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# THE ONE CHILD POLICY TURNS 30: CHINA'S NEW POPULATION CHALLENGES

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P R O C E E D I N G S

MR. LIEBERTHAL: It's a pleasure to have you all here. I'm Ken Lieberthal. I'm the director of the John L. Thornton China Center. We've got a terrific panel that's going to discuss the one child policy on its 30th anniversary and the challenges that this policy has actually created. And as you look to the future of China, clearly one of the major contextual issues is the dramatically shifting demographic pyramid in China. The age distribution of the population and the implications of that for everything from labor availability, and therefore, cost of labor; to the demands for social services, family obligations, intergenerationally. And so it's just one of the fundamental texturing issues that is not often discussed in policy circles but is enormously relevant to any serious consideration of where China is headed, not only in the coming few years but in the coming decades. And we like at Brookings to look not only at immediate policy issues but at the underlying forces that shape policy over time. So I'm particularly pleased that we're able to provide this panel discussion this afternoon.

We have three speakers. I want to briefly introduce them and then get out of the way because you're here to hear them and not me. The first panelist gives me particular pleasure to introduce because I at the same time can welcome him as a new senior fellow at Brookings and as our new director of the Brookings-Tsinghua Center in Beijing. So he will be residing in Beijing but closely working with us here and periodically will be back here for various activities. Wang Feng comes from UC-Irvine where he is on multiyear leave to take up the position as BTC director. He just completed his tenure as chair of the Sociology Department at UC-Irvine. He is the author and editor of six books, several of which have some major awards, so he's a prize-winning author. He did his Ph.D. and his master's degrees in sociology from University of Michigan. For those of

you who know me, you know that I'm a major booster of the Michigan Mafia. (Laughter) And so it just adds to my pleasure in welcoming Wang Feng here.

Our second speaker is Deborah Davis. Debbie is at Yale University where she has been on the faculty for a major part of her career. She focuses on a variety of issues, but one could sum them up around inequality and stratification, contemporary Chinese society, and methods of field work. Her list of publications and articles -- not only books but articles and the impact they have had on the field is just simply extraordinary. She has been one of the major figures in the field for almost all of my own professional career. So it's been a tremendous pleasure to be associated with her for a very long time. She in 2009 published a co-edited book -- co-edited with Wang Feng -- that is on creating wealth and poverty in post-socialist China.

And our third speaker is Vikram Nehru. He is from the World Bank where he is chief economist in the East Asian region and director for Poverty Reduction, Economic Management, and Private and Financial Sector Development. He has held a variety of posts at the Bank with a wide variety of substantive areas that he has covered in those posts. And he's worked in various capacities on countries, including Indonesia, Malaysia, Nigeria, Ghana, and China. He'll be addressing us obviously on China this afternoon.

The topics, fundamentally Wang Feng is sort of setting a context by talking about the drivers of demographic change in China and their social and policy implications. Debbie Davis will then take that and look specifically at challenges for family and intergenerational relations. And then Vikram Nehru will talk about challenges for public policy in several areas. Each will talk for 15 minutes, give or take. We'll then all -- the speakers will be up here and we'll be able to have Q&A which I hope will be able

to run for more than a half-hour. Maybe even up to 40 or 45 minutes, depending upon how quickly I get out of the way and let them begin.

So let me do that right now and welcome Wang Feng to the podium. Please. (Applause)

Dr. FENG: Good afternoon. Thank you, Ken, for that wonderful introduction.

There was only one criteria I was looking for in coming to Brookings is to work with someone who is also from Michigan. (Laughter) So that worked.

I'm delighted to be here with Debbie and with Dr. Nehru on this important historical subject.

On September 25, 1980, 30 years ago, China announced to the world publicly a historical measure of population control, which is known as the one child policy. I would use my time to quickly go through a number of slides I prepared and to focus on three issues. One is what is the one child policy? Does China still have the one child policy? Two, whether the one child policy really has helped to control China's population and achieve its goals. And three, of course, the consequences now we are beginning to face.

When the one child policy was announced, this was in the kind of backdrop of rapid population growth in the 30 years leading to 1980. After the founding of the People's Republic, the population almost doubled. The major concern for policymakers to announce such a drastic policy must really be this age pyramid. It's the young, large cohorts at the bottom who are about to enter the reproductive age and will have a large number of births.

Quickly, the justifications are the same that we would adhere mostly

these days to save the resources and to protect the environment. But what's most important was the one child policy was a very important part of the political mandate of the post-Mao leadership, which was to increase per capita standard of living. And by reducing the number of -- by slowing down population growth, you are controlling the growth of the denominator, who is going to share the growth in the economy.

Now, the policy specifically called only for sacrifices for one generation. That's very important. At the time of the policy's announcement, the designers did not anticipate this to be a perpetual policy and they were aware of a number of negative consequences of this extraordinary policy.

So over the last 30 years the policy has evolved into what we call a multi-policy regime. What's needed to be noted here is that the policymakers in Beijing have always been not very, very certain about this policy. The policy came out as an open letter to the members of the Communist Party and members of the Communist Youth League. And it took more than 20 years for China to pass a family planning and population law. That was not passed until 2001. There was a lot of internal debate whether the one child policy was a good idea, and as a result, the policies were actually left to each province to set up their regulations.

This is a map showing the distribution of policy by different categories, whether it's 1 child, 1 and 1/2 children, or 2 children across China at the prefectural level around 2,000. So the map shows (inaudible) geographically, China has various policies.

To summarize, however, nearly a third of the population, most living in urban areas and in the provinces of Sichuan and Jiangsu, couples -- all couples are subject to the one child policy. That's about one–third of the population and over half of the population couples are now subject to a policy that's called 1 and a 1/2 children,

which means you can't have 1 and a 1/2 child. What it means is if the first child is a girl, the couple is allowed to have a second one. So if you take half of them as allowed to have only one child, and add together up to this date, nearly two-thirds of all Chinese couples are still under the jurisdiction of the one child policy. So the policy is a major component of China's population control effort up through this very date.

Why is the one child policy necessary? This is a chart showing the trajectory of fertility measured by the number of children expected per woman from 1970 to, I think, 2004. Most fertility decline actually was accomplished at the time when the one child policy was announced. So the average number of children expected to be borne by Chinese women were reduced from about six to slightly over two by 1980.

Nevertheless, the policy was pushed out and for a decade throughout the 1980s, the policy did not really have much impact. It was not until the beginning of the 1990s, in the last two decades, fertility in China really further declined. And that's a separate story we can bring up to.

It's oftentimes a claim in the Chinese media by Chinese officials that the one child policy allowed China to avert 400 million births. Now, that exercise was based on the projection of the top line, the blue line. And that's assuming China's birthrate would stay at that level. That's the basis of the government estimation. The middle line is the average of 16 countries who -- which had the same birthrate level as China in the beginning of the 1970s with population more than a million. And what's the change in those countries without the one child policy? And the bottom line is China's birthrate.

So what this graph shows is that the assumption overestimated the level of fertility of the birthrate by at least -- by about 50 percent. So had China followed the trajectory of the other 16 countries, birthrate in the early -- now would only be between

what is observed and what is expected. So clearly there were 400 million births. That number was calculated based on a very unrealistic assumption.

