The Centenary of the CPC: Evolving Economic Development Thought for New China

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Abstract: *After the founding of People's Republic of China in 1949, the economic development philosophies of the Communist Party of China (CPC) evolved over time. Review of this difficult journey of ideological change can not only shed light on the origin, but also better understand the theoretical contributions of Xi Jinping thought on China's socialist economy in the new era. This paper investigates China's evolving economic development thoughts from six dimensions in three eras when the Chinese nation (i) independently established a basic industrial system from a blank sheet, (ii) sought prosperity through reform and opening up, and (iii) increased national strength. The six dimensions of this study include: (i) the tasks identified by the Party as essential for various stages of development; (ii) the different modes of economic development embraced based on development thoughts for various stages; (iii) the different modernization pathways to achieve the goals of socialist modernization; (iv) the adjustment of agricultural policy and development paths to close the urban-rural divide; (v) the different approaches for regulating the supply side and demand side of economic development with the emphasis changing across various stages; and (vi) the different emphasis to internal and external economic circulations across various stages.*

Keywords: *New China, the Communist Party of China, economic development thoughts, evolution*

JEL Classification Code: E11, E60, E26

DOI: 10.19602/j.chinaeconomist.2021.11.03

In 2010, China became the world's second largest economy. During the COVID-19 pandemic, China contained the spread of the virus, becoming the only major economy with positive economic growth amid the pandemic-induced global economic recession in 2020. China's economic miracle can be attributed to the success of its development path. China's experience suggests that following the socialist development path with Chinese characteristics instead of the Western mode could lead to economic success. Upon the 100th anniversary of the founding of the Communist Party of China (CPC), this paper reviews the difficult journey of the Party's economic development thoughts that have changed with the times in New China to discover the origin of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and the contribution of the new development thoughts to China and the rest of the world.

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1. Major Development Tasks under the Principal Social Contradictions

Upon the founding of the People's Republic of China in 1949, the Communist Party of China (CPC) identified the following economic priorities for developing the new democratic society: to develop the new democratic economy, to unwaveringly turn China from an agrarian country into an industrial country; to increase industrial and agricultural production for economic prosperity; and to promote society-wide economic development through the division of work and cooperation between various economic entities. With China's economic recovery by the end of 1952, the CPC Central Committee announced the beginning of China's transition to a socialist society, which revealed a process of national industrialization and socialist reform. At the time, with the tasks of completing the transformation of China into a socialist nation and establishing a socialist economic system, China's main social contradiction was undoubtedly that between socialism and capitalism, and the primary task became class struggle between the proletariat and the bourgeoisie. By 1956, after completing the transformation to socialism and the first Five-Year Plan that focused on industrialization, China had established a nascent, independent industrial system. Nevertheless, the CPC Central Committee, having overestimated the situation of socialist transformation, hastened the pace of socialist transformation, with long-lasting adverse effects.

The Eighth CPC National Congress held in September 1956 made the following correct assessment of the national situation at the time: "A socialist system was established; the principal domestic contradiction was no longer between the working class and the bourgeois class but was now between the advanced socialist system and the backward social productivity and between people's surging economic and cultural needs and the limited economic and cultural levels; the primary task for the whole people across the nation was to concentrate on developing social productivity" (Party History Research Center of the CPC Central Committee, 2011). Guided by the Eighth CPC National Congress, the years 1956 and 1957 saw China's most remarkable progress in economic development since 1949. The statements of the Eighth CPC National Congress on China's principal contradiction and primary task are of groundbreaking significance in the Party's history of economic thought.

Regretfully, the correct assessment of China's principal social contradiction made at the Eighth CPC National Congress was not adhered to and implemented in earnest. In May 1958, the Second Plenum of the Eighth CPC Central Committee officially adopted the general line of "Going all out and strive for the best to achieve greater, faster, better and efficient progress in building socialism," and reverted to the previous principal contradiction facing Chinese society, i.e. the contradiction between the proletariat and the bourgeoisie and between the socialist path and the capitalist path. In 1962, the Third Plenum of the Eighth CPC National Congress noted that class struggle between the proletariat and the bourgeoisie and between socialism and capitalism should persist throughout the proletarian revolution and the proletarian dictatorship, as well as the transition from capitalism to communism (which could take decades and even longer). In such circumstances, class struggle was unavoidable. As such, the general line adopted at the Eighth CPC National Congress was replaced with the incorrect leftist line of "taking class struggle as the key link". Class struggle and the struggle between the socialist path and the capitalist path were regarded as catalysts for economic development, and productivity development was misinterpreted as the pursuit of continuous revolution in order to upgrade production. As a result, political movement and class struggle dominated the Party's work. The decade-long Cultural Revolution that erupted in May 1966, which called for "grasping revolution and promoting production," plunged the nation into endless class struggle and brought the economy to the brink of collapse.

The Third Plenum of the 11th CPC Central Committee convened in 1978 jettisoned the incorrect policy principle of "taking class struggle as the key link" and shifted the priority of the Party and government's work to economic development. In June 1981, the *Resolution on Certain Questions in the History of Our Party since the Founding of the People's Republic of China* stated for the first time

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that "China's socialist system remains in the primary stage." In October 1987, the 13th CPC National Congress systematically elaborated the theory of the primary stage of socialism. The primary stage of socialism is not the initial stage that any country would experience in entering socialism. Instead, it refers to an inevitable stage in China's establishment of socialism when its productivity remained backward and its commodity economy was underdeveloped. Regarding the statement on the principal social contradictions, the Sixth Plenum of the 11th CPC National Congress clearly indicated that in the primary stage of socialism, the main contradiction facing China's society was between the ever-growing material and cultural needs of the people and the backward social production. Such a contradiction found expression throughout the primary stage of China's socialism and every aspect of its social life, and determined that the essential task for this stage was to concentrate resources to develop social productivity.

