
The Elimination of Poverty

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The History of Poverty

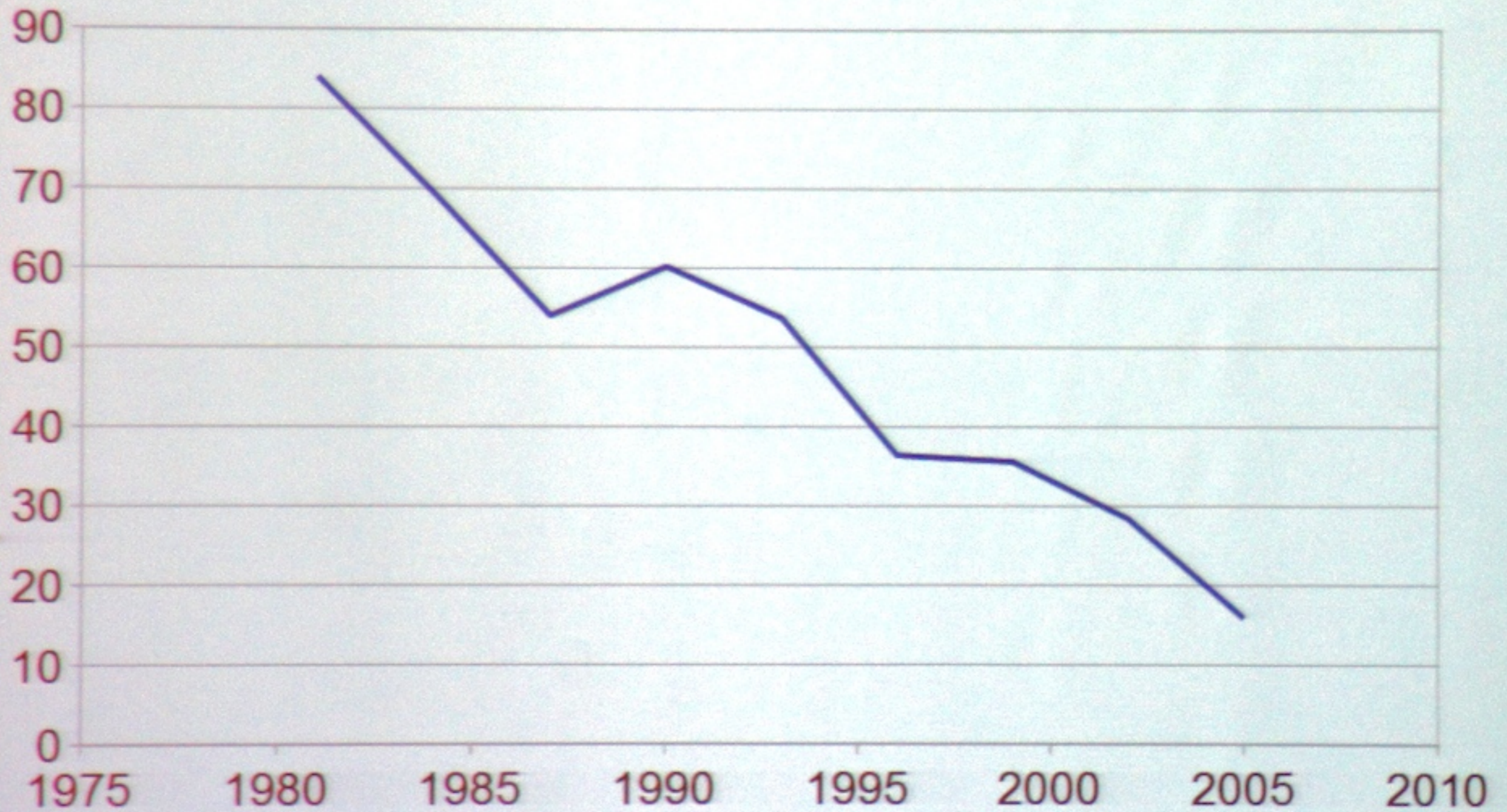
- For most of human history, in most of the world, it seems that the life expectancy of people who survived infancy was not high – generally less than sixty.
- That is clear evidence of widespread poverty, though disease was also a cause.
- Malthus claimed, plausibly, that population growth would match any temporary increase in production, so that general poverty was inevitable.

