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## The sex trade imbalance

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COULD a reproductive policy have caused the financial crisis? Could it still be wreaking havoc with the world economy? During a lively discussion at the [Council on Foreign Relations](#) yesterday, Columbia professor Shang-Jin Wei said this could be the case. He claimed that the skewed Chinese sex ratio (there are more men than women) can explain much of global trade imbalances. Mr Wei reckons the Chinese sex ratio can explain the high Chinese saving rate, and this is what's behind China's current-account surplus.

China adopted the one child law in the early 1980s. It resulted in a skewed sex ratio because many couples preferred a male baby and aborted female fetuses. In 1980, 106 boys were born for every 100 girls. By 1997, it was 122 boys for every 100 girls. This means that today one in nine Chinese men will probably never marry and the situation is expected to get worse as time goes on. It's been suggested that the large pool of single men with no marriage prospects can lead [to social unrest](#). What that will mean for China's political future is uncertain and potentially troubling. But the world may already be experiencing the economic impact of this policy. Trade imbalances, specifically the Chinese current account surplus and America's current account deficit, are often cited as a cause of the financial crisis. They provided a glut of cheap, easy capital which fed the housing bubble.

Trade imbalances continue to be a source of vulnerability to the health of the global economy. Many, including [Paul Krugman](#), have argued that China's current-account surplus (which reflects its net exports and the capital it sends abroad) results from its exchange-rate policy. China is often accused of keeping its exchange rate artificially low to promote exports. It follows from this that if the Chinese government would only revalue its currency, the balance would be restored. But Mr Wei reckons that even if the Chinese floated the renminbi, it would only have a limited impact on the current account surplus and [the currency](#). That's because Chinese citizens are saving too much. This means they demand fewer goods and

are willing to work many hours, which leaves China as a net exporter. China has a large stock of private saving which lowers domestic interest rates (the Chinese are earning negative real rates), so capital flows abroad seeking higher rates of return.

The lack of a social safety net is often blamed for the high Chinese saving rate. Without welfare and government pensions the Chinese must save to self-insure themselves. But Mr Wei pointed out that even as the government has extended more social welfare programmes, the saving rate has continued to rise. He believes the uneven sex ratio can explain half of the increase in private saving between 1990 and 2005. He explained that the marriage market is becoming very competitive with so few girls. Chinese parents want to accumulate as much wealth as possible to ensure that their son can attract a wife. It is also important to provide sons with the best education possible. A competitive marriage market means that members of the disadvantaged gender must raise their game, which in China means greater wealth and education.

Mr Wei also reckons the sex ratio can explain capital accumulation in the corporate sector. The desire to accumulate wealth means that boys and their parents are more likely to [become entrepreneurs](#), work more hours and take more unpleasant jobs. He found higher rates of entrepreneurship in areas with more skewed sex ratios.

Many different factors can explain global trade imbalances. The currency likely plays a role alongside high saving rates. But unless Chinese citizens start to consume more, a large fraction of the Chinese current-account surplus will persist. Too much saving may seem like an enviable problem, but there can be too much of a good thing. If sex ratios are as important as Mr Wei's argues, the only way the Chinese can restore global financial order is to either import women from other countries, export men, or promote polyandry.

Fonte: <http://www.economist.com/blogs/freeexchange/2011/03/trade>