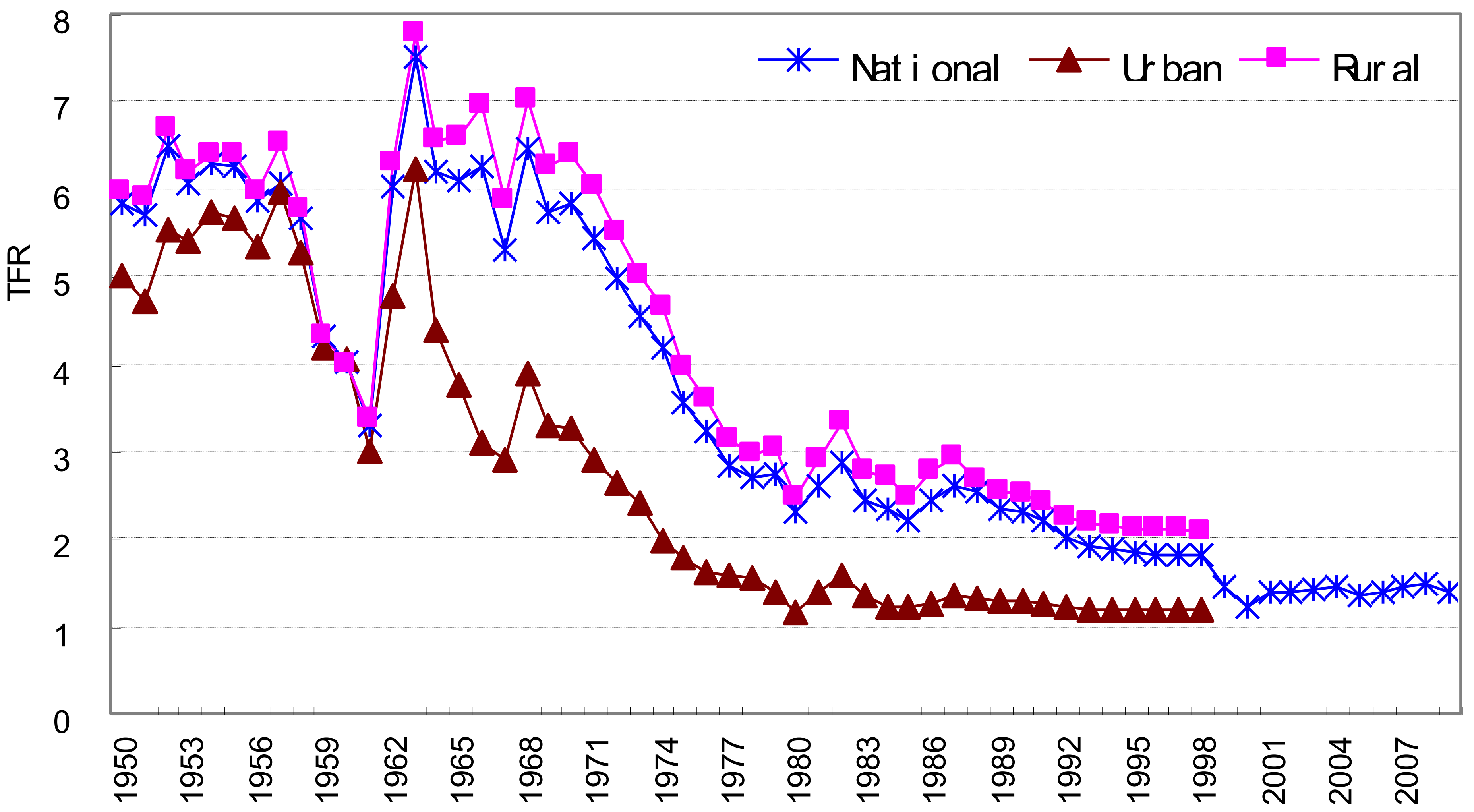
Demographic Dividend: Supply-side View and Evidence on Chinese Growth

