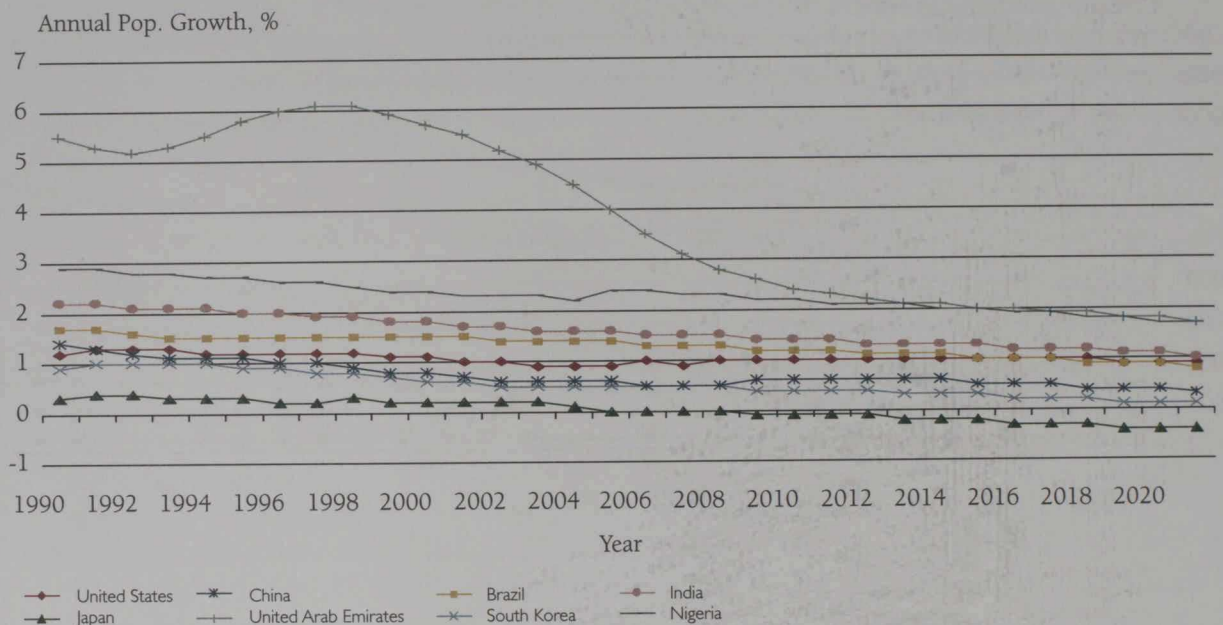


FIGURE 2.
Convergence in Population Growth, 1990-2021



Source: Office of the Chief Economist

Data: IHS Global Insight

to the living standards of the rich would be a return to the normal historical experience rather than a departure from it. As the emerging economies approach the income levels of the developed countries, they are undergoing a demographic transition and their population growth rates are slowing down, mitigating the greatest historical obstacle to growth (Figure 2). Several countries such as Japan and South Korea have successfully taken the path of growth; other emerging economies are poised to follow them.

Can we be reasonably sure of these predictions? Are these not saying that world poverty is decreasing with every year? Yes we can, and yes they do. World population has grown from 5.3 billion in 1990 to 6.7 billion in 2008, an impressive growth of 27 percent. However, the world's real economic output has grown 67 percent during the same period. And it is the emerging world that led the

way: emerging economies grew by about 120 percent, more than twice the rate of the advanced ones.⁸ Thus by the end of 2008, on average every person on the planet was 30 percent richer in real terms than in 1990.

Certainly, some will find these prospects optimistic. Economic progress rarely occurs in an unbroken fashion and is not without its risks. The challenges of the catch-up process are both difficult and little-explored, and there may be setbacks and crises along the way. Export-based growth of Asian countries must eventually be supplemented and substituted by domestic demand sources as their own economies get closer to the size of the U.S. economy. The ongoing economic crisis is accentuating the need to find a solution to this dilemma. What these growth predictions effectively hinge on is that, as in the past, the emerging economies will find a way to overcome the challenges as they

8 Global Insight, March 2009.