

China: The Real Story

China is a big topic on YouTube. Some videos tell us China is on the brink of some crippling disaster, while others tell us it's on the path to world dominance as an economic superpower. What is really happening? Are the reported problems just growing pains, or signs of a Chinese downfall?



As Yogi Berra said, "It's hard to make predictions, especially about the future." So I'll start with showing you parallels between China's current problems and our own American growth history. Then I'll describe some of China's advantages.



First complaint: China may be headed for
Economic Collapse.

China

- Possibly headed for economic collapse

We had a Great Depression less than 100 years ago, followed by post-War Boom.

United States

- Great Depression of 1929, followed by Post-War Boom of 1945-1972

Second complaint: Xi Jinping fires people, including high-ranking military officers, for political reasons.

China

- Possibly headed for economic collapse
- Xi Jinping is purging prominent people from his government, including high-ranking military officers, for suspected political disloyalty.

Remember the McCarthy era of the 1950's, when hundreds of people were imprisoned and thousands lost their jobs for suspicion of Communist loyalty. The nuclear scientist Julius Rosenberg and his wife Ethel were executed for association with the Soviets. In 1970, four students were killed and 9 others injured for protesting the Vietnam War at Kent State.

United States

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- In the McCarthy era of the 1950's, hundreds of people were imprisoned and thousands lost their jobs for suspected Communist loyalty. Others were executed.

Next complaint: The Chinese government exaggerates the numbers for its population and GDP. One video tells us specifically that China reports the GDP 1.3 times as high as it really is, and its population twice as high. Now this is a strange complaint. If they exaggerate the population MORE than the GDP, then their GDP per capita comes out lower, and they look more backward and poverty-stricken. Who would want to fudge the data to make themselves look worse?

China

- Possibly headed for economic collapse
- Xi Jinping is purging prominent people from his government, including high-ranking military officers, for suspected political disloyalty.
- The Chinese reports its GDP 1.3 x as high as it really is, and its population 2 x as high.

Supposedly the local governments in China exaggerate their population for political advantage. The United States manipulated population numbers in the original Constitution, where only $\frac{3}{5}$ the number of slaves were counted for purposes of Congressional representation. We ended up fighting a Civil War over that political advantage.

United States

- Great Depression of 1929, followed by Post-War Boom of 1945-1972
- In the McCarthy era of the 1950's, hundreds of people were imprisoned and thousands lost their jobs for suspected Communist loyalty. Others were executed.
- The U.S. Constitution apportioned Representatives in Congress on the basis of free persons plus $\frac{3}{5}$ the number of "other persons" (slaves). Followed by Civil War.

Next complaint: The Chinese middle class is disappearing.

China

- Possibly headed for economic collapse
- Xi Jinping is purging prominent people from his government, including high-ranking military officers, for suspected political disloyalty.
- The Chinese reports its GDP 1.3 x as high as it really is, and its population 2 x as high.
- The Middle Class is disappearing.

Our own middle class is shrinking right now.

United States

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Next up: China has a corrupt Ponzi scheme in the housing market.

China

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- Xi Jinping is purging prominent people from his government, including high-ranking military officers, for suspected political disloyalty.
- The Chinese reports its GDP 1.3 x as high as it really is, and its population 2 x as high.
- The Middle Class is disappearing.
- There has been a corrupt Ponzi scheme in the housing market.

Bernie Madoff did the same thing in the stock market. We also survived a housing finance crisis with subprime mortgages in 2008.

United States

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- The U.S. Constitution apportioned Representatives in Congress on the basis of free persons plus $\frac{3}{5}$ the number of "other persons" (slaves). Followed by Civil War.
- Our own Middle Class is shrinking right now.
- Bernie Madoff ran a \$200 billion Ponzi scheme in the stock market, plus we had the subprime mortgage crisis 2008.

Americans lived through a lot of growing pains on our way to becoming a superpower. China may be able to do the same. So now let's look at China's advantages. The first is population. The official number is 1.4 billion. Even if they have only half that many people, they're way ahead of us. China has a long and rich cultural history. It was the world's richest country for 500 years, as reported by Adam Smith in 1776. It fell behind for a few hundred years when it cut off trade, but it is now catching up.



Then there's the brain gain. In the past, we talked about the brain drain, where well-educated people from low-income countries moved to higher-income countries to find better job opportunities. Now there are more attractive professional jobs in China, while some Chinese-born intellectuals feel less welcome in the U.S. Engineers and scientists are returning to China with technical knowledge from all over the world.