Production Growth

- Last year, it is estimated that world GDP (adjusting for purchasing power parity) was US\$11,100 per person in 2010.
- US\$500 a year may just be enough to escape poverty – US\$1000 should be plenty.
- It seems Malthus was wrong, and that now no-one need be poor, with so little as to threaten life, or even happiness.
- Of course economic production is very unequally distributed.

China: poverty headcount

%ge below \$1.25 per day: World Bank



Growth, Agricultural and Industrial

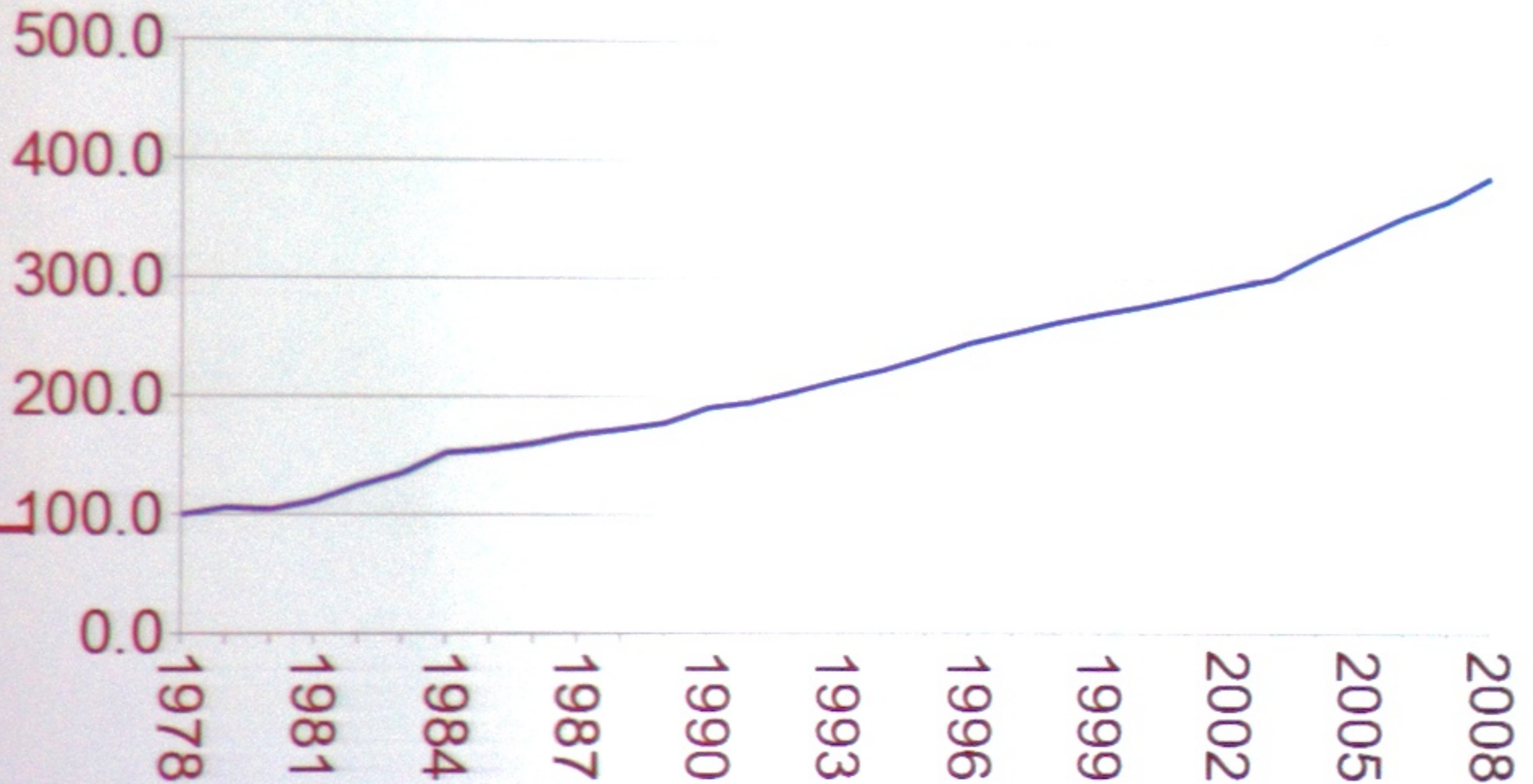
- The plan in the reform period was to industrialize – to grow fast, making some people much better off, and eventually allowing the poorest to benefit too.
- China invested heavily in industry and urban services, drawing workers from agriculture.
- Two effects: a jump in income for migrants, an expensive way of reducing poverty; and a possible increase in average agricultural income, presumably small.

