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As China Gets Rich…The World Slows

The laws of economics dictate that as China becomes rich, world economic growth starts to slow.

By The Globalist, July 11, 2014

Shenzhen, China (Credit: Chumash Maxim - Shutterstock.com

Takeaways

At 7.5% annual growth, China would cross the $10k per capita threshold in 2015 and the $15k threshold in 2020.

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1. China's GDP growth rate has slowed from 10% in recent years down to 7.5-8.0% over the last year.

2. China's slowing growth means it is breaking into the ranks of the world's affluent nations.

3. Studies of growth slowdowns in emerging markets show a tendency toward slower economic growth when per capita incomes reach one of two benchmarks: The $10,000-$11,000 range, and the $15,000 – $16,000 range.

4. The other causes for slowdowns are an aging population and an economy that favors investment over consumption. China also has an aging population and an economy preferring investment.

5. China, with a per capita GDP of $7,827 — in 2011 — is approaching the first income level benchmark. **At 7.5% annual growth, China would cross the $10,000 per capita threshold in 2015** – and the $15,000 threshold in 2020.

6. **At $12,616 or more, China would belong to the world's "high income" nations,** according to the World Bank.

7. China can keep economic growth at its current level by shifting 20 million workers a year from rural underemployment to urban employment. But once that pool is gone, it's gone.

8. China's slowdown means its arrival among higher-income nations. This milestone can also have a larger impact on the global economy than the previous slowdowns of Asia's erstwhile "tigers."

From **China's Impending Slowdown Just Means It's Joining the Big Leagues** by Justin Fox (Harvard Business Review). Asian Economic Papers: MIT Press Journals, NBER

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