

China fight against poverty- Lessons for India

October 18, 2022

Manifest Pedagogy: India, with the largest pool of poor people on the planet can learn a lot from China, which pulled 765 million out of extreme poverty between 1978 and 2018, that's roughly 2 crore people being pulled out of abject poverty every year for four decades. Recently China declared that it has eradicated extreme poverty. It has adopted a gradual but comprehensive approach which brought huge success for the country. India can learn many lessons from China's success story and use these learnings to get rid of menace poverty in India. This is very essential in India's dream of becoming a developed nation by 2047.

In News: Recently the World Bank released its latest report on global poverty.

Placing it in the Syllabus: Social Justice
Static Dimensions

- What is extreme poverty?

Current Dimensions

- Background
- The World Bank about India's poverty levels
- China's achievement to eradicate extreme poverty
- How did China do it?

Content

Background

- India faces three rather acute and growing problems: Widespread unemployment, widening inequalities and deepening poverty.

- None of these will be resolved by electoral victories. They require actual policy solutions. Without the right policies, India's demographic dividend is looking more like a demographic bomb.
- There is one country China – which is not only comparable to India in terms of the population size but is also globally recognised to have alleviated poverty at historically unprecedented speed and scale.
- Perhaps, understanding what China did may provide some clues to Indian policymakers.

What is extreme poverty?

- The World Bank (WB) defines extreme poverty by particular consumption level. This is called the poverty line and it is pegged at **US\$2.15**.
 - Anyone living on less than \$2.15 a day is considered to be living in extreme poverty.
 - About **648 million people** globally were in this situation in 2019.
- The international poverty line of \$2.15 implies that any Indian who spends less than **Rs 46 a day** (adjusted in PPP terms)in total – is considered to be living in extreme poverty.
- This international poverty line is revised periodically to account for rising prices of goods and services over time.
- The very first international poverty line, a dollar a day, was constructed in 1990 using the 1985 prices. It was then raised to \$1.08 a day in 1993, \$1.25 a day in 2005 and \$1.90 a day in 2011. The \$2.15 one is based on 2017 prices.

The World Bank about India's poverty levels

- According to the WB, India is the country with the **highest number of poor people**.
- The World Bank used the data from the Centre for

Monitoring Indian Economy (CMIE), it found that the number of people living in **abject poverty increased by 56 million (5.6 crore) in 2020.**

- That's almost **80% of the total 70 million** the world over that the World Bank estimates to have been pushed into poverty in 2020.
- According to the estimate, **8 out of every 10 people** in the world who were pushed into poverty during Covid were in India.
- According to the Bank, close to **600 million Indians survive at less than \$3.65 (Rs 84) a day level of expenditure.**
- The only reason why the World Bank was forced to use data from CMIE is that there are no official estimates of poverty available since 2011.
 - The government decided not to release the 2017/18 NSS round because of concerns about data quality.
- Moreover, estimates of absolute levels of poverty in India, albeit unofficial, had been going up even before Covid and the war in Ukraine further impoverished Indians.

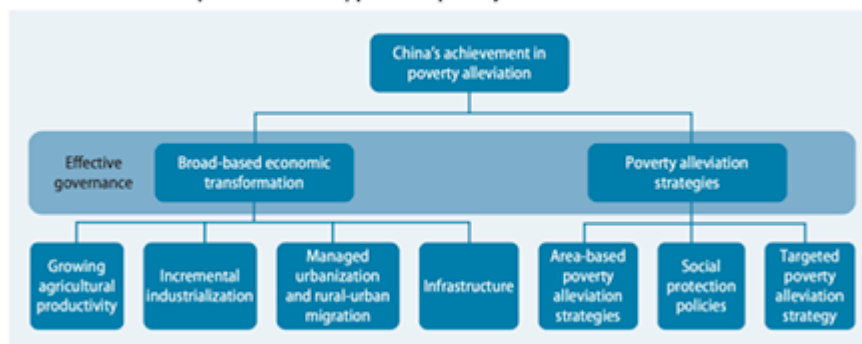
China's achievement to eradicate extreme poverty

- Intending to provide lessons to other developing countries, the World Bank and China's Ministry of Finance undertook a study in 2019 to understand what China achieved and how it did it.
- The World Bank found that between 1978 and 2019, **China's poverty headcount dropped from 770 million to 5.5 million people.**
 - In other words, China lifted **765 million (76.5 crore) people** from extreme poverty in the past four decades.
- On average, every year China pulled **19 million (1.9 crore) poor people** out of extreme poverty for the past 40 years.

