

Harness Non-Best Practices to Escape Poverty Traps

United Nations Expert Group Meeting on Strategies for Eradicating Poverty to Achieve
Sustainable Development for All, 8-11 May 2017

Yuen Yuen Ang

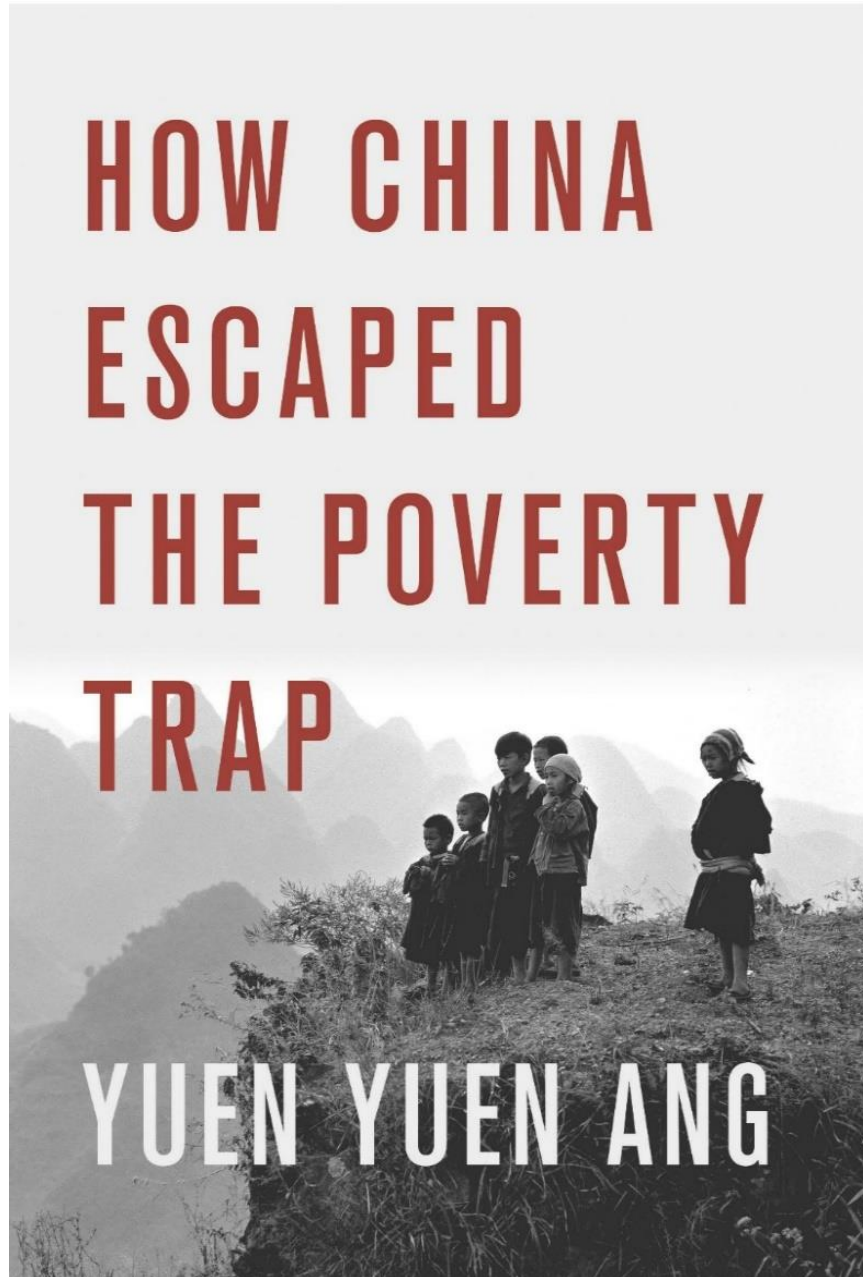
University of Michigan

Associate Professor of Political Science

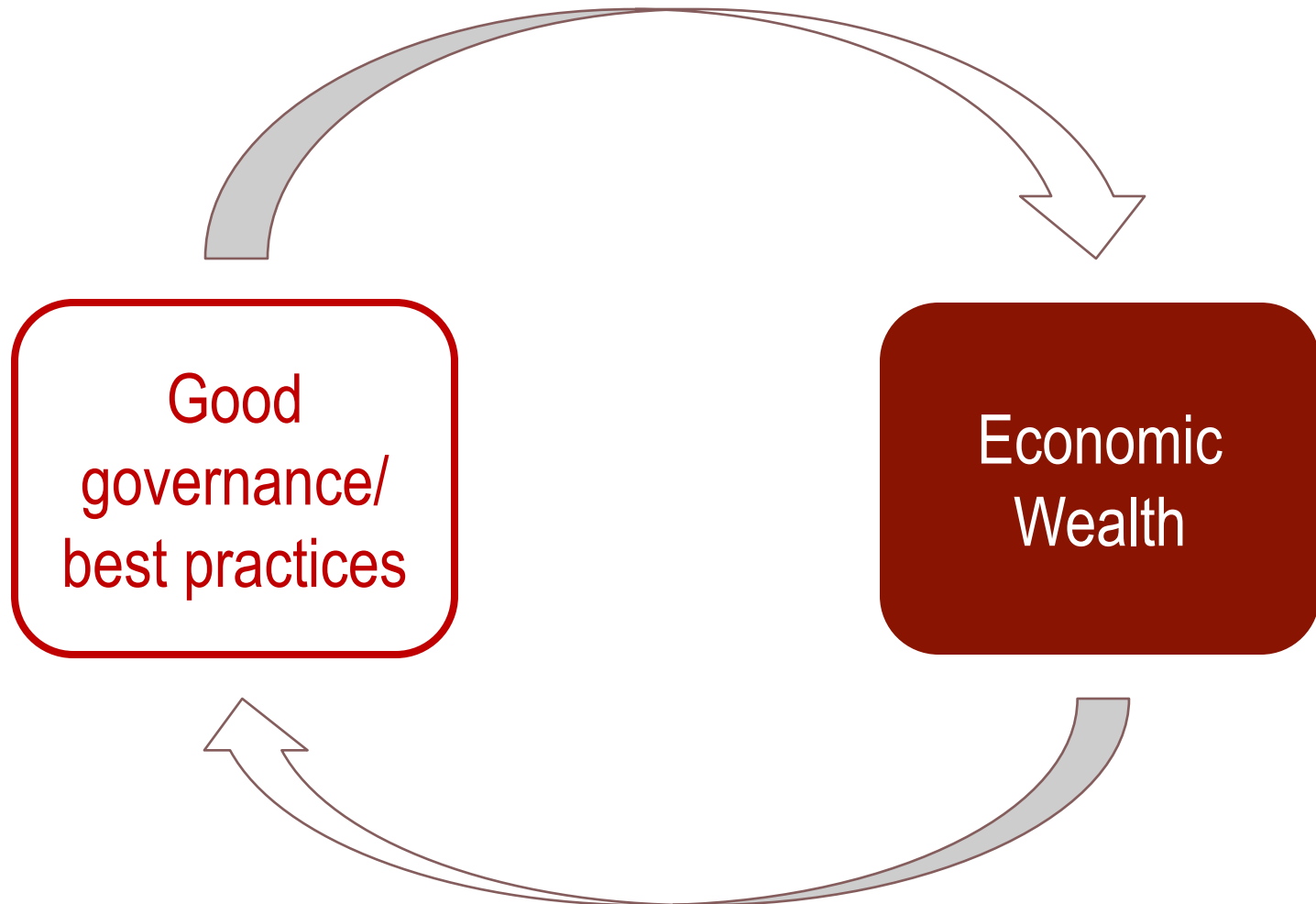


