A SYMPOSIUM OF VIEWS

Has China Overtaken America?

Paul Krugman, the liberal Nobel laureate and former *New York Times* columnist, argues that China economically has "overtaken" America, and "It's unlikely the United States will ever catch up." China's economy, he adds, in real terms "is already substantially larger than the U.S. economy." America is in danger of being "permanently overtaken by China's technological and economic prowess."

Right-leaning economic historian Niall Ferguson, a frequent China critic, notes that by one measure, GDP based on purchasing power parity, China already overtook the U.S. economy back in 2014.

Yet CNBC analyst Jim Cramer arrives at a different conclusion. He suggests China has "a press release economy." By that, he means Chinese authorities operate a broad-based and highly effective communications operation where the United States is continuously described as an economically failing country, with fading technological leadership because it is not far from civil war. At the same time, an orchestrated campaign of voices suggests that China's technological superiority is breathtaking, its economic accomplishments far ahead of the United States.

Has China economically overtaken America? Is such a conclusion based on reliable economic data? Are there significant pitfalls ahead for the Chinese? Until recently, unaware western companies have been vulnerable to intellectual property theft. Those companies are now bolstering their security systems to make theft of technology much more difficult. Will this development negatively affect China's supposed future technological superiority?

More than a dozen noted thinkers offer their views.

China is behind America by every metric. Combined, NATO, the Five Eyes, Japan, and South Korea have a GDP triple that of China.

JASON FURMAN

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China is behind America by every metric, but how far behind depends on the question you are asking.

In terms of living standards, China is way behind. U.S. per capita income is about $75,000 compared to about $25,000 for China using PPP adjustment. Moreover, China devotes a lower fraction of GDP to consumption so the comparison of well-being is likely even more skewed.

Geopolitically, the United States is also ahead of China with GDP at market exchange rates of about $30 trillion and $20 trillion respectively when measured at market exchange rates. And market exchange rates are the most appropriate metric: it doesn't help Chinese power in Africa or Latin America that haircuts are cheaper in Wuhan than they are in St. Louis. (Yes, those cheaper haircuts allow China to pay its soldiers less so market exchange rates overstate the difference a little.) Closing this gap will likely take at least several decades.

Moreover, that geopolitical comparison understates an enormous and highly asymmetric strength of the United States: our allies. If you add together NATO, the Five Eyes, Japan, and South Korea, that combined alliance has a GDP triple that of China. And China has no economically important allies that are anywhere near as close as those countries are to the United States. Unless the United States loses these core allies or China gains some dependable ones, this gap will not reverse even over the next century.

China's economy passed the U.S. economy more than a decade ago and is now more than a third larger.

DEAN BAKER

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It is more than a bit bizarre that serious people are still questioning whether China has the world's largest economy. Most economists use purchasing power parity measures of GDP for international comparisons, both because exchange rates can fluctuate by large amounts and also because an exchange rate measure may not reflect living standards. While purchasing power parity measures are imperfect, there is no doubt that the concept—using a common set of prices for all goods and services, regardless of where they are produced—is the correct one for measuring economic output.

By this measure, China's economy passed the U.S. economy more than a decade ago and is now more than a third larger. There are serious questions that can be raised about the quality of China's statistics, but given a wide range of data from both governmental and independent sources, there can be little doubt that the PPP measure of GDP is close to the mark.

Just to take per capita GDP as a starting point, if we use the exchange rate measure, China's per capita GDP is less than $14,000, just over one-seventh of the U.S. level. Using the PPP measure, China's per capita income is over $29,000, one-third of the U.S. level.

Recognizing that international comparisons of living standards are always subject to considerable error, is it plausible that the average person in China has the same standard of living as a person in the United States did in 1940, as the exchange rate measure would imply?

There are more than 350 million cars in China, one for every four people. More than 1.1 billion people have internet access in China. Nearly one billion people have smartphones. These are not consistent with the living standards in the United States before World War II.

This also shows up in statistics on social well-being. The literacy rate is close to 100 percent. Close to 80 percent of eighteen-year-olds graduate high school. Nearly half of young people have post-secondary education, as

high or higher than the share in the United States. And the life expectancy for people in China is almost the same as in the United States.

At the macro level, China has nearly as much installed solar and wind capacity as the rest of the world combined. It sells more electric vehicles, both domestically and internationally, than the rest of the world combined. Its high-speed rail system has as much mileage as the rest of the world combined. It is at the forefront in technology in batteries, artificial intelligence, and now biotech. It leads the world, by a large margin, in new patents.

China is the leading trading partner and major investor in most countries in the world. It has close to one-third of the world's manufacturing output, almost twice as much as the United States.

