

## FOUR REASONS WHY THERE IS NO “POVERTY TRAP” IN RURAL CHINA\*

CUATRO RAZONES POR LAS QUE NO EXISTE LA “TRAMPA DE LA POBREZA” EN LA CHINA RURAL

QUATRO RAZÕES DA NÃO EXISTÊNCIA DA “ARMADILHA DA POBREZA” NA CHINA RURAL

*Wang Zhizhang*

PhD of Management  
Professor of School of Economics and Management, Southwest University, China  
wzz@swu.edu.cn

*Tan Xia*

Ph.D. candidate, Southwest University  
Lecturer of Sichuan International Studies University, China

*Yang Zhihong*

Ph.D. candidate at Northwestern University, China

---

**Fecha de recepción:** 15 de septiembre del 2021

**Fecha de aceptación:** 21 de febrero del 2022

**Disponible en línea:** 22 de marzo del 2022

**Sugerencia de citación:** Zhizhang, W., Xia, T. y Zhihong, Y. (2022). Four Reasons Why There Is No “Poverty Trap” In Rural China. *Razón Crítica*, 13. <https://doi.org/10.21789/25007807.1860>

---

### Abstract

In 2020 China eliminated the overall regional poverty and finished the arduous task of solving the problem of absolute poverty. Even though there is an actual lingering problem of relative poverty, the objective risk of falling into a poverty trap in China’s underdeveloped regions does not reasonably exist. This article analyzes four perspectives to underpin such statement: the institutional, the historical, the individual, and the spiritual power.

**Keywords:** poverty; the poverty trap; anti-poverty; political advantages; the socialist core value system.

---

### Resumen

En 2020, China eliminó la pobreza regional general y terminó la ardua tarea de resolver el problema de la pobreza absoluta. Aunque existe un problema real persistente de pobreza relativa, el riesgo objetivo de caer en una trampa de pobreza en las regiones subdesarrolladas

\* Sponsored by the Major Project of National Social Science Foundation of China, Research on Deep Poverty in Minority Areas and Research on Strategy for Overcoming Poverty Traps (Approval No.: 18ZDA121) and a major special project from the Guizhou Province, Research on the Normalized Monitoring of the Population Prone to Return to Poverty in Guizhou Province and the Long-term Mechanism of Precision Assistance (21GZZB06).

de China razonablemente no existe. Este artículo analiza cuatro perspectivas que sustentan tal afirmación: la institucional, la histórica, la individual y la espiritual.

**Palabras clave:** pobreza; la trampa de la pobreza; antipobreza; ventajas políticas; sistema de valores central socialista.

---

## Resumo

Em 2020, a China eliminou a pobreza regional geral e acabou com a difícil tarefa de resolver o problema da pobreza absoluta. Embora exista um problema real persistente de pobreza relativa, o risco objetivo de cair numa armadilha da pobreza nas regiões subdesenvolvidas da China praticamente não existe. Neste artigo, são analisadas quatro perspectivas que apoiam tal afirmação: a institucional, a histórica, a individual e a espiritual.

**Palavras-chave:** pobreza, armadilha da pobreza, antipobreza, vantagens políticas, sistema de valores centro-socialista.

---

## Introduction

The classical Western hypothesis of the poverty trap described in economic literature, and used to try to explain China's rural situation, includes the notion of a low-level and inactive state. In the 1950s, there were three economists who revealed the origin of the vicious circle of poverty or poverty trap. The first was Ragnar Nurkse, a professor at Columbia University. He proposed that "a country is poor because it is poor" and that the key factor hindering the development of developing countries was capital in his book *Problems of capital formation in underdeveloped countries* in 1953 (Nurkse, 1953). The low level of income per capita in developing countries causes savings (the supply of resources for investment) and consumption (the demand for products) to be insufficient, which limits the formation of capital. Subsequently, low capital leads to chronic poverty in developing countries for a long time. The second author was Nelson, whose proposal, the low-level equilibrium trap (Nelson, 1956), appeared in the paper *A Theory of the Low-Level Equilibrium Trap in Underdeveloped Economies*. Nelson stated that the level of income per capita in underdeveloped countries was low and not sufficient to meet the minimum living conditions for households and their savings were reduced. At the same time, the mortality rate was high, and the population growth was slow. If underdeveloped countries increased the national income to enhance savings and investment, population would grow and would bring per capita income back to a higher level. For him, that was the reason why it is difficult for underdeveloped countries to overcome poverty. The third author was Gunnar Myrdal. He discussed The Principle of Circular and Cumulative Causation (CCC). In 1957 he stated that the process of economic development generally begins in developed regions, which will surpass other regions due to their accumulation of advantages. That way the gap between the developed and the underdeveloped regions will get bigger and bigger. Those theories conclude that the poverty trap refers to a group, region or country that has lagged behind others because its own capital. The probability of such group, region or country catching up or even surpassing others more developed that have a first-mover advantage is very small. That is why, for them, some countries like China, or some of its rural regions, are imprisoned in the poverty trap.

In China's post-industrial era, the economic development has been a critical period of structural optimization and kinetic energy transformation. Improvement and extension, the fundamentals of stability and long-term development, remain unchanged and economic growth still empowers the alleviation of poverty. President Xi Jinping pointed out that "the promotion of economic and social development is to continuously meet the people's needs for a better life" (Li, 2019, p.14). In accordance with the concept of a people-centered development, China's social productivity has significantly improved as well as its social production capacity in many ways bringing China into the forefront of the world. That is why we can conclude that China's economic growth –based on the transformation and the reshaping of its path– and the economic decline shown by the authors who have referred to the poverty trap are two completely different concepts and are not necessarily related.

