

Will China Dominate the World?

David Goldman

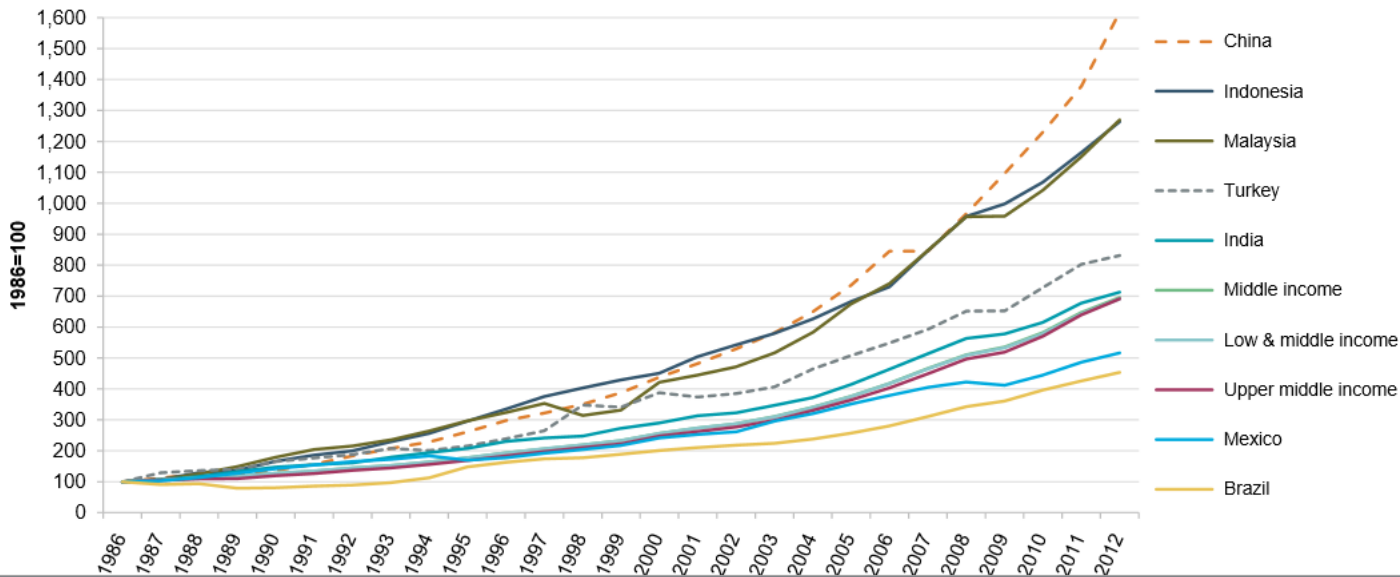
The Farm Foundation

April 30, 2019

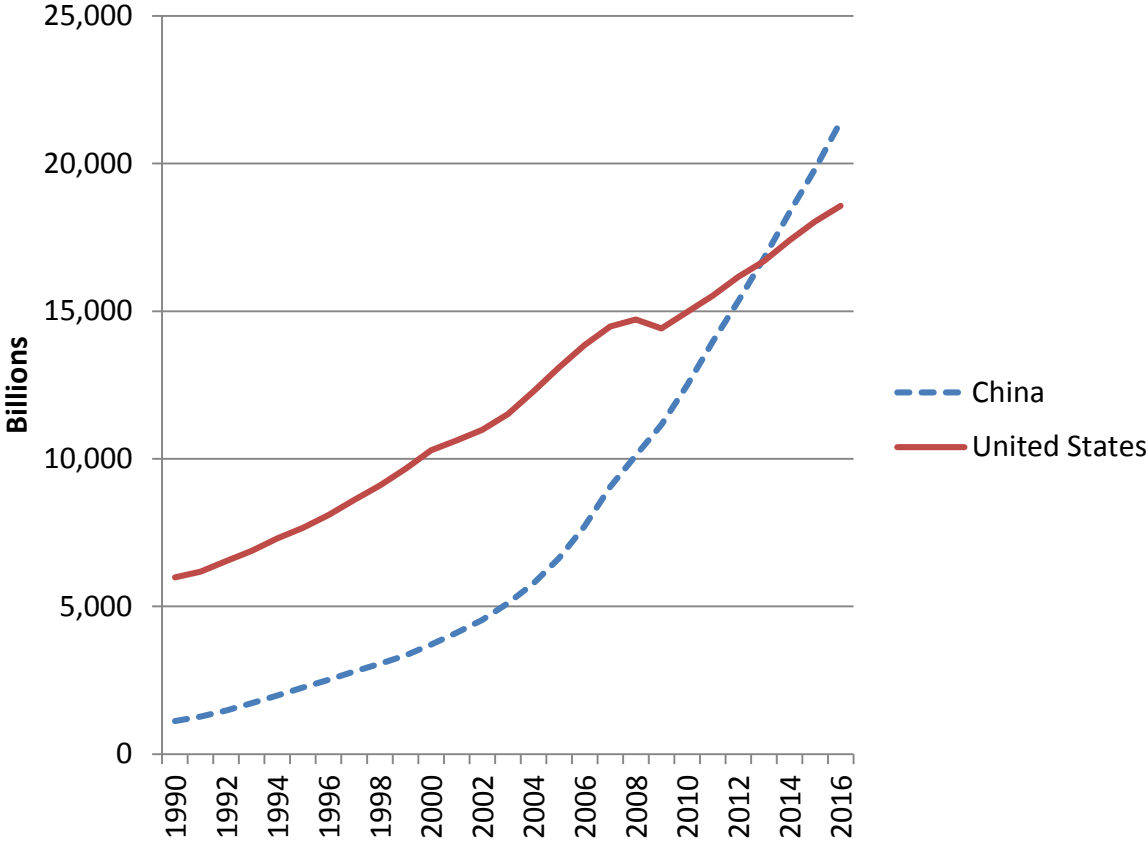


