

China's 40 Years of Economic Reform and Development

Xinli Zheng

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How the Miracle Was Created



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Xinli Zheng

Resume

Xinli Zheng was born in a rural family on February 12, 1945, in Chuzhuang Village, Shangtun Township, Tanghe County, Henan Province. In 1964, he graduated from Tanghe No. 1 Secondary School. From 1964 to 1970, he studied in the Mining Department of the University of Science and Technology, formerly known as Beijing Steel and Iron Institute. From 1970 to 1978, he worked at the Handan Metallurgical and Mining Headquarters, Hebei Province, where he worked as a worker, technician, theoretical teacher, deputy chief of the Theoretical Education Department, and deputy director of the Party Committee Office. In 1978, he was admitted to the Graduate School at the Chinese Academy of Social Sciences, majoring in Industrial Economics, and obtained a master's degree in economics in 1981.

From 1981 to 1987, he worked in the Economic Section of the Research Office of the Secretariat of the Central Committee of the Communist Party of China and served as a researcher at the section level and deputy chief of the Economic Section. From 1984 to 1986, he studied at the Training Department of the Party School of the CPC Central Committee for 2 years.

From 1987 to 2000, he worked in the National Planning Commission. He first served as deputy chief economist for the State Information Center for 2 years and then worked in the Policy Research Office for 11 years. He served as deputy director, director, deputy secretary-general, and spokesman.

From 2000 to 2010, he served as Deputy Director of the Policy Research Office of the CPC Central Committee. From 2008 to 2013, he served as Deputy Director of the Committee for Economic Affairs of the Chinese People's Political Consultative Conference.

In 2009, he assisted Mr. Zeng Peiyan to establish the China Center for International Economic Exchanges. From 2009 to 2015, he served as its executive vice chairman. He was concurrently Chairman of the China Federation of Industrial Economics, Executive President of the China Association of Policy Science and Research, and Executive Vice Chairman of the China Urbanization Promotion Association. In 2014, he was named one of China's top ten economists for 2013.

中共中央政策研究室

关键是保持稳增长与调结构 之间的平衡

稳增长做为短期调控目标，调结构做为长期战略目标，保持二者之间的平衡，必须正确把握短期调控与长期改革的关系，使短期调控符合长期战略目标。调结构不能以牺牲稳增长为代价，稳增长必须以结构转型升级实现。

一、稳增长是今年经济工作第一位的任务

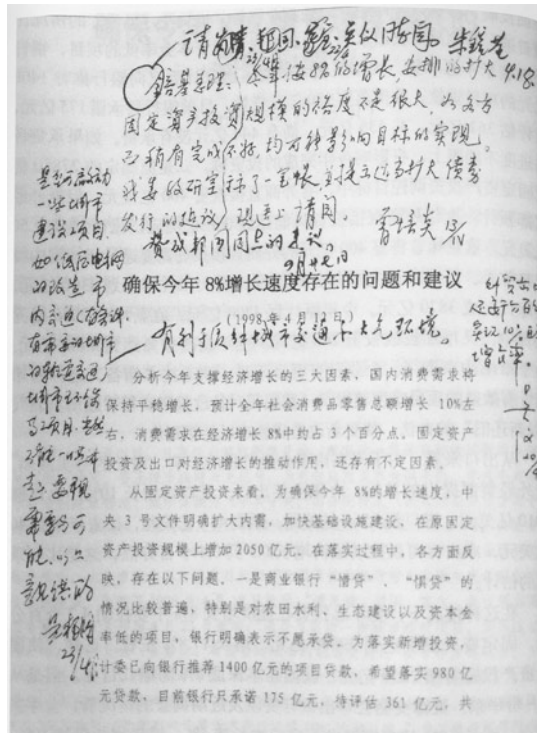
二、调结构是未来发展阶段必须实现的

（框）重大战略

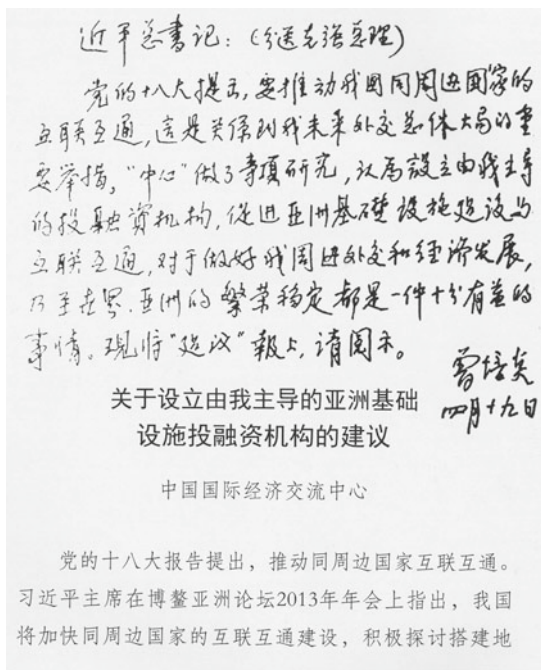
三、把稳增长与调结构有机结合是全面深化改革

①、需要认真解决的认识问题

Xinli Zheng's Handwriting



In April 1998, Xinli Zheng wrote “Ensuring 8 Percent Economic Growth This Year,” in which he proposed issuing government bonds to expand domestic demand. At the time, Zeng Peiyan, Minister of the State Planning Commission, reported this to the Premier of the State Council. This prompted the State Council to decide to issue 10-year bonds worth 100 billion yuan each year for five consecutive years to fund infrastructure construction, such as transportation and communications, successfully turning the challenges posed by the Asian financial crisis into opportunities, supporting current economic growth and laying a solid foundation for the rapid economic growth over the next decade.



