Asia Journal of Social Innovation and Development
https://www.ajsid.org/index.php/pub

Article

Income Mobility, Poverty Traps and Social Innovation

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Received: 25 July 2026; **Revised**: 10 August 2026; **Accepted**: 10 September 2026; **Published**: 14 September 2026

Abstract: Income disparity, intergenerational transmission of poverty and income traps are important topics in economic- social development. On the basis of sorting out research on income mobility measurement, poverty- trap theory and social innovation, this paper regards the poverty trap as a low- income equilibrium with interlocking multiple mechanisms, and puts forward a social- innovation framework for escaping poverty centred on cross- level agency: starting from neurocognitive processes, individual agency, relational agency to collective/transformative agency, opportunity structures are changed through empowerment, resource mobilisation, power redistribution and institutional/normative change, thereby weakening the self- reinforcing mechanisms of poverty. This paper further proposes a research agenda combining neurocognition, behavioural experiments and cross- level mixed- method research, so as to provide a testable theoretical framework and empirical path for breaking poverty traps.

Keywords: income mobility; poverty trap; social innovation; agency; cross- level

1. Introduction

Substantial income gaps and hard- to- eradicate poor populations have long drawn widespread attention from all sectors of society.

With respect to income disparity, many domestic scholars have studied its manifestations, impacts and influencing factors.

To describe income disparity, the Gini coefficient is a frequently- used indicator. According to data released by the National Bureau of Statistics, China's Gini coefficient has for years exceeded the 0.4 warning threshold stipulated by United Nations- affiliated organisations, and it has trended upward again in the past two years. If income- in- kind and various subsidies are counted in residents' income, China's urban- rural income gap will widen further. After peaking at 0.491 in 2008, China's Gini coefficient has since stabilised and declined, yet it still sits above the 0.4 international warning value.

Nevertheless, as a metric derived from cross- sectional data, the Gini coefficient cannot reflect long- run actual inequality and may produce misleading results. A society that is extremely equal over the long run may be viewed as extremely unequal in the short run (for instance, consider two agents with respective incomes of 1 and 0 in period t=1, and 0 and 1 in period t=2). The Gini coefficient has certain limitations in characterising income disparity.

Meanwhile, many researchers have questioned the applicability of the Gini coefficient in China. They argue that owing to the Gini coefficient's own structural properties, alongside the special context of China's urban- rural dual structure and economic transition, grouped Gini- coefficient calculations are ill- suited to China's national conditions[1]. From a developmental perspective, calculations of income changes are required to more fully reflect the evolution of income inequality[2]. Even a society with a high Gini coefficient and large income gaps can remain dynamic if it features strong income mobility. Intensified effective competition can to some extent favour social stability and economic development.

In terms of the intergenerational dimension of income mobility, the folk Chinese saying "poverty does not last three generations; nor does wealth" constitutes a folk exploration of this dimension. In *Social Mobility in Contemporary China* published by Lu Xueyi in 2004[3], Chinese social groups were divided into ten social strata. The book notes obvious intergenerational inheritance among both privileged and lower- middle strata. The *People's Daily* published two special editorials on China's intergenerational- mobility issues in September 2010 and March 2011 respectively, sparking considerable public response. On 8 September 2011, the first *Human Rights Blue Book* was released, which framed breaking the intergenerational transmission of poverty as a basic connotation and requirement for realising human rights. With the deepening of China's market economy, advancement of poverty- alleviation policies and growing popularisation of education, the pattern of "children inheriting their parents' social positions" has been partially altered. The younger generation can exercise substantial subjective agency over their income and "earn a living by their own abilities", so intergenerational income mobility has increased markedly. On the other hand, parental income and social status still shape children's income partly via channels such as children's education. Capital exerts certain effects on income mobility. The existence of "passive income" (earnings obtainable even without labour, such as rental income from housing and shop contracting) and the "second- generation" phenomenon have reduced intergenerational income mobility. Numerous studies have investigated changes in China's intergenerational income mobility since 2010, yet their findings remain inconsistent and call for further verification. Still, low mobility is a widespread social phenomenon, and poverty traps persist for groups of low social standing.