If it makes people feel good to imagine the United States is still the world's largest economy, they are welcome to do so, but this is not a view that has a basis in reality. China's economy is already considerably larger than the U.S. economy and is growing considerably more rapidly. Serious people have to learn to adjust to the world as it is.

Claims that China has economically "overtaken" America confuse domestic output measures with global economic leverage.

ZONGYUAN ZOE LIU

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Whether China has "overtaken" the United States economically is not a question answered by slogans or scoreboard statistics. It depends on how economic power is defined. By a narrow metric, GDP adjusted for purchasing power parity, China is larger. By measures that shape global influence, financial dominance, and innovation leadership, America still leads, even as China closes gaps and, in select industrial sectors, pulls ahead.

PPP-adjusted GDP accounts for lower local prices, making it useful for comparing living standards and internal production capacity. On this basis, China became the world's largest economy around 2014. But PPP is ill-suited to measuring international power. Trade, capital flows, defense procurement, and corporate valuations operate at market exchange rates, not domestic price-adjusted terms. On these terms, the United States remains ahead in nominal output, enjoys far higher per-capita income, and commands deeper capital markets, higher equity valuations, and unmatched financial liquidity anchored by the dollar's reserve currency status.

China's aggregate scale conceals a large productivity gap. American GDP per capita remains roughly six times that of China, reflecting differences in capital intensity, institutional efficiency, managerial sophistication, and innovation ecosystems. As the marginal contribution of labor quantity to economic growth declines relative to productivity gains and knowledge-intensive activity, these structural advantages become increasingly decisive. The United States dominates the global plumbing of finance, from venture capital and equity markets to dollar-based payment and settlement systems and sovereign bond markets, giving it disproportionate influence over capital pricing and allocation worldwide. This financial dominance also confers geopolitical leverage, notably through sanctions. Together with leadership in advanced research and platform-level innovation, these strengths generate self-reinforcing cycles of productivity growth that are difficult to replicate through state mobilization alone.

Institutional incentives further complicate numeric comparisons. Unlike the United States, China has treated GDP growth targets as political mandates tied to administrative evaluation and promotion. When growth falters, local governments are incentivized to accelerate infrastructure approvals, front-load public spending, and expand credit-backed investment. The result is a persistent structural bias towards industrial production capacity rather than consumption.

This model has delivered formidable manufacturing scale for China—visible in record-level trade surplus and global production dominance—but it has also inflated headline growth by masking mounting constraints. Demographic headwinds, heavily leveraged property developers, weak consumer demand, large off-balance-sheet local government debts, and destructive price wars weigh on China's long-term growth potential and complicate macroeconomic stimulus.

Technology competition illustrates the same complexity. For decades, China advanced through technology transfer, joint venture requirements, and uneven intellectual property enforcement. As export controls tighten and access to advanced frontier technologies narrows, convergence at the technology frontier would slow. Yet China's large domestic market, state-backed investment, and

manufacturing scale ensure continued progress in applied engineering, such as electric vehicles, batteries, renewable energy equipment, and industrial automation.

The core distinction is between innovation leadership and industrial execution. China excels at scaling production and compressing costs. Its regulatory cycle, however—periods of permissive expansion followed by abrupt crackdowns—has repeatedly produced overcapacity, capital misallocation, and investor uncertainty. By contrast, the United States retains an edge in foundational research, venture capital formation, platform-level innovation, and standards-setting ecosystems. These advantages compound over time and are difficult to replicate through state-administered mobilization alone.

China has become an economic superpower in terms of scale and capacity. It has narrowed gaps in manufacturing and applied innovation. But America remains dominant in terms of value, financial influence, and innovation depth. Claims that China has economically "overtaken" America confuse domestic output measures with global economic leverage. The more relevant question is not who is larger, but which system sustains productivity growth, technology leadership, and institutional resilience as great power competitions continue unabated.

America's lead is not guaranteed. Fiscal indiscipline, political attacks on research institutions and scientists, erosion of central bank independence, and institutional decay would weaken American economic power faster and more effectively than any foreign industrial policy. Economic primacy, like compound interest, rewards consistency. Losing it is far easier than earning it.

PPP comparisons are used primarily to assess developing economies, rather than to weigh the economic strength of the world's largest exporter against the world's largest consumer economy.

LOGAN WRIGHT
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In nominal U.S. dollar terms, China's GDP is only around 65 percent of the size of the U.S. economy. China's GDP peaked as a proportion of the global economy at 18.5 percent in 2021, and has declined since then, even according to China's official data. In purchasing power parity terms, it is much larger, of course. But purchasing power parity comparisons are used primarily to assess the size of developing economies that are less engaged in international trade, rather than to weigh the economic strength of the world's largest exporter against the world's largest consumer economy. China's recent economic slowdown has resulted from the unwinding of an unprecedented credit bubble, which has produced significant declines in domestic property and infrastructure investment. The consequence has been a prolonged deflationary cycle in producer prices as domestic demand has weakened faster than output, while more output ends up exported to overseas markets, producing China's record-high trade surpluses. Purchasing power parity comparisons that flatter the size of China's economy essentially imply that three years of deflation have improved China's relative economic strength.

