

# The frugal giant

The Economist

2005.9.24

# Anatomy of thrift

- “saving glut”, “saving surplus”, 超額儲蓄
- According to the textbook, saving and investment are always equal
- This is true for the world as a whole, but it is not true for individual countries
- the difference between two is the amount **borrowed** from or lent to foreigners, also called the **current account** (經常帳) deficit or surplus

- has very big current account surplus, or saving is much higher than investment
- Thanks to rocketing economic growth, the Chinese are spending a lot more than they used to be
- still, saving is very high
- Why?
- [skip the discussion about China's current account]

## Thrifty habits

- Chinese households have not changed their consumption patterns fast enough
- increased income inequality has boosted saving further
- one-child policy has made it harder for people to rely on their children in old age
- the weakness of social safety nets
- the state sector (the “iron rice bowl”) has shrunk

# Thrifty habits

- Pension coverage is low
- Pensions are organized largely at the municipal level, and are not easily portable
- Health care is getting more expensive
- Education, too, requires deep pockets, even with fewer children
- The relative lack of credit is another factor

## Since 2000 ...

- Saving rate has increased
- household saving rate has been more or less steady since 2000
- the recent rise in national saving was led by the government and the corporate sector