

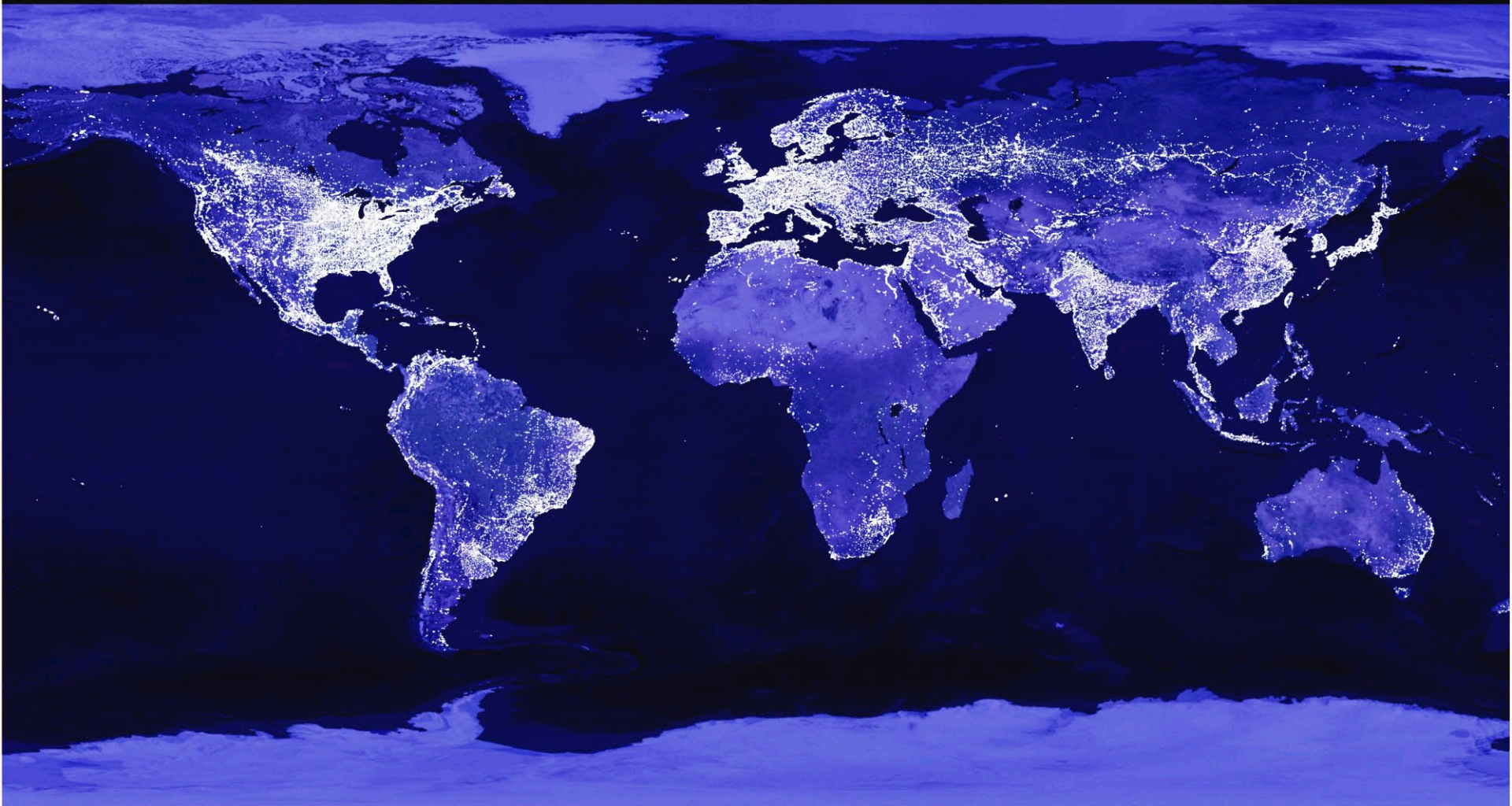
Balancing European transition and growth in a shifting world economy

