The Roles of State and Market in China’s Poverty Reduction

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Reversal to global poverty reduction

- No Poverty is the priority of SDGs
- Multiple crisis halted global poverty reduction since 2020
  - 70.7 million more people in extreme poverty
  - 0.87pp increase of extreme poverty rate

NO POVERTY goal is unlikely to be met in 2030

• The extreme poverty rate will be 6.8% in 2030
• 574 million people living with less than $2.15 per day
• Getting the poverty reduction back on track is urgent
China’s achievement in poverty reduction

Welfare improvement: monetary and non-monetary

• For rural residents in impoverished counties in 2020
  • 3.5pp higher income growth rate than that of national average
  • Disposable income accounted for 73.5% of the national average

• For villages in impoverished counties
  • 99.6% have access to paved roads
  • 89.9% have garbage collection infrastructure
  • All school-aged children could attend primary schools within home villages
  • Universal coverage to basic medical insurance

Climbing up in ranks on HDI: 104/142 in 1990 to 79/191 in 2021
The roles of state and market in poverty reduction

• Poverty situation in Guyuan County in 1990s
  • A landlocked county in northwest China
  • Low agriculture productivity and fragile environment
The roles of state and market in poverty reduction

• Poverty situation in Guyuan County in 1990s
  • Widespread poverty and frequent famines
    • 40% residents living in extreme poverty in 1990s
    • One of the poorest counties in China

• WFP Project for poverty reduction in 1994
  • Improve poverty situation and project management
  • Documented in local chronicles
Rare labor migration in Guyuan in 1990s

- Migration was historically proven to be effective to reduce poverty worldwide
- Labor migration was popular in China during 1990s
  - 14.3% of rural labor migrated for jobs in 1995
- Residents in Guyuan were reluctant to migrate
Barrier to migration in 1990s

“...the position of the rural population is that of a man standing permanently up to the neck in water, so that even a ripple is sufficient to drown him”

—James C. Scott, "The Moral Economy of the Peasant"

• Information failure
• High costs for travel and job-searching
Inter-provincial cooperation program for poverty reduction: Guyuan and Fujian

• County government
  • Bridge information gap
  • Provide incentive through social network

• Enterprises in Fujian
  • High demand for stable labor that reduces cost
  • Provide free accommodation for Guyuan people

• Guyuan residents
  • Aspiration to getting out of poverty
Village factories creating jobs close to home in 2010s

- Enterprises in Fujian
  - Increasing labor and land cost in coastal regions
- County government
  - Enhanced infrastructure
  - Preferential policies for investment
- Guyuan residents
  - Minimal skill requirements and flexible working hours
  - Diversify income source
  - Empowering rural women