China's nominal GDP growth has averaged only 4.3 percent over the last three years, even according to the official data—actual growth was almost certainly weaker. U.S. nominal GDP growth was higher because of post-pandemic inflation, but still exceeded China's nominal GDP growth over the past three years. Given the known headwinds to China's growth in the future—a declining population, persistently high debt levels, a deteriorating external political environment—the only realistic path to China's economy overtaking that of the United States in nominal U.S. dollar terms would be a significant appreciation of China's currency against the dollar. This is possible, but not particularly likely given that China also holds the world's largest U.S. dollar money supply, which contributes to capital outflows, while there is little political appetite for a strong appreciation of the currency in an export-driven economy.

Data reliability is a different problem. Even if China released data showing a massive positive revision of its nominal GDP levels, the credibility of its statistical authorities would be called into question. China continues to only release quarterly production-side GDP data, without regular expenditure-side data, a highly unusual practice for any major economy that is not a major commodity producer. China's "new" strategic industries—electric vehicles, batteries, solar panels, artificial intelligence, and robotics—are still in combination smaller than the property sector, even after the real estate market has collapsed, with new starts falling by over 70 percent. Even as activity in the property sector reflected around a quarter of total output, China's official data show that total fixed capital formation produced around the same annual contribution to GDP growth before and after the property sector's collapse. The statistically improbable stability of China's GDP growth rates from 2014 to 2019 and from 2023 to 2025 places a much higher evidentiary burden on those

who would argue China's economy has overtaken the United States.

China has not yet overtaken the United States economically and perhaps never will. Its economic challenges are daunting.

JENNIFER LIND
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China has not yet overtaken the United States economically and perhaps never will. Its leaders must navigate serious development challenges ahead. China must improve productivity and build consumer demand, which requires educating and creating opportunities for the vast population that its rise has yet to uplift. It must navigate a demographic crisis in which a shrinking workforce must support a growing elderly population. It must address mounting debt and a property crisis that threatens household wealth and financial stability. And it must accomplish all this while its increasingly muscular foreign policy alienates some of the world's most powerful economic centers: Europe, Japan, and the United States. Will China overtake the U.S. economy? It might; we have underestimated China at every turn and would be foolish to do so again. But its economic challenges are indeed daunting.

It is critical to note, however, that China's economic challenges should not distract us from the geopolitical force it has become. Whereas China joining the ranks of the high-income countries remains a question for the future, China's emergence as a serious geopolitical competitor is very much in the rear-view mirror. China is a great power; it is a massive, populous country with a huge economy and has become a global technological leader. As its wealth has grown, China has built formidable military power. Deeply interwoven in the world economy, controlling vital supply chains, and serving as a key market and aid provider, China wields enormous influence. On many dimensions, China is already more powerful than the Soviet Union ever was—a far poorer, technologically inferior country that nonetheless engaged the United States in a dangerous, costly, four-decade security competition. In terms of national security, then, China has already arrived. The many questions about China's future economic performance should not obscure this fact.

China at the end of 2024 was about two-thirds the size of the U.S. economy. The value of the RMB against the dollar is central to these simple calculations.

JIM O'NEILL
Former Commercial Secretary to the Treasury, United Kingdom, and former Chairman, Asset Management, Goldman Sachs International

I really don't get why there is such an obsession with this question in the United States. It is quite clear from the international bodies that are respected for their data integrity that in current nominal U.S. dollar terms, China's economy at the end of 2024 was about two-thirds the size of the U.S. economy. At the turn of the decade, when the RMB had been stronger in value against the U.S. dollar, and when nominal GDP was rising faster in China, it was closer to 75 percent.

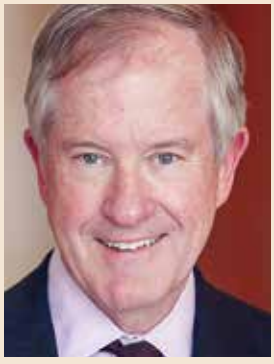
The value of the RMB against the dollar is central to these simple calculations, and if the RMB were to rise by 30–50 percent against the dollar for the next five to ten years, unless this occurs in peculiar circumstances of still-weak nominal Chinese GDP growth, China will become as large, if not larger than the United States. It is quite simple. It is also therefore the case, today, and has been for quite a few years, in PPP terms, that China's GDP is larger than that of the United States. As many of the readers of *TIE* I am sure know, not least several of its regular authors, many analysts believe that the RMB is notably undervalued versus the dollar, as evidenced by the difference between the nominal U.S. dollar value of U.S. GDP and the PPP value today.

