NBER WORKING PAPER SERIES

CAPITALISM AND DEMOCRACY IN 2040: FORECASTS AND SPECULATIONS

Robert W. Fogel

Working Paper 13184
http://www.nber.org/papers/w13184

NATIONAL BUREAU OF ECONOMIC RESEARCH
1050 Massachusetts Avenue
Cambridge, MA 02138
June 2007

Capitalism and Democracy in 2040: Forecasts and Speculations
Robert W. Fogel
NBER Working Paper No. 13184
June 2007
JEL No. F47

ABSTRACT

While the economies of the fifteen countries that were in the European Union (EU15) in 2000 will continue to grow from now until 2040, they will not be able to match the surges in growth that will occur in South and East Asia. In 2040, the Chinese economy will reach $123 trillion, or nearly three times the output of the entire globe in the year 2000, despite the influence of several potential political and economic constraints. India's economy will also continue to grow, although significant constraints (both political and economic) will keep it from reaching China's levels. The projected decline of the EU15's global share of GDP means that liberal Asian nations will be poised to take up the role of promoting liberal democracy across the globe.

Robert W. Fogel
Director, Center for Population Economics
University of Chicago, Graduate School of Business
5807 S. Woodlawn Avenue, Suite 367
Chicago, IL 60637
and NBER
rwf@cpe.uchicago.edu

Capitalism and Democracy in 2040: Forecasts and Speculations

In the year 2000, the global economy was dominated by 6 groupings of countries: the United States, the European Union (which then consisted of 15 countries [EU15]), India, China, Japan, and a group of six Southeast Asian countries (Singapore, Malaysia, Indonesia, Thailand, South Korea, and Taiwan [SE6]). As measured by gross domestic product (GDP), these six groupings accounted for 73 percent of the world's economic output and 58 percent of the global population (see Table 1). The balance of the world (including Latin America, Africa, and Eastern Europe) accounted for about 28 percent of GDP and 42 percent of the global population.

Although political influence is more difficult to define, the United States, with its advanced military technology and its ability to project its military might anywhere, obviously ranks first. However, the EU15 also has great wealth and advanced military technology. The number of active troops in the armies of the EU15 nations was collectively slightly higher than that of the U.S., and although their annual defense budgets were only a third of that of the U.S., they had nearly as many fighter aircraft and more tanks than the U.S. Perhaps the biggest gap was in hard assets: the EU15 is far behind the U.S. in aircraft carriers, missile cruisers, destroyers, and submarines.

Table 2 presents the forecasts for 2040. The population forecasts are those of the United Nations. The economic forecasts are mine but were influenced by the forecasts of the C.I.A. and *The Economist*. To my mind, the most unsettling of the forecasts in Table 2 is the relative decline the European Union implied by its stagnation in population and its modest growth in GDP.

Although the EU population in 2000 exceeded that of the U.S. by about a third, by 2040 the EU population will be somewhat smaller than that of the U.S. The projected stagnation of the EU15 population is based primarily on the persistence of extremely low

Table 1

The Global Distribution of Gross Domestic Product (GDP) in 2000, by Grouping of Nations

Grouping	Population (in millions)	Percent of total	GDP in billions of $ (PPP)	Percent of total
United States	282	5	9,601	22
European Union (EU 15)	378	6	9,264	21
India	1,003	16	2,375	5
China	1,369	22	4,951	11
Japan	127	2	3,456	8
6 South East Asian Countries (SE6)	381	6	2,552	6
Subtotals	3,540	58	32,199	73
Rest of the World	2,546	42	12,307	28
World	6,086	99*	44,506	101*

*Totals do not equal 100 percent due to rounding.

Table 2

The Global Distribution of Gross Domestic Product (GDP) in 2040, by Grouping of Nations

Grouping	Population (in millions)	Percent of total	GDP in billions of $ (PPP)	Percent of total
United States	392	5	41,944	14
European Union (EU 15)	376	4	15,040	5
India	1,522	17	36,528	12
China	1,455	17	123,675	40
Japan	108	1	5,292	2
6 South East Asian Countries (SE6)	516	6	35,604	12
Subtotals	4,369	50	258,083	85
Rest of the World	4,332	50	49,774	16
World	8,701	100	307,857	101*

Note: GDP in U.S. dollars of 2000.