CAI Fang

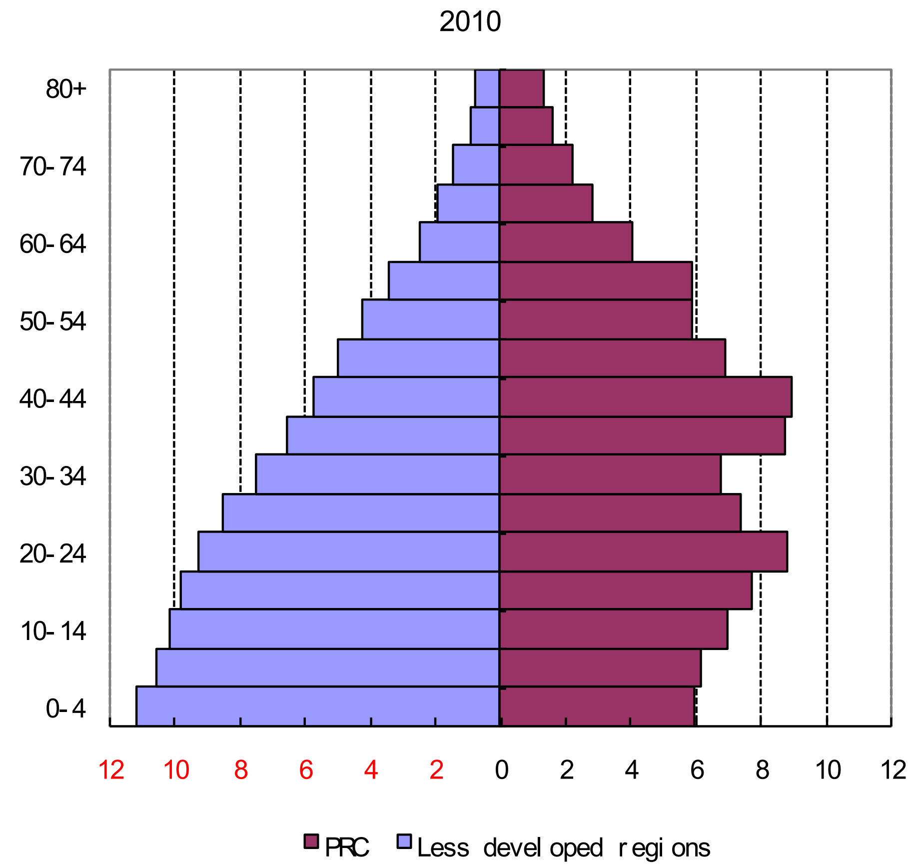
Chinese Academy of Social Sciences

1. Fast Growth alongside Rapid Demographic Transition

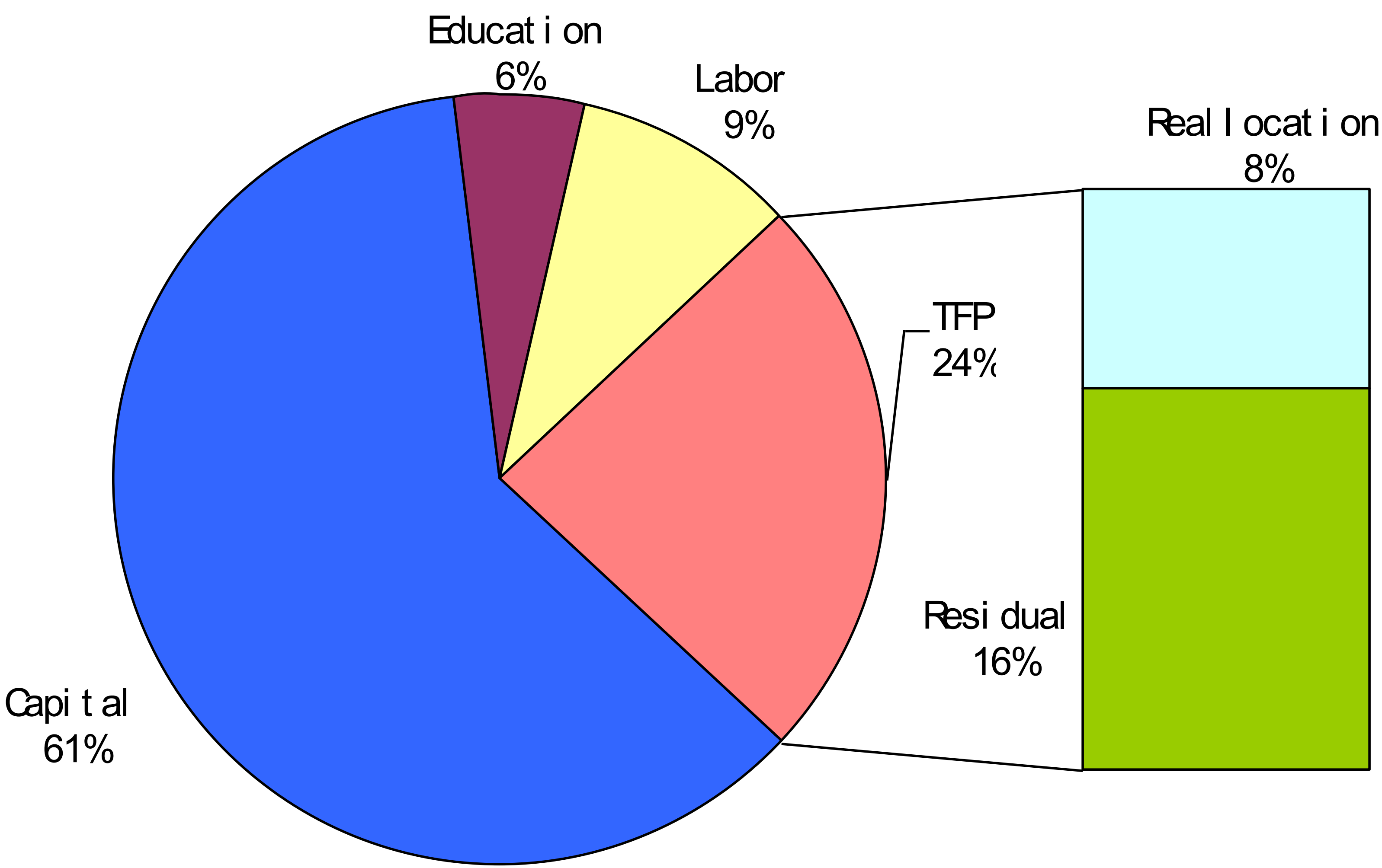
Very Low Fertility for Many Years (and two features)