Based on the scientific assessment of the principal social contradiction facing Chinese society, Deng put forth the following three aspects of important thought on the essential task in the primary stage of socialism. First, the nature of socialism is to liberate and develop productivity. Deng emphasized that the development of productivity alone was not enough, and importance should be given to both liberating and developing productivity. Deng Xiaoping's theory on the nature of socialism and China's development stage represents both a return to Marxist scientific socialism and a development and innovation of scientific socialist theories. Second, during his tour to southern China in 1992, Deng (1993) expressed the scientific argument that "development is the hard principle." He also suggested that a policy should be evaluated by the "three favorable" criteria, i.e. whether it is "favorable to developing socialist productivity, whether it is favorable to enhancing the national strengths of the socialist country, and whether it is favorable to improving people's living standards." Third, considering that the development of productivity is the key task in the primary stage of socialism, various modes conducive to the development of productivity should be adopted under the premise of adhering to the basic socialist system, including the use of various ownership systems, market-based economy and factor compensation to develop innovative, dynamic and efficient institutional mechanisms. All these criteria are specific manifestations of socialism with Chinese characteristics. Based on the scientific assessment of the principal contradiction for the primary stage of socialism, development became the absolute principle, economic development became the central task, and market-oriented reforms unleashed great potentials for China's economic growth averaging close to 10% in over three decades.

Entering the new era, under the guidance of reform and opening up, great progress was made in China's social productivity. China has transitioned from the low-income stage to the middle-income stage. In the Report to the 19th CPC National Congress, Xi noted that "as Chinese socialism enters into a new era, what we now face is the contradiction between unbalanced and inadequate development and the people's ever-growing needs for a better life" (Xi, 2020). While China delivered adequate food and clothing to over a billion people and was poised to complete the goal of building a moderately prosperous society in all respects, people's needs for a better life became increasingly diverse. In addition to higher requirements for material and cultural life, people's needs for democracy, the rule of law, fairness, justice, security and environment have been growing. China's social productivity has benn increased substantially and is ranked high in the world in many respects.

Change in the primary social contradiction has the following implications: First, the goal of development is to satisfy people's growing needs for a better life, as reflected in the development thought that puts people first. Second, the principal aspect of the contradiction is unbalanced and inadequate development. The most prominent manifestation of this inadequate development is the undersupply of core technologies due to inadequate innovation and insufficient supply due to the circumscribed quality of the supply system. In terms of its unbalanced development, China has yet to address such problems as the overburdened ecological environment, the lack of progress in agricultural modernization, and the uneven regional development. Third, our assessment of the historic stage of China's socialism remained

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the same despite the changing principal social contradiction. As a large developing country, China remains and will stay in the primary stage of socialism. The changing principal social contradiction simply shows that China has entered a new level of the primary stage of socialism with new contradictions that need to be addressed.

Based on the scientific assessment of China's primary social contradiction in the new era, Xi (2017a) put forth the argument that in order to revitalize the country, development should be the top priority of governance, he also stressed that "economic development is the key to revitalizing the country; development is the top priority of governance for revitalizing the country and it is the foundation and key to solving the problems facing China." Compared with the statement that development is the absolute principle, there are special requirements for development as the top priority of governance. As Xi said, "We must steadfastly adhere to the strategic thought that development is the absolute principle. Meanwhile, we must adhere to science-based development, step up structural reforms, and pursue more efficient, fairer and more sustainable development with higher quality, focusing on quality and efficiency." Development in the new era should address unbalanced and inadequate development that cannot meet people's needs for a better life.

2. The Transformation of Development Thoughts and Modes

China's first Five-Year Plan (1953-1957) was implemented in 1953, after three years of national economic recovery following the founding of New China in 1949. This was the first grand plan for national economic development and industrialization enacted by New China. Due to China's underdeveloped economic status as a poor agrarian country, the basic foundation for economic development was established in this first Five-Year Plan period. Although the implementation of 156 projects aided by the Soviet Union was of the nature of exogenous expanded reproduction, it helped establish modern industries in China and was a major incentive for the Chinese people to be strong and independent. The aims of the first Five-Year Plan were realized in 1957 and with the hard work of the whole Party and the whole people across the country, many targets were even surpassed. After the first Five-Year Plan period, China reached the 1930s level of the Soviet Union and Japan in terms of the output of major industrial products in such sectors as iron and steel, coal, electric power, petroleum, chemical industry, and national defense. With these achievements, the People's Republic of China far surpassed the industrial capabilities of the old China and began to develop some cutting-edge industrial sectors, laying the foundation for national industrialization and strengthening the will of the Chinese people once again to proceed independently. In this great endeavor, the Chinese communists worked hard to learn knowledge to lead the modernization drive and enrich their ideological theoretical knowledge about economic development.

While evaluating China's socialist development experience, Mao Zedong's *On the Ten Major Relationships* published in April 1956 called for the exploration of a socialist development path suitable to China's national conditions. Five of the ten major relationships are directly related to the economy, i.e. the relationships among heavy industry and light industry and agriculture, the relationship between industry in the coastal regions and industry in the interior, the relationship between economic development and national defense, and the relationship between the state, the units of production and the producers, and the relationship between central and local governments. Unlike the Soviet Union's long-term priority on heavy industry and its single-minded focus on the speed of economic development, this article underscored balanced development between sectors and regions and the coordination of various interests to blaze a trail of socialist industrialization different from that of the Soviet Union.

The success of the first Five-Year Plan and the completion of the socialist transformation of agriculture, artisanal production and capitalist industry and commerce led the Party's leadership to be overly optimistic about people's initiative and set the goal to "surpass Britain and catch up with

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America" in terms of steel production. After the Eighth CPC National Congress, the Party made a leftist ideological mistake and imprudently launched the "Great Leap Forward" and People's Communes in the countryside. Economic work was disrupted by unrealistic targets, confused orders, boastfulness and egalitarianism in the name of communism. Those mistakes violated economic laws and wrought havoc on China's economy. They were compounded by three years of natural disasters and the breaching of the cooperation treaty and withdrawal of experts by the Soviet Union, causing China's economy severe difficulties.

In the winter of 1960, the CPC Central Committee decided to "readjust, consolidate, replenish and improve" the economy. Recognizing the mistakes of egalitarianism in the name of communism, the denial of the commodity-money relationship and other leftist ideas, the central leadership, led by Mao Zedong, studied Stalin's *Economic Problems of Socialism in the USSR* and the socialist path of the Soviet Union's *Political Economy* textbook as reference for China, and put forth economic philosophies of great importance to China's long-term development. First, importance was given to the research of socialist economic principles and the law of value. Second, the thought of national economic equilibrium was adopted, taking agriculture as the foundation and industry as the leading factor. The scale of construction must be compatible with national strengths. Economic planning should balance people's livelihoods with national development and maintain equilibrium of materials, finance and credit. Third, embryonic ideas for economic restructuring emerged. These aspects of change involved the readjustment of the economic growth model, but readjustment was limited to the economic growth rate and proportion. As a result, from 1962 to 1966, China's economy recovered and developed. Regretfully, leftist ideology disrupted China's economic development during the decade-long Cultural Revolution, leaving many economic sectors on the brink of collapse.

