

Targeting Poverty In China and Italy

by Michele Geraci

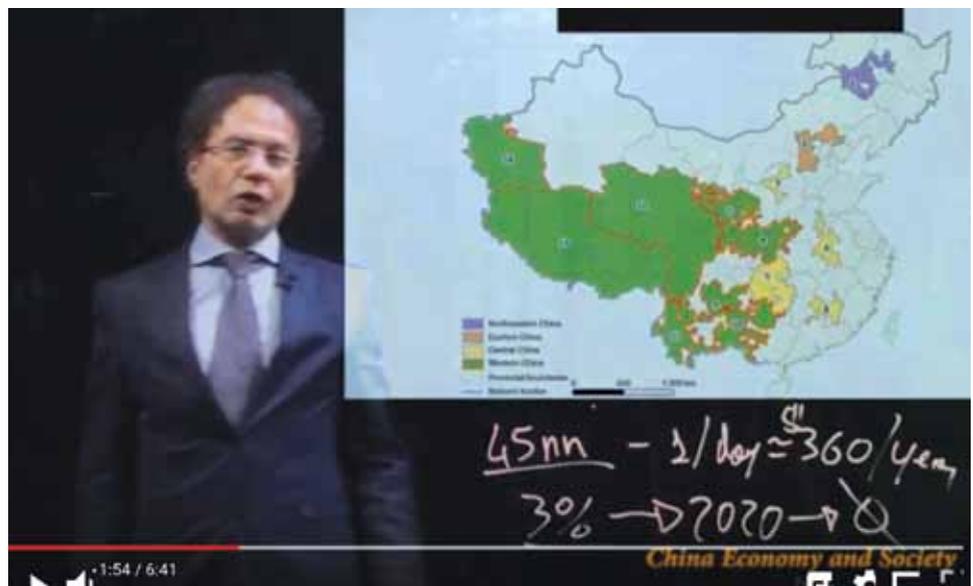
The following is an edited transcript of the November 21, 2017 videocast lecture by Michele Geraci, a China-based professor and think tank expert on international economics and the Chinese economy. It is Part 8 of the videocast, "China Economy and Society," available on YouTube at https://youtu.be/pXglcE_nqvE and [his web-site](#).

China is very proud of its great success in poverty reduction, now having only 45 million people living below the poverty line, which is one dollar per day, or equivalent to about \$360 per year. That represents about 3% of the population of China; only 3% of the people are now living in extreme poverty.

Even more important, however, is that China now has a goal, that by 2020—in the next three years—the number of people in extreme poverty will be zero; there will be a total eradication of poverty. From 1978 to today, 850 million people have been lifted out of poverty. How has China done this? It has a plan, as it does in everything; China has a plan, a targeted poverty reduction plan that can be outlined in six points. The first point is that China has a mapping of who these 45 million people are, where they live, and has identified twelve areas, twelve counties around China where these 45 million people live. These areas include Tibet, some southwestern counties and southwestern provinces,

and some in the northeast and the north of China. We can outline this Chinese plan in the following six points:

1. Knowing who those people are, knowing where live. It's like keeping a record. Every poor person has a card; we know who they are, where they live, how much money they make. We know who they are.
2. The plan maps out the government officials responsible for those areas, whether it be on the county level or the head of a small village, or political cadre—we know the names of the people who are responsible in these areas where the 45 million poor people reside.
3. China has decided, depending on where these people live and what they do, that for each of them there



Michele Geraci, shown in a video presentation demonstrating mapping of areas for poverty reduction in China.



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must be a plan or a program of poverty alleviation. This could be training or micro-credit loans—micro-financing has done a lot—or it could be plans including food programs, housing programs—prime necessities.

4. Building infrastructure. After having identified where these people live, China will decide what roads to build, sanitation systems, water, irrigation, and even—to make this poverty eradication sustainable—developing agri-business and tourism in rural areas.
5. The creation and reinforcement of social groups in these localized areas are very important. Those people who are not in dire need of the help from the government make their own time available, their own resources available to help the community. That creates an important sense of community. So it is not merely individuals for whom poverty is eradicated, but a success which becomes a success for the small village, of the county area.
6. The “performance review” is an important, critical element in making the previous steps work. Every government official at the end of the year advances in his political career according to whether or not he has met this poverty reduction target.

So what do we have here? We have a very well thought-out plan that goes from the top down, with central government directives to eradicate poverty, bring-

ing this number to zero in three years’ time, and at the same time, cascading responsibility down to the local officials in order to make sure that the implementation is done correctly; the rewards system rewards those that succeed. So there is a complete alignment of interest from top to bottom, and this is the reason why China succeeds in doing things.

The Comparison with Italy

Compare this success to the rate of poverty in Italy. While the number of people living below the poverty line in China is 3%, in our country, in Italy, we have five million people living below the poverty line, which is about 8% of the population. Now, of course, we cannot immediately compare 3% with the Italian 8% because the definition of poverty in China is about \$360 per year; in Italy it is about 600 euros per month for a single household, or about 1,000 euros per month for households composed of three people, which is equivalent to about 300 euros per person per month of income.

We are looking at almost ten times higher. But, taking into account the cost of living, we do have a serious problem in Italy. Of course the 5 million people do not live in a situation of extreme poverty like the 45 million people in China, but China is still very proud of this 3% result. Perhaps once again, we in Italy and in other western countries should look at China and implement a program which has similar characteristics. What I must emphasize is that things get done only when there is total alignment of interest, when the central government policy is implemented by people at the bottom—people who will wake up in the morning, and before opening their eyes they think, how will I get the poverty number down to zero? Without that, we talk and we don’t do anything.

Geraci is an Adjunct Professor of Finance at NYU (New York University) Shanghai, the first Sino-U.S. joint venture university approved by the Ministry of Education of the People’s Republic of China, which started in 2013. He is also the Head of the China Economic Policy Program at Nottingham University Business School, and Senior Research Fellow and Adjunct Professor of Finance at Zhejiang University. He holds an MBA from the M.I.T. Sloan School of Management and a Masters in Electronic Engineering from the University of Palermo, Italy.