Economic Impact of One Child Policy

in People’s Republic of China

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INT 302 International Economics

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Research Paper

May 22, 2012
People’s Republic of China is an amazing example of enormous socio-economic changes with supranational influence, which resulted from tough population control policy. According to article *A Brief History of China’s One-Child Policy*, after the People’s republic of China had been founded, the medical care was improved and the birth growth started to increase, whilst the import of contraceptives was banned. That was the time when the potential for rapid growth of population was set. As long as the food production fell behind the population growth: “by 1962 a massive famine had caused some 30 million deaths. In the aftermath, officials quietly resumed a propaganda campaign to limit population growth” (as cited in Flitzpatrick, 2009, para. 4). Government’s apprehension for people and impeding poverty, especially lack of food, clothes, education etc., resulted in government’s efforts to seize the number of inhabitants. It is where the origin of one child policy comes from.

China as one of the economic superpowers, has implemented the one child policy for its common good. Either or not they have done in good thinking, it brings consequences. China could resist many external influences; however, it brings many opportunities by this idea. The country and one child policy will probably affect the economy of the whole China. This fact may also influence the economic flow of the world as well. In the economic way of thinking, it may be interesting what pros and cons of this one child policy issue bring to the economy. Social and economic benefits in the China will be affected as well and the future outcomes are really questionable, but reasonable.

**Pros and Cons of One child Policy**

There are some undeniable positive outcomes of implementing one-child policy. For sure, the standard of living increased in a few past decades. The worst scenario of overpopulation had been avoided and individual savings became much higher because of no need of splitting financial resources to numerous progeny. Therefore, social, economic and environmental threat has been managed. Another positive fact is that competition among citizens lowered and unemployment together with exploitation of workers was alleviated, as
What is, however, alarming is the negative effects of one child policy. Rapid decrease in population number already occurred. What was desired before became the biggest threat now. Nowadays, after three decades of pursuing this law, society starts to experience the negative outcomes of this policy i.e. the population is aging very fast. Besides aforementioned economic growth there is this kind of opinion: “Rapid aging, in the absence of a standard of living and a social safety net comparable to other aging societies, has also earned China the distinction of a country that has become old before it has become rich.” This is undoubtedly serious problem from economic point of view. Supporting retired people looked like: “They were 20.6 million in the year 2000…” and there is the prediction that the numbers will increase to, “…45.6 million by 2025” (as cited in Feng, 2005, Rapid increase in population aging, para. 2). This threat will, and certainly already caused, problems to government’s budget to take care of so many pensioners. So, the negative population growth desired yesterday seems to be economy’s enemy today.

What’s more, there is also negative social impact of this happening. There is a lot of social misery: “Too many girls, if not aborted, face orphanages or second class lives concealed from the world and with reduced chances of schooling and health care. China has one of the world’s highest rates of suicide of women in the reproductive years.” (Kane & Choi, 1999, para 19). The most concerning and emotionally appealing part of one child policy outcomes is human rights violation. Unbalanced sex ratio implicated by high rate of female fetus abortions will be in a future serious problem because as far as human reproduction is more dependent on and limited by females. Such a poor number of women are not likely to give birth to sufficient number of descendants who would sustain future economy, unless they do nothing else than have children, which is not probable. Consequently, lowered number of male labor force is very likely to, even apart from female fetus abortion, cause problems in production of goods and gains from
international trade. Inevitably, the decline in industries dominated by women will experience hard
times, as if the decline in male population was not enough; moreover, restructuring industries to
fit the trade has, again, high cost, the opportunity cost. The first and the most impacted in a row
will be China. What’s more, it means that as well as People’s Republic of China also The United
States will be forced to face worsened economic situation. Next, there will be other economic
entities, e.g. Europe, which have economies bound to America’s economy. For illustration,
Slovakia as a country distant from epicenter of this happening will not directly fall into a crisis of
extremely lowered consumption. However, for sure, it will experience a period when more or less
obviously the prices of some goods, originally imported from China, will fluctuate due to
consolidation i.e. substitution process of goods in the marketplace.

