

Analysis and Enlightenment of the Reasons for Why China Can Get Rid of the Poverty Trap

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Abstract: In 2020, China successfully won the Tough Battle Against Poverty, and eliminated all absolute poverty in the society. China becomes the first developing country that completes the poverty reduction goal of the United Nations Millennium Development Goals, and makes great contributions to the world poverty reduction. Most importantly, China escaped the Poverty Trap. According to the comparison between China and other countries that fall into the Poverty Trap, it is found that the environment for technological development, the potential economic growth, and the role of becoming the fourth "world factory" and the fourth international industrial transfer are all one of the factors that China can get out of the Poverty Trap. These factors ensure that Chinese economy can grow rapidly and also explain why China can avoid the Poverty Trap. Therefore, China should continue to vigorously develop its economy and technology to prevent poor households from returning to poverty and eliminate relatively poor populations.

Keywords: poverty trap, absolute poverty, relative poverty, industrial transfer

1. Introduction

In recent year, the rapid development of China's economy has shown the world what the "China Miracle" is. It took only 32 years from reform and opening up to becoming the world's second largest economy. At the same time, China has not fallen into the "poverty trap" like many other developing countries. On the contrary, with the overall victory of China's "Tough Battle Against Poverty" in 2020, absolute poverty no longer exists. The United Nations has planned the United Nations Millennium Development Goals, and China is the first development country that complete the Poverty Reduction Goals. The life standard in poor areas have been significantly improved in every aspect. But in the relatively backward areas of China, relative poverty still exists.

The emergence of the Poverty Trap has always been one of the main topics of foreign research. In a randomized controlled trial of agricultural input subsidies and matching savings programs in the Republic of Mozambique, researchers found that improved economic prospects significantly increased the duration of planning for poor beneficiaries [1]. At the same time, differences in the quality of education are also an important factor leading to the poverty trap [2]. In China, some researchers also pointed out that the causes of poverty traps are diverse. From a micro perspective, threshold effect, neighborhood effect, and institutional failure are all causal mechanisms for the formation of poverty traps [3].

In the research on why China can overcome or avoid the Poverty Trap, Chinese scholars believe that this is due to the constant adherence to the path of socialism with Chinese characteristics, the overall leadership of the Communist Party of China, and the people-oriented and people-centered development thinking [4]. However, apart from the institutional advantages, there seems to be no other elaboration on the specific reasons why China does not fall in to the Poverty Trap.

The discussion of poverty has always been the top priority, even though absolute poverty has been solved nationwide and China has begun to shift the focus of poverty governance to relative poverty. However, in the late-developing regions of China, there are still problems such as weak industrial foundation, insufficient endogenous power, large gap in the level of public services, and diminishing tendency of marginal policy benefits, and the risk of falling into the poverty trap still exists [5]. Therefore, the research significance of this paper is to analyze which factors enable China to avoid the Poverty Trap, and at the same time to analyze whether these factors can help China's relatively backward regions and other impoverished regions in the world escape or escape the risk of falling into the Poverty Trap. The rest of this paper is divided in to four parts, the poverty situation of China in the Post-Well-Off ear, the factors of why China doesn't fall into the Poverty Trap, the conclusion of the paper, and the reference.

2. The Poverty Situation of China in the Post-well-off Era

2.1. Achievements in Comprehensive Poverty Alleviation

Since the 18th National Congress of the Communist Party of China, China has finally completed the task of poverty alleviation in the new era by the end of 2020. All 98.99 million rural poor people have been lifted out of poverty , and all 832 poverty-stricken counties have also taken off their hats. has been eliminated.

The living standards of the population in poverty-stricken areas have been significantly improved, per capita disposable income has continued to rise, and the growth rate of residents in poverty-stricken areas is 2.3 percentage points higher than that of ordinary rural areas in the country.

At the same time, the "two worries and three guarantees" have been fully realized. People in poverty-stricken areas have solved the basic problems of food, clothing and housing. The poor get better guarantee of compulsory education. According to the data from the white paper "Human Poverty Reduction in China", the problem of children dropping out of compulsory education in rural poor families has been dynamically eliminated.

