

China rural poverty



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After Deng Xiaoping took over the power, he imposed a lot of policies to change the economic, social and political structure. The first thing that Deng insisted to do was to improve the economic growth. But the lack of concern with the rural area brings China the decline in output and income of the peasants which widened the gap between the coastal and interior areas. In the articles " Economic growth, income inequality and poverty in China under economic reforms", the author described the improvement under Deng's policies.

In " Reducing Absolute Poverty in China", fundamental problems in education and healthcare aspects which remained unsolved were introduced. During these few years, the government put a great effort in minimizing the rural poverty situation and there was a significant change in the rural area. There was no doubt that China has improved from time to time, although rural poverty is always a problem for the government, they start to have better plans to implement compare to the Mao and Deng eras.

Yao's article, " Economic growth, income inequality and poverty in China under economic reforms", analyzed the failure of the Deng's policy. Because most poor people lived in the rural areas, Deng decided to reform agriculture first before reforming the urban and industrial sectors. The household production responsibility system was introduced. This system allowed farmers to keep a certain proportion of outputs after fulfilling a production quota set by the production team¹.

This method would be able to provide a better incentive for the peasants to work harder since now, they could get their own reward, the proportion of

the production. Also, the government could still guarantee they would get the standard amount from the peasants, therefore, it seemed to be beneficial to both sides. Grain output increased from 305 to 407 million tons between 1978 and 1984. Real per capita income more than doubled, rising by 14.9 per cent per year². Since the reform seemed to be very successful, they began to reform the state-owned enterprises.

Mao's doctrine had put a lot of ideological barriers on the economic policies and it was time to break all those. Major reform methods were introduced to raise enterprise accountability and autonomy with a flexible wage system to link work efforts with rewards more directly for individual workers³. Although existing state-owned enterprises were not privatized and they would be benefited from state budgets, non-state enterprises such as private and collective sectors got a lot of advantages as well.

In order to increase the agricultural output, the government encouraged the rural peasants to work hard by giving peasants more capital, establishing better incentive systems, allowing greater freedom of crop selection, changing the structure of the administration of agriculture⁴. The agricultural production seemed to be ameliorated during the early 1980s. In the rural areas, non-farm enterprises, particularly the township and village enterprises (TVEs) quickly developed to become a new economic force.

In 1992, TVEs employed more than a quarter of the total rural labour force and contributed about 40 per cent of per capita rural income⁵. There was no doubt that these policies had contribution to a great amount for improving the poverty situation, it had not solve the fundamental problems for the

poverty. In the article "Reducing Absolute Poverty in China", the authors described poverty problem stepped backward after a short improve. During the second half of 1980, a few economic policies such as the increase in prices for grain and the rapid growth of the working-age population .

The population exceeded the expansion of employment opportunities, created a worsening of rural underemployment from 1989 to 1990. Since the official government did not want to put as much subsidy on the farming projects, the costs for production increased quickly while the income from production remained the same. Officials tried to attract foreign investment but it was not successful because they knew the damages which had created in the countryside during the Mao era.

Besides the decline in income, the township officials were exploiting peasants. They gave the peasants IOU's instead of cash so that they would have more cash to invest in new township enterprises⁶. Peasants did not get the "incentive" as what the government originally imposed anymore. They wanted to revolt but they found out it was useless because most of the officials were corrupted at that time. Most of the peasants commented, "Why risk so much to remove one corrupt cadre? ⁷ Except bearing all the exploitation, they had no other choices to choose. Although poverty had reduced from 1985 to 1990, agricultural growth and rural development did not increase a lot during the same period, therefore, only the urban areas had improved during the reform. While a lot of peasants wanted to get a chance to go to the South, most of the poor peasants were remained in the poor countryside. The author also explained the major causes of rural poverty the government did not solve.

Although the overall status seemed to be improved, the government neglect about some basic aspects in the society which would affect the peasant's directly. The educational and health status of Chinese were still far way below the standard. Due to corruption the central government provided financial transfers to the poor areas of China but resources were not adequate to meet all primary education. The lack of financing, school facilities are often insufficient and ill equipped. Also, due to limited access, the teacher training programs did not work out efficiently.