**Issue from the Social Point of View**

As the population aging takes place in the Republic of China, there will be a big drop
of population in the next few decades. It is simply like that because most of the population is
over 60 today, and once they start to die, negative population growth cannot cope with this
unpleasant future outcome. China has one attribute that is very uncommon in Europe, and that
is selective abortion, what basically means families choose to have boys instead of girls today,
even though they are aware of the fact that boys cannot have bear children. There is a clear
explanation for this phenomenon, and that is the fact that men are more productive and more
likely to be employed. That is a sad picture of the economic situation in today’s China,
despite the fact that its economy is the world’s tiger, and practically the engine of the world’s
production output. On the other hand, china is the second largest economy after the US, but is
the largest country in the world regarding the number of inhabitants. That means that resource
distribution is not any close to the US or European standards. This fact causes inevitable
outcomes that are practically unimaginable for the western world, such as the must of having
only one child because the budget of the family does not allow affording more of them.
Getting Rich before Getting Old

As it may seem a good idea in the 1970s, when the one child policy was introduced and strongly supported and favored by the vast majority of Chinese people, it only provided space for serious economic and social problems in the long run perspective. Many of the predicted negative social and economic consequences of the one-child policy have materialized. Even Europe fights with the fertility decline rate, but the overall status of the economy here is much more favorable, and the most importantly, it is sustainable despite the aging of population. Because of the policy, we could conclude China faces more serious social and economic consequences than do other nations that were able to cope with rapid fertility decline. They were able to manage, because they predicted it to happen much sooner, accounted and prepared for it. The problems China has to face include a number of social consequences not seen elsewhere like increased numbers of infants and high mortality rate. One outcome that is more than obvious is that China will most likely not be able to fulfill the condition of a wealthy state. And that is to get rich before getting old.

Positive Outcomes

China experiences one economical paradox in the field of economic output. In a normal economy, we can assume that the amount of work to be done is not equal, what practically means that more people employed in the economy demand more resources, housing, food, and services. We can assume that under normal conditions, population growth and consequent growth in demand of the resources will be compensated by more outcomes produced by those employed. In China however, the situation is slightly different. Of course companies in China that directly or indirectly invested in the Chinese economy need cheap labor for their production lines, but the amount of people has to peak somewhere, and the last few years when the Chinese economy was slowing down predicts that this point is close. The
advantage of having the same big workforce and less born babies will be discussed in respective paragraph.

The one-child policy was introduced by China as a way of alleviating the social, economic and environmental problems. As a Dawn Journal (October 6, 2010) article explains: “Overwhelmed social services, slums and overpopulation have all been reduced thanks to this policy. The policy has helped to fuel the economic change seen in China over the past few decades in large part because there is not as much competition among citizens, allowing for more wealth to be spread around to everyone”. People in China that have their jobs can benefit from this policy due to the fact that an average household has more resources to be distributed to its members, and also saved for the next years, or maybe even for the retirement. As a direct outcome of this benefit, individual saving rates have increased in the past 30 years. As well, this policy has reduced the demand on natural resources, and the labor rate remained the same. The number of unemployed was lowered though.

**Future Outcomes**

Many people may argue that this decision has been wrong for the common good of the China. However, before somebody will judge the China he must realize that this decision was fully legitimated by its own sovereignty. They have own studies whether it is really important to implement or not. On the other hand, some economist may say that it is thanks to this policy China became the economic superpower as it is. “While many look at the economic policies of China as a reason for the change in the country, one cannot dismiss the impact the one-child policy has had in helping to make the country an economic power. The decision in 1978 to limit the population has had far reaching impacts in China and across the planet” (How The One Child Policy Helped Chinese Economy, 2010). Withstanding the position of the threat that the country will be overpopulated was successfully passed and its implications
are visible. The interconnected economy with the world has resulted into positive outcome for common good and wellbeing.