At the beginning of reform and opening up in 1978, China attached great importance to liberating productivity through reform. Reforms invigorated corporate dynamism and factor input and accelerated economic growth. Amid rapid urban and industrial development, household incomes increased sharply. At the same time, problems such as environmental pollution, widening income gaps and uneven development across regions and sectors arose. The CPC Central Committee promptly realized that growth was not equivalent to development, that market-based reforms were not panaceas for all problems, and that the quality and efficiency of growth concerned the mode of development. In 1995, the Fifth Plenum of the 14th CPC Central Committee vowed to complete two fundamental transitions: first, transition from the traditional planned economic system to the socialist market economic system; second, transition from an extensive pattern to an intensive pattern of economic growth. This was the first time that our Party called for transforming the growth pattern. Since then, the transition of the economic growth pattern has received attention from various sides. In 2002, the 16th CPC National Congress called for embarking on a path of new-type industrialization, i.e. to drive industrialization with the application of information and communication technologies (ICTs), to promote the application of ICTs through industrialization, and to pursue more technology-intensive, efficient and environmentally friendly industrialization with human capital strengths brought into full play. This path of new-type industrialization is a manifestation of the new model of economic growth.

Reflections on the transition of the growth model should naturally find expression in a new approach to development. In 2003, the Third Plenum of the 16th CPC Central Committee called for putting people first and establishing comprehensive, coordinated and sustainable development thoughts for all-round socio-economic development. This was the first time that the CPC Central Committee adopted a clear thought of a development approach. In 2007, the 17th CPC National Congress made a clear definition of the scientific approach to development: "The scientific approach to development takes development as its essence, puts people first as its core, regards comprehensive, balanced and sustainable development as its basic requirement, and takes overall consideration as its fundamental approach." Based on the scientific approach to development, the Report to the 17th CPC National

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Congress rephrased the transition of the economic growth pattern into the transition of the economic development pattern, vowing to pursue civilized development characterized by "increasing productivity, prosperous living standards and favorable ecological environment." The Fifth Plenum of the 17th CPC Central Committee released suggestions on the formulation of the 12th Five-Year Plan, which further clarified the implications of transforming the economic development pattern, including (i) focusing on strategic economic restructuring as the key direction; (ii) promoting technology progress and innovation as the driving force; (iii) improving people's livelihoods as the fundamental goal; (iv) creating a resource efficient and environmentally friendly society. Priority was given to quality over speed of economic development. Economic development should be "sound and rapid" with good quality and efficiency, friendly to the environment and sustainable. The benefits of development should be shared among the people. Under the scientific approach to development, great progress was made in China's economy. By 2010, China became the second-largest economy in the world, and by 2012, China's GDP per capita reached 6,338 US dollars, joining the ranks of middle-income countries.

Entering the new era, China's growth factors supporting more than three decades of rapid growth have been fully released, and the potential economic growth rate shows a tendency to decrease. As the migration of rural surplus labor slows, there has been a substantial decrease in the supply of low-cost labor. With diminishing demographic dividends, China has entered into an aging society, and the high savings rate that supports high investment becomes unsustainable. As the supply of material factors becomes unsustainable, energy, resource and environmental bottlenecks pose natural boundaries to growth. As such, China's rapid three-decade long economic growth rate is difficult to sustain, and the shift to a medium-high growth rate is inevitable. This state of affairs was referred to by Xi Jinping as the new normal of economy. Based on the new normal of the economy and priorities in the new era, Xi Jinping put forth the new thoughts of innovative, coordinated, green, open and shared development at the Fifth Plenum of the 18th CPC Central Committee. The new development thoughts have prescribed the core elements of the shift from rapid growth to high-quality development.

Firstly, innovation is the primary force driving high-quality development. A key feature of China's entry into the new era is the shift from factor- and investment-driven development to innovation-driven development. Innovation, as the driving force, encompasses various facets, the key of which is technology innovation. The focal point of technology innovation is to break new ground in core technologies at the international level. Core technologies are the mainstay of a country's competitiveness. In addition to fundamental research on critical high technologies, priority should also be given to industrial innovation from the viewpoint of industrial development. Technological innovation should be combined with industrial innovation to create mechanisms and channels conducive to commercializing innovation results.

Secondly, one manifestation of high-quality development is coordinated development. Xi (2017a) noted that "coordination is both the means and the goal of development. It is also a criterion for evaluating the quality of development. For another instance, coordination is the unification between the doctrine that everything has two aspects and the focal-point theory." Coordination is essential for the sustained and healthy development of the economy. Coordination is an effective solution to unbalanced development.

Thirdly, green development is an essential aspect of high-quality development. Harmony and coexistence between man and nature represents people's pursuit of a better life in the era of ecological civilization. Green mountains and lush forests are invaluable assets. Clean water and air, biodiversity and a beautiful natural environment are manifestations of precious ecological wealth. Economic development should seek not only material wealth but also ecological wealth. A country will become more productive if it commits to protecting and improving the ecological environment.

Fourth, economic openness serves as a mechanism of domestic and international coordination for high-quality development. In the early stage of reform and opening up, China reaped the dividends

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of globalization by leveraging domestic and international resources and markets. In pursuing open development, we should establish an open economic system with high quality, on a broader scale and at a deeper level according to Xi Jinping Thought on creating a community of a shared future for humankind.

Fifth, the fundamental goal of high-quality development is to share the fruits of development among the people. The thought of shared development advocated by Xi (2017) is best summed up in the following statement: "We must uphold the principle that development is for the people and reliant on the people, and that development results should be shared among the people. More effective institutional arrangements should be made for the whole people to have a greater sense of gain by contributing to and reaping the benefits of development." Development is of foremost importance. While increasing the size of the economy, we should also improve distribution to better reflect the strengths of the socialist system for the people to have a greater sense of gain.