*Total equals more than 100 percent due to rounding.

fertility rates. The *total fertility rate* (roughly the average number of children a woman is expected to have during the course of her childbearing years) has fallen far below the level required for the reproduction of the population (2.1 children) in most EU15 countries, and has been below reproduction for several decades.

One implication of the low fertility rate is that the population of the EU15 is aging rapidly. In the year 2000, the median age in Italy and Germany, for example, was about 40, which is a decade higher than in China and half a decade higher than in the U.S. By 2040, the median age in Italy and Germany is predicted to be about 50. This rapid aging of many EU15 countries means that their *dependency ratios* (the ratio of economically inactive to economically active persons) will soar. These demographic factors will, by themselves, significantly curtail the capacity for economic growth. However, political and cultural factors appear to be reinforcing the impediments to economic growth. These include limitations on the length of the work week and increasingly heavy taxes on businesses to support large social welfare programs (that are nevertheless facing bankruptcy) and are threatening to make EU15 firms uncompetitive in the global market.

I do not mean to imply that labor productivity and per capita income in the EU15 will not grow. They will grow at a rate that, by past standards, was not bad (about 1.8 percent per annum), but they will not be able to match the surge in growth that will prevail in South and East Asia (see Table 3). The European market will be about 60 percent larger in 2040 than it was in 2000. But the U.S.'s market will be over 300 percent larger, India's will be over 1,400 percent larger, and China's will be 2,400 percent larger. Indeed, the Chinese market in 2040 by itself will probably be larger than the combined markets of the U.S., the EU15, India, and Japan. It may well be the case that English will survive as the principal commercial language until 2040, but I suspect that there will be an explosion of business managers in the West who speak Mandarin.

Table 3

Annual Rates of Growth 2000-2040

Grouping	Population (percent)	GDP (percent)	GDP per capita (percent)
United States	0.8	3.8	2.8
European Union (EU 15)	0.0	1.2	1.2
India	1.0	7.1	6.0
China	0.2	8.4	8.0
Japan	-0.4	1.1	1.5
6 South East Asian Countries (SE6)	0.8	6.8	6.0
Subtotals	0.5	5.3	4.8
Rest of the World	1.3	3.6	2.2
World	0.9	5.0	4.0

Note: GDP in U.S. dollars of 2000.

Explaining the Forecast for China

To many, the most provocative aspect of Table 2 is the forecast that, in 2040, the Chinese economy will reach $123 trillion, or nearly 3 times the output of the entire globe in the year 2000. Moreover, the per capita income of China will reach $85,000 more than twice the forecast for the European Union (EU15) and also much higher than India and Japan. In other words, China is forecasted to go from a poor country in 2000 to a superrich country in 2040, although it will not have overtaken the U.S. The basis for so optimistic a view of the course of the Chinese economy needs to be elucidated, with attention paid to both economic and political issues.

Potential Economic Constraints

When analyzing the constraints on Chinese economic growth, it is useful to divide the economy into three sectors: agriculture, services, and industry. Over the quarter century between 1978 and 2003, the growth of labor productivity has been high in each of these sectors, averaging about 6 percent per annum. At the national level, output per worker grew by 9 percent. That is because the level of output per worker was much higher in industry and services than in agriculture. Hence, by shifting workers from agriculture—where the bulk of labor has been concentrated—to industry or services, the economy obtained an additional boost. This inter-industry shift added 3 percentage points to the annual national growth rate. I expect inter-industry shifts to continue to be an important element in China's economic growth over the next generation.

In addition, a more important factor in sustaining China's high growth rate will be the enhancement of the quality of the labor by education. China has invested heavily in rapidly expanding enrollment ratios in both secondary and tertiary education. As I have reported elsewhere (Fogel 2005), U.S. data indicate that college-educated workers are 3 times as productive, and a high school graduate is 1.8 times as productive as a worker with less than a ninth grade education. Thus, increasing the enrollment ratio in high school to 100 percent and in college to 50 percent over the next generation, would by itself add over 6 percentage points to the annual growth rate.

These targets for higher education are not out of reach. It should be remembered that as recently as 1980, the Western European nations had tertiary enrollment ratios of about 25. Only the U.S. was above 50. The movement to enrollment ratios of 50 in Western Europe was a product of the last two decades of the twentieth century. In the case of the U.K., two-thirds of the increase from 19 to 52 percent took place between 1990 and 1997.

