

## China: The 30-Year Rule

By Gwynne Dyer

Predictions are tough, especially about the future (as Yogi Berra once said). Moreover, the 'Iron Laws of Economics' don't actually exist: there are too many random variables for any predictions about economic futures to be reliable. But the 30-year rule comes pretty close.

What it says is that industrialising economies generally hit a golden period when population is growing fast, lots of cheap labour is pouring into the cities from the countryside, and the economy grows very fast too. However, this period lasts, on average, for about three decades, and then growth falls back to the familiar old 2%-3% annually.

It happened like that in the United Kingdom in 1850-1880, and the United States had its turn in about 1885-1915. Russia (or rather the new Soviet Union) had its boom time in the 1920s and 1930s, but it lost the third decade because Germany invaded in 1941.

This pattern is quite independent of the prevailing economic ideology, as you can clearly see in the post-Second World War 'miracles' in East Asia. Japan in 1950-1980 is the extreme example: growth peaked at 12.5% a year and averaged about 5% annually until 1980.

At one point Japan was officially reckoned to be the world's second-biggest economy, and the land in the garden of the Imperial Palace in central Tokyo was allegedly worth more than the entire state of California. Then Japan's thirty years was up, and since 1990 the Japanese economy has barely grown at all.

South Korea and Taiwan started down the same road a bit later, also got their three decades of high-speed growth, and are now back down to normal developed-country rates. So why do so many people think China is exempt from this rule?

China's three decades of super-charged growth began in the early 1980s, and its last year of double-digit growth was 2010. This year, the International Monetary Fund forecasts, the growth rate will be 3.2% - but some observers suspect that the Chinese economy isn't growing at all any more. They're just lying about it.

Yet Western and especially US media are still full of stories about the threat that China's rise poses to US hegemony, or indeed to the peace of the world. Should we just file them alongside the preposterous 1980s notion that Japan was going to be the main US rival in the future?

Yes, but the Japanese themselves never succumbed to that delusion, so their disappointment when the party stopped was bearable. Whereas many Chinese really believed their country had the human and material resources to be a credible challenger to US hegemony - until their jet-propelled economy flamed out.

Even if the 30-year rule allowed you a second go on the fast track (which it appears not to do), China would not be a plausible candidate. The Chinese economy is awash with unfunded debt, it's far too dependent on coal for energy, and the regime has fallen into the hand of a centralising control freak. No economic miracles there.

Ending the one-child policy has failed to boost China's birth-rate, which now stands at 1.15 children per woman. This not only hits total demand - the population will drop by at least half by 2100 - but it drastically changes the age profile.

The country will gain 200 million extra retired people by 2050; it will also lose 200 million people of working age. That demographic nose-dive would cripple the economy for several generations even if all the other economic signals were positive.

This will doubtless come as a relief to all those who feared an eventual major clash between the rising power and the reigning

hegemon, the United States, maybe even a world war. But they should not assume that the danger will diminish right away; disappointment in Beijing could also provide the fuel for a military confrontation with the United States.

A rapidly growing great power can afford to wait because the future will only swing the balance more in its favour. As Deng Xiaoping, who dumped Mao's policies and unleashed China's 30 years of high growth, used to say, China should 'hide its capabilities and bide its time.'

But an ambitious great power whose growth has suddenly stalled is a very dangerous beast. If it can see only stagnation and relative decline ahead, it will be tempted to go for broke before it loses ground.

It's not clear that President Xi Jinping and his allies have yet taken on board the fact that the old ultra-high growth rate is never coming back and that China will never be stronger vis-a-vis the United States than it is at this moment. But they will certainly figure it out before too long, and that will be the moment of maximum danger.