According to the new development thought, the shift from rapid growth to high-quality growth reflects the combination of economic, social and ecological benefits and represents development to meet people's needs for a better life and harmony and coexistence between man and nature.

3. Goals and Basic Pathway of Socialist Modernization

Modernization is a centennial dream of the Chinese people. After the founding of the People's Republic of China in 1949, generations of China's leadership have all set the goal of achieving socialist modernization. Different statements were made regarding the implications of modernization across various development stages.

In September 1954, Premier Zhou Enlai put forth the "four modernizations" in his Government Work Report at the first session of the First National People's Congress: "The economy of our country used to be very underdeveloped. If we cannot build strong modern industry, modern agriculture, modern transportation and modern national defense, we will not escape backwardness and poverty, and our revolution will not achieve its goals." In 1956, the Eighth CPC National Congress wrote the "four modernizations" into the General Principles of the *Party Constitution*. "We must achieve agricultural modernization, industrial modernization, national defense modernization, and the modernization of science and technology, which are collectively referred to as the 'four modernizations'". The modernization of science and technology is the key to developing our country into a strong socialist country." In January 1975, Zhou Enlai once again called for "comprehensively achieving the modernizations of agriculture, industry, national defense and science and technology within this century to bring China's economy to the forefront of the world" in his Government Work Report at the first session of the Fourth National People's Congress. Since then, the reference to "four modernizations" has been used in China's policy discourse. Regretfully, protracted class struggle diverted the Party's focus from economic development, and the vision of modernization was not translated into real action. At the inception of reform and opening up, China was still a low-income country. In the words of Deng in 1979, "today's China remains one of the poorest countries in the world"; "China's science and technology lag behind advanced countries by two or three decades" (Deng, 1983).

After reform and opening up was adopted in 1978, real actions started to be taken towards modernization. In 1987, Deng envisioned a "three step" plan for modernization in view of China's national conditions as a populous and poor country. The first step was to double China's GDP from 1981 to 1990 to ensure access to basic food and clothing for the people; the second step was to double China's GDP from 1991 to the end of the 20th century to deliver well-off living standards for the people; in the third step, China should reach the level of moderately developed countries in terms of GDP per capita by the middle of the 21st century with a relatively affluent living standard and a basic level of modernization. Deng described the three-step strategy as being to achieve "basic food and clothing," a "well-off" and

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"affluent" living standard, leaving a vivid and intuitive impression on how socialist modernization was to be achieved. In 2002, the Report to the 16th CPC National Congress vowed to achieve modernization by the middle of this century after building a moderately prosperous society for over a billion people in the first two decades of the new century, which is an important stage of China's modernization drive.

With the implementation of reform and opening up, China solved the problems of basic food and clothing ahead of time and delivered generally well-off living standards to its people. The first step of Deng Xiaoping's three-step strategy was achieved. On such a basis, the CPC Central Committee, adopted the "two centenary goals" at the 18th CPC National Congress. By the centenary of the Communist Party of China in 2021, China should become a moderately prosperous society with a more developed economy and well-functioning democracy, showing greater progress in science and education, cultural prosperity and social harmony, and better living standards. By the centenary of the founding of New China in 2049, China should complete modernization and become a modern socialist country. The 19th CPC National Congress unveiled a new journey towards building a modern socialist country in all respects, and drafted the blueprint for realizing socialist modernization in two stages. In the first stage, from 2020 to 2035, the goal is to achieve socialist modernization. In the second stage, from 2035 to the middle of this century, China should be turned into a modern socialist country that is affluent, democratic, civilized, harmonious and beautiful. This blueprint of modernization embodies the requirements of initiating a high-quality modernization process. According to the blueprint drafted at the 19th CPC National Congress for the period after building a moderately prosperous society, the Fifth Plenum of the 19th CPC Central Committee laid out the long-range goal for achieving socialist modernization by 2035. The economic targets of achieving modernization can be summed up as follows: to join the ranks of leading innovative countries; to achieve new-type industrialization, application of ICTs, urbanization and agricultural modernization, and develop a modern economic system; to achieve the goal of building a beautiful China; to foster a new paradigm of opening up; to reach the level of moderately developed countries in terms of GDP per capita; to significantly expand the middle-income group; and to make greater progress in delivering affluence to all the people.

While the general laws of modernization need to be followed, developing countries must also explore their own paths towards modernization based on their national conditions and changing domestic and international social, economic, and political environments. Entering the new era, new developments and breakthroughs have occurred in the targets and scope of modernization as elucidated in the modernization theory.

First, the scope of modernization. In the past, great emphasis was laid on the "four modernizations" of industry, agriculture, science and technology, and national defense. What we strive to achieve now is the "new four modernizations," i.e. new-type industrialization, application of ICTs, urbanization, and agricultural modernization, calling for synchronous progress in those areas.

Second, the socialist characteristics of modernization. Xi (2017b) stressed that "eliminating poverty, improving people's livelihoods and gradually achieving common prosperity are the intrinsic requirements of socialism and an important mission of our Party." At the Fifth Plenum of the 19th CPC Central Committee, Xi recognized common prosperity as an intrinsic requirement of socialism and the common expectation of all the people. We must give more prominence to delivering common prosperity to all the people, follow a down-to-earth attitude, and make more proactive efforts toward this goal in the long run. As such, the CPC Central Committee's proposal on the 14th Five-Year Plan suggested "making more substantive progress in delivering common prosperity for all the people" and highlighted "making solid progress towards common prosperity" in the section on the improvement of people's living standards.

Third, the Chinese path of modernization. In the era of ecological civilization, modernization requires living in harmony with nature. While creating material and cultural wealth to meet people's ever-growing needs for a better life, we should also meet people's growing needs for a beautiful

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environment. As such, the Chinese path of modernization entails green and innovative development. Innovation has become the primary driving force of modernization. The Fifth Plenum of the 19th CPC Central Committee stressed the importance of the role of innovation in the broader context of modernization, recognizing technology independence as a strategic mainstay of national development. A key milestone for China to achieve modernization is to join the ranks of leading innovative countries by 2035.

