



# ***Rodney's Take***

June 7, 2021

## **For Chinese Demographics, The Wall Street Journal 2021 = HS Dent 2005**

In the mid-2000s, HS Dent started ringing a warning bell about the demographic issues facing China. At the time, the Middle Kingdom was cementing itself as the manufacturing hub for the planet, but its incredible productivity growth was hiding a huge problem in plain sight. The Chinese weren't having enough children. Once this mindset takes hold, it's hard, if not impossible, to shake.

The Chinese government started a one-child policy around 1980, which kept child-related costs to society much lower than they otherwise would have been, thus allowing the nation to focus on increasing its economic might. As this happened, large numbers of migrants moved from villages to cities, chasing paychecks and better economic prospects. City living made raising a child expensive for the family, even if the overall cost for society remained low.

And then there was sex selection.

Because boys were valued more than girls, under that one-child policy some expectant parents in China would abort a female child and hope for better luck next time. Among Chinese from 10 to 20 years old, there are about 118 boys for every 100 girls. As I used to tell participants in our Demographic School seminars, that means 18 young men out of every 118 wouldn't have a girl to marry. And that's not narrowing the field only to friendly girls or to pretty girls, we're talking about *any* girls. And the

numbers get worse when you consider that the remaining 100 of each sex won't match up perfectly.

The Chinese government relaxed the one-child policy in 2016, and sure enough, there was an uptick in births the next year. After that, the birth rate declined.

The latest Chinese census shows the population holding steady, but outside observers believe the population fell. Hoping to reverse the falling birth numbers, the Chinese government just announced that families can have up to three children each. That brings up a question. If families didn't want to have two children, why would they suddenly want to have three?

China has 1.4 billion people. While they don't need more people, their economy is built on the same structure as that of most other nations: the working class pays for the benefits of the retired class. If the population isn't shaped like a pyramid, with more workers following retirees and more children following current workers, then somewhere along the way, current workers will have to pay significantly more than previous workers to support retirees.

Solutions are easy to identify but hard to implement.

As is true for most developed nations, China could cut benefits to retirees, dramatically raise taxes on workers, or encourage people to have more kids. The first two propositions are politically dangerous, while the third has proven impossible to do.

Naturally, government leaders worldwide are opting for door number three. It's better to strive for the impossible goal than to face reality and potentially upset the populace.

When the Chinese government thought the country had too many children, regional and city governments used forced sterilization, forced abortions, property confiscation, and other draconian methods both to keep people from having more children and to punish those who broke the law. So far, the Chinese government has offered only carrots (incentives) to those who

could have more kids. I shudder to think what Chinese authorities might do when they resort to the stick to get what they want.

Rodney

*Got a question or comment? You can contact us at [info@hsdent.com](mailto:info@hsdent.com).*