In April 2013, Xinli Zheng wrote “Suggestions on Building an Asian Infrastructure Investment and Financing Institution Led by China.” Zeng Peiyan, Chairman of the China Center for International Economic Exchanges, reported these suggestions to General Secretary Xi Jinping and Premier Li Keqiang, and they fully affirmed them. In October of the same year, President Xi Jinping announced the proposal for establishing the Asian Infrastructure Investment Bank in Indonesia. In December 2015, the AIIB was formally established. Some foreign commentators believe that this is China’s wisest proposal, making China a major actor on the global financial stage.

Theoretical Breakthroughs in China's Economic Reform

The Chinese economy has made tremendous progress in the past 40 years, mainly thanks to successful reform efforts, which themselves are the result of theoretical breakthroughs and the development of new systems. What have been the main breakthroughs in economic theory? What shifts in understanding have occurred? And which new systems have been established? These are questions of widespread interest in China and abroad, and they are answered broadly in the following six points.

China is still in the primary stage of socialism and will remain so for a considerable time in the future: China established socialism on the foundations of a backward agrarian economy. Before the policy of reform and opening up was introduced, the economic system and policies we implemented exceeded the stage of development of our productive forces. It was believed that high levels of public ownership and even distribution of wealth were the best approaches. But they hindered the economy. They made us realize that we are still in the primary stage of socialism and that we need systems and policies compatible with the development level of our productive forces. With this in mind, we were able to take bold measures to establish new systems and policies conducive to developing the productive forces in the course of reform.

Building a socialist market economy: Prior to reform, we had a planned economy. Practice proved that the system hampered the development of the productive forces. For 40 years, we have adhered to market-oriented reforms, and we have constantly sought to inject economic development with new vitality, as evidenced by the transition from allowing the market to play a basic role in allocating resources to allowing it to play the decisive role in their allocation. Meanwhile, considerable attention has been given to improving and making best use of the government's guidance and managerial role. These two approaches are organically linked and have formed a dynamic and balanced mechanism for economic development and promoted healthy and rapid development of the economy.

Adhering to the approach of developing both the public and non-public sectors of the economy: While adhering to an approach of giving primacy to the public sector, China has allowed the non-public sector, including private companies and self-employed workers, to develop. State-owned enterprises (SOEs) have established modern corporate structures, and private enterprises have been encouraged to become shareholders of SOEs. A mixed-ownership economy has been developed, and a scientific governance structure has been established based on a standardized shareholding system. As such, implementing a mixed-ownership system has become the primary method of realizing a system of public ownership. The private economy has grown rapidly from nothing and played a significant role in developing the national economy.

Adopting a combination of distribution according to work and distribution according to factors of production: Breaking away from the “communal pot” and egalitarianism was an important step in China's reform process. This began with allowing some people and some regions to prosper first, then encouraging them to help those less fortunate, and finally enabling everybody and all regions to prosper together. It began with rewarding performance and considering fairness and evolved to giving equal importance to performance and fairness, to reflect the shift in policy concerning distribution. The government is now concerned with trying to solve the excessive income gap and achieve shared development.

Implementing the rural household contract responsibility system with remuneration linked to output: In the early 1980s, reform began in the countryside with the introduction of the rural household contract responsibility system, which mustered the enthusiasm of farmers for raising production and meaningful agricultural development. The government is currently implementing reform measures to separate rural land ownership rights, contract rights, and management rights, and it is promoting larger-scale farms with more professional management standards in order to accelerate agricultural modernization, promote the integration of various rural industries, and revitalize rural areas.

Continuing to open up in order to promote reform and development: China has opened itself up to the world gradually, starting with establishing special economic zones in the early stages of reform, then opening up coastal cities to foreign trade, and then opening up other coastal and inland areas. In recent years, free-trade zones and free-trade ports have been established to allow more foreign investment in some fields and reduce import tariffs. The economy is increasingly geared toward trade with the outside world, so an open economy is taking shape. The fact is that China has already embarked on the road of opening up to promote reform and development.

Xinli Zheng's new book records China's reform and opening up process as well as its economic development, revealing successful experiences along the way. In the course of drafting documents on reform for the Party Central Committee and State Council over many years, Zheng undertook research on economic theories and policies, participated in and presided over the planning of development projects

and conducted frequent investigations in different parts of the country. As a result, his articles shine a light on the background, content, and implementation of central government decisions over the past four decades of reform and opening up, particularly in terms of the six aforementioned major breakthroughs in reform theory, which are elaborated upon in this publication. Reading this book will serve as a shortcut to anyone wishing to understand fully China's reform experience.

Beijing, China
2018

Jiang Zhenghua

A Book Explaining the Secrets Behind the 40-Year Success of the Chinese Economy

This year is the 40th anniversary of the introduction of China's reform and opening up policy. Four decades ago, China's primary motivation for reform was its experience operating a traditional planned economy over the previous 30 years. Practice had proved that the system hindered the development of the productive forces. Actively and consciously reforming a socialist economic system was a great and unprecedented undertaking. It was a victory for the materialist ideological line of seeking truth from facts and a grand awakening for the Communist Party of China.