The significance of investment in human capital as an engine of economic growth has not eluded the State Council. In 1998, Jiang Zemin called for a massive increase in enrollments in higher education. The response was swift: over the next four years enrollment in higher education increased by 165 percent (from 3.4 million to 9.0 million) and the number of students studying abroad also rose by 152 percent (China Statistical Yearbook 2003). Since the tertiary enrollment ratio increased by about 50 percent between 2000 and 2004 (from 12.5 to 19.0 percent), my projection for 2040 is not overly optimistic (China Statistical Yearbook 2005).

Will Political Instability Undermine Economic Growth?

So far I have focused purely on economic issues. Some analysts argue that political instability is a serious impediment to China's ability to maintain high rates of economic growth. Several scenarios have been outlined in which political factors could thwart economic goals. Some of these scenarios begin with an economic breakdown brought on by a sharp cyclical downturn that would raise unemployment and undermine a precarious social stability. Others warn that a growing social unrest has been brought on by the financial problems and inefficiencies of the state-owned enterprises (SOEs).

These problems have not only led to rising urban unemployment but have also resulted in the failure to pay promised wages, pensions, health-care allowances, and housing allowances (Bremmer 2005; Chaohua 2005). Still others warn of an impending breakdown in the banking system, which is beset by a huge burden of nonperforming loans, a breakdown that could undermine the microeconomic stability of the economy (Garnaut and Song 2004).[1]

When speculating about the future, the range of possible scenarios is virtually unlimited. The point at issue is not what might occur, but what is likely to occur. Moreover, many of the problems singled out are of long standing, such as the inefficiency of many SOEs. While these SOEs may be a drag on the economy, China has nevertheless been able to grow at over 8 percent per capita for more than a quarter of a century. The idea that these inefficient firms will suddenly go bankrupt is far-fetched. The policy of China’s State Council has been to gradually phase them out or to reorganize them on a profitable basis so as not to sharply increase unemployment. Not only does the government have the finances needed to continue subsidizing inefficient firms if it chooses to do so for economic or political reasons, but the burden of these subsidies will also gradually diminish because the share of the industrial output supplied by these underperforming SOEs will gradually decline and the burden of a given level of subsidies will rapidly diminish with the economy growing so rapidly.[2]

Although there are disagreements about economic policy among the top leaders, the proposition that China should continue to transform itself into a market economy is not at issue. Nor is there disagreement over the policy of promoting increasing autonomy in economic decisions as a lever of rapid economic growth. As many analysts have pointed out, the government is unified around a policy that has been called “market preserving federalism.” This Chinese form of federalism limits the central government’s control over economic decision making, promotes creative competition among local governments, constrains rent seeking, and provides an array of incentives to induce creative local enterprises. This type of federalism is also apparent in the design of the tax system, which has been called “fiscal federalism,” and which is aimed at preventing taxation from stifling economic growth. In the tax reform of 1994, the central government limited its primary administration to VAT and taxes on centrally owned enterprises. It also set up local tax bureaus under the direction of local governments to supervise income taxes. While much remains to be done in the design of the fiscal system, especially with respect to narrowing regional inequalities, these issues are on the leadership’s agenda of needed reforms. The central leadership is also aware of the danger that local autonomy may move in counterproductive ways that promote rent seeking, moral hazard, and other forms of corruption, and that it must monitor performance and penalize corruption where possible. The successful unfolding of autonomy requires a center strong enough to integrate national and local goals, to discipline local authorities whose corrupt practices threaten the progress of reform, and to provide rewards to those who advance it (Lin, Cai, and Li 2003; Bahl and Martinez-Vazquez 2003; Blanchard and Shleifer 2000; Montinola, Qian, and Weingast 1996; Krug, Zhu, and Hendrischke 2003).

Some analysts argue that unless China permits competing political parties, powerful pressures will build up between the provinces and the center that will undermine political stability and thwart continued high rates of economic growth. Others argue that the unsolved inequalities have also built up pressures at the grass roots that threaten to become unmanageable (Goldstone 1995; Ohman 1995; Esarey 2002). Other issues stressed by analysts include mounting environmental hazards, lagging development of public health programs, and endemic corruption (Shambaugh 2000; Chapman 2002).

