

## VII. Will the Miracle Continue? — The Challenges and Choices Faced by Chinese Economic Pattern

Despite the great achievements which have attracted world attention made by China in its economic reforms and development, the tasks of reform and development have far less than being completed, and Chinese economic pattern is still faced with many new challenges.

From perspective of economic reforms, the socialist market economy is yet to be improved, and such phenomena as the market order being in chaos, the transformation of government functions being not in place, social management and public service functions being weak, social fairness and justice protection being insufficient, social security system being imperfect, urban and rural institutions being fragmented and corruption being rampant also exist.

From perspective of economic development, such problems as the mode of development being extensive, the environment being degraded, resource and energy consumption being excessively-large, the level of independent innovation being low, economic growth being overly dependant on exports, and the gap between urban and rural areas being too big still exist, which will pose huge pressures on the long-term development of the Chinese economy.

From perspective of opening up, the opening up in China is excessively dependent on foreign trade and foreign trade is inefficient. In the meanwhile, as China is increasingly integrated into economic

globalization, global economic fluctuations and the financial crises have had increasingly apparent and strong influences on the Chinese economy, making the task to protect China's national economic security more arduous.

From perspective of socialist economy with Chinese characteristics, a lot of difficulties are in front of the yet-to-be-well-improved combination of the basic system of socialism and the market economy, how to further adhere to and improve the mainstay role of the public ownership and the leading role of the national economy and how to further promote the healthy development of the non-public sector of the economy.

Different people have different opinions on how to solve such problems. The planned economic thought, social democracy, populism, the new "leftist" ideas and post-modernism existed before becoming influential in different scopes. A trend of thought became popular around the world and influential in the academic world in China after the 1970s. Such trend of thought advocated the private ownership and depreciated the public ownership. It advocated market regulation and depreciated government intervention. It advocated globalization and depreciated national interests. It advocated efficiency and depreciated fairness. It advocated individual freedom and depreciated social cooperation. It advocated capital sovereignty and depreciated labor sovereignty. It advocated competitive advantage and belittled independent innovation. It advocated western democracy and depreciated socialist democracy. It advocated the so-called universality and depreciated the specialty of China. And it advocated the historical pattern of the development of western capitalism and depreciated the

history and experience of China in building socialism with Chinese characteristics. Such trend of thought is the neo-liberalist trend of thought.

According to neo-liberalism, the reforms in China succeeded because of the implementation of the so-called privatization, liberalization and internationalization, and the problems existing in the reforms in China included insufficient privatization, liberalization and internationalization, a major proportion of the publicly-owned and state-owned economy, too much government intervention and social regulation, a low degree of integration into the world, as well as sluggish political restructuring. Hence according to neo-liberalism, to further deepen its reforms, China had to keep reducing, even stopping government intervention and social regulation, completely privatize state-owned enterprises, further accelerate its integration into the world economy, and gradually introduce the western constitutionalism system to lay a political and legal foundation for giving full play to the role of free market.

The tragic results of the radical reforms in the Soviet Union and the other socialist countries in East Europe, the collapse of the “neo-liberalism myth” in Latin America, and the increasingly fierce global financial crisis of capitalism have declared the total failure of neo-liberalism. Facts have proven that overall privatization, free market which is completely free of regulations, capital globalization and financialization which are advocated by neo-liberalism help little in achieving rational resource allocation, lasting economic prosperity and social equality and fairness, but lead to the confrontation of labor and capital, polarized possession of wealth, and serious looting of and

damage to the public interests by financial monopoly capital. The success of the reforms in China are benefited from not only the development of the non-stated-owned sector of the economy, the extension of the role of the market and the deepening of opening up, but also the correct policies, guidelines and routes adopted by the Party and the state, the mainstay position of the public ownership, the stable social environment, effective macro regulation, proper administrative intervention, wise strategies and tactics and powerful organization and coordination. In the aspect of economy, the most essential characteristic and experience of the reform and opening up in China is that it sticks to and develops the socialist market economic system. It strives to combine the development of the market economy with people orientation, the mainstay position of public ownership with the coordinated development of different economic sectors, the leading role of the state with market regulations, the improvement of efficiency with the promotion of social equality, independence and autonomy with economic globalization, power centralization with power decentralization, reform, development and stability. It makes full use of the advantages of the market including its sensitivity over various economic signals, gives full play to the fundamental role of the market in resource allocation, while overcoming the weaknesses and negative aspects of the market economy of being blind and spontaneous through the socialist system and macro regulation, better combine the superiority of socialism with the advantages of the market economy. That is the essence of the Chinese pattern and Chinese road, and the fundamental experience of China in succeeding in its reforms and development as well.

Under new historical conditions, it is a priority to keep adhering to

the road to socialism with Chinese characteristics and the theoretical system of socialism with Chinese characteristics, and to timely adjust and create new concrete contents of the Chinese pattern and grant it new vitality and creativity according to the changes in and requirements of the reality.