What is more interesting is why this matters so much to observers. China has a population that is four times larger than that of the United States, so even if it gets to the same size in U.S. dollar terms, the average income of its citizens would be about one-fourth that of the average U.S. citizen. Another way of focusing on the same

thing is to ask whether it is likely to be permanently the case throughout decades and centuries in the future that countries that have much larger populations than others can never achieve income or wealth for their people that countries with smaller populations achieve? At the same point, probably long after our generation and beyond, the same question will be relevant about India.

So my underlying encouragement to your readers is to think about the average, both mean and median, of a country's income, and not the nation's size—including for the United States. Currently, some U.S. policymakers seem to live under some notion that if China gets bigger than the United States, it is because it is at the expense of the United States. Surely the evidence of the past several decades, as the Chinese growth story has unleashed itself on the world, is rather clear that this has at least coincided with continued economic growth in the United States including average incomes. It is also mathematically the case that in both 2001–2010 and 2011–2020, because of China's GDP growth, world GDP growth was quantitively stronger than the previous two decades. What better example is there than perhaps America's most iconic company over that period, Apple, that the United States benefits from China's growth?

U.S. policymakers need to think carefully in coming years about the really important issues that relate to its citizens' prosperity. By being obsessed about the overall absolute size of the U.S. economy, persistent excessive fiscal imbalances, combined with similar persistence in ineffective trade tariffs, could well end up resulting in such damaging loss of confidence in the dollar as to guarantee that China will become bigger in U.S. dollar terms, and U.S. citizens become less well-off.



Whether China is catching up with the United States will depend primarily on the pace of real growth in both countries.

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In the first decades of economic reform beginning in 1978, China's economy was on a tear, growing at an average rate of about 9 percent. Consequently, in terms of total output it began to catch up with the United States, expanding from around 1 percent of the U.S. level to more than 60 percent by 2016. A cottage industry of financial analysts, China watchers, and geostrategists soon sprang up predicting when China's economy would exceed that of the United States. One optimist in this group forecast the takeover point could happen as early as 2030.

Critics of China's model of economic development challenged this perspective, pointing to China's shrinking and rapidly aging population, the bursting of a massive housing bubble, lagging productivity growth, and persistent deflation. They coalesced around the concept of Peak China.

This view soon seemed to be confirmed as China's output fell from 77 percent of the U.S. level in 2021 to 65 percent in 2024. While the calculation was numerically correct, the judgment that China, with much higher real growth, was falling behind the United States was fundamentally flawed. The calculation is based on nominal GDP growth rates in both countries and the value of the Chinese currency. China's supposed decline resulted mostly from relatively elevated inflation in China. For example, in 2022, overall U.S. inflation as measured by the GDP deflator was 7.1 percent, while in China overall inflation was only 1.9 percent. That massively boosted U.S. GDP growth in nominal terms relative to China.

When the U.S. Federal Reserve raised interest rates starting in 2022, international investors moved funds into U.S. financial assets, causing the dollar to appreciate relative to the Chinese currency, further depressing the calculated value of China's GDP relative to that of the United States.

The gap in price trends between the United States and China is now shrinking. Overall U.S. inflation in the second quarter of 2025 was only 2.5 percent while prices in China fell 1 percent. Similarly, the Chinese currency started appreciating in the second quarter this year.

In the short run, divergent price trends in the two countries and fluctuations in the value of the Chinese currency can distort calculations of the pace of China's catch-up with the United States.

But over a longer period, divergent price trends are likely to wash out as a country with relatively high inflation adopts more restrictive monetary policy to bring prices down. And the value of the Chinese currency is unlikely to depreciate *vis-à-vis* the U.S. dollar. Thus, whether China is catching up with the United States will depend primarily on the pace of real growth in both countries.

For the next few years, this comparison is likely to favor China, undermining the case for Peak China. Longer-term projections are highly uncertain, likely to depend on unforecastable policy developments in both countries.

For the ordinary person in China, this isn't a moment of national ascendancy.

PAUL CAVEY
Founder, East Asia Econ

The scorecard is two out of three in favor of the United States.

For the ordinary person in China looking at their pocketbook, this isn't obviously a moment of national ascendancy. Consumer confidence has fallen sharply since 2020, income growth has slowed, employment has weakened, and housing prices have dropped.

It might be hoped that this deflationary picture, by reducing the cost of living, would be helping to improve living standards in real terms. And it is true that per capita income in purchasing power parity terms continues to rise more quickly in China than it does in the United States. But judged in this way, living standards in China are still only 35 percent of U.S. levels.

