

Macro Roundup Article

Headline: [China's Third Plenum Wants to Raise Household Income. That's Good News for the US.](#)

Article Link: <https://thediplomat.com/2024/07/chinas-third-plenum-wants-to-raise-household-income-thats-good-news-for-the-us/>

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Tweet: [.@fuxianli argues that the CCP's "planned reforms could indirectly help balance China-U.S. trade by boosting consumption, thereby reducing political hostility between the two major powers."](#)

Summary: Household consumption typically accounts for 85 to 90% of household disposable income. China's declining share of disposable income in GDP has led to a decline in household consumption as a share of GDP from 53% in 1983 to 37% in 2022. Compare that with 68% in the United States, 61% in India, and 55% in Vietnam. China has paid a terrible price for its low household income – and low domestic consumption – in the form of demographic collapse. Many ordinary families cannot afford to raise even one child, and as a result, China's fertility rate fell from 2.3 births per woman in 1990 to 1.0 last year. Both the two- and three-child policies have been abject failures. When other countries reached China's current rate of enrollment in tertiary education, the service sector provided 70-80% of jobs. However, due to underconsumption, China's service sector provides only 45% of jobs, which makes it difficult for college graduates, who are primarily engaged in the service sector, to find jobs. The result: high youth unemployment and declining marriage and fertility rates.

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Primary Topic: China

Topics: China, GDP, Growth, Op-Ed/Blog Post

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