Bank of Finland CEEI 2012

November 2012

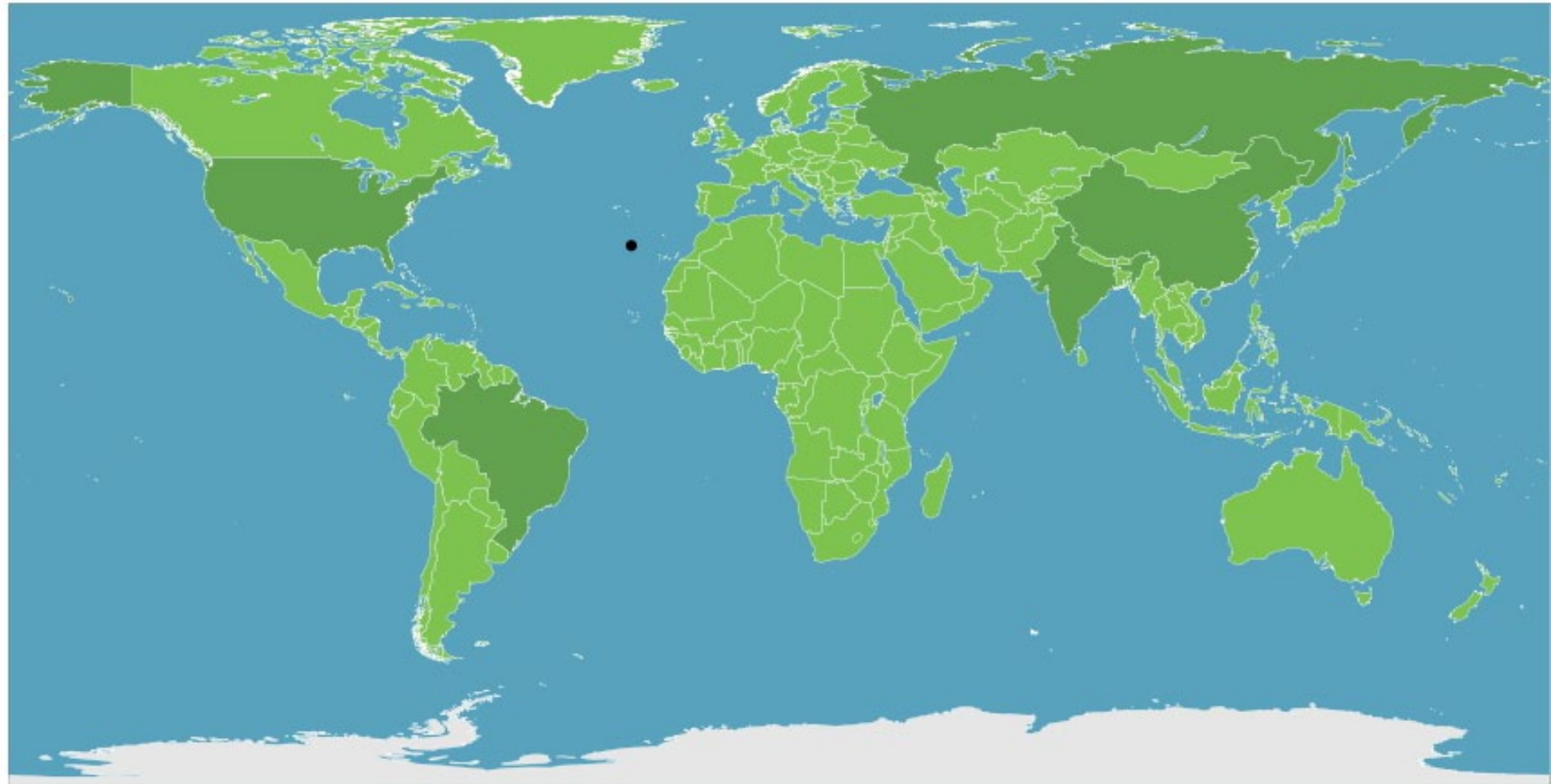
Danny Quah

Economics Department LSE

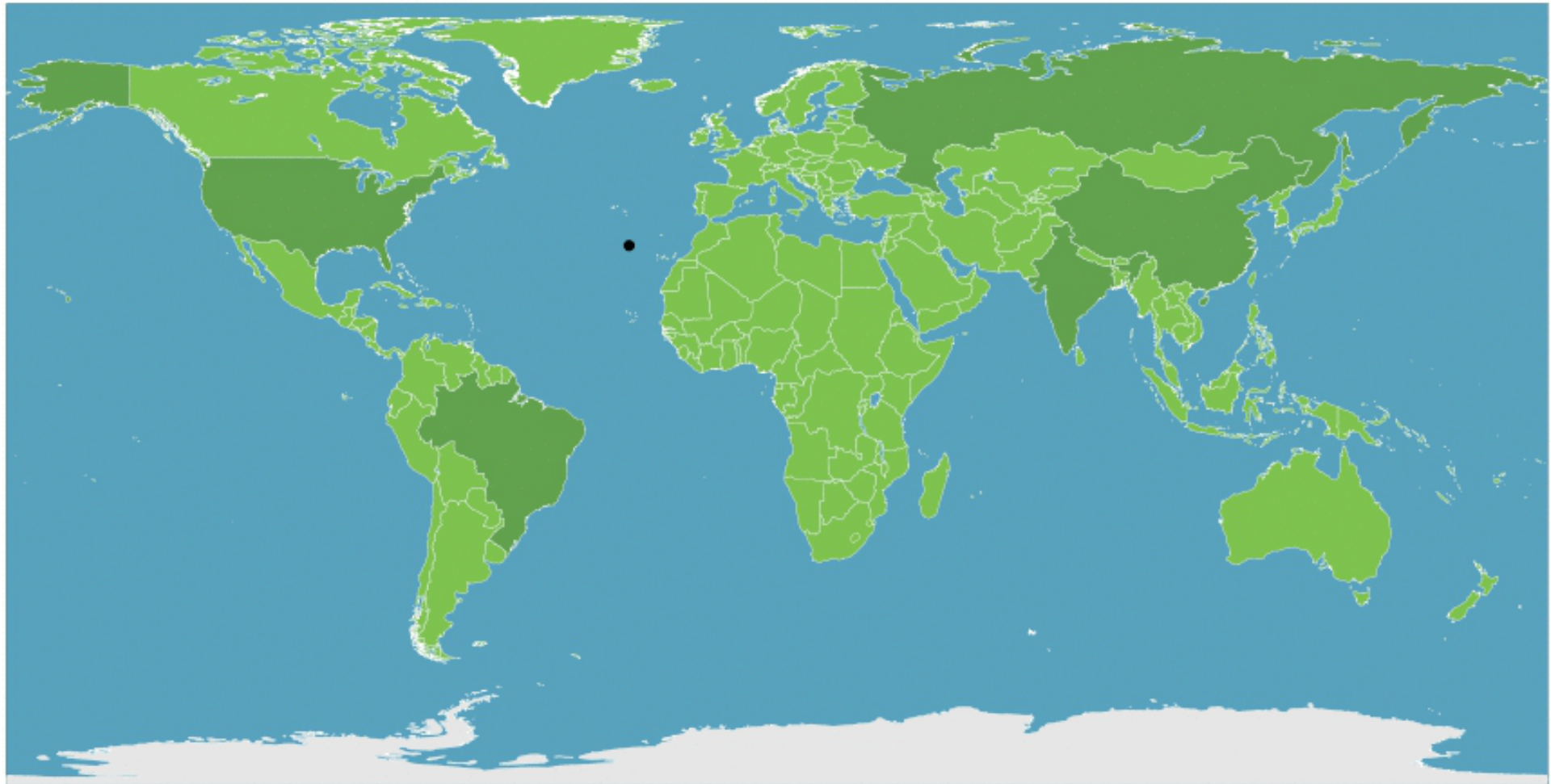


DMSP data courtesy Marc Imhoff of NASA GSFC and Christopher Elvidge of NOAA NGDC. Image by Craig Mayhew and Robert Simmon, NASA Earth Observatory.