China is a unique event in economic history

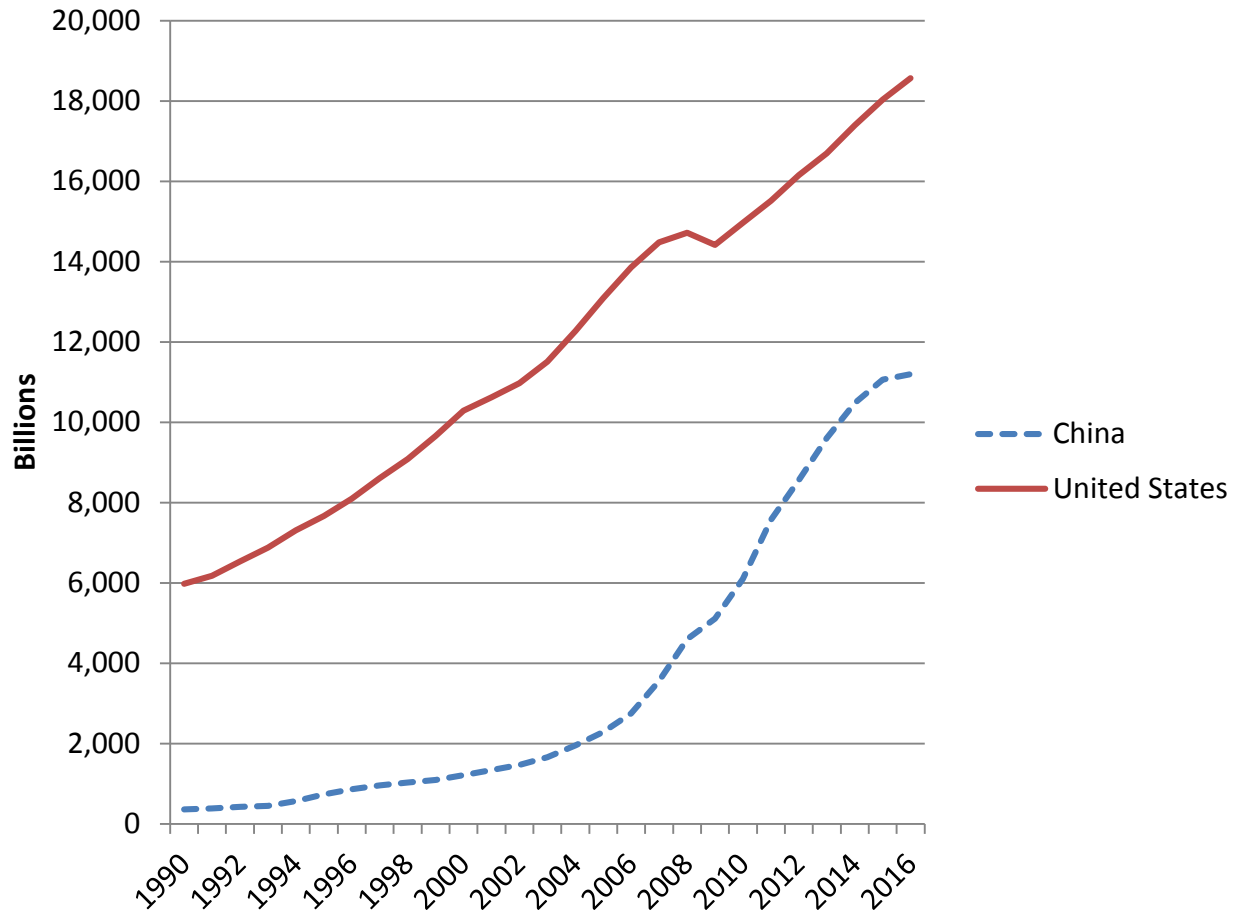
HOUSEHOLD CONSUMPTION



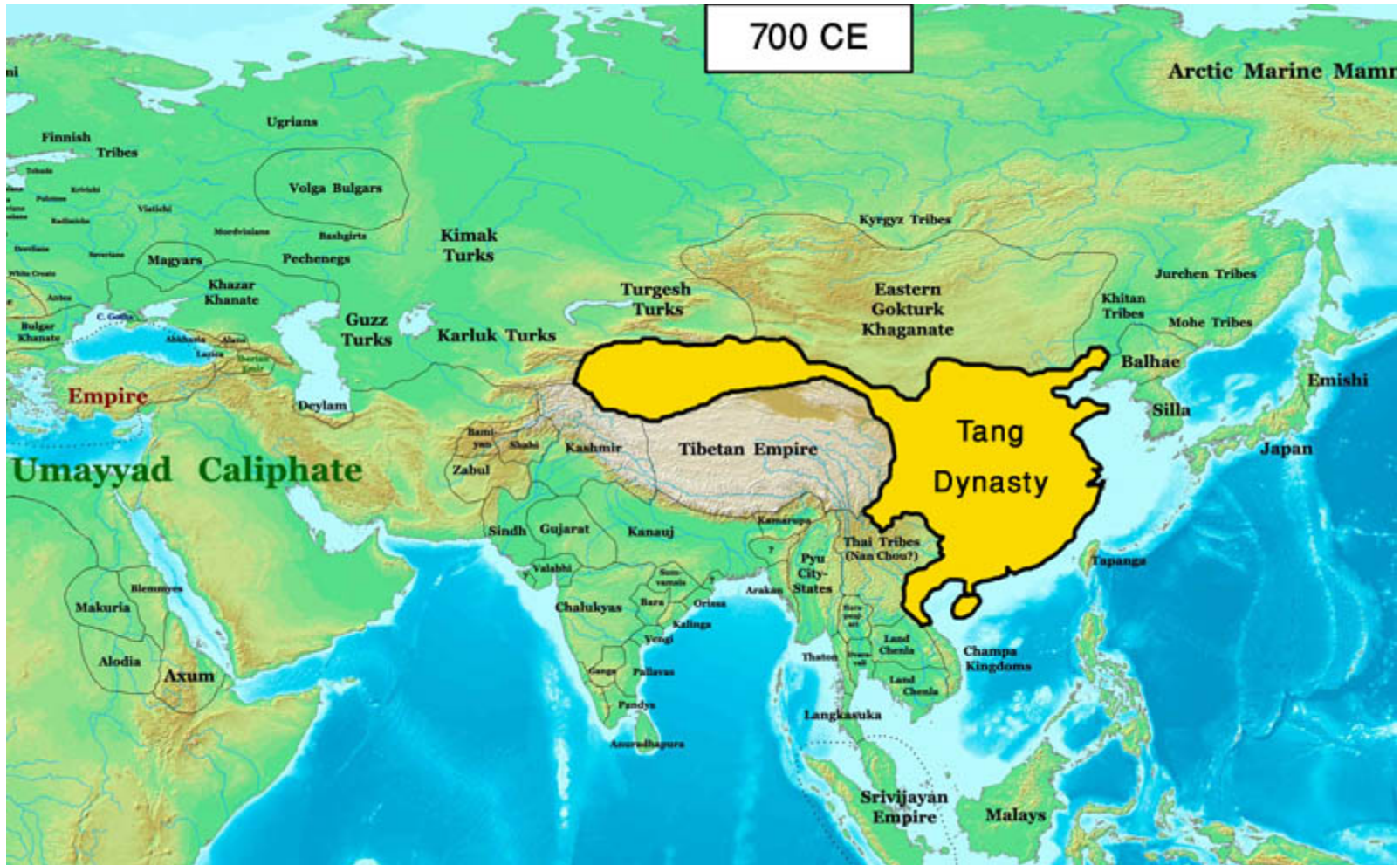
China vs. US GDP (Purchasing Power Parity)