Now, this graph actually shows a more concrete comparison. The bottom two lines, the red one is China, the yellow one is Thailand. Look after the mid-1980s. The two countries had almost indistinguishable trajectory and Thailand did not have a one child policy as China has had. And even -- also this graph shows -- well, India is here also -- it shows a converging trend of low fertility among a variety of countries, including India here, Indonesia, and most recently, Iran, which is on the top.

Back in 1975, China, the red dot was very far off from what we'll call the pattern. And that's the relationship between the GDP per capita and fertility rate. Each dot is a country there. But by 2005, the blue dot shows China is very close to the line, which shows the relationship between economic level and fertility. So China, back in 1975, was normally -- it's not normally judged by its level of per capita income in I think that's 2005 anymore.

I think the other speakers would also address the number of consequences we have with the one child policy. Oops, let me go back.

There is a widely reported documented fact that China has had an abnormal sex ratio, which is going to have a tremendous social impact pretty soon. And the policy has already exerted a great toll for Chinese families by artificially restricting the king network by artificially forcing couples to have only one child without siblings and what's happening right now more importantly is China has entered a very fertility -- low fertility area -- era, and the one child policy, which is still in place, is further depressing a low fertility level. And there are microeconomic consequences as labor supply and aging, which I will touch upon briefly.

This chart shows the escalating sex ratio at birth from the normal level of about 108 boys per 100 girls back in 1980, the year the one child policy was announced to roughly 120 boys to 100 girls in the last few years. Now, does the policy have an effect? Now, this is the distribution of sex ratio among children in China from the 2000 census, and this is the policy they have. I'm not showing them side-by-side but if we look at this one it shows that in areas with the 1 and a 1/2 children policy, that's the one in the middle, the sex ratio is most abnormal. That is when couples know that they only have one chance -- or only have two chances to have a boy -- the sex ratio in these areas are especially abnormal.

This graph shows the projected percentage of women at age 60 with only one child. The top line -- this graph shows actually three different scenarios, but China is actually fitting quite well to the top one. That is by the middle of the century, in a few decades; over half of Chinese women, elderly women at age 60 will have only one child with them. Now, altogether China has already produced 140 million single children. And that's a third of all Chinese households.

I will skip this very quickly to show that fertility in China in the last decade, two decades, is being below the replacement level.

So with the declining of birth, in 2006, the number of births was 10 million fewer than 1987, the last peak. And we're seeing the declining number in school enrollment and in young labor force, in the supply of young labor force. I won't go into these numbers one by one. The top line, the blue line, shows the change in the decline of the labor force.

These are a few photos I want to share with you. These were taken in three years -- about three years ago in Jiangsu. The top left one used to be an

elementary school. Now it's an elderly people activity center. This one over here used to be a middle school and now it's an elderly home beside it by, you know, one of the residences shown there. As a result of China's demographic shift, the economic fortune that China was able to benefit in terms of demographic dividend will soon exhaust -- will soon exhaust. The top line here shows the growth rate of the producers and the bottom line is the consumers. So in three years, by 2013, there is going to be a crossover. That is, the growth of consumers, net consumers, the rate, is going to surpass the growth of producers generating what we call a demographic deficit in contrast to the demographic dividend, which accounted for at least 15 percent of China's economic growth in the last two to three decades.

Here is where China is looking forward. This is what we call the demographic dividend for China, in comparison with Taiwan, Japan, but two -- also two large Western economies. And the United States here, as you can see, is going to fare much better because of its younger age structure. And France is also going to fare much better than China.

I will skip this one. It talks about the momentum of growth. And to quickly come to an end, this is a demographic exercise showing had there not been the effect of age structure, China's population is still growing because of its relatively young age structure. If you take that factor out and that is the bottom line, the blue line, that's what's called the intrinsic growth rate which shows that from the early 1990s, China has been having a negative intrinsic rate of growth of about 2 percent now. And that implies a halving of the population every 30 years or so, just as a 2 percent growth rate will double the population in every 30 years.

To conclude, I want to use these two photos to bring some imagination.

The top one is the China pavilion for this year's World Expo in Shanghai. And the bottom line is China's age structure pyramid. The one in the middle is what it is now and the shaded, actually turquoise-colored one, is what China's age structure will look like in only 20 years. So increasingly, China's age structure will resemble the Chinese pavilion put up this year at the World Expo.

Thank you very much. (Applause)

Dr. DAVIS: So to get the next slide up. Not escape. Oh, there it is. Okay. I think this must be me. Let's see. Everybody has to have their PowerPoint.

Thank you, Ken, for the introduction. Thank you Wang Feng for including me in this. I'm very glad to meet Professor Nehru. And I look forward to the discussion.

Ken has talked a little bit about what I've done in the past, which is generally to give an overview of -- well, I shouldn't say that -- the larger consequences of particular policy positions. Excuse me. So what I did without consulting Wang Feng was based upon what he had just done in the current history article called "China's Destiny" was to think about two aspects of the larger implications for social life and relations as Ken said between generations. However, I'm not going to talk about the elderly which is what I think people thought I would talk about.

Long ago I did a thesis about elderly in China and it did become a book, and for a while I did keep pursuing that. But I actually am focused primarily right now on issues of marriage and divorce and what I call post-socialist marriage. And the key component of post-socialist marriage is this one child policy, which to date people have not considered as they thought about marriage. They've talked quite a bit of what the implications on the only child relations between grandparents and grandchildren or what

might be the relationship between elderly parents and their adult children. So what I'm going to do is just give two illustrations of how I am thinking through some of these issues by focusing first on childhood and then on marriage. And then I'll come back at the end to see how they actually connect.

And luckily, almost none of my slides will repeat what Wang Feng just did. So let me -- whoops. Forget that. Let's try this.

Childhood. It's clear that when you have 63 percent of the households with an only child, you have a situation of a country in which only children are the norm. And when we move into the school situation in urban schools, it's been the case that virtually every child in the classroom is an only child. And this now has percolated up through the age structure so this is also what you confront even in university, unless you have a significant number of students who are coming from rural areas. This is quite extraordinary. There really is no other place that quite has this dynamic in everyday life. And so childhood has been transformed demographically. It's also been transformed by the affluence, by the mobility, by the openness to the outside world, the Internet, the BBS. I'm hardly saying that the one child policy is driving all the changes, but it does set this powerful demographic framework and parameter which we're going to focus on as we walk through our slides and then we'll see where it takes us in the Q&A.

What I would stress also, which is not in Wang Feng's slides, is that for parents what the one child policy did was make every child precious. But it meant then for the government if the policy was going to work, every child had to survive. So one of the things that has been definitely a consequence of the policy has been improved maternal and infant care and resources. Other things are happening in the Chinese medical system -- the commodification of health care, which has been quite detrimental,

particularly in urban areas that previously had a highly functioning cooperative health care system. But if we talk about the services and the quality of care for mothers, new mothers, infants, and then on through the life course, there definitely has been a positive impact.

And we can see that -- since this is a group of experts I will run through this. If we start in '44, it's 203 deaths per 1,000 births, which we see in many countries at that time. But you can understand what that would mean in terms of the insecurity that parents have. Nobody will control their fertility when facing this level of mortality even at birth, not to mention between zero and five. By the end of this early period of creating a socialist countryside in particular and offering free and quite modern health care in cities to virtually all families, they made a dramatic change. So if we take '50 as the starting point of the socialist revolution in terms of provision of care and '60 actually at the point of the Great Famine, there is clearly a huge gain. But still, it represents a relatively high level of insecurity.

