

[We cannot copy China's economic growth](#) [1]

Written by [Sam Bowman](#) [2] | Tuesday 18 January 2011



It's hard to exaggerate the commentariat's preoccupation with China, and to be sure, the country's rapid growth makes that understandable. By some measures of GDP the country has already overtaken the US in overall size, and its growth rates are stunning. Witness the World Bank's warning that Chinese economic growth will slow down to [just, er, 9%](#) [3]. Sure, we could do with that kind of slowdown over here ? and it's becoming increasingly common for people in the West to view China as something we should be trying to emulate. For example, Dambisa Moyo's [new book argues](#) [4] that the West should learn from China, and there are plenty of similar examples. This is a mistake. There is nothing surprising or particularly new about Chinese growth, and the idea that the West can emulate it is quite wrong.

At the root of this thinking is the error of looking at growth rather than overall wealth. Yes, China is growing very quickly, but it is catching up with the rest of the world ? China is at such a low point right now that rapid economic growth simply implies a convergence with where we are. Chinese economic numbers are big because its population is big ? in per capita terms, it can only hope to approach where we are, not overtake us.

Why is this? Basically, there are two kinds of economic growth ? the kind that comes from increasing the factors of production (capital and labour) and the kind that comes from improving those factors. Think about it as if you had a field you want to grow potatoes in. You can add farm tools to it and catch up with the wealth of the farmers around you quite easily ? this is the equivalent of adding capital, as the growth of factories in China is doing. But all you can do is catch up. The first tractor you add will be great, the second will be good, but there will come a point when the cost of adding tractors is greater than the benefit ? diminishing marginal returns. Most of the established farmers around you will have as many farm tools as is profitable. This is where we are in the West, and China is in the process of adding tractors.

The other way to increase your production ? improving your factors ? is much harder. You can invent a better tractor, or try to develop a better way of tilling your field, and that will give you a productivity boost. But it's an uncertain process and much slower than just adding tractors. This is essentially where we are in the West ? we've maxed out the amount of capital we can add, so growth now comes from innovation in business and technology. It's slower than adding tractors to our field, but it's all we can do. China's playing catch-up to us, and we've already walked the path China is now sprinting down.

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