The concept of a poverty trap emphasizes on a "difficulty" to integrate the macro and micro fundamentals of China's economy and the perspective of poverty alleviation that does not exist in reality. Even if the population stricken by poverty has a short-term return to poverty, China counts on a multi-dimensional approach. The social security policy has been implemented to shorten the cycle of returning to poverty and reduce the probability of becoming absolutely poor again. It is unreasonable to use Western methods to verify the existence of the poverty trap in China, and such a concept cannot be used to explain China's reality.

This article is based on China's institutional arrangements, theoretical discourse analysis and reality inspection to answer the question of why there is no poverty trap in rural China. Methods of qualitative nature were used to research this topic and write this article, such as the analysis of declarations and statements by governmental officers and literature previously systematized. The authoritative panel data released by the country and the data from the author's survey were also reviewed and analyzed when available. In the first section of this article, the realistic background of why there is no poverty trap in rural China is introduced. Four major answers are proposed in sections two to five: First, China's Communist Party strong leadership provides a fundamental political guarantee for high-quality anti-poverty mechanisms; second, the advantageous characteristics of the Chinese socialist system have laid a solid foundation for managing poverty; third, the social security mechanism for sharing multiple risks builds a secure network to prevent farmers from falling into the poverty traps; and finally, the advanced socialist culture injects a strong spiritual power into the population stricken by poverty so that they can sustain their development.

### **There Is No "Poverty Trap" In Rural China: The Realistic Background**

Since the reform and opening up, especially since the 18<sup>th</sup> National Congress of the Communist Party, China has made great achievements in targeted poverty alleviation, significant contributions to human anti-poverty, and fully demonstrated the Communist Party's governance capabilities and efficiency to the world. Although anti-poverty policies are beneficial to rural development and offer the comparative advantage of empowering the economic growth, there are still problems that need to be solved in rural areas: a weak industrial foundation, insufficient endogenous motivation, large gaps in public service levels, diminishing policy marginal benefits, and unbalanced and inadequate development. In reality,

the problem of relative poverty is prominent and an objective risk of falling into a poverty trap in China's underdeveloped regions still exists, but such trap is not reasonable. The Chinese institutions have demonstrated the benefits and political advantages of counting with the leadership of Communist Party of China and its socialist system. Also, historically there is clear evidence of the foundations and the positive evolution of the multi-stage poverty governance policies, and the way strategies have adjusted over time. For example, the resilience of small farmers has been strengthened thanks to the risk-sharing mechanism that combines formal and informal strategies, and to their organic integration into modern agriculture. At a deeper level, the socialist core value system has turned intangible cultural relics –the Chinese cultural outlook– into a national tangible logic useful to support poverty reduction and to strengthen the spiritual power aimed at eliminating poverty. However, bidding farewell to absolute poverty is not the only aim. Preventing the risk of falling back into poverty is related to consolidating the results of the alleviation measures and achieving the “two centenary goals”<sup>1</sup>. Continuous efforts are required in industrial development to improve the protection against poverty, to enhance endogenous motivation, and to guarantee that poverty reduction policies and systems are transformed into routines.

### **The Strong Leadership of the Communist Party of China Provides a Fundamental Political Guarantee for High-Quality Anti-Poverty**

From providing basic food and clothing to the entire population to achieving the goal of building a well-off society in all respects, the Communist Party of China (CPC) has always adhered to a people-centered approach. The CPC has closely followed the basic contradictions of the socialist society and has regarded development as its top priority in governing to rejuvenate the country while maintaining the people's interests at heart. Its fundamental purpose is to make poverty alleviation a key element of the national strategy and the national governance, to consolidate the results of the poverty alleviation measures and establish a long-term mechanism to deal with relative poverty. Through scientific planning and unconventional measures, the CPC has finally led the Chinese people to achieve the elimination of absolute poverty. The goal of building a moderately prosperous society in all respects has embarked on an anti-poverty road that suits China's national conditions (Wang & Hu, 2020, p.4). As Comrade Xi Jinping emphasized in his speech at the seminar on the decisive victory over poverty alleviation in March 2020: “We have made unprecedented achievements in the field of poverty alleviation, demonstrating the leadership of the CPC and the political advantages of China's socialist system” (Xi, 2020). Transforming political advantages into high-efficiency governance is precisely the political basis for preventing market failures and guaranteeing that there is no poverty trap in China on the basis of insisting on market allocation of resources.

From a fundamental political standpoint, enhancing the well-being of the people and promoting the all-round development were essential requirements to establish the CPC for the public and govern for the people. The people's yearning for a better life is the party's eternal goal. The core of the CPC leadership in its various undertakings has no interests of its own. The policies and measures it has formulated are aimed at meeting and safeguarding the fundamental needs of the overwhelming majority of people. It is precisely because of the leadership of the CPC that “we have solved many long-term problems that we wanted to solve

---

<sup>1</sup> The CPC has set two centenary goals: first, building a moderately prosperous society in all respects and second, building China into a great modern socialist country in all respects.

but had not solved, and we have accomplished many important things that we wanted to accomplish but failed to accomplish in the past” (Kong, 2019). The CPC has the overall leadership and the incomparable political advantage of coordinating all parties and concentrating efforts on major issues. This is the fundamental guarantee the country has for its prosperity and development, and all these achievements stem from the CPC’s firm stance towards the people. Looking back at history, the issue of poverty and the livelihood of the people have always been the top priority of the party and the country. Since the concept of a well-off society was made a priority at the beginning of the reform and opening up at a national level, several generations have consistently worked hard to build a moderately prosperous society in all respects (Xi, 2020). It is a hard task that must be achieved under the background of the first centenary goal. Since then, the goal has been firmer, the measures have been more precise, and the effects have become more prominent and more inclusive.

