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Reading Round-Up: China Now the World's Second-Largest Economy

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This week came the not-unexpected [news](#) that China has passed Japan to become the world's second-largest economy. Here, we've rounded up reactions to and analyses of the story:

- At his *New Yorker* blog, Evan Osnos asks "[Why the Long Face?](#)", explaining that "While the story has rated front-page treatment in the U.S., it has sent China into a frenzy of self-flagellation, in the hope of reminding people that it is still home to a lot of very poor people."

- Yoree Koh at the *Wall Street Journal* [reports](#) that Japan is taking the news of its third-place status with a shrug:

"It can't be helped," said Koichi Matsubara, 36, who works in real estate. "Business has been drifting overseas, our population is shrinking. We're a small island, and given the size of our country, we were perhaps at the top longer than expected. I think we will continue to lose ground."

- A few observers, however, are asking if China can maintain its sustained economic growth for much longer. Citing China's heavy reliance on export-oriented development, as well as the country's relatively low level of domestic consumption, some economists are instead looking to India to become Asia's next hot economy, as James Fontanella-Khan of the *Financial Times* [explains](#). Why?

First of all, unlike China, India isn't rapidly getting older. In fact, its ratio of working-age people to dependents (children and the elderly) is actually improving.

Second — India's government reforms, and its growing infrastructure spending, have helped create jobs, and dynamic labour market, and a vibrant private sector.

Finally, globalisation has helped India tap into both the goods export market, but more importantly, the global services exports market — which India now has a 2.6 per cent share of.

- Tom Lasseter, the Beijing bureau chief for McClatchey Newspapers, contemplates that problem of low domestic consumption at his "[China Rises](#)" blog. Writing about the story at a microeconomic level — as it relates to his choices when buying a new bicycle — Lasseter concludes that "For a country that wants to drive up domestic consumption, widespread worries about product quality and scant legal recourse to assuage those concerns is a serious issue."

- At *Forbes*, Gady Epstein [advises readers](#) to take a step back and consider whether or not this story deserves the breathless headlines it's been generating:

But do we really need a quarterly statistic to tell us anything we don't already know about these two economies? There is not much value in debating the matter other than for the fun of the headlines and the hype.

We already know that China is the world's second economic center of gravity now after the U.S., and in important ways is the dominant center of gravity: It has long been the economy that draws every big company in the world seeking growth, and which sets global markets in most commodities . . . When China, growing as quickly as it does, becomes a net importer of something, that is the vital turning point for prices going forward, and it didn't take until the second quarter of 2010 for this to become true. This has been true for most of the last decade.

- And Joshua E. Keating at *Foreign Policy* asks "[How Do We Know That China's Economy Is Really Bigger Than Japan's?](#)" For those of us who need a quick review of college macroeconomics, Keating is a helpful guide as he talks through the various ways a country can estimate its GDP.

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