Instituting economic reform in a country with a population of more than a billion requires theoretical guidance and unified command. It also requires the formulation of clear guidelines and policies, which must be tested before being rolled out. As such, researching reform theory and coming up with reform plans and programs became a major task of the Party. Reform began in the countryside and spread to the cities; it developed from energizing microeconomic entities to making changes to the macroeconomic system; and it started with opening coastal areas to the world and was gradually rolled out across the country. Correct reform theories and policies are derived from practical application and are created by the public at the community level and by government officials. The process leading to China's large-scale social revolution entailed dedication to investigations and research, summing up the reform experiences of communities, elevating practices proven to be effective to the status of theory, and creating national guidelines for smoothly implementing reform methods. A large number of people at all levels of Party and government organs as well as academic research institutions have been involved in exploring and researching reform-related issues, and we have drawn useful lessons from comparative studies of the economic systems of other countries.

The period since the 1980s has been the most active in terms of new economic theories and reform ideas since the founding of the People's Republic of China in 1949 thanks to the emergence of a cohort of reform thinkers, theorists, and pioneers. Despite their divergent views and occasional disputes, they are united by the common objective of reform. Following the promulgation of a reform "Decision" of the Party's Central Committee, for example, everyone's thinking is unified by the

guiding principles of the Decision and falls in line with the Central Committee. All parties create a synergy and work together to push forward reform.

At the start of the reform period, Xinli Zheng worked on economic theory and policy at the Research Office of the Secretariat of the Central Committee of the Communist Party of China. He went on to research economic policy at the State Planning Commission before moving to the Central Policy Research Office in 2000. After he retired in 2009, Zheng helped Zeng Peiyan set up the China Center for International Economic Exchanges, where he continued to do research and consultancy work on central government economic decision-making. The focus of Zheng's career was drafting reform documents and national five-year plans and researching important reform issues and interpreting major decisions of the Party Central Committee and the State Council. On the back of his diligent efforts, he wrote a large number of articles on economic theory, many of which were published in newspapers and magazines including *People's Daily*, *Qiushi*, *Economic Daily*, and *Guangming Daily*. He also wrote and edited works that researched and interpreted major economic policies and decisions of the Central Committee.

Zheng was an independent thinker, and he was not afraid to make policy recommendations based on the realities he saw before him. For example, he suggested that China should issue long-term development bonds following the Asian financial crisis in 1997, and he proposed establishing the Asian Infrastructure Investment Bank in 2013, which was later approved by Party and State leaders and worked out very well. Zheng truly deserves praise for his ability to get to the heart of matters and his courage to make policy recommendations and remain steadfast in his opinions. This is a rare but much-needed quality among economic researchers.

There is no shortage of creativity and innovation in Zheng's work. These qualities can be seen in his suggestions to use the final-goods ratio as a major indicator for evaluating macroeconomic benefits, increasing urban and rural residents' income as a proportion of gross national income, increasing the household consumption rate, optimizing the scale of national investment, adopting a mixed-ownership shareholding system to achieve public ownership, and establishing a unified urban-rural real estate market, as well as his efforts to develop the two disciplines of modern policy science and development planning to create a market economy in China. In the course of his career, Zheng made tremendous contributions to thousands of reform theories and policies through his dedicated and tireless efforts.

Reviewing the past four decades of the reform and opening up policy, there are many successes worth mentioning. *How the Miracle Was Created: China's 40 Years of Economic Reform and Development*, the Chinese version of which is being published by the Commercial Press and the English version by Springer, is a collection of Zheng's important articles published over the years. It faithfully documents major breakthroughs in various periods of China's reform and how reform and development have been mutually promotional and closely integrated, answering the question of how China's 40-year miracle was created. Its publication will aid anyone wishing to better understand China's experiences in reform and development.

The 19th National Congress of the Communist Party of China in 2017 established the guiding role of Xi Jinping’s Thought on Socialism with Chinese Characteristics for a New Era within the whole Party and set out the Party’s new goals. These include creating a moderately prosperous society in all respects by 2020, basically achieving socialist modernization by 2035, and developing China into a great modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious, and beautiful by the middle of this century. To realize these goals for the next 30 years, China must continue to deepen reforms of its economic, political, cultural, social, ecological, and Party building systems; pursue reforms in a more systematic, holistic, and coordinated manner; and modernize its system and capacity for governance.

Reform continues, and the body of theory that supports it is growing. Theoretical innovations will constantly emerge based on the need to meet new targets. This is a fundamental source of the great vitality of socialism with Chinese characteristics. The theoretical and policy innovations made in the first 40 years of the reform and opening up policy were responses to problems at the time, and new theories and policies will undoubtedly emerge to solve new problems along the way and constantly promote China’s sustained and healthy development while resolving contradictions and issues.

Beijing, China
2018

Li Yining

Works Must Be Relevant to Everyday Life

In the autumn of 1981, the Research Office of the Secretariat of the CPC Central Committee selected four comrades from a list of the first students to graduate from the Graduate School of the Chinese Academy of Social Sciences to train as researchers. Xinli Zheng was one of the four chosen. At the time, I was working for the Research Office's theory group, and Zheng was placed in the economics group. In 1987, the Secretariat Research Office was abolished, and I was sent to work for a branch of the Central Advisory Commission, while Zheng was transferred to the State Planning Commission. In 1993, when I was a leader at the Policy Research Office of the CPC Central Committee, I was invited by the US-China Cultural Exchange Association to act as a consultant for a delegation visiting the USA headed by Gui Shiyong, Deputy Director of the State Planning Commission. Zheng was also a member of the delegation, and this led to an unforgettable period of investigation in our lives.