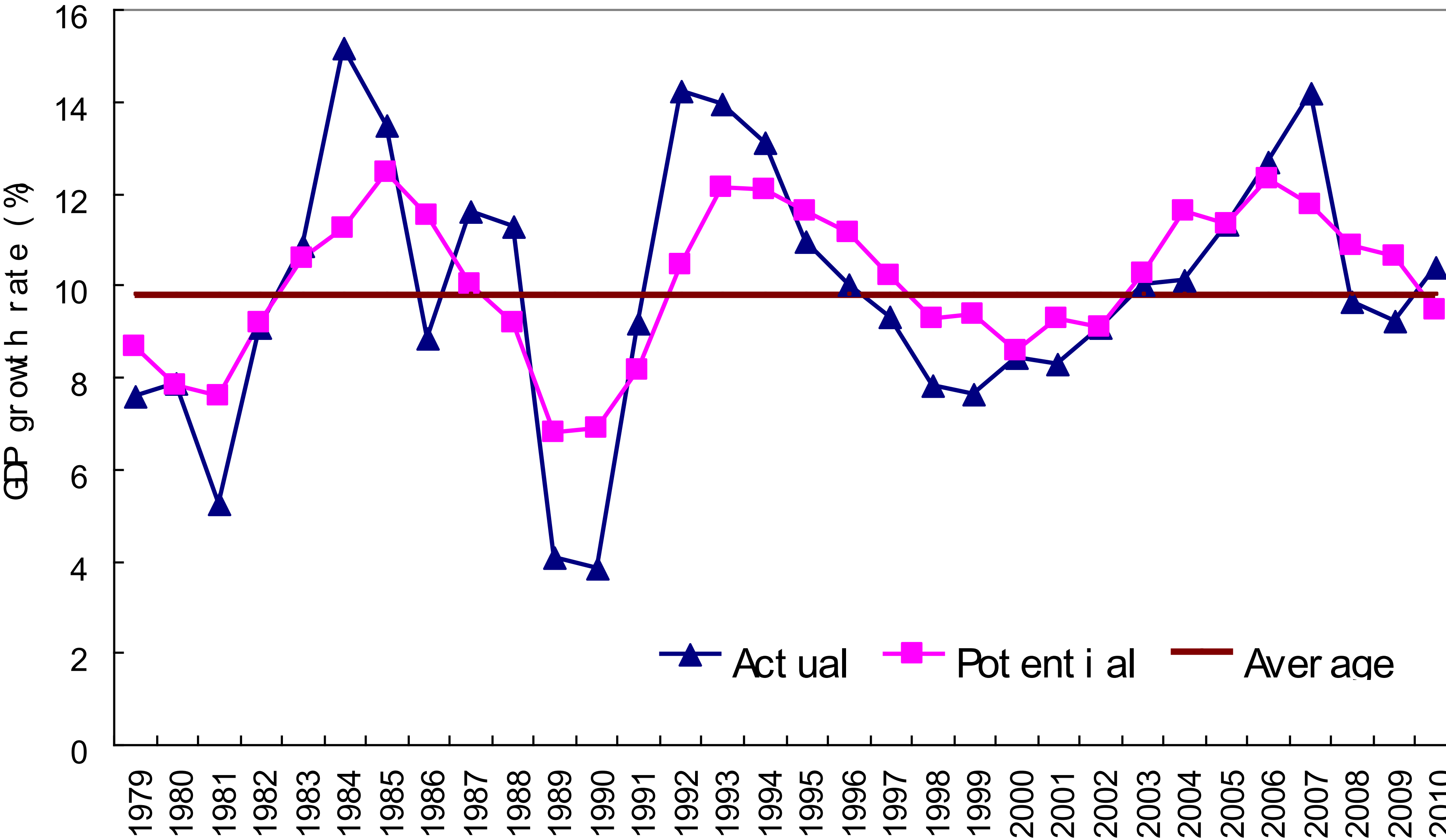
Age Structure Changes Faster
(WAP rise & dependence decline)



Decomposing China's Growth (preventing diminishing return on *K*)