Regarding the specific anti-poverty work, the central, local, and grass-roots levels, as well as the scientific top-level design, the reasonable strategic arrangements, and the intensive policy measures all reflect an important fact: the party and the state must solve the problem of uneven and insufficient development to promote common prosperity. As Comrade Xi Jinping said: “For more than 40 years, I have worked in counties, cities, provinces, and the central government in China, poverty alleviation has always been an important part of my work, and I have spent the most energy” (Xi, 2020). This demonstrates that the leaders of the CPC have not forgotten their original feelings and ideas for the people. The party’s leadership of the poverty alleviation work runs through the entire system at a “central-local-basic” level and oversees the general situation, coordinating all parties. At the central level, the party has designed the plans for the entire poverty management work, making poverty elimination the focus of the national strategy, and has continuously promoted the party’s theoretical, practical and institutional innovations in the field of poverty management to provide the basis for the poverty alleviation work throughout the different historical stages. Scientific top-level design, strategic planning and direction guidance have responded to the yearning and expectation of the poor population for a better life in a timely manner and played a decisive role in solving the problem of absolute poverty. At the local level, in accordance with the unified deployment of the central government, local party committees and governments at all levels have the ability to transform the central principles and policies into specific implementation plans, and do a good job in determining the alleviation targets, launching projects, placing funds, organization, mobilization, inspection, guidance, etc., forming a “five level”, that is, the organization system of “Secretaries grasping poverty alleviation”. They have also promoted the soundness and improvement of the diversified poverty reduction work pattern under the new situation of party and government leadership, departmental coordination, and social participation, and have provided a solid organizational guarantee for the completion of poverty alleviation tasks in different historical stages. In particular, the grassroots party organizations that are on the front line of the poverty alleviation work have the best understanding of the actual situation and ideas of the grassroots masses, and they have the absolute advantage of leading the way. In the practice of poverty management, they have continuously strengthened the work philosophy and direction of serving the people, optimized the personnel, and formed grassroots work teams with strong party spirit, strong ability, strong sense of reform, and strong sense of service.

Comrade Xi Jinping pointed out that “eliminating poverty, improving people’s livelihood, and gradually realizing common prosperity are the essential requirements of socialism and an important mission of our party” (Xi, 2012). The goal of building a well-off society in an all-round way has been basically achieved and the results have exceeded expectations, but “comprehensively there are also some shortcomings in building a well-off society, which must be made up quickly [...] From the perspective of the population, it is mainly the elderly, the weak, the sick, the disabled and the poor; regionally, they are mainly deeply impoverished areas; in the field, they are mainly ecological environment, public services, infrastructure, etc. The shortcomings are obvious” (Xi, 2020). Therefore, even if absolute poverty has been resolved, meeting the people’s growing needs for a better life remains, and has long been, an important concern of the Party and the state. Fortunately, the Fourth Plenary Session of the 19th Central Committee of Communist Party of China decided to “establish a long-term mechanism for solving relative poverty”. A firm institutional advantage must be able to respond quickly and use the policy’s “brilliant tricks” to block the root causes of returning to poverty, which means falling into the poverty trap.

### **The Unique Chinese Socialist System with its Advantages and Characteristics Has Laid a Solid Foundation for Managing Poverty**

The Chinese socialist system with its unique characteristics has been scientifically constructed by CPC and the people, and it is based on long-term experience and exploration. The system is strongly oriented towards recognizing and solving problems, it is superior in terms of concentrating efforts on major issues, and it is highly foresighted to promote science. It has also concretized the socialist theory at the institutional level and highly integrated the Marxist theory into China’s poverty reduction work. Since the 18th National Congress of Communist Party of China, moment in which our country faced the biggest shortcoming of poverty, the Party Central Committee with Comrade Xi Jinping at the core took the resolute fight against poverty to a new height and decided to achieve the goal of building a well-off society in all respects and incorporated the work of alleviating poverty into “The five-in-one” overall layout and the “four-comprehensive” strategic layout. This action expanded the scope of the poverty alleviation measures. The unique characteristics of the Chinese social security system achieved a great miracle in the history of human poverty reduction and made a major contribution to the world’s anti-poverty fight. At the same time, China’s achievements in poverty alleviation have supported the healthy development of the economy and the improvement of the country’s governance capabilities. All of the above reasons and the unique characteristics of the Chinese socialist system have turned it into the solid foundation of the anti-poverty fight.

The first unique characteristic of the Chinese socialist system is that, from its core values, has been always oriented to put the overall interests of society first. The people are at the center of the social development. That is how it fundamentally overcomes the conflicts and oppositions caused by the maximization of personal interests. The system has found a way to shape and strengthen a national and collective consciousness that has become a moral and ideological foundation for the “national chess game” of governance. It has also formed a path to allow social mobilization and promote the ability of integration along with a combination of forces useful to tackle major and difficult tasks (Qin, 2020). Comrade Xi Jinping has repeatedly emphasized that “to achieve a well-off society in an all-round way, all ethnic minorities cannot be left behind, and none of them should be left behind.” A type of development that does not

include people in its core is unbalanced, not high-quality, and does not lead to a real well-off society in the true sense. The poverty alleviation work in the Chinese socialist system has been conducted as a game of chess across the country, with the Party Central Committee as the core, building an all-round and multi-level poverty alleviation cooperation system of “departmental and regional cooperation”. The poverty alleviation work is conducted by central designated units who promote cooperation between the east and the west to support their counterparts. They coordinate the mountain-sea cooperation resources and the necessary military assistance so that the underdeveloped regions can have the opportunity to connect with advanced productive forces and industrial relations. The base of achieving the economic goal of common prosperity is reducing the internal consumption of social resources through, first, getting rich and then helping other regions.