In 2000, Zheng was transferred from the State Planning Commission, where he was director and deputy secretary-general, to take up the post of deputy director of the Policy Research Office of the CPC Central Committee, which meant we worked together again for a number of years. After we retired, we also conducted some research together for the China Association of Policy Science. As such, we worked together on many occasions over the years.

This year marks the 40th anniversary of the policy of reform and opening up. The economics community is, therefore, publishing academic biographies of scholars who have contributed to theoretical and policy research related to the policy. Xinli Zheng, an economic theory and policy researcher, is one such scholar. This is a hugely important matter and a great honor. An academic biography is a record and account of a scholar's unique academic research process and achievements. Producing academic biographies on a specific subject is like creating an "academic garden" that gathers together in one place the achievements and splendors of a host of individuals in a way that enhances the whole, and it can be instructive for statecraft.

Although Zheng worked in many departments and institutions after the policy of reform and opening up was introduced, the majority of his work concerned economic theory and policy research in reform and development, on the back of which he wrote countless research articles and participated in drafting important documents for the Party and State. As such, he was not only personally involved in the research and practice of China's reform and development in the 1980s and 1990s, he was also a historical witness to the creation and development of important theories and policies that shaped China's economic reform.

Each participant and researcher has contributed their own achievements to the course of China's socialist reform, opening up, and modernization epic. Qing painter Zheng Banqiao once said, "Works must be relevant to everyday life," and he believed that "Scholars should make their own mark," in terms of their academic style. Under the banner of developing socialist ideology with Chinese characteristics, Xinli Zheng made great achievements in academic research, but he also developed his own research characteristics and style. His approach combined research, study, investigative research and theoretical thinking, and melded practical experience, cognitive elevation, and the application of results. Zheng adhered to this approach throughout his career, which can be seen in his own works and academic biographies. As a Marxist theoretical worker and academic researcher, it was important that he was consistent in this respect, but it is rare and therefore deserving of praise.

Beijing, China
2018

Teng Wensheng

Xinli Zheng's and My Shared Experience of the Reform Years

I met Xinli Zheng for the first time in 1984 when Song Shaowen, Deputy Director of the State Planning Commission, hosted a seminar on planning system reform in Harbin. I worked in the Policy Research Office of the State Planning Commission, and Zheng worked for the Research Office of the Secretariat of the CPC Central Committee. We were both very interested in planning system reform, and we greatly admired the knowledge and mentorship of Gui Shizyong, Zheng's dissertation advisor at graduate school and head of the Planning Commission's Research Office, so we had things in common.

In 1987, the Secretariat's Research Office was abolished, and Zheng was transferred to the National Information Center under the State Planning Commission. In 1989, under the guidance of Fang Weizhong and Gui Shiyong, I was placed in charge of putting together a team to draft the Eighth Five-Year Plan for National Economic and Social Development of the People's Republic of China. That team included Xinli Zheng. Afterward, until we retired, we worked together on drafts of various documents for the CPC Central Committee, State Council, and State Planning Commission. The following are the three main types of drafts we worked on together:

The first is drafts of national five-year plans and the annual report on the plan for national and economic and social development submitted by the director of the State Planning Commission to the National People's Congress. The main objectives of the Eighth Five-Year Plan were to meet people's basic requirements for food and clothing and to stabilize market prices. The primary tasks of the Ninth Five-Year Plan were to promote the transformation of the economic growth model and economic system and to complete the second stage of strategic goals for development. Once each five-year plan was approved by the National People's Congress, it was our job to write articles and readers explaining their content and publicizing the central government's major strategic decisions and policies.

The second is draft documents for the National Conference on Financial Work. During the mid-1990s, arbitrary charges, fund-raising, quotas, and fines were commonplace and real estate and development zones were booming. Under the direct leadership of the Standing Committee of the Political Bureau of the CPC

Central Committee and Vice-Premier of the State Council Zhu Rongji, these chaotic phenomena were curtailed and the financial system was thoroughly reformed. On the back of in-depth investigations and research, the central government decided to hold a National Conference on Financial Work. At the time, I was Deputy Director of the Office of the Central Leading Group for Financial and Economic Affairs and responsible for preparing documents for meetings. Zheng was also involved in this work. Neither of us was particularly knowledgeable about finance at the time, so it took a lot of effort to write the documents well. We humbly learned from colleagues well versed in business and learned through doing, eventually improving our knowledge of finance by drafting central government documents. I was placed in charge of drafting documents for the National Conference on Financial Work a further three times, and Zheng participated in that work too. Those four conferences and their documents played an important role in financial reform and development as well as promoting stable economic development in China.

The third is drafting the Report on the Work of the Government. When I was transferred from the Office of the Central Leading Group for Financial and Economic Affairs to the State Council Research Office, I was placed in charge of drafting the Report on the Work of the Government each year for most of Zhu Rongji and Wen Jiabao's premierships. Zheng was also involved in this work. The two premiers had exacting standards when it came to the reports, so we had to be extremely focused during the drafting work. We would breathe a sigh of relief each time a report received positive feedback from the National People's Congress.

In retirement, we both went to work for the China Center for International Economic Exchanges to help build a new type of think tank in China under the leadership of Zeng Peiyan.