A poverty trap is defined as a state in which economic agents cannot escape poverty through their own efforts alone, characterised by a stable low- income equilibrium wherein asset and income levels converge at a subsistence- only steady state[4]. As a core concept in development economics that depicts the self- reinforcement and long- run persistence of poverty, the poverty trap refers to any mechanism that perpetuates poverty: once poverty takes hold, low- income groups struggle to escape it relying solely on their own strength[5]. Its typical economic features include multiple equilibria alongside critical asset- threshold effects: when a household's productive assets fall below a certain critical threshold (the "Micawber threshold"), economic behaviour diverges. Households cannot make productive investments or accumulate assets and remain trapped in the low- income poverty steady state in the long term, whereas groups above the threshold can accumulate assets sustainably and achieve prosperity[6]. Mutual reinforcement between imperfect credit and insurance markets and multidimensional capital shortages sustains poverty traps: poor households cannot cross the threshold via borrowing or insurance, and suffer comprehensive shortages of physical, human and social capital. They are thus locked into the vicious cycle of "low income- low savings- low investment- low income", and poverty is transmitted across generations[7,8]. Therefore, the poverty trap inherently means that escape from poverty cannot be achieved through individual effort or single- factor input alone. Holistic external intervention is required to break the low- level equilibrium and cross asset thresholds.

The poverty trap is not a purely economic phenomenon; it arises from mutual reinforcement among institutional constraints, deficient social capital and insufficient human capital. It cannot be resolved merely through individual effort or single- factor inputs, and demands systemic social- level transformation. Social innovation serves as a vital mechanism for escaping such predicaments: institutional innovation breaks path

dependence of inefficient institutions[9]; organisational- form innovation and trust- building convert poor groups' livelihood resources into sustainable income[10]; comprehensive interventions such as empowerment and market restructuring break "low- level subsistence equilibria"[11]. Research also shows that simple capital infusions cannot lift the poor genuinely out of traps in the absence of knowledge transfer and community ties[12]. Academic consensus holds that eliminating poverty traps hinges on holistic governance centred on social innovation. In summary, this paper attempts to answer two interrelated questions: first, can China's 2010- 2020 income data empirically confirm the inertia rate of intergenerational income- stratum mobility among bottom- tier residents — i.e. the potential existence of poverty traps; second, how does social innovation break the low- level equilibria of poverty traps by reshaping decision- making environments and conditions for exercising agency, rather than relying exclusively on individual effort. This paper makes three contributions: (1) on the basis of reviewing three strands of literature on income mobility, poverty traps and social innovation, it proposes a social- innovation anti- poverty framework centred on cross- level agency; (2) it describes an agency transmission chain running from neurocognitive processes to institutional change; (3) it sets out a neurocognitive, behavioural and mixed- method research agenda targeting each link in this chain.

2. Literature Review

2.1. Income Mobility

Joseph Schumpeter put forward the vivid "hotel metaphor" for income mobility: income distribution is likened to guests staying in a hotel. The hotel has rooms of different standards. High- income guests occupy fine upper- floor rooms while low- income guests stay in humble lower- floor rooms. Yet guests can move between rooms: occupants of upper rooms may move downwards, and those in lower rooms may move upwards. Such movement of guests across rooms constitutes mobility.

Research on income mobility largely focuses on intergenerational income mobility and income transmission. Measurements of the latter fall mainly into two categories: analysis of intergenerational income- stratum mobility and intergenerational income elasticity.

Mobility estimates vary across different income indicators. Results also diverge when permanent income is computed via alternative approaches. Haider and Solon[13] found that the coefficient linking permanent income to actual income varies with age. Using US data, they estimated coefficients for each age bracket and found that individuals' income in their early 30s and early 40s best approximates their lifetime average income. Hence children's income at age 30 and parents' income at age 40 can serve as proxies for their respective permanent incomes. He Shijun and Huang Guitian[14] reduced estimation bias by constraining the age ranges of children and parents, using multi- year average parental income, and controlling for age and its quadratic term. To mitigate lifecycle- driven estimation bias, other studies introduce parental and offspring age alongside their quadratic terms, address sample- selection concerns, and adopt children's recent income and parents' initial income as proxies for permanent income respectively.