Second, the Chinese socialist system with its unique characteristics promotes the adaptation of production relations into productivity to alleviate the impact of market failures on micro-individuals. That is how the system benefits economic growth and poverty alleviation. However, the analysis within the literature aforementioned states that the poverty trap is a problem of productivity, which is the result of a failure of the interaction between productivity and production relations. The state of low-level equilibrium of the poverty trap at the macro level can be summarized as high transaction costs, information asymmetry, and coordination failures caused by imperfect markets (Xie, 2014, p.71). The socialist market economy insists that the market plays a decisive role in the allocation of resources. So, the government must play the role of being the regulator of market imperfections and incomplete market information reducing the exclusion of those with fewer resources. Nevertheless, the government must be prevented also from over-controlling the market, not to affect the market’s capabilities to self-regulate. That way government’s and market’s forces are organic and dialectically balanced. Regarding the basic distribution system, adjusting the mechanism of distribution according to work as the main indicator can help to reduce the income gap and inequality. When the poor are unable to improve on the status quo and face a low-level equilibrium, they end up facing the risk of falling into poverty or returning to it. Redistribution can directly or indirectly increase the income of farmers, and produce a positive exogenous stimulus for their assets, so that they can effectively resist external negative shocks and abandon that low-level equilibrium. Therefore, inequality is reduced at the national level and social equity is promoted (Chen & Li, 2020, p.70) and the economic system becomes a fundamental institutional support for coordinating with the level of social productivity and preventing poverty traps. Regarding its openness, the unique characteristics of the Chinese socialist system guarantee that it is not standing still and arrogant. It is a system that promotes openness, sharing, and mutual assistance.

Poverty is a common problem faced by all mankind and the key to achieving the goals of the United Nations 2030 Agenda for Sustainable Development and jointly building “a community with a shared future for mankind without poverty and common development” (United Nations, 2015). To solve the problem of poverty, a country or a nation working on its own is often weak in power. That is why the international community “must work together and brainstorm together to cope with the challenges of poverty” (Xi, 2018). While focusing on reducing poverty at home, China has actively promoted and strengthened international cooperation, demonstrating that as a major country it has the responsibility of and making great contributions internationally to reduce poverty and build a community with a shared

future for mankind. First, by summarizing and disseminating China's experience, good practices, and theoretical work to help international poverty alleviation partners enhance their ability to fight against the same affliction in a timely manner. Additionally, by enriching the theory and practice of Marxism in China and its socialist discourse to continuously strengthen the international efforts to reduce poverty. Second, as China has surpassed the traditional financial aid model, it can be committed to perfecting and innovating bilateral and multilateral cooperation, enriching and expanding in different regions, such as China-ASEAN and China-Africa through the Belt and Road initiative and the South-South Cooperation and other poverty reduction mechanisms aimed at increasing the intensity of the alliances and exchanges with partner countries in the fields of trade, investment, human capital, healthcare, culture, etc. The aim of such cooperation initiatives is to promote the formation of a "win-win" pro-poverty growth environment among China and its poverty reduction partner countries. As advocated in the domestic targeted poverty alleviation process, China is committed to the creation of "blood-making"<sup>2</sup> measures to increase the cooperation of international poverty reduction. On the one hand, cooperation can promote economic growth in developing countries and help them to eliminate poverty constraints, and on the other hand, it leads to building inclusive partnerships so as to enhance the international community's understanding and support for China's public foreign policy, and to enhance the "soft power" of China's poverty alleviation experience.

The third unique characteristic of the Chinese socialist system is that it pays attention to learning from experience and borrowing the stones from other mountains for its own use. Many developed and developing countries have accumulated a lot of experience and lessons in solving relative poverty problems and surmounting poverty traps. China has learned from excellent international anti-poverty experience and models, dynamically improved and innovated poverty governance mechanisms, and thus, shaped its unique structure. The road of poverty alleviation and development can be paved by Chinese wisdom, Chinese solutions, and Chinese power, which are helpful to cope with relative poverty and build a community with a shared future for mankind. The socialist system with its unique characteristics fully embodies the concept of development, cooperation and openness to the outside world. However, this is not a one-way process: the reverse direction collaboration has created many opportunities for China's economic growth and poverty alleviation.

### **The Multiple Risk Sharing Mechanism Builds a Secure Network to Prevent Farmers from Falling into Poverty Traps**

Poverty is often closely related to risk and vulnerability. From an individual perspective, a poverty trap that would lock farmers into uncertainty and risk requires two conditions. First, farmers must be rejected by the formal finance system and sent to the lowest level of financial capital risk assessment. When the formal finance system cannot effectively share the farmers' risks, they will be completely exposed to loss or reduction in welfare and will probably fall (back) into poverty. Second, due to the fact that they do not count with financial support, poor farmers cannot choose high-return production projects using only their own resources and cannot afford the production process required for high-return projects. That is