The global economy's centre of gravity, 1980 ...



The global economy's centre of gravity, 1980 – 2049



The global economy's centre of gravity, 1980 – 2049



The world's economic centre of gravity: 1980-2050

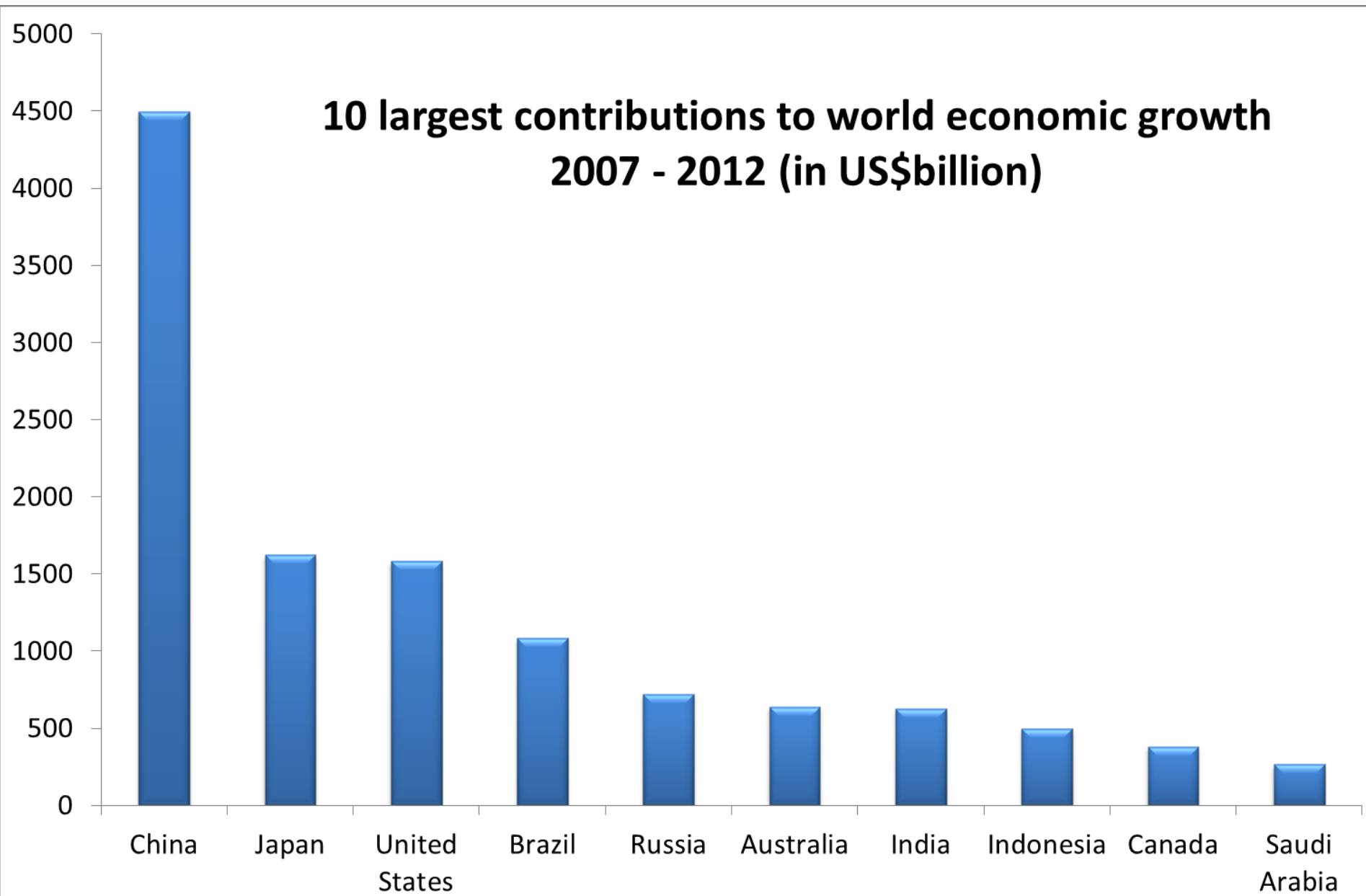


INCREDIBLE?

“The fattest kid in school...”