It solves the problem of insufficient infrastructure that has been restricting the development of poor areas for a long time, such as difficulty in travel, difficulty in electricity use, and difficulty in communication. "The reliability rate of rural power supply reaches 99%, and 98% of poor villages in deep poverty areas have access to broadband [6]."

2.2. Risks after Comprehensive Poverty Alleviation

2.2.1. Internal Risks

Although all the absolute poor people in China have been successfully lifted out of poverty, the risk of returning to and becoming poor after being lifted out of poverty still exists. The internal factors of returning to poverty mainly come from the own reasons of people in impoverished areas, limited by local resources and traditional concepts, and lack of health, education, technology and development momentum. People in many poverty-stricken areas rely heavily on external assistance, but lack the motivation for self-development. There are many situations in which they return to poverty once the funding is cut off [7].

2.2.2. External Risks

Due to their own geographical location, many impoverished areas have problems such as lack of sufficient economic development momentum, weak industrial foundation, imperfect market mechanism, and high proportion of policy income. And because most of the government's policies are committed to short-term goals, after the withdrawal of the assistance policies, the development sustainability of poor areas is not optimistic. Therefore, coupled with the lack of self-development motivation for people in many impoverished areas, it is very likely that a large area will return to poverty due to the weak industrial structure after the introduction of the assistance policy. In addition, in recent years, the natural conditions in the deeply impoverished areas of western China have been poor. If a natural disaster occurs, it will inevitably worsen the economy of the already weak and impoverished areas.

2.3. The Concept and Current Situation of Relative Poverty

Different from absolute poverty, relative poverty refers to a state in which individuals or family members can rely on labor income to maintain basic living security, but cannot have other needs other than basic living security [8]. After the eradication of absolute poverty in 2020, the focus of the Chinese poverty alleviation battle will shift to solving "relative poverty", which is expected to be a long-term task. In other words, the problem that the gap between the rich and the poor in society and especially in urban and rural areas will aim to be eliminated in the future [9].

3. Factors of China Doesn't Fallen into the Poverty Trap

3.1. The Era of Technological Development Is Different

With the changes of the days, the progress of science and technology in China and the world is also accelerating. The manufacturing industry has ushered in a huge period of development, and Chinese global innovation index ranking has risen 22 places in ten years. As we all know, science and technology are the primary productive forces. The fast development of science and technology and cheap labor have greatly improved China's production efficiency and seized a large share of the global adjustment of the manufacturing industry structure. Many innovative technologies, such as 5G technology, will be widely used in the future industrial Internet; the intelligentization of manufacturing processes, such as robots, CNC machine tools, and automated production lines, will become a breakthrough in the realization of intelligent manufacturing. These new technologies also give China an advantage in international trade.

At the same time, the transformation efficiency of scientific and technological achievements has also been significantly improved, which has significantly improved Chinese productivity. According to Xinhua News Agency, in the past ten years, from 2012 to 2021, the number of patents granted by universities has increased from 69,000 to 308,000, the number of patent transfer and licensing contracts has increased from more than 2,000 to more than 15,000, and the amount of patent transformation has increased from 820 million to 8.89 billion. It is worth noting that a large part of these technological innovations are led by Chinese universities. Universities in China have led the construction of more than 60% of the national key laboratories for disciplines and 30% of the national engineering (technology) research centers. Nearly 70% of the recipients of the National Science Fund for Distinguished Young Scholars are gathered in colleges and universities.

Most of these scientific research results led by colleges and universities have accelerated Chinese digital reform to a large extent, and greatly increased Chinese economic development and productivity development. At the same time, according to relevant research, when the urban-rural

consumption gap is small, the digital economy can not only inhibit the expansion of urban and rural consumption, but also gradually increase the inhibiting effect [10].

