



Rodney's Take

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A Terrible Year for China

Overall, this year might seem like a win for China. The Middle Kingdom is flexing its muscles in the South China Sea, intimidating Taiwan, and it recently test-fired a hypersonic missile. The government has engineered a slowdown in the red-hot property market, which so far has not translated into an all-out economic crash. The nation's economic engine slowed as COVID-19 snarled supply chains and dampened commerce around the world, but with a large, trained labor force and a growing middle class, the China clearly is a growing economic force.

But for how long? This year, China will reach two unhappy milestones.

First, in 2021, the number of births in China likely fell to about 10 million, the lowest on record all the way back to 1930, before the communist revolution. This year's total will be 20% lower than last year and a whopping 44% lower than the number of births in 2017, the year after the government eased the one-child policy. The total fertility rate (TFR) for China, or the number of children a woman of child-bearing age can expect to have, will fall to 1.7, well below the 2.1 necessary simply to keep the population steady.

Second, the plummeting birth rate means China reached its peak population this year, several years earlier than expected. Unless something incredible happens, China will lose population every year for the foreseeable future.

For anyone worried about the earth's natural resources, pollution, etc., falling population numbers in China might sound like a wonderful thing. But for a government that must care for an aging nation without a growing labor force and tax base, it's likely to be frightening, and there's not much they can do about it.

Some governments have tried extreme approaches to persuade couples to procreate. In 2007, Russia declared September 12 a national holiday so that couples could stay home and get frisky, hoping to spur a baby boom on Russia Day the following June. Women who gave birth on June 12 received money, refrigerators, and even cars. Singapore holds National Day, essentially a couples' night out, when government advertising encourages them to get busy, because "The birth rate ain't gonna spike itself!" South Korea allowed married people to go home from work early every third Wednesday to encourage amorous behavior, and several countries started national dating services. None of it has worked.

Among the more practical approaches, many countries have increased tax deductions and childcare subsidies to address the high cost of caring for children. While this helps, it hasn't bumped the TFR of any nation above the replacement rate.

The problem isn't just money, it's mindset.

As nations industrialize and urbanize, children become a larger burden for the family. It's easy to see how couples would gradually trend toward fewer children to focus their resources on the one or two that they have as well as themselves. And in China, the problem is magnified. Because couples were banned from having more than one child for forty years, couples who might consider having more than one child likely face the daunting task of caring for four aging parents. To solve this financial riddle, the Chinese government would have to establish substantial support systems for children and aging adults at the same time, which isn't going to happen.

It turns out that the biggest enemy facing China isn't the U.S. or even Uighurs, but the fallout from their own governmental policies over the last four decades, and this fallout will haunt them for years to come.

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