Although current training courses focus on content and pedagogical techniques appropriate for large urban schools, but few programs offer teachers instructional methods and skills needed for small and sometimes ethnically mixed rural schools⁸. At least half of the boys in the poorest villages, especially in some minority areas, and nearly all of the girls did not have a chance to receive education and achieve literacy⁹. The infant mortality rate in some very poor counties exceeded 10 percent which was greater than the national level by one fold. Diseases such as tuberculosis and iodine deficiency disorders concentrated in poor areas.

Half of the children were malnutrition because they did not even have enough food to eat. In the health aspect, although China has reached a national health status comparable to many middle-income countries, people in the rural areas never had sufficient access to basic health service. During the 1980s, the government budgetary funding declined from 30 percent of total health expenditures to 19 percent. Although the number of health institution and doctors increased each year since 1980 in a national level, the statistics did not apply to the rural villages.

The government support for rural doctors decreased by 45 percents in the same time period¹⁰. Due to the poor education and health systems, rural peasants were suffering from the poverty with no chance to make themselves better off. Since the government noticed the serious problem which remained in the countryside, they started to impose some poverty reduction program in late 1980s and early 1990s. The Agricultural Development Bank of China offered subsidized loans for poor-area development through provincial bank branches and county- and lower-level banks.

The regional office of the State Planning Commission administers a food-for-work program assisted in building roads and other transportation systems, drinking water systems, irrigation works and other capital construction in poor areas. In addition, each of 27 central ministries and agencies has its own special poor-area project and every province has its own specially funded programs¹¹. In 1986, the government found 331 poor counties which were eligible for development assistance. The program provided aid in providing labour for road construction and drinking water facilities.

Living standard increased because of that. These programs contributed to the construction of 131, 000 km. of roads, 7, 900 bridges and 2, 400 km. of inland river channels. Water supply conditions for 20 million people and 13 million animals were improved¹². They also selected some provinces to get the provincial funding based on their situations. The poverty reduction strategy was announced in the eighth Five-Year Plan during 1991-1995. Once again, they put emphasis on supporting the poor-area agriculture and rural enterprise through subsidized loans.

The government's poverty reduction strategy was further defined during the National Seven-Year Plan in 1994 to 2000. They had a few plans such the concentration of available funding in the poorest counties and the improvement in access of the poor to employment opportunities outside the poor areas, greater investment in the development of human capital, funding for health, education and relief services in the poorest areas and the continuing investment in poor-area agricultural, rural enterprise, road and other rural infrastructure development projects¹³.

The Central Committee and the State Council issued a blueprint for solving the problem of inadequate food and clothing for China's rural poor in 1997. The government will allocate an additional \$180 million to help build the agricultural and facilities and apply scientific and technological advances in rural areas. The better tools and equipment they have, the faster they can build up the economic system. \$350 million will increase government loans for the poor annually. The priority of the use of funding is the irrigation, infrastructure and transport projects.

The government would guarantee that households short of food and clothing would be exempt from state-fixed quotas on grain purchasing and some agricultural taxes. Industrial enterprises built in poor areas will be exempted from income tax for the first three years. Economically developed coastal regions and municipalities will be encouraged to establish ties with inland areas and assist with funds, technology transfer, information and technical personnel. The central government will offer training courses for officials and managerial personnel in poor areas.

The government tries to use these methods and regulations to improve the rural development so that it can catch up with the urban areas as soon as possible. Since the Chinese government wanted to be competitive among the whole world, they now had the motivation to improve the poverty situation. According to China's State Statistical Bureau, 250 million people, 31 percent of the rural population, were living in poverty in 1978, all of them in the countryside. By 1985 this number was cut in half to 125 million¹⁴.

At that point, the Chinese government started the first major rural development program assisting the rural poor. However, with implementation of a coastal development and financial decentralization, policies that would accelerate economic growth nationally but exacerbate the plight of significant sections of the rural poor and slow poverty reduction. The government started to concern about the rural poverty issue in 1990s, they applied a lot of financial aid programs and relief programs to deal with the problem.

Premier Zhu Rongji delivered a speech in the Central Poverty Relief and Development Working Conference in May 2001. He concluded that China's rural poverty situation is improving during the last twenty years. Although there is still a long way to go in order to minimize the gap between the coastal and rural area, and to defeat the rural poverty, the government have the confidence that they will be able to improve themselves so that they will be able to compete with the foreign in all aspects.