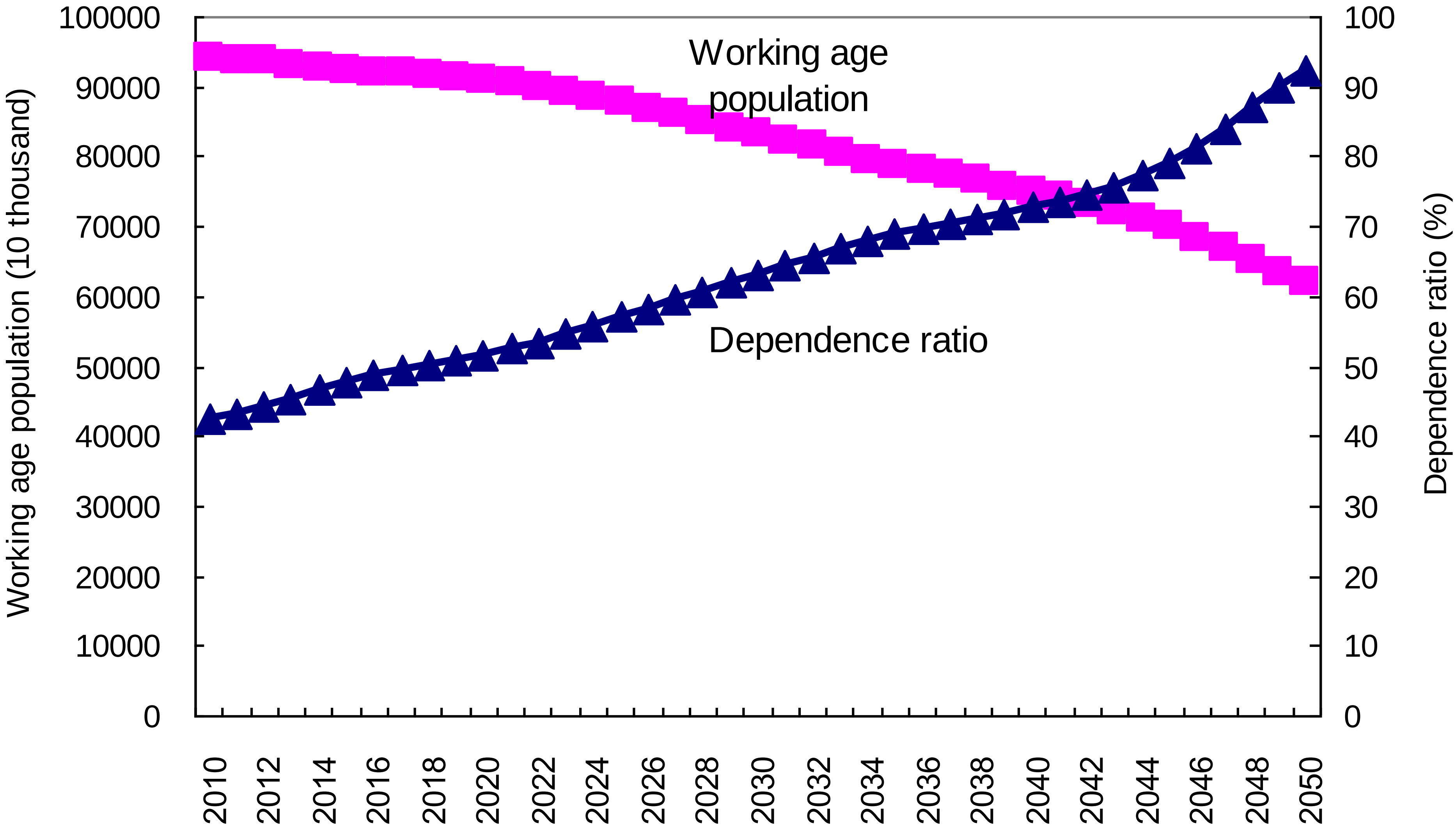


High Potential + Strong Demand = Fast Actual Growth

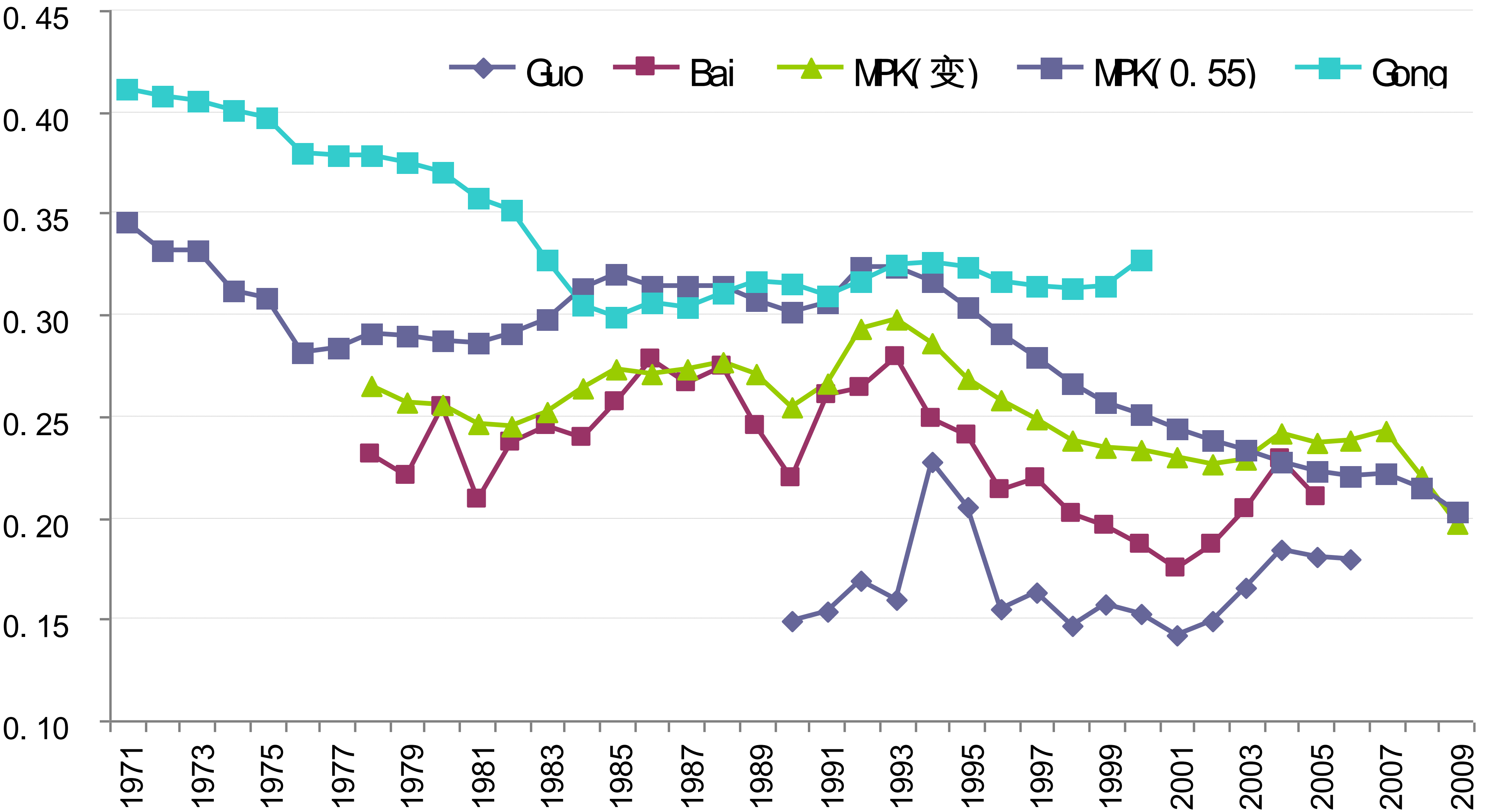


2. Disappearance of Demographic Dividend