Of course, comparing themselves with a family in the United States—particularly in PPP terms—is hardly what the average Chinese household would be talking about over dinner. Much more important would be changes in their own situation in China. But here, again, it wouldn't feel like China is on the up. Growth in per capita income has slowed from more than 6 percent 2015–2019 to 4 percent now.

While less so for families, benchmarking with the United States is clearly more important for policymakers and leaders. And in making this comparison, the elite has reasons to cheer. In sectors like green technology and autos, and companies such as Huawei and DeepSeek, China has clear competitive strengths. The impressive export share gains made by China since 2020 aren't just about over-capacity.

That China's emergence in new and higher-technology sectors has occurred in the face of U.S. tariffs and export controls must make China's leaders feel more confident still. That's especially because, learning from the United States' own use of leverage of chokepoints, China has managed to fight back against President Donald Trump's latest tariffs and win concessions in a way the rest of the world has been unable to do.

However, sectoral strength is only one component of national might. Overall economic size also matters. That's true for elite pride, but also for global power. And in both respects, it is U.S. dollar purchasing power that is more important than PPP calculations of GDP.

Since 2020, China's aggregate U.S. dollar GDP has stagnated at around 70 percent of U.S. levels. Some of that reflects the cyclical strength of the U.S. dollar. However, the same real estate problems and deflation that have weighed on households have also pushed down growth in China's nominal GDP, and weighed on the Chinese yuan.

So, on this reckoning, China scores one out of three, catching up with the United States in terms of technological strength, but trailing in living standards and aggregate U.S. dollar purchasing power.

China has potential to make progress in the laggard areas. But it is easier to imagine that happening with policies that boost household incomes and end deflation, so raising standards of living, and laying the foundations for the sustained currency appreciation that will be needed to boost U.S. dollar GDP.

With a demographic outlook even bleaker than Japan's, China's nominal GDP will never surpass that of the United States.

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China's manufacturing value-added and GDP at PPP exceeded America's in 2010 and 2014 and reached 1.6 times and 1.3 times that of the United States by 2024, giving the Chinese government greater fiscal resources and deployable power than its U.S. counterpart. Yet China's household disposable income tells a different story—it reached only 38 percent of the U.S. level in nominal terms and 75 percent in PPP in 2024. This divergence stems from the one-child policy, which shrank the cohort of young "super consumers" and enabled families to subsist on lower incomes. Consequently, China's household income share of GDP fell from 62 percent in 1983 to 43 percent today, driving household consumption down from 54 percent of GDP to 39 percent, compared with 60 percent internationally.

Weak consumption has made China's growth and jobs heavily reliant on manufacturing exports to the U.S. market, fueling a distorted boom in the sector at the cost of demographic collapse. Suppressed incomes leave families unable to afford even one child, dooming the two- and three-child policies. As China's share of global manufacturing rose from 3 percent in 1990 to 28 percent today, its share of global births fell from 17 percent to 6 percent. With a demographic outlook even bleaker than Japan's, China's nominal GDP will never surpass that of the United States.

Japan's GDP grew from 9 percent of the U.S. level in 1960 to 73 percent in 1995, but growth has been below America's since 1992. By then, its median age was five years above America's, its old-age dependency surpassed the U.S. level, and its share of elderly aged sixty-five and over had already exceeded America's the prior year. By 2024, Japan's GDP had fallen to 14 percent of the U.S. level. South Korea, Taiwan, Germany, and Italy followed similar trajectories, and China will be no exception to the demographic and biological constraints on growth.

China's elderly and old-age dependency ratio will start to be worse than America's in 2031 and 2034, respectively. Its median age will exceed America's by five years in 2027 and reach fifty-nine by 2050, versus forty-three in the United States. China's growth will lag that of the United States from 2029 until 2035. China's ratio of working-age population (aged twenty to sixty-four) to those sixty-five and over will fall from four today to 1.5 by 2050, increasing social security and healthcare burdens and government debt.

China's fertility rate has trailed that of the United States since 1991 and Japan's since 2000, and its actual population is at least 130 million fewer than official figures suggest. It took Japan twenty-seven years to reach the elderly share China will get between now and 2039. Thirty years after peaking, Japan's prime-age workforce (aged fifteen to fifty-nine) has shrunk by 19 percent, while China's will have declined by 31 percent. Moreover, China faces more severe deflationary pressure and a larger housing bubble than Japan did in the 1990s.

China's U.S. market share has fallen from 22 percent in 2017 to 9 percent in 2025, and gains elsewhere cannot reverse its broader manufacturing decline. Its "new quality productive forces" policy is constrained by an aging population, and isolated breakthroughs cannot offset a broad economic slowdown. By prolonging education, delaying childbearing, and reducing jobs, the policy risks further lowering fertility and worsening the demographic crisis.