The Contribution of Trade

- People talk about export-led growth. Better say: trade enhanced growth.
- China could make some things cheaply, where manufacture did not require high skill or an experienced labour force, sell them abroad and buy what was needed.
- But the largest part of GDP has always been used domestically. Trade helped. It may become less important.

China: agricultural value added, constant prices

1978=100



Agricultural Growth in China

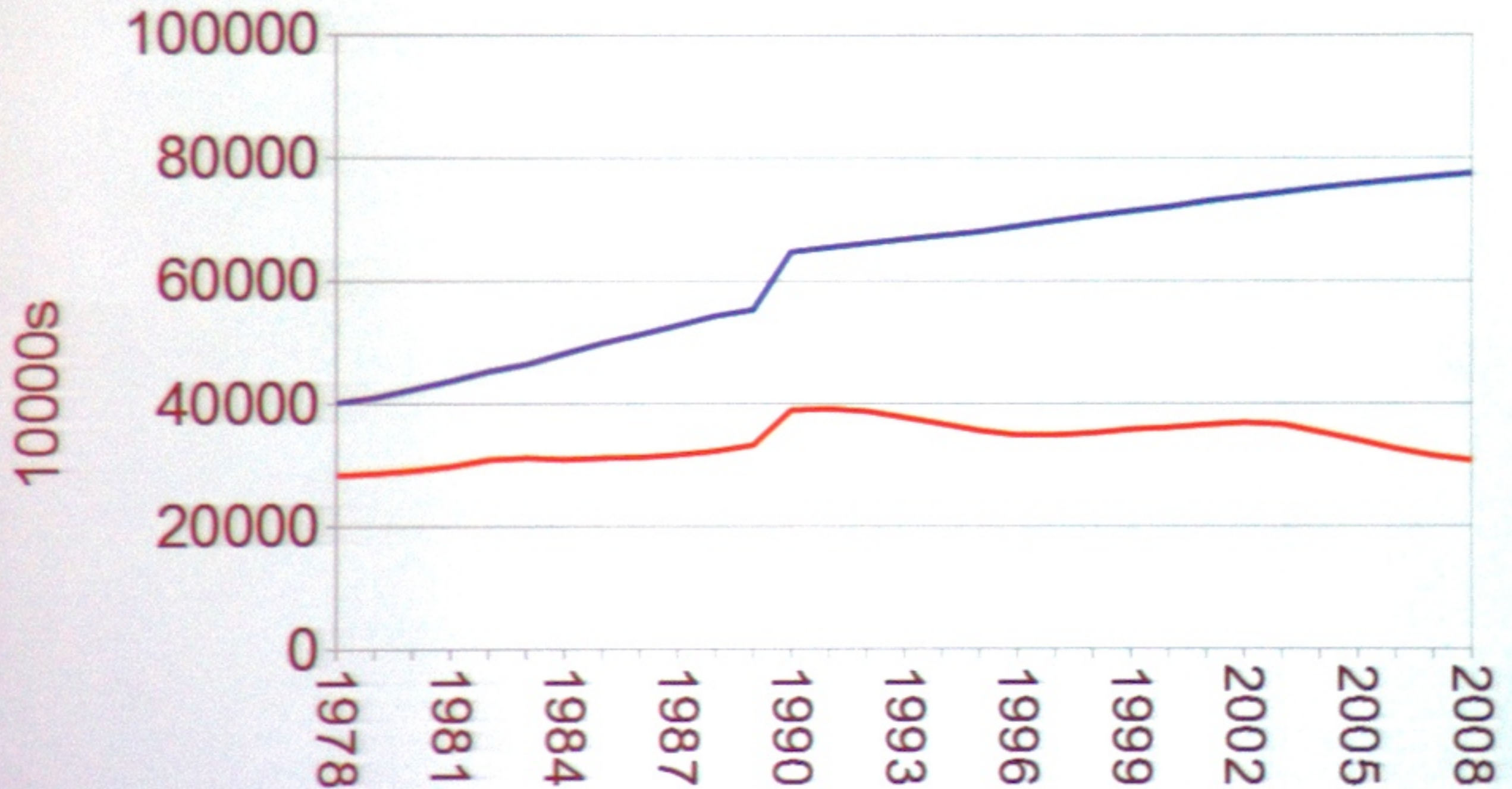
- For poverty to fall, rural incomes – income per person – must rise.
- By transfers, or by increase of agricultural output, or by lowering the rural population.
- Agricultural value added grew. Not as rapidly as industry and urban services. In 30 years, nearly quadrupled. Agricultural work fell. Rural real incomes grew 7% per year.
- Agricultural productivity growth has almost eliminated extreme poverty.