---

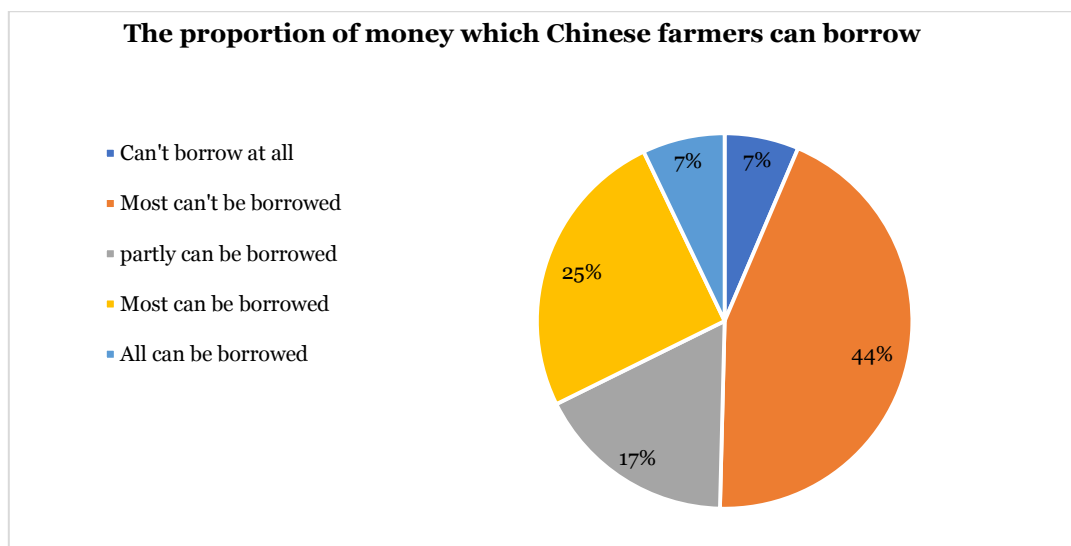
<sup>2</sup> "Blood-making" measures refer to the Strategy of Targeted Poverty Alleviation, with which China boosts the economy to provide more job opportunities for the rural population. Poverty alleviation through economic development is the most direct and effective method to give poor areas the capacity for independent development and help the poor find employment locally. This method –just like organs individually, which provide blood for themselves– offers the poor support to lead themselves out of poverty.



why they can only adopt low-risk and low-yield business models, as opposed to wealthy farmers who count on highly valued assets. The gap between wealthy and poor farmers is getting bigger and bigger, and the probability of the latter of falling into a low-level steady state and back into poverty in the long run increases (Carter & Barrett, 2006, p.178). Therefore, the formation of poverty traps at the micro level is based on preventing these two conditions.

How is that done? First, the formal risk-sharing mechanism must be effective. China is a country with historical origins and a deep tradition of small farmers. According to the third national agricultural census released by the National Bureau of Statistics in July 2018, there were 207 million agricultural business households nationwide, and small farmers accounted for 98.08%. Peasant households accounted for 90% of the total number of agricultural workers in China. Small peasant households have been for a long time and will continue to be the main operating unit in China's agriculture (Ruan, 2019, p.15). Compared with the secondary and tertiary industries, the traditional small-scale peasant production model of intensive farming is fragile, industrially weak, and heavily dependent on natural resources. Those characteristics have caused it to repeatedly lose in the arena of free competition for capital and fall into a low-level development. Most scholars believe that financial exclusion –savings, credit, and insurance— is a key factor in the poverty of farmers (Yin, *et-al.*, 2019, p.60). In 2018, the authors of the present article surveyed 1,158 households in ten western provinces (autonomous regions) in China including Yunnan, Guizhou, Sichuan, Tibet, Qinghai, Inner Mongolia, Shanxi, Gansu, Ningxia, and Guangxi. When we asked the farmers what is the proportion of money that they can borrow from friends or financial Institutions, 7% of the farmers said they could not borrow at all, 44% said that most money cannot be borrowed, 17% said they could borrow in most cases, 25% said they could borrow most of the money, 7% said they could borrow all the money that they need (See Figure 1). The main reasons for this are “the houses in the countryside are worthless and cannot be mortgaged”, “there are no mortgages at home, nor large agricultural machinery”, or “I don't know how to prove my credit”. In the case of imperfect financial markets and formal financial rationing of credit to rural households, it is difficult to rely solely on informal finance systems to share risk. This result is also confirmed by other authors, such as Jalan and Ravallion (1999), J. You (2014), Yuan Hang (2018) and other scholars. Therefore, in the context of China, preventing the materialization of the first condition for the formation of a micro-level poverty trap depends on the effectiveness of the formal risk-sharing mechanism.

**Figure 1.** Proportion of money which Chinese farmers can borrow



Source: Compiled by the authors. Based on the data from the author's survey of 1,158 farmers in ten western provinces of China in 2018.

Since the 18th National Congress of Communist Party of China, the country has increased the breadth and depth of financial support for agriculture. At the end of September 2019 there were 1,633 rural banks nationwide, 65.7% of those banks were located in the central and western regions. The coverage rate was 70.6% in 1,296 counties (cities, banners) in 31 provinces. Loans to rural households and small and micro enterprises accounted for 90.5% of the coverage and the average loan balance per household was 335,000 yuan. Such figures prove that the state is the main financial supporter, except for rural credit cooperatives. In terms of policy-based financial support for agriculture, at the end of 2019, the balance of loans provided by the Agricultural Development Bank of China was 5.59 trillion yuan, mainly to support the production of cotton, grain and oil, and for agricultural development and industrialization operations. As of the end of 2019, only the Agricultural Bank of China loaned farmers 547,222 billion yuan in 832 key national poverty alleviation counties, among a total national amount of 1091.44 billion yuan. The national agricultural insurance premium income increased from 5.18 billion yuan in 2007 to 57,265 billion yuan in 2018; risk protection increased from 112.6 billion yuan in 2007 to 3.6 trillion yuan in 2019 and the number of agricultural insurance services increased from 49.81 million to 180 million. Agricultural insurance underwrites more than 270 varieties of crops, and accumulatively paid more than 240 billion yuan in compensation to 360 million households. In addition, the Ministry of Finance has also issued a number of tax incentives to support the development of rural, agriculture-related small and micro enterprises, and the China Banking Regulatory Commission (CBRC) also issued a series of measures, such as *the Notice on Promoting Rural Banks to stick to their positions and improve the strategic capability of serving rural revitalization* (2019) and *the Notice on doing a good job in the key work of banking and insurance services in the 'Three Rurals' fields in 2020*, and has strived to alleviate the financial needs of rural households, and create a good financial environment for the development of "Three Rurals" (agriculture, rural areas and the wellbeing of farmers).

