

Preface

As we usher in the 21st century, certain phenomena with regard to China's economy after the reform and opening up are difficult to understand. At first, peasant worker shortages spread from coastal areas to the entire country, and then wages of average workers continually increased over the years. Many people are under the impression that China has the permanent characteristics of large population and abundant labor supply. Therefore, it is hard to believe there are labor shortages in China, a phenomenon that has existed since 2004 and become more visible with corresponding wage increases.

The unexpected labor shortage actually follows the description of an economic growth period in development economics literatures, i.e., the growth rate of labor demand exceeds the growth rate of labor supply. Therefore, a turning point in the economic growth is imminent. As the description above is based on a dual economy development model, which is characterized with unlimited labor supply, and the theoretical model is associated with the name of Professor William Arthur Lewis, we call this turning point the "Lewis turning point."

As a scholar in development economics and an observer at the frontier of China's economic growth, I found that the Lewis turning point in China's economic growth had been approaching. The finding was widely questioned. However, until recently, those who long opposed the finding have not provided adequate empirical evidence to deny the arrival of the Lewis turning point. Despite this circumstance, I continued empirical researches to prove the finding from various angles, i.e., this is a phasic change. One part of my work is on the demographic factors that are related to the Lewis turning point.

1 Demographic transition comes with economic growth and social devel-
2 opment. One result is the proportion of working-age population will rap-
3 idly increase, providing demographic dividends to the economic growth
4 through sufficient labor supply and high savings rates. When dependency
5 ratio is used as the index of demographic dividends, it has been found to
6 decline at a decreasing rate for a long period of time and is predicted to
7 reach the bottom in 2013 and start increasing afterward. In other words,
8 demographic dividends are going to disappear. This finding is consistent
9 with the finding concerning the Lewis turning point. It is not surprising
10 that this finding was also questioned.

11 Time is working in my favor, and the changing reality is eliminating
12 people's doubts on this phasic change. However, debates are continuing,
13 with the focus on the following aspects: (1) the evidence of the finding;
14 (2) the meaning of the finding; (3) the government policy implications of
15 the arrival of the Lewis turning point. I continue empirical researches and
16 publish papers in academic journals to respond to all questions and que-
17 ries, and I also write short articles requested by newspapers and maga-
18 zines to discuss the topic above in a less pedantic style. This book collects
19 a series of representative articles.

20 Following editors' suggestions, this series of articles is arranged into
21 six chapters, which discuss the same topic from six different angles.
22 Chapter 1 is "The Arrival of the Lewis Turning Point," Chapter 2 is "The
23 Disappearance of Demographic Dividends," Chapter 3 is "End of the
24 Unlimited Labor Supply Era in China," Chapter 4 is "Employment
25 Challenges After Reaching the Lewis Turning Point," Chapter 5 is
26 "Further Propelling Urbanization and Balanced Regional Development,"
27 and Chapter 6 is "Avoiding the Middle-Income Trap." To extend the read-
28 ing, each of the six chapters attaches an academic paper to provide the
29 reader with more literatures and empirical evidences. This arrangement
30 helps to overcome the unsystematic drawback of the collection of
31 articles.

32 The world economic history shows that past success in a country's
33 economic growth is not necessary a promise of its success in the future.
34 Especially when the country becomes a middle-income country, previous
35 practices may not work well in future stages. Because of the arrival of the
36 Lewis turning point and the disappearance of demographic dividends,

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China will face many severe challenges and be in danger of falling into	1
the middle-income trap during its 12th five-year plan or later period.	2
Successfully dealing with these challenges helps to overcome this poten-	3
tial “trap” and realize the great goal of constructing a generally affluent	4
society. I sincerely hope this series of work can help the readers to deeper	5
thinking in relevant topics.	6
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