

# **Carrying Out the New Development Concept and Building a Modern Economic System**

**-- Perspectives Based on International Experience and Lessons**

**Yingjie Zhang**

CPC Yuxi Municipal Party School, Yuxi, Yunnan, China

**Keywords:** Modern economic system, New Era, New development concept

**Abstract:** On the 19th Chinese Communist Party Congress, Comrade Xi Jinping made a report to the General Assembly on behalf of the eighteen Central Committee. In his report, he first proposed "building a modern economic system", and made a profound explanation some basic issues about how to build a modern economic system and so on, which continuously enriches the content of Marxist political economy. At present, China has shifted from a high-speed growth stage to a high-quality development stage, to continuously implement the new development concept and build a modern economic system is the crossroads of development. It is important to take the initiative to adapt and lead the new economic normal, unswervingly take the Chinese road, and use the latest achievements of the Marx doctrine in China to solve the problems of China.

## **1. Introduction**

On the Fifth Plenary Session of the 18th CPC Central Committee, Chinese leaders clearly put forth five development concepts of innovation, coordination, greenness, openness and sharing. General Secretary Xi Jinping further closely integrated the new development concept proposed two years ago with the modern economic system, and he clearly stated why the party Central Committee must make an important plan of building a modern economic system, what profound connotations the modern economic system has in developing a new historical position in China, and how should the entire party and the whole nation build a modern economic system. The report used the world outlook and methodology of dialectical materialism, to make a deep discussion on some realistic issues, such as how should the new era develop? To what extent? What is high-quality development?

## **2. Building a Modern Economic System is an Objective Requirement for Adapting the Socialism with Chinese Characteristics to Enter a New Era**

General Secretary Xi Jinping put forward at the 19th National Congress that, China's development has entered a new historical position. Throughout the history of human development, scholars have proposed various criteria for time division in accordance with different research fields, directions, and historical forms of movement. E.g. Morgan made a great deal of study on human marriages, relatives and clan systems, starting from the Indian social system, and he eventually classified human society as ignorant, brutal, and civilized. However, the most widely recognized theory is the classification criteria by Marx that in combination with the conflict of productive forces and production relations. Marx divided human history into primitive society, slave society, feudal society, capitalist society, socialist society, etc. The Chinese Communist Party adheres to and adopts Marxist historical materialism and dialectical materialism.

General Secretary Xi Jinping always emphasized the dialectical relationship between theory and practice, to answer the questions of the times based on China's reality. It is clearly reported in the Nineteen National Congress that the major social contradictions in China have been transformed into the contradiction between people's growing needs of a better life and the uneven and imbalances

development, which is the latest achievement of the Sinicization of Marx's doctrine. It mirrors the fundamental change in the relations between productive forces and production relations in China, at the same time, it also determines that the direction and strategic deployment of China's current and future periods must be concentrated in the economic construction. The transformation of major social contradictions in China requires the Chinese Communist Party to continue to adhere to and apply the Marx Dialectics, master the changing law of contradictions and adjust strategic deployment.

As described in Maslow's theory of demand hierarchy, when low-level needs are met, mankind will continue to move toward higher-level needs. From the point of view of the people's need for a better life, China's economy has developed over the past more than 40 years, people's needs have been extended to democracy, justice, dispute, security, and the environment from the food and clothing before the reform and opening up. What it brings is not only the test of the productive forces of Chinese society, but also the challenges to meet production relations. In the past, in order to meet people's material and cultural needs, China is more concentrated in the distribution of production factors in the economic field, leading to the relative lag of politics, culture, society and ecology. However, once the material life of the people is greatly improved, and diversified needs continue to breed but they cannot be satisfied in time, the main contradictions in the new era would emerge from time to time. Judging from China's development status, comrade Deng Xiaoping advocated letting qualified areas take the lead in getting rich, which broke the thought of "egalitarianism" in China at that time, but such a mode of development also allows too many factors of production to be concentrated over a longer period of time in these first-richer regions, thus forming current development status of regional imbalance, field imbalance group imbalance, supply and demand imbalance, concept imbalance, mechanism imbalance, ability imbalance, state imbalance, as well as total development insignificance, development degree insignificance, development vitality insignificance, development guarantee insignificance and development tenacity insignificance. Facing the current situation of contradictions and changes, it requires the unswerving of the whole Party and the people of all ethnic groups to take the development as the first priority of the party's ruling and rejuvenating the country, to carry out the new development ideas of innovation, coordination, green, open and shared, so as to greatly Improve the quality and benefit of development, to build a modern economic system, and emancipate and develop social productive forces, better promote the overall development of people and the overall progress of society, and then actively adapted to the objective requirements of the new era of socialism with Chinese characteristics.