Transition matrices facilitate income- mobility measurement. Element *P_{ij}* in income- transition matrix *P* denotes the probability that an individual moves from income rank *i* in period *t- 1* to rank *j* in period *t*. In an intergenerational income- transition matrix, *P_{ij}* represents the probability that a child falls into income rank *j* given that their parent belongs to rank *i*. Indicators derived from income- transition matrices (for instance, immobility rate calculated as the sum of diagonal matrix elements divided by *n*; the Met- Prais index (Shorrocks), computed from matrix trace where higher values indicate greater income mobility) summarise matrix information. Nonetheless, raw elements within income- transition matrices themselves convey abundant information.

International research on intergenerational income mobility yields rich findings with substantial cross-country variation in intergenerational income elasticity: Sweden registers 0.28, the United States 0.52[15], Italy roughly 0.50[16,17]; estimates for the United Kingdom range widely from 0.20 to 0.50 depending on measurement approaches[18,19]; France stands at 0.40[20]; Japan has long stabilised around 0.35[21]; Spain lies between 0.38 and 0.40[22]; Australia exhibits an inverted-U trend[23]. Multiple cross-country comparative studies corroborate these cross-national differences[24,25]. Domestic findings remain inconsistent: some studies suggest China's overall intergenerational income elasticity has declined and stabilised, with higher elasticity in urban than rural areas[26,27]. Early estimates reached 0.63-0.66[14,28], while recent studies report values between 0.19 and 0.38[29]. Still, latest research drawing on nationally representative datasets finds rising intergenerational income persistence[30]. Whether China's intergenerational mobility has improved awaits further empirical evidence.

2.2. Poverty Traps

As outlined in the introduction, core to poverty-trap theory are self-reinforcing poverty mechanisms: current poverty status causally shapes future poverty outcomes, locking economic agents below asset-accumulation thresholds and preventing upward social mobility[31]. This paradigm further distinguishes single-equilibrium traps from multiple-equilibrium traps. The former highlights dynamic poverty steady states produced by structural constraints, whereas the latter emphasises how insufficient investment capacity dampens capital-accumulation rates[4,32]. Contemporary scholarship extends poverty-trap analysis across macro-, meso- and micro-levels, investigating how diverse self-reinforcing mechanisms such as financial-market failures, constrained human-capital investment, and nutritional and health-related limitations affect poverty-escape trajectories[4,33,34].

Meanwhile, scholarly focus has gradually shifted from macroeconomic growth toward micro-behavioural analysis. Researchers stress that decision-making logics adopted by poor individuals under extreme scarcity constitute key drivers locking asset-accumulation paths[35,36]. Behavioural and neuroeconomic evidence shows that under severe resource scarcity, individuals tend toward stronger present-bias preferences, higher risk aversion and lower learning rates[37-40]. When making long-term developmental investment decisions, they often select short-run, certain-return survival strategies lacking intertemporal accumulation potential, which further reinforces their lock-in within multiple poverty equilibria[6,41]. Moreover, empirical work on asset and poverty dynamics demonstrates that even within identical environments, heterogeneous initial endowments and random shocks can trap different individuals in chronic poverty due to capital-accumulation bottlenecks caused by financial-market failures[42]. Consequently, escaping poverty traps cannot rely solely on individual breakout; systemic social change and coordinated advancement of institutions, human capital and social capital are indispensable[43-46].