China's best option would be to boost consumption and fertility by raising household income to the international norm of 60–70 percent of GDP. Even this would do little at this stage. Aging-driven public spending reduced Japan's household income share from 62 percent in 1994 to 53 percent in 2023, and Taiwan's from 67 percent in 2000 to 57 percent in 2023. Moreover, Chinese authorities are reluctant to pursue such a paradigm shift, as it could weaken government finances and power, potentially reshaping China's political landscape.

China may economically surpass the United States in the next decade.

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China is a peer economic power and may economically surpass the United States in the next decade. Yet the level of international disorder, combined with recent demonstrations of leaders' agency, suggests the outcome for the foreseeable future remains too close to call.

Claims of China's economic primacy can be parsed in many ways. Depending on the indicator, such as manufacturing scale or trade volume, China has more than closed the gap. Yet this trajectory is not immutable. The United States, particularly if it acts in concert with allies and partners, retains the ability to reverse unfavorable trends through policies to revitalize American industry while harnessing a collective innovation and advanced manufacturing ecosystem. Even so, we cannot say with confidence how this economic rivalry ends, because we don't yet know the level of decoupling, how vital technological changes will unfold, or the impact of these changes on society and humanity.

An equally consequential issue as economic primacy is how power should be measured in the first place. Whether one country posts a larger GDP, attracts more foreign direct investment, spends more on research and development, or produces more steel, ships, or semiconductors matters less than whether those resources translate into usable power. Strategic outcomes matter more than raw outputs. What ultimately counts is power capable of delivering decisive effects, whether by reshaping the rules

of the global trading system or generating the industrial capacity required to prevail in a protracted conflict.

Perceptions of state power change slowly. Confirmation bias makes it difficult to absorb new evidence and fosters overconfidence, and these barriers to clear-eyed estimates affect both the American and Chinese perspectives.

Even discarding China's narrative of inexorable rise and America's terminal decline, the world remains transfixed by the rise of the East. China has come a long way since Mao's revolutionary era of mass killing and ideologically driven economic experimentation. Deng Xiaoping, Jiang Zemin, and Hu Jintao nurtured development while stopping well short of full liberalization. Xi Jinping, by contrast, has re-centralized economic authority.

The forthcoming Fifteenth Five Year Plan is likely to codify what has been evident since 2012: politics and security now matter far more than growth. New productive forces and mastery of key technologies are intended to offset slowing growth and to prevent economic malaise from delegitimizing the party and provoking social unrest. Even as recent analyses suggest China will undershoot its growth ambitions, Beijing still appears capable of muddling through, even if a collapse of domestic cohesion should not be ruled out.

The tendency toward confirmation bias and overconfidence are also evident in the United States. It is now accepted wisdom, as many in the Trump administration have long claimed, that earlier elites too blithely assumed that engagement, international institutions, and global trade rules would gradually liberalize China. Still, the current administration's overconfidence is visible even in carefully considered documents such as the recently released National Security Strategy. While the NSS rightly elevates economic competition, it also lapses into a bit of magical thinking by asserting that the United States will preserve peace and order through "overmatch," a term so elastic as to mean almost anything.

The absence of a clear advantage today does not preclude a decisive shift tomorrow. Strategic balances can change abruptly if either side competes inefficiently, neglects foundational strengths, or stumbles into the extremes of conflict or capitulation. China has benefited from watching the United States erode its soft power and long-term investment in science and technology. At the same time, Beijing has obscured its massive rural poverty, structural dependence on exports, and deep resistance to economic reform that might challenge party authority.

My reasons for optimism would require another, lengthier article. However, if both countries choose to race to the bottom, it should not surprise us if, by mid-century, the global economic hierarchy looks very different indeed.

Relative to Americans, Chinese are overworked. If present trends continue, China will eventually decline.

JAMES K. GALBRAITH
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The U.S.-China contest over GDP is one-sided. Americans seem to care about it. The Chinese do not. In my long acquaintance with China, I have heard both pride and concern about literacy, public health, pollution, the elimination of mass poverty, the fight against covid, and the impending demographic decline. I have not heard, even once, an ordinary Chinese boast that their GDP is bigger than ours.

Of course in per capita terms, China's GDP is smaller than America's. There are four times as many people. Chinese live, by and large, comfortable but by U.S. standards modest lives. They rely much more than Americans on public goods—transport, infrastructure, public spaces—that do not generate so much GDP. They spend much less on the military—a GDP booster that is meaningless for living standards. Moreover, relative to Americans, Chinese are overworked, as factory conditions and the depressing natality figures attest. If present trends continue, China will eventually decline, whatever happens to their economy in the coming decades.