The Cultural Revolution decade, starting with Mao's lecture in '65 to erase the rural-urban gap in health care produced these dramatic changes. In 1998, it was the affluence as well as the one child policy. You can see it goes from 42 to 31. And last year -- well, actually for this year, for July, it's 20 deaths per 1,000. If Singapore is 2.3, you can see China has a long way to go catching up with its East Asian pacesetters, but this is better than Mexico. So this is a significant and important change.

Now, this does capture some of the same points that Wang Feng just made and this is about the enrollments. Now that most parents are going to have between 1 or 1 and a 1/2 children, they also look out and don't want these children to be farmers. They don't want them to be manual workers. They want them to have good

jobs, better jobs than the parents. So there's a massive focus on the education of the only child and also of the 1.5. In other words, the families of two or the families of one, and I would also say from my work, the families of threes are all quite obsessed with getting the maximum amount of education for all their children. And they will make this their first investment of their families.

The state also is very, very focused on this. Wang Feng just showed the slide where old -- where their schools are closing and being used for old age centers because, in fact, demand has been met. And so what we see here is that while it is true that since 1980 the number of children enrolling in primary school goes down, if we were to look at the percentage, of course, we actually have over 99 percent of the age group registering. So this is maxed out at that level. And what you see in the blue line is the three year junior high, which has been in theory mandatory since the mid-'80s, but actually has been realized only in the last five years so that now virtually all Chinese children are entering junior high. It depends on where you are but for the nation, 85, 86 percent are completing.

So this is another consequence on the positive side of the one child policy as it has been implemented is to move China towards a situation in which almost all children, regardless of the wealth of their family or the education of their mothers -- those are usually the two predictors -- are in school, on time, somewhere around the age of 6 and remaining in school until 15 or 16 years old.

This slide captures the other piece of what's happening in education most recently. The blue in the front -- we seem to like blue -- shows this explosion of tertiary education. The mauve in the middle shows you what's happening with the senior high school. And you can see that what's happened between 1990 -- we're just looking

at 1990 -- so when those only children are approximately 10 or those who could have had a sibling and didn't are 12 and 13, was still relatively rare. Certainly rare in comparison to lower middle school. Now you fast-forward to the contemporary period -- 2009 is the last date I have -- you can see that the number of enrollments for university are almost the same as the number of enrollments for upper middle school. And you can also see that lower middle school is now declining.

So between 1980 and 2000, as Wang Feng showed you, in terms of primary school, they went from 29 million enrolled to 16 million as the new enrollees and lower middle school went from 15 million to 17.8 million and actually peaks, if we go back here, at the earlier date of 2000. So at that point also, because of the one child policy, there's less pressure on the schools and on the state to expand the facilities. In fact, it means upgrade the facilities, reduce class size, upgrade the training of the teachers. And so this has been another way in which China has been able to use the demographic dividend of the one child policy to upgrade and expand the reach of basic education.

Those are probably well known. The only thing I would leave you with from this table, the factoid that's important to remember -- because in contrast with what so much of the media used to say about China -- is if a child can get to senior high school, they are virtually guaranteed of going on to college now. The acceptance rate last year -- that is if I take the number enrolled -- graduated in June and enrolled in September -- was 78 percent. So that's extraordinary and it certainly wasn't true before. And this produces, of course, the four plus two plus one families in terms of the four grandparents, the two parents, and the one child. But what I'm going to stress here is the investment piece. That is families now are looking to their children as an investment for their own old age, which for urban people had not been the case in the '60s and '70s.

So what we see is a pattern towards -- a parents' view of children in rural areas in a way returning to urban areas with this close intergenerational investment in the future of the only child. The investment in that child for the child's own future in a very competitive labor market -- that's how parents see it -- and also parents themselves, parents in their 40s and 50s who are facing unemployment, have very, very poor prospects for their next 30 years of expected living -- to tie their futures to these adult children. And it produces extremely, not only psychological close bonding, but the economic. So in the article I just did on divorce and housing, the 4.2.1 family in my current research is four middle-aged parents, two -- the young couple buying one house. So that kind of captures this new flow of the investment that is also definitely a consequence.

Now I'm going to shift gears and talk about something that very few people have talked about but it's what my research is so it's where my head is right now. And that is how the one child policy has affected the institution of marriage. Now, clearly the first thing that people would focus on is that if you limit births to one, and most people marry in order to have a child and so a child is usually born within the first 18 months of a marriage, there is then a radical shift, a split, between sexuality for procreation and sexuality for personal satisfaction. This is not the first time that China or any society -- I mean, any society and certainly not China, runs into this issue. But it is more accentuated. And it starts to have an implication about what men and women expect of their spouses and what they expect of the institution of marriage.

Secondly, this is something that Wang Feng has written himself, because the one child policy required everyone to have access to effective contraception, we know that it is cheap. Birth control is cheap, if not free. Abortion is virtually on

demand. And this means also that a wide -- the majority of the population also has a much greater understanding of their fertility and how they're going to change it or control it. And this also then spills over to relations between spouses and also it is not the cause but it plays itself out in the increased extra marital sexuality, both premarital and extramarital sexuality.

The third piece where we see a connection between the one child policy and the character of marriage comes in the dynamic, the household dynamic. In the past, most families would have equal numbers of children and adults in the household or more children than adults in the household. And what China has experienced over this last 25 years is the typical model household in all cities is a situation in which there are two adults and one child. And this, as we know from our own work in the United States, produces a different dynamic within a household than in a multi-child dynamic. One of the consequences of that -- of the multiple things is that marriages have become much, much more fragile. So there is another piece to this which is in the article that I'm writing on which is it is true that the marriage law is rewritten in 1980 and it's rewritten again in 2001 to make divorce earlier. In 2003, they also -- the state council passes these new regulations on registration of marriage, which means that to divorce you just need to go to a registry, say the both of you want a divorce. You don't need a letter from anyone. You don't need any kind of legal counsel. It costs 10 *kuai* and you're divorced.

So there are other things happening here besides the one child policy but I just want to capture what you can see is that in Shanghai now the crude divorce rate is comparable to the United States and it's higher than Hong Kong. And the yellow line on the bottom shows we're not just talking about Shanghai, Guangzhou, Beijing. Actually, this fragility of marriage is increasingly the case, rural and urban. Migration also

has a lot to do driving it for rural couples, but the one child policy is there.

So there are -- I'm almost finished. One, a consequence, there are more fragile marriages -- marriage is more fragile as an institution than it was in 1980. The one child policy is clearly part of what is framing or causing families to be more fragile. But we also see that there is remarriage. And this is something that often is again misunderstood. And so I actually have one last slide to walk you through this. This is taking -- for 2008. So 22 million people married, and of these, 89 percent were marrying for the first time. In Beijing, it's 81 percent. In Shanghai, it's 71 percent. Also what's important in the case of Shanghai where I actually have the figures of the gender breakdown for who as remarrying, actually, women were more likely to be in the remarrying group than men, which is contrary to what people would say because people are thinking men abandon their wives, men can have extramarital sexuality more easily than women. The anecdotal stuff is there. (inaudible) is there. The TV series, whatever. But if we actually look at the demographic material that is being released now, and I think the Shanghai data is quite reliable giving us the ratios, if not the exact numbers, it's just not the case. That is, still marriage is something that is attractive to both men and women, but my argument is I think we are seeing a more gender differentiated type of marriage emerging.