2.3. Social Innovation

No unified definition of social innovation has been reached within academia. This highly flexible concept permits multidimensional interpretations across disciplines. Its core connotation lies in creatively meeting social needs and enhancing social resilience by transforming social relations, institutional arrangements and resource allocation[46,47]. Specifically, social innovation is understood as a learning-oriented process aimed at addressing social needs via multi-stakeholder participation and collaboration to apply knowledge and generate practical innovation[48-51]. This process not only seeks to replace ineffective existing solutions but also reshapes social resources and capabilities through building new organisational forms and governance structures, thereby boosting collective societal capacity for action[51,52]. Furthermore, scholars view social innovation as a

mechanism inducing social-structural adjustment and restructuring: via social-innovation methodologies and collective-learning processes, it facilitates collaborative design and implementation of sustainable solutions for social problems[53,54].

Current research gravitates toward two competing paradigms: instrumentalism and democratic orientation. The former emphasises optimising resource allocation through managerial practices to tackle social challenges[55]; the latter highlights democratic attributes embedded within social-value creation, such as locality and pluralistic participation[56]. From an institutional-theory perspective, social innovation represents pathways for breaking old social rules and institutional constraints, aiming to build more inclusive political-economic frameworks through structural reorganisation[57]. By contrast, innovation-theory scholarship focuses on paradigm shifts in technologies and service models, analysing how inter-organisational interactions foster novel service ecosystems that co-create value[58,59].

3. The Potential Existence of Poverty Traps in China

3.1. Data Sources and Processing

This paper draws primarily on three data sources: the China Family Panel Studies (CFPS), the National Bureau of Statistics of China, and the official website of the Ministry of Education of the People's Republic of China.

The China Family Panel Studies (CFPS) is a social-panel survey project administered by the Institute of Social Science Survey (ISSS) at Peking University. It collects comprehensive individual-, household- and community-level data through repeated follow-up surveys to reflect recent changes across China's society in economics, demography, education, health and other domains. Nationwide in scope, CFPS offers high comprehensiveness. Beyond residents' economic welfare, CFPS prioritises non-economic welfare, covering economics, education, family relationships and developmental dynamics, migration, psychological states and other research themes. Baseline fieldwork was conducted in 2010, with follow-up surveys administered every two years. It covers 25 provincial-level administrative regions across China, surveying 14 960 households and 42 590 individuals. Surveyed households and individuals, together with their biological or adopted children born subsequently (CFPS genetic members), constitute permanent tracking subjects of CFPS.

We obtained CFPS datasets for 2010, 2012, 2014, 2016 and 2018, and integrated and matched data by individual identifier using Stata. The income variable *income* denotes individuals' total personal labour income (in RMB). Parental income is obtained by matching parents of surveyed respondents. Owing to too few valid samples after filtering by total labour income for 2016, we supplemented income values via wage-imputation for individuals with unchanged employment status between 2014-2016 and using total after-tax annual income. To proxy permanent income as closely as possible, we follow Haider and Solon (2006): children's income is observed for ages 20-35, and parental income for ages 35-50. We retain samples where parents are aged 35-50 and offspring are aged 20-35, and drop observations with substantial missing values. Age values are either taken directly from survey responses or computed from birth-year variables.

This paper introduces one methodological innovation: within CFPS surveys, respondents are surveyed both as children relative to their parents and as parents relative to their own offspring. To characterise intergenerational income mobility within society during the given period more accurately, we analyse not only respondents as children vis-à-vis their parents but also treat those same respondents as parents and match them against their children's income. This approach expands sample size and coverage and improves descriptive power. Sample distribution is presented in Table 1.

Table 1. Sample Distribution

		Urban	Male	Female
2010	count	1093	605	488
	2648	Rural	Male	Female
		1555	974	581
		Urban	Male	Female
2012	count	3566	1888	1678
	7132	Rural	Male	Female
		3566	996	2570
		Urban	Male	Female
2014	count	1124	658	466
	3080	Rural	Male	Female
		1956	996	2570
		Urban	Male	Female
2016	count	1176	620	556
	2959	Rural	Male	Female
		1783	1049	734
		Urban	Male	Female
2018	count	1065	742	759
	2210	Rural	Male	Female
		1145	564	581

Descriptive statistics for income reveal pronounced urban- rural dualism in China's economy. The urban- rural income gap widened from roughly 4 000 RMB in 2010 to approximately 8 000 RMB in 2018. Moreover, given China's patrilineal society, income data show stronger correlation between children's income and fathers' income (see Figures 1, 2, 3).