Reflecting on our more than three decades of cooperation, I feel that Xinli Zheng's greatest attributes are his sincere love for our Party, the country, and socialism and his willingness to work tirelessly for those causes, which produced a work ethos of selflessness. We often worked overtime, yet we never complained. Though the work was difficult and tiring, it did not compare to toiling on the land like our forefathers and farmers. More than that though, we were proud and honored to have the opportunity to participate in such important work. Zheng is always eager to learn new things, focuses on understanding the overall economic situation, and is good at offering constructive opinions. He views things in a unique way and has clear ideas. He likes to discuss problems and is not afraid to propose solutions in difficult situations.

At this juncture of the 40th anniversary of the policy of reform and opening up, I feel excited when I look back at the times we spent together. I would like the above to be used as a foreword to Xinli Zheng's works.

Comments on Xinli Zheng's Academic Thoughts¹

Academic Contributions of Xinli Zheng

Xinli Zheng graduated from the Institute of Industrial Economics at the Graduate School of the Chinese Academy of Social Sciences in August 1981 and joined the economics team at the Research Office of the Secretariat of the Central Committee of the Communist Party of China. So began a 35-year career dedicated to economic policy and theory. Having helped to draft important documents for the central government concerning reform and development while working for the research offices of the Secretariat and the State Development and Planning Commission as well as the Central Policy Research Office, applying his scholarly diligence, pragmatism, and scientific rigor, Zheng wrote many theoretical papers and academic works throughout his career. These include theoretical explanations of the Party's policies, analyses of economic trends and suggested countermeasures, research on major economic issues, and experience-based comparisons with other countries. The following is a summary of Zheng's academic achievements and research ethos.

Using the Final-Goods Ratio as a Major Indicator for Evaluating Macroeconomic Benefits

In the three decades before the reform and opening up policy were introduced, China's economy was heavily skewed toward heavy industry due to a belief in the need to prioritize growth of the means of production, which led to a cycle of self-perpetuating growth in heavy industry. Each year, transportation and the

¹This is an abridged version of the "Editor's Notes" from the 16-volume *Collected Works of Xinli Zheng*.

production of coal, electricity, and oil were determined by steel output. Many of the goods being made were at the intermediate stage of production so they could not be used directly by people in their daily lives, resulting in acute shortages of everyday consumer goods. China's product structure was extremely irrational, creating very few economic benefits and preventing the masses from benefitting from economic development. China was, however, a world leader in machining, with output exceeding that of steel. Xinli Zheng studied the steel industry at university and went on to work in the industry for 15 years after he graduated. While pondering issues related to China's steel output, he began to question why China produced such a high quantity of steel and machining products, neither of which affected the lives of ordinary people. He realized that because these products are not final goods, they were irrelevant to people's consumption behavior.

After reflecting on both practical and theoretical issues, he chose to write his master's thesis on "Final Goods and the Final-Goods Ratio." Zheng's thesis analyzed the theory of prioritizing growth of the means of production in the three decades prior to China's reform and opening up policy and the country's focus on heavy industry to the detriment of light industry, which had created a shortage of consumer goods and commodities. In his study, Zheng proposed using the final-goods ratio (final goods are consumer goods, and the final-goods ratio is the proportion of the social product ultimately consumed by final consumers) as the main indicator for evaluating macroeconomic benefits. Zheng suggested that the government should formulate plans to increase final goods and raise the final-goods ratio in order to deliver more practical economic benefits to ordinary people. To this end, he created an empirical method for classifying the social product into primary goods, intermediate goods, and final goods, which provided a scientific basis for formulating plans for increasing the production of final goods. Zheng also proposed the concept of the final-goods ratio, which created an index for evaluating and adjusting the structure of production to reduce the overstock of intermediate goods and increase macroeconomic benefits. He proposed and demonstrated the need to apply his final-goods method and created a semi-dynamic input-output model to make it workable.

His suggestions were instrumental in guiding policies to focus on agriculture and prioritize development of the textile industry in the 1980s, putting an end to the era of the shortage economy. His views also enriched and developed economic theory and provided strong theoretical support for reforms in China.

Limits to Rational Investment

Under the planned economy, a chronic lack of investment and eagerness for success meant that the eventual increase in investment caused inflation and led to cyclical rises and falls in the economy, which turned into a long-term problem. The government's economic departments and the economic community devoted

considerable efforts to researching this issue. In 1983, Zheng wrote an article titled "Factors Restricting the Scale of Capital Construction," in which he proposed the idea of minimum and maximum limits to rational investment. At the minimum limit, the scale of social expansion and reproduction should at least ensure that the level of technical equipment for the increasing labor force is not lower than the average level for the existing labor force and that it gradually increases. At the maximum limit, social expansion and reproduction should enable the average consumption levels of the population, including new members of the population, not to fall below the level of the previous year, but to improve to some extent.

Based on these two criteria, Zheng formulated a method for determining optimal investment. He suggested an upper limit on infrastructure investment and recommended that it should be reduced and calculated year by year. In practice, this meant identifying two objective red lines for capital construction investment that would harm the national economy when crossed. Identifying this optimal scale of investment greatly reduces blind investment, thereby avoiding major increases and decreases in investment on the basis of subjective decisions and ensuring steady improvements in people's lives and economic development. The limits to rational investment proposed by Zheng in this paper constituted a pioneering approach to curing China's "investment hunger" at the time as well as determining a scientific scale of investment.

Establishing New Planning Functions to Improve Macro-control

From 1993 to 1998, the main challenge in terms of economic policy in China was to curb inflation. Back then, China was transitioning from a traditional planned economy to a socialist market economy. Xinli Zheng's job was to work out whether the market economy should still have an element of planning and how to switch planning functions. His view was that a market economy required a form of macro-management that differed from the planned economy.