Vertically, the formal finance system has evident effects in supporting agriculture and poverty alleviation, and under the premise of orderly development of financial markets, it can often lead to the development of the informal finance system too.

The second condition that must be prevented is the difficulty poor farmers have to improve their business models and access modern agriculture organically. China's geography is dominated by plateaus, mountains and basins and most of the poverty-stricken areas in China are on the first two. The endowments of nature and the natural resources suitable for agriculture are diverse and vary from region to region. In some areas, the conflict between farmers and the terrain is prominent. In those areas, agricultural production is mostly made by households and the conditions for large-scale industrial development are insufficient and the industrial foundation is weak. Due to economic and social changes, the production of "intensive farming" at a small-scale has gradually become unable to adjust to the standards of industrial modernization and even to meet the needs of households themselves. However, the volume of small-scale production is still huge, and smallholders are still showing strong vitality under various pressures, demonstrating "brittle but not broken, weak but not lazy" resilience. Once this kind of resilience becomes nationalized and organized, forces can be injected to further enhance resilience and better integrate households into the modern agricultural production and management systems while boosting their self-development capabilities (Chen, 2019,p.82). The key to improving resilience lies in the responsibility mechanism in charge of developing the capabilities of farmers to connect with modern agriculture. This is also the fundamental strategy to break the bond between farmer households and low-risk, low-yield business models.

A new type of modern agricultural that embraces small farmer households requires various forms of moderately large-scale operations necessary to transform the agricultural development. Entities, which are more market sensitive and count on anti-risk abilities, play a very important role in this. *The Strategic Plan for Rural Revitalization (2018-2022)* issued by the Central Committee of the Communist Party of China and the State Council pointed out that it is necessary to "encourage new business entities to establish contractual and equity-based interest linkage mechanisms with small farmers to promote professional production of small farmers and improve their self-development capabilities". Such statement has offered a diversified idea of what small farmers can do to develop modern agriculture. *The 2019 China's New Agricultural Business Entities Development Analysis Report*, released by the Farmers Daily, shows that at the end of 2017, the number of leading enterprises that had been recognized by the agricultural industrialization authorities at or above the county level reached 87,000. As of the end of 2018, there were 2,173 million farmer cooperatives legally registered nationwide, which was 3.15 times the number in 2012 and 83 times than in 2007. There were more than 100 million rural households in the country, accounting for 49.10% of the total in the country. Among the effective samples of 555 cooperatives surveyed by the Farmers Daily's Sannong Development Research Center, it was found that the cooperatives that increased the average income of farmers in the community by 2,000 to 4,000 yuan was 40.2%, by 4,000 to 6,000 yuan was 18.6%, above 6,000 yuan reached 19.4%, below 2,000 yuan was 21.8%, and the radiation driving effect was obvious. Those new agricultural business entities cooperatives have played an important "relying" function within the agricultural supply-side reform and the integration of the tertiary industry. They act as channels for small farmers to communicate with the modern market economy and help them improve their ability to negotiate and resist

risks. Establishing a two-way accountability mechanism between entities and small farmers, from the micro level, gives them the opportunity to transform into modern farmers and integrate into modern agriculture.

### **The Advanced Socialist Culture Injects Strong Spiritual Power into The Sustainable Development of The Poverty-Stricken Population**

It is not possible to solely attribute the cause of poverty to the influence of a poverty culture. However, the ideas, abilities, and forms of participation related to that culture are usually regarded as three key factors for the endogenous motivation for the success of the alleviation of poverty (Zuo, 2018, p.47). Comrade Xi Jinping has repeatedly emphasized that “the rejuvenation of a nation requires a strong material force, as well as a strong spiritual force”. China is a strong, vital and appealing country, and has cultivated a culture filled with common emotions, values, and ideals. Harmony, within Chinese culture, has been fundamental for the nation to overcome several obstacles and difficulties (Xi, 2019). The promotion and extension of Chinese culture in poverty-stricken areas has played an important guiding and supporting role in eliminating poverty not only physically but mentally. The poverty alleviation measures led by the government have needed to include efforts to transform the traditional collective rural Chinese mindset, a sort of restrictive thinking constantly injected into the people and the cultural identity that has become nested in poor households and is perceived as a logical system that includes core values and self-views and has a negative impact onto the poverty alleviation endeavor. That is why guidance and teaching of core affirmative values is the main element in the formation of an endogenous power (Fu, 2020). The diffusion of a socialist value system and the Chinese cultural identity helped to break the traditional cognitive dilemma of the poor and awakened them from the long-term low-level survival equilibrium state, deepened their willingness and consensus to get rid of poverty, thus, internalizing the endogenous power, and externalizing a poverty alleviation behavior.