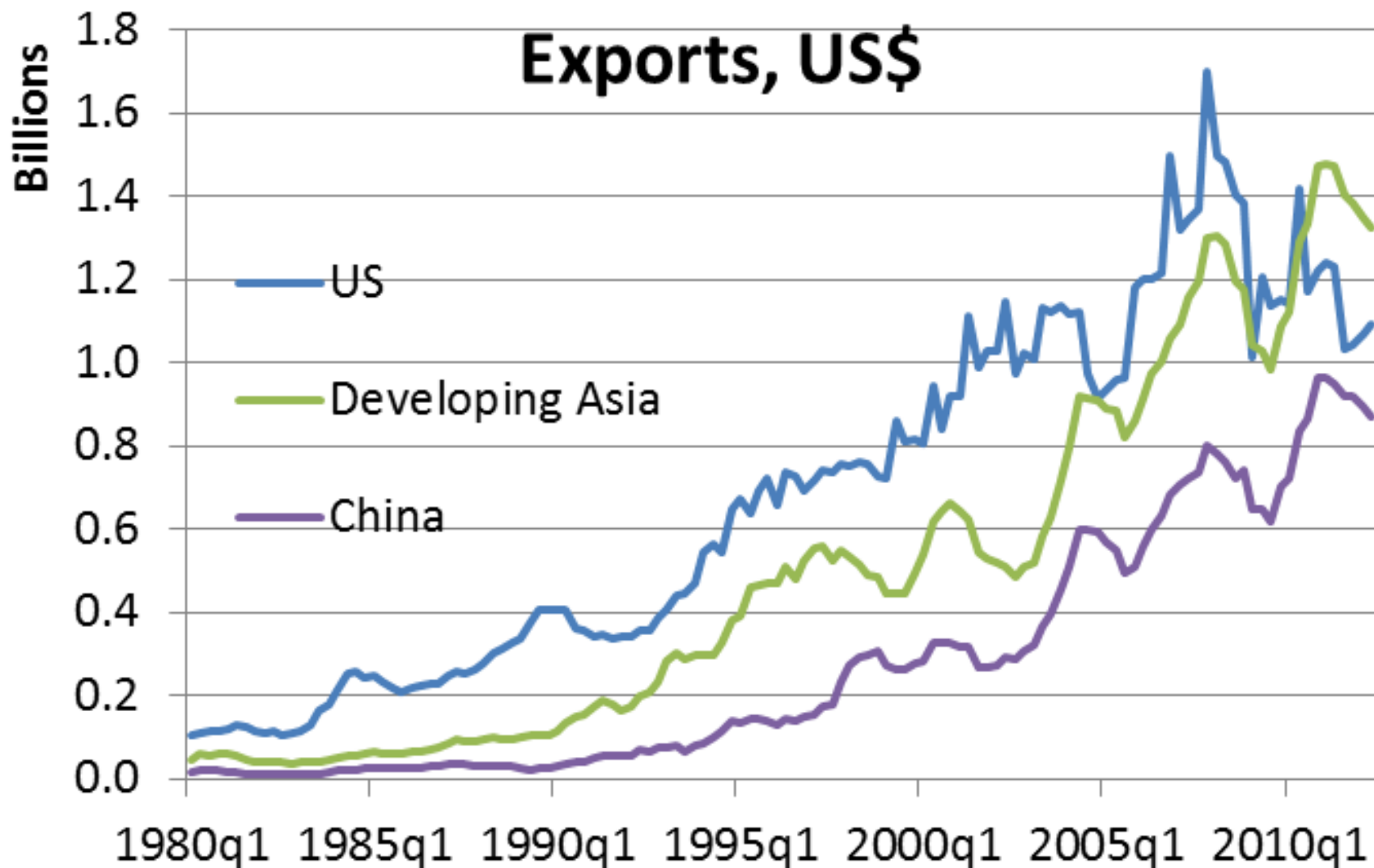


10 largest contributions to world economic growth 2007 - 2012 (in US\$ billion)