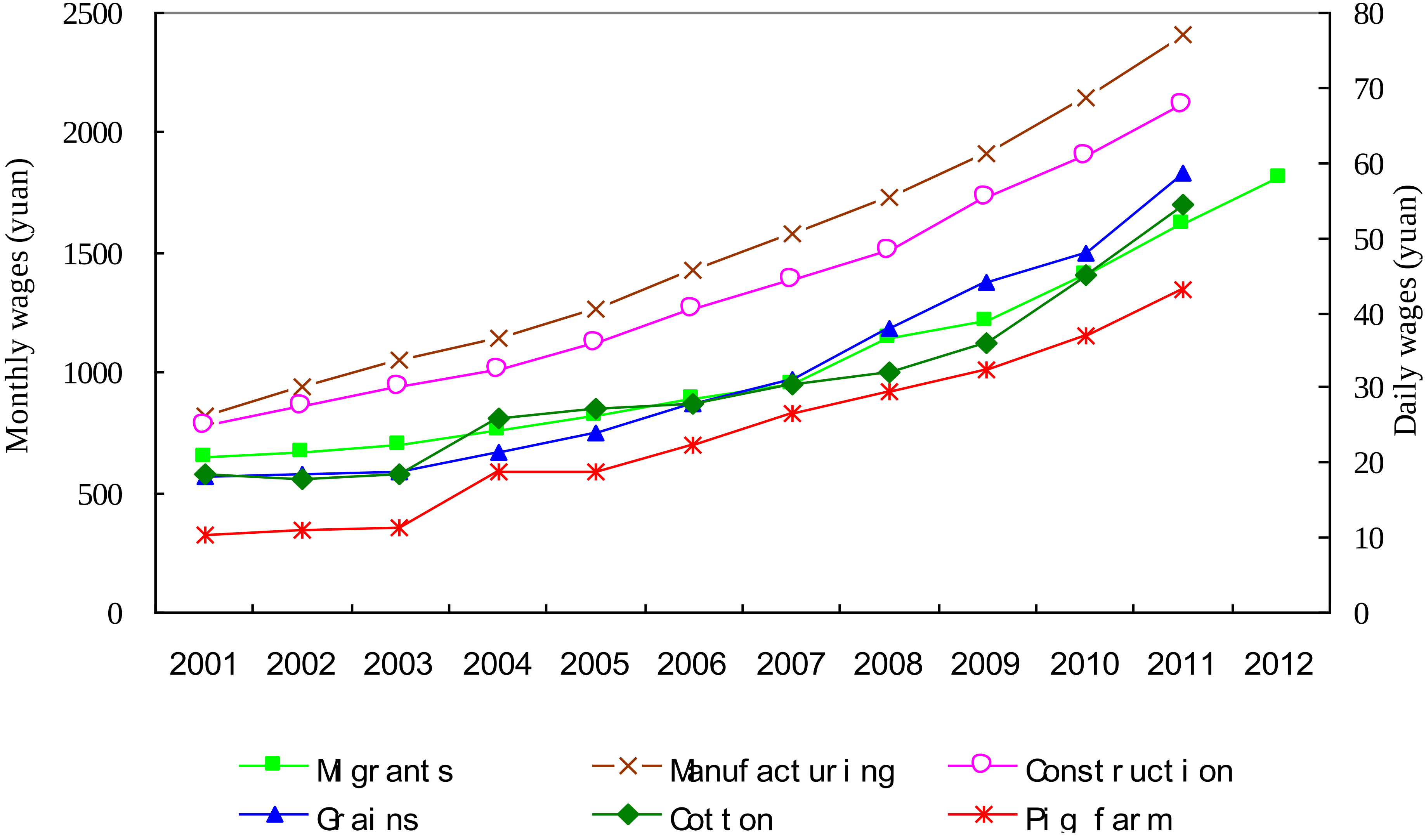
Reversed Demographic Factors (WAP shrinks & dependence rises)



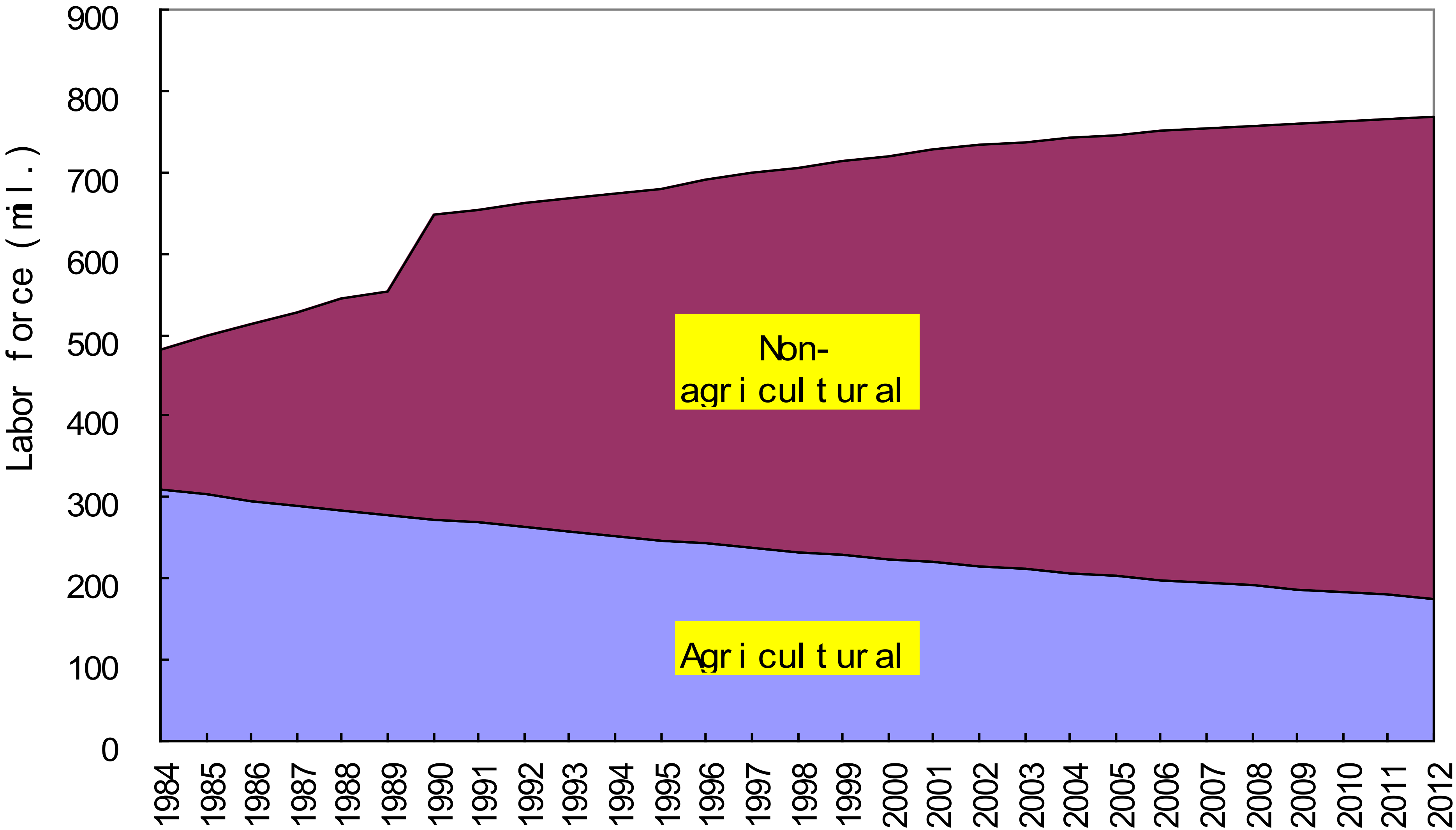
As Result, One, Return on *K* Decreases, Estimated by Various Studies