The difficulty with these arguments is that they assume that the leaders of the Chinese Communist Party (CCP) and the State Council are unaware of these problems.

The leaders are quite well aware that the successes of their growth policies have weakened the central government's control over daily life and access to information. Indeed, one purpose of the reforms was to promote creativity at the local level by promoting local initiative and by encouraging the entry of global firms into the Chinese market in order to facilitate new ideas and technologies. Moreover, critiques of current policies that hamper economic growth are encouraged, although competitive political parties are prohibited. Debates over governmental policies at all levels are as vigorous and wide-ranging at the meetings of the Chinese Economists Society as they are at the American Economic Association.

The leaders of the CCP have responded to the changing economic and social conditions by changing the central goal of the CCP and by co-opting the elites who are at the forefront of China's economic and social transformation. This process of adaptation was reflected in the slogan of the CCP, "Three Represents," introduced by Jiang Zemin in the spring of 2000 to replace the previous slogan of "Three Revolutionary Classes" (peasants, workers, and soldiers). Zemin's slogan portrayed the CCP as: (1) the embodiment of society's most advanced productive forces; (2) the promoter of an advanced culture; and (3) representing the needs and interests of the great majority of the Chinese population. To extend its connections with the elites who are bringing about the transformation of China, the CCP encouraged the formation of a wide array of new business and professional societies with strong ties to the state. It also transformed the membership of the CCP, bringing into its fold the technocratic leaders of business, social, and intellectual life. During the two decades following 1982, the proportion of the Central Committee members holding college degrees increased from a little over half to nearly 99 percent (Dickson 2003a and b).

The 16th Congress of the CCP, which met in November 2002, made provincial leaders the most prominent group in the Politburo, representing 42 percent of its membership. By contrast, the military represented only 8 percent of the Politburo, and central party institutions accounted for 25 percent. The balance of the Politburo membership came from Shanghai political circles or from institutions other than provincial leaderships or central government institutions. Given the dominant role of provincial leaders in the shaping of national policy, it makes little sense to dwell on the possibility of a conflict between the national and provincial leaders, especially when many of the central leaders came from provincial posts (Bo 2004).

Some analysts argue that leaders of the CCP and the State Council are out of touch with public opinion. However, the weight of evidence contradicts that view. Local and provincial governments have been using polling techniques to determine public opinion on an array of economic and social issues since the late 1980s. Academic critics of government policies abound and interactions between these critics and top government leaders are numerous. The range of problems raised by respondents to surveys mirrors the complaints of academic critics and foreign analysts, including widespread corruption, increasing inequality, persistent unemployment, burdensome taxes, and unpaid pensions. Nevertheless, the polls also reveal majority support for the central government and overwhelming belief that the courts, the press, and government institutions will be responsive to their grievances (Pei 2001; Lin et al. 2002; *China Newsweek* 2005).[3]

Popular confidence in the government reflects the widespread belief among the Chinese that their living conditions have improved (67 percent better, 12 percent worse, 20 percent no change). The level of confidence about whether living conditions will continue to improve is similar. According to another poll, optimism about the future is slightly higher in rural areas (75 percent) than in the cities (68 percent). Hence, it is not surprising that political reform is quite limited, although there is an expectation that the government will gradually improve legal and governmental institutions. [4] This generally favorable view of government not only reflects the pragmatic responses of leaders at all levels of government to grievances, but also the frequent intervention of the central government with local officials when they are too slow to respond to complaints. It also reflects the rapid increases in income experienced by the great majority of households for more than a quarter of a century (Fewsmith 2003).

This combination of widely shared economic advances and governmental attention to public opinion, especially with respect to grievances, is a formula for continued political stability. One indication of the stability of the regime and the self-confidence of its leaders is its successful bid for the 2008 Olympic Games. Another is its encouragement of Chinese students to enroll in American and European universities. The gradual loosening of constraints on expression in China is likely to continue over the next several decades. Whether or not these developments lead to a multiparty system of the American type remains to be seen. However, the government's responsiveness to popular concerns indicates that political stability is likely to remain at the level required for continued long-term economic growth.

