China’s way to the top

China’s economy is the world’s second biggest, with a $5.8 trillion gross domestic product that eclipsed Japan in 2010. Will China pass the United States? When?

There was a similar debate about Japan in the 1980s before growth stalled after a collapse in that country’s financial and real estate markets. Japanese growth has remained low ever since, an era known as the “lost decades.” Some analysts regard China as a bubble waiting to burst, and foresee a perhaps dramatic slowdown for the country — or at least to much less than the 10 percent growth it registered last year.

But there are major differences between Japan and China — perhaps most significantly their populations. With its wealth spread among roughly 1.4 billion people, per capita income in China remains low at around $4,200 — representing an immense potential for the country to extend development to its poorer regions.

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Annual GDP growth

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GDP in trillions, not adjusted for inflation

MORE OF THE SAME
Assuming growth remains where it was in 2010 in each country, the lines would cross in 2024.

LONG-TERM TREND
If the U.S. conforms to its long-term trend of 2.5 percent, and China slows to what some estimate is its likely long-term growth rate of around 7 percent, the year would be 2032.

FASTER CHINA
If China grows a little faster and the U.S. slows to its long-term trend, the U.S. would be number two by 2022.

SOURCE: International Monetary Fund

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