In 1993, Zheng published a study titled "The Socialist Market Economy Requires a Strong Macro-Control System." In it, he stated that due to low productivity, a dual structure, and a focus on both industrialization and modernization, China would need to implement a catch-up strategy if it wished to achieve per capita GDP similar to moderately developed countries by the middle of the twenty-first century. He also suggested that China needed to establish a system of macro-control. The main tasks of this macro-control were, according to Zheng, to balance economic output, optimize the industrial structure and distribution of regional productivity, cultivate internationally competitive conglomerates, and protect the interests of the State and enterprises in international exchanges.

He proposed that a system of macro-control should be a coordinated, efficient, and flexible organic whole. Having sound macro-control is necessary for a modern market economy to operate healthily. The various methods of control should be

closely aligned but also check and balance each other's authority. The most important element in this respect is coordination and cooperation between planning, government finances, and monetary tools. The basis of macro-control is initiative and selectivity in macroeconomic activities. Indeed, the key to the vitality of a market economy is the ability to unleash the full initiative and creativity of producers and business operators through material interest and market competition, allowing them to choose their own business approaches and methods according to market demand and the principle of efficiency. In this way, every factor of production is used where it is most needed and to the greatest benefit based on price. Zheng stated that macro-control must unleash this initiative and selectivity and must be conducive to the normal operation of market mechanisms. It is worth pointing out that enterprises are the main market entities in macro-control, and maintaining market order and fair competition are important functions of that control.

The transition from a planned economy to a socialist market economy was a fundamental change in China's economic system. In 1994, Zheng published an essay titled "Reforming the Planning System and Transforming Planning Functions." That same year, in response to China's worsening inflation, Zheng also published "Setting Up New Planning Functions in the Course of Strengthening and Improving Macro-control." The latter study also looked at the question of how to transform planning functions and proposed that plans should rationally determine the system of macro-control, formulate policies to achieve those objectives, coordinate the use of economic levers, and use resources directly controlled by the State to maintain market stability.

Establishing an Investment System Compatible with the Market

In the course of adapting China's method of allocating resources from direct allocation by the government to using the basic role of the market under State macro-control, China's investment mechanisms underwent fundamental reform. In his 1995 work titled "Establishing an Investment System Adapted to the Requirements of the Market Economy," Zheng stated that to create investment incentives through market competition and industrial policy guidance and leverage the basic role of the market in allocating resources, it is necessary to have mechanisms that will allow the free flow of capital and other factors of production between enterprises in the same and different industries according to the laws of value and of supply and demand. He also pointed out the guiding role of national plans and industrial policies in guiding resource allocation in addition to the basic role of the market. Zheng suggested implementing industrial policies that clearly define the economic scale, product quality standards, technical processes, and overall arrangements for key national industries in specific periods, as well as stipulating corresponding preferential fiscal, tax, credit, and export policies. According to Zheng, the State also needed to support a number of large-scale

conglomerates that combine trade, scientific research, and production to expand market share and solve the issue of low-level redundant development. Moreover, as the domestic and international markets became more connected, Zheng noted the need to protect the domestic market while gradually entering the international market.

Zheng proposed constraining investment risk by implementing the “project legal person responsibility system.” This involved implementing different management methods for different types of investment projects: strengthening market regulation of investment and financing for competitive projects; broadening investment channels for basic projects; and improving investment and financing systems for public welfare projects. Zheng suggested improving control of the overall scale of investment by strengthening constraints on investment risks, establishing a sound system of investment controls, and using necessary administrative means and economic and legal means such as capital and scale controls as well as quality testing, to adjust and optimize the investment structure and foster a system of consultation, design, auditing, bidding, project supervision, and other services for investors. These suggestions were instrumental in deepening reform of China's investment system.

Establishing a Sound Macro-control System that Coordinates Planning, Finance and Taxation, and Banking

Having a system of macro-control that is compatible with a market economy is important for a socialist market economy to avoid economic fluctuations. It is also important to have a sound macro-control system that coordinates planning, finance and taxation, and banking, in order to adapt to new situations.

In the mid- and late-1990s, Zheng published a series of articles on the functions, features, and operational mechanisms of macro-control that focused on curbing inflation and expanding domestic demand. Zheng suggested that China's system of macro-control differed from the decentralized market economies of the USA and UK or the coordinated market economies of Germany, Japan, and South Korea. According to Zheng, this was mainly reflected in the three major regulatory levers of planning, finance and taxation, and banking. As such, he argued China needed to create an efficient and flexible regulatory system with Chinese characteristics that focused on developing productivity, China's level of market development, and the need to catch up with developed countries. Zheng pointed out that planning is the fundamental basis of macro-control; government finance is an important tool for structural adjustment; and the role of banking regulation is to balance the macro-economy. These three things must be coordinated to create synergy, and they constitute dynamic and balancing mechanisms of economic operations, creating the conditions for the sustained, rapid, and healthy development of the national economy.

