Asset-based Policy in China: Applied Project and Policy Progress

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Summary
Since the Center for Social Development (CSD) at Washington University in St. Louis introduced the idea of asset building in China in 2004, asset-based projects and policy discussion have drawn great attention from the central government and mainstream media. CSD research and consultation have played a central role in these developments.

In collaboration with the Chinese Academy of Social Sciences (CASS), CSD conducted a three-year research project documenting the government-endorsed asset-building demonstration project in Xin Jiang Uygur Autonomous Region.

Since 2008, CSD has been involved in a collaborative research effort led by the Hong Kong Polytechnic University and Sichuan University using asset building as a theme to help quake-affected families and communities recover from the disaster and develop over the long term.

Asset building and social development has been adopted as a theme to guide a body of productive research by the China Social Work Research Center forthcoming in fall 2010.

CSD is collaborating with Peking University and the Ministry of Civil Affairs (MCA) to explore the potential of implementing Child Development Accounts for orphans in China.

In addition to popular media reports, Chinese-language publications on this topic are now available in the form of Sherraden’s books (Chinese versions), CSD publications, and articles from Chinese policy experts.

Conferences
Considerable progress toward an inclusive asset-based policy has occurred through a series of conferences at which CSD interacted with Chinese researchers, political leaders, and policy advocates:

In September 2004, CSD co-sponsored a conference with Shandong University on Asset Building and Social Development. This meeting generated substantial discussion and interest in asset-based policy, and other meetings were quickly planned.

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In January 2005, Michael Sherraden was keynote speaker at two conferences in Beijing on asset-based policy, one sponsored by Tsinghua University and the other by the Chinese Academy of Social Sciences (CASS). The CASS meeting was entitled A New Trend in Social Development: Construction of Asset-Based Social Policy.

These conferences, in turn, led to Michael Sherraden’s

In November 2007, Li Zou and Baorong Guo of CSD and CASS participated in a major meeting with the Chinese Ministry of Labor and Social Security (MLSS) on how asset-building concepts and knowledge from the Xin Jiang pilot project can be applied at the national level.

In December 2009, Michael Sherraden delivered the keynote speech at the first Chinese Social Work Research Conference in Wuhan, Hubei. Social work scholars from all of China were present.

Role of research

Major presentations at the initial conferences were research-based, summarizing key findings and pointing to policy implications. The 21st Century Forum was policy-oriented—focused on political implications of research findings related to social development during China’s economic development. Although research does not always inform social policy in China, Chinese social scientists seemed to be impressed by IDA research from the American Dream Demonstration (ADD), which played an influential role in these discussions.

The joint effort of CSD and CASS to document and analyze the Hutubi pilot project in Xin Jiang have been valuable in informing national policy. Scholars from Beijing University and the Chinese government have also consulted on research activities. A consensus has emerged that helping every citizen (urban and rural) accumulate assets is an effective pathway as the country “builds a harmonious countryside” in a “scientific development” perspective.

In response to the 2008 Sichuan earthquake relief effort, CSD has been collaborating with Hong Kong Polytechnic University and Sichuan University using asset building as a guiding theme to help quake-affected families and communities recover from the disaster and develop over the long term.

Asset building and social development has been adopted as a theme to guide a body of productive research by the China Social Work Research Center, forthcoming in fall 2010. A group of scholars from CSD, Peking University, and Hong Kong Polytechnic University are working closely on this joint effort.

CSD is currently collaborating with Peking University and the Ministry of Civil Affairs (MCA) to explore the potential of implementing Child Development Accounts for orphans in China.

Discussion

Some Chinese social scientists and policymakers have become enthusiastic about the potential of asset-based policy, proposing that inclusion in asset building become a core theme in China’s social policy. CSD’s theoretical and empirical work on asset-based policy is cited prominently in these discussions, and terminology that CSD introduced to frame these ideas is now used routinely.

Reflecting these developments, since CSD introduced the concept of asset building in China at the Shandong conference in 2004, asset-building discussions have been featured in Chinese print media and on Chinese television and radio. An example is a feature story on the Hutubi pilot study, broadcast internationally by China Radio International on April 17, 2006, as a segment in the series, “Window to China.” This program features the Hutubi project as an innovative solution to investing in rural peasants’ long-term well-being, and includes an interview with Michael Sherraden.