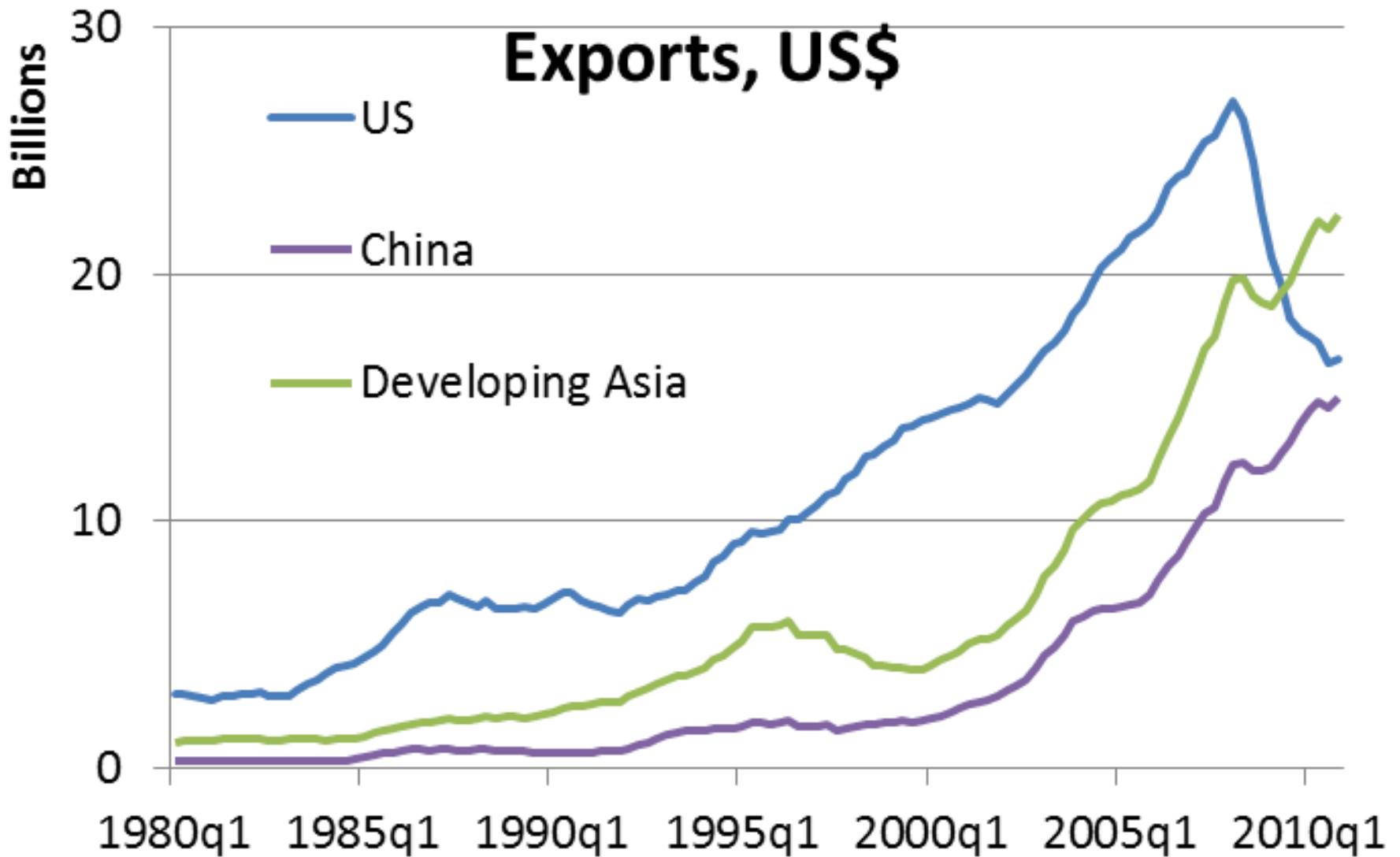
Finland

Exports, US\$



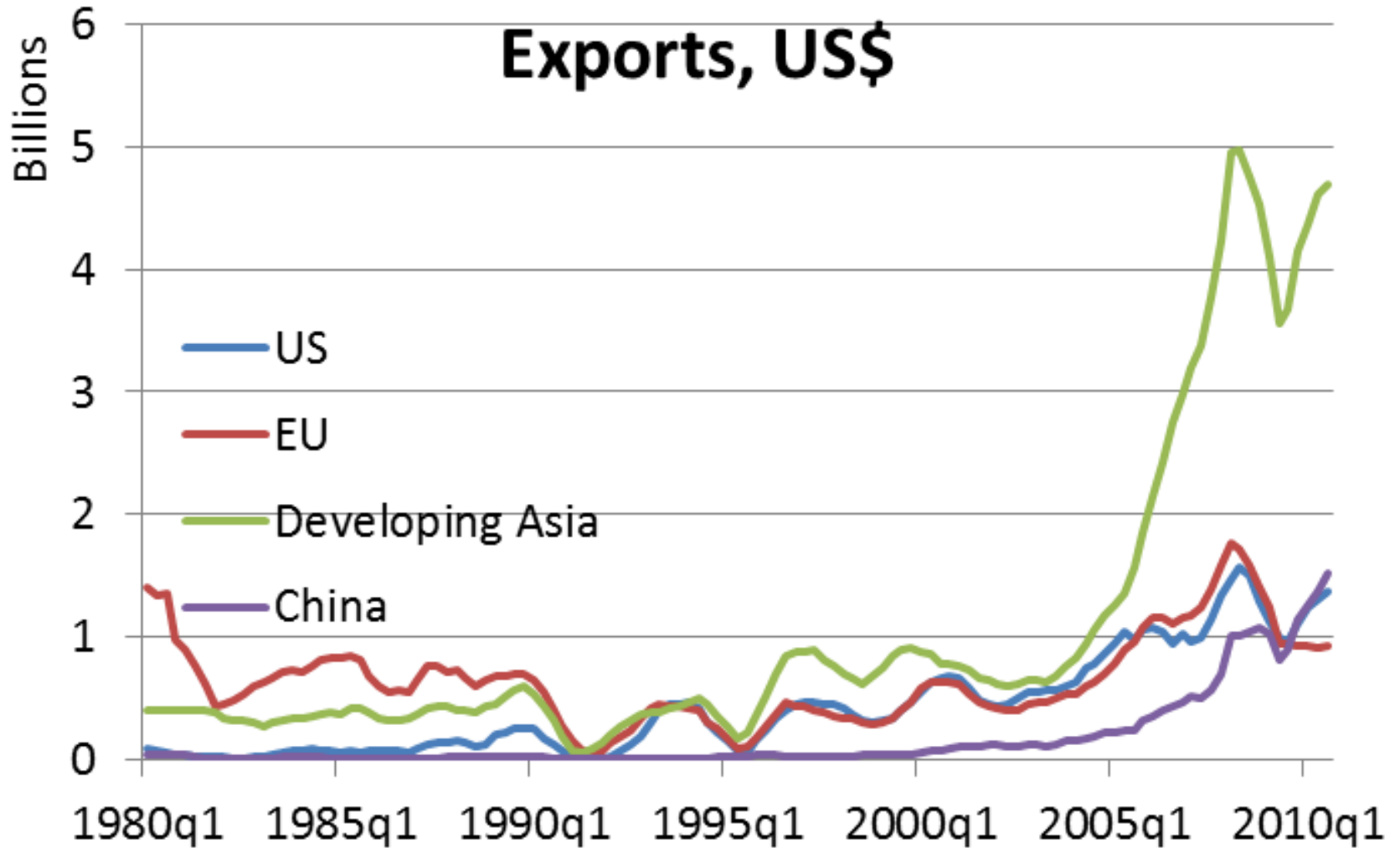
Germany

Exports, US\$



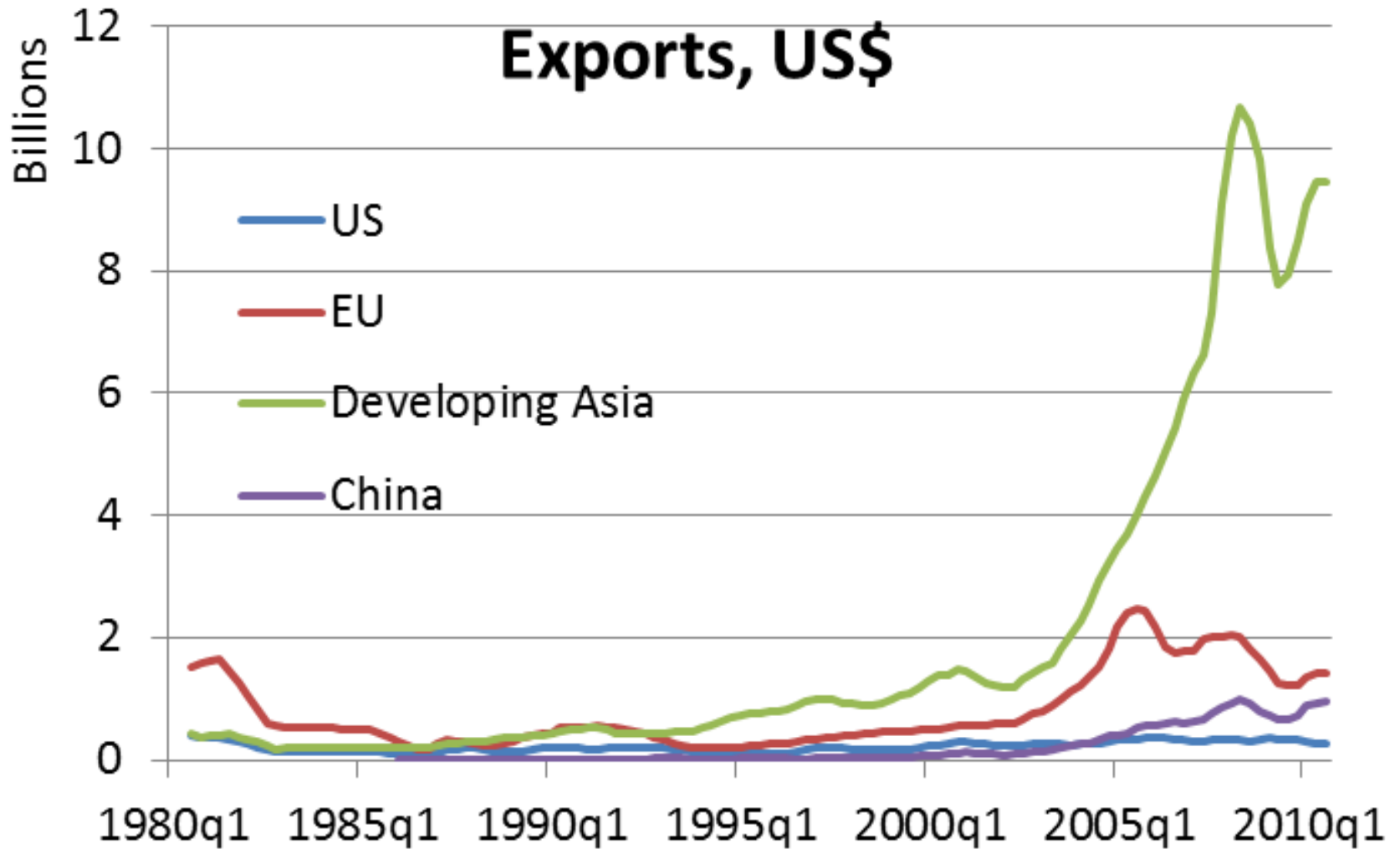
Kuwait

Exports, US\$



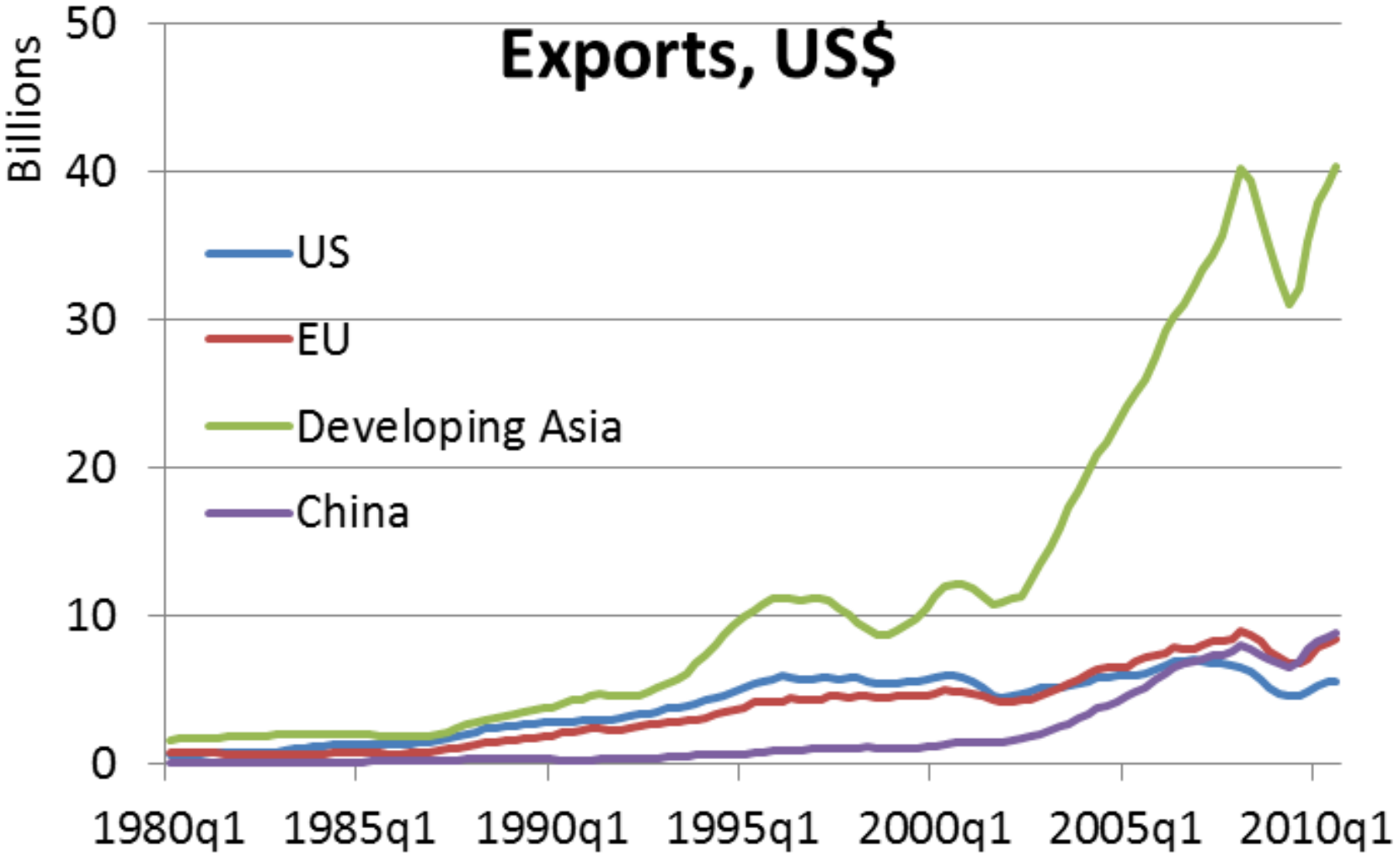
UAE

Exports, US\$



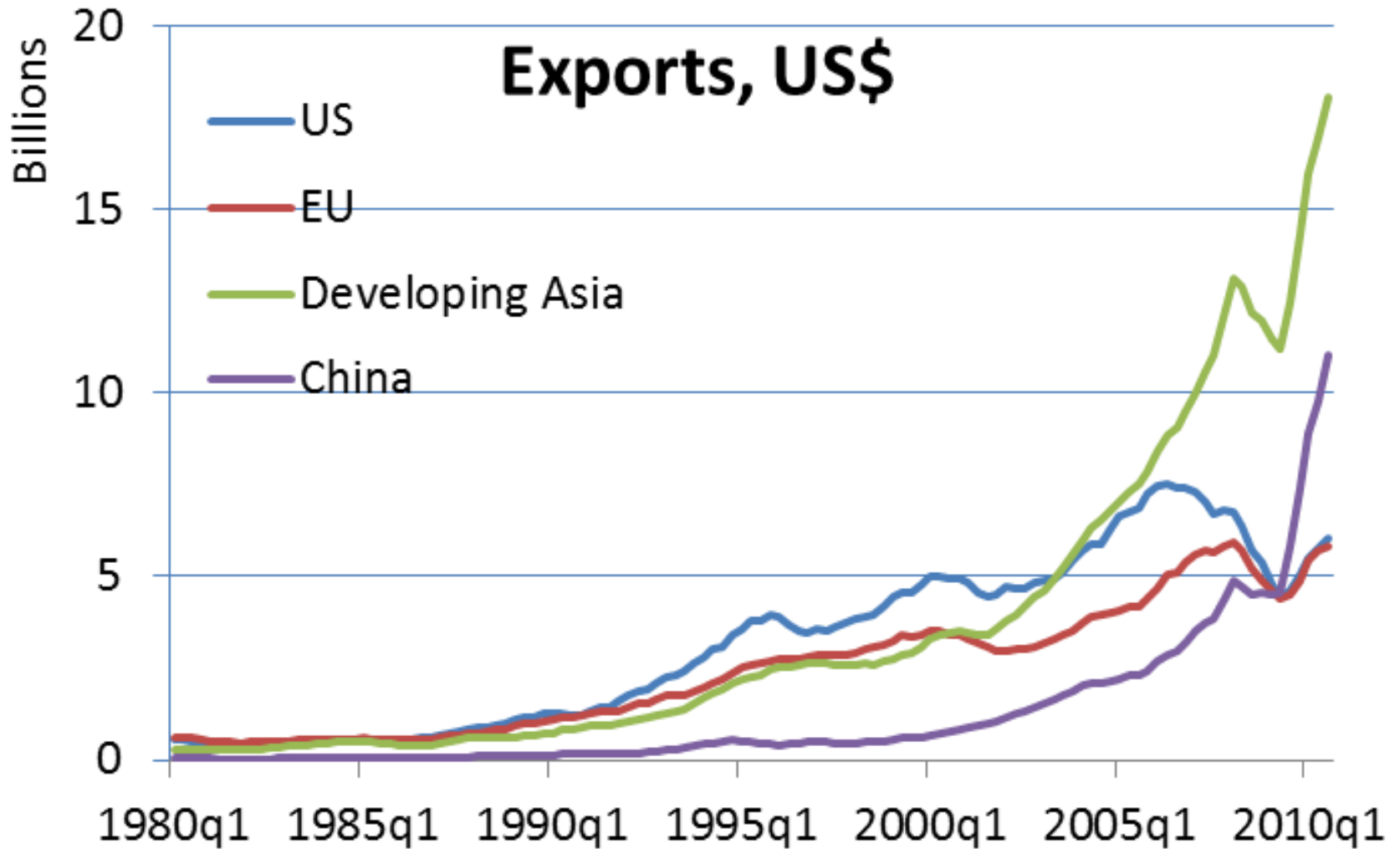
Singapore

Exports, US\$

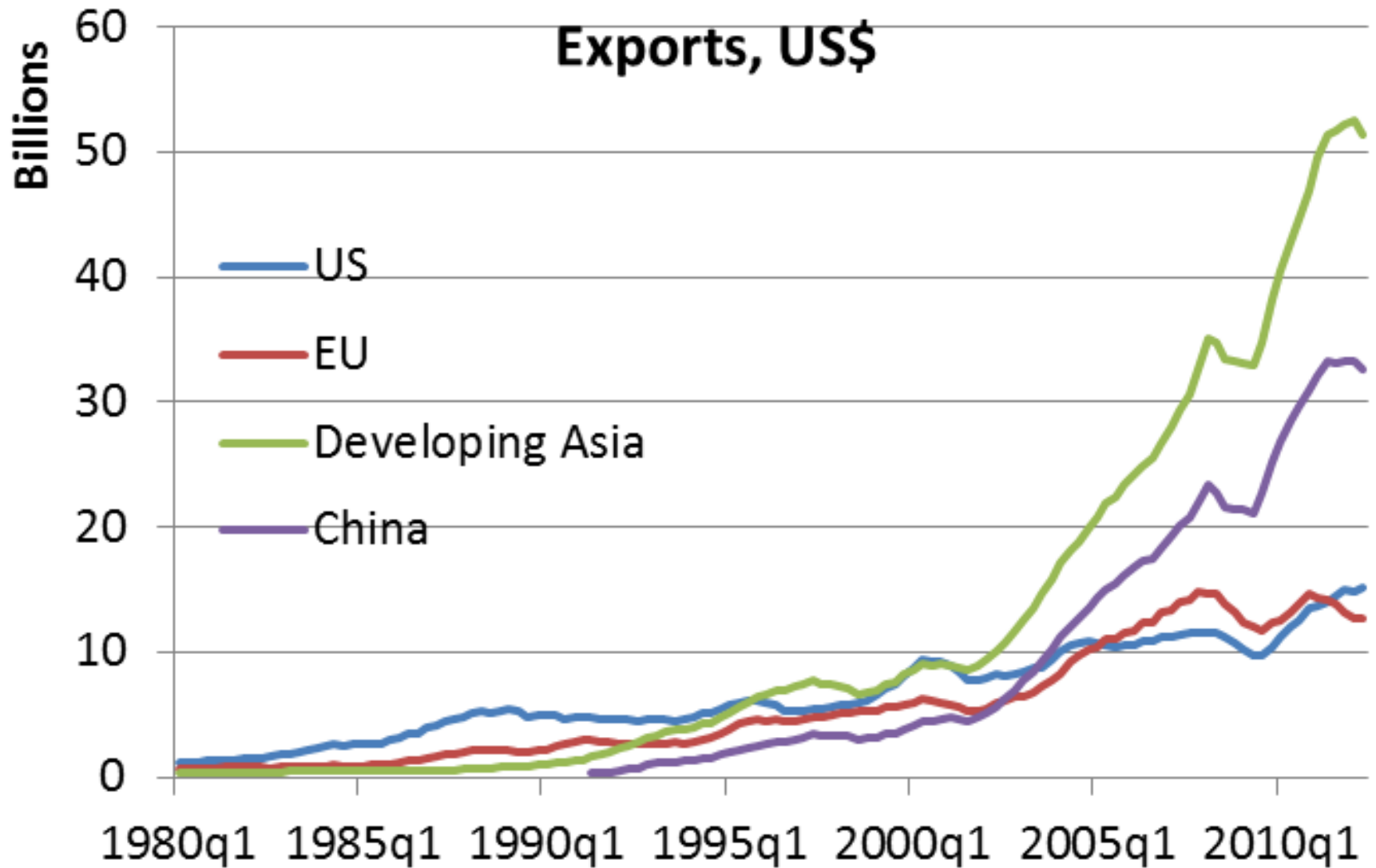


Malaysia

Exports, US\$



Korea