Fourth, the development of a modern economic system. In the past, our discussions on modernization focused on GDP as an indicator for measuring and advancing modernization. This indicator is now replaced with the goal to build a modern economic system put forth at the 19th CPC National Congress. This represents a critical action for transforming the development pattern, optimizing the economic structure, and shifting growth drivers from building a moderately prosperous society in all respects to advancing socialist modernization. According to the spirit of Xi Jinping's speech, a modern economic system is underpinned by the following elements, i.e. an industrial system led by innovation with balanced development, an urban-rural regional development system that promotes the strengths and synergy between cities and the countryside, a resource-efficient and environmentally friendly green development, an income distribution system that is efficient and promotes fairness, an all-round opening up system that is balanced, secure and efficient, a unified and open market system with orderly competition, and an economic system that gives full play to the respective roles of the market and the government. The modern economic system is a brand-new thought of the development theory for the new era with profound implications.

4. Path of Agricultural Modernization to Overcome the Urban-Rural Divide

Upon the founding of New China in 1949, China was a large agrarian country with an insignificant share of industry, especially modern industry. As Mao Zedong said at the Second Plenum of the Seventh CPC Central Committee, "Before the War of Resistance against Japanese Aggression, in the entire national economy of China, the proportions of modern industry is about 10 per cent, and that of agriculture and handicraft is about 90 per cent. This was the result of imperialist and feudal oppression; this was the economic expansion of the semi-colonial and semi-feudal character of the society of old China; and this is our basic point of departure for all questions during the period of the Chinese revolution and for a fairly long period after victory." "What can we make at present?" sighed Mao (1991), "We can make tables and chairs, teacups and teapots, we can grow grain and grind it into flour, and we can make paper. But we can't make a single motor car, plane, tank or tractor" (Mao, 1999).

Hence, the Party adopted the principle of advancing national industrialization during the first Five-Year Plan period, giving priority to heavy industry. That was a natural choice to build an independent modern industrial system, and the effects were significant. After the completion of the first Five-Year Plan, China had established a modern industrial system, giving rise to the dual structure of modern industry coexisting with underdeveloped agriculture. The basic pathway to overcome the dual structure is to improve the level of agricultural and rural development. In *On the 10 Major Relationships*, Mao argued that industrialization is not just an issue of industry or heavy industry, but involves the relations between heavy industry on the one hand and light industry and agriculture on the other. During the Great Leap Forward that started at the end of 1957, however, the whole people were mobilized to smelt steel at the expense of agricultural production, which led to poor harvests and hardships in three straight years that followed. Economic adjustment since 1962 has been largely intended to readjust the relationship between industry and agriculture. The central government realized that overemphasis on the development of iron and steel crowded out agriculture and light industry, causing the proportion of China's economy to be severely lopsided and taking a toll on people's living standards.

In drawing lessons in the early stage of Lushan Conference, Mao noted that "priority on the growth

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of the means of production is a common law for all social expanded reproductions. We specify this law as giving equal importance to industry and agriculture. In the past, the sequence of priority was heavy industry, light industry, agriculture, commerce, and transportation; now, we emphasize agricultural development and change the sequence of priority to agriculture, light industry, heavy industry, transportation, and commerce. This change does not violate Marxism." Soon after the conference, the CPC Central Committee adopted the general principle of "taking agriculture as the foundation and industry as the leading factor" according to Mao Zedong Thought. The problem was that although agriculture's fundamental status was recognized, China's agriculture remained backward and farmers were still poor. The reason is that the system of People's Communes discouraged farmers' productivity and the price scissors between industrial and agricultural products exploited agriculture. There existed a prominent dual structure between industry and agriculture and between cities and the countryside.

China's reforms that started from the countryside unveiled a process of dual-structure modernization. In the era of achieving moderate prosperity, China's reform and development pathways for advancing agriculture modernization included the following five aspects: First, the reform of household contract responsibility system for farmers put an end to People's Communes. The recognition of household properties and the contract operation system motivated farmers to engage in agricultural production.

Second, the distribution system of agricultural products was reformed to allow agricultural products to enter the market and be traded at market-based price. This not only brought farmers to the market but increased the market return of agricultural products.

Third, the development of township enterprises set off the process of industrialization and urbanization in the countryside. A new path for the development of agriculture, countryside and farmers was explored: Industrialization and urbanization became a solution to agricultural and rural problems and provided opportunities for rural labor to migrate to cities for jobs. The effects were remarkable. Not only was China's industrialization process greatly expedited, allowing China to swiftly emerge from an agrarian country to an emerging industrial country, but the level of development in agriculture, countryside and farmers was greatly elevated.

Fourth, the Fourth Session of the 10th National People's Congress adopted a resolution on March 14, 2006 on the rescission of agricultural special tax with the exception of tobacco leaves and the exemption of livestock tax. China's "royal grain tax" that lasted for over 2,600 years officially became history, and farmers' burdens were greatly eased.

Fifth, the 17th CPC National Congress vowed to "coordinate urban and rural development and advance socialist new countryside development" from a new historic starting point, putting forth the path of agricultural modernization with Chinese characteristics. The main pathway is to establish a long-term mechanism for industry to lead agriculture and for cities to drive rural development, forming a new paradigm of integrated urban-rural socio-economic development.

Entering the new era, the lopsided focus on industrial modernization inevitability led to the lack of progress in agricultural modernization. The development of agriculture, countryside and farmers became the weak links of "four modernizations." As Xi noted, "Even if urbanization exceeds 70%, there will still be 400 to 500 million people living in the countryside. The countryside should by no means become a barren place for those left behind and the homeland only in people's memory. While progress needs to be made in urbanization, agricultural modernization and new countryside development must also make headway. Cities and countryside will reinforce each other only when they develop side-by-side."[1] That is to say, industrialization and urbanization as external driving forces of agricultural modernization should give way to endogenous rural development to strengthen agriculture, improve rural landscapes, and enrich farmers.

[1] http://cpc.people.com.cn/n/2013/0723/c64094-22297499.html

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Based on Xi Jinping Thought on the modernization of agriculture, countryside and farmers, the following initiatives should be taken to modernize agriculture, countryside and farmers in the new era.

