



The firms on the whole invest mainly in production facilities where required technical leap is least, working their way up the ladder.

--Gradually the “technological gap” is narrowed

--There is a “Ramsey solution” to the optimum speed of catch-up.

An important element of the Chinese model is that, as in other economies emerging from underdevelopment, the consumer must incur learning costs in evaluating and in using new products coming on the market.

That is why *consumption* fell behind *output* until the gap was so large that consumption could finally grow at the same rate as output.

-- As a result, imports have lagged behind exports.

But *transferring ‘know-how’ in the sense of Hayek – a huge part of it ‘private knowledge’ and some of that ‘personal knowledge’ in the sense*

You can see that the growth rate might rise or fall for reasons even if

workers in investment-goods trades could not be made to compensate export workers in low interest rate periods.

--None other than John Rawls, a great moral philosopher, thought that is was the *ex ante* instances of unfairness that society had to rectify and *not* the *ex post* instances. It is disparities in lifetime prospects from early years up to entry in the labor force that are to be addressed – through subsidies for hiring the low-paid, through public education, and so forth.

Rawls did not imagine that the government would undertake