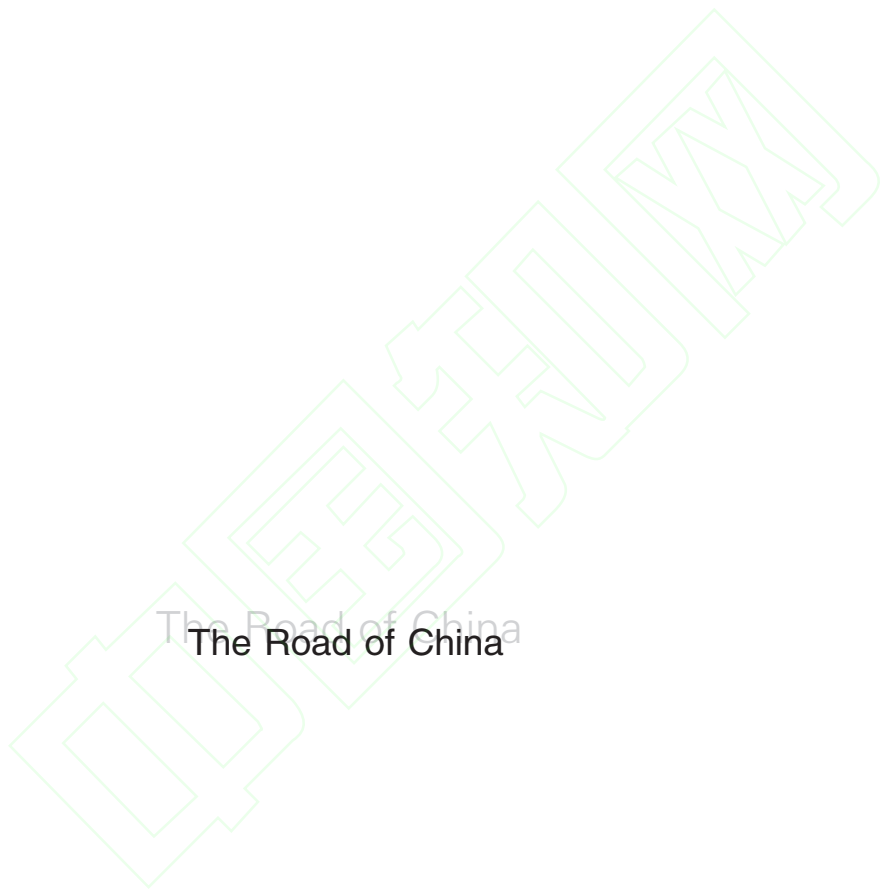
While further deepening the economic restructuring and giving full play to the fundamental regulatory role of the market mechanism, efforts have to be made to keep consolidating and improving the basic economic system of socialism. And by bringing the reforms deeper, to further improve the management system of the public sector of the economy, improve the efficiency of the public ownership, and give better play to the positive role of the publicly-owned sector of the economy in stabilizing the macro economy, regulating economic structure, pushing forward independent innovation and achieving social harmony, while encouraging, guiding and supporting the healthy development of the non-public sector of the economy. Efforts have to be made to better combine the superiority of socialism with the advantages of the market economy, and to construct more open and efficient institutions and systems full of vitality and conducive to scientific development.

While further pushing forward the continuous and rapid economic growth, efforts have to be made to deepen the implementation of the Scientific Outlook on Development, accelerate transforming the mode of economic development seizing the opportunity of global economic downturn, focus on social equality and social harmony, optimize the economic structure, strengthen independent innovations, exploit strategic resources, improve infrastructure, push forward institutional

innovation, enhance the strength of national defense, and protect the eco-environment. In particular, efforts have to be made to encourage the production, entrepreneurship, investment and employment by institutional innovation so as to lay a solid foundation for the people-oriented, overall, coordinated and sustainable development and provide a great driving force for the national economy to develop to a new stage and achieve great development by leaps and bounds.

While further expanding opening up and actively participating in economic globalization, China has to adhere to the principle of being independent and self-reliant, maintain and promote its national interests, set the foothold on relying on its own strength, strive to protect national economic and financial security, optimize the structure of the opening up, improve the quality of the foreign capital introduced, always take the expansion of domestic demand as the basic foothold and long-term strategic principle of economic development, nurture new advantages in participating in world economic cooperation and competitions under the conditions of economic globalization, and strive to achieve peaceful and independent development under the conditions of globalization.

The current world financial crisis which is going increasingly fierce has not only posed serious challenges on the Chinese development mode, but also provided an unprecedented opportunity for adjusting and innovating Chinese pattern. Through the test and baptism of the crisis, Chinese pattern will further demonstrate its significance and vitality.



The Road of China

The Road of China

Chapter 2

The Explorations and Experiences of the Path of Political Development  
with Chinese Characteristics