

# 627 Million Chinese Brought Out of Poverty – Where Did It All Go Wrong?

Confucius Institute for Business London 伦敦商务孔子学院  
Annual Public Lecture October 2011

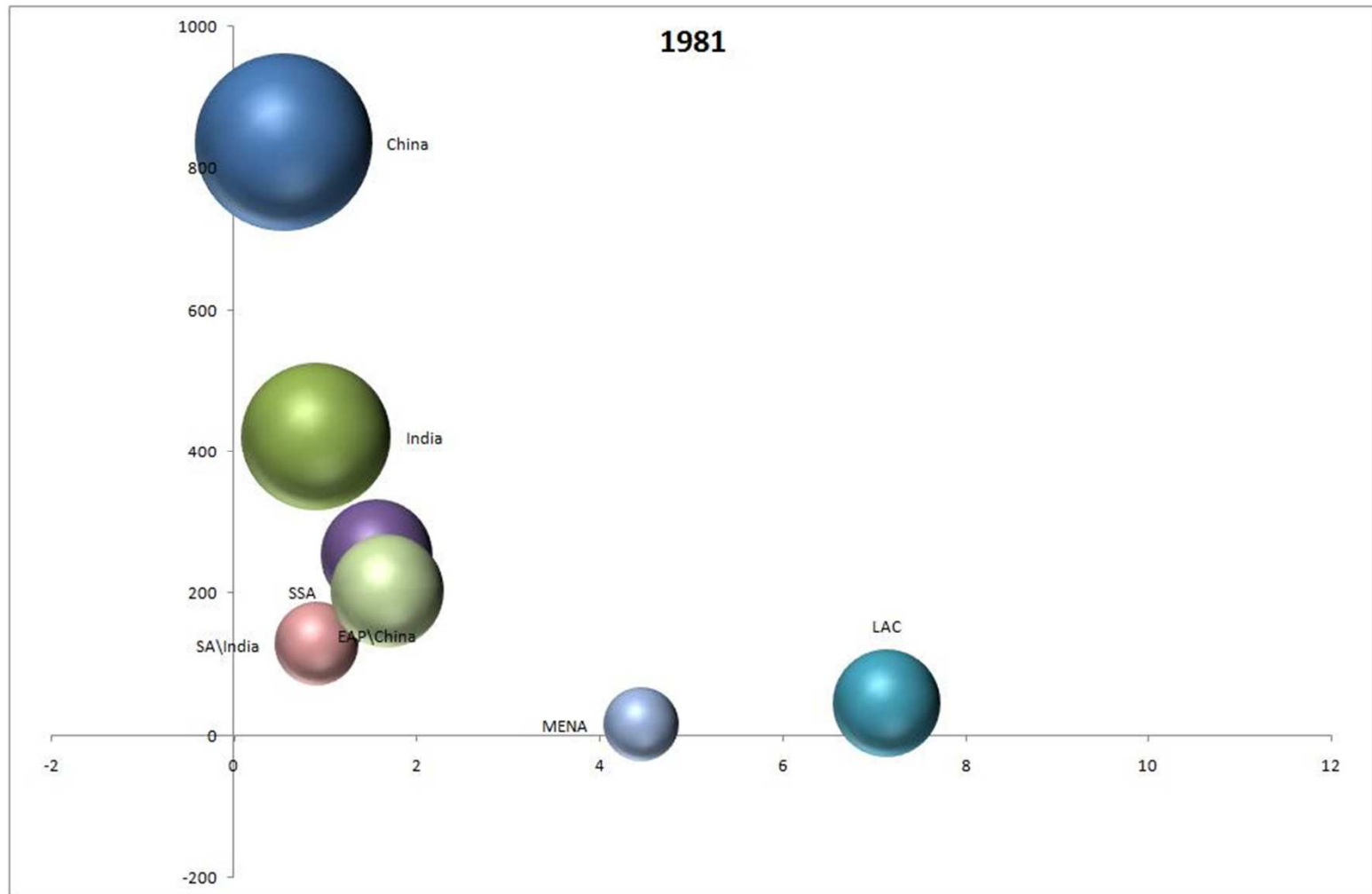
by

Danny Quah

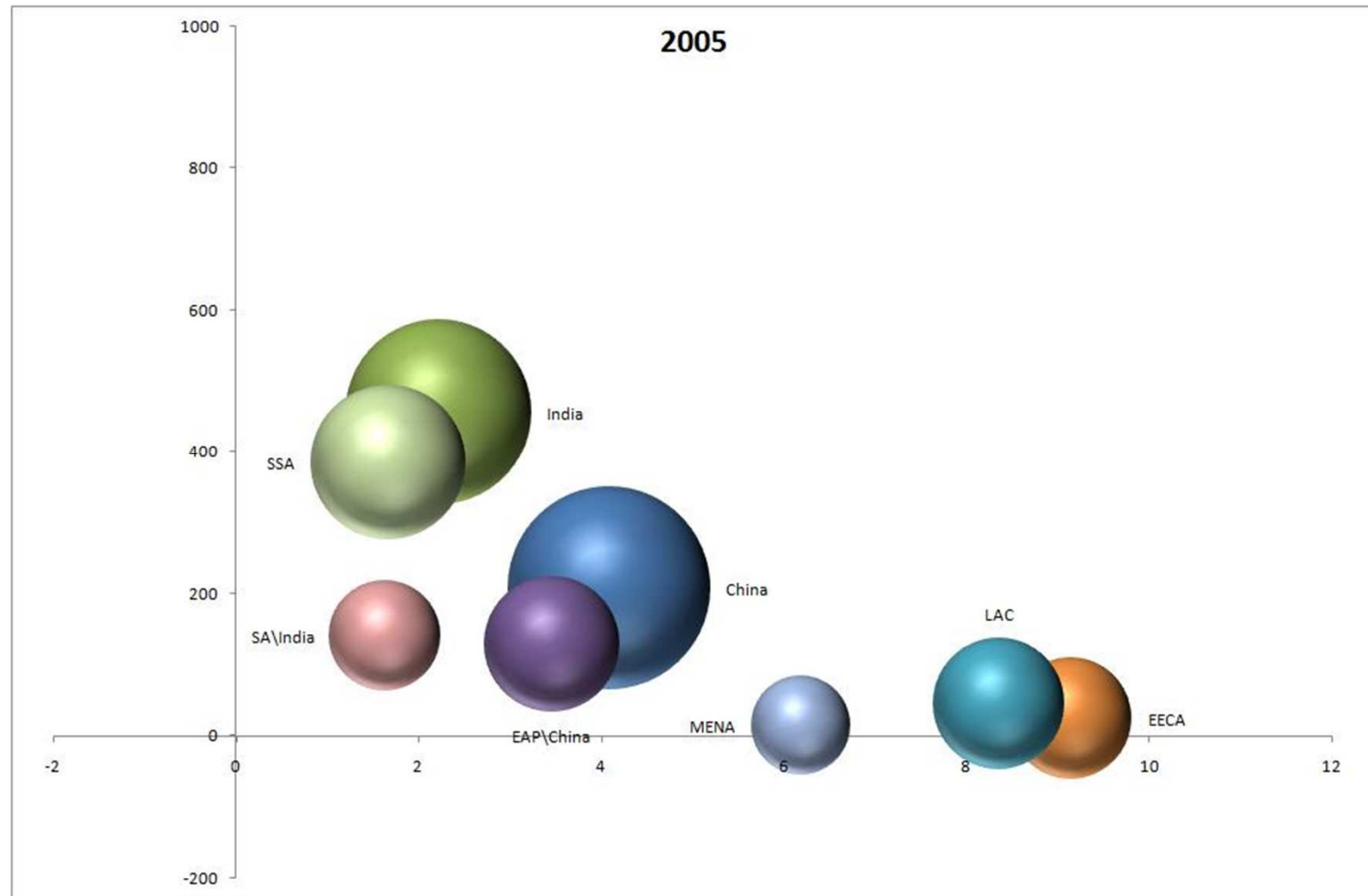
Economics Department LSE



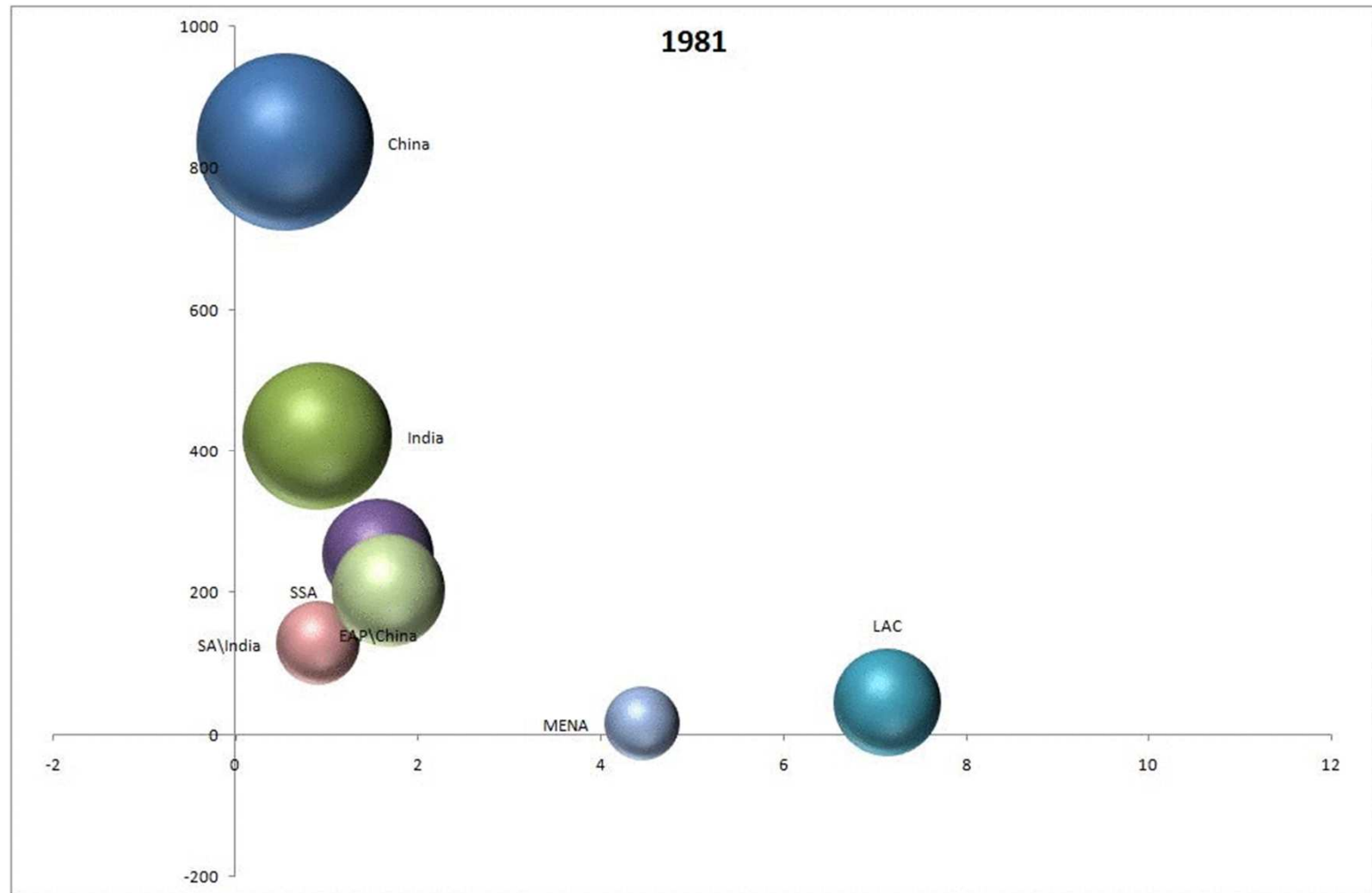
# World growth and poverty



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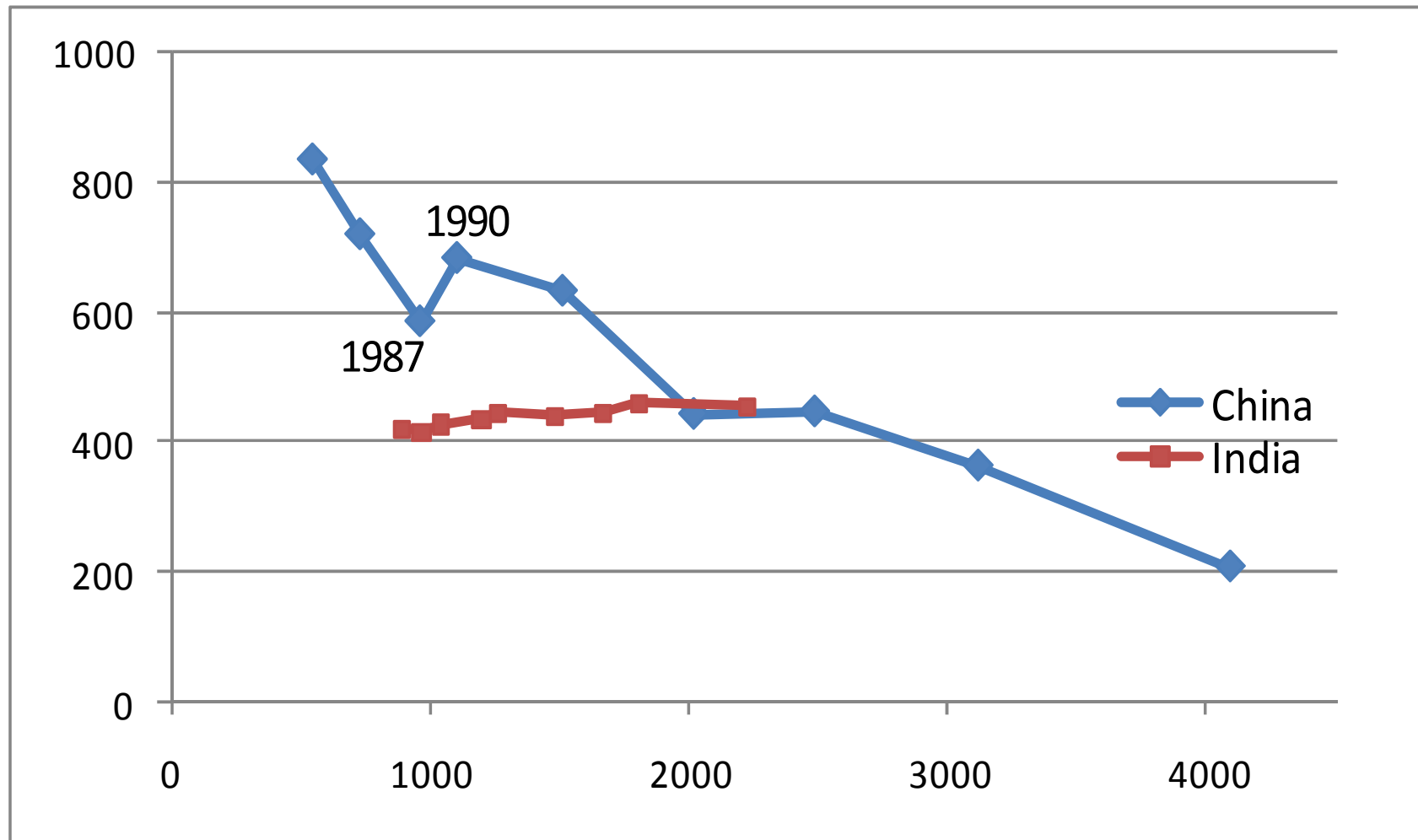








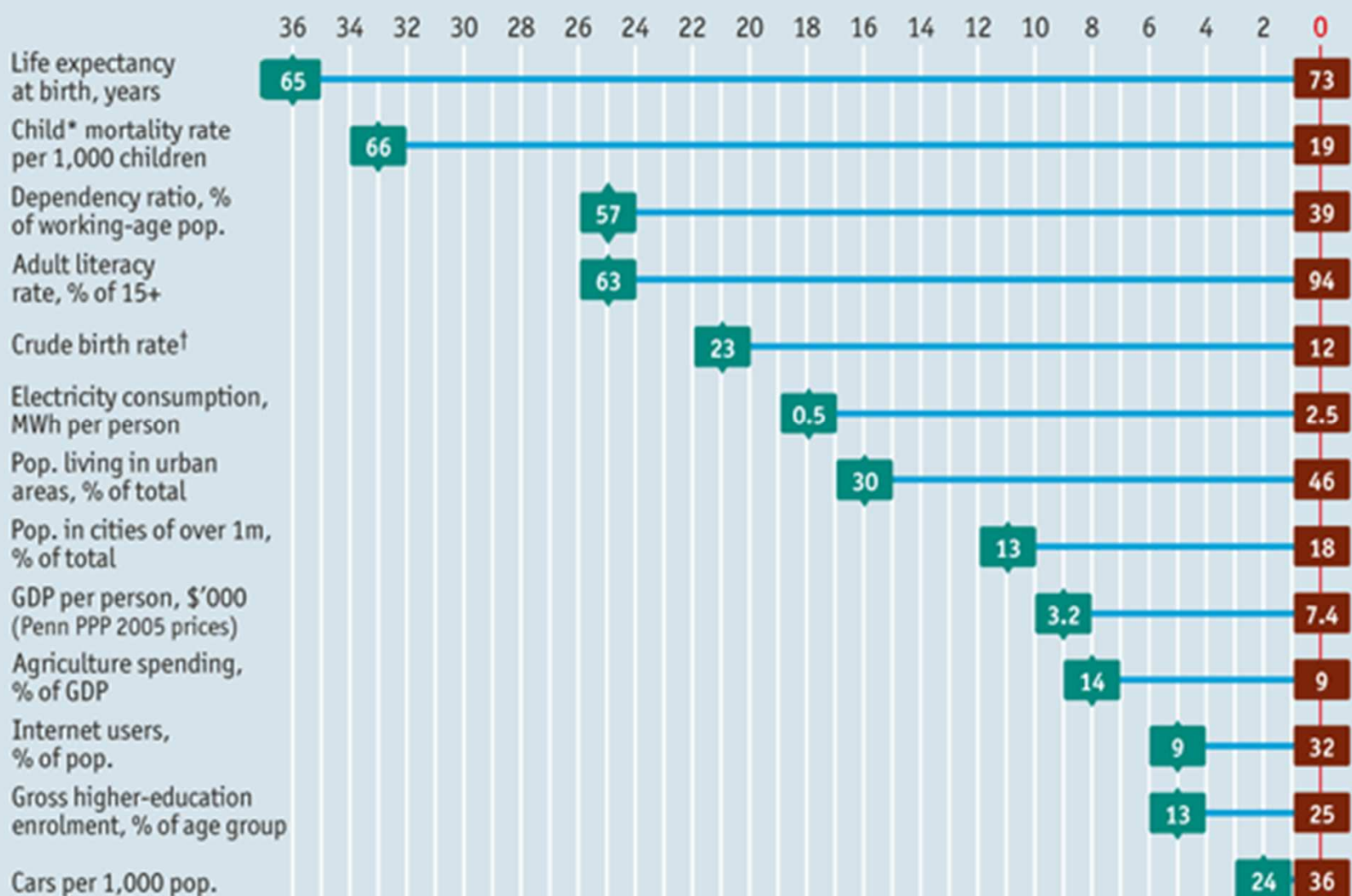
# Growth and poverty in one third of the world



## India and China

Years since China was at India's current level

2011 or latest



Sources: CEIC, IEA, IMF, ILO, International Road Federation, Internet World Stats, UN, World Bank, press reports; *The Economist*

\*Under five years old  
†Annual live births per 1,000 population

“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”

WHY HAS CHINA COMMUNICATED  
SO BADLY?



# ‘Chinglish’

- David Henry Hwang’s 7<sup>th</sup> Broadway show opens 27 October 2011:  
“... new arts center in Shanghai where everything was perfect except...”



# 温馨提示

A gentle reminder

用餐食品请于购买后  
2小时内食用。

[www.english.com](http://www.english.com)

You'd better enjoy your meal in 2 hours.

芳草茵茵  
踏之何忍

TENDER FRAGRANT  
GRASS,  
HOW HARDHEARTED  
TO TRAMPLE THEM.

小心滑倒

SLIP AND FALL DOWN CAREFULLY

“在学中文方面，  
他不是很有天赋”





Hong Kong skyline at night.

April 25th, 2011

08:50 AM ET

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## Wake up, America! You're falling behind

**Editor's Note:** The following is an edited portion of an interview with **Kishore Mahbubani**, the Dean of the **Lee Kuan Yew School of Public Policy** at the National University of Singapore. Mahbubani previously served for 33 years in Singapore's diplomatic service and is the author of **The New Asian Hemisphere**, **Can Asians Think?** and **Beyond the Age of Innocence**.

Every time the United States or the West steps into an Islamic country it presents a major geopolitical gift to China. (When the U.S. decided to intervene in Libya) China was privately saying, "Great, go ahead! Go into more Islamic countries. Make my day."