China vs. US GDP (Current US\$)



Tang 618-907

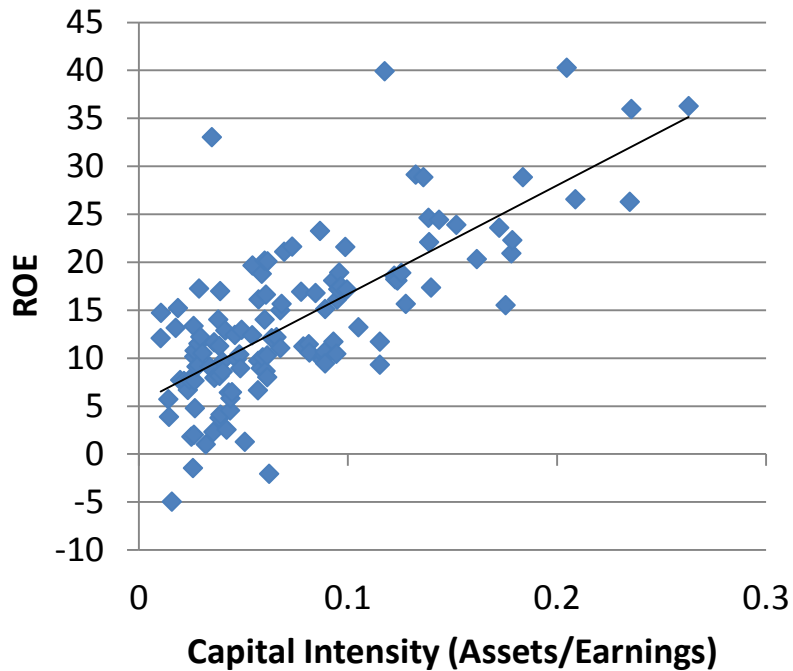


China is always half-unified

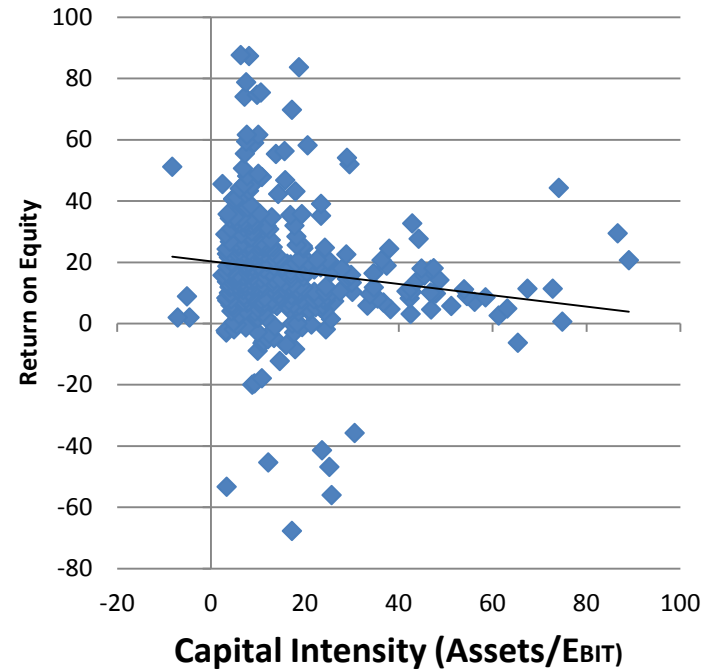


China Subsidizes Capital Investment

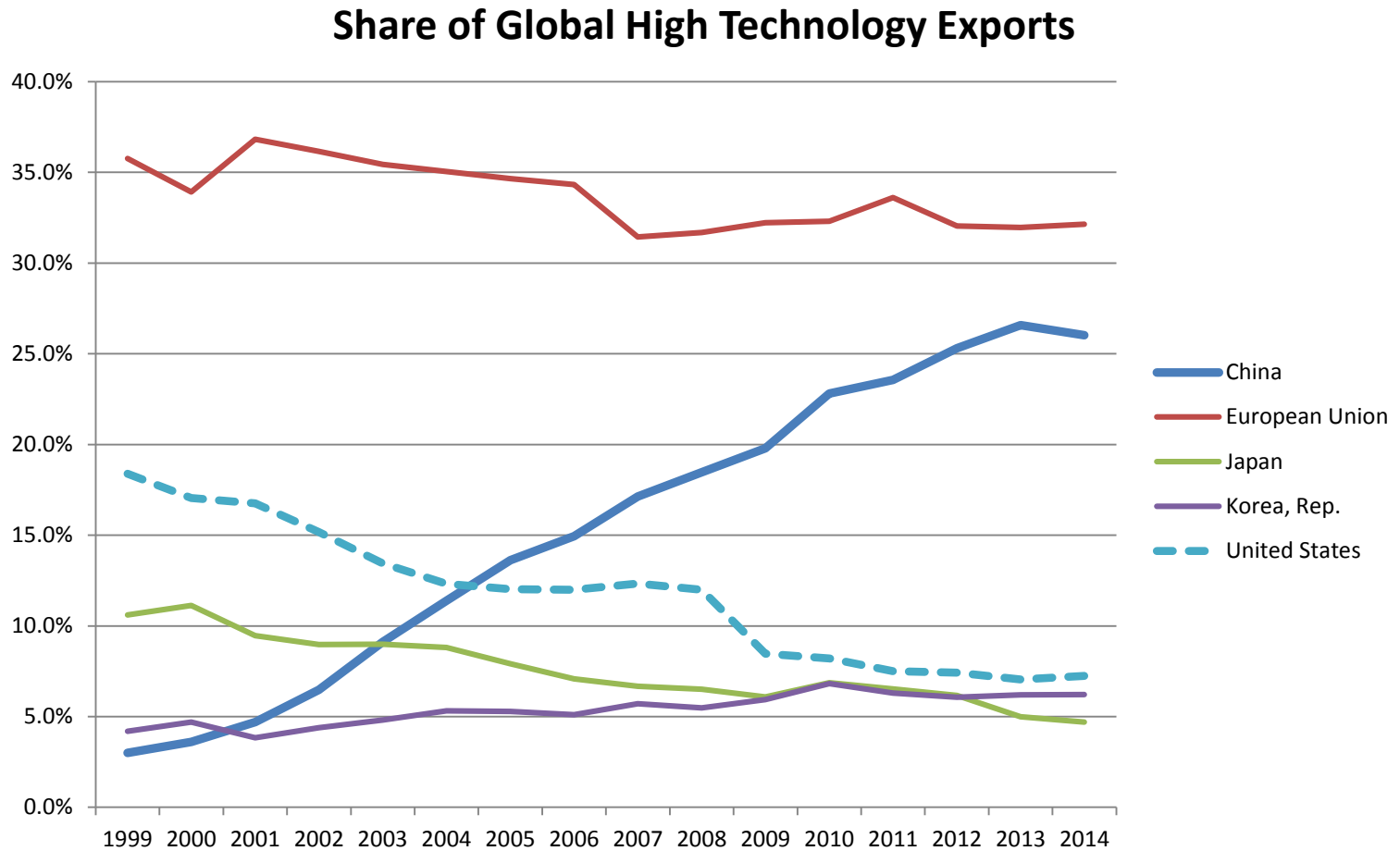
Capital Intensity vs. ROE in MSCI China Equity Index



S&P 500 goes "Capital Light"



China Gains in Tech Exports



Wireless Sites Per Capita and 5G

During 2017, China Tower added approximately 460 sites per day, implying US tower companies and carriers added fewer sites in the last three years than China Tower added in three months.