### **3. Building a Modern Economic System is the Necessary Way for China's Economy to Step into a Higher Level**

The general secretary of Xi Jinping made it clear in the nineteen major reports that, the current situation at home and abroad is undergoing profound and complex changes, while China's development is still at an important strategic opportunity, with bright prospects and harsh challenges at the same time. Indeed, since the reform and opening up in 1978, China has successfully crossed the "poverty trap", which has contributed to the Chinese wisdom and the Chinese program for the developing countries that have been deeply trapped in "poverty reengineering". However meanwhile, it is a challenge to China's success in crossing the "middle income trap" into high income countries.

China's economy has changed omni-directional since the reform and opening up. During the thirty-eight years from 1978 to 2016, the average economy growth rate reached 9.6%. In 1998, China first proposed to get rid of poverty and enter the ranks of lower middle income countries; in 2010, the total amount of China's economy exceeds Japan, and became the second largest economies in the world.

China's per capita national income in 2016 is 8260 dollars, and it can be divided into upper middle ranks according to the latest definition of the World Bank. Facing the current economy status, the most challenging thing for China is to cross the "middle income trap".

From the perspective of the whole world, many countries not only do not cross the "middle income trap", but are also in crisis. For instance, in the 70s of the last century, some Latin American countries

are still in the "Latin American whirlpool"; in the 80s of the last century, some countries represented by Thailand and Malaysia are still struggling in the "East Asian bubble"; later in 1990s, some countries in West Asia and North Africa are still deep in the "crisis in West Asia and North Africa". These are the real portraits of middle-income countries around the world that cannot successfully cross the "middle-income trap", and it is still full of challenges for today's China. From the domestic and foreign experience of successful leaps and bounds, to cross the "middle income trap" needs to correctly deal with the relationship between the government and the market, in other words, the government must give full play to the functions that the market can't accomplish. Japan launched a national income multiplication plan in the 60s of last century, and introduced the minimum wage system in 1959, and then launched a social welfare guarantee system and a national annuity law covering all the people in 1960. The Japanese government wants to reallocate the national wealth through distributing part of the benefits originally owned by the enterprise to employees and other members of society. These initiatives increase the real cost of labor in the business and reduce capital gains in the short term, but it has indeed increased national income and domestic demand, and provide Japan's economy with a long-term and solid foundation for its development. South Korea's success in crossing the "middle income trap" is the result of a deep study and a reference to Japanese experience. In 1958, South Korea launched the national income multiplier program at the core of the national health care, the national annuity system and the minimum wage, aiming at expanding domestic consumption demand and improving national welfare to ease contradictions, so that get rid of the plight of economic development. According to the data of the World Bank, if the purchasing power parity is calculated, the per capita GDP of Japan in 1959 and South Korea in 1958 is about the same as that of China. Therefore, it is crucial whether China could successfully carry out a Chinese version of the national income multiplier program, which will determine whether China can cross the "middle income trap" to a certain extent. Such act of recutting the cake is bound to break the current interests, and it would inevitably cause some of the discontent of the monopoly organizations or individuals. The good news is, at the Third Plenary Session of the 18th CPC Central Committee, the CPC proposed a comprehensive and deepening reform, and over 1500 reform initiatives have been launched till now. Breakthroughs have been made in the reform of key areas and key links, and laid a solid foundation for the further adjustment of the social interest relationship under the premise of ensuring the employment and the people's livelihood.

The "middle income trap" is an important juncture in the current economic development of China, as well as the key to China's return to the world's largest economy and the rejuvenation of the nation. Seen from more than seventy high-income countries in the world, they spent an average of 12 years and 4 months moving from the middle-income stage to the high-income stage. Follow by this rule, China is the most populous developing country in the world, if we can associate the pulse of China's economy and open a valid prescription, China will enter the ranks of high-income countries in the "first hundred years". Carrying out the new development concept of innovation, coordination, greenness, sharing and opening up, and building a modern economic system, is right the economic prescription for China to entry into the new era.