**HOW CHINA
ESCAPED
THE POVERTY
TRAP**

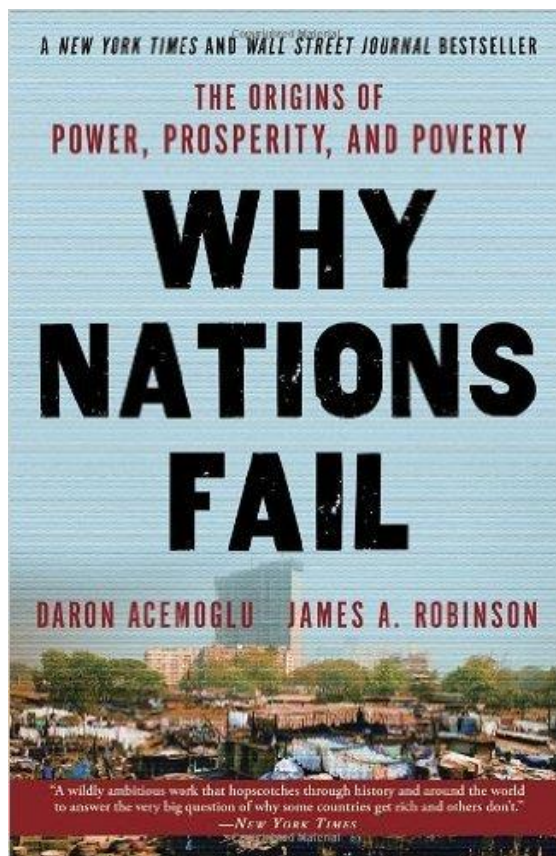
YUEN YUEN ANG



CHICKEN-AND-EGG PROBLEM OF DEVELOPMENT



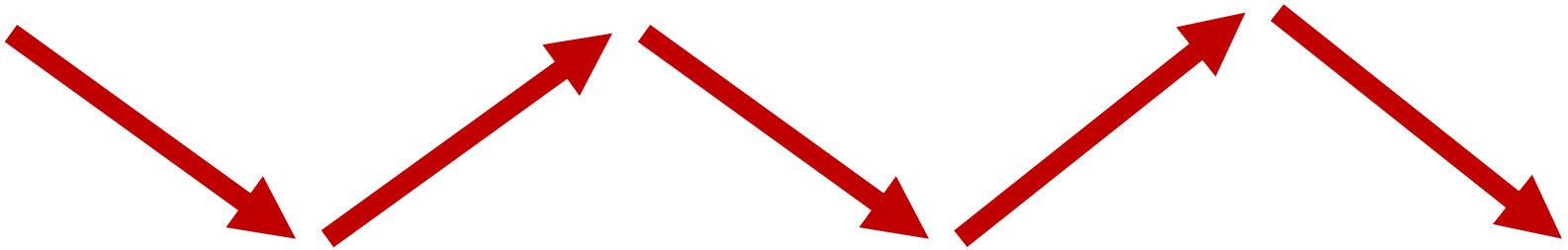
CONVENTIONAL WISDOM IS STUCK



- Their argument: Historical legacies → good/strong institutions → economic success