Sites per 10,000 people



United States



China



Germany



Japan

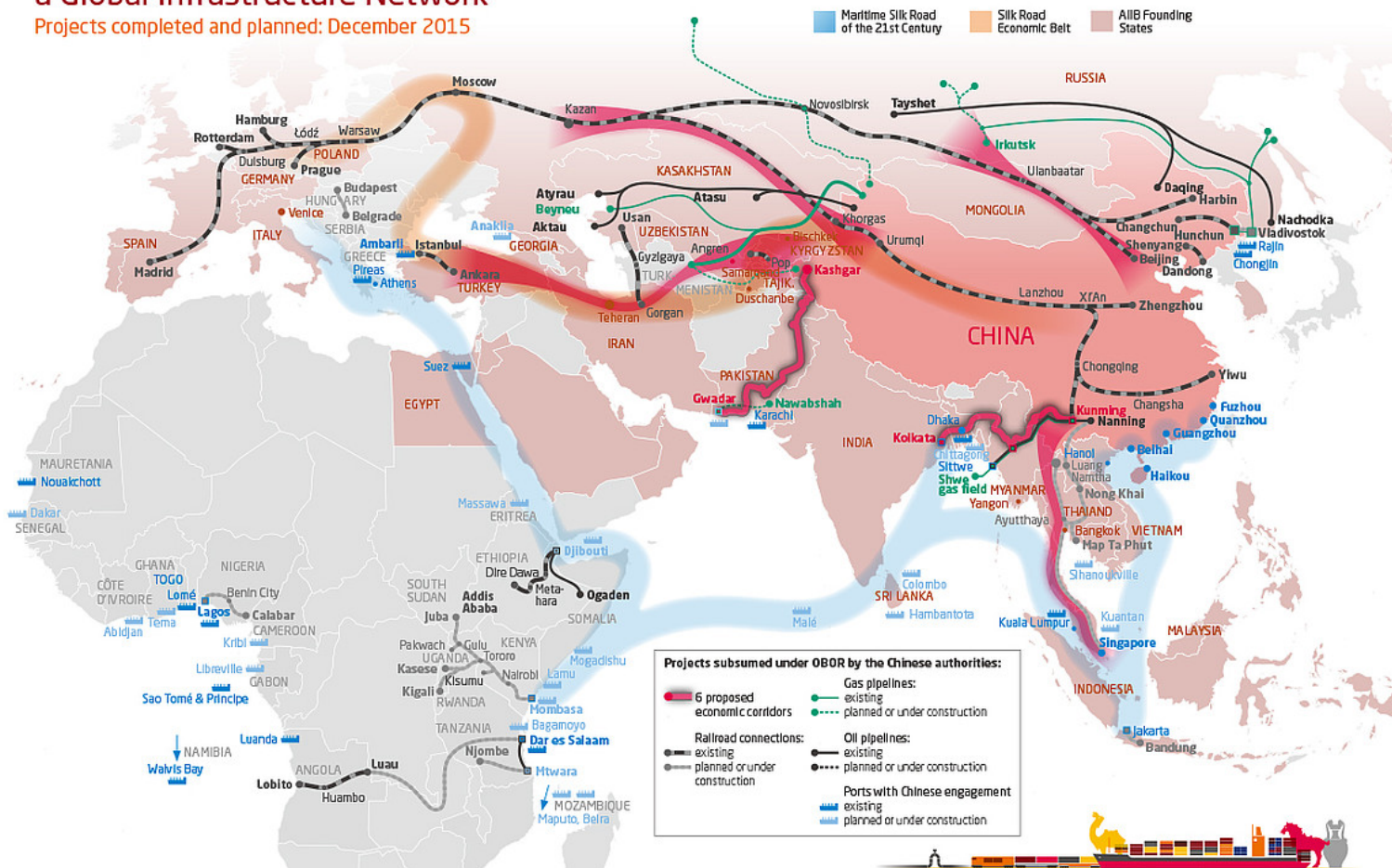


Greater China's \$1 Trillion Plan

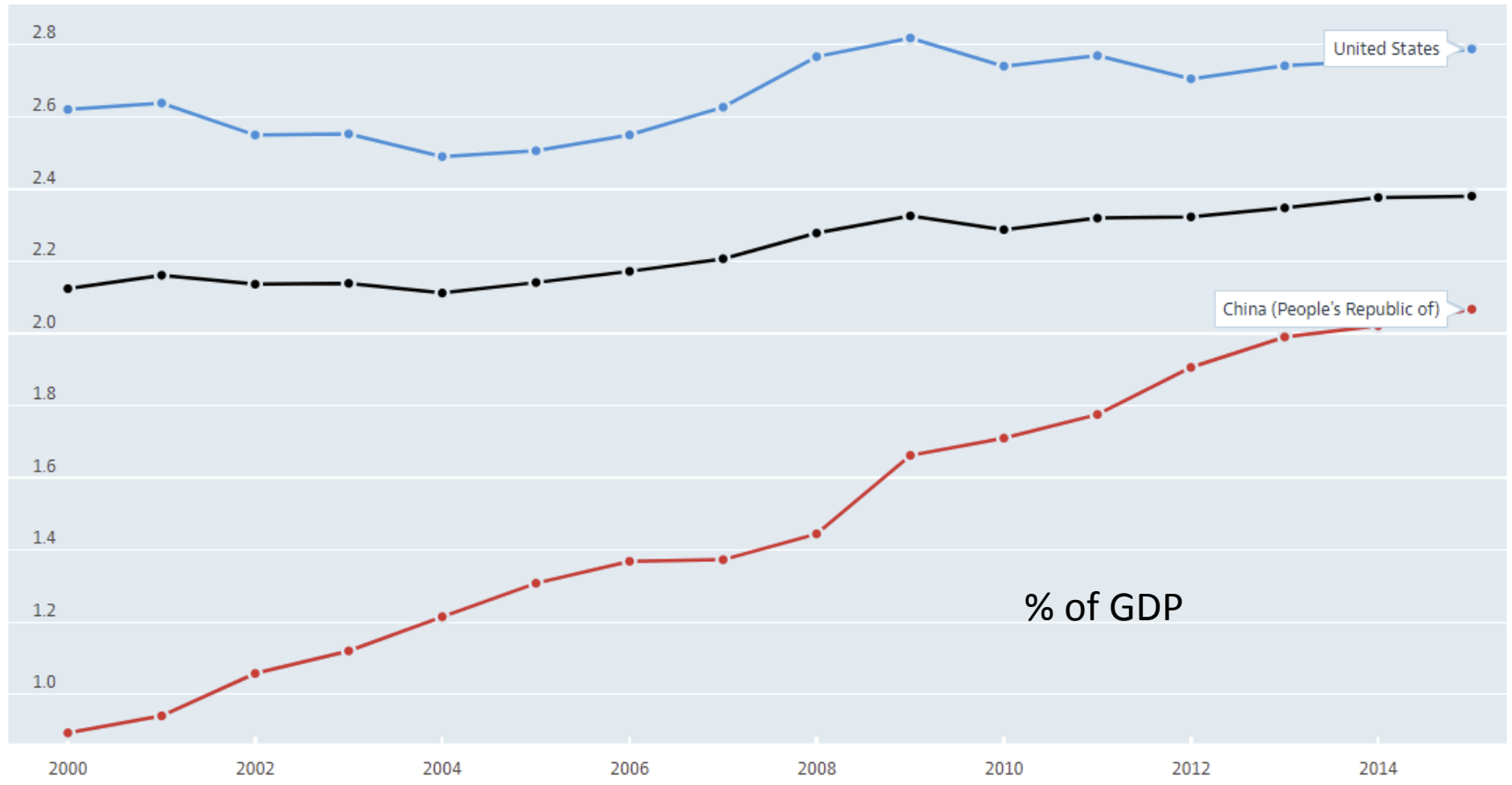
MERICS China Mapping

One Belt, One Road: With the Silk Road Initiative, China Aims to Build a Global Infrastructure Network