First, agricultural supply-side reforms should be carried out to transform the development paradigm of agriculture and enhance the quality, efficiency and competitiveness of agriculture. Existing paradigms of agricultural development can be described as a "surplus" paradigm, i.e. to seek agricultural surplus and the migration of surplus agricultural workforce. This old paradigm should give way to a new one that pursues quality agriculture and value-added. The goal is to develop quality and efficient modern agriculture to meet upgrading household consumption needs.

Second, the countryside revitalization campaign should serve as a driver of agricultural modernization. Villages are at the grassroots of countryside. Without village modernization, there is no countryside modernization. Countryside revitalization requires all-round revitalization of rural industry, talent, culture, ecological environment, and grassroots organizations.

Third, integrated urban-rural development: Urban development factors and urban lifestyles should be extended to the countryside to transform backward countryside landscapes. Integrated urban-rural development involves the integration of urban and rural planning, employment services, social protection, public services, and urban management.

Fourth, new-type urbanization involves not only the migration of rural population to cities but also the urbanization of rural residents. On one hand, rural migrants who work and live in cities should be given urban citizenship and covered by basic urban public services. On the other hand, the benefits of urbanization should be extended to farmers for them to enjoy urban civilization. Opportunities and amenities accessible to urban residents should be extended to rural towns. There should be more job opportunities, better education and cultural and medical facilities in rural towns. The supply of urban public goods and public and commercial facilities should be increased in the countryside and especially rural towns for farmers to be entitled to various rights of urban residents without migrating to big cities.

5. Regulation Mechanisms for Economic Development from both Supply-Side and Demand-Side

"Supply side and demand side are the two basic means for administering and regulating the macro-economy," said Xi (2017) in various stages of development, "Whether economic policies should focus on supply side or demand side should be decided according to a country's macroeconomic situation." Mechanisms and policymaking should boost economic growth and steer it towards the right direction. The terms of supply side and demand side started to be mentioned only as China entered the new era, but regulatory policies on both sides had existed across various stages of implementation with varying intensities.

Under the planned economic system established under the shortage economy, China practiced supply-side management for economic development through top-down mandatory production planning and state monopoly of the purchase and marketing of critical supplies. The basic approach was to issue quantitative indicators to regulate economic activity. Production and infrastructure construction targets were raised to speed up economic development and lowered when the economy was in trouble. Considering the lessons of the Great Leap Forward, the CPC Central Committee put forth the requirement of overall equilibrium at the Lushan Conference in 1959. The overall equilibrium involved three important aspects, equilibrium within agricultural sectors of farming, animal husbandry, non-staple foodstuff and fishery, equilibrium within industry, and equilibrium between industry and agriculture. The proportion of the national economy should reach an overall equilibrium on such a basis. Obviously, the overall equilibrium was also addressed from the supply side. This is the mode of planned economic management in the backdrop of a shortage economy.

Market-based reforms in the post-reform era to achieve common prosperity were in fact demand-

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side reforms. The establishment of systems and mechanisms for the market to decide resource allocation marks a shift to demand-side regulation. At the micro level, the mechanism of market competition was intensified to highlight the market demand orientation, and mandatory planning was abolished. At the macro level, the macroscopic aggregate control mechanism was put into place from the aggregate demand side to establish consumption, investment and export as three drivers of economic growth, giving prominence to the pulling effect of consumer demand. On the aggregate demand side, macroeconomic regulation was weighted toward fiscal and monetary policies, and contractionary, expansionary or balanced fiscal and monetary policies were adopted when appropriate. Refocusing macroeconomic management to the demand side was a regulatory mode for the market economy amid the transition from a shortage economy to a surplus economy with the goal to leverage the role of the market in regulating the economy and increase efficiency under demand-side pressures and orientation.

Entering the new era, the CPC Central Committee found that demand-side reforms and demand management alone could not effectively address the efficiency and supply quality of economic operation and cannot meet people's needs for a better life. Hence, supply-side structural issues came into view. At the Central Economic Work Conference held at the end of 2015, Xi sounded the clarion for advancing supply-side structural reforms: "While moderately expanding aggregate demand, we should strengthen supply-side structural reforms, improve the quality and efficiency of our supply system, enhance momentum for continuous economic growth, and bring about a leap of our country's level of social productivity." In the celebratory conference for the 40th anniversary of reform and opening up, Xi reaffirmed the message in his speech that "We should adhere to supply-side structural reforms as the underlying guidelines." Supply-side structural reforms have become the theme of China's economic development in the new era. Unlike in the planned economy era, such supply-side adjustment occurs in the context of a market-based surplus economy.

Supply and demand are the two basic facets of the intrinsic relationship of market economy. From the perspective of readjusting economic development, Xi (2017a) noted that "demand-side management focuses on addressing aggregate issues and short-term regulation and stimulate or suppresses demand by adjusting taxation, fiscal spending, and the supplies of money and credit to promote economic growth. Supply-side management deals with structural issues to stimulate economic growth momentum." Obviously, supply-side adjustment underscores long-term development and serves as an effective regulatory mode for high-quality development. Unlike ordinary reforms to adjust the relationship of production, supply-side structural reforms address the problems of development. "Supply-side structural reforms are, in the final analysis, intended to satisfy demand and focused on improving the quality of supply through the fundamental avenue of deepening reforms."

First, invigorating the real economy. The real economy is the foundation of a country's economy and the wellspring of wealth. In China's economic life, however, the real economy is often eclipsed by the virtual economy. Aside from the lucrative investment opportunities in the virtual economy, the most important reason behind this tendency is that real-economy enterprises struggle to make profits due to heavy burdens and are thus disincentivized to invest. The goal of supply-side structural reforms, therefore, is to strengthen and support the real economy, foster new momentum in the realm of the real economy, and enhance the profitability of real-economy enterprises through development with high quality.