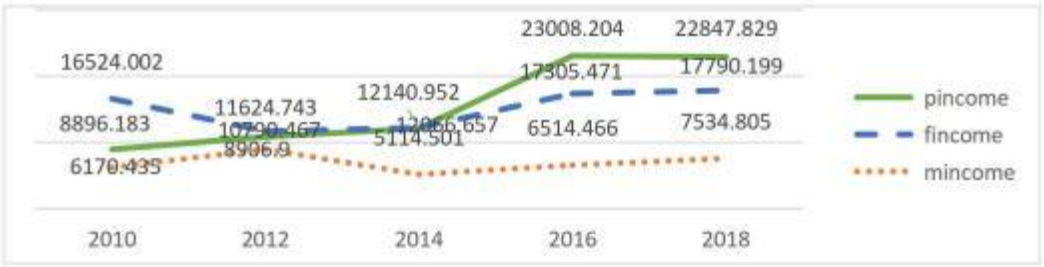

Figure 1. Changes in per- capita income

Figure 2. Changes in rural per- capita income

Figure 3. Changes in urban per- capita income

3.2. Social Mobility and Income Traps Observed from Intergenerational Income- Stratum Mobility Matrices

Intergenerational income stratum refers to an individual's (parent's and child's) income quantile rank within the full sample set. Intergenerational income- stratum mobility describes shifts in children's relative income positions compared with their parents'. This paper employs intergenerational income- transition matrices to investigate shifts in intergenerational income mobility across China since 2010. Given China's urban- rural dual socioeconomic structure, calculating a single aggregate societal intergenerational income- transition matrix proves insufficient. When pooling the full dataset, income ranges for each stratum broaden, equivalent to reducing the number of strata. Aggregate- level intergenerational income mobility is therefore underestimated: individuals who experience mobility within narrow rural income brackets may show no stratum- level change in the pooled dataset, and their mobility is masked. Furthermore, stratum- level income mobility matters because of human comparative psychology. As the saying goes, "no comparison, no distress". Such comparisons shape feelings of security, progress and subjective well- being, and people mostly compare themselves with peers within small reference groups. It is therefore necessary to split samples into urban and rural subsamples and compute and compare intergenerational income- transition matrices separately.

We compute intergenerational income- transition matrices in Stata. Child income (*pincome*) and average parental income (mean of father's income *fincome* and mother's income *mincome*) are each split by quantiles into five strata: bottom 20 %, 20- 40 %, 40- 60 %, 60- 80 %, top 20 %. Intergenerational income- stratum transition matrices are calculated using these categorical variables.

Based on intergenerational income- transition matrices, we derive inter- quantile income immobility rates for Chinese residents from 2010 to 2020. Immobility (inertia) denotes the probability that children remain in the same income stratum as their parents with no stratum transition. Higher inertia rates imply weaker intergenerational mobility and lower likelihood of class ascent. The aggregate inertia rate is the arithmetic average of inertia values for each stratum and characterises overall immobility (Table 2).

Table 2. Resident inter- quantile income immobility rates computed from intergenerational income- transition matrices

		2010	2012	2014	2016	2018
National Immobility Rate	Amount	620	959	770	701	568
	Ratio	0.233	0.207	0.250	0.237	0.257
	The Top Class	0.291	0.211	0.313	0.274	0.281
	The Fourth Class	0.228	0.203	0.248	0.218	0.242
	Third Class	0.176	0.182	0.211	0.237	0.251
	The Second Class	0.208	0.204	0.242	0.194	0.260
	The Bottom Class	0.268	0.237	0.235	0.262	0.251
Urban Immobility Rate	Overall	0.25	0.21	0.24	0.28	0.23
	The Top Class	0.37	0.30	0.27	0.45	0.29
	The Fourth class	0.28	0.23	0.22	0.34	0.23
	The Third Class	0.24	0.14	0.24	0.18	0.18
	The Second Class	0.19	0.17	0.19	0.21	0.21
	The Bottom Class	0.15	0.18	0.26	0.19	0.27
Rural Immobility Rate	Overall	0.22	0.21	0.22	0.23	0.24
	The Top Class	0.20	0.16	0.20	0.19	0.17
	The Fourth class	0.18	0.19	0.18	0.22	0.27
	The Third Class	0.14	0.21	0.23	0.24	0.21
	The Second Class	0.22	0.22	0.26	0.21	0.28
	The Bottom Class	0.34	0.27	0.25	0.29	0.26

