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Institute on Comparative Regional Integration Studies



Future Trends Series - GR:EEN Project

Title of the report

Capitalism and Democracy in 2040: Forecasts and Speculations

Area

Economy

Reporter

National Bureau of Economic Research (NBER)

Type of the Reporter

Private Organisation

Periodically updated?

No

First issued year

2007

Latest update

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Official website

www.nber.org

Language available

English

Short summary

The report by the NBER sets out forecasts regarding the economic growth of the fifteen countries that were in the European Union (EU15) in 2000, United States (US), China and India by 2040.

Basing on the economic results, the report also speculates on the future of liberal democracy and on which countries will be its promoters all over the world.

Key trends

- **Forecast for EU.** Although the EU population in 2000 exceeded that of the US by about a third, **by 2040 the EU population will be somewhat smaller than that of the US.** The projected stagnation of the EU15 population is based primarily on the persistence of extremely low fertility rates. One implication of the low fertility rate is that the population of the EU15 is aging rapidly: by 2040, the median age in Italy and Germany is predicted to be about 50. "This rapid aging of many EU15 countries means that their **dependency ratios** (the ratio of economically inactive to economically active persons) will soar."

- **Forecast for China.** In 2040, "the Chinese economy will reach \$123 trillion, or nearly three times the output of the entire globe in the year 2000, despite the influence of several potential political and economic constraints." Moreover, the per capita income of China will reach \$85,000 more than twice the forecast of the European Union (EU15) and also much higher than India and Japan. Therefore, China is

forecasted to go from a poor country in 2000 to a very rich country in 2040.

- **Forecast for India.** India's economy will continue to grow, although significant constraints (both political and economic) will keep it from reaching China's levels.
- **General speculation.** "The European market will be about 60% larger in 2040 than it was in 2000. But the US market will be over 300% larger, India's will be over 1,400% larger and China's will be 2,400% larger. Indeed, the Chinese market in 2040 by itself will probably be larger than the combined markets of the US, the EU15, India and Japan.
- **The future of liberal democracy.** Richer countries that were the chief bastions of liberal democracy during the second half of the twentieth century – the EU15, the US and Japan – will decline in relative importance by 2040. In year 200, these groups represented 51% of global GDP, but by 2040 their combined share is projected to decline to 21%. Most worrisome is the projected decline in the EU15 from 21% to just 5% of the global share of GDP. The projected decline of the EU15's global share of GDP means that liberal Asian nations – Taiwan, South Korea, Indonesia and Singapore - will be poised to take up the role of promoting liberal democracy across the globe.

Suggestions

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Methodology

Research from secondary sources

Reference to other trends reports? If yes, which reports?

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