But this is bound to end...

- Consumption and savings
- “The East will get old before it gets rich”. The curse of having old people around you
- None of the right political institutions — representative democracy, rule of law, ...

Grow old before get rich 未富先老

- [Global: 2bn old by 2050, from 0.7bn in 2010]
- “Demographic dividend”
- China’s old (over 60) from 166mn in 2009 to 342mn in 2030
- China’s old more than 10% total population by 2000; 20% by 2025, 30% by 2050
- Median person aged 22 in 1980, 30 in 2000, 49 in 2050
- Replacement rate 2.6 in 1980, 1.6 in 2009
- Exploding dependency ratio (ratio of over 65 to working age): 10% in 2009, to 40% in 2050

VS

1. “Youth bulge” and political consequences
2. Improvement in health and productivity of the older
3. “Longevity dividend”
4. Fully funded savings: Rise in consumption as population ages

“But as China gets richer, it will...”

- “... take back Taiwan”
- “... recover the Senkaku/Diaoyu islands, the Spratly islands, the ...”
- “... extend its control of the East China Sea”
- “... own Africa”
- “... teach the United States a lesson”

Pew Global Attitudes Project 2012: Satisfied with country's direction?

Since 2008

China	Never lower than 85%
US	Never higher than 36% (2011, 21%)