Compared with urban areas, rural China exhibits markedly higher inertia among the bottom- income stratum than other strata. Bottom- tier rural residents have the lowest probability of escaping low- income status, confirming the existence of poverty traps.

4. Breaking Poverty Traps

Poverty traps reproduce disadvantage through feedback loops. Improvements may follow interventions, yet improvement does not equal trap-breaking. A poverty trap is broken only when at least one disadvantage-reproduction mechanism is sufficiently weakened and subsequent developmental trajectories are altered. This relies on enhanced agency spanning individual to collective levels. Intergenerational poverty transmission and low intergenerational income mobility (high inertia rates) constitute typical cross-generational manifestations of such feedback loops: income disadvantages of parents are transmitted to children via deficient education, social capital and market opportunities, enabling self-sustaining poverty across generations[19,31]. Correspondingly, breaking poverty traps requires dismantling such intergenerational-reproduction mechanisms — precisely the point where social innovation acts upon opportunity structures and conditions for exercising agency.

Agency describes actors' processes of drawing on past experience, envisioning futures, evaluating present circumstances, taking action and achieving progress. This framework lends itself well to analysing decision-making under poverty: in reality, feasible options are unequally available. Past experiences shape expectations; the perceived attractiveness of futures shapes present-day choices; contextual constraints alter the feasibility of alternative actions. Individual agency under poverty therefore involves more than selecting among pre-given options; it also includes interpreting situations and imagining feasible courses of action. Specifically, subjective perceptions of high inequality and prior lived experience that dampen prospects for upward mobility may trigger learned helplessness and produce neural desensitisation (neurophysiologically manifest as blunted coding of reward-prediction-error signals within fronto-striatal circuits, particularly for effort-related rewards). Under identical environmental conditions, individuals exhibit reduced learning rates and adaptive capacity, diminished ability to make optimal intertemporal choices, and consequently become trapped in long-run economic hardship. Furthermore, subjective sense of personal control is jointly shaped by action-outcome links, subjective expectations and external contextual information. In persistently constrained environments, effort and outcomes become weakly correlated. After repeatedly experiencing limited efficacy and uncertain outcomes of their actions, individuals' agency inevitably declines.

Emirbayer and Mische[60] conceptualise agency as an embedded social process. The outcomes achievable through individual agency partly depend on surrounding resources, social ties and institutions. Hence poor populations tend to exhibit lower individual agency than non-poor populations. Agency is not an isolated personal trait but an output generated jointly by individuals and their environments. Poor people commonly face resource shortages: insufficient income, education, information and credit. Their social networks are confined to resource-scarce peers, lacking social ties that deliver opportunities, information or protection. At the institutional level, they may encounter barriers, discrimination and limited service access. Even when poor individuals possess subjective motivation for change and exert effort, external constraints compress the effectiveness of their actions. It is not that they lack aspiration or decision-making capacity, but rather that their feasible action sets are narrower and obstacles to success are greater.

Enhanced individual agency is required to end persistent poverty and break poverty traps. Resources, capabilities and agency are not equivalent: agency refers to actors' capacity to convert resources into concrete action[43,61]. Beyond improving the quantity and quality of personal resources, it matters whether resources can be transformed into substantive opportunities to pursue valued goals[43]. This conversion process is shaped by individual, social and environmental factors. Two individuals with comparable material resources may possess vastly different capacity for action. Even resource-scarce individuals can retain substantial agency given supportive social ties and institutions. Social relations and institutions determine opportunity structures. If some poverty traps and persistent poverty stem from households and communities lacking assets, information, social connections, market access and participatory decision-making opportunities, reshaping opportunity structures is equally important as modifying individual behaviour. Reshaping opportunity structures proves difficult under

existing institutions and social conditions and requires social innovation. Social innovation can transform decision- making environments and real- world conditions for exercising agency, thereby boosting human agency.