Explaining the Forecast for India

In the case of India, it is not only necessary to explain why I am so optimistic about its economic future, but also why I am more optimistic about Chinese economic growth than Indian economic growth. Although India's per capita income has been growing at quite high rates by global standards—about 6 percent per annum (7 percent since 1996), its growth rate has been a third less than the Chinese rate. Constraints on Indian economic growth are still substantial.

Potential Economic Constraints

Although India has an excellent system of higher education, which is capable of supplying the engineers, chemists, statisticians, and other professionals needed to run a modern economy, India lags substantially behind China, South Korea, and other ASEAN countries in current educational achievement. Over 40 percent of the population is still illiterate (CIA 2007), and gross secondary school enrollment rates in 2002 were less than half of those of China. Enrollment in institutions of higher education has grown by 5 percent per year between 1980 and 2002. But this expansion rate is only half of that experienced by China over the same period (NCES 2005; *Economist* 2005; Kaul 2006)[5].

Another problem for India is the low rate of growth of labor productivity in agriculture, which is about half that of China (WDR 2000/2001, Table 8). Since about two-thirds of India's labor force is in agriculture, this problem hinders the growth of the overall economy in two ways. It slows down the rate of transfer of labor from agriculture to industry and services where output per worker is much higher. Moreover, the culture of rural areas is less conducive to education than the urban areas. Hence, the high school dropout rate in rural areas is quite high, especially when compared with China (NCES 2005).

Threats to Political Stability

Political threats stem from three sources: unresolved religious tensions, especially between Hindus and Muslims; unresolved ethnic disputes; and unresolved pressures created by the caste system.

Sharp religious tensions prevail between the Hindu majority and the large minority of Muslims. These tensions periodically erupt into violent clashes, such as the 2002 riots in the state of Gujarat that produced some 2,000 deaths. Terrorist attacks are also related to disputes over Kashmir. In 2001, Kashmiri terrorists attacked the Indian parliament in New Delhi, killing a dozen people. In 2006, terrorists planted explosives on a train in West Bengal, killing five and injuring scores more.

The Indian caste system, which divides the population into a hereditary hierarchy that determines economic and social opportunities, has relaxed somewhat as a result of government policies. The government has sought to offset the discrimination against lower castes with educational subsidies. However, the caste system remains rigid in rural areas and is propped up by parties that seek to represent themselves as the champions of the lower castes.

The social, religious, and ethnic clashes, which are sources of instability that threaten to undermine the conditions for economic growth, have so far been contained. Moreover, the commitment of the leaders of both major parties to ease these divisions suggests that conditions for rapid economic growth will continue during the next generation.

The Future of Liberal Democracy

So far I have dealt with political questions primarily as they bear on the potential for economic growth. However, Tables 1 and 2 indicate that richer countries that were the chief bastions of liberal democracy during the second half of the twentieth century – the EU15, the U.S., and Japan – will decline in relative importance by 2040. In year 2000, these groups represented 51 percent of global GDP, but by 2040 their combined share is projected to decline to 21 percent. Most worrisome is the projected decline in the EU15 from 21 percent to just 5 percent of the global share of GDP. Given Western Europe’s role during the past several centuries as the cradle of liberal democracy, exporting it to the New World, Oceania, and other continents, who will take up the slack during the next generation?

My answer is Asia. Liberal democracy is thriving in India and has become rooted in four of the SE6 (Taiwan, South Korea, Indonesia, and Singapore), but is more fragile in Thailand and Malaysia. The U.S. is an influential Pacific power that is helping to promote liberal democracy throughout Asia and Oceania. On this account, nations representing 45 percent of global GDP in 2040 (the U.S., the EU15, India, Japan, and the SE6) will be promoters of liberal democracy, in the six categories singled out by Tables 1 and 2.

However, Tables 1 and 2 were designed to point to economic trends, not trends in liberal democracy. Some of the most notable promoters of liberal democracy fall into the category I call “Rest of the World.” Tables focused on trends in liberal democracy must include countries that are not yet economic powerhouses, such as South Africa, Australia, New Zealand, Chile, Mexico, and Canada, among others.