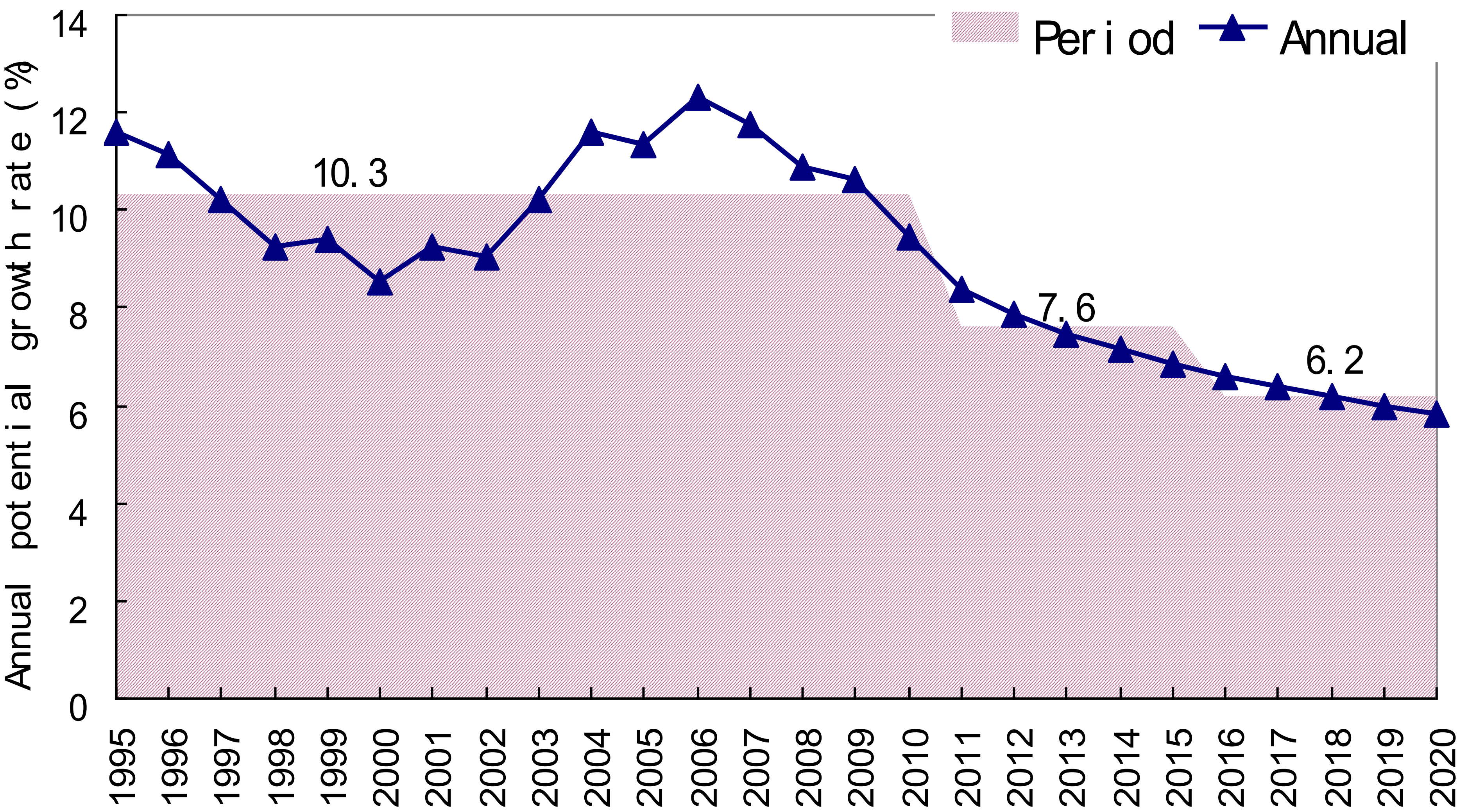
Two, *L* Becomes Scarce and Wage of Unskilled Workers Increase



