

The Effects of Government Health Expenditures on Poverty Alleviation in China

Jin Li

Master's Student, Department of Economics, Chiang Mai University, Chiang Mai, Thailand

Anaspree Chaiwan

Faculty of Economics, Chiang Mai University, Chiang Mai, Thailand

Abstract:

Since China's reform and opening up, the country has made remarkable achievements in poverty reduction, lifting around 770 million people out of poverty under the standard of \$1.90 per person per day. However, Health issues are a significant factor contributing to poverty. Poor health can have a significant negative impact on household finances through two main mechanisms. On the one hand, health shocks can lead to high out-of-pocket medical costs. On the other hand, reduced work capacity resulting from poor health can lead to lower or lost income.

This paper argues that China's government health expenditure can improve the level of medical services, reduce residents' out-of-pocket medical expenses, improve residents' health, and thus reduce poverty. Based on this background, this paper aims to analyze the impact of China's government health expenditure on poverty reduction. This study selects panel data from 22 provinces, 5 autonomous regions, and 4 Municipalities directly under the central government in China from 2011 to 2020 and constructs panel data models to examine the relationship between government health expenditure and poverty rate. The results show that government health expenditure is significantly negatively correlated with China's poverty rate, indicating that increasing government health expenditure can effectively alleviate poverty.

Keywords:

Government Health Expenditure, Poverty alleviation, Panel data, Fixed-effects model.