And now just to give you a sense also of how this varies across -- this is the last slide -- by the three, let's say, social settings, rural China. Here, if we look -- this is from the 2008 census-like. This is not from a survey. These numbers would be the remarried. Females are more than the males. Divorced – males are more like the females. And widowed, as we would expect, females are more than males. And this captures the other issue, which Wang Feng didn't mention. I don't have the data but I'm

sure it's on some people's minds, which is in rural China there are not enough women to match their male peers. And so there's this discussion about the 23 men who will never marry.

I don't have the numbers, I'm not researching it, but what we're capturing here a little bit when we look at the divorce piece is that men -- rural men who are divorced, probably are finding it more difficult to find a replacement spouse than it is for the females. When we go to towns, we start to see something different for all the reasons that everyone in this room knows. You can see that this male -- disadvantage on the divorced continues. Of course, females out number males. And in the city we see something which then has the shift. So if we have the city population, the number here for females, 2,595, is higher than the 2,209 then for males. And I do think that does capture what we hear in the media, what we know from surveys, and certainly that one picks up living in a Chinese city. Particularly, women who have been married more than 10 years, but even women in their sixth or seventh year of marriage, urban women, their one child is 5 years old, feel very insecure about their marriages. And in that case, it's possible that we do not see as high a likelihood of these women remarrying and choosing another marriage as a way to go on with their lives.

What does this mean for children? That's where we're going, back to the beginning. It means there are more children -- more families with stepchildren. This is now an area of concern in China in the schools, in the research, in a way that it wasn't before. Certainly, when death rates were high, much higher percentages of children lived with a nonbiological parent, particularly a nonbiological mother. But that was a long time ago and it was under different circumstances. This is a stepfamily, a fused family, which is more familiar to what people in North America talk about.

And the last thing is also that more children are growing up in comparison to the socialist era, separated possibly from their fathers. And this is something that people are talking about in the scholarly literature. I'm not in a position to tell you if this is -- what the percentages that it's happening, but clearly, the one child policy is not only producing these smaller families. These parents totally invested in their future, in their child's education, but also in their child's marriage and then in their child's real estate purchases, but also less robust families in which children, in some cities as high as they estimate one-third of children in any classroom will have been through a divorce. And so this is another piece of the One Child profile that I don't think is often discussed. (Applause)

Oops. I want to get back to your screen. I thought escape would do it. So Vikram can have his time.

Dr. LIEBERTHAL: I was remiss before. I'm just standing up to make a very quick comment that Dr. Nehru's comments are strictly his own and do not represent The World Bank.

Dr. NEHRU: Yes. That's a very important caveat and something we always have to do before speaking in public forum.

Well, look, it's a great pleasure to be here and it's a real honor to be on the same panel as Professor Wang Feng and Deborah Davis. I have read and admired their work in the past.

I will try and start off, I think, where Professor Wang Feng left off and then go from there to four issues that I would like to discuss.

When Professor Wang Feng talked about the one child policy he made some very important observations. First of all, that there was already a sharp decline in

the fertility rate before the one child policy had been put in place, and this has continued. But more importantly, the fertility rate and the decline of the fertility rate in China is really no different to that in Thailand, Korea, many countries which didn't have a one child policy but had rapid growth rates and consequent declines in the fertility rate.

So I guess the conclusion one can draw is that whether China decides to retreat from the one child policy or not, the rapid demographic transition that is taking place is going to happen, even if it does decide to go there because even in micro studies in China where people have been surveyed and asked whether they would have more than one child were they free to do so, many have said they wouldn't have more than one child. And then in follow-up interviews, in fact, even fewer actually had more than one child. So micro-macro evidence all supports the view that fertility rates are down, very low, and they're likely to stay that way.

So what's the -- what are the implications for growth? And here I'm going to look at four different areas. The first is what's the implication for labor availability -- real wages and competitiveness. That's the first issue. The second is what's going to be the implication for savings. After all, China is a high savings economy and an economy that relies on its very rapid growth rate for very high levels of investment. The third is the implications for aging on the pension system because we've all talked about the smashing of the iron rice bowl, the fact that now there's just one child looking after two parents and four grandparents. And if there isn't a pension system in place, then what are the consequences of that? And lastly, something which people really don't talk a lot about, is the impact of aging on innovation. If China is to move up the value chain, become competitive in the future -- remain competitive in the future, then innovation is going to become a big issue.

So let me take these four issues in turn. On labor availability, real wages and competitiveness. Now, there's a lot that's been written in China and outside China on the Lewisian Turning Point. This is using the Lewis model of rural-urban migration, the argument being there's a lot of surplus labor in rural areas and labor can transfer from rural to urban areas at very low wages because the marginal product labor, in other words, the marginal person employed in the rural area really doesn't add very much to out. So they're willing to move for a higher real wage.

Now, in China, two pieces of evidence have been put forward as to why China is well beyond the point. In other words, surplus labor has been exhausted in rural areas. The first, of course, is that the aggregate labor force in China is at its peak. That is it's about to decline. I think all the evidence and all the numbers show that the number of people between the ages of 15 and 64, which is the traditional description of the working population, is beginning to decline. Between literally now, 2010 to 2015, this peak is going to take place.

And the second is that real wages are rising. Real migrant wages are rising. The wages of unskilled workers are rising, both in rural and in urban areas. And the argument, therefore, is that this has been that selfless labor has been exhausted.

But there's also contradictory evidence. Some people have argued that there is selfless labor, so what's the answer? What's happening?

But in my view you can have both selfless labor in the rural areas and you can have rising real wages in urban areas because China's labor market is segmented. It's segmented because of the *Hukou* system, the requirement that migrants don't get access too health, education, and housing and, as a result, find it very difficult to move, especially if they have families. Especially if they have elderly parents and, as a result, only if they're

paid a sufficiently large amount will they move. That's the reservation wage.

And the reservation wage in rural areas is rising. You know, it's very interesting to know now that even in rural areas in China, the higher end of the income distribution earns incomes well above the lowest end of the income distribution in urban areas, so it's not particularly attractive for everybody to move, but only for those that either don't have elderly parents or don't have families, who are relatively young. But even they -- this group with elderly parents and families -- may be enticed to move if there is -- if real wages rise very fast.

So, what I see, in other words, in China and the future is both growing migration -- continuing migration -- and we believe there is between 75 million to 125 million surplus labors still in rural areas. For that's all a matter of conjecture and debate, but, at the same time, also, rising real wages amongst unskilled labor.

Now, should China be worried about this? Should rising real wages be a matter of great concern from the Chinese perspective? And my answer is, well, actually, when you look at China, productivity -- labor productivity -- has been rising much faster than real wages. In fact, the share of real wages has been declining in national income over time. And our real product productivity has been accelerating faster than real wages for several reasons.

First, the fact that Chinese labor is now much more educated, much more skilled, so there's increasing human capital. There's also greater concentration of production in the urban areas, which is leading towards what's called a conglomeration economies -- the fact that you get more output for the same level -- the same amount of labor. And thirdly, and perhaps most importantly, is the fact that China invests a very large amount so that the capital per unit labor has been rising very sharply and that is leading to

very rapid increases in labor productivity.