Three, Room for Reallocation Efficiency (TFP) Becomes Smaller

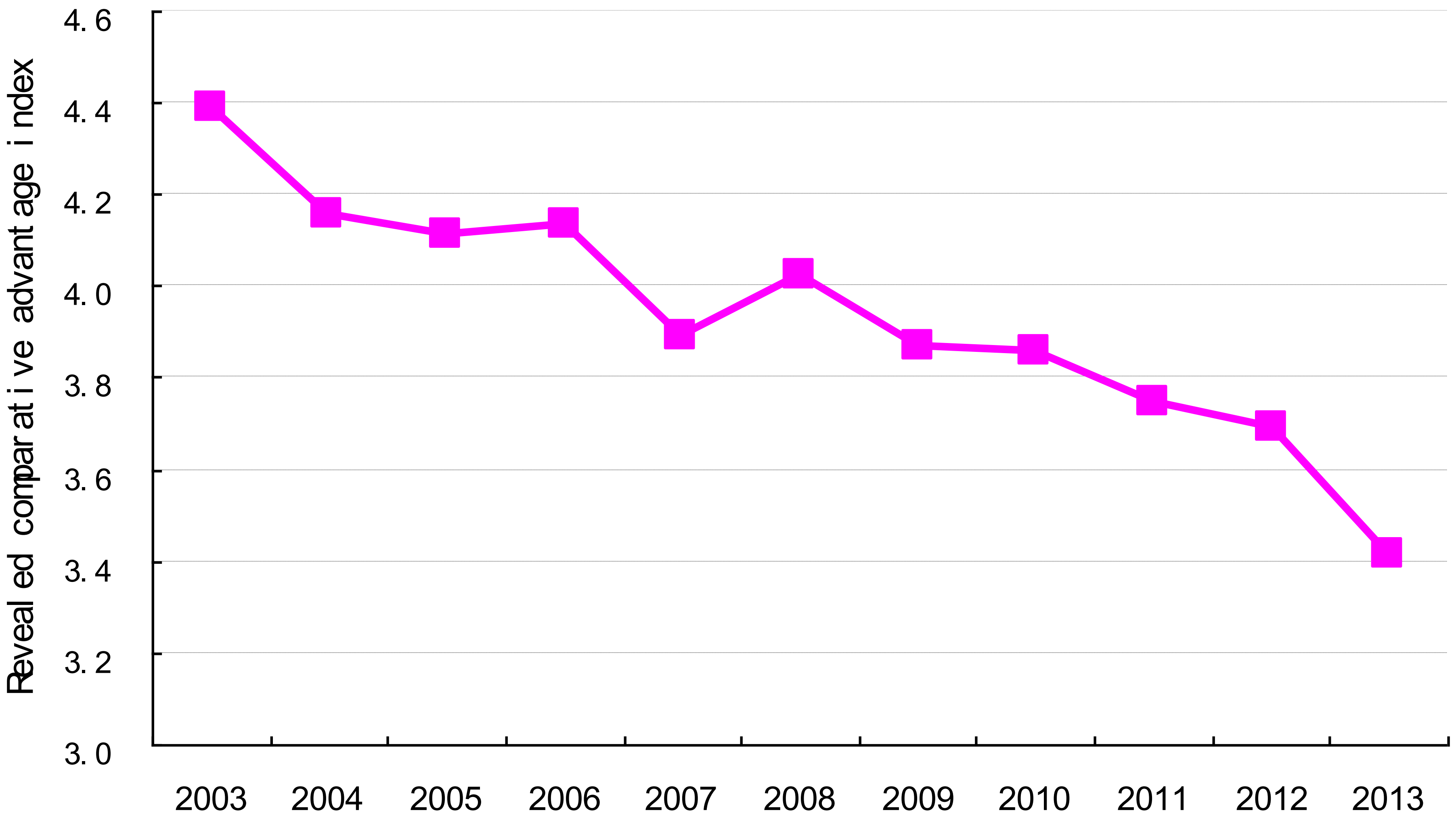


Finally, Potential Growth Rate Slows Down and Slowdown Will Continue

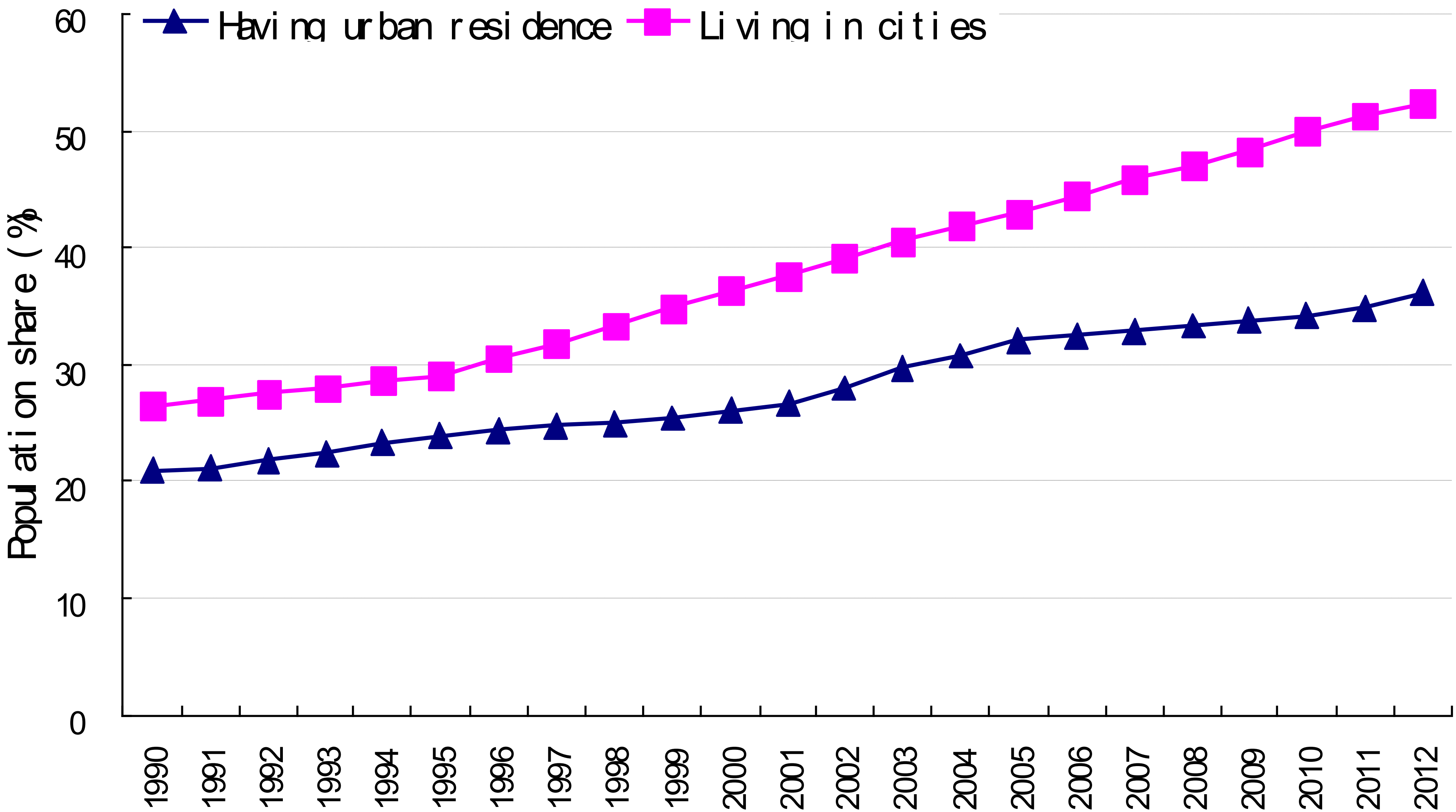


3. From Demographic Dividend To Reform Dividend

