**CATCHING UP OR FALLING BEHIND?**

 During most of the nineteenth century the United Kingdom was the leading capitalist country in the world, with a GDP per capita that was about 50% above the average of other leading capitalist countries. This lead was among other things related to the process of economic, social and institutional change that had taken place in Britain for quite some time already, the so-called industrial revolution. However, during the second half of the century, the United States started to catch up with the United Kingdom and eventually – during the early part of the twentieth century – surpassed it. In retrospect it becomes clear that US growth was based on the development of a new technological system, based not so much on new products as on a new way to organize production and distribution. The large productivity gains were secured through the development of large-scale production and distribution systems well suited for the large, fastgrowing and relatively homogenous American market. 12 That Europe initially failed to take advantage of these innovations is perhaps not so difficult to explain. For example, one main difference between the United States and Europe in the first half of this century relates to the size of markets. The European markets were smaller, and less homogenous. Hence, it is not obvious that US methods, if applied to European conditions in this period, would have yielded superior results. Two world wars and an intermediate period of protectionism and slow growth added to these problems. Hence, the United States lead increased even further and peaked around 1950, when GDP per capita in the United States was about twice the European level. While the period between 1820 and 1950 was one of divergence in economic performance between leading capitalist countries, the decades that followed were characterized by convergence. The productivity gap between the United States and other developed countries was significantly reduced. Arguably, this reduction was related to the potential for rapid productivity advance through imitation of superior US technology. From the 1950s onwards Japan, later joined by other Asian economies, aggressively targeted the very same industries as those that had grown rapidly in Europe. While Europe, Japan and other countries started to catch up in many typical «American way of life» products, US industry leaped forward in another area; science- based industry. Gradually, however, European countries and Japan started to devote more resources to higher education, science and R&D. Following the Japanese example some of the Asian NICs started to invest massively in R&D from the seventies onwards. These changes have had a major impact on the structure of science based industry worldwide. Those countries that succeed in catching up are mostly of Asian origin, including well-known examples such as South Korea, Taiwan, Singapore and Hong Kong (though some African countries also do relatively well). In contrast to the Asian experience, Latin-American economies tend to grow below average and cluster in the «losing momentum» category. Those that «lose momentum» also include some former USSR members, and some Arab countries, However, there are several exceptions to this trend; Brazil for instance grows faster than the average, as do some other Latin American economies.

 Choose the correct answer: 1. South Korea, Taiwan, Singapore and Hong Kong are popularly known as: a) Asian Tigers; b) Indian Elephants; c) Pacific Pumas.

2. The birthplace of the Industrial Revolution was: a) the USA; b) Japan; c) Great Britain.

3. Government economic policies that restrict international trade to help domestic industries is called: a) protectionism; b) globalization; с) liberalism.

4. What does R&D stand for? a) research and development; b) risk and danger; c) recession and depression. 5. According to the text, the US growth was based on: a) new products; b) development of a new technologies; c) extensive use of natural resources.