Second, improving the quality and efficiency of the supply system. Poor quality and efficiency of the supply system are reflected in insufficient effective supply coexisting with surplus ineffective capacity. As in the words of Xi (2017a), "Despite its large capacity, most of our country's supply systems may only address medium- and low-end needs with low quality and low price." Entering the middle-income stage, China's consumer demand started to transition from basic food and clothing to a greater emphasis on health, safety, hygiene, and comfort. Yet the supply of goods and services did not catch up and remained at the level of supply at the low-income stage with priority to quantity over quality,

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failing to keep up with changing consumer demand as China became a middle-income country. The supply of high-end products and services was insufficient and could not meet diverse, individualized and premium consumer demand. As a result, effective supply is insufficient, ineffective capacity is excessive, and medium- and low-end products are in oversupply. These structural problems need to be addressed through supply-side structural reforms. As Xi noted, the goal of reform is to "optimize the existing allocation and combination of production factors, raise the level of production factor utilization, promote total factor productivity, and continuously enhance the endogenous growth momentum of the economy." Xi vividly explained the pathway for structural adjustment using mathematical addition, subtraction, multiplication and division: "Addition means to discover and foster new growth drivers; subtraction means to compress backward capacity and resolve overcapacity; multiplication means to comprehensively advance innovation in science and technology, management, market and business modes; division means to increase the numerator and decrease the denominator to raise labor productivity and the return on capital, which is the ultimate goal of restructuring as the four arithmetic operations." Changes in quality, efficiency and momentum have become the basic path for raising total factor productivity (TFP).

Lastly, new momentum should be fostered on the supply side. Initiatives should be taken to invigorate market entities: Unlike demand-side market choices, supply-side initiatives highlight economic incentives to boost development momentum. Existing reforms have created incentives from the property rights system, but the supply-side momentum appears inadequate, as manifested in the high tax burden, interest rates and social burden of enterprises. Enterprises would be deprived of the motivations and dynamism to develop if they cannot share in the benefits of development. On the supply side, incentives should be created to market entities by reducing corporate taxes, fees, interest rates and social burden in order for enterprises to become less burdened and more competitive, and protecting the assets of entrepreneurs and promoting entrepreneurial spirit (Hong, 2016). Moreover, new momentum should be fostered. Development is the absolute principle. Supply-side structural reforms are a development policy that needs to be implemented on a long-term basis with long-range goals. While making progress in reducing overcapacity, inventory and leverage ratio, priority should be shifted to fostering new momentum. Regarding new momentum, Xi (2020) made the following statement: "We should closely follow the new stage of economic development and the new frontier of progress in science and technology. We should unswervingly take the development of new momentum as a key initiative to foster new competitive strengths, and steadfastly remove old driving forces as a key move to bolster new development dynamism and overall strengths." The 19th CPC National Congress identified the following areas in which new momentum needs to be fostered, including medium- and high-end consumption, innovation, green and low-carbon development, shared economy, modern supply chain, and human capital services.

In Xi's view, supply-side and demand-side adjustments "cannot replace or substitute each other, but should coordinate with each other and move in synergy."[2] In the context of global economic recession due to China-US trade war and the COVID-19 pandemic, China's economic development is faced with insufficient demand and downward economic pressures. The CPC Central Committee promptly set the priorities of "six stabilities," i.e. stability in employment, finance, trade, foreign capital, investment and expectations, and "six assurances," i.e. assurances of employment, basic livelihoods, market entities, food and energy security, industrial and supply chain stability, and the operation of grassroots organizations. At this critical juncture, it would be of great importance to stimulate demand and unleash dynamism from the demand side. Under the new development paradigm, the internal circulation of the economy requires sufficient market demand. With this consideration, the Fifth Plenum of the 19th CPC

[2] http://www.qstheory.cn/dukan/qs/2019-08/31/c_1124940551.htm.

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Central Committee put forth an approach of matching demand-side reforms with supply-side reforms, reflecting the long-term and short-term objectives of economic regulation.

6. Evolution of Economic Development Paradigm

The development paradigm involves the relationship between the internal and external circulations of the economy.

With the exception of the 156 major projects aided by the Soviet Union during the first Five-Year Plan period, in the three decades before reform and opening up, China's economy had been in a state of internal circulation, primarily due to international blockades.

Since 1978, the CPC has identified reform and opening up as a basic long-term policy of embracing the outside world. In 1980, the CPC Central Committee decided to establish the Shenzhen Special Economic Zone. With this landmark decision, China became fully opened and started to participate in economic globalization. In 1997, the 15th CPC National Congress called for making better use of domestic and international markets and resources, encouraging special economic zones and the Shanghai Pudong New Area to lead institutional innovation, upgrading industries, providing broader openness, creating demonstration and spillover effects for the rest of the country. In particular, the relationship between openness and independence should be balanced to maintain national economic security. The "five overall arrangements" mentioned at the 16th CPC National Congress include balancing external openness with domestic development. The 17th CPC National Congress vowed to improve an open, secure and efficient economic system with interactions between domestic and international markets for mutual benefits and win-win results and to form new competitive strengths in participating in international economic cooperation in the context of economic globalization. While leveraging overseas resources and markets, China's economy will become more competitive in participating in international competition. In the Report to the 17th CPC National Congress, Comrade Hu Jintao referred to the combination of self-independence and participation in economic globalization as one of the ten "valuable experiences" of China's development of socialism.

As China's economy entered into the new era, the opening up program unveiled a new chapter. In 2013, Xi said at the Bo'ao Forum for Asia that "China will increase the level of its open economy on a broader scale and deeper level." According to Xi's thoughts of open development, China's open development in the new era has the following characteristics:

First, China is the development of a community of shared future for humankind. Contrary to the anti-globalization policy of "America First" pursued by the Trump administration, Xi has decided to carry the great banner of globalization and create a community of shared future for humankind. As in his words, "We should build a world of lasting peace through dialogue and consultation; a world of common prosperity through win-win cooperation; a world of openness and inclusiveness by communicating with and learning from each other; a clean and beautiful world through green and low-carbon development." According to the thought of creating a community with a shared future for humankind, we should realize the strategic visions of the "Silk Road Economic Belt" and the "21st Century Maritime Silk Road", step up cooperation with BRI countries through policy communication, infrastructure connectivity, trade facilitation, financial intermediation and people-to-people exchanges, and create a community of shared interests, shared future and shared responsibilities by deepening economic and trade cooperation with BRI countries at all levels to drive development in China's border and interior regions.