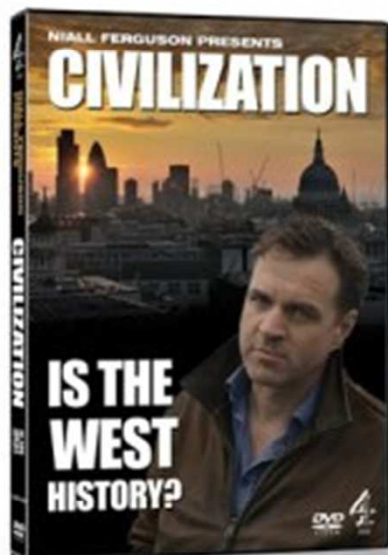


# Civilization: Is the West History?

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### FEATURED PRODUCTS



Click [here](#) to order your copy of Civilization: Is the West History? on DVD.

The West once ruled more than half the world. The religion it exported is still followed by a third of mankind. Above all, the way people live - or aspire to live - is unmistakably an invention of the West.

All over the world, more and more human beings eat a Western diet, wear Western clothes and live in Western housing... But are we living through the beginning of the end of the West's ascendancy?

The DVD contains all six episodes of the series:

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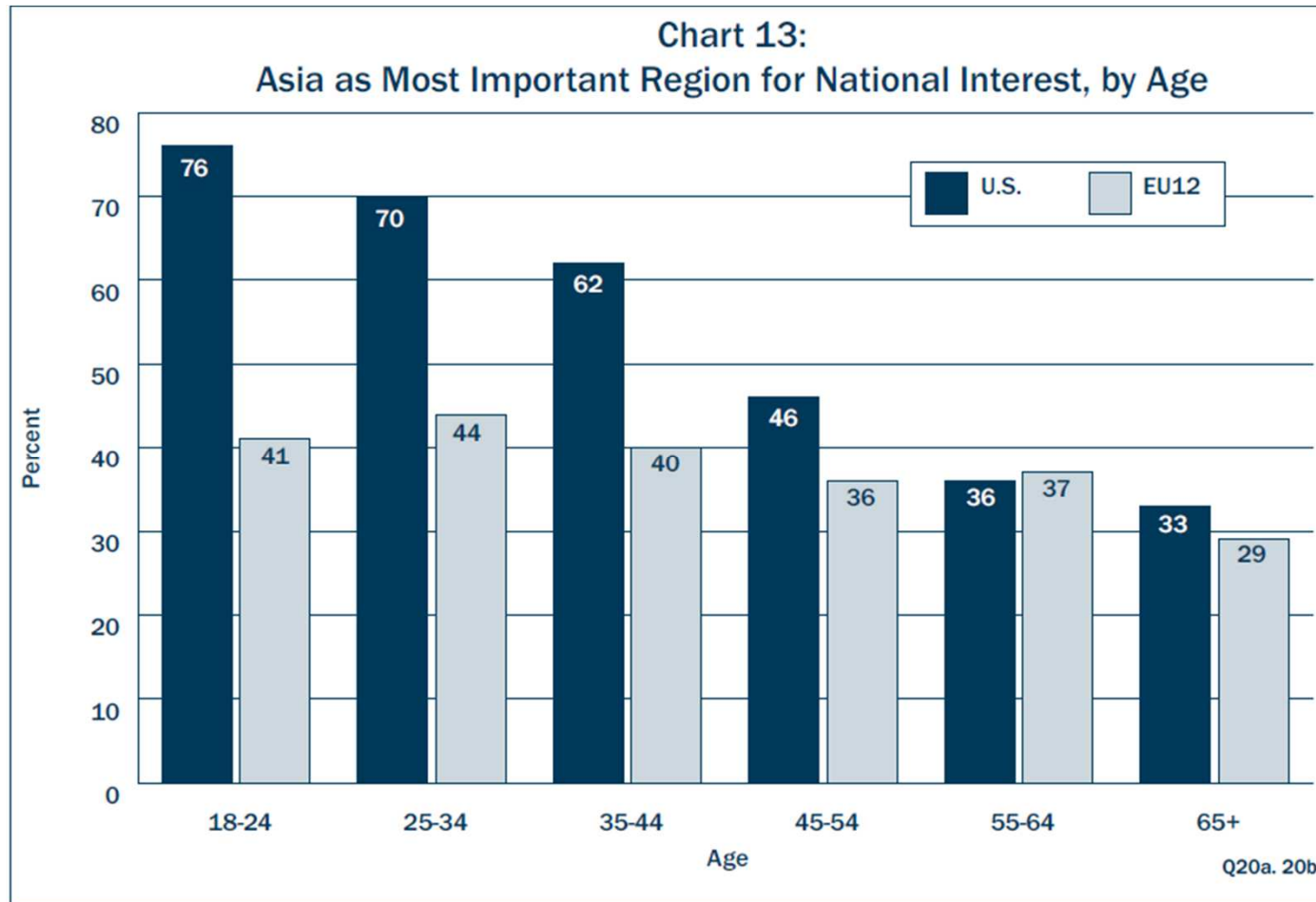
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THE YOUNG IN THE US ARE  
FORWARD-LOOKING... BUT MAYBE  
NOT THOSE IN EUROPE

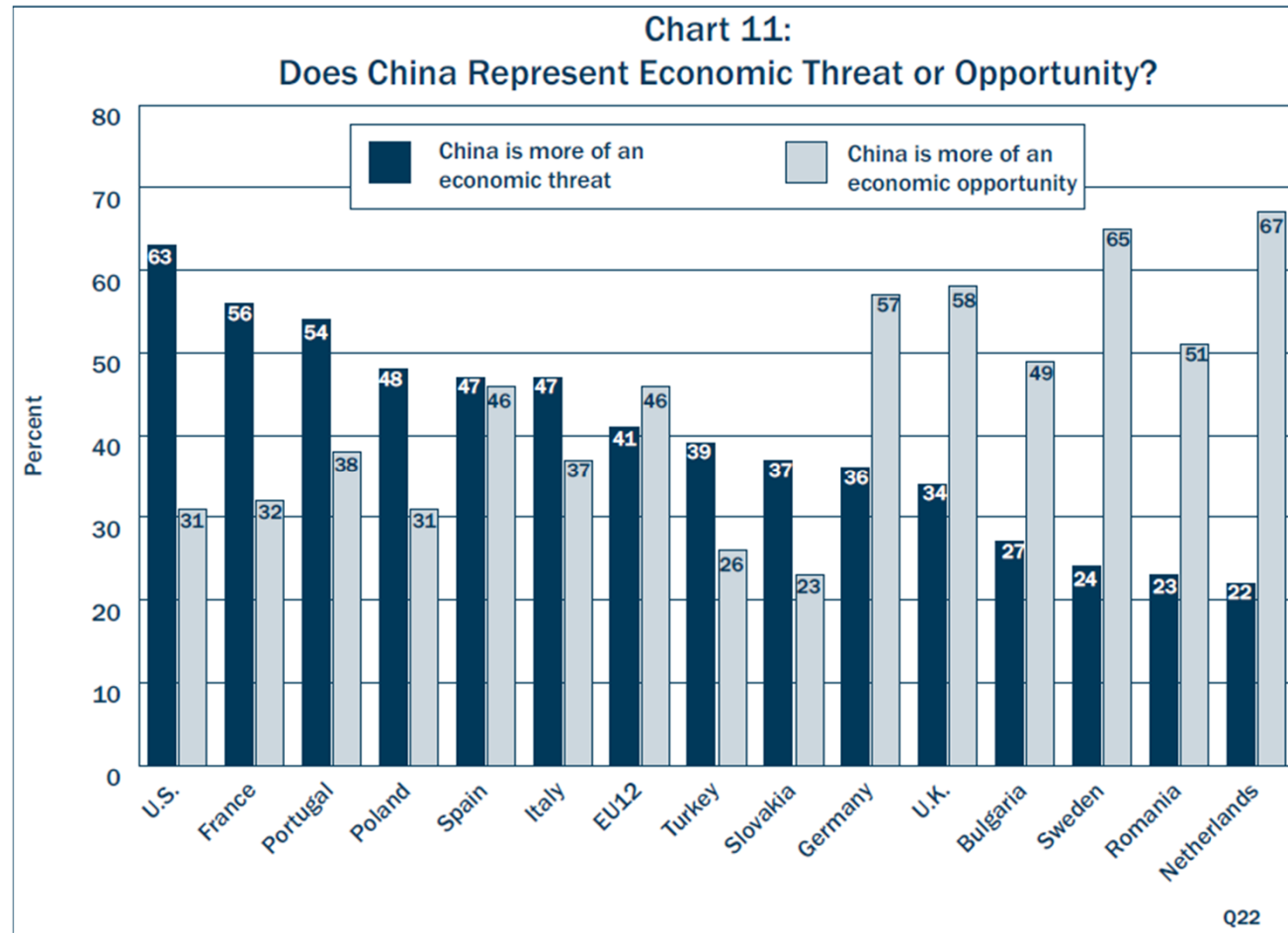
# Transatlantic Trends 2011: What matters?