Technology should not be confused with GDP. In many ways, it's more important. On this creative front, China's industry is moving inexorably to the fore. Why? Mainly, because once you concentrate engineers and operations, new developments, products, and processes come naturally—this is the nature of cumulative causation and increasing returns. And naturally, whatever their contributions and past glories may have been, the losers always whine.

It is only amusing that my Harvard near-classmate Jim Cramer—a man whose job consists of yelling into cameras—thinks China is ruled by press releases. Has he looked at *China Daily* or CGTN? They're very staid by any Western standard. Indeed, the media frontier remains solidly and invincibly American—and it will so remain, so long as we have Donald Trump.

Various estimates of private and national wealth, including my own, show the American lead over China expanding from 2015.

DEREK SCISSORS
Senior Fellow, American Enterprise Institute

China is already competitive in technology while unlikely to approach the United States in personal income in any reader's lifetime. Another obvious comparison is raw size. Here, purchasing power parity seems pivotal, since unadjusted GDP easily favors America while adjusted GDP at least appears to favor the People's Republic of China. But PPP implementation can be quite imprecise, even invalid.

Yes, short-term exchange rates are regularly misleading, and correcting for purchasing power is superior—when it can be done well. When local prices of genuinely globalized products can be reasonably determined and contrasted, this provides a sound method by which to quantitatively modify economic size. In the China case, applying that method should conclude well short of a precise, comprehensive multiplier.

China reported a bit under $2.6 trillion in goods imports in 2024. A bit under $1.6 trillion was in five official customs categories, the remaining $1 trillion scattered across fifty-nine categories. Services imports of a bit over $600 billion were less concentrated but the state presence is more extensive in services, with considerable restriction of foreign access. Price convergence in goods and services faces clear obstacles.

The capital account is largely closed and investment behind that barrier was equivalent to two-fifths of 2024 GDP. Gross government spending was equivalent to roughly one-fifth. Economy-wide arbitrage? The most prominent aspect of China's profile justifying application of international prices to globally comparable goods and services embracing the entire economy is … that we want a number.

In practical terms, it's difficult to imagine a country of China's economic scope, diversity, and chosen statistical practices seeing proper data compilation and aggregation in a timely fashion. Is the Yangtze River Delta even functionally the same economy as Heilongjiang, Gansu, or Yunnan? They don't look like the same economy. If they are, can comparable data of good quality be gathered contemporaneously in such different settings?

The environment is far from ideal. There are varying and unstable price distortions, most powerfully stemming from state-supported overcapacity. The quality of data provided by local governments is poor. Central and local governments also inhibit outside surveys and the central government smooths various results to buttress stability claims. Accurate measurement here is a multi-dimensional challenge calling for modesty that's rarely exhibited.

Various estimates of private and national wealth, including my own, show the American lead over China expanding from 2015. On GDP, China's 2024 nominal GDP was $10 trillion less than America's, basically the same as 2004 (using its official exchange rate). While this long-term quasi-stability is somewhat reassuring with regard to exchange rate effects, PPP can reasonably indicate the gap has been overstated.

Stopping there would be wise. But it's more convenient to rely on dubious assumptions about the scope of arbitrage and the accuracy of price measures in order to be able to cite a "true" Chinese GDP. U.S.-China economic size comparisons are not the natural extension of comparing chocolate bars in Austria to Australia, and it's not genuinely informative to treat them as if they are.

China hasn't found the answers to formidable domestic and foreign challenges, while the United States possesses enduring strengths.

ATMAN TRIVEDI
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China's rise and its global ripple effects are, so far, the story of the twenty-first century. At times, it can be tempting to think the country's powerhouse economy is poised to leave America behind. Look closer, however, and it becomes clear that China hasn't found the answers to formidable domestic and foreign challenges, while the United States possesses enduring strengths that still make its economy the envy of the world. More than China's prowess, America's fractious politics and uneven governance threaten to erode its unique economic advantages.

Based on purchasing power, China's GDP overtook the United States roughly a decade ago, while a

comparison using market prices and exchange rates points to the United States still maintaining a significant edge. Even by this metric, however, China's GDP is much closer to the United States than the Soviet Union's ever was during the Cold War.

China has been growing fast and is dominating strategic sectors like electric vehicles, batteries, solar panels, drones, and shipbuilding. Its monopoly over rare earths prompted the current U.S. administration to walk back its most punitive tariff threats. Last year, China's real GDP grew 5 percent despite U.S. duties. Today, China generates at least twice as much electricity and has nearly doubled America's industrial base.

The country has been the world's undisputed manufacturing hub for some time now, relying on its enormous scale, state support, and deep supply chains. More recently, China has also demonstrated the capacity for technological innovation. A year ago, the Chinese firm DeepSeek developed an AI model at a fraction of the cost of ChatGPT. Tech giant Huawei is already showing signs of navigating U.S.-led export controls, adapting its business model to focus on product innovation and emerging technologies.

