



PIIE PETERSON INSTITUTE FOR
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Can We Develop a New Asian Growth Model?

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Can we develop a new Asian Growth Model?



How can we tell what works?

- Growth is overdetermined
 - Japan/Korea seem to show it's mostly convergence or demographics
 - 'Asia' is diverse along every dimension
 - Industrial policies and capital accumulation seem to vary in effect
- ➔ This research project

Can Asia overcome the slowdown in the rest?

- Technological slowdown
- Secular stagnation
- Global trade stagnation and premature deindustrialization
- Financial crisis aftermath
- Near-zero inflation

Is international or regional integration **+** or **-** ?

Questions to answer in Asia



- Is demographics destiny? Is catch-up the limit?
 - This seems to be too deterministic even for Jpn/Kor
- Are there institutions (of wide applicability) that encourage productivity growth?
 - Public investment seems to be useful
 - Hyper-finance seems to be harmful
 - Market power is okay, but only if in global markets
- Can employment stabilization only prevent problems or can it spur growth?
 - The jury is out, but mistakes do persistent damage
- Is continued vigilance on inflation justified?
 - Seems easier to maintain price stability than it used to
 - Low wage growth does have bad political economy impact

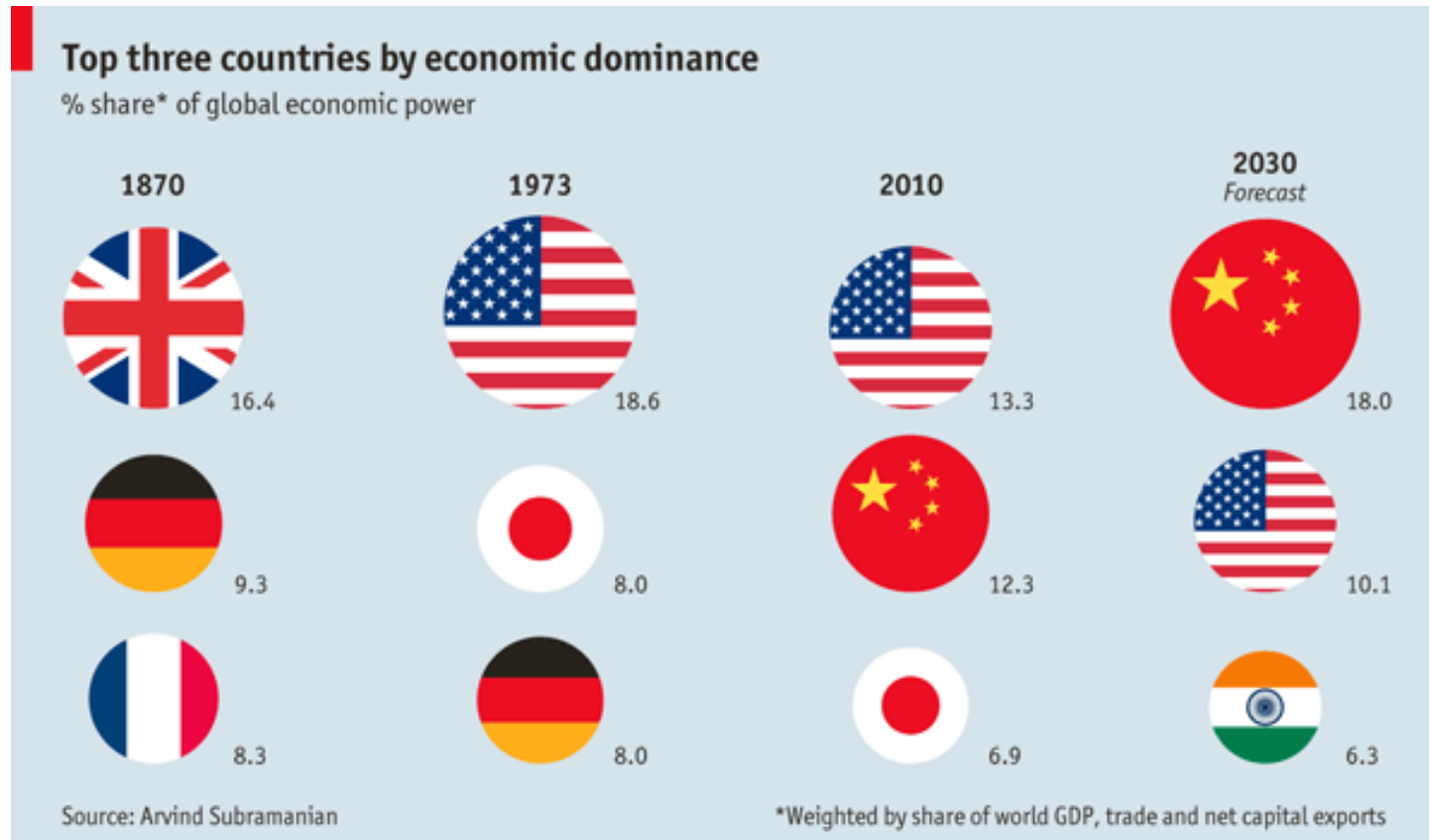
Questions to answer about ROW



- Is the slowdown due to the rich world's own problems?
 - Demand-led decline in growth seems plausible, but also substitutable
- Is the slowdown due to currency appreciation in the East and trade protectionism in the West?
 - FX definitely something of a contributor, but hard to blame much
 - Protectionism definitely bad and rising, as is uncertainty about it
 - Still, there is room for regional and domestic market growth
- Is reduced technological and financial diffusion at work?
 - Unclear channels and magnitudes, but timing seems indicative
- Is the West now exporting deflation to Asia?
 - In a literal short-term sense, seems inescapable
 - Whether this matters much or has lasting impact is more doubtful



Do we care about growth because we care about countries' GDP and power or people's GDP per capita and potential?



Can Asia work together to grow?



High standards can be Asian standards

- Interest in FDI grows South-South
- Trade grows South-South
- Public investment need not be corrupting
- Active monetary stabilization can be used
- Migration can counter demographics

Int'l economic cooperation can be Asian-led

- If the US withdraws and China stays constructive
- Japan has moved to donor/investor status and so should Korea
- Protectionism and currency manipulation can be mutually set aside
- Financial stability requires taking domestic and international measures