ON THE OTHER HAND, THAT  
ATTENTION MIGHT BE THE  
WRONG KIND



# Transatlantic Trends 2011: Threat and Opportunity



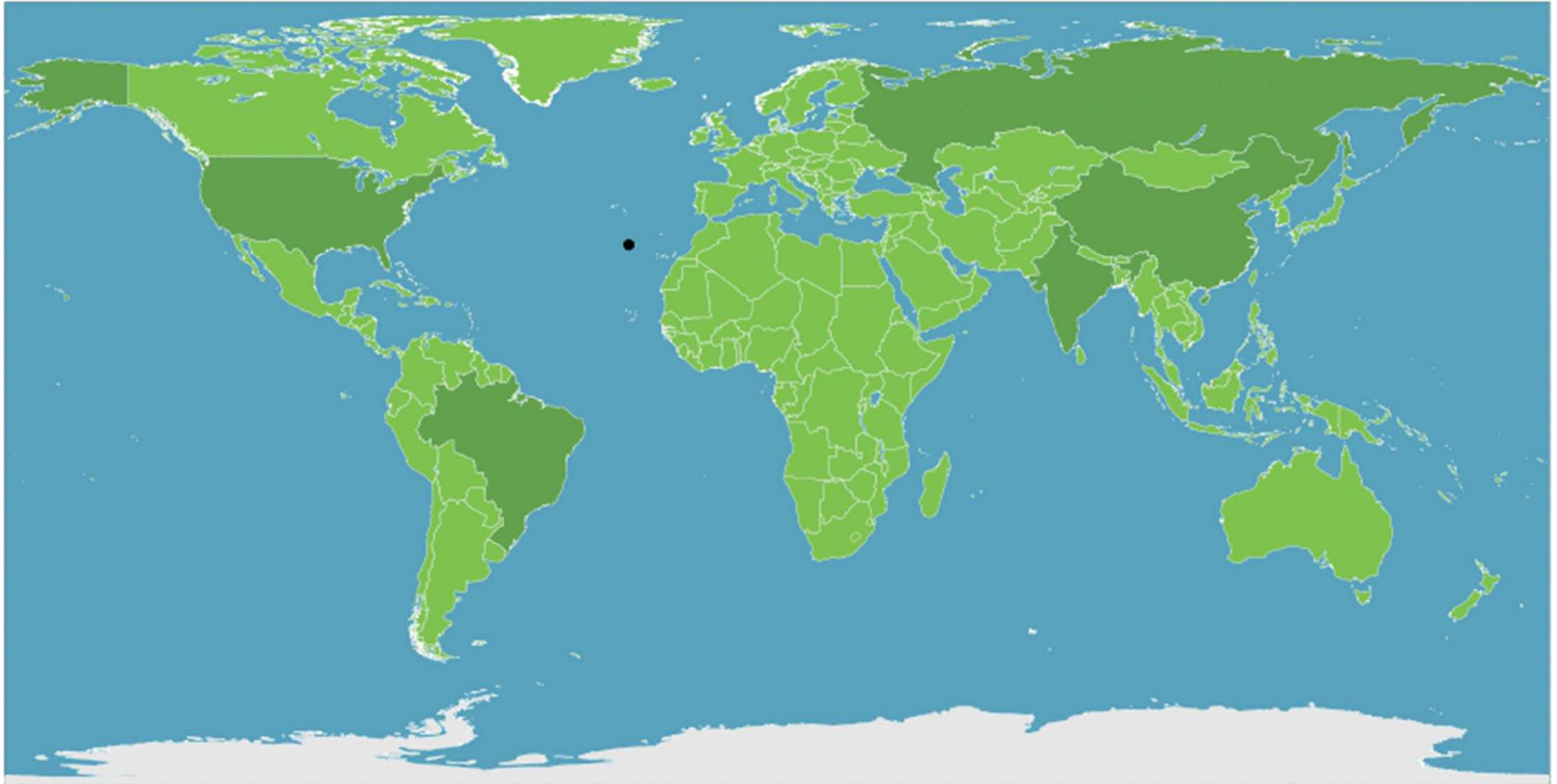
# The Question

“This is Rise of the Rest on a staggering massive scale: What should the West do to respond?”

# The Right Question

“As the economic center of gravity shifts East, the question should not be what is good for the West, but what is good for the world as a whole.”

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





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



Thursday, April 21, 2011

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REVIEW &amp; OUTLOOK

| APRIL 21, 2011

# Fleeing the Dollar Flood

*The world tries to protect itself from U.S. monetary policy.*

Article

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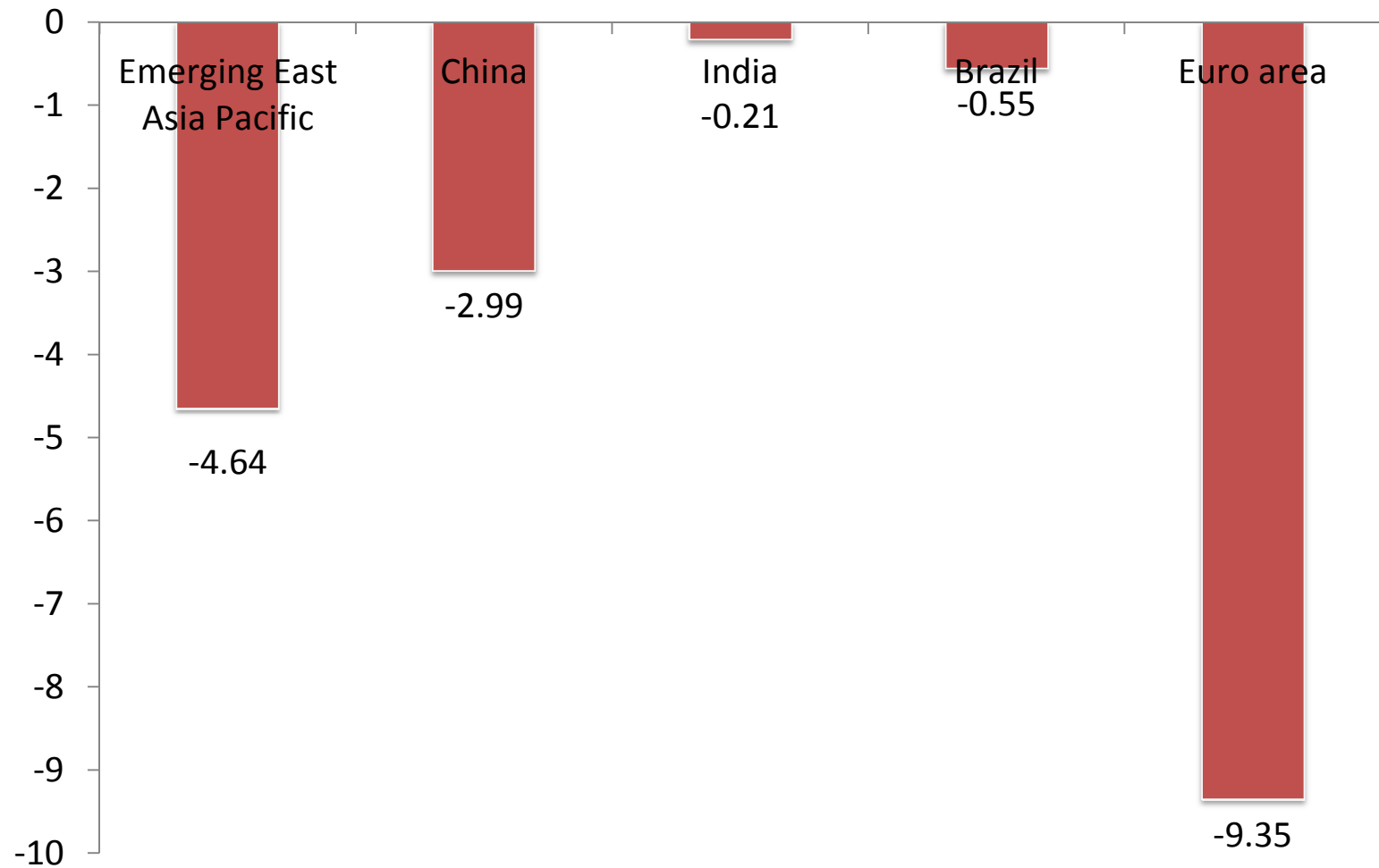
Members of the International Monetary Fund emerged from their huddle in Washington last weekend resolved to keep every option open to slow the flood of dollars pouring into their countries, including capital controls. That's a dangerous game, given the need for investment to drive economic development. But it's also increasingly typical of the world's reaction to America's mismanagement of the dollar and its eroding financial leadership.

# STABILIZING GLOBAL DOWNTURNS

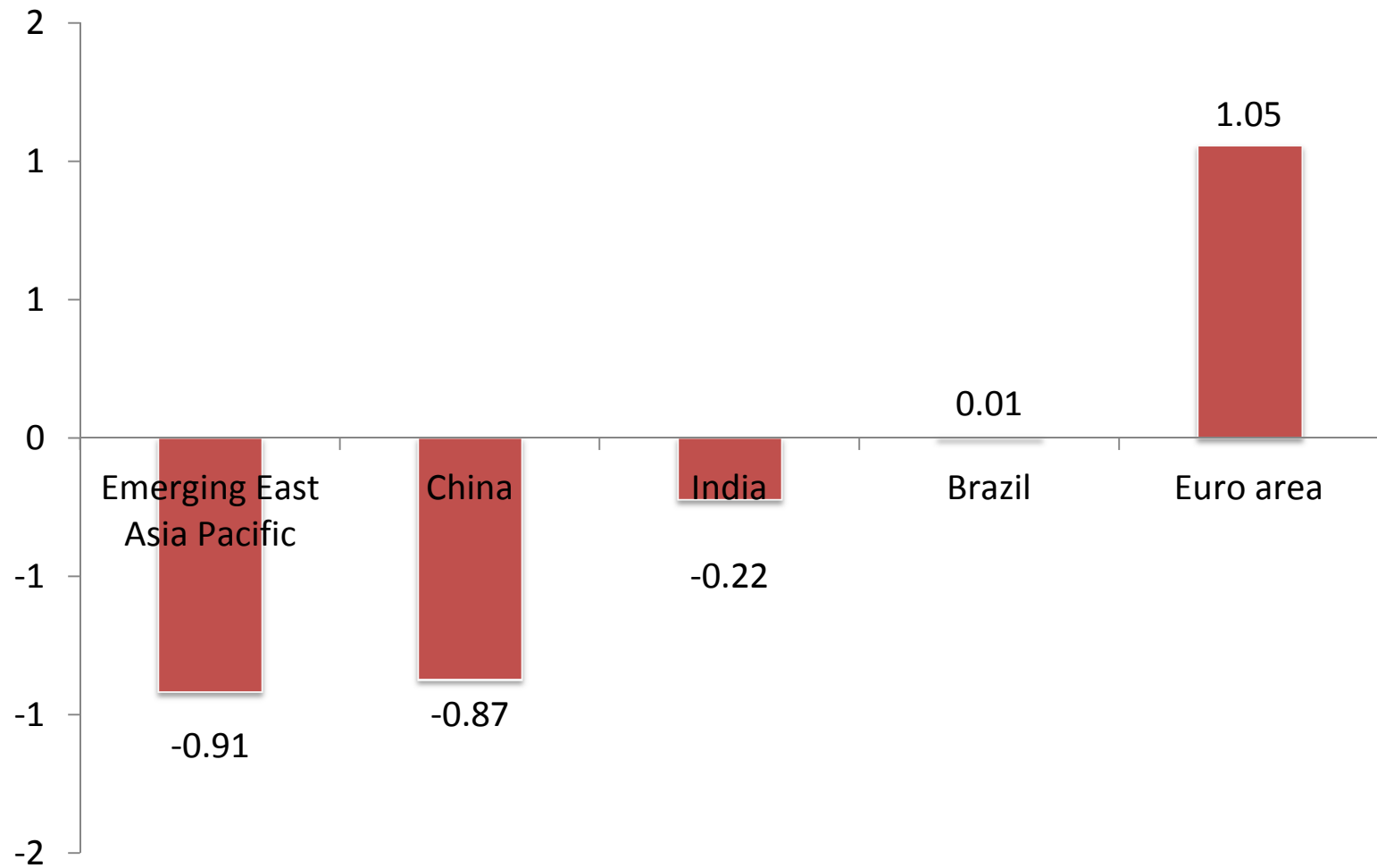
# Good times and bad

Relative to the US	1960-1990	1990-1991*	1991-2000	2000-2001*	2001-2008	2008-2009*
Emerging East Asia Pacific	0.14	<b>-4.64</b>	0.33	<b>1.54</b>	0.98	<b>-0.91</b>
China	0.08	<b>-2.99</b>	0.26	<b>1.34</b>	0.82	<b>-0.87</b>
India	0.05	<b>-0.21</b>	0.07	<b>0.32</b>	0.19	<b>-0.22</b>
Brazil	0.09	<b>-0.55</b>	0.05	<b>0.11</b>	0.12	<b>0.01</b>
Euro area	0.76	<b>-9.35</b>	0.40	<b>1.60</b>	0.47	<b>1.05</b>