Explaining agricultural growth

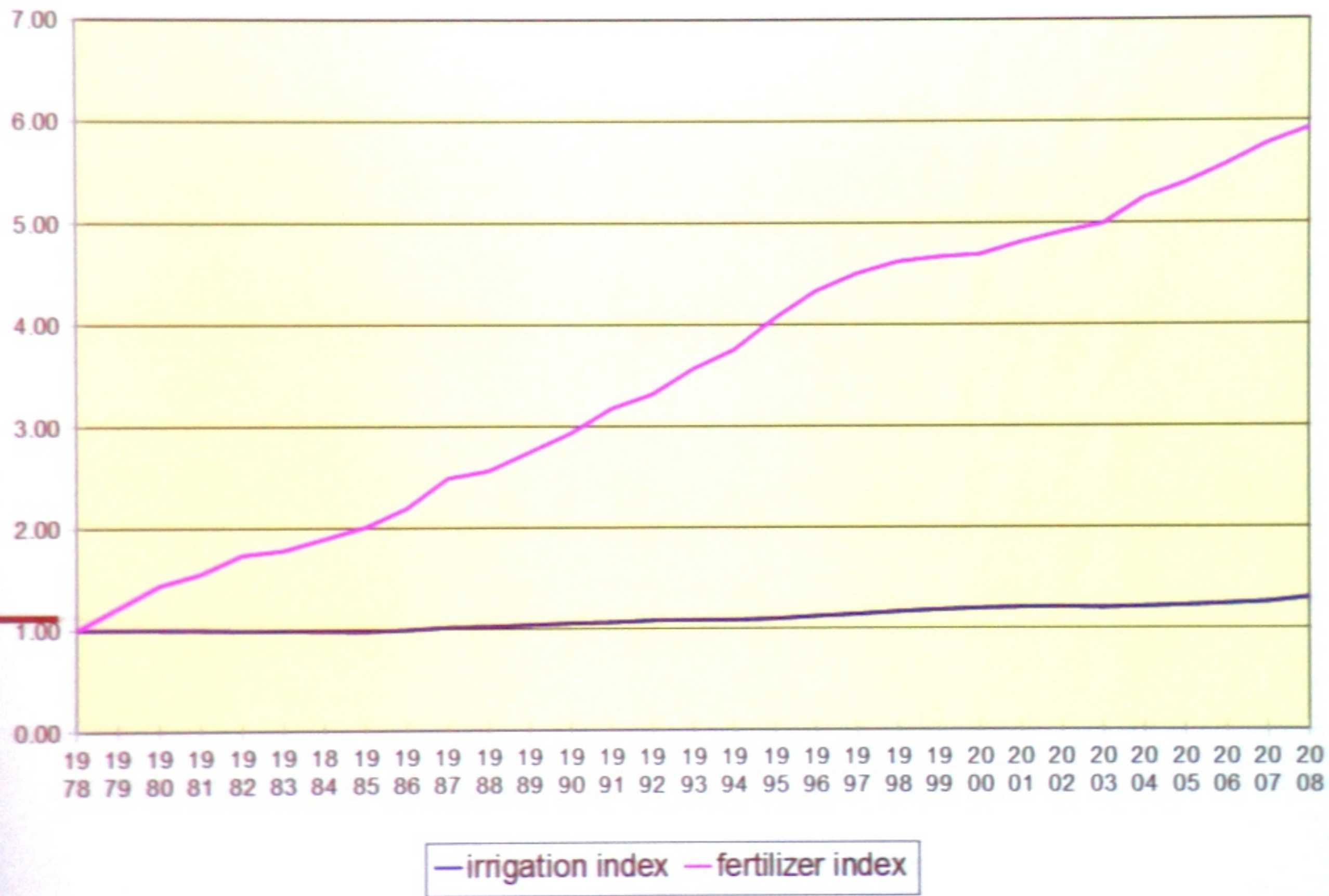
- Industrialization has prevented the rural population from growing.
- Therefore agricultural growth implied income growth.
- The one-child policy has had an increasing effect too, perhaps mainly by increasing urban demand for migrant labour.
- The hukou system probably reduces migration – and raises urban labour costs.