- “Once society gets organized in a certain way, this tends to persist... [which] explains why it is so difficult to make poor countries prosperous.”
- In short, they conclude: poor countries are stuck.



WHAT'S
MISSING IN
THE
CONVENTION
AL WISDOM?



Step 1:

Harness
**weak, wrong,
backward**
institutions to
build
markets

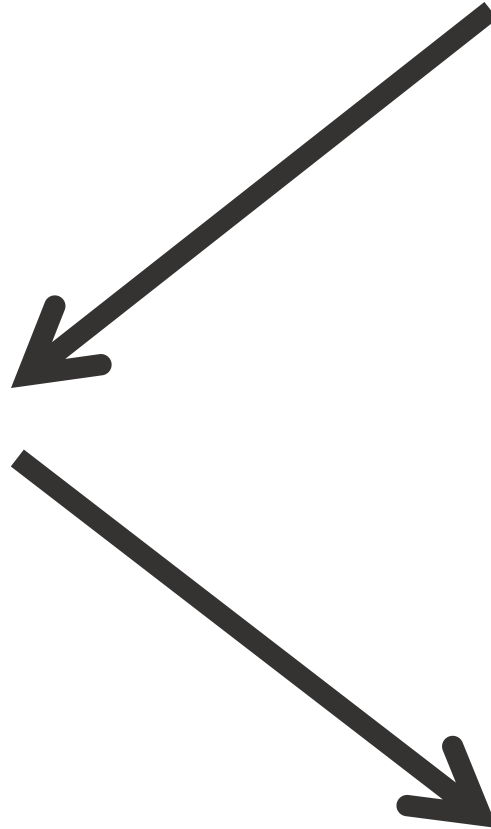
Step 3:

Strong
institutions
preserve
markets



Step 2:

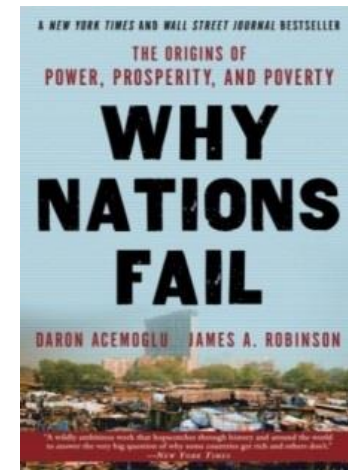
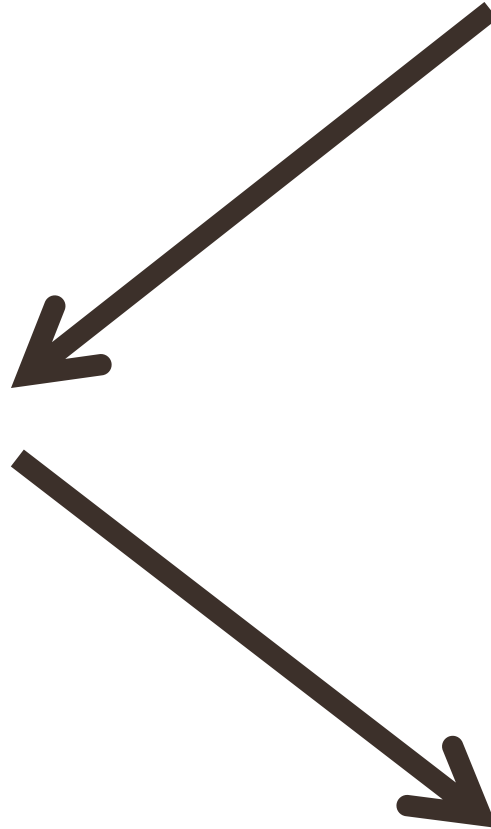
Emerging
markets
stimulate
strong
institutions



Step 1:

Harness
**weak, wrong,
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institutions to
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Step 2:
Emerging
markets
stimulate
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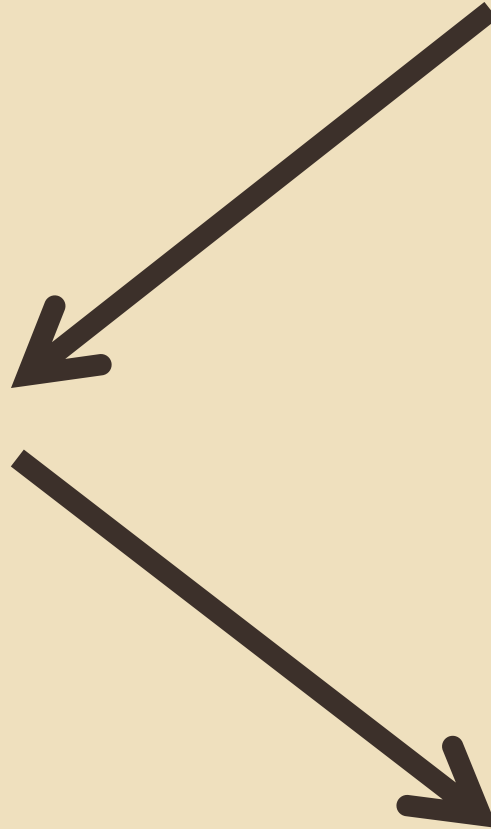
商会大厦B