# 1990-1991



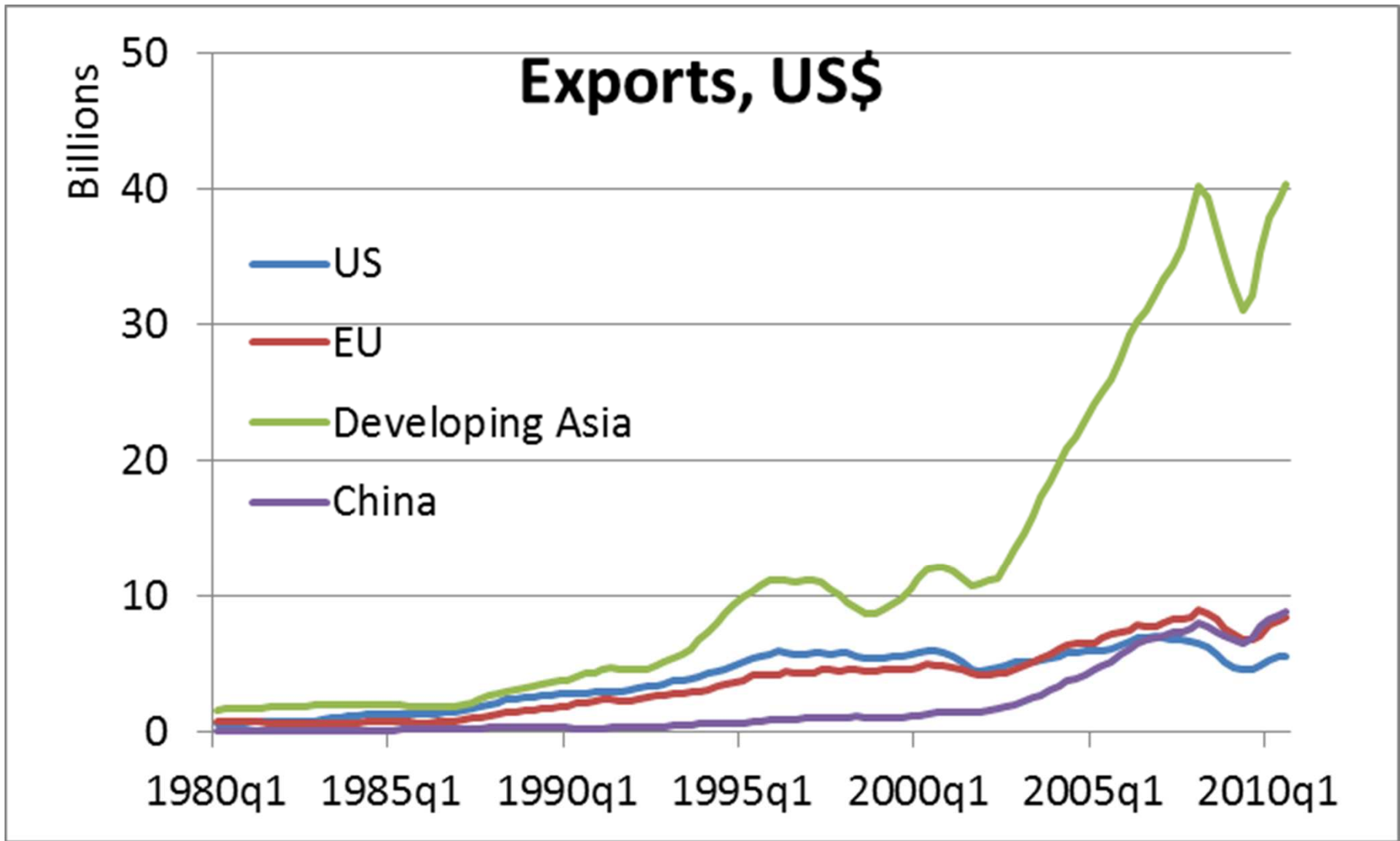
# 2008-2009...



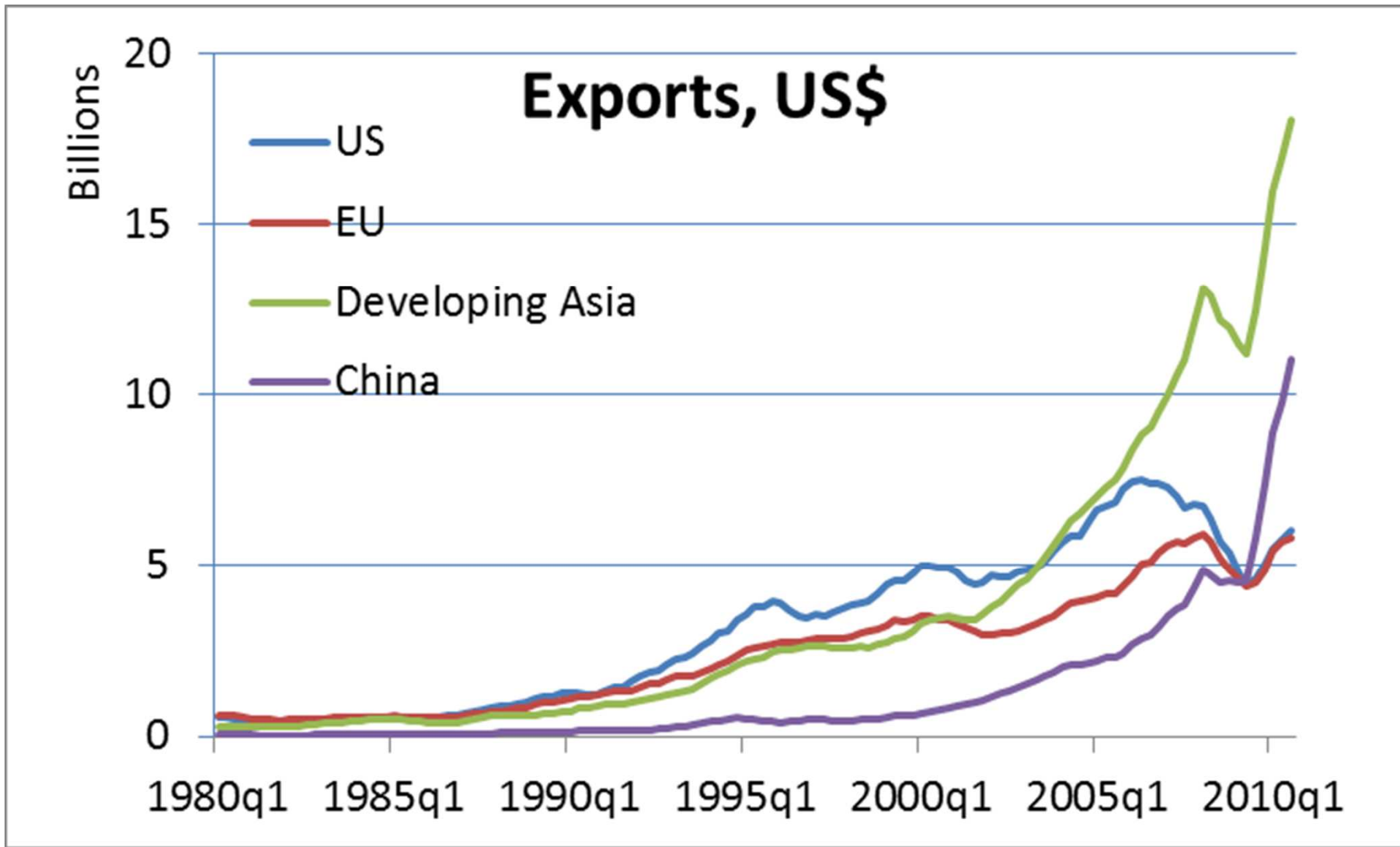


STILL THOUGH, DOESN'T THE  
WHOLE WORLD EXPORT JUST ONE  
WAY?