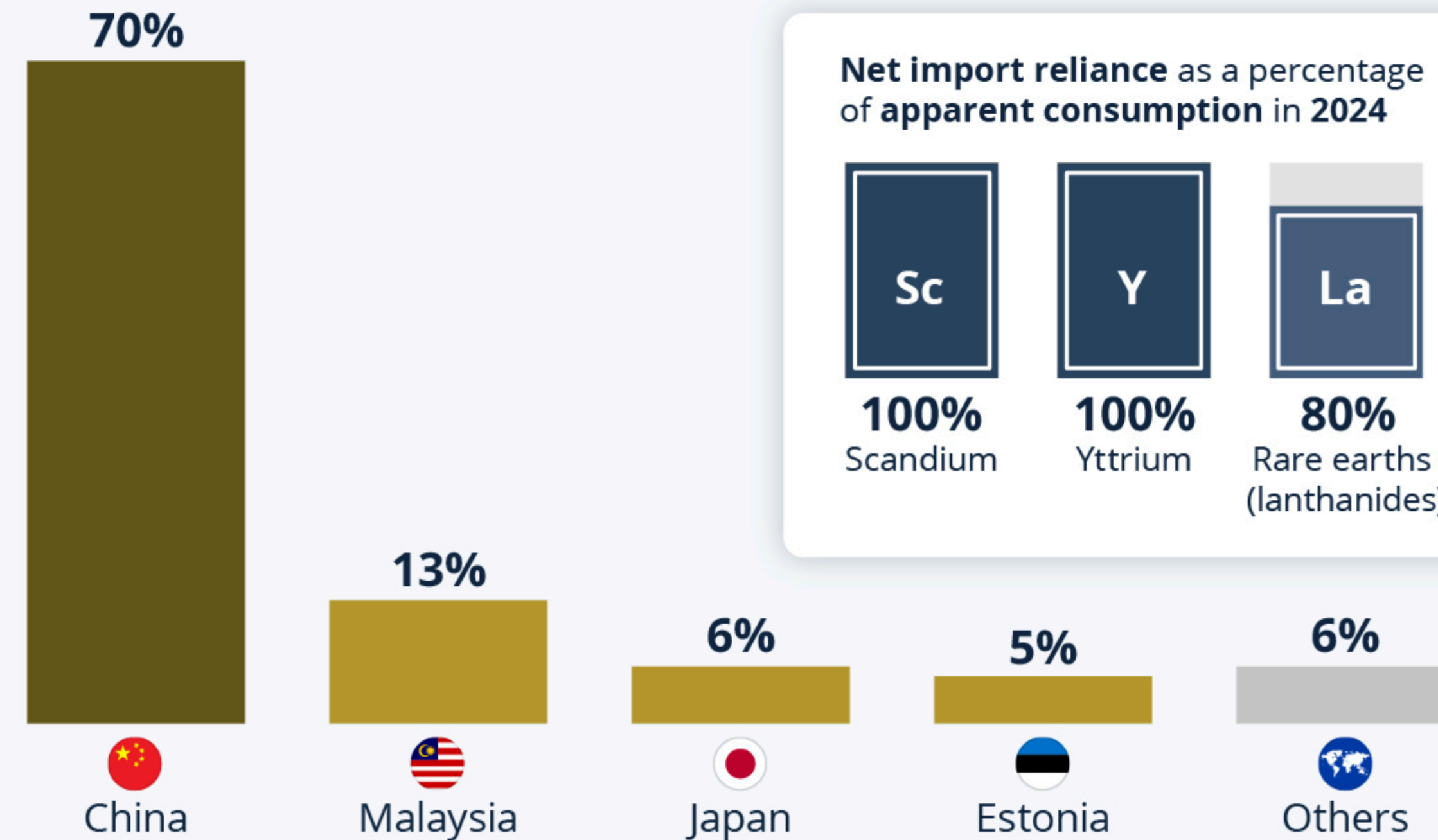


Brain Drain → Brain Gain

Next we have rare earth production. These minerals are essential for most of our electronic products. We import at least 80% of the rare earths we need, and most of that supply comes from China.