Social innovation does not emerge out of thin air. It demands agency from influential actors, alongside interest- based negotiation, resource mobilisation, consensus- building and activity coordination. Social innovation requires relational agency. Action is embedded within social relations rather than existing independently of social interaction. Agency is not a fully formed attribute possessed by individuals prior to social engagement. Social interactions can both expand and constrain possibilities for action. Sound relational agency constitutes a prerequisite for transition from individual agency to collective action. Without sound relational agency, individuals may perceive opportunities for transformation yet cannot mobilise others to participate; groups facing shared hardship fail to satisfy collaborative prerequisites for collective action.

Different levels do not form a simple hierarchy or linear sequence but constitute a cross- level analytical framework:

Neurocognitive processes → Individual agency → Relational agency → Collective/Transformative agency → Structural and institutional transformation

(Arrows denote mechanistic association rather than deterministic causation. Neurocognition is not a separate level parallel to individual, relational or collective agency; it represents one underlying mechanism through which individuals perceive actions, evaluate outcomes and adjust behaviours.) Individual agency is jointly shaped by capabilities and opportunities; relational agency captures new possibilities generated through interpersonal interaction; collective and transformative agency emerge when actors collaborate around shared problems or opportunities to reshape existing practices and institutions. Transformation at larger scales occurs only when multiple mechanisms mutually reinforce one another.

Consider a service programme for disadvantaged communities: participation creates new social ties, which grant access to information and resources; organisations gain bargaining power; public institutions adopt these new practices. In such cases, innovation transcends mere service provision and simultaneously reshapes participants' opportunity structures and institutional environments.

This cross- level perspective further illustrates that research focusing solely on individual- level decision- making and agency cannot suffice to break poverty traps. An individual lacking sound decision- making mechanisms struggles to escape poverty traps. Even individuals with sound decision- making capacities may lack resources and institutional access to change their circumstances. A collective endowed with collective agency may still be unable to reshape macro- level rules governing resource distribution. Even successful social- innovation projects remain confined to local scope unless they influence surrounding institutions, norms and power configurations. Breaking poverty traps becomes far more feasible only when agency transmits across levels and transforms external environments within which action occurs. This calls for coordinated efforts across micro- , meso- and macro- circuits: micro- circuits cover poor individuals' attention, emotion, learning and decision- making; meso- circuits encompass negotiation, co- creation and practice embedding; macro- circuits correspond to institutional contexts.

Poverty traps persist as negative- feedback loops reproduce disadvantage. Social innovation can break poverty traps only when it expands agency, mobilises resources, readjusts power relations, fosters institutional or normative change, and thereby undermines internal disadvantage- reproduction mechanisms. Some social- innovation interventions improve certain dimensions of agency yet leave underlying vicious feedback loops intact and thus fail to break poverty traps. For example, certain projects may improve service access yet leave productive assets unchanged; they may boost participation without altering decision- making authority; or they may establish local organisations while leaving institutional contexts that reproduce poverty untouched.

Accordingly, this paper lays out the full process chain linking poverty traps and social innovation as illustrated in Figure 4.