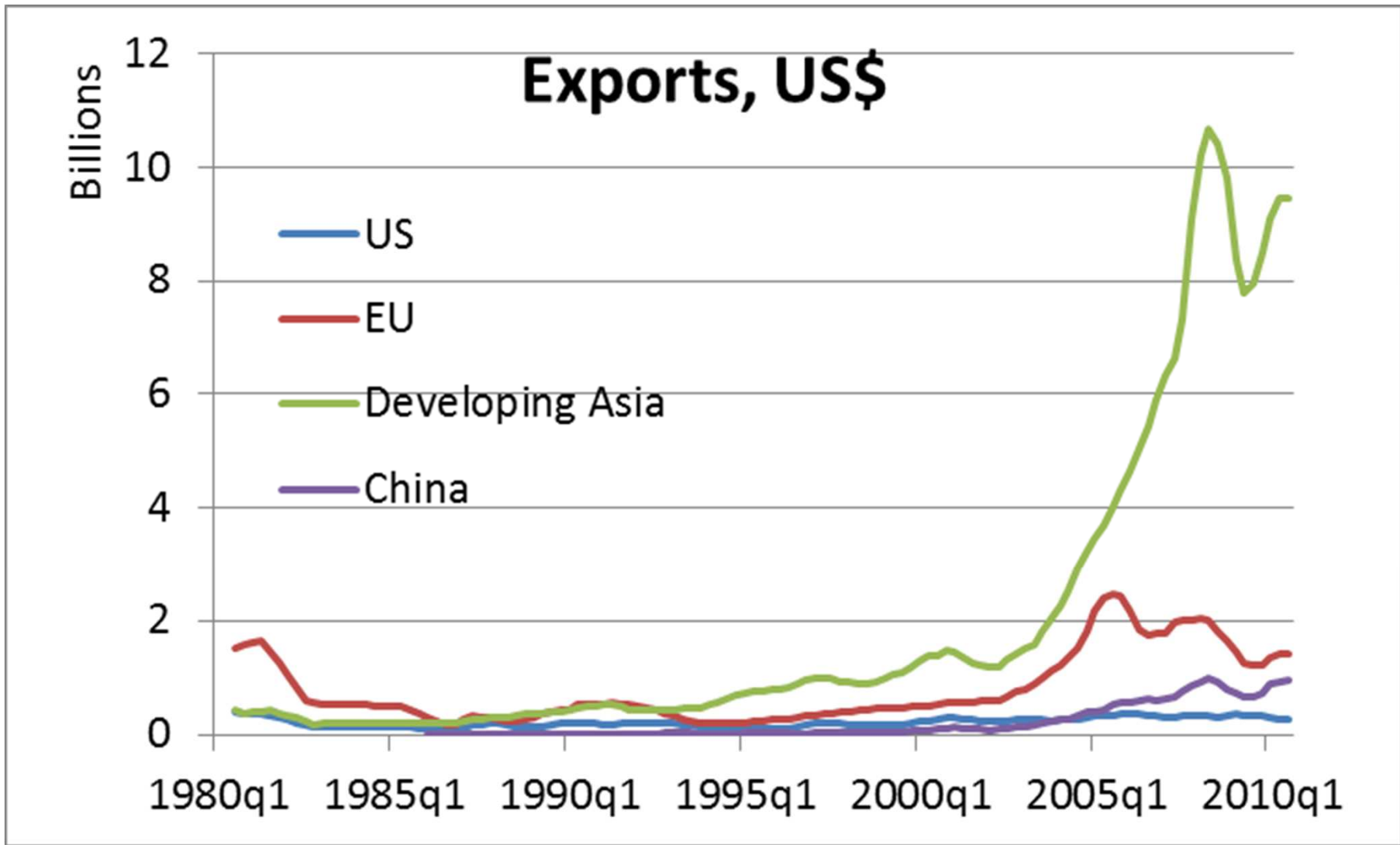
# Singapore



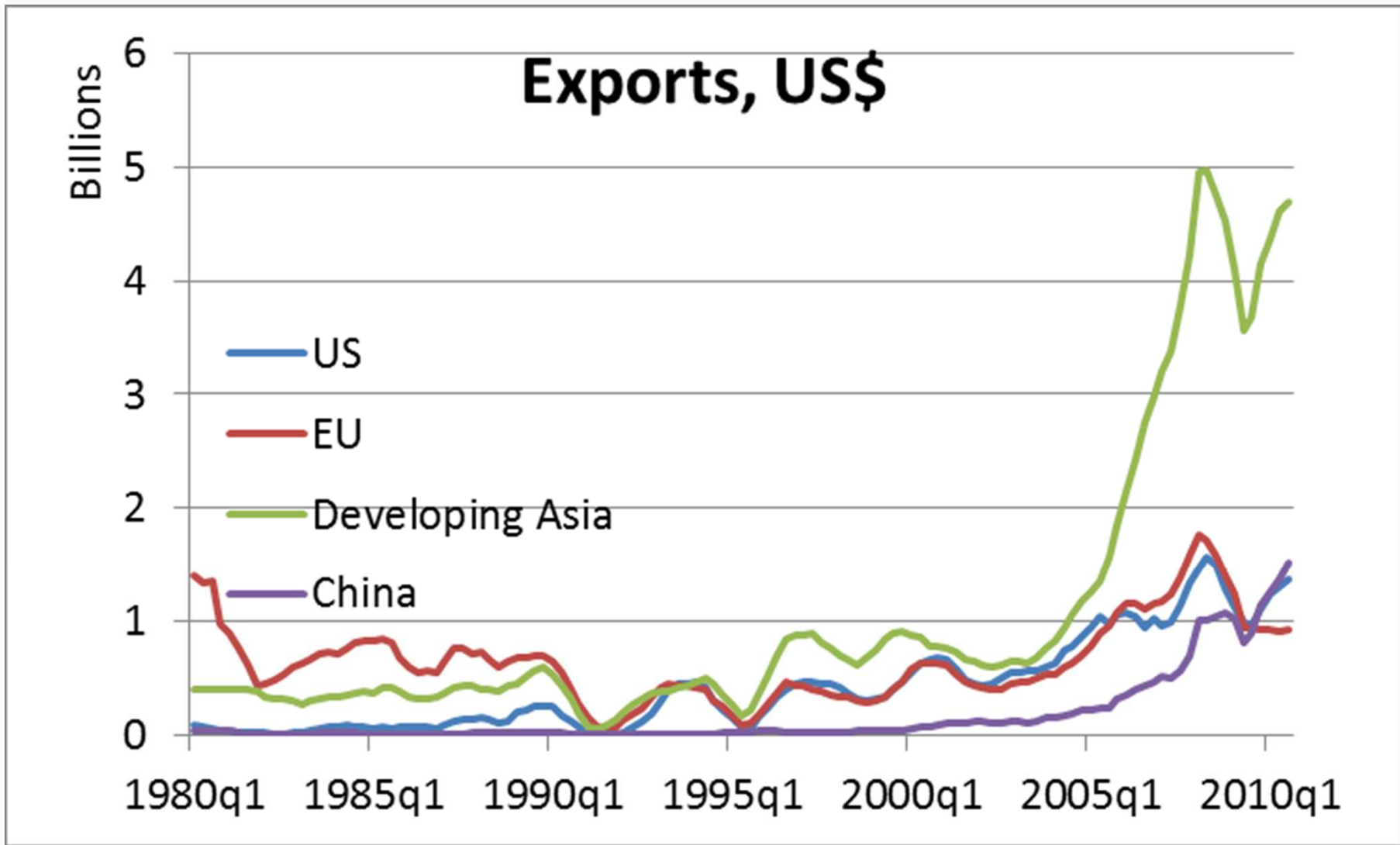
# Malaysia



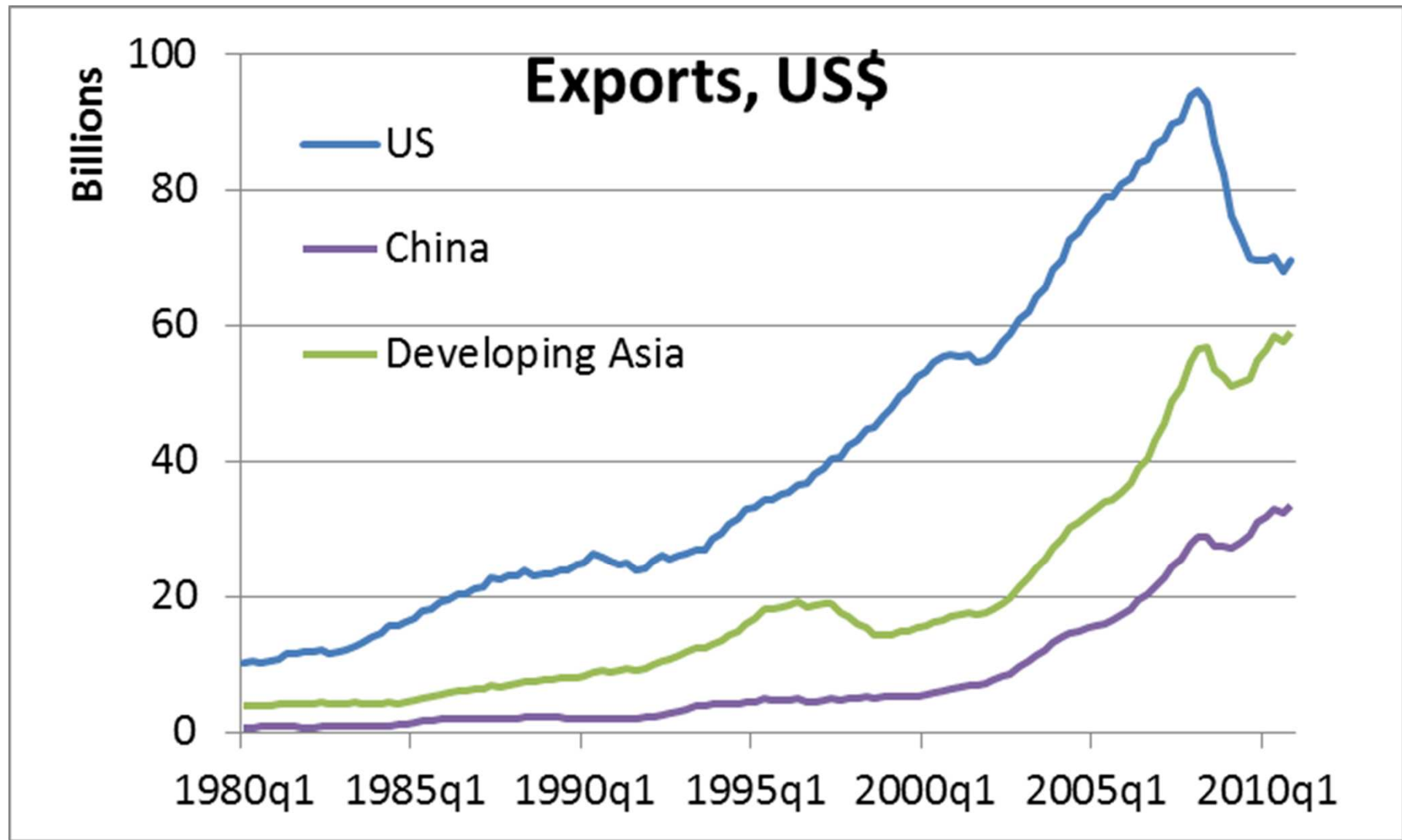
# UAE



# Kuwait

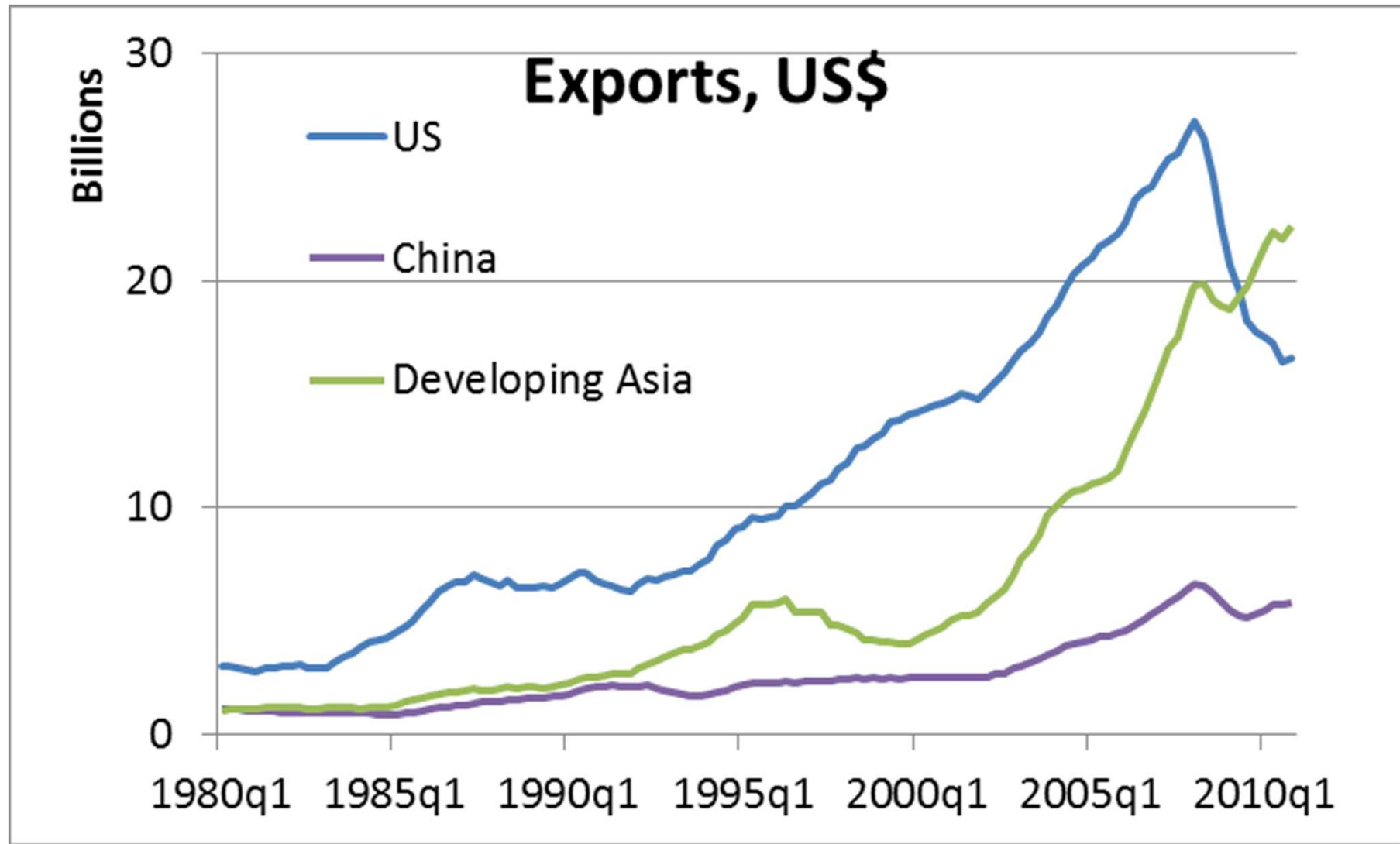


# EU





# Germany



# PROJECTING MILITARY POWER

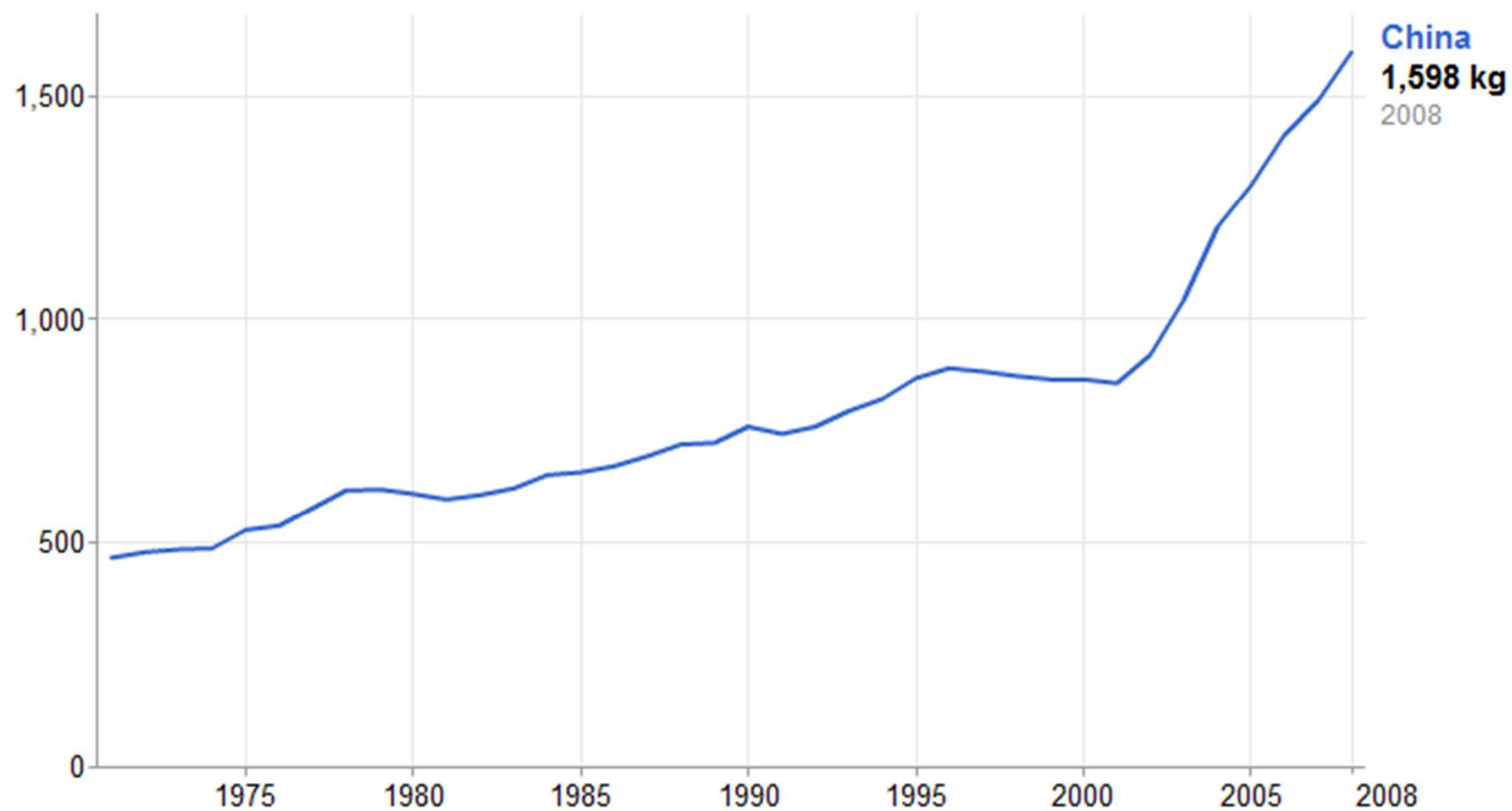