The U.S. Relies Heavily on Rare Earth Imports From China

Share of U.S. imports of rare earth compounds and metals between 2020 and 2023, by source country*



* Data include lanthanides and yttrium but exclude most scandium

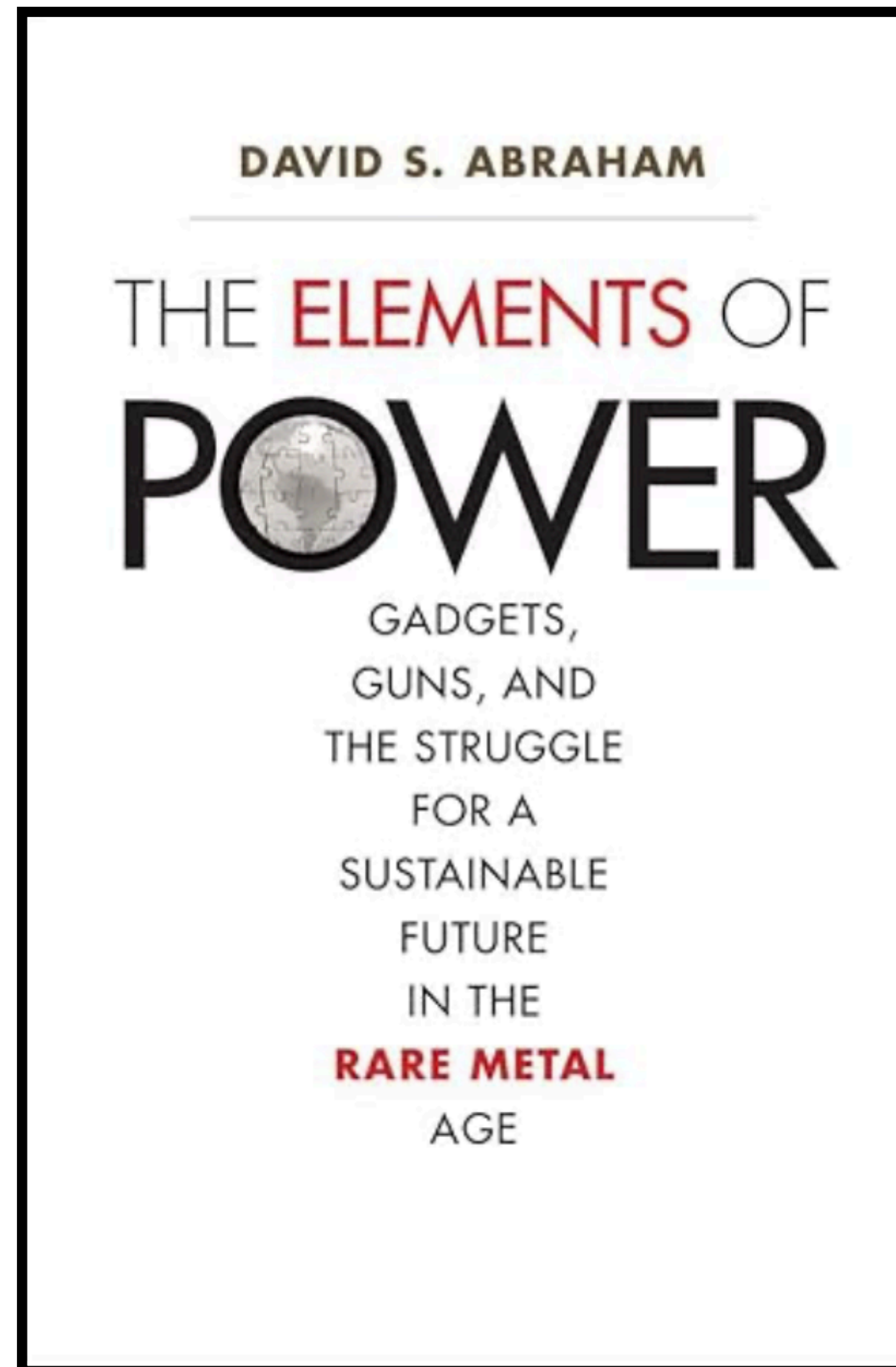
Source: U.S. Geological Survey



statista

<https://www.statista.com/chart/34301/us-rare-earth-imports/>

Author David Abraham explained why each rare earth mine requires development of its own refining process, and it takes about 15 years to get production started. Also they have toxic by-products that are environmentally unfriendly, to say the least. American companies are constrained by quarterly profit reports and environmental regulations, while the Chinese government is much more inclined to think long-term and accept environmental damage for mining areas.



Rare Earth Element Production

Theoretically we can catch up to China in rare earth production, but it will take a lot of time and money. For the moment, we need their materials as much as they need our technology.



According to the National Association of Manufacturers, China is winning the electricity race, building new power production capacity faster than anybody else.