Now, that last point helps me segue into the next issue because can China continue to save more? Because with rising -- with productivity rising faster than real wages, China will continue to be competitive. The issue is, can it continue to save large amounts, invest large amounts, and allow their productivity to continue to rise? So that's the second issue, can China continue to save?

Now, when you have a rapidly aging population, you know, the life cycle hypothesis argues that you would expect savings, aggregate savings, to decline because old people consume. They no longer produce and, of course, young people can't produce, they consume. It's only during the Middle Ages that one both produces and saves. So you have an inverted "U" in the savings rate: low savings to begin with, high savings, and then again low savings.

Well, in China, actually, it's the other way around. It's an inverted "U." We have savings declining -- the savings rate declining from the ages of 20 to about 40. These are very broad numbers. Rising from 40 to around 55 and then declining thereafter, but still being very positive, even after the age of 55.

And that's because other things are going on. What's actually gone on at the lower age bracket is that it's now become -- now with the privatization of housing and so forth, it's become very expensive to buy a home. And so, given the fact that youngsters have to save money in order to buy a home to put in the 40 percent equity because it's important that banks are required to provide loans only when 40 percent down payments are put in. Savings rates have to be high at the low end of the age spectrum.

At the high end of the age spectrum, of course, there's been the smashing of the iron rice bowl, so to speak. There's been a commercialization of health, there's been

removal of education -- sorry, not removal of education fees, but the introduction of education fees in schools. And, as a result, we've had old folks having to save more, not to mention the fact that they can no longer rely on the fact that they just have one child to look after them when they grow old.

Now, some of these things are beginning to change. The government, of course, is very, very concerned about this. They've introduced the -- it's called the New Cooperation Medical Scheme in rural areas, which has provided now some modicum of health insurance and support for the elderly. And we are seeing increases, actually -- sorry, declines in saving rates in rural areas for the first time over the last three or four years. But for the urban households there continues to be a sharp increase in household savings rates.

Now, are any of these things going to change?

Not very dramatically. So, my conjecture -- my proposition to you is that savings rates in households will continue to be high for these very same reasons. And the fact that the financial sector is not as fully developed to provide loans to individuals and households, so they can smooth consumption over their life cycle.

But let me put to you another point. What's fascinating and what people don't really know that much about is that, actually, enterprise savings now as a share of national income -- sorry, as a share of total savings has grown to the point where it is far greater than household savings. And enterprise savings have nothing to do with demographics. They're to do with relative prices, all sorts of other things, and as a result, I don't think saving rates are going to decline, not for a long time to come, unless there are policy changes. But that's nothing to do with the demographics. I just wanted to put those two -- put them apart. So my bottom line on the savings question is: I don't think savings rates will decline in China just on account of demographic change alone.

Now this takes me to my third point, what about pensions? What about the sustainability of pensions? Because with a rapidly aging society, pensions systems come under increasing stress. We've seen this time and time again in country after country.

Well, in China, before '97, we had a pension system which was extremely generous, but only to workers who worked in state enterprises in urban areas. Post '97, when the government thought of having to revamp this because it was getting terribly expensive, it was a pay-as-you-go scheme. They wrote in some reforms which allowed for a much more comprehensive pension system, but delegated this -- rather like the popular one child policy -- delegated it to provinces. They also introduced some form of pension policy also in the rural areas, but this was also delegated.

So, I think China now has one of the most decentralized pension systems in the world, if not the most decentralized pension system in the world. And, therefore, anything I say about this really is more conjecture than fact because there are literally no statistics on how to evaluate whether these pension systems are sustainable or not. There's a lot of work that has to be done in this area.

But the fundamental point is that in the analysis that we've done in the World Bank and elsewhere, from 2001 onwards, shows that many of these pensions systems -- if not all of them, but many of them -- the ones that we've looked at have very high financing gaps. That is to say that the amount of the liabilities far exceeds the amount of contributions that they're going to receive and the return on the assets that they already have. The financing gap. The net liability of these pension funds.

And if one, you know, in certain provinces this can be as high as 100 percent of GDP. Now, that may seem large, but actually such financing gaps occur in country after country. It's probably amongst, say, the top third of the largest -- to give you an

example, if you look at the U.S. Social Security scheme I think -- I've heard, I can't be certain about this, that the equivalent number would be around 50 percent of GDP. So, 100 percent is not outlandishly large, but nevertheless something to be concerned about.

Will the government be able to deal with this problem going forward? The answer is, they've got many levers to do so. The first and foremost lever is simply raising the retirement age. China's retirement age in urban areas is rather low. It's 60 for males and 50 for female workers and 55 for female government staff or government servants -- civil servants. And this could be raised and, in fact, one could argue that the implication for jobs at the lower end of the age spectrum is not necessarily negative. In other words, keeping old folks working doesn't actually reduce jobs for younger folks. In fact, our analysis and other's analysis shows that these can quite often be complementary, not necessarily substitutive.

The second thing that they can do is currently pension plans in China are indexed to real wages, which is quite surprising. They're not indexed to prices. If by simply shifting indexation from wages to prices can bring down very substantially the financing requirement. So, the problems in China's pension systems are not financing problems really. There are sufficient levers to deal with those. They are institutional problems. They are problems of implementation, of organization, of changing systems, and it's very complicated simply because there are so many pension systems in the country, so it's a major task.

Let me come to the last point that I wanted to raise. And I wanted to raise one question at the end of that. The last point is on innovation. You know, there have been studies in Japan, in the OECD countries, which make the point -- especially since the start of the information revolution, the digital age, post-1990s -- that as working people passed the

age of 40, their productivity begins to decline relative to younger people simply because of cognitive capabilities, which are so necessary in order to be very functional using these latest technologies that are coming available.

Now, actually, while these findings have come to light and the implication of these findings are simply that, with aging societies people are concerned about the implications for declining productivity. But I think this is probably an exaggerated issue. The reality is that, with education -- even, interestingly enough, with technology, but different kinds of technology -- one can maintain, if not increase productivity over time, even as people age. But in countries -- developing countries, like China, there can be substantial improvements in cognitive capabilities, actually, at early levels of education.

With early childhood education, for example, this has been shown to have very major effects on cognitive capabilities and, therefore, China has a long way to go before it reaches a point where it could possibly be a problem that aging might lead to slower levels of innovation. I think China's well within the technology frontier. China has a large way to go for education. Only 7 percent of the population, for example, has college education. The total amount -- average years of education in China -- is about 8-1/2 years, so there's a lot that can be done just on the education front alone. So I don't believe that innovation, necessarily, will suffer as a result of aging.

So, when you look at these four areas -- labor availability, savings, pension systems, and innovation -- I come to the conclusion that with the appropriate policies there are adequate ways by which China can deal with the demographic transition without necessarily leading to a slowdown in growth. There may be many other reasons why growth may slow down, but not, I would argue, not necessarily the demographic transition.

There's one issue which I haven't looked at and I haven't looked at it

because I'm not a sociologist, I'm a economist. So let me pose it simply as a question, perhaps to Professor Davis, and that is, the implication of the gender imbalance in China.

In our analysis of other fragile states, we've seen that one of the main causes of violence and unrest is quite often unemployed, single males. And the question is, is this a possible issue in China?