Projects completed and planned: December 2015



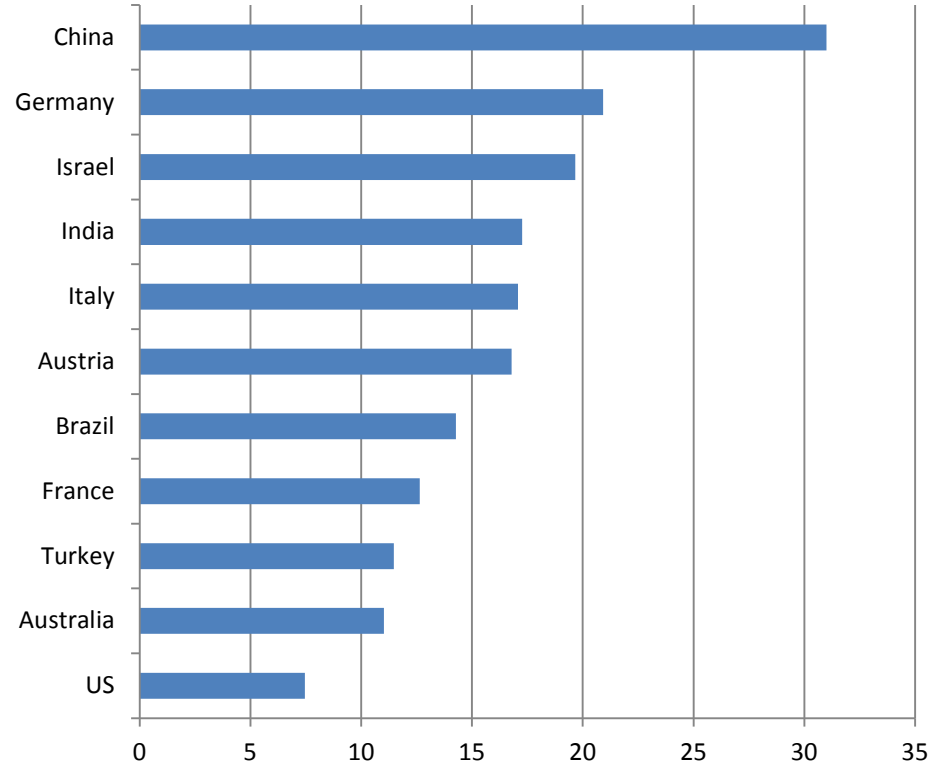
China's R&D Spending Will Overtake America's in the Early 2020's