The Chinese nation has a history of thousands of years and through it, its strong and unique traditional culture has developed. Although the advancement of the arduous and tortuous poverty alleviation process has been uneven in the various regions, it has left traces of the fights and struggles of countless ancestors and its essence contains tremendous wisdom. Its power and transcendence can still be applied in modern social development and governance systems. The socialist core value system includes that cultural essence and performs the role of “cultural educator” in the process of poverty alleviation, transforming the cultural and spiritual poverty of some poor groups, breaking the cultural lock between regional economic development and micro-individual development. The construction of a socialist spiritual civilization has embedded the inheritance of regional traditional cultures. Modern regional cultural undertakings have been shaped, the cultural supply capacity of poor areas has increased significantly, rural cultural infrastructure has been built, such as public squares, farmhouse bookstores, and others, that have the capacity to host public cultural activities. Those places serve to promote cultural, artistic, social, and volunteer organizations, at the grassroots level, through varied activities, such as legal education, technology, literacy, the Five Good Families, etc. This way, the socialist core values imbued in the culture are expanded throughout the countryside, into the villages. Culture+, Tourism+, are examples of cultural and creative activities conducted using folk customs and crafts to activate the cultural atmosphere of impoverished areas and manifest the power of cultural poverty alleviation. From the

perspective of sublation of traditional culture, poverty-stricken areas are vigorously guided through cultural activities to change customs and eradicate stereotypes and bad habits, and help poor people to abandon negative attitudes, such as waiting for reliance, preference for boys, early marriage, early childbirth, and reading is useless. The aim of the socialist system is to transform such backward ideas and concepts into an enterprising spirit of “thinking about change when poor” and “getting rich through hard work”, cultivating simple, good, family, and civilized rural customs, and promoting the integration of traditional cultural models with modern, industrial and information civilization. Cultural poverty alleviation and material poverty alleviation are connected with each other and work together to greatly improve the mental outlook of the poor, enhance the cultural quality and cultural self-confidence of the masses, and consolidate the spiritual foundation of the trans-regional poverty trap.

The Chinese nation is a multi-ethnic country composed of 56 ethnic groups. After thousands of years of development and transformation, with the change of political contexts and the corresponding cultural transmission, different mentalities and hierarchies among ethnic groups have been formed and have served to shape regional attitudes and behaviors (Long & Gao, 2019, p.9). However, the idea of a unified Chinese National Community has contributed significant advantages for common prosperity and development. Perhaps the material development of the various nations (within China’s national territory) is not synchronized, but China (as a whole) has become increasingly interdependent economically and culturally in the long-term, forming a national identity, a “community of destiny”, a spiritual home with a common history, a common material foundation, and common value aspirations. Comrade Xi Jinping has repeatedly emphasized on the importance of, first, “firmly fostering the consciousness of the Chinese nation’s community” at the Second Xinjiang Work Forum of the Central Committee, and then, “actively cultivating the consciousness of the Chinese nation’s community” at the Central National Work Conference. The 19th National Congress of the People’s Republic of China proposed to “cast a sense of the community of the Chinese nation”, which fully reflects the great concern of the Party and state leaders on China’s ethnic issues and the long-term strategic vision for development of ethnic relations. Most of the areas that are low-developed or have a high incidence of poverty in China have ethnic population. To solve the poverty problem in a comprehensive way and rejuvenize the Chinese nation, it is necessary to “build the sense of community of the Chinese nation as the main line” and help all ethnic groups to “embrace each other like pomegranate seeds”, helping and interacting with each other, working on the long run. Treating poverty alleviation as a basic reason to promote national unity and progress can be the ultimate goal of “a family living a good life” (Xi, 2019).

Undoubtedly, the ideological cohesion of the identity of the Chinese National Community has played a role in solving the overall poverty problem. First, at the institutional level: the ethnic work from the Party committees and governments entities at all levels has helped to further improve and consolidate the system of ethnic regional autonomy, has provided a fundamental system for solving the poverty problem in ethnic areas, has united all ethnic groups for common prosperity and development, and has created a safe and stable environment for the wealth and progress of ethnic areas and their border regions. Second, the central government has implemented specific measures at national and regional levels within the development strategy. Those measures are aimed at continuously injecting innovative mechanisms and resources for assistance. Diverse entities, such as social organizations, teams

of volunteers and people who care from all areas of life are also actively investing in ethnic regions and border areas. The practice of helping and supporting has established a multi-participatory national poverty alleviation pattern, enabling all ethnic groups across the country to equally share the fruits of development and move towards a well-off society together. Finally, the overall poverty alleviation system, the sense of national unity, the progress, the publicity, the education, and the cultural exchanges between various nationalities have increased the atmosphere of mutual respect, trust, and understanding and strengthened the joint development among various nations and countries. Such atmosphere has been internalized into the ideological foundation of the Chinese nation and materialized into practical actions aimed at maintaining the national unity and promoting the elimination of poverty in ethnic areas and their borders. The community with a shared future for the Chinese nation has become a significant advantage in overcoming poverty and materializing the common prosperity and development of all ethnic groups and has promoted the benign interaction between poverty reduction and the economic and social development of ethnic regions to a higher level.

## Conclusion

The World Bank believes that “many people who had barely escaped extreme poverty could be forced back into it by the convergence of COVID-19, conflict, and climate change” (2021). However, in China’s case, after the task of alleviating poverty has been completed, the poverty alleviation work will shift from addressing absolute poverty to alleviating relative poverty. In order to solve the different dimensions of poverty and prevent the emergence of a poverty trap the Chinese government has taken measures to consolidate and expand the achievements of poverty alleviation and connect with rural revitalization effectively.

Eric Maskin, a professor at Harvard University and the winner of the 2017 Economics Nobel Prize, proposed that to solve the problem of poverty truly, governments must intervene (China Development Forum, 2018). The findings described in this article are consistent with his point. As we described above, the strong leadership of the CPC, the advantages provided by the unique characteristics of the Chinese socialist system, the multiple risk-sharing mechanism, and the nationally internalized socialist culture are the guarantee farmers have not to fall back into poverty or descend into the poverty trap. This is also an important reason why China’s experience in poverty alleviation has been recognized by the world.

