What Malthus Left Out

• Malthus left out two factors
  – Capital
  – Technological change
• Do these make a difference? Yes

Just How Wrong Was Malthus?

<table>
<thead>
<tr>
<th>Year</th>
<th>US</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>1776</td>
<td>$1,450</td>
<td>$1,350</td>
</tr>
<tr>
<td>1860</td>
<td>$2,550</td>
<td>$3,000</td>
</tr>
<tr>
<td>1900</td>
<td>$5,450</td>
<td>$5,300</td>
</tr>
<tr>
<td>1950</td>
<td>$12,500</td>
<td>$8,150</td>
</tr>
<tr>
<td>1998</td>
<td>$31,500</td>
<td>$22,000</td>
</tr>
</tbody>
</table>

In the US, per capita income increased over 20 times from 1776 to 1998.

The Magic of Compounding

• At that rate incomes double every 40 years.
• Thus people today are making twice as much, adjusted for inflation, as they were 40 years ago.
• And 40 years hence, people will make twice as much as people do now.
Patterns of Growth

The Pattern of Growth

Western Europe

Patterns of Growth

Pacific Rim

Patterns of Growth

Other Countries

Patterns of Growth

A Summary

- Highly Developed Countries
  - US
  - Canada
  - Western Europe
  - Australia, New Zealand
  - Japan
A Summary

• Highly Developed Countries
• Countries Catching Up
  – South Korea
  – Taiwan
  – Mexico

A Summary

• Highly Developed Countries
• Countries Catching Up
• Countries Stagnating or Falling Further Behind
  – Sub Saharan Africa
  – Bangladesh

A Summary

• Highly Developed Countries
• Countries Catching Up
• Countries Stagnating or Falling Further Behind
• The Old Soviet Bloc

Our Task

• Show how the factors Malthus left out explains these growth patterns.

End