



Rodney's Take

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The Great Chinese Disappearing Act

The Chinese seem to be everywhere. The navy has made its presence known off of the coast of Taiwan and in the South China Sea, while the government has made deals under the One Belt, One Road initiative to build infrastructure in countries around the world. The nation of 1.1 billion people is flexing its economic and military muscle in a way that concerns other global powers and downright frightens its nearest neighbors.

But for all of its might, China has an Achilles' heel, a soft spot in the armor it's been hammering as it has developed since the early 1990s.

The same force that is propelling the nation forward is also going to be its downfall... the people.

I'm not speculating about the younger generation rising up to challenge the older generation or even an us-versus-them conflict between rural and urban dwellers. I'm referring to something much subtler and much harder to control: babies.

The Chinese still aren't having babies, even after the government in 2016 gave the people the green light to have more than one child.

In the year after the Chinese relaxed the four-decades-old one-child policy, 2017, the number of annual Chinese births jumped from 16.55 million to 17.86 million. That's a lot of kids, and it was the highest number of births

since 1999. But just one year later, births fell to 15.23 million, the lowest level since 1961.

Chinese authorities assumed that by simply giving people permission to have more than one child, young parents would rush out to get pregnant. While the numbers show that some families were eager to have another child, most were content with just one. When asked why they didn't want to have another, families were quick to answer: it's too expensive.

Families often spend most of their income to send their one child to the best schools they can afford, while also saving to help the child buy a home and pay for a wedding. The markets in each industry have adapted to call for families to focus everything on just one child. If parents suddenly have two children, they will be able to afford half as much and must send their kids to lesser schools and prepare for smaller life events. In the fiercely competitive Chinese society, that's not an option.

The same calculus is holding down childbirth in other countries, such as South Korea. It's all about the cost of raising children.

While we can't know the number of Chinese children born in 2020 yet, an early indicator points to another dramatically lower number.

Local authorities in Ningbo, a city of 8.5 million, recently projected about 36,000 births this year, which would be a 27% drop from 2019. If births across China fell 25%, it would push the number of births down to 11.42 million, or the lowest number on record, going back to the start of the Mao era in the late 1940s. The Chinese population is expected to peak in the mid-2020s.

Over the last several decades, the falling birthrate gave the Chinese economy the chance to focus on growing its economic engine instead of spending more money raising children, but that decision comes with a cost. As the nation ages, there are fewer young, working-age people to support the bulging retired class. The Chinese pension fund is expected to go dry by 2035, drained by a rising number of retirees and starved of income by a falling number of working-age citizens.

The Chinese have been able to grow their economy at a rapid pace for decades, and they aren't blind to the demographic problems they face. The country will likely manage by directing workers into certain industries

and moving populations from cities back to rural, less-expensive areas. It's still a command economy. But there's no question that the Chinese government will have its hands full trying to manage a shrinking population at home, which should take some of its attention away from expanding its reach abroad.

For anyone worried about the Chinese trying to take a dominant position on the world stage, just give it time. While the nation certainly won't disappear and will remain an economic and military power, it's likely to fade at least a bit as it grows old before it grows rich.

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