There's an alternative view out there which, in fact, has been put forward by Professor Wei of Columbia University, who argues in a very provocatively titled paper in the NBER -- it's called, "The Sexual Foundations of Growth in China" -- where he argues that because there are larger numbers of men than women and they have large numbers of single males, they are prepared to take on dangerous, dirty jobs, higher productivity. And he's found an interesting correlation between growth rates in provinces and the gender imbalance. A positive relationship.

The more single men you have in a province, the higher the rate of growth in that province. I find that interesting. I'm not sure how to explain it. He argues that it's because single men looking for potential brides are prepared to save more, prepared to work harder, prepared to get more income. Not only are they prepared to do it, but their parents are prepared to do it, too. That's his view, but it's a sociological perspective, as well as the point that they're prepared to take on tougher jobs with potentially higher pay, in order to attract a spouse. So I would like to hear what my co-panelists have to say about this issue.

Thank you very much, indeed. (Applause)

MR. LIEBERTHAL: Thank you very much. I'd like to ask the three panelists to come up, please, and sit up here so we can open it up to questions. And I think we have someone coming in to mic up everybody? Please, this will just take a moment for

us to get set.

When you raise questions or make comments, first, kindly, keep them brief. Secondly, if you'd like to address your comment or question to a particular member of the panel, please feel free to do so. Otherwise we'll just see who would like to respond. And, thirdly, please, briefly identify not only your name, but what your position is when you're recognized. I think the floor is open.

Yes, Bobby? Up in front, on the left. You know, finally, there's a microphone that's roving that will come to you and please use that when you ask a question.

MR. O'BRIEN: Robert O'Brien with the Brookings Institution. I was wondering if any of you could speak to the psychological implications of having an entire generation of only children. We've all heard sort of the stereotypes about the *ba ling hou* generation -- like, the post-'80s generation -- and them being lazy and so on and so forth. And I'm wondering if you could speak to whether or not that's an actual concern and whether or not that's going to shape China's domestic situation at any point in the future?

MS. DAVIS: I think that the studies that have been done are very hard to -- they have no controls because, basically, all the urban kids are only children. And if they're not, they have very special family circumstances, with a disabled child, or with -- they're special. So, scientifically, I think the work is not -- it's very hard to do.

Generally, what it would show, though -- and Wang Feng knows it better than I probably -- is there are few areas where the only child stands apart from the younger, but not in any way that you would pick it up in a big group. I think what I have seen, living in China and teaching lots of *ba ling hou* and *jo ling hou*, actually, at Beida , is that only children, because their parents are so invested and because they have such a high sense of obligation towards their parents, lazy is not the first thing you think about. Extremely

focused, very concerned about the long-term, in other words, there's a sociological piece that seems to make sense. It's not psychological.

MR. LIEBERTHAL: Yes, sir?

MR. WU: My name is Harry Wu. I'm executive director of Laogai Research Foundation. I think three panelists give the people a kind of social issue and political issue, talking about, 30 years, China policy about how to control the population, but I do think they miss one very important, fundamental part. And this is a human rights issue. A human rights issue.

And according to United Nations' Human Rights Declaration, giving birth is a fundamental right, but in China they don't have it. You need a permit. No permit, it's illegal practicing. So, this is basically -- the first thing is what the government going to handle the human beings? There's no any other country that handles the human beings like this. And the government said in the last couple of 20 or 30 years, they reduced the population 400 million. Gosh, that's a big number. How many of them was abortion? How many of them was sterilized?

In the beginning, the national policy said China only have 9 percent of agriculture land of the world, but they have 22 percent of the population, so we have to control the population. That's not true because Japan, Switzerland, the rate between the people and the land is smaller than China.

MR. LIEBERTHAL: Sir, thank you. Do you have a question to raise? If not, we're going to have to move on to others. So I appreciate your statement.

SPEAKER: I'm sorry.

MR. LIEBERTHAL: This is a human rights issue. Is there a question attached to that comment or not?

SPEAKER: So I think today you're talking about the marriage, one child policy, two child policy, the saving, whatever. I think this is basically a human rights issue, particularly the professor come from Tsinghua University. I think you come from China, you know about these abortion and sterilization. How many people killed?

Recently I heard a woman in Thailand, he have no idea, traitor against the Communist government, whatever, but because he have kids he was sterilized, pay 10,000 fine, and they destroyed her house. And finally they want to sterilize her husband. He ran away.

MR. WANG: But is there a question you want us to address?

SPEAKER: Excuse me?

MR. WANG: What is this point you want to make?

SPEAKER: Excuse me, let me finish my comment.

MR. WANG: Okay.

SPEAKER: So this is very fundamental human rights. Okay. And interestingly, the United Nations, there's no any issue on China. It seems it's okay, but this is 30 years murdering and killing.

Thank you.

MR. LIEBERTHAL: Thank you. Any other questions? Yes, in back.

SPEAKER: Hi. From the *Singapore Straits Times*. There has been some talk in China about, you know, discussions within the government about maybe loosening the one child policy. I wanted to ask Professor Wang if you've heard anything about loosening up the policy going forward, even though we've heard the official word is, no, we're continuing with it. But what's the discussion inside the government circles about this?

MR. LIEBERTHAL: Thank you. And if I could add to that, my question

would be so what? Which is to say given the declining total fertility that we're seeing in Thailand, South Korea, and elsewhere -- I was especially impressed with your graphic on Thailand and China, where they overlap virtually 100 percent -- it does suggest that the one child policy may produce brutality and tragedy, but does not now, in fact, affect the total fertility rate in a serious way. So if they were to drop the policy, would we see your graph change? So it's both what is the discussion and then what difference would it make were they to drop the policy?

MR. WANG: Well, for the first part, almost all Chinese I will say population scientists or demographers, including some very high-level former government officials, are in consensus that China needs to act quickly to end the one child policy. The policy was not announced to last forever. To use the Chinese phrase, I think the policymakers in China are now in a situation what we call *qi hu rong yi xia hu nan* . So it's easier actually to ride on a tiger than to dismount.

Now, scholars in China have made two collective proposals to the policymakers: once in 2004 and once in 2009. They both have reached the highest level of Chinese leadership, but the one child policy -- and to answer your question, there has been debate and discussion in the government circle, the exact format, you know, I'm not privileged to know or to discuss, but it's been discussed intensively within. But so far, the official line is we're not going to change the policy because here we have a half million people bureaucracy, the Chinese population family planning system, that lives on controlling the population, mostly implementing the one child policy.

So we don't know when that change would actually occur. It depends I think more on the central government. The top leaders are more concerned with more imminent crises than with these long-term issues. It requires really education and public

advocacy. But it's been in discussion and it could happen and, on a limited scale, quite soon. I'm optimistic.

So then the question is so what? That's -- the issue is we're asking -- we're promoting change in the policy because in my own kind of phrase China actually demographically is on a downhill vehicle. Population fertility is very low, aging is going to accelerate, so by continuing the policy. So China is not putting the foot on brakes, but on the gas pedal. So that's why I think even though we have studies showing couples will not actually have a second child, or many couples will not want to have more than two children, by having contained half of the one child policy you are at least suppressing certain couples who might be able to have two children.

