

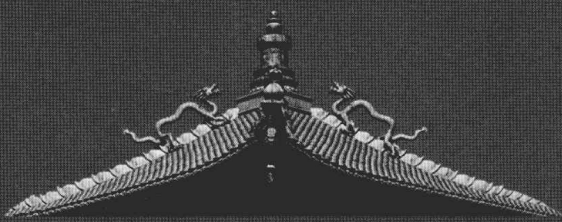
STUDY ON THE CHINA MODEL

— Analysis of Economic
Development Path of
China

Author: Jinquan Jiang
Translators: Fen Li Yanjun He
Proofreader: Xuchun Xiang



PEOPLE'S PUBLISHING HOUSE



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“中国模式”研究——中国经济发展道路解析

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We would adhere to the scientific outlook for development in the whole economic and social development process by renewing our ideas, changing the development way, innovating the development system, and perfecting the development model to keep civilized, harmonious and peaceful development of economy and society.

——In Front of the Book

Preface

This book in front of you is one that I tried to analyze the economic development path in China after its opening-up.

I have been engaged in the Party construction work and its theoretical study for a long time. But why do I study economy? Why did I write this book? There are mainly three motives: (1) I have been doing paper work in the central department of the Party, and the following questions, which make me think, are often encountered: How to summarize the experience of 20 years' opening-up of China? What's the trend of China's economy in the future? (2) Visitors from some developing countries often ask, "the economy of your country develops so fast, would you please share some experience with us?" My answer is: firstly, every county shall explore a development path according to its practical situation, which is quite different from one and another. The development path of China after opening-up is practical and in line with China's basic condition, but it may not be suitable for other countries. Secondly, we are very glad to share our experience with you, but

please be reminded that this experience is not generally com-
pliable. We can introduce to you unconditionally, but you have to judge and
decide whether it is suitable to your country. Thirdly, we are not like
some countries that boost their values and experience as “universal
truth” and try to persuade other countries to adopt it. We do not do
that, but we would like to share our experience with our friends who
are interested. Certainly, this also urges me to study the experience of
China’s economic development. (3) In recent years, there has been a
trend in the world to study the economic development road of China,
and China’s Development Path, China Model of Economic Develop-
ment, as well as the Beijing Consensus have become hot issues in the
world economic circle. Is there really a China Model of economic de-
velopment? What’s the connotation of China Model? How to deter-
mine it? Is there any principle or theory of economic development of
China that has not been summarized before? Is it possible to establish
a Chinese economics based on the experience and theories of China’s
economic development (relative to Western economics)? This is also
one of the important reasons that make me decide to study the econom-
ic development path of China (i. e. the China Model).

It took me three years to finish this book. Why that long? Be-
cause China Model is a summary and condensation of the whole eco-
nomic development path (the economic system) since the reform and o-
pening up policy was carried out. It is a systematic and complicated
work. In the years, I collected and read documents of more than ten
billion characters. Only the abstracts input into my computer reached
more than 5 million characters, not to mention the over 200 cited arti-
cles or books. In the meantime, China’s economy maintained never-

ending changes and improvements: firstly, the scientific outlook for development was held forth, which offered further theoretical guidance for transformation of the China Model; secondly, the National Economic Census data of 2004 and before was publicized in 2005, which subverted many of people's perceptions about China's economy (e. g. proportion of the three industries). This helped to update the concepts and ideas of the China Model theory in positive economics. In this book, I mainly used cases before the end of 2005 to support my points on the China Model (some data and cases of year 2006 were added during revision and press proof).

Theory is pale, while practice is everlasting. The China Model theory that belongs to positive economics is always one step behind the development of economy in China. Although in the end of this book outlook was made for the development trend of the China Model guided by the scientific outlook for development, the practical situation of the economy will be forever more colorful and glorious than that in the theory.

We can predict the future by reviewing the past. So it will be helpful to foresee the economic development trend of China by learning and studying the 20 years' experience of development of the socialist economy with Chinese characteristics. Based on this, I would be very glad to share my study results with you.

There are undoubtedly many other books on the China Model, and the Chinese Economics will be published before too long. And this book is hopefully to offer some help to those who endeavor to establish the Chinese Economics or to further study the China Model.

I am more willing to receive criticism and suggestions from read-

ers, especially from economists, by which I could revise and perfect this book and the theory of China Model in the future.

I would give my sincere thanks to *Professor Zhang Peigang* of Huazhong University of Science and Technology (HUST), who paid special concern to this book, and *Professor Zhang Jianhua* of HUST, who instructed the writing of this book in specific, and *Professor Zhu Yuquan*, Secretary of HUST Party Committee, and *professors Xu Changsheng, Liu Haiyun, Zhang Weidong, Fang Qiyun, Wei Ping, Peng Daiyan, He Xuefeng, Liu Jianping* and *Song Deyong* of HUST, who have offered help to the author. I would also like to give my thanks to *Professor Zhang Wenke* of Hubei Academy of Social Sciences, *Professor Yan Pengfei* of Wuhan University, and *Professor Chen Yin'e* of Zhongnan University of Economics and Laws. At last but not the least, my gratitude will also be given to the authors of the articles and books that I cited in this book.

