



The outlook for advanced economies[☆]

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1. Introduction

In this paper we consider the outlook for economic growth of the advanced economies, focusing on the G7: Canada, France, Germany, Italy, Japan, the U.K., and the U.S. We compare the growth prospects for the G7 with the prospects for Developing Asia, the countries of Asia including China and India but excluding Japan. We find that the balance of world growth has shifted from the G7 economies to the emerging economies of Asia. We show that the advanced economies will recover from the financial and economic crisis of the past decade, but that a longer-term trend toward slower growth of these economies will be re-established.

In analyzing the growth prospects of the G7 we draw upon a new volume, *The World Economy: Growth or Stagnation?* edited by Jorgenson, Kyoji Fukao, and Marcel P. Timmer (2016)¹:

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¹ Dale W. Jorgenson, Kyoji Fukao, and Marcel P. Timmer (2016), eds, *The World Economy: Growth or Stagnation?* Cambridge, UK, Cambridge University Press.

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This book includes studies of the economic performance of more than forty countries, including the members of the G7, as well as China and India, by thirty-eight authors. These countries are members of the World KLEMS Initiative, established by Jorgenson, Timmer, and Bart van Ark. The purpose of this Initiative is to generate data on industry-level outputs and productivity, as well as inputs of capital (K), labor (L), energy (E), materials (M), and services (S), hence the acronym KLEMS.

The countries of the World KLEMS Initiative produce data in industry-level output, input, and productivity, using the standard methodology summarized by Jorgenson and Paul Schreyer (2013).² Details are provided by Schreyer (2001), *Measuring Productivity* and Schreyer (2009) *Measuring Capital*.³ This methodology was originated by Jorgenson, Frank M. Gollop, and Barbara M. Fraumeni (1986) in their book, *Productivity and U.S. Economic Growth*.⁴ The methodology for capital input was extended to information and communications equipment and services by Jorgenson, Mun S. Ho, and Kevin J. Stiroh in *Information Technology and the American Growth Resurgence*.⁵

Jorgenson and Schreyer (2013) have shown how to integrate industry-level data on growth and productivity from the World KLEMS Initiative into the United Nations (2009) *System of National Accounts 2008 (SNA 2008)*.⁶ This methodology has been incorporated into the official statistics of more than a dozen countries, including four members of the G7: Canada, Italy, the U.K., and the U.S. The methodology of the World KLEMS Initiative has been proposed for incorporation into the new *System of Expanded and Integrated Global Accounts (SEIGA)* by the United Nations' Statistical Division, the institutional home of *SNA 2008*.⁷

Data for the World KLEMS Initiative have been developed by regional projects in Asia, Europe, and Latin America. The European project, denoted EU KLEMS, was supported by the European Commission through its Research Directorate-General, beginning in 2003. This project was included in the Sixth Framework Programme, Priority 8, Policy Support and Anticipating Scientific and Technological Needs. The results were published by Timmer, Robert Inklaar, Mary O'Mahony, and van Ark in their book, *Economic Growth in Europe: A Comparative Industry Perspective*.⁸ Matilde Mas and Robert Stehrer (2012) edited a second report on EU KLEMS,

² Dale W. Jorgenson and Paul Schreyer (2013). Industry-Level Productivity Measurement and the System of National Accounts 2008. *Review of Income and Wealth*. Vol. 59, Issue 2, June, pp. 185–211. See: <http://onlinelibrary.wiley.com/doi/10.1111/j.1475-4991.2012.00516.x/abstract>.

³ Paul Schreyer (2001). *Measuring Productivity*. Paris, Organisation for Economic Co-operation and Development. See: <https://ideas.repec.org/a/sls/ipmsls/v2y20015.html>. Paul Schreyer (2009), *Measuring Capital*, 2nd ed., Paris, Organisation for Economic Co-operation and Development. See: <https://www.oecd.org/std/productivity-stats/43734711.pdf>.

⁴ Dale W. Jorgenson, Frank M. Gollop, and Barbara M., Fraumeni (1986), *Productivity and U.S. Economic Growth*, Cambridge, MA, Harvard University Press.

⁵ Dale W. Jorgenson, Mun S. Ho, and Kevin J. Stiroh (2005), *Information Technology and the American Growth Resurgence*, Cambridge, MA, The MIT Press.

⁶ United Nations (2009). *System of National Accounts 2008*. United Nations, NY. See: <https://unstats.un.org/unsd/nationalaccount/sna2008.asp>.

⁷ U.S. Bureau of Economic Analysis (2016). Extended Productivity (KLEMS) Accounts, Ch. 4 in *Accounting for Global Value Chains: Extended National Accounts and Integrated Business Statistics*. New York: United Nations Statistical Division, November. See: https://unstats.un.org/unsd/trade/events/2016/nov-newyork/presentations/wed/Chapter%204%20-%20KLEMS_BE.pdf.

⁸ Marcel P. Timmer, Robert Inklaar, Mary O'Mahony, and Bart van Ark (2010). *Economic Growth in Europe: A Comparative Industry Perspective*. Cambridge, UK, Cambridge University Press.

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