# Correlates of war: National material capabilities

		Military personnel (Million)	Military expenditure (Billions US\$)
China	2005	2.26	29.9
	2006	2.26	35.2
	2007	2.26	46.2
US	2005	1.47	<b>495.3</b>
	2006	1.55	<b>521.8</b>
	2007	1.51	<b>552.6</b>

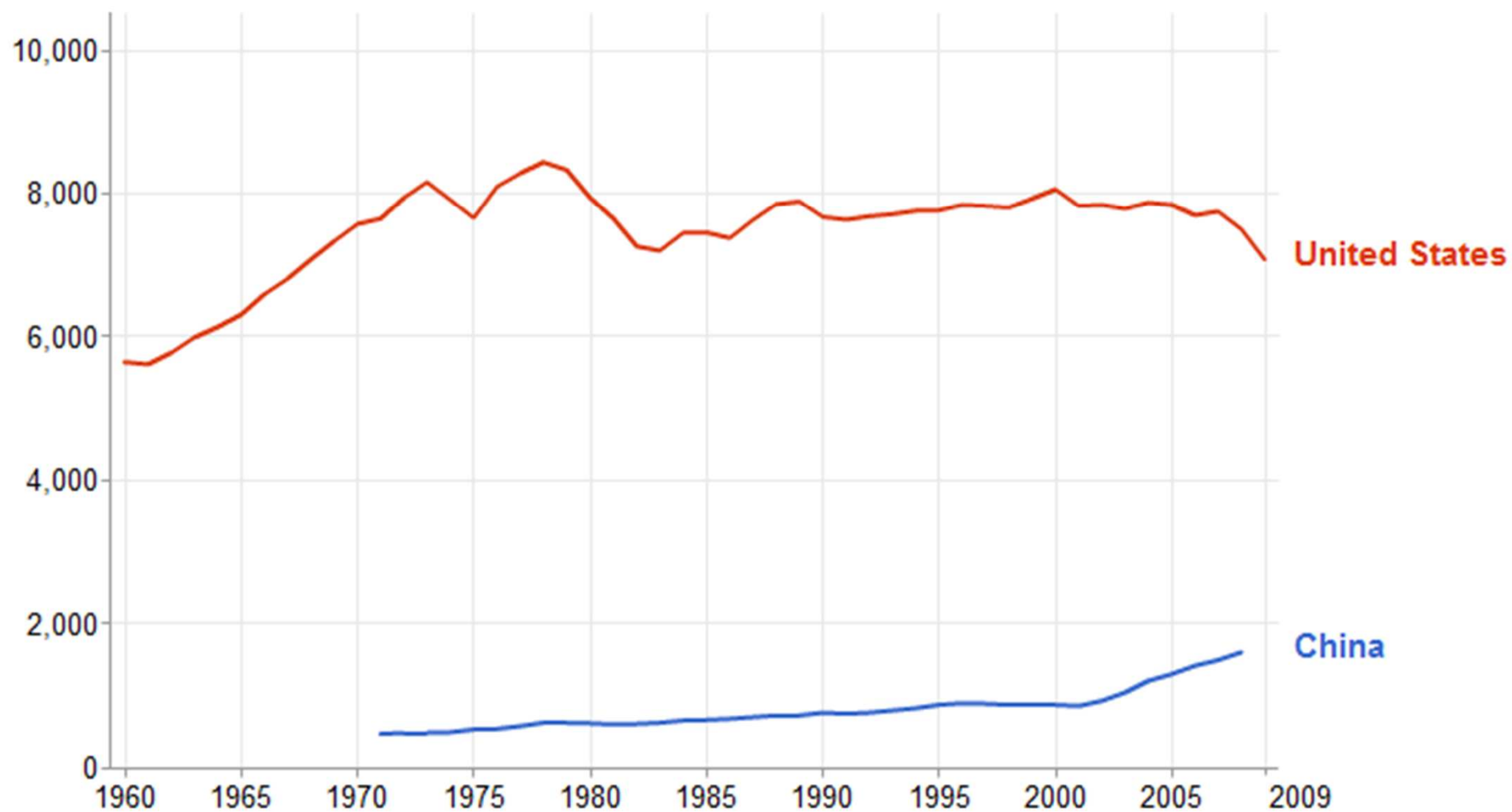
“Full displacement and projective power”

