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Future Development

Ending poverty: What should we learn and not learn from China?

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Luminaries and experts convened last month in Washington, D.C. to debate the age-old problem of ending global poverty. At the annual meetings of the World Bank and International Monetary Fund meeting, ambitious goals of development were tabled. Like before, surprisingly little spotlight was given to the world's most successful country at poverty eradication: China. A joint statement by the multilateral banks to end poverty by 2030, for instance, never once mentioned it.

China alone accounts for three-quarters of reduction in poverty around the world. Within a single generation, this country has morphed from a socialist backwater, poorer than Bangladesh and Chad in 1980, into the world's second-largest economy. True, there remains tremendous inequality in China. Many have not benefited from prosperity. Still, its past growth has lifted 700 million people out of extreme poverty, which is no mean feat.

The global community has been either reluctant or unable to take lessons from China's success for one striking reason: It is an autocracy. The ruling party bars national elections. Individual rights are not protected by law. China fails many standards of good governance. Hence, it is set aside as an anomaly: conspicuous but not recommendable.

Clearly, it would be a shame to dismiss China's experience entirely. To take lessons from it, however, we must discern what to learn and what not to learn.

Let's be clear about what not to learn. Developing countries should not adopt China's autocratic rule. Autocracies are good at getting things done, once their leaders decide on certain goals. But if such goals are misguided, as was China under Mao Zedong's rule, the results can be disastrous.

Nor should other developing countries copy the Chinese leadership's futile attempts at exerting precise control, such as over stock markets or the internet. Such control often backfires, as seen in the billions of dollars lost by the government to save the stock market last summer.

So what is there to learn from China? Beneath the veneer of autocratic rule lies tremendous improvisation and creativity, often within the party-state and at the grassroots level of society. Bottom-up improvisation—not central planning—has been the driver of China's escape from the poverty trap.

Contrary to popular views of China as a monolithic dictatorship, it is one of the world's most decentralized administrations. Leaders in Beijing sketch out grand visions, but the routine work of development is done at a local level, where the government interacts directly with investors and people.

One remarkable feature of this highly localized model is the eagerness of local officials and entrepreneurs to kick-start markets using what appears to be the "wrong" methods.

To get this point, we must review history. Looking back at the past of wealthy coastal cities in China today, did they escape poverty by first establishing formal property rights, eradicating corruption, and hiring technocratic officials, like in Singapore?

No, they did not.

Instead, these places launched development by making best use of their resources at the time: communist officials with family and friends. Hence, entire bureaucracies were dispatched like bees in eager search for investors. Then as local economies grew, the goals of development evolved: from desiring any investor to quality investors only. These changes pushed local governments to recruit professionals and formally protect property.

In other words, the template of "good governance," championed by the World Bank, was not the cause of market emergence, but rather its outcome. Good governance serves to preserve markets that already exist. Building new markets, however, requires improvising with existing features of poor societies, which often look weak, wrong, or even corrupt.

To be clear, the lesson here is not that other countries should copy the exact things that China did. That's foolish. My point is that poor societies must leverage their own unique features to jump-start development, rather than import best practices from the wealthy.

Consider other examples beyond China. In Nigeria, local filmmakers exploited piracy as a distribution channel, enabling their films to sell rapidly in an otherwise hostile terrain. In Bangladesh, dense informal networks in villages became the basis for Bangladeshi social entrepreneur Muhammad Yunus' successful experiment at micro-financing. Seizing advantage of poor public transportation and weak regulations, hail-a-ride businesses are booming in Indonesia.

Stories of failure among the poor are plentiful. It is easy to argue that bad institutions, corruption, and weak governments cause poor countries to fail.

But what we really need to understand is how to create success under adverse conditions, how to turn the problems of developing nations into potential solutions, and how to leverage local knowledge to meet challenges.

On all these fronts, China is a textbook case. Its experience must not and cannot be copied wholesale, just as the experience of any country—including the United States—should not be blindly replicated elsewhere.

As leaders continue the work of implementing the United Nation's 2030 Agenda for Sustainable Development after a week of intense deliberation, China's experience is surely one that cannot be ignored.

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This blog was first launched in September 2013 by the World Bank in an effort to hold governments more accountable to poor people and offer solutions to the most prominent development challenges. Continuing this goal, Future Development was re-launched in January 2015 at brookings.edu.

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