

The Pro-Poorness of Economic Growth in Rural China

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Contributor: Kezhong Jiang, Qian Zhou, Jin Yao

Based on the pro-poor index and pro-poor curve measurement method of economic growth, this research uses the data of Chinese Family Panel Studies to measure the pro-poorness of economic growth in rural areas of China. Optimizing the pro-poorness of economic growth requires active family support policies to enable workers to better balance family and work responsibilities, and adopt target location strategies to give special care to families with special difficulties while increasing investment in public services.

Keywords: pro-poor growth ; pro-poor index ; pro-poor curve

1. Introduction

Since the 18th National Congress of the Communist Party of China, the Party Central Committee has placed the gradual eradication of poverty and the realization of common prosperity for all the people in a more important position. On 25 February 2021, General Secretary Xi Jinping solemnly declared at the National Poverty Alleviation Summary and Commendation Conference that “the battle against poverty has achieved a comprehensive victory and China has completed the arduous task of eradicating absolute poverty” ^[1]. The comprehensive victory in the battle against poverty marks a solid and big step on the road to achieving common prosperity in China. On 17 August 2021, Xi Jinping presided over the 10th meeting of the Central Financial and Economic Commission to study issues such as solidly promoting common prosperity. He stressed that “the most arduous and onerous task of promoting common prosperity still lies in the countryside. It is necessary to consolidate and expand the achievements in poverty alleviation, strengthen monitoring and early intervention for people who are vulnerable to returning to poverty and poverty, and ensure that large-scale return to poverty and new poverty do not occur” ^[2].

The precise poverty alleviation strategy implemented by China has completed the arduous task of eliminating absolute poverty in rural areas, and there is no doubt about the absolute pro-poorness of economic growth in rural areas ^{[3][4]}. However, the relative pro-poorness of economic growth needs in-depth research, that is, whether low-income groups benefit from economic growth more than middle-income groups and high-income groups, which is an important guarantee for consolidating poverty alleviation, expanding poverty alleviation achievements and achieving common prosperity.

2. The Pro-Poorness of Economic Growth in Rural China

The “trickle-down effect” of traditional development economics holds that the benefits of economic growth automatically spread across all segments of society, and that growth automatically eliminates poverty ^{[5][6]}. The implicit policy implication is that there is no need to give special preferential treatment to poor groups or poor areas in the process of economic development, and priority groups or regions can automatically benefit poor groups or poverty through consumption, employment, and other aspects, driving their development and achieving poverty alleviation and prosperity. However, studies have shown that economic growth does not necessarily lead to a reduction in poverty, but may also lead to a worsening of poverty ^{[7][8][9][10]}.

People began to re-examine the relationship between economic growth and poverty, and the study of the pro-poorness of economic growth began to rise in development economics ^{[5][6]}. However, how to define the pro-poorness of economic growth was once widely debated, and current research has reached the following consensus: The pro-poorness of economic growth includes absolute pro-poorness and relative pro-poorness. Among them, if economic growth reduces absolute poverty, the economic growth can be considered to show absolute pro-poorness. If economic growth reduces inequality and suppresses relative poverty—that is, low-income groups benefit more from economic growth than middle-income groups and high-income groups—the economic growth can be considered to show relative pro-poorness ^{[11][12][13]}.

In terms of how to measure the absolute pro-poorness or relative pro-poorness of economic growth, it can also be roughly divided into two categories: the pro-poor index measurement method and the pro-poor curve measurement method.

Among them, the pro-poor index mainly includes: the pro-poor growth rate index ^[11], the pro-poor growth index ^[12], and the poverty equivalent growth rate index ^[14]. The pro-poor index measurement method, also known as the local method, first needs to set the poverty line, calculate the results of the corresponding pro-poor index, and then determine the absolute pro-poorness or relative pro-poorness of economic growth. The pro-poor curve measurement methods mainly include: the growth incidence curve ^[11], the pro-poor primal approach curve, and the pro-poor dual approach curve ^[15]. The pro-poor curve measurement method, also known as the global method, is mainly based on the concept of random dominance to measure the pro-poorness of economic growth, and does not need to set the poverty line in advance, and can examine the pro-poorness of economic growth under different poverty standards.

There are some empirical studies which used the pro-poor index measurement method to study the pro-poorness of economic growth in different countries ^{[16][17][18][19][20]}. For example, Duclos and Audrey ^[16] studied the pro-poorness of economic growth in South Africa from 1995 to 2005 and Mauritius from 2001 to 2006 based on a pro-poor index measurement. Based on the research of Duclos ^[15], Araar et al. ^[21] constructed a statistical test of the economic growth pro-poor curve measurement and “robustness”, and used Mexican household survey data in 1992, 1994, and 2004 to measure the pro-poorness of economic growth in different time periods. Regarding the pro-poorness research of China's economic growth, the existing research mostly adopts the pro-poor index measurement method or use the pro-poor GIC curve measurement method for empirical research; the research conclusions are also controversial, and most of them do not consider the “robustness” of the measurement results ^{[22][23][24][25][26]}.

An important area of research is how to optimize the pro-poorness of economic growth so that low-income groups can better share the dividends of the economic growth. Among them, from the perspective of the ownership of interests in government fiscal and taxation policies, some studies find that the more the government spends on transfer payments, the more these expenditures flow to low-income and middle-income households. In addition, government tax policies, such as the earned income tax credit, can benefit low-income groups more ^{[27][28][29]}. Some studies have shown the self-stabilizing safety net effect of social security, especially during recessions, when government social security transfers largely offset the decline in labor income agglomeration among low-income groups, effectively reversing market-based shocks in recessions ^{[30][31]}. The government's education policy, labor development, and vocational training policy also have a significant stimulating effect on low-income groups to rise to middle-income and high-income groups. For example, Packer ^[32] used three vocational skills training programs for high school students in the United States as an experimental sample, and found that labor vocational skills training is a prerequisite for low-income groups to enter middle-income groups. A study by Manzano et al. ^[33] of four developing countries in Latin America found that poverty alleviation is highly correlated with the investment in human capital, and that the continued decline in the size of low-income groups in these countries is largely due to the large expansion of access to higher education. The White House Task Force on the Middle Class ^[34] proposed a package of policies to expand the middle-income groups, including family support policies, expanding the child and family care tax credit, increasing childcare assistance for low-income working families, and providing more financial assistance and more flexible workplaces for workers who need to care for family members, so that workers can better balance family and work responsibilities. Based on the actual national conditions of China, the existing research pays more attention to how to expand the income level of low-income groups from the perspective of public policy in rural areas of China. For example, Li and Zhu ^[35] argue that it is necessary to continue to implement policies to reduce the number of rural poverty alleviation targets on a large scale, and to carry out universal vocational training so that more new generations of migrant workers can become beneficiaries. Wang ^[36] believes that accelerating agricultural and rural land reform, improving social security policies, encouraging informal workers to participate in insurance, and paying attention to migrant worker groups can increase farmers' income through multiple channels. Yang et al. ^[37] believe that, to focus on increasing the income of low-income groups in rural areas, it is necessary to promote a series of reforms such as education, medical care, and pensions, promote the equalization of people's educational opportunities, improve the quality of education, and reduce the cost of medical care and pensions.

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