# CHANGING GLOBAL CLIMATE

## Energy use per capita ?



## Energy use per capita ?





**CARING ABOUT INEQUALITY**

# China and India vs ...

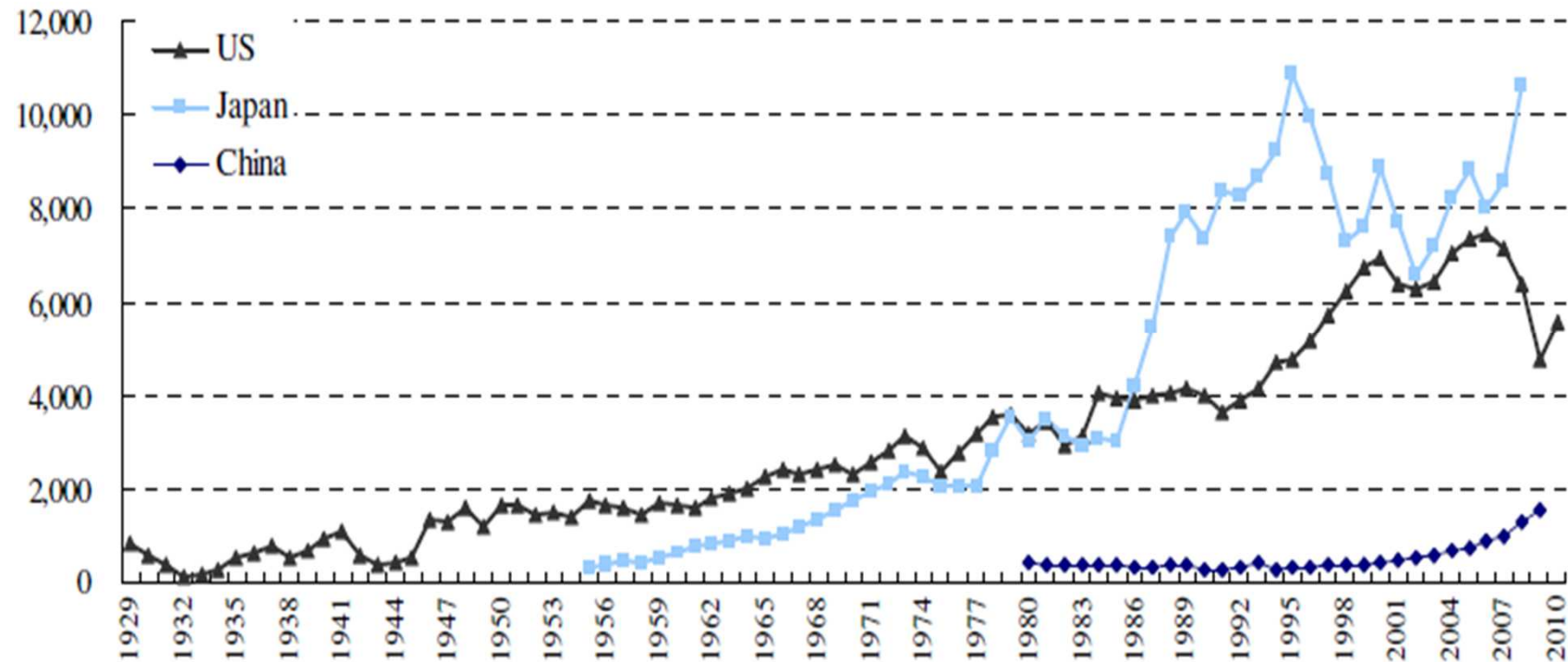
Incomes per capita 2009 inflation-adjusted  
official exchange rates:

- **China**, 6% US: poorer than Belarus, El Salvador, and Jamaica; poorer than 9 countries in Africa
- **India**, 2% of US: poorer than Ukraine, Djibouti, Uzbekistan, Nicaragua, Kiribati

# WHY CHINA'S GROWTH MIGHT SLOW

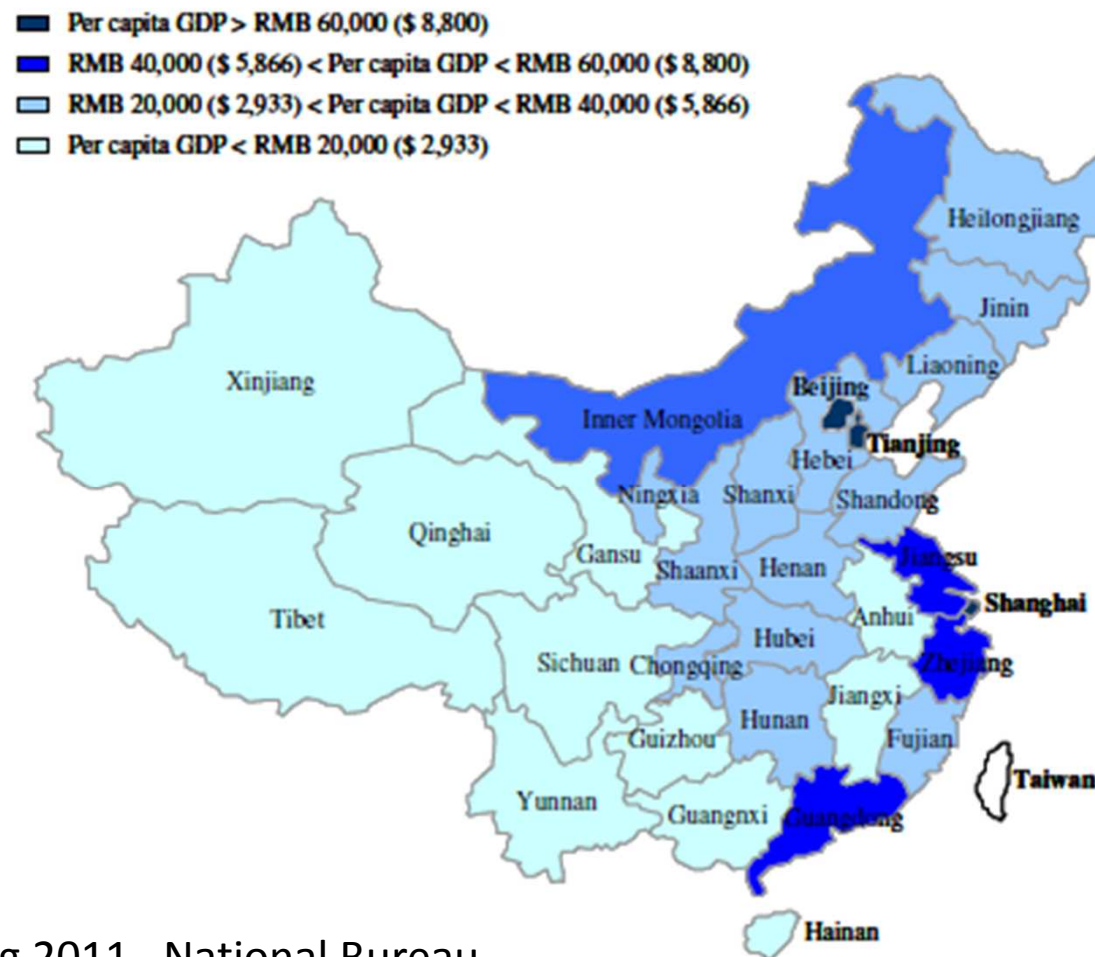
1. Convergence; middle-income trap
2. Over-investment, excess capacity
3. Insufficient domestic demand, over-reliance on export-driven growth
4. Inequality and pressure for political reform
5. Currency and financial development
6. Aging population; gender imbalance
7. Forced to do so by the rest of the world

# CHINESE OVER-INVESTMENT?



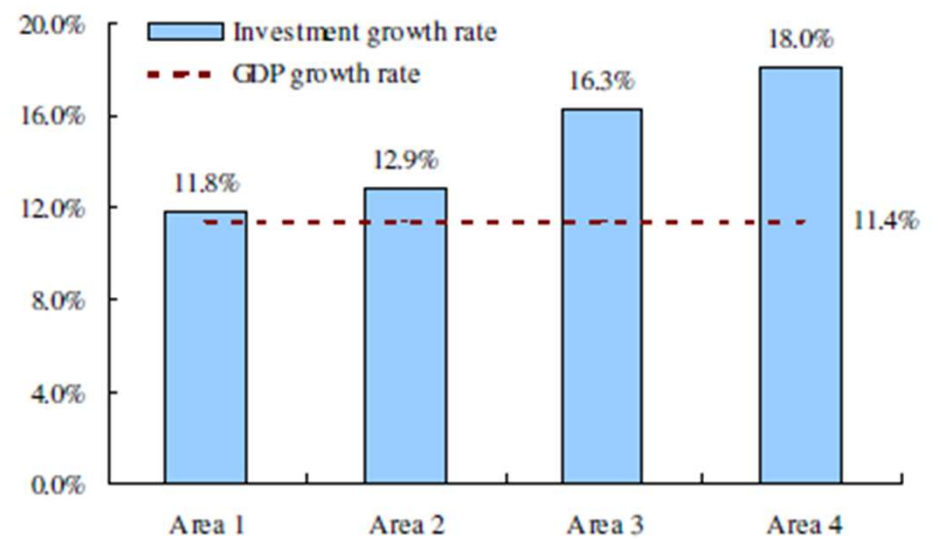
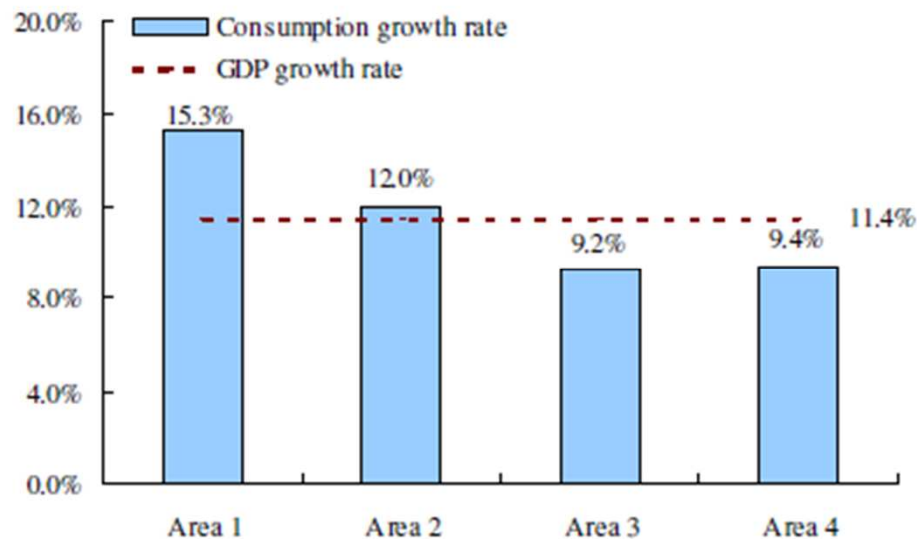
Source: Investment per capita. From X. Wang 2011. U.S. Bureau of Economic Analysis, U.S. Census Bureau; Japan Statistics Bureau and Statistics Center; National Bureau of Statistics of China. Inflation-adjusted to 2005US\$

# 2009 REGIONAL INCOME DISTRIBUTION



Source: X. Wang 2011. National Bureau of Statistics, China

# CONSUMPTION AND INVESTMENT



Source: X. Wang 2011. National Bureau of Statistics, China



# ...WHERE DID IT ALL GO WRONG?

- Balance on the evidence – not really
- Massive public relations and communications failure
  - Olympics and the great firewall
  - J20 interceptor maiden flight
  - Company brochures and \$200 English translations
- ... and then?

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