China: employed persons

total blue; agriculture brown



Agricultural Inputs In China: 1978-2008



Seeds, Water, Chemicals

- The green revolution – new wheat and rice – came earlier, in the 60s. The new seeds may not have been distributed quickly.
- Consider inputs: it seems that chemical fertilizers and pesticides were the main source of growth, not expansion of irrigation, or improved incentives through household responsibility.
- Though seeds, water, chemicals and incentives are complementary.

Prices

- It was surely important that fertilizers were subsidized.
- And it was also essential that agricultural prices were high enough to encourage the use of fertilizers. Until recently, there were taxes on agricultural goods. Recent growth may reflect improved output prices.
- The more successful anti-poverty policies are, the higher are food prices. Food price increases should often be welcomed.

The Contribution of Industrialization

- Industrialization made the supply of agricultural chemicals available. That is the main contribution of industrialization to the reduction of poverty.
- Improving transport networks has also contributed, because that increases agricultural prices.
- Reduction of rural population will become much more important soon.

Collective Goods:

Health, Education, Welfare

- Unfortunately, poverty measures do not consistently take account of healthcare facilities, schools, welfare safety-nets, and environmental quality.
- These elements of “public consumption” are an essential part of a basic standard of living.
- That makes comparisons across countries and over time difficult.
- The elimination of poverty requires these as well as sufficient private income.

Lessons for the World

- The East Asian “economic miracles” have indeed shown a way, perhaps the way, to reduce poverty: develop agriculture by new varieties and industrial inputs.
- Like industrial expansion, it works by giving bigger income increases to those with bigger incomes already – at a lower income level.
- Transfers -- cash, school meals, jobs – do it more cheaply, but perhaps more corruptly.
- Plus public education, health, and welfare.

The End of Poverty?

- Poverty head counts in many countries, especially in Africa, are still well over 50%. There is a long way to go.
- Warming may make the agricultural-growth solution harder.
- Transfers and aid are going to be needed.