商会大厦C

商会大厦



Step 2:
Growing economy altered resources and goals of development



Step 3:
Professionalized bureaucracy preserve middle-income economy



Step 1:

Kickstart poor economy by enlisting bureaucracy to recruit investors en masse using personal relations

Step 2:

Growing economy altered resources and goals of development

Mid-2000s:

As coastal markets saturate, investments flow into inland China

+

Return of migrant workers back to

Step 3:

Professionalized bureaucracy preserve middle-income economy on coast



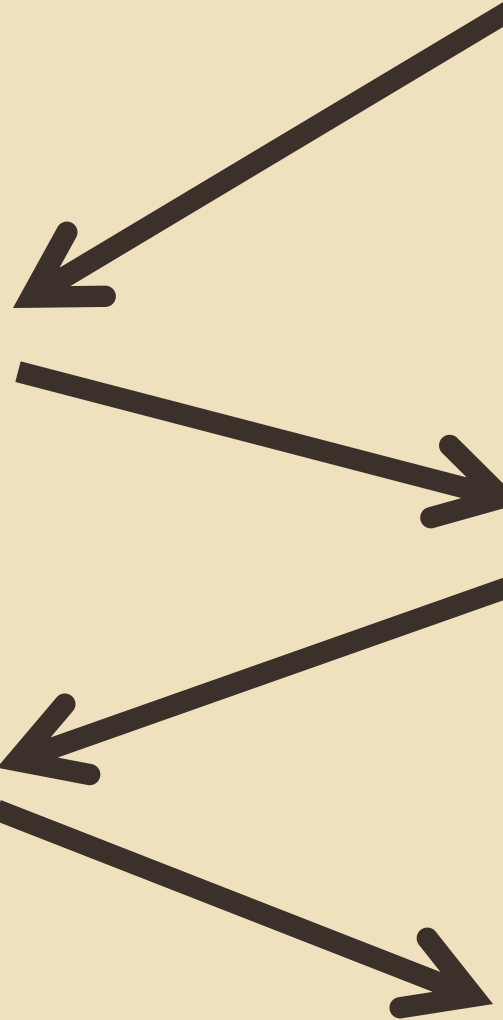
Growing economy altered
resources and goals of
development

As coastal markets
saturate, investments flow
into inland China
+
Return of migrant workers
back to hometowns in
interior

Kickstart poor economy by
enlisting bureaucracy to
recruit investors en masse
using personal relations

Professionalized
bureaucracy preserve
middle-income economy
on coast

Activates aggressive
investment promotion
policies in interior China
that were earlier used but
already phased out in
coastal areas





Miraculously, Nigeria produced world's third largest film industry—Nollywood—within 20 years, with neither state support nor IPR protection. How did this happen?



Step 1:
Filmmakers
leverage piracy
as marketing and
distribution
network

Step 2:
Emerging
markets stimulate
demand for
quality production
+ increased
formal funding

Step 3:
Formalization +
digital distribution
preserves market

WHAT'S THE LOGIC BEHIND THIS COUNTER-INTUITIVE FINDING?

We can only spark change in poor societies by leveraging what they **already** have, not with what we wish they can have.



CONNECTIONS TO WORLD DEVELOPMENT REPORT 2017

“[This] work, in contrast, highlights the possibility of **using existing institutions** to generate **inclusive growth** and further impetus for institutional evolution.”