And family is very important for elderly support, for a whole range of things, including giving couples the choice, the right to decide how many children they will have. So that's -- I mean, I think advocating for ending the one child policy is more for taking the foot away from the gas pedal and also, in a way, to return the rights of having children to the families.

MR. LIEBERTHAL: So that the -- in terms of what you would see in the curve, the answer is it's not clear. You may see very little or you may see something that's significant because we don't really know how many couples would take advantage of the opportunity. But I would suspect the Thai case would suggest that not many will. In other words, if the fundamental drivers are education and, you know, the other things that contextualize your risk profile, is that correct or am I --

MR. WANG: Oh, absolutely, absolutely. And there could be an uptick one the policy's relaxed given the psychology. But if it's implemented well, China could avoid another Baby Boom. I think that's one of the concerns of policymakers for not phasing out

the policy. But in the long run, the world is going this way. In the 21st century over 50 percent of the population now are living under what are called the below-replacement regime and no country has actually succeeded in reversing the fertility decline trend with all the government programs in Singapore, in Japan, in Taiwan, in South Korea. It's easier actually to bring fertility down than to take it up. So China will face that challenge once the one child policy is lifted.

MR. LIEBERTHAL: Did you want to comment on that?

MR. NEHRU: May I just add one point?

MR. LIEBERTHAL: Please

MR. NEHRU: And that is that I think Professor Wang Feng and his colleagues in China who have been advocating this point have made the very valid observation that if China were to follow a gradual, incremental approach, it's quite possible to liberalize this policy in one province, in one area to see how it works, to see what the appropriate complementary policy should be put in place so that it can be done in a graduated fashion rather than whole hog. And I think that is probably something that is well worth trying to do.

MR. LIEBERTHAL: Very interesting because it does suggest that, on balance, this is a policy that is very controversial, does produce a lot of tragedies, and may, in fact, be utterly unnecessary given China's -- in fact, counterproductive given China's own objectives. It's an interesting issue.

Yes, back on the left.

MR. RIEFFEL: I'm Lex Rieffel with The Brookings Institution, and I have to confess that I feel like I am living in a parallel universe. Maybe that has something to do with the fact that I was born in 1940, when the world population was around 2 billion and maybe

China's population was around 300 million, and we're now at 7 billion and, you know, 1.2 billion.

You haven't said -- you haven't used the word "demographic transition." We -- you know, when I was studying economics in graduate school we talked about the demographic transition when mortality rates decline. And then you had -- so population exploded, but then it stabilized. And it seems to me what we're seeing in China and in other parts of the world is the opposite transition, where fertility rates decline, but then it seems to me they would stabilize at some point. I just don't understand the reason for believing that, you know, this is an irreversible trend and it's going to take Japan's populations and other populations down to zero. That just doesn't seem right.

I wanted to ask Mr. Wang Feng, in China, is anyone talking about optimum population size? I mean, we're living in this sort of world with climate change problems and other problems facing us, and part of the debate that I think is missing is some concept of population -- optimum population and what policies should be leading us toward.

And then another sort of curiosity in this discussion touches on what Mr. Nehru perhaps knows very well is India's demographic situation. India, of course, having sort of the opposite problem: unable to control fertility to the extent it wants to, but then also people in India believing that they are benefiting from a demographic dividend because they have more younger people. I mean, is it possible -- I mean, who is right? I mean --

MR. LIEBERTHAL: Okay.

MR. RIEFFEL: -- should we have a race between China and India to see who can have the faster population growth?

And then finally, if I may --

MR. LIEBERTHAL: Well, we really do need to move on, so let's leave it at

that, if you don't mind, because there are a lot of hands up and I want to give them all (inaudible).

MR. WANG: Let me say something as a trained demographer, the demographic transition theory of the 20th century anticipated an endthat is from high birth rate, high death rate to low birth rate, low death rate, and having a low growth fate. But, unfortunately, that theory could not project the end. So contrary to the images of that time, fertility did not stop -- has not stopped the decline in many parts of the world.

So if the challenge -- or if the fortune for the world in the 20th century was really the doubling of life expectancy in 100 years -- humankind has never had that experience in one century -- and to reduce the number of children born from average over 5 to about 3-1/2 or 2-1/2 in one century, that's the 20th century. That's the challenge and also the fortune that humankind has experienced. The challenge was the rapid population growth.

The 21st century is another challenge that humankind has never experienced, which is to experience population decline in the absence of wars, epidemics, and famines. So, in other words -- and to answer your question -- we did not anticipate the demographic transition would not end. So fertility is declining and this has not stabilized. So that's a new challenge the world will have to face. That's the larger picture when we look at, you know, the last century and the world we're entering now.

MR. LIEBERTHAL: Do either of the other panelists want to say anything?

MR. NEHRU: Well, I just want to say that, you know, India's fertility rate is declining and declining very rapidly and is projected to decline even more rapidly in the future given very sharply rising per capita income. So I think the -- I've got a graph up here which I didn't show, which I think shows that India's fertility rate is projected to reach China's

fertility rate or Thailand's fertility rate by about 2030, 2035.

MR. WANG: And if I may add --

MR. LIEBERTHAL: So basically with China with a lag.

MR. NEHRU: Yes.

MR. WANG: With a lag. If I may add here, also, population growth does not necessarily bring a demographic dividend. The idea is not to have fast population growth in order to have a dividend. Dividend only occurs once during a demographic transition because of the time lag between mortality decline and fertility decline.

MR. LIEBERTHAL: All right. The floor is open again. Let's see, right up here, please, ma'am.

I'm trying to be demographically engendered (inaudible) here.

SPEAKER: (inaudible), so I have two questions. One is whether -- I know in China the rule was changed from a policy to a law in the early --

MR. WANG: Yeah, 2001.

SPEAKER: 2003? 2001.

MR. WANG: Right.

SPEAKER: And did that make any difference? Did the people -- did the population respond differently to the law than it had to the policy? I'm just curious about that.

The other is I have actually encountered some NGOs in China who are going around dealing with the local Family Planning Commission members in the villages and mobilizing them to do local health. And I do see that as a very useful and likely -- a good outcome of trying to wind down the policy.

MR. LIEBERTHAL: Thank you.

MR. WANG: (inaudible) two points here. One is that, as I said during the

presentation, the government has always been kind of very shy about making the one child policy a law. Even in the population family planning law it just says we advocate birth control. It does not say -- in the legislation -- China has never legislated couples could only have one child. It's an open letter. It's a policy.

SPEAKER: Is it in the provincial legislation?

MR. WANG: It's in the provincial regulation, so the central government left that to the local provinces. But every time, for instance, a family planning head in Shanghai comes out to say, well, Shanghai should have a more relaxed policy, the central government will say you cannot say this. So it's a -- there is that ambiguity in the one child policy.

Now, one of the -- well, birth control in general has brought many benefits to the Chinese women, to the society, and one of them -- it's really in addition to what Debbie said -- improved delivery of health for women and for children. But what China also encounters is you have this duplication of health delivery systems. You have a family planning system that has oftentimes a lot of resources and you have a health care delivery system that does not have enough resources. During the SARS epidemic those kind of like a waste of resources became -- several years ago became quite obvious.

MR. LIEBERTHAL: Yes, back here. Right behind Kevin is the gentleman I'm talking of.