It is worth noting that many of the past research data on countries that fell into the Poverty Trap came from before and after the Cold War, while the countries that fell into the Poverty Trap at that time did not experience such great technological development. This is perhaps the biggest difference between China and these countries. Therefore, in the discussion of why China has not fallen into the Poverty Trap, we may also discuss whether the applicability of the Poverty Trap has changed. And perhaps we can learn that the development of technology has made the Poverty Trap lose its applicability.

3.2. The Great Potential Growth of Economy

Before and after World War II, western countries such as Britain, France, United States and Germany took the lead in developing and became the developed countries we are now familiar with, with strong production and manufacturing capabilities. After the war, the Allies won the victory and ushered in a golden development period of 20 to 40 years, and became the most powerful country until the 1990s. Around the turn of the century, as the digital economy began to develop, emerging countries, that is, most developing countries, were not only catching up with the old developed countries, but also leapfrogging the new development field of the digital economy. Therefore, this group of countries has the opportunity to overtake on the corners.

China is the most representative of these emerging economies. Credit Suisse Research Institute, an international financial provider, has released a report saying that emerging economies in Asia are developing rapidly, and China is obviously included.

China has this huge import and export volume of goods. In 2021, the total import and export volume will reach 39 trillion yuan, an increase of 21.4% over the previous year, the export will be 21,734.8 billion yuan, an increase of 21.2%, and the import will be 17,366.1 billion yuan, an increase of 21.5%. . Thanks to the striving and saving characteristics of the nearly 1.4 billion people, the Chinese market also be able to accept such a huge amount of imports.

At the same time, because China has nearly 1.4 billion people, China not only has huge demands for inelastic demands such as meat, grain, electricity, and medical care, but also has various levels of other demands. This is also a big background for promoting China's economic development.

Such a huge room for economic development may also be one reason why China can avoid falling into the "poverty trap", because it is also something that other countries that fall into the "poverty trap" do not have relative to China.

3.3. The Benefits Brought by the International Industrial Transfer

China has a complete national economic system, which enables China to undertake transfer industries, transfer industries, and innovative industries. During the third international industrial transfer, Japan was the main undertaker of the last international industrial transfer. With the increase of local labor costs, Japan began to transfer labor-intensive industries to Newly Industrialized countries (NICs) through industrial transfer through foreign direct investment. China has undertaken most of these industries. The fundamental reason is that China has a complete national economic system and sufficient demographic dividends. In this way, China has become the fourth "world factory" after Japan, and its GDP has been growing rapidly.

Subsequently, after the economic crisis in 2008, China began to carry out the fourth international industrial transfer due to the reduction of production cost advantages. Part of the manufacturing industry began to transfer from China to developing countries in Southeast Asia, such as Laos, Vietnam and other NIEs. Different from the rapid growth of GDP in the period of industrial transfer,

the growth rate of GDP slowed down in the early stage of industrial transfer, but GDP per capita increased steadily, indicating that the quality of GDP growth is improving. Now China has completed the primary stage of industrial transfer [11].

Compared with other countries that have fallen into the "poverty trap", this may also be one of the differences between China and them. Because during the third national industrial transfer, China has successfully become a "world factory", attracting many foreign investment and abundant funds. And in the fourth national industrial transfer led by China, the quality of GDP growth has also been improved.

4. Conclusion

Under the combined influence of external and internal factors such as the rapid development of science and technology, the large transfer of international industries, and the large room for domestic economic growth, China has won the battle against poverty and eliminated absolute poverty.

Chinese policy should continue to focus on vigorously developing the economy and science and technology. Accelerate industrial development and accelerate the completion of industrial digital reform. In the era of digital economy, emerging industries will not only replace traditional industries and improving production efficiency, and also in the urban and rural area, the gap between the rich and the poor can be reduced.

Strengthen investment in the technology industry. At present, China has not yet completed the replacement of these emerging high-end industries with traditional industries. The huge domestic market size will be the key point to break through these stranglehold technologies. It should focus on the domestic big cycle and realize the multi-level development of the industry.

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