Q1: Does China really face a major aging challenge like the United States?

A1: Actually, China faces a bigger challenge. For one thing, its coming age wave is larger—and not just in absolute numbers. Due in part to the one-child policy, the Chinese fertility rate has fallen faster and further than the U.S. fertility rate, which in turn means that the base of its population pyramid is hollowing out faster. Within 20 years, China will have an older population than the United States. For another thing, China’s age wave is arriving at an awkward moment in its development. Urbanization and industrialization are weakening the traditional family support networks on which the vast majority of Chinese elders still depend, but China has yet to fashion adequate government and market substitutes.

Q2: What is the relationship between demographics and economic development in China?

A2: China is fast approaching a tipping point. Over the past three decades, demographic trends have leaned strongly with economic growth as the dependency burden has fallen and the share of the population in the working years has risen. Over the next three decades, however, demographic trends will lean the other way. As the relative growth in the number of elderly finally overtakes the relative decline in the number of children, the old-age dependency burden will soar, tripling today’s level by 2030. Meanwhile, the working-age population will peak and enter a gathering decline.

Q3: Does the aging of China have strategic implications for the United States?

A3: Potentially, yes. To begin with, we now count on vast inflows of surplus Chinese savings to finance our federal deficit and maintain adequate levels of domestic investment. When China’s age wave arrives in earnest in the 2020s, its savings rate may fall precipitously, forcing us to find another banker. The aging of China’s population also increases the risk of social instability—or, to avert that danger, an authoritarian clampdown. The many stresses of modernization, from a widening income gap to environmental degradation, have so far been bearable in a youthful China in which incomes are rising rapidly. They may become less bearable in an aging China in which economic growth is slowing.

Q4: Will the aging of its population halt China's economic rise?

A4: The aging of China’s population is a dangerous speed bump, but it need not result in a crash. In any case, the period of peak danger lies over the horizon in the 2020s. By then, China will already have overtaken the United States as the world’s largest economy. In fact, our latest projections show that the transition will happen in 2017—much earlier than previously expected due to the differential impact of the economic crisis on GDP growth in China and the United States.

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