At a minimum, quantitative and qualitative indicators underscore that China is a formidable economic competitor to the United States. Nonetheless, its visible strengths coexist uneasily alongside serious internal challenges.

China's growth continues to be unbalanced, relying on exports and manufacturing. Domestic consumption and fixed asset investment lag behind. Property markets remain weak, while local governments are coping with a high debt load, inhibiting spending. Until the job market improves, especially for young workers, and the housing sector recovers, China will continue to rely on squeezing out more export-led growth. That could be a viable near-term strategy. Yet over the mid- to long term, that approach will likely encounter limitations as trading partners pursue protectionist policies and de-risking strategies.

Another long-term structural risk for China is the decline of its workforce population. Last year, the country experienced its lowest birth rate on record, as the population fell for the fourth year in a row. The government has struggled to find the right mix of policies to address a shrinking labor force and the surging ranks of pensioners.

For these and other reasons, China's growth—while still surpassing that of most major economies—has noticeably decelerated in recent years compared with the unprecedented period of "Reform and Opening Up" beginning in 1978, no longer making it inevitable that China will eclipse the United States in nominal GDP terms.

It is worth noting that even if China were to overtake the United States in total output, America should be able to maintain advantages in individual wealth, innovation across many frontier technologies, and financial strength, in the absence of disruptive political interventions.

Preserving U.S. economic leadership will depend on the federal government's long-term commitment to the pillars of American strength: the rule of law, support for research universities and R&D commercialization, and policies that attract the world's best talent. However, in the middle of this competition, Washington is enacting policies at home that are beginning to chip away at the country's economic foundations.

To be clear, China's strength—the scale of its manufacturing and industrial base—requires a robust domestic response, but that alone may not be enough. The United States should be rallying its unmatched network of allies and partners to produce strategic goods in sufficient quantities as a hedge against economic coercion. Yet here, too, the administration's contempt for like-minded friends is eroding America's precious international advantage.

The United States' capacity to change course, more so than anything China does, will determine future American prosperity.

China has overtaken America, at least in the eyes of American policymakers.

STAN VEUGER
Senior Fellow, American Enterprise Institute

One way to think of the relative size of the Chinese and American economies is in terms of GDP, per capita GDP, GDP based on purchasing power parity, disposable income, or any of those terms. And that is fine. But it is not the only way. Perhaps just as important is how policymakers in both countries think of their relative economic might, as they decide how to approach the bilateral relationship.

If we look at the relative size of the two economies through that lens, it is hard to escape the conclusion that China has overtaken America, at least in the eyes of American policymakers.

Think about it this way: twenty-five years ago, around the year 2000, American policymakers thought it was good or at the very least harmless for China to grow. Ten years

ago, around the 2016 election, a sudden consensus arose among American policymakers that China had become a rival power and should be kept in check. Finally, last year American policymakers decided to give up on geopolitical competition with China, a development that was foreshadowed near the end of the first Trump administration.

Nowhere is this evolution in American policy thinking reflected as clearly as in tariff policy. From the end of World War II (and with some interruptions, long before that) until the mid-2010s, average American tariffs on imports from China declined gradually and almost monotonically until they reached the low single digits.

The first Trump administration imposed what at the time seemed like dramatic new import taxes, raising the average tariff on China imports to over 20 percent and emphasizing competition with "revisionist powers" like China in the 2017 National Security Strategy.

Just two years after publication of that NSS, it reached the "phase one" trade agreement. Under this agreement, roughly speaking, China promised to purchase more soybeans and the United States agreed to stop raising its tariffs. This was the first indication that perhaps geopolitical rivalry was not as attractive as it had seemed. The Biden administration left the average tariff unchanged, continuing what was effectively a strategy of containment.

When Trump won the 2024 election, many observers assumed, based on Trump's campaign rhetoric and the claims of China hawks in his camp, that the tariff increases of the early part of the first Trump, heavily directed at China, would be a guide to policy in his second term. But that is not what happened. After some initial back-and-forth, China's rare minerals and ability to consume soybeans won the day again.

Trump remains a protectionist, so the tariffs aren't gone. But we have now imposed tariffs even on (what used to be) our closest allies, and China is no longer an outlier. In fact, tariffs on imports from that other Asian giant, India, are now higher.

The 2025 National Security Strategy is quite explicit about the development I have described here. Our goal is now merely to "rebalance America's economic relationship with China." ◆

THE INTERNATIONAL ECONOMY
THE MAGAZINE OF INTERNATIONAL ECONOMIC POLICY
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Washington, D.C. 20002
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