Input Stories

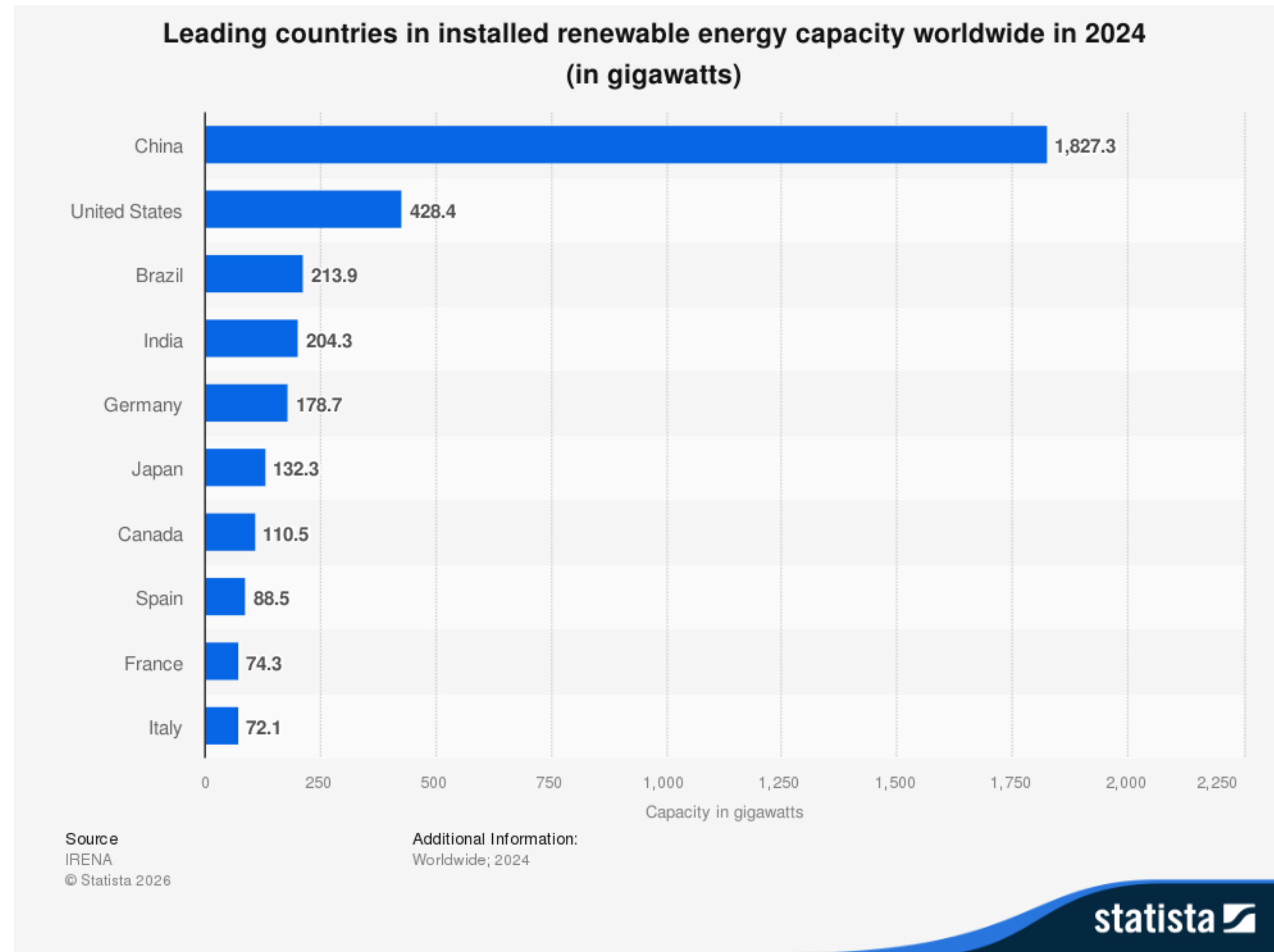
China Is Winning the Electricity Race So Far

By [NAM News Room](#)

December 12, 2025 4:13pm



They use all forms of electricity generation, And they are the world leaders in renewable energy production.



[https://www.statista.com/statistics/267233/
renewable-energy-capacity-worldwide-by-country/](https://www.statista.com/statistics/267233/renewable-energy-capacity-worldwide-by-country/)

For trade, China is already the dominant nation for building container ships and the containers they carry. Their Belt and Road Initiative includes building megaports around the world.



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US attempts to curb China's dominance in shipping, but actions could backfire

For These are the most obvious advantages. I get the picture that China is moving up the technology scale step by step, learning how to build everything and how to build it bigger.

There are a lot of steps to becoming an economic superpower, and China is clearly stumbling on some of them. Just as we did.

So what will China's future be? I don't know, but I think it would be a great idea to be a good neighbor.

