

I plan on pursuing the International Economics concentration. One of the first economics papers I read was a paper modeled after the Acemoglu, Johnson, and Robinson paper on the effect of economic institutions on colonial development (2001), whose theory on economic institutions fascinated me at the time. After attending an economics elective titled “Chinese Economic History,” I became particularly attracted to the idea of studying Chinese economic institutions and their effect on economic development. Learning of the significant gap in development and wealth inequality between western provinces and eastern coastal regions inspired an interest in regional development.

Though the National Bureau of Statistics reported a significant drop in the number of people in poverty from 30.46 million in 2017 to 16.6 million in 2018, South China Post’s Elaine Chan writes that rural areas may be returning to poverty, and the income gap between the rural and urban regions is only growing. Disregarding the difficulty in measuring and choosing an appropriate poverty measure, teasing out the factors in these issues is more difficult yet. Factors that I would like to examine are how government policies and entrepreneurship interact and affect development in differing rural areas in China.

Liu, H. Wu, and J. Wu found aggregate net benefits from the Western Regional Development Strategies’ (WRDS) corporate income tax rates reduction by observing a creation effect, as opposed to a dispersion effect in firm relocation (2019). This provides evidence for the potential effectiveness of tax policy. However, existing economic conditions at the county level significantly influenced the WRDS policy’s effect. Economic conditions are certainly shaped by natural endowments, geographic conditions and ecological factors. In fact, these factors are thought to be the main reason for persistent poverty in China (Y. Liu, J. Liu, and Zhou, 2017). Mountainous areas, border areas, and minority areas in central and western China are at a clear disadvantage and likely need more than conventional poverty alleviation measures to solve. Liu et al. (2017) suggest many policy considerations in addressing poverty, but the overarching

principle is to have a multi-layer strategy which reaches local governments and focuses on differential, location-specific, and development stage-specific targets. However, business and entrepreneurship is not mentioned, and may be worth considering for any development policies, since entrepreneurship is an important driver of economic growth.

Many studies in poverty reduction focus on microcredit and other external supports, but few studies address the process of enabling those in poverty to effectively take advantage of these governmental and institutional supports (Si et al., 2015). In their case study on Yiwu, Si et al. argue that the impoverished in poor areas need to take it upon themselves to utilize opportunities for entrepreneurship, and to do this in part through a shift in attitude from a passive mindset to an active mindset. Other internal actions like disruptive innovation in small businesses were also found to be pivotal in poverty alleviation. Taking into account these internal strategies may prove to be beneficial when combined with external policies.

Thanks to the numerous policies and initiatives by national and local government bodies, there seem to be multiple avenues of investigation. I propose finding a pre-existing policy or program in China that affects different rural areas and investigating its effect in conjunction with entrepreneurial activity measures and the underlying geographic conditions. If applicable, I will account for other factors such as foreign direct investment. The main goal of this would be to inform policy and further research on rural development. Ideally the data would stem from more recent years to help inform on and deduce the current state of poverty and inequality in these regions. Apart from better understanding development dynamics within China itself, research in this area may ultimately help in informing policy for developing countries around the world faced with similar geographic and economic conditions.