As the country might experience positive outcome, it has not reached its all results. Country is heading to the results of this policy and the challenges stand in the front of the government. Nicholas Eberstadt has stated: „Financial markets, businesses and policy makers have failed to recognize that demographic realities are creating pressures for slower future growth” (as cited by Maurits, n.d.). On the one hand, it may bring current positive results; however, the next future outcome could harm to the economy. As the predictions are that the economy will slow down, the whole world might be affected by China’s one child policy. “Now tens of millions of Chinese are on track to grow old without having any pension, or healthcare, let alone have a family to support their [wellbeing]” (Maurits, n.d.).

The next question about China is labor market. As the economy is pulled by the workforce, China by implementing this one child policy has threatened this main issue in economic growth. The labor force is now undergoing the declining numbers. “The shift to a society with a dwindling number of employees funding a growing pension bill is most pronounced in China, the world’s biggest growth engine last year. After expanding 2.5 percent a year over the past three decades, China’s working-age population has almost stopped growing, said Richard Jackson, director of the Global Aging Initiative at the Center for Strategic and International Studies in Washington. That pool will contract almost 1 percent a year by the mid-2020s, he said.” (Global Growth Slows To 3.9% As O’Neill Sees BRICs Diminished By Population, 2012). Without any doubts, China is probably facing to a huge economic problem. The question arises that who will pull its economy? The welfare system might now work forever if the China is not adopting such policies, until its main support of economic wellbeing is vanishing.
Wellbeing and welfare system of the China hardly depends on the population. And this might be one of the issues. The population of the China is ageing. Some economists argue that this factor possibly will influence future outcomes of the economy. China and its interconnected economy with the world may very hardly sustain such overload on the welfare system in the future. “But the policy has almost certainly reduced fertility below the level to which it would have fallen anyway. As a result, China has one of the world’s lowest “dependency ratios”, with roughly three economically active adults for each dependent child or old person. It has therefore enjoyed a larger “demographic dividend” (extra growth as a result of the high ratio of workers to dependents) than its neighbors. But the dividend is near to being cashed out” (Facts and details, n.d.). Impact of slowing down of such huge economy in the world may possibly bring slowing down of its total outcome. The prediction how much will be the world economy affected by China in the future, probably not many economists try to guess. The fact if the current issue of the China is not doubtful, yet the government of Peoples republic of China must give an attempt to solve this issue.

Conclusion

The one-child policy that was introduced in the early 1970s in China has always been a controversial issue, mainly for the world out of China. The idea of the state not only choosing, but saying how many children can a family have sounds pretty off the range of the state’s duties for the Europeans, but turned out to be really effective for the Chinese working people when we consider that China has become the engine of the world economy by the time. Now it is not only some prediction of the future outcomes of a certain policy and its influence on the economy, but can be backed by four decades of experience. Assuming China now has around 1.3 billion of citizens and realizing that this number could have been higher by one third; first reasonable conclusion that can be drawn is that this policy got Chinese economy on a sustainable path. In other words, China would not have enough resources to be
provided for so many people, and that would certainly lead to unimaginable social unrests and political tensions, what the outside world does not want to see.

From the economic point of view, this policy has proved its pros in the terms of higher standards of living for those who are employed, and social insurance benefits for those who are not. But it has also proved its negatives when the population is aging significantly, and will create a big drop of population after some time. Also, the financial inflow into the treasury has been shrinking, but China was able to compensate this by higher allocation of its resources, mostly cheap labor, and now enjoys the position of the world’s biggest producer. Social situation for an average family has become better thanks to higher individual savings rates, and people can now decide of their future. On the other hand, China has the biggest number of suicides of young women in reproductive age, and that predicts a lot how the future fertility rate may look like, and what economic and social difficulties it may bring.

All in all, China has been proving for the last four decades that their one-child policy has made sense, and that their economy was able to deal with it in a manner suitable for the economy. That is not a coincidence that Chinese government is now holding the biggest amount of money in its treasury. Only the future will show how wise the introduction of one-child policy was, and how sustainable and prospective was this move for the Chinese economy and its citizens. What is clear just now, is that we are glad to have China is such position, because we can take advantage of its low cost production.
References