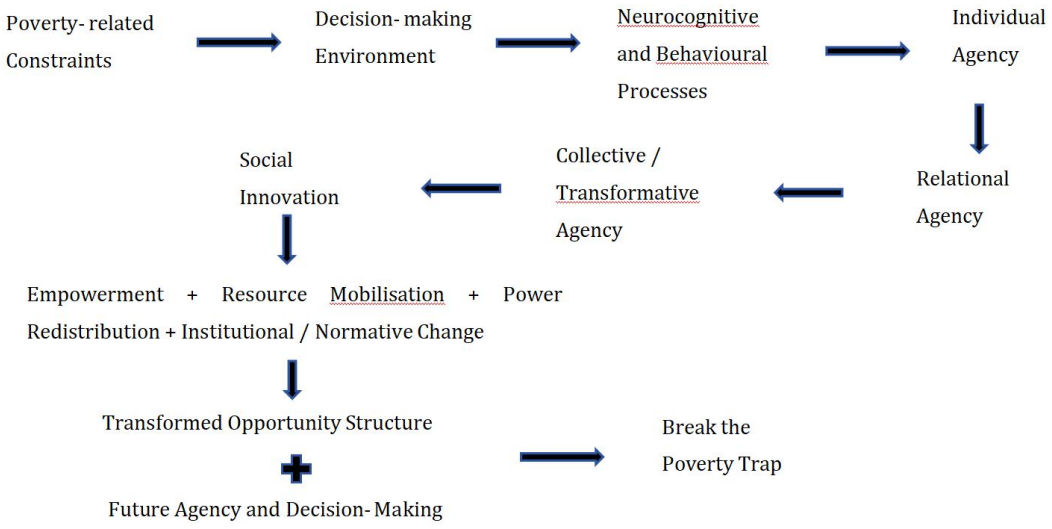

Figure 4. Social innovation and poverty traps

Note that the above chain represents a proposed research programme subject to testing. Arrows denote mechanistic associations rather than deterministic causation, and each link requires empirical validation from neurocognitive, behavioural and case- study evidence. The hierarchical structure draws on institutional- theory frameworks for social innovation[62,63].

5. Policy Recommendations and Future- Research Proposals

5.1. Policy Recommendations

1. Supplement productive- asset endowments. Since breaking poverty traps requires accumulation of productive assets, support should not be limited to cash assistance. Asset- building programmes should be promoted to subsidise productive assets and production tools, in line with the principle of "teaching people to fish rather than merely giving them fish".
2. Create conditions for poor populations to make high- return long- term investments. For instance, subsidise dedicated accounts such as matched education- savings accounts with restricted- use rules.
3. Build community- shared public assets. Support collective assets including community- run productive facilities, warehouses, shared workshops and cold- chain infrastructure.
4. Establish local accessible information- service stations and peer- information- transmission mechanisms. Deliver practical job information and advice for local poor populations, translate policy information into context- specific actionable guidance, and reduce informational filtering bias.
5. Pursue institutional innovation. Further refine social institutions, move beyond full reliance on market mechanisms, and strengthen state capacity for control and redistribution over certain resources to create opportunities for populations in poor regions. For example, establish a state- run welfare- procurement agency to coordinate corporate welfare- goods procurement and allocate production orders to poor populations, thereby generating opportunities. Relevant initiatives may be expanded appropriately to match available integrated resources with resident capabilities and reconstruct opportunity structures while delivering social safety- net support for poor groups.

5.2. Proposals for Future Research

Neurocognitive approaches and behavioural experiments can manipulate scarcity, uncertainty, feedback and perceived control to observe effects on micro-level links in poverty-related decision-making and self-reinforcing poverty feedback loops. Field experiments, quasi-experiments, longitudinal case studies and comparative research can investigate meso- and macro-level processes based on real-world social-innovation projects.

Cross-level mixed-method research integrating three categories of evidence should also be conducted:

- *Micro-level*: electroencephalography/event-related potentials + behavioural decision-making tasks + subjective agency perceptions
- *Meso-level*: social-network analysis + interviews + collective-action observation + innovation-process tracing
- *Macro-level*: institutional change + resource redistribution + policy adoption + poverty-development trajectories

This integrated approach can uncover mechanisms and effective solutions for breaking poverty traps through social innovation.

Funding

This work received no external funding.

Data Availability Statement

This paper draws primarily on three data sources: the China Family Panel Studies (CFPS), the National Bureau of Statistics of China, and the official website of the Ministry of Education of the People's Republic of China.

Acknowledgments

The author has reviewed and edited the output and take full responsibility for the content of this publication.

Conflicts of Interest

The author declares no conflicts of interest.

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