#### **4. Building a Modern Economic System to Reveal a New Signal of China's Economic Development in a New Era**

##### **4.1 Take Structural Reform of the Supply Side as the Main Line**

The current Chinese economy has entered a new journey, but the main aspects of the problem are on the side of the supply side. It is manifested that: from the demand point of view, as of the end of 2016, the broad money supply (M2) balance was 155 trillion Yuan, almost double the gross domestic product, however, the investment demand of the whole society slowed down, and the growth rate is only 8.6%. While from the perspective of consumer demand in recent years, although more and more consumers spend a lot of money on shopping, low-income consumers still use more revenue for saving. Since 2002, China's Gini coefficient has been above the warning line all the way, that is to say,

Low income people accounted for the vast majority, with weaker consumption capacity. From the perspective of supply side, although China has overcapacity in construction of coal, steel, cement, glass and other industries in recent years, and meanwhile the core technology of the robot, the engine's key components and high-end medical equipment are still heavily dependent on imports. When faced with the double weakness in demand and supply, it is actually caused by the lack of innovation in the Chinese industry. Overall speaking, to build a modern economic system, we have to put the focus of economic development on the real economy, adjust the direction of economic structure and increase industry innovation; rely on market forces to upgrade, so let the traditional manufacturing and real estate gradually become the normal industry in the market competition, and meanwhile vigorously develop strategic emerging industries, modern service industries and modern manufacturing. In particular, give support to enterprises with strong externalities in the new pillar industries, continue to optimize the industrial structure and thus enhance the influence and competitiveness of China's economy in the world economy.

#### **4.2 Take Promoting Regional Coordinated Development as the Key**

The imbalance in the major social contradictions in the new era in China is actually caused by the region. Therefore, it is necessary to increase the infrastructure construction in the western region, to let the production factors flow more effectively. Especially for the western region, in the overall regional development strategy, the Belt and Road initiatives, the Yangtze River Economic Zone and other regional coordinated development initiatives, it continues to undertake the transfer of industries from the developed eastern regions. In the process of industrial transfer, it brings the backbone workers and the experienced management talents, but lack of important opportunities brought by the supporting production and marketing enterprises. Therefore, we should speed up the cultivation of local private entrepreneurs, promote local enterprises to undertake industrial transfer in the developed areas in the way of industrial upgrading, to improving the competitiveness of enterprises, open up a bigger market and strive for more market share.

#### **4.3 Take Talent Training as a Fundamental**

No matter to accelerate the building of an innovative country or to implement the strategy of rejuvenating the country, its fundamental lies in the building of qualified personnel. If China used to rely on technological imitation for economic growth in the past, but today the return on capital of imitation economy is declining, and China is no longer just a factory in the world, so it has become necessary to actively promote innovation, and it will allow China to once again lead the world trend. Theoretical innovation, system innovation, technological innovation and cultural innovation must be implemented, and cultivate a large number of strategic science and technology talents, science and technology leaders, young scientists and technicians and high-level innovation team with international standards.

#### **4.4 Take Socialist Market System Improvement as the Criterion**

The Communist Party of China has put forward in the nineteen major reports that, to build an economic system with effective market mechanism, dynamic micro body and macro control, the clarity of property right can be said to be the key and difficult point in perfecting the socialist market economy system. The core issue of deepening the reform of state-owned enterprises and developing a mixed ownership economy is to break the monopoly, reduce barriers to entry in some industries and turn some monopolistic industries that are not open to becoming open industries, especially the industries which is closely related to the daily life of the nation, such as medical, education, communications, energy and finance; guide the non - public economy to enter, and allow people get better services with lower prices and lower quality, because this not only helps to increase the proportion of the service industry in the current economic structure, but also can expand domestic demand, and even break through the dilemma of investment and consumption. In addition, there is also a need to break up the monopoly of the upstream industry, and control the "invisible tax" that the downstream industries have to pay for the monopoly of the upstream industry.

At present, China's economy has entered a new normal state. Compared with the previous thirty years, it is quite different in terms of economic growth rate, economic structure, economic system, economic growth mode and opening-up strategy, so it requires a correct view of the "pain index", but carry out the new development concept and build a modern economic system, so as to push the Chinese economy toward a higher quality, more efficient, more equitable, and more sustainable direction.

## **References**

- [1] Jinping Xi. Remain true to our original aspiration, keep the mission firmly in mind, hold high the great banner of socialism with Chinese characteristics, make overall efforts to build a well-off society, capture the great victory of socialism with Chinese characteristics in the new era, and make unremitting efforts to realize the Chinese dream of the great rejuvenation of the Chinese nation [R]. The 19th Chinese Communist Party National Congress, 2017.10.18.
- [2] Jie Wei. The thirteenth five-year plan and the new normal of China's economy [M]. Business Management Press, 2016, 5: 75-76.