Endnotes

1 Other threats to stability that have been observed include: widespread corruption; internal power struggles; bubbles in real estate, international trade, and steel (among other products); inequality between the urban and rural areas, between the coastal and interior provinces, between the highly educated elites and poorly educated masses, and between the Han majority and the ethnic minorities. (Pei 2005; Bradsher 2004; Dunphy 2004, Hu 2000; Lim 2004; *Business Asia* 2002; McGregor 2004; Wilson 2004; EIU ViewsWire 2004).

2 These points also apply to the problem of the state banks. Although the proportion of nonperforming loans may be about 35 percent, China is not in immediate danger of a collapse of its banking system. It is within the power of the government to remove this burden.

3 Other interesting discussions of political stresses and responses include Huang 1995; Chapman 2002; Gong 2005; Wang 2005; and Bremmer 2005.

4 It is also worth noting the distinction made by Fareed Zakaria between liberal democracies, illiberal democracies, and liberalizing autocracies. He argues that most East Asian governments today "are a mix of democracy, liberalism, capitalism, oligarchy, and corruption—much like Western governments circa 1900" (Zakaria 1997; cf. Zakaria 2003. See also *Economist* 2005).

5 China's output of higher education expanded so rapidly that there is now a temporary glut of graduates (Cody 2006; Mooney 2007).

References

Bahl, Roy, and Jorge Martinez-Vazquez. 2003. Fiscal federalism and economic reform in China. Georgia State University International Studies Program, Working Paper No. 03-13.

Blanchard, Olivier, and Andrei Shleifer. 2000. Federalism with and without political centralization. China versus Russia. Typescript, MIT. http://econ-www.mit.edu/faculty/download_pdf.php?id=818.

Bo, Zhiyue. 2004. The 16th Central Committee of the Chinese Communist Party: Formal institutions and factional groups. Journal of Contemporary China 13: 223–56.

Bradsher, Keith. 2004. Is China the next bubble? New York Times, 18 January 2004. http://proquest.umi.com/pqdlink?index=218&did=525776671&SrchMode=3&sid=1&Fmt=3&VInst=PROD&VType=PQD&RQT=309&VName=PQD&TS=1123083139&clientId=13392&aid=1.

Bremmer, Ian. 2005. Can China handle threats to growth and stability? Financial Times. 20 March 2005.

Business Asia. 2002. Fog on the horizon. 25 March 2002.

Chaohua, Wang. 2005. Nothing to lose but their power. New Statesman. 1 January 2005.

Chapman, Roger E. 2002. Review of Is China unstable? Assessing the factors, ed. David Shambaugh. H-US-Japan, October 2002. http://www.h-net.msu.edu/.

China Newsweek. 2005. Opinion polls to link government and public. Translated by Li Shen and Yuan Fang for China.org.cn, 27 January 2005. http://www.china.org.cn/english/2005/Jan/ 119018.htm.

China Statistical Yearbook 2003. Beijing: China Statistics Press.

China Statistical Yearbook 2005. Beijing: China Statistics Press.

Cody, Edward. 2006. Glut of college students puts booming China to the test. The Washington Post. 12 May 2006: A14.

Dickson, Bruce J. 2003a. Threats to Party supremacy. Journal of Democracy 14: 27–35.

Dickson, Bruce J. 2003b. Whom does the Party represent? From “three revolutionary classes” to “three represents.” American Asian Review 21: 1–24.

Dunphy, Stephen H. 2004. The China bubble. Seattle Times, 1 February 2004, Sunday fourth edition.

Economist. 2005. Winning is only half the battle. 23 March 2005.

EIU ViewsWire. 2004. China politics: Rising U.S. tensions. 2 April 2004.

Esarey, Ashley W. 2002. Reconsidering Weingast market-preserving federalism in contemporary China. http://www.columbia.edu/~as48/Comparative%20 Federalism_files/MPF%2002-02-04.pdf.

Fan, Gang. 2005. China’s tough choices. Global Agenda 2005, 140–41.

Fewsmith, Joseph. 2003. China’s domestic agenda: Social pressures and public opinion. China Leadership Monitor, no. 6: 48–64.

Fogel, Robert. 2005. Why China is Likely to Achieve its Growth Objectives. National Bureau of Economic Research Working Paper, No. 12122.

Garnaut, Ross and Ligang Song, eds. 2004. China’s third economic transformation: the rise of the private economy. London: RoutledgeCurzon.