- In doing so, China accounted for almost **75 percent of the global reduction** in the number of people living in extreme poverty during this period.
- In 2021, China declared that it has eradicated extreme poverty according to the national poverty threshold, lifting 765 million people out of poverty since 1978, and that it has built a “moderately prosperous society in all respects.
- Decades of progress in China are also reflected in substantial improvements in other measures of well-being.
- **Life expectancy at birth** went from **66 years in 1978 to 77 years by 2019**, and the **infant mortality rate dropped from 52 in 1978 to 6.8** per thousand infants in 2019.
- **Education achievements** in China were also relatively higher than in its peers before 1978 and progressed further since, as the country universalised basic and secondary education.
- Taken together, improvements in health, education, and income over the four decades are reflected in China’s rising position in the **Human Development Index from 106 (out of 144 countries) in 1990 to 85 (out of 189 countries) in 2019**, and the narrowing of the gaps with other large developing countries.

How did China do it?

FIGURE ES.1 The two pillars of China’s approach to poverty reduction



Source: World Bank and Center for International Knowledge on Development.

- **Economic growth:**The first pillar was rapid economic growth, supported by broad-based economic transformation, which provided new economic opportunities for the poor and raised average incomes.
 - China's poverty reduction story is primarily a growth story. Rapid and sustained economic growth was accompanied by a broad-based economic transformation.
 - Reforms began in the **agricultural sector**, where poor people could benefit directly from improvements in productivity associated with the introduction of market incentives.
 - The **development of low-skilled, labour-intensive industries** provided a source of employment for workers released from agriculture.
 - **Urbanisation** helped migrants take advantage of the new opportunities in the cities, and migrant transfers boosted incomes of their relatives remaining in the villages.
 - **Public investment in infrastructure** improved living conditions in rural areas but also connected them with urban and export markets.
- **Government policies:**—The second pillar was **government policies** to alleviate persistent poverty, which initially targeted areas disadvantaged by geography and a lack of economic opportunities, but subsequently focused on poor households, irrespective of their location.
 - Broad economic reforms were complemented by strategies, policies, and programs directly targeted at poverty alleviation.
 - China's poverty alleviation strategy can be characterised as 'development oriented,' implying a focus on creating economic opportunities as a means to escape poverty.
 - It evolved from an area-based approach, targeting poor counties and villages as a whole, to a set of

interventions targeted at poor households.

- A component of these policies were social protection policies for poor households and they included specific programs in social assistance, social insurance, social welfare, and other targeted social policies
- **Effective governance-China's success benefited from effective governance**, which was key to the successful implementation of the growth strategy as well as the evolving set of targeted poverty reduction policies.
 - This meant that the institutional arrangements China developed to deliver outcomes were shaped by its specific context.
 - For instance, China's size necessitated decentralised implementation arrangements, with significant scope for local experimentation, and a high degree of competition among local governments.
 - To achieve coherence, local experimentation was subject to strong monitoring and accountability between levels of government.
- **Human Capital-China also benefited from some favourable initial conditions at the time of opening up**, such as a relatively high level of human capital, which is widely recognised as a critical input for the population to rapidly benefit from new economic opportunities once market reforms set in.
 - The World Bank finds that for a country with a level of per capita income among the lowest in the world, China's population in 1978 had relatively high human capital endowments. In 1949, only 7 percent of those ages 15–64 had completed primary school in China.
 - **Massive investment in education and expansion of health care** since the 1950s resulted in real achievements: in 1978, the infant mortality rate was 52 per 1,000 births, less than half of the

average in China's income group.

- Life expectancy at birth at 66 years far exceeded that of other developing countries; the primary school enrollment rate was 96 per cent; and the secondary school enrollment rate was 49.9 per cent.

Wayforward

- A point to note here from India's perspective is that reforms were gradual. Reforms in all the areas were incremental, which may have helped businesses and the population adjust to the rapid pace of change.
- Understanding what China did may provide some clues to Indian policymakers.
- India must focus on effective governance, which will be the key to the successful implementation of the growth strategy as well as the evolving set of targeted poverty reduction policies.
- Government policies to alleviate persistent poverty with focus on poor households, irrespective of their location.
- India must ensure rapid economic growth, supported by broad-based economic transformation, which will provide new economic opportunities for the poor and raise average incomes.
- Massive investment in education and expansion of the public health care sector.

Mould your thoughts

Q.China's poverty alleviation strategy can be characterised as development oriented with a focus on creating economic opportunities as a means to escape poverty and India can also learn from China. Discuss (250 words)

Approach to the answer

- Introduction about poverty in India

- China's achievement in poverty alleviation.
- China's strategy
- Lessons for India and what India should do
- Wayforward and Conclusion.