The Author

January 2007

Abstract

This book tries to analyze the China Model by macro-theories in the view of positive economics.

The China Model is also called Development Model of China. From the point of view of economics, it refers to the economic development path of China after the reform and opening up policy was carried out, including the concepts, strategies, and systems of development with Chinese characteristics. It is a combination of the basic socialist system and market economy system, which is also called *Socialist Market Economy with Chinese Characteristics*, *Market Economy with Chinese Characteristics* in short. The combination of the basic socialist system and market economy system is a unique economic pattern that has never existed in history of modern economics. The combination of socialism and market economy is called the Goldbach Conjecture of economics. But how did China succeed in solving this Goldbach Conjecture to create the China Model? The study of the China Model is meaningful because it is in fact a process to unscramble the conjecture.

In theoretical analysis part of this book, beside exposition of backgrounds and theoretical basis of the formation and development of the China Model, three points were raised: the three basic characteristics of the China Model——endogenous, innovative and gradual; the reason why the China Model, i. e. Market Economy with Chinese Characteristics, could happen is that market economy does not have social attribute, so it is applicable in either capitalism or socialism; the reasons for the success of the China Model also include, beside the innovation of economic system and mechanism and development strategies, the ruling party and government adopted a series of strategic thoughts and actions, such as “thoughts advancing with times”, “correct relationship of reform, development and stability”, “governing by combination of law and morality”, “maintaining the government power”, etc.

This book holds that the economic development path in the China Model is transformation of thoughts, strategies and mechanism (system), which in essence is transformation of economic system. So the emphasis of this book, after simply illustrating the development thoughts and strategies of China, was laid on the study of institutional innovation during the shift from planned economy to socialist market economy. The institutional innovation in the China Model was illustrated in four aspects. The first aspect is innovation of ownership structure. China has not only creatively brought forth the basic economic system (ownership structure) with the public sector remaining dominant and diverse sectors of the economy developing side by side, but also innovated the realization form of public ownership to distinguish itself from the traditional socialist economy and the private economy in the West. The second is innovation of the economic operational mechanism. The

China Model has successfully transformed the economic operational mechanism by combining the fundamental function of market in resource allocation and macro-control measures, while improving the scientific distinction between government and market. The third is innovation of economy opening-up mechanism. The Chinese government applied a gradual opening-up policy on the premise of independency to meet the requirement of economic globalization and accomplish internationalization of China's economy. Adjustment of the opening-up policy is made at any time according to the actual situation of economy, which helped to bring in fund and technology while preventing international economic risks. The fourth is innovation of distribution system. The principle of giving priority to efficiency with due consideration to fairness is observed in the distribution system with distribution according to work remaining dominant and diverse methods existing together. Innovations were also made in realization forms of distribution according to work, distribution according to production factors, as well as in the establishment of social security system. Now fairness is gaining more emphasis.

Analysis shows that the China Model is grown in the soil of China. As one model of transitional economic system, it is not final and is changing and improving ceaselessly. This book predicts that the major development trends of the China Model led by the scientific outlook for development are as follows: people-oriented development pursuit; four-in-one development goal; harmonious development status; sustainable development concept; win-win development situation; self-growing dominant development pattern; benign interdependent development system, etc.

In this book, empirical analysis was applied with theoretical study as major method combined with case study. The 27-year's practice of reform and open-up was systematically summarized and abstracted to form the theoretical system of the China Model supported with a lot of cases and data. Qualitative analysis is applied as main method and quantitative analysis as supplement.

As a systematical analysis and perception of the economic development path of China, this book has the following new points of view:

I The concept of the China Model in the perspective of economics is defined clearly by systematically sorting out the numerous viewpoints, thus to form a rational cognition of the economic development path of China.

II A brand new perspective is chosen to put the emphasis of the China Model study on institutional innovation. In this book the institutional innovation includes innovations of the basic economic system (the ownership structure), the economic operational mechanism, the economic opening-up model, and the distribution system. Systematical and detailed analysis of the progress and achievements of four innovations are discussed.

III Some new ideas are raised in the process of analyzing the China Model. In the systematical analysis part, the summary of the characteristics of the China Model, and the analysis of the secret of the existence and success of the China Model was never discussed in any documents before. Other innovated new ideas are: taking productivity as the judging criterion of ownership structure reform (in the Chapter *Empirical Analysis of Ownership Structure Reform in China*); making macro-control as an ordinary measure and a great macro-control being taken

step by step in many times to maintain the healthy and stable development of the economy;insisting on controlling the economy with market as the dominant measure and government as supplement;efficiency and fairness shall be emphasized in both the primary distribution and redistribution;etc.

The study of the China Model is a fundamental job for establishment of the Chinese economics(relative to the Western economics) , and this book is an attempt in this field.

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Chapter 1

Introduction

This introduction mainly introduces why to study the China Model, what and how to study it. The content, scope and approaches of the study of China Model are based on necessary comments on research results of the China Model.

1.1 Why to Study the China Model

From the perspective of economics, the China Model is a combination of socialism and market economy. The combination of socialism and market economy is called the Goldbach Conjecture of economics. But how did China succeed in solving this Goldbach Conjecture to create the China Model? The study of the China Model is of itself necessary and meaningful because it is in fact a process to unscramble the conjecture.