

The Economics of China

Population



Fall 2020

Population

- "China's premodern population grew for over 400 years at about 0.4% per year".
- "Between 1850 and 1950, estimated population growth was 0.3% per year", due to the various wars and economic problems that China faced during that period.
- Then, "death rates began to decline soon after the Communist government took control in 1949".
- "In the early 1950s, **rapid improvements in sanitation, more equal distribution of available food, and control of the most important communicable diseases** began to drive death rates down".
- "Birthrates remained high, and by the mid-1950s the population was growing more than 2% per year. China began its own population explosion".
- By 2015, China's population was 1.38 billion, almost 20% of the world's population.

- Demographic Transition:
 - As a general trend, many countries have moved "from low through high to low population growth" over the past two centuries.
 - This process is called "**demographic transition**".
 - In premodern societies, in general, birth rates were high but also death rates were high. Hence, population growth was low.
 - As modernization starts, birth rates remain high but death rates become low (except for wars!). Hence, population growth increases.
 - Finally, birth rates become lower due to the different social and economic changes that have accompanied modernization. Hence, population growth becomes low again.
 - This process can be slow ("took about a century in Europe") or fast (as in Japan, S.Korea, Taiwan).
 - **China's transition was fast**, and was affected by government intervention (through the "One Child Policy" from 1980 to 2015).

- Demographic Dividend:

- "The demographic dividend occurs because at a certain stage of the demographic transition, the number of people of working age increases more rapidly than the population as a whole".
- "When this happens, the dependency rate declines".
- Lower dependency rates means that "the share of the population that is too young or too old to work decreases, and the economy becomes more productive".
- "Indeed, the demographic dividend has a close relation to the economic-miracle phase of accelerated growth".
- The demographic dividend has three distinct effects on economic growth:
 - a mechanical effect (increased share of producers in the population),
 - a savings effect,
 - a human capital effect.

- Demographic Dividend:
 - "The demographic dividend thus acts as a powerful accelerator of the growth process, leading at first to an acceleration of labor-force growth and then to an acceleration of the growth of physical capital and human capital inputs".
 - "It should be stressed that the **benefits of the demographic dividend are not automatic**".
 - "The existence of a demographic dividend depends on complementary economic policy and development outcomes".
 - "If the economy is not growing and generating jobs, the demographic dividend can become a demographic nightmare as unemployment increases and social stability declines".

- China's One Child Policy (1980 to 2015):
 - "The Chinese government launched its first all-out family-planning initiative in 1971" ..." *wanxi-shao*, or later-longer-fewer".
 - "The legal minimum age of marriage was increased, and couples were urged to wait before having a second or third child".
 - Total fertility rate in China decreased throughout the 1970s.
 - However, "success of the later-longer-fewer policy was not sufficient to allay fears of a population crisis".
 - "China's leaders worried that continued population growth would outstrip the nation's population-carrying capacity and obstruct economic development". sufficient to allay fears of a population crisis".
 - Hence: "In September 1980, the 'One-Child Policy' was adopted with a population target of 1.2 billion in the year 2000".

- China's One Child Policy (1980 to 2015):
 - The One Child Policy "provided an array of sanctions and penalties for women who had two or (especially) more than two children".
 - "Couples who pledged to have a single child received a 'one-child certificate' that entitled them to various privileges, including preferential access to day care and schooling".
 - The strictness in implementing the policy varied over the years, and in different regions.
 - For example, "One-Child Policy was not applied to minority groups".
 - Meanwhile, "monitoring was much more intense in urban areas".
 - "Compliance was high in urban areas: more than 86% of urban families had only one child".
 - The policy ended in 2015, and "from January 1, 2016, all Chinese families were allowed to have two children".

- The Impact of the One Child Policy:
 - Total fertility rate in China was already on a downward trend before 1980, and overall, remained on a downward trend after 1980.
 - Therefore, the impact of the policy on fertility rates in China is open to debate.
 - Meanwhile, it seems that the policy led to "**underreported births**, especially births of baby girls", to avoid penalties.
 - Moreover, "traditional cultural preference for boys", combined with a one-child policy, resulted in an **increase in the number of males to females in the Chinese population**.
 - Given the underreporting of births, **some "of the 'missing' girls are in fact 'hidden' girls"**.
 - **However, there are indications that the imbalance is real.**
 - For example, there are reports that "underprivileged males unable to marry". In addition, "since the mid-1990s, the age gap at first marriage has increased".

Table 8.1
Reported sex ratio at birth (males per 100 females).

1953	104.9
1964	103.8
1982	107.6
1990	111.8
2000	117.8
2010	118.6

Source: Census Office (2014, 94).

- Long-Run Trends and Population Aging:
 - "Since 2012, the absolute size of the population between the ages of 15 and 64 has plateaued and is now beginning to decline".
 - "By 2030 the elderly will make up approximately 20% of China's population".
 - "Rapid population aging essentially echoes the earlier declines in fertility and mortality".
 - "These shifts will ultimately have a large effect on Chinese society and the Chinese economy".
 - In particular, the size of the **labour-force will decrease while dependency rates will increase.**

- Long-Run Trends and Population Aging:
 - "Population growth will continue, but most of the growth will be concentrated in the elderly population".
 - "The ratio of producers to total population will decline".
 - This puts pressure that may **"lead to lower growth of GDP per capita"**.
 - This requires "an effective policy response".
 - In addition, "reforming the pension system has become an important issue".

Table 8.2
Percentage of population age 65 or older.

	2015	2030	2050
China	10.0	17.0	26.7
Hong Kong	15.3	27.4	35.3
Japan	26.6	32.2	40.1
Korea	13.2	24.0	34.7
Taiwan	12.5	23.1	34.9
Vietnam	5.8	11.3	20.7

Source: U.S. Census Bureau International Database, <http://www.census.gov/population/international/data/idb/informationGateway.php>, accessed December 15, 2016.