

## Preface (Author)

The publication of this anthology by Springer Business, Economics & Statistics, Inc. grants me an opportunity to share my thoughts on the significance of China's path to economic reform and development.

China's rise as a global economic giant is due not only to the overall size of its economy, but more importantly, to the specific characteristics of Chinese thinking in the field of economics as it relates to the nation's reform and development. The writing in this anthology clarifies the guiding thought behind China's economic transformation and provides a key for interested scholars to better understand the economic theories at the base of China's accomplishments.

When the People's Republic of China was founded in 1949, the country was a semi-feudal, semi-colonized, and impoverished nation. In 1978, at the end of the Cultural Revolution, China's economy still lagged far behind that of the developed world. In contrast, by 2010 with 30 years of reform and opening to the outside world, China emerged as the world's second-largest economy, the biggest global exporter, and possessed the largest foreign-exchange reserves. The Chinese people created both economic and technological miracles with the successful launch of the spacecraft *Shenzhou VII* and the deep-sea submersible *Jiaolong*. The living standard of the average Chinese improved from simply having adequate food and clothing to being well-off by internationally recognized standards. In view of these remarkable achievements, exploring the path of China's economic development has become a popular global topic.

The tremendous changes in the Chinese economy dated from the Third Plenary Session of the Eleventh Central Committee of the Communist Party of China (CPC) in 1978. The focus of the CPC's mission shifted to economic development at the conference, and it sounded the clarion call for reform and the opening-up of the country. For the next 30 years, reform and opening-up became primary goals. What took place in China thereafter demonstrated nothing less than a sweeping and thorough economic and social transformation, especially in the following areas.

In terms of economic system, the reforms transformed China's economic foundation, and the country progressed toward a system in which public ownership

would retain a dominant position alongside the development of other diverse forms of ownership. In reality, the new economic system represented a move toward a socialist market economy.

In terms of economic structure, China was transformed with a shift from being a large agricultural nation to a leading industrial country. Its urban–rural structure also changed, bringing China into an intermediate stage of urbanization.

In terms of economic development, the transformation included changing the economic growth model to one of endogenous growth driven by innovation. It transformed China’s economic development path into a civilized growth model, featuring a thriving economy and providing affluent lifestyles, a sound ecosystem as well as a transition to greater economic openness, participation, and integration into the global economy.

Such transformation and development has involved more unique characteristics than the industrialization, urbanization, and globalization that many other countries experienced during their modernization processes. By virtue of its being a nation with more than 1.3 billion people, the scale of change alone is unprecedented. The key to the economic miracles of the past thirty years can be found in a transformation process grounded in understanding the requirements of China’s social development and the nation’s unique features.

We should underscore that any transformation in practice is guided by economic transformation theory. China’s economic transformation followed neither the so-called Washington Consensus of neoliberalism nor the “shock therapy” practiced in Russia in the 1990s. Instead, China has developed what is referred to as a socialist development path with Chinese characteristics. Rooted in the realities of China, it is now known as the China model for economic transition and the China path to economic development.

A number of theories have been developed from China’s economic transformation, expounding on areas that include primary stage socialism, the socialist market economy, basic economic systems, newly realized forms of public ownership, distribution according to production-factor contributions, and the establishment of a harmonious socialist society. There are also theories specifically addressing the economic development process in China. They include opening to the outside world, building a “comprehensive well-off society” (全面小康社会, *Quanmian Xiaokang Shehui*), urbanization with Chinese characteristics, the new industrialization paths, changing the economic growth model, sustainable development, and socialist modernization. These new theories are consistent with the fundamental core of Marxist economics, reflecting changing realities in Chinese society today. The economic reform taking shape under the guidance of the new theories has formed important groundwork for the essence of the China model while the rapid economic growth unleashed has laid the foundation for the China path to economic development.

Undoubtedly, China’s economic transformation has achieved remarkable accomplishments. China’s GDP in 2014 grew to 636.463 trillion yuan in RMB (US\$10.25 trillion). Along with the United States, China has become a member

of the “Club of US\$10 Trillion.” Its per-capita GDP in 2014 reached 46,531 yuan in RMB (US\$7,485), indicating China’s progress to the rank of middle-income countries. Further, in terms of the added value to China’s GDP in 2014, the agriculture sector dropped to 9.2 % and the industry sector to 42.6 % while the service sector grew to 48.2 %. All of these statistics are an indication that China is no longer a large agricultural nation, but has moved closer to the standard structure of middle-income countries. Additionally, China’s urbanization rate has increased to 54.77 %, demonstrating its entry into the middle stage of urbanization. Finally, regarding per-capita income, the average disposable income of urban residents in 2012 reached 24,565 yuan in RMB while those in rural regions averaged 7,917 yuan in RMB. This is a 71-time increase for urban residents and a 58-time increase for rural residents in comparison with the levels in 1978. Taking into account inflation factors, the average annual growth of individual income in China was 7.4 and 7.5 %, respectively, in urban and rural regions in the period between 1978 and 2012. Two years later in 2014, the average disposable income of urban residents grew to 28,844 yuan in RMB while that in rural areas amounted to 10,489 yuan in RMB. In summary, large segments of the Chinese population have reached income levels matching those of their counterparts in “well-off” nations.

