

## WEEK IN REVIEW

# The World: China's Time Bomb; The Most Populous Nation Faces a Population Crisis

By JOSEPH KAHN    MAY 30, 2004

IT is tempting, looking at the locomotive that is the Chinese economy, to project its astounding rate of growth well into the future. China doubled its exports over the past five years, a faster pace of growth than the United States, Germany, Japan or Britain ever experienced in their economic boom times. By the time today's college graduating class reaches retirement age, China may be the world's largest economy.

This is a consensus view, but some scholars are focusing on another statistic. Barring a radical shift in social policy, China is on course to age faster than any major country in history, as its median age soars from about 32 today to at least 44 in 2040.

China will mature more in the next generation than Europe has over the past century, according to data compiled by the United Nations. It will have to grapple with the same age-related fiscal, social and productivity challenges of countries with several times its per capita income.

Put another way, China will get old before it gets rich.

"When people say things like we'll be richer than Japan or the United States, I never believe a single word," said Li Dongli, a demographer and sociologist at the China Population Development Research Center in Beijing. "The burden of our population is too large."

Demography may be no surer predictor of destiny than trade data. But of the two momentous changes championed by Deng Xiaoping a quarter-century ago, coercive population controls and experiments with market economics, the jury is still out on which will do more to shape China's long-term potential.

At least in terms of its original mission, limiting the runaway growth of China's population through the one-child policy instituted by the government in 1979 has been a success. Without it, China today would have a population of 1.6 billion instead of 1.3 billion.

But rising longevity and falling fertility have created a new demographic time bomb. China's baby boomers are producing children at well below the rate needed to maintain the country's population, somewhere from 1.3 children to 1.8 children on average per mother. The so-called replacement rate, or the birthrate needed to keep the population steady, is on average 2.1 children per mother.

Moreover, a traditional preference for male offspring, especially in the countryside, appears to have intensified as parents have fewer children over all. Selective-sex abortions are illegal but widespread. China today has the most sexually skewed adolescent and young adult populations in the world; boys outnumber girls at birth by a ratio of 118 to 100, according to China's 2000 census. The normal rate is 103 to 105 males for every 100 females.

The impact of these problems is only beginning to be understood, but many who have studied the data agree that China's aging will lop multiple percentage points off its growth rate, beginning in the middle of the next decade. Some demographers and political scientists have also speculated that China's growing surplus of men will produce severe social stress, creating an army of bachelors that some believe could be more inclined to commit crimes or even wage wars than men in more sexually balanced societies.

Just 10 years from now, as China's baby boomers begin to retire, the working-age population will begin to shrink, according to "The Graying of the Middle Kingdom," a study by Richard Jackson and Neil Howard, both at the Center for Strategic and International Studies in Washington. For a country struggling with high unemployment and underemployment, the prospect of some tightening in the

labor market seems welcome. But the decline is expected to accelerate, posing a potentially enormous challenge to a country that has built an economic miracle on cheap surplus labor.

"In my view this is the biggest challenge China faces in this century: figuring out how to deal with an aging society that is still at a low level of development," said Hu Angang, an economist at Qinghua University in Beijing.

Mr. Hu sees a triple threat -- a shrinking labor pool, competition for capital and rising taxes -- that may force China to rethink its development model altogether. Beijing now devotes only a small percentage of its spending to social welfare, and uses private savings held in the state-controlled banking system to invest heavily in factories, machinery, real estate and infrastructure.

In the future, the government will either have to redirect spending to pensions and health care, or allow individuals to earn a better return on private retirement accounts by liberalizing capital markets. Either way, China will not be able to depend on state-controlled capital investment to stimulate its industrial economy indefinitely.

The United States, Japan and Europe have all seen their birthrates decline. They have made the transition to older populations and more consumer-driven economies and continued to prosper, though at slower rates of growth. The difference for China is that it is aging at warp speed, leapfrogging the long period Western countries had to build middle-class societies. In fact, by 2040 it could have an older population than the United States, but with only one-third or one-fourth the average per capita income.

"We will have the social burden of a rich country and the income of a poor country," Mr. Hu said. "No country has faced the same circumstances before."

Nor have many countries faced China's problem of producing too many men or too few women. Demographers do not have to guess about what will happen as the current generation grows up. Perhaps 15 percent of adult men will be unable to marry women in their age group, according to several Chinese and Western studies.

The political scientists Valerie M. Hudson of Brigham Young University and Andrea M. den Boer of the University of Kent in England make a bold prediction about the consequences. They theorize in a recent book, "Bare Branches: The Security Implications of Asia's Surplus Male Population," that China's "surplus males" could generate high rates of crime and social disorder. China, they write, may even become bent on war and conquest.

"The evidence is overwhelming that a large population of unmarried adult males is a risk factor for both crime and war," Ms. den Boer said in an interview. "The fact that China is an authoritarian country is another risk factor."

Chinese experts say the prediction is outlandish, stereotyping men as natural criminals and warriors. Zhang Xiulan, a demographer at Beijing Normal University, argues that it also ignores the fact that while there will be more men than women, young people in general will be in short supply and high demand. Warring cultures tend to be youthful, not aging.

"We're going to have a situation in which every young man has to worry about caring for two parents and four grandparents," Ms. Zhang said. "You cannot say they will be 'surplus' people we could freely sacrifice in war."

In fact, Mr. Hu and Ms. Zhang argue that China's overall demographic problem is still manageable, though only if it starts getting high-level attention.

Chinese authorities could raise the retirement age, which is 55 to 60 for professionals, and 50 to 55 for blue-collar workers -- lower than in most Western countries -- to prolong the productivity of the work force. More investment in education may allow China to climb the productivity chain faster so that it relies less on manual labor and youthful workers. Creating larger, better-regulated stock and bond markets and allowing higher returns on private savings could create a new financial industry, providing spinoff benefits for all parts of the economy, as well as a retirement cushion for today's workers.

But the best and perhaps the only long-term palliative may be to ease the one-child policy and once again allow people the freedom to decide how many children

they want. The notion is still sensitive but no longer heretical in China's policy circles.

"I can't see this happening for 5 or 10 years because the leaders are still very concerned about overpopulation and unemployment," Ms. Zhang said. "But sooner or later, China will need more people."

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