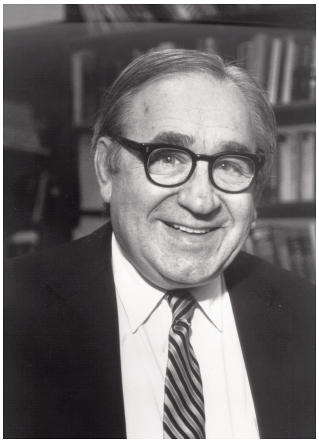

Robert Fogel

# Planning for China's Potential Economy Growth

*Nobel Prize winning economist Robert Fogel published the basis of his research and estimate that the gross domestic product of the Chinese economy will reach US$123 trillion per year by 2040 in an article in Foreign Policy magazine's January/February 2010 issue.*

*He was Charles R. Walgreen Distinguished Service Professor of American Institutions and Director of the Center for Population Economics at the University of Chicago's Booth School of Business and had previously taught at Harvard, Cambridge and John Hopkins universities.*

*Robert Fogel and Douglas North received the Nobel Prize in economics in 1993 "for having renewed research in economic history by applying economic theory and quantitative methods in order to explain economic and institutional change." Fogel's Nobel lecture was titled "Economic growth, population theory, and physiology: the bearing of long-term processes on the making of economic policy."*

by **JOHN MILLIGAN-WHYTE**

All of us are being affected by the huge differences in the world's two largest economies population sizes and growth rates. The population of China is four times larger than America's. From 1993 to 2012, America's annual gross domestic product grew from US$5.6 trillion to US$15.6 trillion as China's jumped from US$666 billion to US$8.3 trillion a year, according to the World Bank.

Nobel Prize winning economist Robert Fogel, director of the University of Chicago's Center for Population Economics, has forecasted that China's gross domestic product will reach US$123 trillion a year by 2040. That is almost three times larger than the world's gross domestic product thirteen years ago.

Is that possible? China's economic growth compounds and in so doing in effect accelerates. In 1993 its 10% economic growth was US$66 billion. In 2013 the World Bank estimates it will grow 7.5% or by US$662 billion. In the last four years it jumped from US$4.6 trillion to US$8.3 trillion a year. To date China has 22% of the world's population, but only one third has migrated from low per capita income rural to higher per capita income urban work. Huge changes in the relative sizes of the two largest economies need to be planned for instead of ignored.

The US Congressional Research Service released a report on September 5,2013 on "China's Economic Rise: History, Trends, Challenges, and Implications for the United States." It recognizes that the two largest economies are interdependent and some analysts predict China's economy could become larger than America's "within the next five years or so." It does not discuss the trends indicating America and China's economies' rapidly changing sizes are manifesting their huge population and growth rate differences. It focuses on competing here-and-now American economic policy goals and domestic perspectives toward China.

The report does not explain how America can maintain its historic economic success if the speed and size of China's economic growth continues or if it seriously falters or collapses. The only way to successfully solve that dangerous dilemma may be for America and China to design and implement a new relationship that aligns their economic growth and national security. That may seem unnecessary, unwise and impossible. As China's economy gets larger than America's it may seem necessary, wise and possible. Neither America nor China's currently unbalanced economies can do well if the other falters or collapses. Aligning the economic stability and national security of the world's two largest economies is crucial for global economic security.