Most of the articles originally contained in this anthology were published before 2012. The Chinese economy has entered a “new normal” phase since then, characterized by a slowdown of economic growth. During the thirty-one years from 1979 to 2010, China maintained an average annual growth rate of 9.9 %, which can be defined as sustained rapid growth. From 2012 onward, however, the growth rate bid farewell to rapid growth. In both 2012 and 2013, China’s growth rate was 7.7 %. It slowed to 7.4 % in 2014 while the expected growth rate in 2015 is 7.0 %. Differing from the rapid growth in the past, the new growth rate is best described as medium-to-high speed growth. Under these circumstances, there have appeared new perspectives to analyze and understand the Chinese economy in this “new normal” status. Against such a background, I have added my article published in late 2014 as the “Introduction” to this anthology.

To understand the “new normal” of the Chinese economy, the focus should not only be on the shift from rapid growth to medium-to-high rate growth, but also on the new challenges that the Chinese economy faces and the new approaches it needs to take as well as the new risks that may arise. After more than thirty years of rapid growth, China has come to a new historical starting point. Reform and development are clearly still the theme and motivation of the Chinese economy, but there are strategic differences between the reforms of today and those of three decades ago. In terms of overall strategy, the reforms of the past were begun from below, by “crossing the river by feeling for the stones under your feet” and by respecting the ordinary people’s pioneering initiatives. Today’s reforms, however, should be carried out with courage and wisdom. Designed at the top, they must have a clear objective and involve scientific planning. Regarding developmental strategies, the reforms of the past were typically characteristic of the primary stage of socialism, i.e., extensive growth based on expanding the quantity of inputs, and they were more concerned with the growth of GDP. In comparison, developments under the

“new normal” must shift to being innovation-driven and focus on improving people’s livelihood. With respect to the opening-up strategy, the past relied heavily on attracting foreign investment and expanding exports, whereas the future lies in building mutual-beneficial systems, which are represented by goals such as establishing free trade zones, a “One-Belt and One-Road” economy, Asian Infrastructure Investment Bank (AIIB), and participation in the building of new international economic orders, compatible with China’s economic status.

This anthology presents theoretical analyses of ongoing transformation and development from different perspectives of China’s past. The information in these pages, I believe, will be helpful to our future reform and developmental strategies. My views may not always represent mainstream academic thought concerning China’s transition period, but for international scholars interested in the Chinese economy, this anthology provides key ideas related to both its past and its future.

The articles contained in this anthology can be divided into three groups: influential articles published in China’s major academic journals, lectures I delivered during my visits overseas, and research papers based on my participation in consultative policy conferences held by different levels of the Chinese government, especially the two symposia on China’s economic situation, chaired by the-then Premier Wen Jiabao in 2006 and 2012. In terms of timelines, most of the work in this anthology was published after 2006 with only a few exceptions. Additionally, I have made revisions in the original articles, so to some extent, the development of this anthology has been a process of rewriting.

I want to express my sincere thanks to Shen Yanzhi, Zhang Ziyuan, Zheng Jianghuai, and Liu Bo, who completed a draft translation of the original volume. I would like to convey my particular gratitude to Professor Xiao-huang Yin, who served as a Fulbright Distinguished Chair Professor at Nanjing University in the 2014–2015 academic year. He led a group of Chinese and international scholars to carefully polish, revise, and edit the draft translation, sometimes retranslating the text, to make the English version more idiomatic to native speakers. These scholars include Xiaoling Hong, Michelle D. LeSourd, Adrienne Tien, Kenneth Ellenwood, Zhao Wenshu, Xu Lei, He Chengzhou, Xu Liming, Wang Xiaotao, Rui Xue, and Margaret Li Seeley. Professor Yin has also written the Preface in English to introduce this anthology to scholars overseas. I also deeply appreciate Professor Anthony J. Saich of Harvard University and Professor David M. Lampton of the Johns Hopkins University for their insightful comments on this book.