Goldstone, Jack A. 1995. The coming Chinese collapse. Foreign Policy, no. 99: 35–52.

Gong, Xiaobing. 2005. Reforms in China: Enhancing the political role of Chinese lawyers (includes remarks by Veron Hung). Translated by Victorien Wu and Veron Hung. Presented at a seminar sponsored by the Carnegie Endowment for International Peace and the Asia Foundation, 2 June 2005. http://www.carnegieendowment.org/

events/index.cfm?fa=eventDetail&id=781&&prog=zch.

Hu, Fred. 2000. Drifting apart. *World Link* 13, no. 5: 24–26.

Huang, Yasheng. 1995. Why China will not collapse. Foreign Policy, no. 99: 54–68.

Kaul, Sanat. 2006. Higher education in India: Seizing the opportunity. Indian Council for Research on International Economic Relations, Working Paper No. 180

Krug, Barbara, Ze Zhu, and Hans Hendrischke. 2003. China's emerging tax regime: Devolution, fiscal federalism, or tax farming? Erasmus Research Institute of Management Report Series Reference No. ERS-2004-113-ORG. http://papers.ssrn.com/sol3/`papers.cfm?abstract_id= 650830.

Lim, Paul J. 2004. White-hot China. U.S. News & World Report. 15 March 2004.

Lin, Gang, Martin King Whyte, Jie Chen, Edward Friedman, and Yongming Zhou. 2002. China's "credibility gap": Public opinion and instability in China. Asia Program Special Report no. 104. Woodrow Wilson International Center for Scholars: Washington, D.C.

Lin, Justin Yifu, Fang Cai, and Zhou Li. 2003. The China miracle: Development strategy and economic reform. Sha Tin N. T., Hong Kong: Chinese University Press for the Hong Kong Centre for Economic Research and the International Center for Economic Growth.

McGregor, Richard. 2004. China politics: Clashes in China raise doubt over state control. EIU ViewsWire. 3 November 2004. http://proquest.umi.com/pqdweb?index=46&did=759809111 &SrchMode=1&sid=3&Fmt=3&VInst=PROD&VType=PQD&RQT=309&VName=PQD&TS=1123000230&clientId=13392.

Montinola, Gabriella, Yingyi Qian, and Barry R. Weingast. 1996. Federalism, Chinese style: The political basis for economic success. World Politics 48: 50–81.

Ohman, Jack. 1995. Post-Deng China: The possible outcomes. Foreign Policy, no. 99: 53.

Mooney, Paul. 2007. China limits growth of universities. The Chronicle of Higher Education Online. 9 February 2007. http://chronicle.com/weekly/v53/i23/23a03904.htm

NCES (National Center for Education Statistics). 2005. Table 368: Selected population and enrollment statistics for countries with populations over 10 million, by continent: Selected years, 1980 through 2002. http://nces.ed.gov/programs/digest/d05/tables/dt05_386.asp

Pei, Minxin. 2001. Cracked China. Review of 2001 Shehui lanpishu: Zhongguo shehui xingshi fengxi yu yuce (Social blue book 2001: Analysis and forecasting of social conditions in China), ed. Ru Xin, Lu Xueyi, and Shan Tianlun. Foreign Policy, no. 126: 78–80.

Pei, Minxin. 2005. Dangerous denials: China's economy is blinding the world to its political risks. Foreign Policy no. 146: 56–58.

Shambaugh, David. 2000. The modern Chinese state. New York: Cambridge University Press.

Wang, Dan. 2005. The old man of Tiananmen. Wall Street Journal, 18 January 2005.

World Bank. 2001. Table 8: Land use and agricultural productivity. In: World Development Report 2000/2001: Attacking poverty. http://siteresources.worldbank.org/INTPOVERTY/Resources/WDR/English-Full-Text-Report/tab8.pdf

Wilson, James Q. 2004. Sex matters. Review of Bare branches, by Valerie M. Hudson and Andrea M. den Boer. Wall Street Journal, 13 July 2004.

Zakaria, Fareed. 1997. The rise of illiberal democracy. Foreign Affairs 76, no. 6: 22–43.

Zakaria, Fareed. 2003. The future of democracy: Illiberal democracy at home and abroad. New York: W. W. Norton.