: Capital Deepening (1.1), Labor Quality (0.3), TFP (0.6)
- **Optimistic Case**: Capital Deepening (1.3), Labor Quality (0.4), TFP (0.5)
Growth Projections for Japan, 2012-2022

Annual percentage growth rates

- **1990-2012**
  - Hours: -0.7
  - Labor Productivity: 1.6

- **Pessimistic Case**
  - Hours: 0.0
  - Labor Productivity: 1.2

- **Base Case**
  - Hours: 0.3
  - Labor Productivity: 1.4

- **Optimistic Case**
  - Hours: 0.5
  - Labor Productivity: 1.8
Growth Projections for the World Economy
Annual percentage growth rates

<table>
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<tr>
<th>Year Range</th>
<th>World</th>
<th>G7</th>
<th>G20</th>
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<th>BRICS</th>
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<td>1990-2012 (Actual)</td>
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Legend:
- Hours
- Productivity
Growth Projections for the G7 Economy
Annual percentage growth rates

- 1990-2012 (Actual)
- 2012-2022 (Projection)

Countries:
- Canada
- France
- Germany
- Italy
- Japan
- UK
- US

Legend:
- Hours
- Productivity
Growth Projections for the BRICS Economy

Annual percentage growth rates

- Hours
- Productivity
JAPAN 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