Revitalizing the Four Pillar Industries

When the Ninth Five-Year Plan for National Economic and Social Development was being formulated, having conducted research and drawn up demand forecasts, Zheng suggested that automobile manufacturing, electronic machinery, petrochemical engineering, and construction should be the pillar industries of the Chinese economy. Zheng also organized a special discussion on the revitalization of pillar industries in *People's Daily* newspaper, and he wrote a book titled *Strategies for Revitalizing China's Pillar Industries*. Between 1995 and the 17th National Party Congress in 2007, China made remarkable progress in transforming its mode of economic growth. A notable achievement in that time was the increased share of GDP enjoyed by the four industries of automobile manufacturing, electronic machinery, petrochemical engineering, and construction, which increased from 12 to 20%, thereby confirming their status as pillar industries. The rise of these four pillar industries played a significant role in supporting the sustained and rapid growth of the national economy during that period.

Development Planning and Xinli Zheng's Collected Economic Works

In 1999, Xinli Zheng edited the book *Development Planning*. In this work, he summarized the outcomes of reform from a development perspective. This book completely reinterpreted the concept of planning as well as planning functions and theory, and it helped to popularize planning knowledge. *Development Planning* meant planning thoroughly eliminated the influence of the old planned economy, and it became a brand-new discipline. In 2000, Zheng published *On Suppressing Inflation and Expanding Domestic Demand* (Zheng Xinli's Collected Economic Works, Volume I), *On New Economic Growth Points* (Zheng Xinli's Collected Economic Works, Volume II), and *Reform is China's Second Revolution* (Zheng Xinli's Collected Economic Works, Volume III). These three works totaled over 1.2 million words and contained 178 articles published by Zheng over the space of 20 years. These collections of essays accurately reflect the trajectory of China's economic development and macro-control over 20 years of the reform and opening up policy. The articles in *On Suppressing Inflation and Expanding Domestic Demand* are mainly on economic aggregates and the economic structure. They record the whole process of China's transition from shortage to low-level surplus, the shift in the main objective of macro-control from restraining demand and inflation to expanding domestic demand, and the historic transition from being anti-inflation to being anti-deflation. *On New Economic Growth Points* included articles on pillar industries and guiding industrial cultivation and development. In it, Zheng

demonstrated the necessity and effort required to transform the mode of economic growth and analyzed the main tasks and relevant policies of optimizing the industrial structure. Zheng also pointed out the potential to support sustained and rapid economic growth in the long run, as well as the need to satisfy people's housing and educational requirements to stimulate economic growth in the new stage of economic development in the twenty-first century. Development is an absolute principle, and at the heart of *On New Economic Growth Points* is an unerring belief in using development to solve a variety of problems. *Reform is China's Second Revolution* is a collection of essays and investigative reports on the policy of reform and opening up, including enterprise reform, rural reform, fiscal and taxation reform, as well as on the programs of opening up.

A Mixed-Ownership Shareholding System as the Main Way of Achieving Public Ownership

Prior to the 16th National Party Congress in 2002, Zheng led a research team to Zhejiang Province to investigate ownership structures. He concluded the following: The key to Zhejiang's economic rise was its adherence to developing public ownership and developing various forms of ownership simultaneously; having a mixed-ownership shareholding system is compatible with developing productivity and is an extremely dynamic economic form; a shareholding system of public ownership is a new method of achieving public ownership under socialism. In his investigative reports, Zheng proposed that a shareholding system under socialist conditions is the active abandonment of private ownership, and an economy consisting primarily of a combination of labor, technology, and capital of workers should be a public sector economy; employee stock ownership essentially makes workers the owners of companies, thereby creating a direct link between workers and the means of production; employee stock ownership turns workers from producers into property owners, which helps to put people on the road to prosperity; the shareholding system gives workers investment autonomy and is compatible with requirements for developing the socialist market economy.

Guiding Non-government Capital Toward Building a New Countryside and Agricultural Modernization

On the topic of building a new socialist countryside, Zheng thought that developing the rural economy and increasing the incomes of people in rural areas should be the focus, prominence should be given to improving rural infrastructure and public services, and effective mechanisms are needed to deepen rural reform. He felt that by combining the building of a new countryside with industrialization and

urbanization, China could create positive interactions that would accelerate industrialization and urbanization and drive the construction of a new countryside.

Zheng proposed deepening rural reform through six systems: first, a stabilized and improved basic rural management system, which would clarify the development direction of household operations and unified operations; second, a strict and standardized rural land management system to encourage, support, and regulate land transfers; third, a system of fiscal support for agriculture and rural development in order to gradually equalize urban and rural public services and guide non-government capital toward rural areas and agriculture; fourth, a modern rural banking system, as the focus of rural reform should be on rural finance; fifth, a system of urban and rural economic and social development that integrates urban and rural planning, industrial distribution, infrastructure, public services, markets for factors of production, and social management; and sixth, an improved rural democratic management system that makes village affairs more transparent, develops village Party branches, uses intra-Party democracy to drive democratic decision-making, thereby leading to the establishment of a comprehensive rural democratic management system for developing community-level political power, among other things.

By the time the 12th Five-Year Plan for National Economic and Social Development was announced in 2011, the conditions for accelerating agricultural modernization in China had already been put in place: surplus non-government capital, a solution for transferring human resources, and demand for quality agricultural products. As such, China needed to seize the opportunity to encourage investment of non-government capital in agricultural modernization and encourage new entities to manage agricultural investment, including family farms, agricultural cooperatives, and agricultural companies, so as to achieve large-scale and intensive management of agriculture and make some agricultural land available for secondary and tertiary industries. To this end, it was necessary to register and certify contracted land and housing land of farmers to ensure usufructuary rights. The experiences of Chengdu, Kunshan, and Xinxiang in terms of urban-rural integration are worthy of consideration in this regard.

