



Rodney's Take

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China's Grim Future

Chinese officials finally are waking up to their future, and it isn't pretty. The Middle Kingdom won't be undone by missiles from the U.S. or trade tariffs from the EU, but instead by self-inflicted wounds. The process will take decades, but as China is realizing, it's hard to get off this path. Like [Paul Reubens's death in the 1992 movie *Buffy the Vampire Slayer*](#), this will take a long time, but it will happen, and there's little if anything that Chinese officials can do about it. But that won't stop them from trying.

China's one-child policy from the 1980s through most of the 2010s is well-known. The government limited urban dwellers to one child, while rural families could have two. Like Japan's [social development policy](#) in the 1950s and 1960s, this seemed brilliant, as it allowed the population to focus on economic gain and on increasing the standard of living. But, just as Japanese authorities found out, there is a cost to living well. Everything costs more, especially the education and child care that help propel kids and families up the social and income ladders. The more things cost, the less of them that consumers will buy.

This lesson isn't restricted to Asian nations or developing countries. A quick look around the world confirms that birth rates in most, if not all, developed countries are below replacement levels. Asian nations such as China, South Korea, and Singapore have birth rates just above half of what they need to maintain steady populations, and even India now has a birth rate just under the replacement rate. No nation has found a reliable way to nudge birth rates

above the replacement rate, but China's latest efforts look likely to fail spectacularly, because country officials are talking past their population.

Around 2015, China changed the one-child policy to allow all couples to have two children. The birth rate popped up a bit... for one year... and then resumed its downward trend. It seems that just telling people they are allowed to have more kids doesn't make them more likely to have kids. When you ask the Chinese why they aren't procreating, they don't cite government policies, they talk about how expensive it is to raise children and get them married. That sounds a lot like what people around the world say, but it doesn't jibe with Chinese government pronouncements.

On May 12, the China Family Planning Association released the second batch of pilot cities designated to launch publicity drives to advocate what it calls "[a new concept of marriage and childbearing](#)." The goal is to persuade young people to get married and to have children at "adequate" ages, to share childbearing responsibilities, and to curb the high costs of betrothal gifts and other "outdated customs."

I'm not sure any of that qualifies as a new concept of marriage and childbearing, but I'm certain it doesn't help pay the bills for raising kids, educating them, and helping them buy real estate. Until the government addresses those issues, their new approach is certain to fail.

And then it will get worse.

The U.S. and other Western nations have struggled with low birth rates for years, but they had an ace that Asian nations, particularly China, don't have: immigration. The pull of the U.S. helps us balance out our population among young and old in a way that China can't hope to replicate. China has about one million foreign-born people among its population of 1.4 billion. We have 48 million in our population of 335 million. It is not possible for China to bring in enough immigrants to move the needle. And today, why would they? Last month, Chinese unemployment among those 18 to 24 years old hit a record 20.4%, a situation I wrote about in my *Rodney Johnson Report* early this

year. With so many unemployed young people, it would be political suicide to launch a major immigration program.

This leaves China in a tight spot. The country needs more people to grow its consumer base and workforce in the years and decades ahead and to pay the taxes required to support its aging population. But they can't make people have kids, and they can't import enough migrants to make a difference.

As the Chinese launch their dollar-alternative payment systems, cozy up to Iran and Russia, and rattle their sabers at Taiwan, perhaps the smartest thing to do is let them pursue their interests. Russia won't be a strong partner, and Iran is struggling with internal issues while its financial markets implode. China can spend money around the world and bluster about a new world order, but at the end of the day, their fight lies at home, as its population inverts. We don't need to persuade them to pull back to the mainland, we just need to stand far enough out of the way for their domestic problems to come to the fore. The rest will take care of itself.

Rodney

Got a question or comment? You can contact us at info@hsdent.com.