## References

Carter, M. R. & Barrett, C. B. (2006). The Economics of Poverty Traps and Persistent Poverty: An Asset-Based Approach. *Socialence Electronic Publishing*, 42(2), 178-199. <https://doi.org/10.1080/00220380500405261>

Chen B. & Li Y. (2020). The Impact of Redistribution Policies on Rural Income Distribution: An Empirical Study Based on the Reform of the Tax and Fee System. *China Social Sciences*, 70(92), 205-206.

Chen J. (2019). Resilient Small Farmers: Historical Continuation and Modern Transformation: The Vitality and Autonomous Responsibility Mechanism of Chinese Small Farmers. *China Social Sciences*, 82, 99-201.

Fu R. (2020). Endogenous Motivation for Poverty Alleviation: A Chinese Psychological Concept. *China Social Science News*.

Jalan, J. & Ravallion, M. (1999). Are the Poor Less Well Insured? Evidence on Vulnerability to Income Risk in Rural China. *Journal of Development Economics*, 61-81. [https://doi.org/10.1016/S0304-3878\(98\)00103-5](https://doi.org/10.1016/S0304-3878(98)00103-5)

Jinping, X. (2012). When Xi Jinping visited the needy people in Fuping, Hebei, he emphasized that the people's safety should be kept in mind at all times, and the warmth of the party and the government should be sent to thousands of households (2012). *Xinhuanet*. [http://www.xinhuanet.com/politics/2012-12/30/c\\_114206411.htm](http://www.xinhuanet.com/politics/2012-12/30/c_114206411.htm)

Jinping, X. (2018). Seek Development and Promote International Cooperation in Poverty Reduction-A Summary of the International Forum on Reform and Opening-up and China's Poverty Alleviation. *People's Daily*. [http://www.gov.cn/xinwen/2018-11/02/content\\_5336699.htm](http://www.gov.cn/xinwen/2018-11/02/content_5336699.htm)

Jinping, X. (2019a). Strengthen Cultural Confidence and Build a Socialist Cultural Power. *Xinhuanet*. [http://www.xinhuanet.com/politics/leaders/2019-06/15/c\\_1124627379.htm](http://www.xinhuanet.com/politics/leaders/2019-06/15/c_1124627379.htm)

Jinping, X. (2019b). Xi Jinping's Speech at the National Unity and Progress Commendation Conference(2019). *Xinhuanet*. [http://www.xinhuanet.com/politics/leaders/2019-09/27/c\\_1125049000.htm](http://www.xinhuanet.com/politics/leaders/2019-09/27/c_1125049000.htm)

Jinping, X. (2020a). Xi's speech on securing a decisive victory in poverty alleviation published. *Chinadaily*. <http://www.chinadaily.com.cn/a/202003/09/WS5e66085ea31012821727d90c.html>.

Jinping, X. (2020b). The Story of Xi Jinping's Poverty Alleviation. *People's Daily*. <http://hb.people.com.cn/n2/2020/0520/c194063-34029073.htm>

Jinping, X. (2020c). On the issue of building a well-off society in an all-round way to make up for shortcomings. *Party building literature collection*, 4-5.

Li X. (2019). Research on the Transition and Realization Path of my country's Economy from Rapid Growth to Seek Progress in Stability. *Journal of Beijing Technology and Business University (Social Science Edition)*, 14-23.

Long J. & Gao P. (2019). Construction of the National Mind and Order: A Social Psychological Path to Build the Chinese National Community Consciousness. *Journal of Southwest University for Nationalities (Humanities and Social Sciences Edition)*, 9-15.

Myrdal, G. (1957). Economic theory and under-development regions. *Gerarld Duckworth*, 25-28.

Nelson, R. R. (1956). A theory of the low-level equilibrium trap in underdeveloped economies. *The American Economic Review*, 46(5), 894-908.

Nurkse, R. (1953). *Problems of capital formation in underdeveloped countries*, Oxford University Press, 119-127.

Qin G. (2020). The fight against the epidemic demonstrates the superiority of the socialist system with Chinese characteristics. *Seeking Truth*. 56-60.

Ruan W. (2019). The Organic Connection of Small Farmers and Modern Agricultural Development-Empirical Evidence, Outstanding Contradictions and Path Choices. *China Rural Observatory*, 15-32.

United Nations (2015). Transforming our world: the 2030 Agenda for Sustainable Development.

Wang, S, & Hu, J. (2020). From survival to development: 70 years of anti-poverty practice in New China. *Agricultural Economic Issues*, 4-14.

Xiaowan, K. (2019). Undertake the Responsibilities. *Learning Times*.

Xie'e. (2014). The Assets and Poverty Trap of Rural Households. *Chinese Population Science*, 71(83), 127-128.

Yin, Z., et al. (2019). Financial Exclusion and Poverty of Chinese Households: An Empirical Study Based on CHFS Data. *Research on Financial Issues*, 60-68.

You, J. (2014). Risk, Under-Investment in Agricultural Assets and Dynamic Asset Poverty in Rural China. *China Economic Review*, 27-45.  
<https://doi.org/10.1016/j.chieco.2014.02.002>

Zuo, T., et al. (2018). Endogenous Motivation, Pro-poor Market and Policy Guarantee: Fighting the Fight against Poverty and Realizing the Framework of True Poverty Alleviation. *Journal of Soochow University (Philosophy and Social Sciences Edition)*, 191, 47-54.