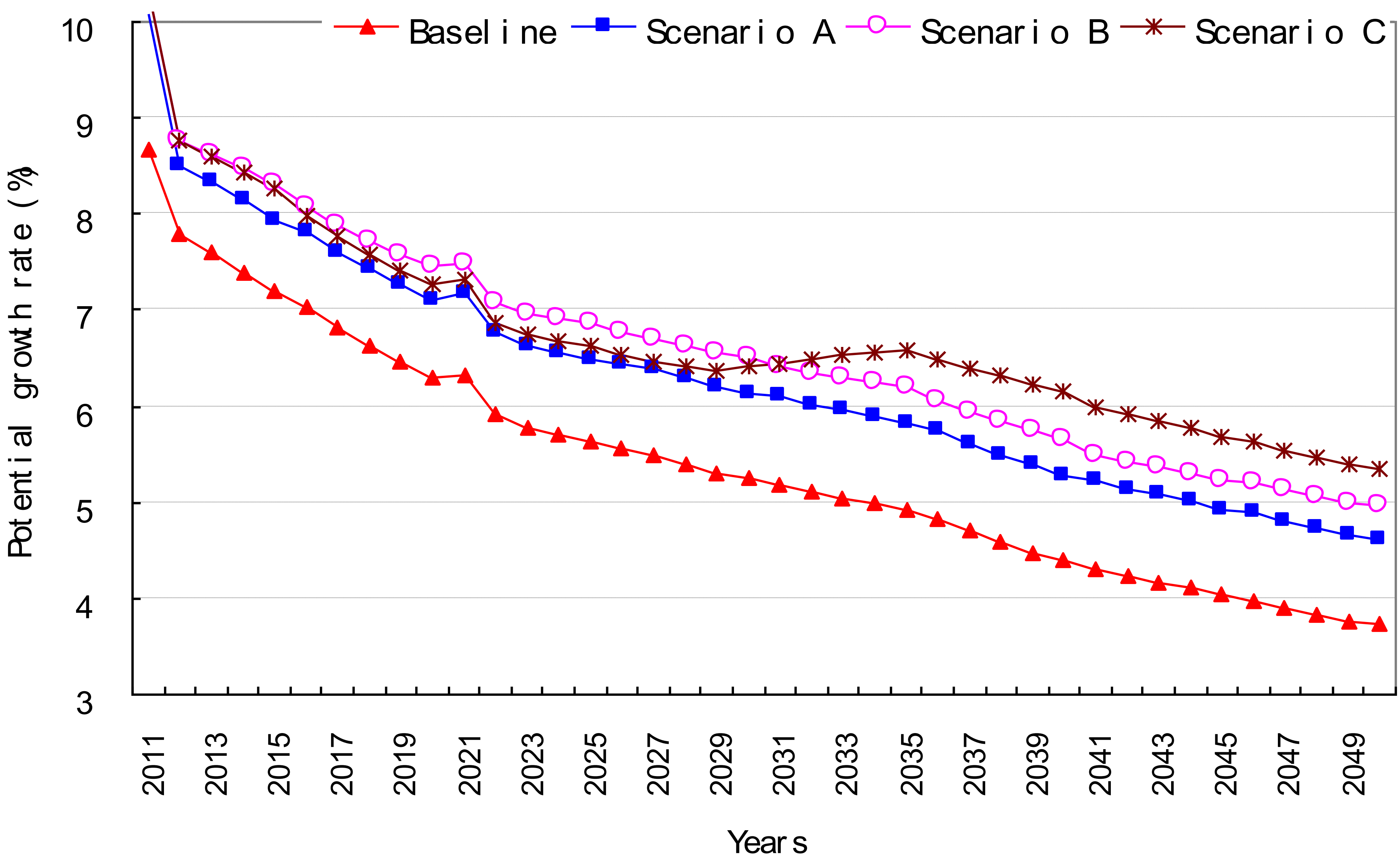
Since It Is Supply-side Factors Cause Slowdown, PGR Can Be Increased



By Reforms to Increase Labor Supply, Human Capital, TFP, & Hopefully TFR



Future Scenarios of Potential Growth Rates under Dif. Assumptions



Thank You!