In a recent Google search, over 600 articles on asset building were found in online versions of Chinese media. Some examples are in the appendix.

Policy progress

Perhaps the most noteworthy developments are that:

(1) The 16th Central Committee of the Communist Party of China (CPC) in October 2006 set “universal increase of household wealth” as one of the key directives for building a harmonious socialist society by 2020. This is a significant step towards asset-based social policy.

(2) The 17th National Congress of the CPC announced that “conditions will be created to enable more citizens to have property income” in October 2007.

Context

Several contextual circumstances in China are important to keep in mind: (1) One context of these discussions is President Hu Jintao’s calls for building a socialist countryside and for scientific development in response to the increasing social
problems that have resulted from the policies of openness in the “New China.” (2) Another context is uneven economic development, with rapid growth in urban areas, and stagnation and continuing poverty in rural areas. Asset-based policy is viewed as an innovative solution for greater inclusion in development opportunities. (3) The third context is the aging Chinese society. As in many other countries, China is very concerned about how to support a large elderly population.

Caveats, concerns, challenges
(1) While the latest discussions in China have included central advisory committees and high-ranking officials, national discussions are in early stages. Although the potential may be great, it is not possible to predict how these discussions will develop. (2) As always, the policy landscape is not benign. While some policy thinkers in China have a vision of including asset building while maintaining other social supports, others have a vision of reducing or eliminating social insurance and substituting an asset-building program. (3) The most critical challenge will be reaching the rural poor in China, a population largely left out of both economic development and social policy benefits. (4) The fourth is the increasing government attention to child protection and development. The government budget allocated to improve vulnerable children’s welfare provision has increased significantly in recent years.

Potential
Obviously, with 1.3 billion people in China, the potential is enormous. With growing discussion and applied projects, there appears to be an opportunity to inform a larger and more inclusive asset-based policy in China.

Selected publications
Numerous research meetings and policy discussions have generated a growing body of work in Chinese. Proceedings from the Shandong conference in 2004 have been published in both Chinese and English. Assets and the Poor (1991) was published in Chinese by the Commercial Press (China) in the summer of 2005. Can the Poor Save? (2006) is being translated into Mandarin. Selected publications are as follows:


Appendix: Selected media coverage of asset-based policy in China and Asia

This reports that Hutubi’s innovation on Social Endowment Insurance has won the “Local Government with the Best Sense of Responsibility” award.

Representative excerpt: “At present, this reform has been recognized as effective by the Ministry
of Labor and Social Security and has been studied by scholars in China and abroad.”


It reports that the rural social insurance program in Hutubi County won the award at the 4th National Competition for Innovation in Local Governance. This is the first time a local Xinjiang government branch has ever won such an award.

Representative excerpt: “The research project launched by Chinese Academy of Social Sciences, Washington University, and Hutubi government aims to learn from Hutubi’s experience and explore the possibility of scaling up nationally.”


President Hu laid out China’s directions for the next five years (2008-2013). Amongst these is a directive incorporating asset building into government planning. The concepts of development through asset accumulation and inclusion in asset building are articulated.

Representative excerpt: “Conditions will be created to enable more citizens to have property income.”


This article describes how the poor can benefit tremendously from mainstream financial services if they are given the opportunity. The Hutubi project in Xinjiang was cited as an example of financial institutions reaching farmers, non-traditional customers for financial institutions in rural China.

Representative excerpt: “In China—where millions live in rural areas under poor living conditions—a local government initiative called the Hu Du Bi project in a county in western China has been attracting the central government’s attention. It allows farmers to withdraw money from their social insurance accounts as loans for investments in agriculture.”


This article indicates the official government perception of asset-building work. The government views the “Hutubi model” of retirement insurance as innovative in “turning dead money into live assets” by allowing rural peasants to borrow funds to invest in development. The article describes our three-party research effort (Chinese Academy of Social Sciences, Center for Social Development, and Hutubi County) as aiming to summarize the model’s experience, study the possibility of national rollout, and supplement asset-based theory with empirical evidence.

Representative excerpt: “The innovative Hutubi developmental model attracted tremendous attention in China. In August 2005, the Chinese Ministry of Labor and Social Security introduced the Hutubi model as an example for the rest of the country.”