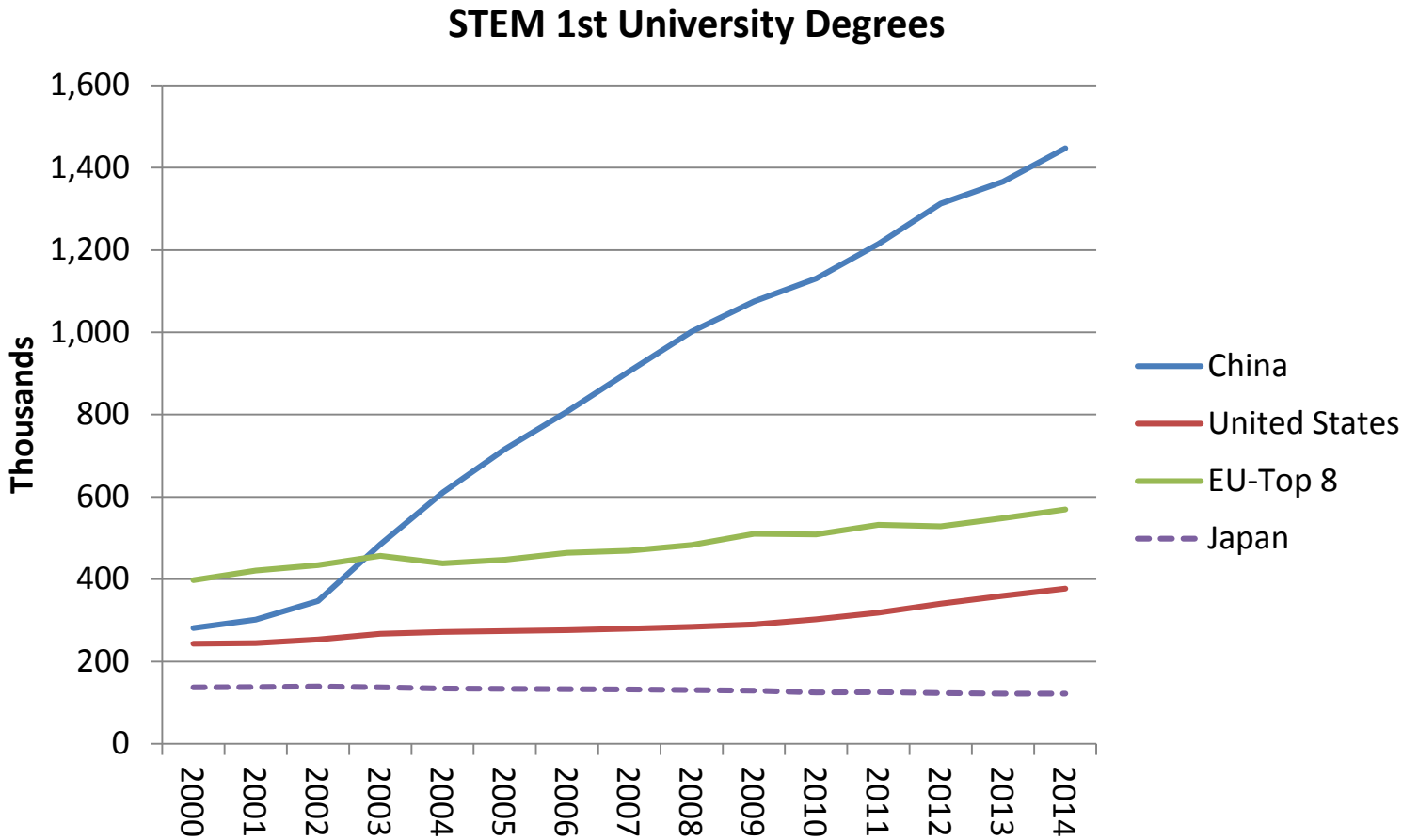
Source: OECD

China has 4X our STEM B.A.'s and 2X our STEM PhD's

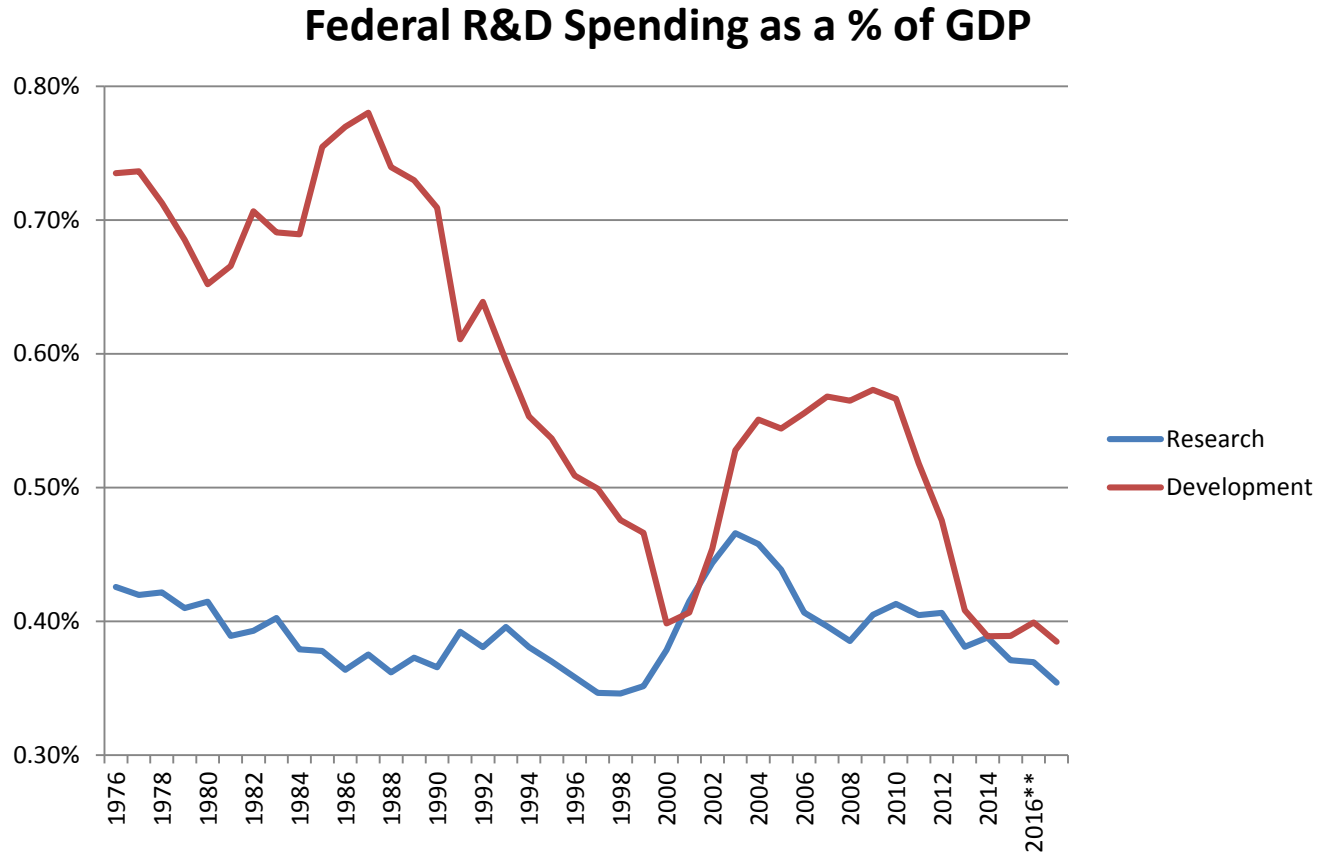
Engineering Students as % of Total



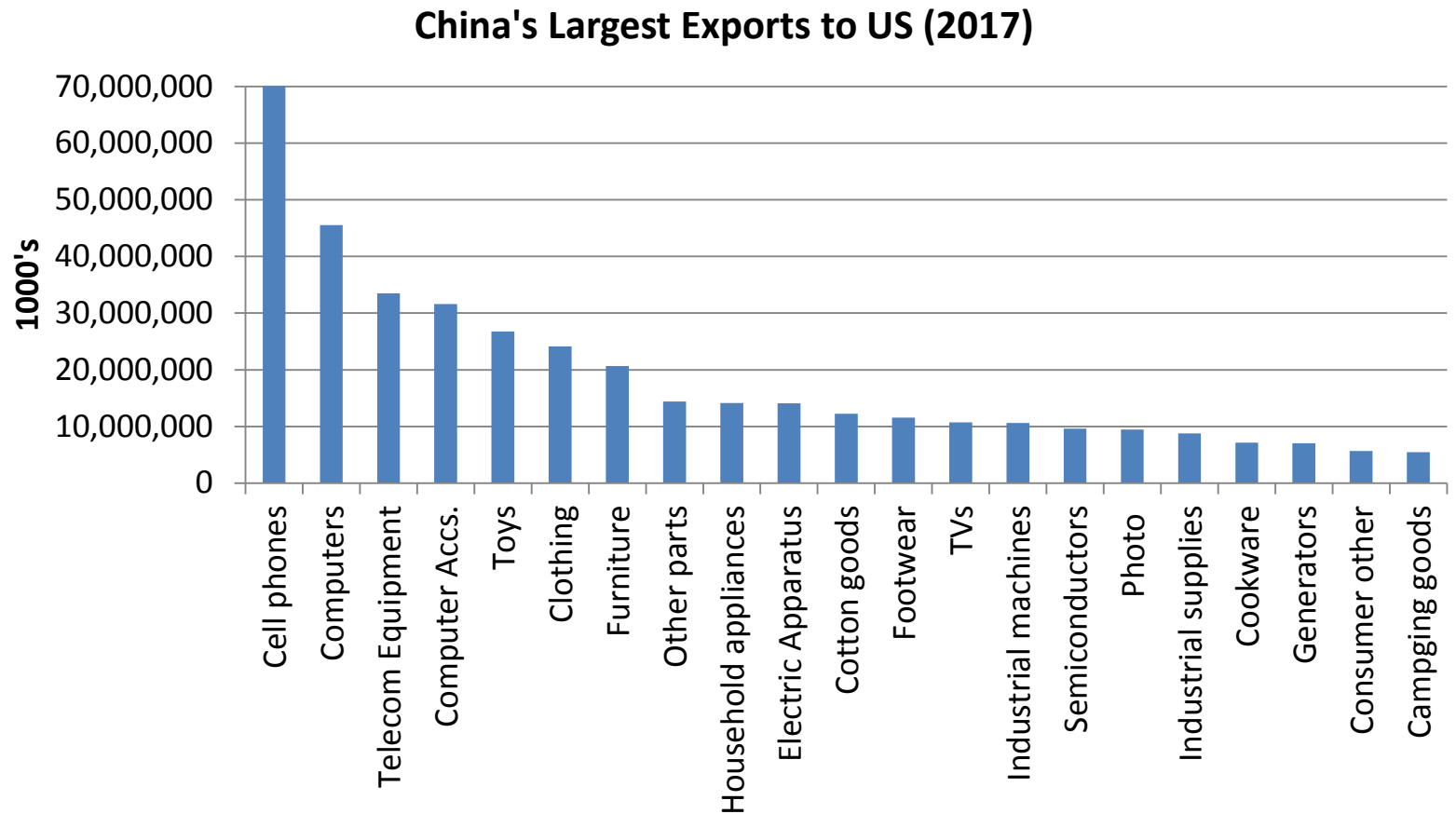
China's Education Gap Widens



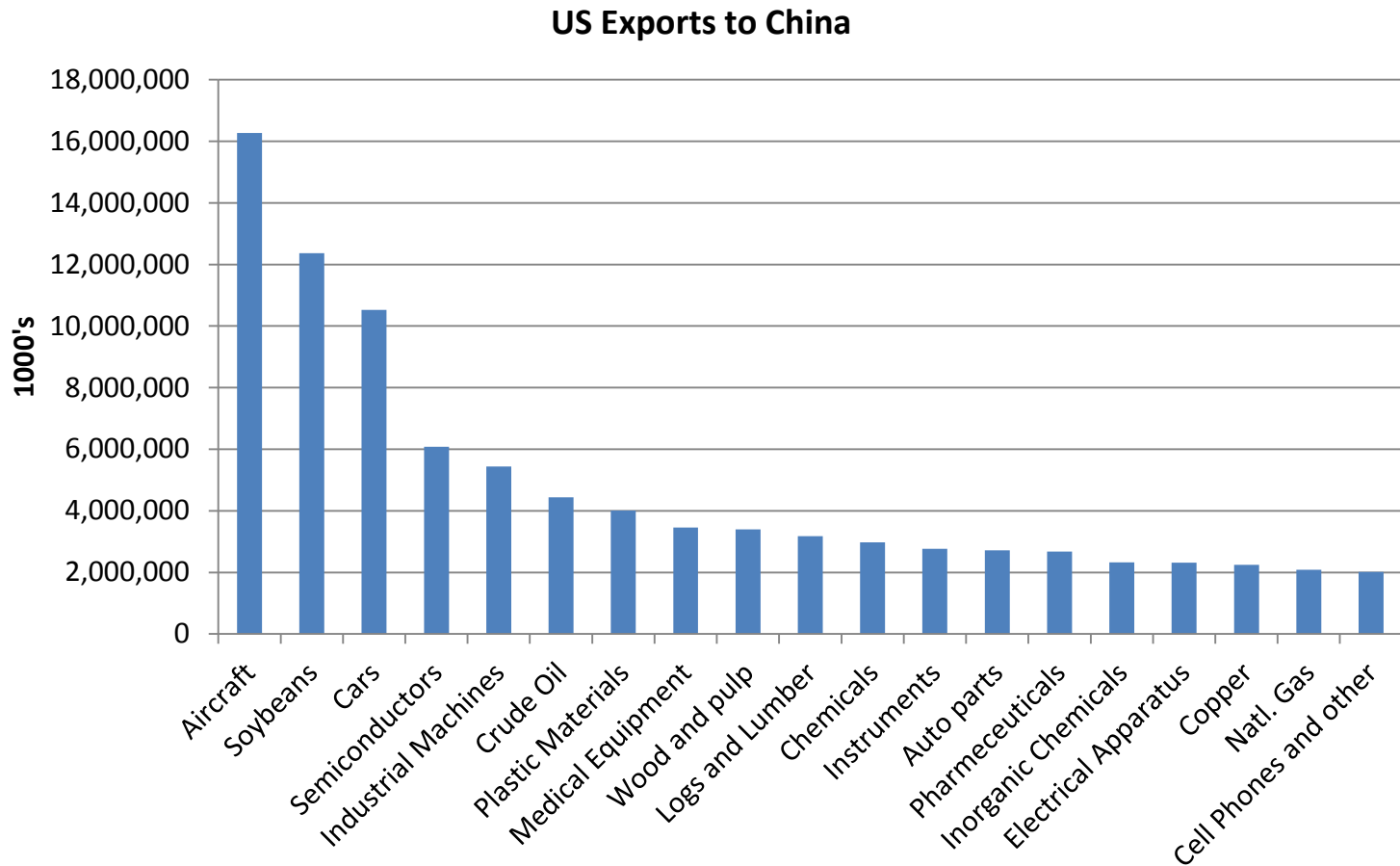
US Basic R&D Falls



Why Tariffs May Backfire



Why Tariffs May Backfire (II)



Chinese leaps in technology

- Landed a probe on dark side of moon;
- Developed successful quantum communication via satellite;
- Built a 2,000-kilometer quantum communication network between Beijing and Shanghai;
- Built missiles that can blind American satellites;
- Developed surface-to-ship missiles that can destroy any vessel within hundreds of miles of its coast; and
- Built some of the world's fastest supercomputers
- Outspent the US between 5:1 and 10:1 in quantum computing

The US should...

- Force key high-tech industries onshore using defense subsidies/tax breaks
- Place export controls on high tech (no more Boeing satellites to help China surveil its citizens)
- Change Defense Department budget priorities to emphasize war-winning advance technologies rather than legacy systems
- Offer a new National Defense Education Act
- Create an alternative to the Belt and Road Initiative with Japan, South Korea, India and others
- Engineer a brain drain of China's most talented scientific cadre.