This anthology received substantial support from the Higher Education Press in Beijing, and I owe special thanks to Dr. Liu Qingtian and Ms. Ding Yanhong. This volume has also benefitted from the support of the Planning Office of Philosophy and Social Sciences of Jiangsu Province. My final thanks go to the editors of Springer and to Professor Yin for their extraordinary efforts in publishing the expanded and revised version of this anthology in English.

Yinxing Hong

## Preface (Translator)

This anthology of sixteen carefully selected articles written by Dr. Hong Yinxing, a leading Chinese economist, provides a key to understanding the guiding thought behind China's search for a viable alternative route to industrialization and modernity. Analyzing the transformation of the Chinese economy from different perspectives, the book sheds light on a question that has perplexed many: Is there a China Path to economic development and transition? Further, can China maintain its momentum and avoid "the middle-income trap" that has blocked the progress of many developing nations?

On the one hand, the theory of the China Path has remained controversial because China's export-oriented economy, based on the exploitation of its vast pool of affordable labor and resources, resembles what has occurred in other East Asian countries. In that sense, China is only repeating a pattern seen in other newly industrialized economies. I have made this argument in an article "China's Gilded Age" in the *Atlantic Monthly* and in other writings on China.

On the other hand, the Chinese case is unique because globally there is simply no parallel model for China to reference. Under the circumstances of a huge population, the entrenched urban-rural dual household registration system in place since the mid-1950s, and an enormous gap between wealthy coastal regions and the poverty-stricken interior, any economic transformation has to be "made in China." That is the case whether one is talking about changing the country's manufacturing-driven development model into one based on scientific and technological innovations, shifting its growth to one of sustainable development featuring an affluent life and a sound ecosystem, and further integrating the economic structure into today's complex global economy. As the author argues eloquently and with persuasive evidence, China's ongoing economic transition has followed neither the "Washington Consensus" of neoliberalism nor the "shock therapy" practiced in the former Soviet Union. Rather, it has been unfolding through a process grounded in the actual requirements of China's social progress. Its emergence as an economic giant and its remarkable achievement in the global marketplace represents a distinctively different path of growth and an alternative model of development.

In other words, the transformation of the Chinese economy during the post-Mao era has involved more than the industrialization, urbanization, and globalization that other countries experienced in their modernization efforts. Differing from both state socialism and prototypical capitalism, it is imbued with Chinese characteristics and rooted in China's realities. By identifying such an alternative system as the "China Path," the author demonstrates convincingly and compellingly that there exist ample options for different types of economic development that transcend the dichotomy of state-run and market-driven models. In this sense, China's economic miracles over the past thirty years are truly unparalleled and original, and its experience has significantly enriched the theory of development economics.

There is no need to further elaborate the profound implications of the author's study for the global community. Representing prevailing academic thought on China's economic transition, it functions as a lens through which readers can better understand China's reforms as well as broader issues: What makes China's development a model? How will China find its niche in the global market? And what lessons can be drawn from China's rise as a post-developmental state in an increasingly globalized world?

What I do want to emphasize, however, is that the English version of Dr. Hong's anthology provides a much-needed opportunity for students who want to learn how to reach more nuanced analyses of critical issues in the English-language discourse on China's economic development and transition.

There are also a few issues related to the English translation that need to be explained. As the editor of the English version of the anthology, I have tried to avoid discrepancies and misunderstandings that sometimes appear in translations of the Chinese text. For example, to be idiomatic in translating the Chinese usage "细节决定成败," I have chosen a familiar English saying "the devil is in the details" rather than the literal translation "details are the key to success." To be faithful to the author's meaning, however, I have kept the English translation of "socialism with Chinese characteristics" throughout the volume even though doing so may sound redundant to native speakers. Translating Chinese terms such as the "Three Rural Issues [三农问题]," I have placed the *pinyin* in the notes with explanations of their Chinese originals. Readers who have questions on the translation can thus find the answers themselves. Unless otherwise noted, I also have traced the sources of English works quoted in the Chinese text and cited the titles of the English originals in the notes and bibliography. Due to limited space, the bibliography is selective, with the criteria for inclusion being those works that are particularly significant to the author's writing in Chinese.

I am grateful to my friends, colleagues, and students who have generously contributed their expertise to my editing of this anthology. Dr. Hong has gracefully acknowledged them in his "Preface." Despite my best efforts, errors and inconsistencies undoubtedly remain in the English translation. I take responsibility, but I hope that they are few and will not detract from this important and timely work on the transformation of the Chinese economy.

Xiao-huang Yin

The China Path to Economic Transition and  
Development

Hong, Y.

2016, XXIII, 234 p. 1 illus. in color., Hardcover

ISBN: 978-981-287-842-7