This local newspaper article states that the practice of using rural retirement insurance cards as collateral for borrowing in Hutubi County, Xinjiang, has been explored as an effective new approach to breaking through the local barriers to loan access.

Representative excerpt: “The Hutubi practice indicates that adopting asset building into the current rural insurance system, thereby allowing peasants to directly manage and operate their
individual accounts, is likely to open a new era in China’s rural insurance program.”


A feature story on the Hutubi pilot study was broadcast internationally by China Radio International as a segment in the series, “Window to China.” This program featured the Hutubi project as an innovative solution to investing in rural peasants’ long-term well being, and included an interview of Professor Sherraden (with a Chinese voice-over).


Making individual accounts flexible enough to provide collateral for mid-term loans will help meet basic needs of social insurance participants such as home purchase, education, health care, and agricultural development.


The asset-building pilot project in Xin Jiang province has been highly successful in encouraging individuals to rethink the social insurance paradigm. This article from a newspaper in western China shows that asset-based concepts are emerging at all levels, especially in Xin Jiang province.

Representative excerpt: “. . . Asset-based social policy could become the main theme in Chinese rural insurance. The existing system of rural insurance is based mainly on redistribution of income and choice of expenditures, which overlooks the functions of production and investment.”


Prior to the 21st Century Forum, major media began issuing calls for the development of universal asset-building tools in the form of Michael Sherraden’s Individual Development Accounts.

Representative excerpt: “Given the new challenges facing Chinese social insurance for low-income urban dwellers, it is important to centralize all the available resources and strengthen the linkage between systems. However, the fundamental strategy is to change our mindset. It would be an effective path if individual development accounts are established for the urban poor.”


This article in one of China’s most prominent newspapers shows the government’s enthusiasm for developing a universal asset-based policy tool.

Representative excerpt: “Dr. Zhang Shifei from the Chinese Academy of Social Sciences believes that the practice of Hutubi instilled the idea of asset building, which transforms the farmers’ individual accounts from retirement only to a multi-functional development account. While it secures farmers’ retirement, it also encourages farmers to invest the money in their individual accounts to address urgent needs such as education, medical expenses, and making profits.”


By the summer, Michael Sherraden’s comments on asset-building and social policy appeared regularly in major newspapers across the country.

Representative excerpt: “Dr. Sherraden believes that Hutubi practice is developing towards asset building. He proposed that once the project has been proved successful, it is possible to consider expanding it nationwide.”

In late May, the effects of asset-building concepts had already begun to be felt by peasants in rural China. This article quoting Dr. Zhang Shifei indicates the depth of the growing foundation of asset-based concepts in China.

Representative excerpt: “Dr. Zhang Shifei from the Chinese Academy of Social Sciences believes that the success of Hutubi County farmers using insurance cards to obtain loans resulted from breaking through the existing limitations of rural insurance systems, and adopting the idea of asset building, which allows farmers to invest their accumulated assets for the improvement of their long-term well-being.”


In late March, an article appeared in the periodical that is sent by CASS to Chinese policymakers, describing asset-based policy as the key to permanently alleviating many of the problems associated with China’s rapid development.

Representative excerpt: “Obviously, the goal of asset-based social policy is to help everyone in society get rid of poverty permanently and live a happy life through cross-generational asset accumulation and development.”


By March, the nationwide discussion had grown to encompass the indirect benefits of asset accumulation. This article showed a deep understanding of the subtleties that distinguish asset-building and support of basic livelihood, and showed that CSD’s research had reached the top leaders in Chinese social thought.

Representative excerpt: “Mr. JING Tiankui, Director of the Sociology Institute at the Chinese Academy of Social Sciences said: ‘Although income and expenditures secure people’s basic needs, they cannot improve people’s living conditions in the long run and cannot help them gain greater economic independence. Therefore, studying asset-based social policy has great significance in the context of harmonious society.’”


The conferences in early 2005 were a tremendous success, and the discussion in the media moved from debate about whether asset building was a good idea to how asset-based concepts should be implemented at a large scale in China. This comes from a highly respected source of financial news and opinion in China.

Endnotes
1. Washington University has a cordial partnership with Shandong University, with strong ties are in social work and social policy.
2. The Chinese Academy of Social Sciences is the leading government institute on the social sciences.
3. The September 2005 meeting was the third 21st Century Forum. The first two were held in 1996 and 2000.
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