Second, China is committed to forging a new paradigm of all-round openness. In April 2018, Xi said at the Bo'ao Forum for Asia that "We should give equal emphasis to bringing in and going global, explore a paradigm of domestic and international coordination and synergy between eastern and western regions, implement high-level policies for trade and investment liberalization and facilitation, and develop free trade ports with Chinese characteristics." This new paradigm of external openness

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reflects open development with high quality. Specifically, (i) while further opening up eastward, China is deepening cooperation with BRI countries westward and turning interior and border regions into the frontiers of openness. (ii) Import and export are given equal emphasis. China held the first China International Import Expo (CIIE) in Shanghai in 2018 and the China International Fair for Trade in Services (CIFTS) in 2020. (iii) Introducing foreign capital at a broader and deeper level. In addition to assuring the sectors in which foreign capital may enter, China has furthered relaxed restrictions on the entry of foreign capital and, in particular, further opened the financial sector. (iv) Creating new vehicles for opening up. China has adopted high-level policies for trade and investment liberalization and facilitation and established free trade experiment zones and free trade ports to facilitate the international flow of resources and commodities.

The world today is faced with great and unprecedented changes. Some developed countries have resorted to anti-globalization policies, giving rise to trade protectionism. The Trump administration instigated a trade war with China in an attempt to decouple from China in technology, industry and many other fields. This, together with the world economic recession due to the COVID-19 pandemic in 2020, has led to swathes of global supply chain disruptions. Not only should China carry the great banner of advancing globalization, but it should also bring about a new development paradigm with domestic circulation as the mainstay and domestic and international markets boosting each other. As Xi noted at a meeting with economic and social studies experts on August 24, 2020, "This new development paradigm was put forth according to China's changing development stage, environment and conditions; it is a strategic choice for reshaping China's new strengths for international cooperation and competition. With changing external environment and China's factor endowment over recent years, the momentum of international circulation based on overseas markets and resources has diminished, and China's domestic demand potentials have been continuously released. With the growing dynamism of China's domestic circulation, there tends to be a trade-off between the two." Since the global financial crisis in 2008, China's economy has been shifting to domestic circulation as the mainstay. With one of the world's largest domestic markets, China has formed a higher level of dynamic equilibrium in which demand steers supply and supply creates demand.

The new development paradigm is characterized by dual circulations that are open to the rest of the world. Development in the context of opportunities requires a new development paradigm. China's open economy has experienced strategic changes, the most prominent of which is the shift from an export-oriented open economy to a demand-oriented open economy. Openness serves the upgrade of industrial structure. Strategic emerging industries, in particular, are vital to the global viewpoints of technology and industry. Core technologies underpinning industrial innovation cannot be bought or begged for. At the heart of innovation-driven growth is the development of an innovation-oriented open economy that reflects the endogeneity of growth. The innovation-oriented open economy has the following four characteristics. (i) Resource-intensive exports, especially energy-intensive and polluting products, are substituted with high-tech and green exports. (ii) Imports of general final products are substituted with intermediate products with core technologies. (iii) Greater attention is paid to the quality of foreign direct investments (FDIs) while relaxing market access. In attracting foreign capital, priority should be given to innovation to encourage foreign investment in R&D and emerging industries. (iv) Great efforts are made to introduce innovation resources and, in particular, cutting-edge technologies and management personnel for open innovation.

7. Conclusions

In analyzing the economic development philosophies of the Communist Party of China as the ruling party to lead the Chinese people to build New China, we should not only reveal how our economic achievements have been made, but more importantly, find out the future direction of China's economic

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development in the new era, i.e. to answer the important question about what kind of development can be achieved and how.

(i) Marx and Engels(2012) once said that "Our theory is a developing theory." "It has completely different forms in different eras with completely different contents." It has been proven by the history of evolving economic development philosophies of the Communist Party of China in building New China. In various stages after the founding of the People's Republic of China in 1949, each generation of people had their historic missions in their respective eras. Each generation of Chinese communists worked to explore a suitable development path according to the laws of economic development based on China's actual conditions and the greatest interests of the people. There were successes and failures in fulfilling their historic missions, but their endeavors have yielded progress. After generations of hard work, Chinese communists have performed the miracle of transforming an agrarian country into an industrial country and the world's second-largest economy. The Party's economic development philosophies have improved and have become increasingly sophisticated. Research on economic development philosophies across various stages sheds light on the hardships behind today's economic achievements and the great significance for China to enter a new development stage. Such research helps unravel the historic position and new economic development priorities for the new stage.

(ii) The Chinese path of economic development and achievements have been recognized by the world. Research on the CPC's economic development philosophies needs to identify the diverse thoughts and guidelines of development in each stage. By investigating the evolving economic development thoughts in six dimensions, this paper reveals the core elements of the CPC's economic development thought in the new stage. Based on analysis of China's principal social contradiction, this paper found that the priority for the new development stage is to address inadequate and unbalanced development to meet people's expectations for a better life. By analyzing the CPC's development thoughts, this paper identified the implications of transforming the economic development mode to achieve high-quality development. Regarding modernization, this paper identified the goals of China's modernization and priorities in various sectors. By analyzing China's urban-rural divide, this paper has identified the Chinese path for addressing development challenges facing developing countries. After eradicating absolute poverty, China is faced with new priorities to modernize agriculture, the countryside and farmers. After analyzing the regulatory mechanisms for economic development, this paper has identified the supply-side and demand-side regulatory mechanisms for boosting economic growth and enhancing its quality and efficiency. Our analysis of China's development paradigm sheds light on the choice of economic modernization pathway from the perspective of smoothing internal and external economic circulations. Development thoughts in those aspects show that innovations of Chinese communists are an important part of Xi Jinping Thought on Chinese socialism in the new era. Those development thoughts have been proven by China's successful development practice. Systematically theorizing China's innovative economic development thoughts in those six aspects will form the backbone of China's development economics.

(iii) Correct development thoughts stem from a scientific understanding of fact-based patterns. As Xi (2017) noted, "Development must be science-based development that follows economic laws. It must be sustainable development that follows the natural laws." The CPC's leadership over New China's economic development since 1949 is a journey of understanding and investigating economic laws. Whenever economic laws were followed, the economy would develop in a stable and healthy fashion; otherwise, setbacks would be inevitable. China paid a heavy price for enacting guiding principles contrary to economic laws, but more importantly, it has reaped great dividends by acting in accordance with economic laws. Exploration of economic laws cannot be accomplished overnight. It takes continuous efforts to investigate new issues and explore, respect, and follow new patterns to avoid mistakes and achieve high-quality development.

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