MR. ZHANG: Thank you. My name is Yong-an Zhang , Visiting fellow of CNAPS of Brookings. And I come from Shanghai, but I was born in Hunan. And so -- and maybe for 30 years from the national level of China we could find the one child policy have not significant impact on the demographic growth. But, you know, China is a very special country. And more than 80% people lived in the countryside.

So I want to know how do you stay, maybe Dr. Wang,how do you stay the

one child policy? What different impact in city and in the -- between the city and the countryside?

And another question I want to know --

MR. LIEBERTHAL: Wait, no, I'm sorry. I'm going to limit each person to one question because there are a lot of hands here going up, okay?

MR. ZHANG: Okay.

MR. LIEBERTHAL: So thank you.

MR. WANG: That's a good question. It's very important not to equate birth control to the one child policy. In fact, in much of the last 30 years, most couples in rural China had two or sometimes more than two children. So if that's the case, then you didn't really have to have a one child policy. You could have had a policy that would allow couples to have two children. What has happened is the 30+ percent of population in urban areas, almost all of them have had only one child. So you have created a segment of the society that mostly have only one child, so you do have this -- you know, the difference.

So in terms of population control for the government as a social project, you could have a policy -- India had a policy, many countries have a family planning policy -- but not restricting couples to only one child.

MR. LIEBERTHAL: Yes, ma'am, over here.

MS. HU: Xiaochu Hu , School of Public Policy, George Mason University, Ph.D. student.

I have a question for Dr. Wang Feng. Is the Chinese government conceiving any policies to address the escalating gender imbalance?

Thank you.

MR. WANG: To my knowledge, the government actually had a special

program called *guan ai nu hai* . And I think it's for five years now? More than five years. And it has shown some limited effect, but I think -- I mean, personal opinion -- it's addressing the symptom, but not the root cause. So the government is very serious about this and it has a program that's been reported to.

MR. LIEBERTHAL: You know, a lot of gender imbalance has been attributed to the one child policy, right? Abort male fetuses -- I'm sorry, abort female fetuses because you only have one child allocation, right?

MR. WANG: Right.

MR. LIEBERTHAL: If you were to remove the one child policy how certain is it that that would produce more gender balance? Because like in India there's a tremendous gender imbalance.

MR. WANG: South Korea had a period of very abnormal (inaudible).

MR. LIEBERTHAL: And South Korea has more to do with technology and --

MS. DAVIS: (inaudible) than China.

MR. WANG: Higher than China.

MR. LIEBERTHAL: -- cultural preference, right?

MR. WANG: The declining fertility coupled with some preference itself actually strengthened the --

MR. LIEBERTHAL: Gender bias?

MR. WANG: -- aggregate. And, I mean, the (inaudible) like, what's the word, made the sex ratio imbalance more serious.

MS. DAVIS: Right.

MR. WANG: That's -- yeah, it's occurred elsewhere as well.

MR. LIEBERTHAL: Let's see, yes, sir, down here.

MR. DEWEY: Gene Dewey, former State Department.

My question is do you see any current U.S. domestic concerns about the one child policy in China? During my time at the State Department I had the Population Refugee Migration Portfolio. And it was a big issue because of the sharp pro life/pro choice divide in the United States, and we defunded the U.N. And I defended it on my many trips to the Hill on a human rights basis, sort of the argument that you made.

Do you see any of that concern today? And with President Obama's recent interest in human rights at the U.N., doesn't this give an opportunity to help move this process along from our domestic scene?

MR. LIEBERTHAL: Anyone want to (inaudible)?

MR. WANG: You know, I want to give you a personal observation. I think, unfortunately, there were so little concern in this country, I think people should be concerned not for the reasons you have already raised, but for another reason: that is taxpayers' money is being wasted because of our current policy for -- as a reaction to the one child policy.

Los Angeles, the Immigration Service Office has 72 case officers, 49 of them work on Chinese cases alone. It used to be the majority of cases were political asylum cases from China under this one child policy stipulation, and they know there was so much fraud. When I was asked to give a lecture to them, I was surprised that we devoted so much resources of taxpayers' money just to help Chinese individuals who want to migrate to China -- to the United States for economic reasons. But they're using this one child policy human rights violation as the cover. I mean, they know this, case officers know this. They spend all the time to deal with this. But that's what -- actually taxpayers' money was, you know,

paying for this.

MR. LIEBERTHAL: That's an unusual twist on an answer to that question, but. (Laughter) I'm afraid this has to be the last question. We have to keep it very short, please.

MS. ASHBURN: Okay, very short, just to get back to the gender imbalance question. Oh, I'm Emma Ashburn, a former student of Professor Davis and a former SAIS student.

MR. LIEBERTHAL: Ask her a question. She's a huge resource and has just been sitting there.

MS. ASHBURN: I know. Well, why is the gender imbalance worse in the 1-1/2 child areas?

MS. DAVIS: Well, obviously Wang Feng has written about it, but it's set up that if the first child is a girl, you can go on to have a second. If the first child is a boy, you can't. And so it sets it up for parents specifically to want a boy in the second. And because the screening is so efficient and so cheap, the majority of parents will choose to make that second birth under those circumstances a boy. I mean, it's set up to do that. Right?

And then when you go on, I think it's Zhang Yi, is it, who has the -- I don't know if he did it with you, but then when we look at third births, I mean, the ratio then is like 147 to 100. So the policy itself is producing this effect. I mean, it's the proximate cause.

We can also ask why is it that parents feel it's so necessary that they have a boy. And here I think the -- there's significant changes. The bottom line is you have such a strong feeling that the patriline has to continue, that the bloodline has to continue, and it can only continue through a boy. However, among urban families there's a slight preference for girls. And I had found that even earlier in my research in the '80s that girls, daughters,

are considered more reliable than sons. So there actually is a preference for girls.

And so I think that if we let things emerge, that is the affluence, the education, there will always be some parents, and especially when given such a strong both the ancestor-worshiping Confucian values -- that still will play a role for some people as it does in the United States. There are men who feel it's absolutely essential that they have a boy. We know in the United States that families that have boys are less likely to divorce when we take macro. So there is -- but you don't have to go to China to find son preference. But as we have in the United States, there are many families that have many ideal formations and also parents, once a child is there, the key thing is the child is more than their gender, and I think we already see that in China.

And there's the work by Zhang -- the anthropologist who's written about particular villages in Hubei.

MR. WANG: Zhang Wei Guo.

MS. DAVIS: Who also finds an actual slight tilt that daughters are preferable. But in the current context I do think that the 1.5 you talked about is specifically tied to the policy that says if the first is a girl, you can try for a second. And I know Wang Feng has been working in experimental areas and they have been involved in the experimental drafting of policy, which, if I remember correctly, was everybody, after one child, if they wait an interval of four years or five years, could have a second birth. Wasn't that one of the experiments?

MR. WANG: One of the areas that had that policy, right. Yeah.

MS. DAVIS: Yeah. And that produces a better gender balance.

MR. WANG: Right, yeah.

MR. LIEBERTHAL: Unfortunately, our time is up. This is obviously an

extraordinarily important and very complex issue with secondary and tertiary ramifications in different directions. It's one we'd love to revisit at some point, but have to wrap up today.

I want to thank our three panelists -- Wang Feng, Deborah Davis, and Vikram Nehru -- for coming over today and for laying out things so effectively for us. And please join me in expressing our appreciation to them.

(Applause)

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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