

# THE GREAT GREYING OF CHINA

Relevant for: Geography | Topic: Demography of the World - Population Trends

China's one child policy (OCP) was conceived by Senior Leader Deng Xiaoping in 1979 to seek popular support for the Chinese Communist Party (CCP) after Mao's disastrous 'Great Leap Forward' and 'Cultural Revolution' (which led to the death of about 60-65 million people). Prof. David Lampton, an American sinologist, has observed that Deng was worried that "if the party did not produce significant gains in per capita income, it would lose what little legitimacy" it had retained.

The results of the one child policy have been disastrous. Average birth rate in China has fallen to 1.6 births per woman (National Bureau of Statistics of China) in 2017, though the unofficial figures put it as low as 1.05 (the United States: 1.77, India: 2.24) and much less than the population replacement rate of 2.1. Fewer children were born and of them, fewer were females (given China's preference for boys like in some other countries). Research by Prof. Yi Fuxian (2019) at the University of Wisconsin-Madison, U.S., reveals that the proportion of China's population aged above 65 years would increase from 10% in 2010 to 32.6% in 2050 (corresponding figures for India are 5.6% and 14.2% and the U.S. 14.6% and 23.2%). Its labour force (ages 20-64) will reduce from about a billion in 2017 to 787 million by 2050. Thus, China will be a country dominated progressively by older people in the coming years.

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Despite the [raising of the limit to two children in 2016](#), the number of newborns has not improved and slipped to the pre-2016 level. The one child policy has changed China's child-bearing attitudes for the worse as many young couples do not want to have two babies for economic and lifestyle reasons. Prof. Fuxian has affirmed that China's population has started contracting from 2018 onwards; local authorities in China bloat the births and school enrolment figures to seek more funds from the central government. If China can stabilise its fertility rate at 1.2, its population will fall to 1.07 billion in 2050 and 480 million by 2100.

The aging population will have a multi-dimensional impact. China will need huge expenditures on health, social welfare and pensions; its savings rate will decline; a fall in the number of young people will lead to a decline in manufacturing, exports, and also mean lower revenues for government. With its annual per capita income at \$10,000, increasing population of older people and slowing economic growth rates, China will get old before reaching the levels of rich countries like the United States, Singapore, Japan and others. China's armed forces are already struggling as many one child policy children are often misfit for fighting in tougher conditions.

Will the population decline create a richer society in China? Japanese economist Prof. Hisakazu Kato, says, using Japan's experience, that it is unlikely as a smaller population reduces intellectual exchanges among diverse human groups, reducing chances of the emergence of great innovators. Developed countries have reduced the impact of declining population by raising the total factor productivity (TFP) growth (ratio of output versus cost of inputs per hourly basis).

China has already availed its rapid TFP growth by shifting its large population of migrant workers from agriculture to manufacturing and reforms in state-owned enterprises, housing and other sectors (China's TFP grew by 5% annually in 1980s, 7% during 1991-95, 4% from 1995 to 2010 and 2% from 2010-2015, before declining to lower levels afterwards).

Three factors are considered critical for increasing the TFP: market reforms, improvement of governance and scaling of human skills in manufacturing and services. Many economists have argued that faster rates of TFP growth are associated with rapid and liberal economic reforms. In China's case, while President Xi has talked of market reforms and increasing consumption, there has been little progress on the ground on issues such as opening of services such as banking, insurance, education or the establishment of an independent legal system for the enforcement of contracts or a creative education system. Post-2008, China's economic growth has been driven progressively by higher government investment which has created unproductive assets in many cases, i.e., overcapacity in metals, cement and other industries, empty apartment complexes, or rarely used infrastructure such as metro networks, oil pipelines and ports.

China has never ranked very high in governance indicators of international organisations such as the World Bank; in 2016, it was in 68th percentile for 'government effectiveness' and 77th in the annual Corruption Perceptions Index of Transparency International (2017). Instead of giving representation to new interest groups such as industrialists, micro, small and medium enterprises (MSMEs), professionals, media and academics, Mr. Xi has moved in the direction of curbing any dissent and establishing absolute control over Chinese society.

In improvement of China's human resources, there are big variations in high school pass rates of urban (90%) and rural children (24%). Considering that about 40% of China's population still lives in rural areas, this huge gap will be an inhibiting factor in raising TFP. In the last 70 years, only 15 countries have managed to climb from middle to high income status, e.g. Singapore, South Korea, Taiwan, others and all of them had skilled their workforces with three quarters or more of their working population having completed high school.

Under Mr. Xi, China is not moving in the direction of reforms incorporated by developed countries, but evolving its own agenda mainly focused on administrative and bureaucratic improvements concomitantly enhancing party's control over the economy. Even many Chinese economists are doubtful if Mr. Xi's plans for augmenting TFP and high economic growth through induction of emerging technologies such as 5G, artificial intelligence or rapid urbanisation will succeed in the absence of much-needed reforms in economy, governance and the education system.

Also, unlike the past, China will face a hostile external environment in the coming years as a reaction to Mr. Xi's unfair and aggressive policies, which will further constrain cooperation in new technologies. In this background, a more likely scenario is that China's economic growth will stutter and decline as the impact of aging gets more pronounced in the coming years.

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