~ Review by WDR 2017 Director,
Yongmei Zhou~

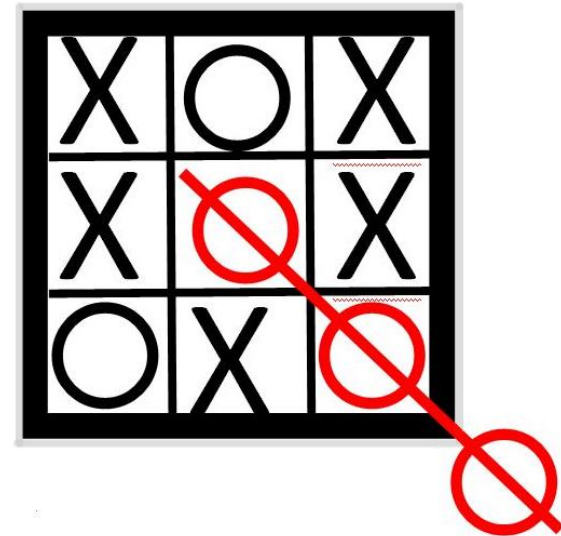
The screenshot shows a blog post on the 'Let's Talk Development' website, which is hosted by the World Bank's Chief Economist. The post is titled 'A review of How China Escaped the Poverty Trap by Yuen Yuen Ang' and was submitted by Yongmei Zhou on February 9, 2017. The post content highlights the book's focus on institutional functions and its relevance to the 2017 World Development Report Seminar Series. It mentions that the book's message challenges the prevailing practice of assessing a country's institutions by their distance from global best practices and ranking them on international league tables. The post also notes that the 2017 World Development Report on Governance and the Law highlights three institutional functions essential for policy effectiveness: making credible commitments, inducing cooperation, and coordinating beliefs and complementary actions.

The poster is for the 'World Development Report 2017: Governance and the Law' Watch Launch Event. It features a blue background with a world map and a golden ribbon graphic. The text on the poster includes: 'world development report 2017', 'GOVERNANCE and the LAW', 'WATCH LAUNCH EVENT', 'Monday, January 30, 2017', and '11:30 AM - 1:00 PM'. The bottom right corner shows a golden ribbon graphic with a maze-like pattern.



LESSONS FOR LABOR & EMPLOYMENT

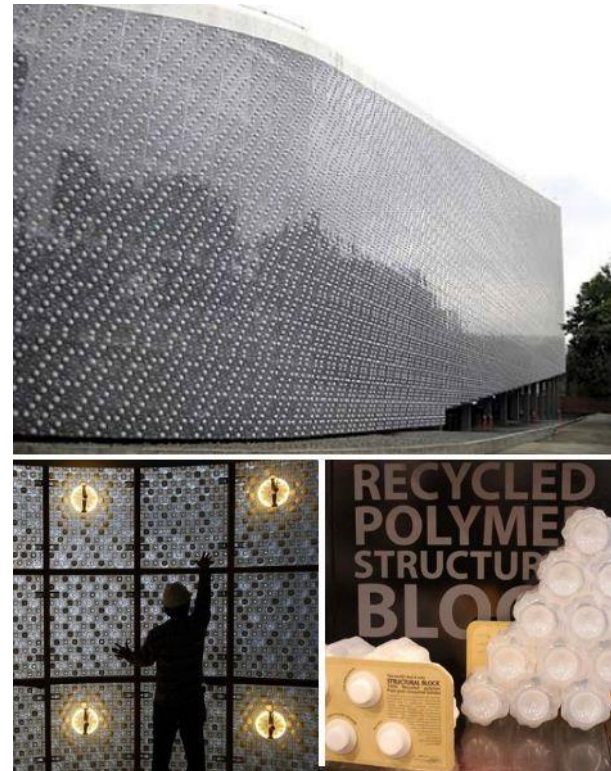
- **Expand tool box of development**
- Think beyond manufacturing; services sectors can produce good jobs for young people
- Consider creative industries (Nollywood) & industries that apply new IT (e.g., Cambodia's mobile applications industry, Philippines' call centers)
- Leverage informal networks, diaspora, migration (including returning migrant workers)



KEY POLICY RECOMMENDATION

USE WHAT EXISTS

- First step to escaping poverty traps is to harness non-best practices to build markets
- However, escaping poverty \neq sustaining growth.
- Different stages of development requires different strategies



Thank You