Changing the Economic Growth Model and then Changing the Economic Development Model

The Ninth Five-Year Plan published in 1996 proposed transforming China's economic growth model. The report of the 17th National Party Congress in 2007 proposed changing the economic development model. Before and after these two major development strategies were announced, Zheng wrote many articles discussing, rationalizing, and interpreting them.

Zheng proposed the content and primary approach for transforming the economic growth model, and his policy recommendations were ultimately adopted.

Based on the recommendations contained in the Ninth Five-Year Plan, the Fifth Plenary Session of the 14th CPC Central Committee in 1995 proposed transforming the economic growth model, with particular emphasis on transforming China's economic growth from extensive to intensive growth. The session also proposed encouraging a shift in the economic growth model by transforming the economic system. To promote research on transforming the economic growth model, in the summer of 1996, Zheng arranged the National Exchange of Experiences Meeting on Transforming the Economic Growth Model in Nandaihe, Hebei Province, on behalf of the Policy Research Office of the State Planning Commission. Leading members of the State Council, including the Premier and Vice-Premier, met with the participants. After the meeting, Zheng published *A Collection of Papers on Transforming the Economic Growth Model*, *Compilation of Experiences on Transforming the Economic Growth Model*, and *Research Report on Transforming the Economic Growth Model*. He then published an article titled "Macro-Control: Focusing on Structural Adjustments and Transforming the Growth Model" in 2004 and "Independent Innovation: The Key to Transforming the Growth Model" in 2005. In 2007, the salient issues affecting China's economic development concerned the structure of domestic demand and the country's industrial structure. China had excessive investment but insufficient consumption. Economic growth was over-reliant on industrial growth, and the lagging development of the tertiary industry was a growing concern. Zheng, who was by then Deputy Director of the Central Policy Research Office, believed that failing to resolve problems in domestic demand and the industrial structure would inhibit sustained economic growth. Zheng pointed out that transforming the structure of demand, industry, and factors of production would require a change in the development model. After much collective discussion and extensive solicitation of opinions, on the eve of the 17th National Party Congress, transforming the economic development model was proposed.

After the report of the 17th National Party Congress proposed the three transformations of the development model, Zheng wrote a series of publicity and explanatory articles. In 2009, he published "The Correct Orientation That Must be Upheld to Promote China's Economic and Social Development: On the Three Transformations," which proposed a series of measures for implementing the "three transformations." In 2010, he published "Transforming the Development Model is the Fundamental Way to Deal with Crises," which proposed fiscal stimulus policies to expand domestic demand and the need to focus on promoting the transformation of the development model. He pointed out that only by making substantive breakthroughs on the basis of transforming the development model is it possible to lead the global recovery from the financial crisis and lay a foundation for smooth and rapid future growth. It is no exaggeration to say that, from publicity to implementation, Zheng made unparalleled contributions to the topics of transforming the economic growth model and transforming the development model.

Expanding Domestic Demand

In April 1998, Zheng wrote a report titled “Problems and Suggestions for Ensuring a Growth Rate of 8% This Year,” which advocated expanding domestic demand. Chinese investment, consumption, and exports had all suffered as a result of the Asian financial crisis. To ensure economic growth, Zheng suggested that China should increase infrastructure investment to drive investment demand and create a material foundation for future economic development. That same year, he also published a paper titled “Expanding Domestic Demand: A Detailed Explanation of China’s New Economic Policy,” in which he argued that expanding domestic demand was a basic policy that should be implemented over the long term in combination with optimization and upgrading of the industrial structure and with the focus on increasing consumption (the paper also included measures for increasing consumption). In 1999, Zheng published “Expanding Domestic Demand: An Important Strategic Approach,” which identified an expansion of domestic demand as the jumping-off point for China’s economic development as well as a series of specific measure for achieving such an expansion. In 2003, in “Development Needs New Ideas,” Zheng pointed out the need to gradually increase the proportion of GDP accounted for by consumption and to shift the focus from expanding investment to expanding consumption. He argued that increasing incomes of urban and rural residents and cultivating new consumption hotspots would increase non-government investment, and he advocated taking a new industrialization path to create an industrial distribution led by high-tech industries and supported by manufacturing industries and a comprehensively developed service industry.

Proposing Consumption “Engines” Coordinated Development of the Real Estate, Automobile and Stock Markets, and the “Two Increases” Plan

Zheng has long been a proponent of the positive effect of consumption on economic growth. In the 1980s, he wrote a series of articles on correctly handling the relationships between accumulation and consumption and between developing production and people’s lives, emphasizing that the basic objective of production is to satisfy growing material and cultural needs. When China was expanding domestic demand in the late-1990s, he wrote an article emphasizing the need to focus on stimulating consumption in order to improve people’s living conditions. Later, he again pointed out that food, clothing, housing, cars, and tourism are the “engines” of consumption. From 2003 to 2008, amid a new round of economic growth, investment in China rose to a new historic high, while household consumption fell to a historic low. After analyzing a large volume of data, Zheng suggested adjusting

the income distribution structure and greatly increasing domestic consumption. He also suggested coordinating the development of the real estate, automobile, and stock markets (the main engines of the economic development at the time) to expand the domestic market. Zheng made three policy recommendations for coordinating the development of the three markets: using adjustments to real estate policies and institutional reforms to enhance the development of the real estate industry, meet demand in the multilayered housing market, and fully utilize the stimulatory role of the housing industry on the national economy, in order to ensure the continued prosperity of the real estate market; expand car consumer credit, improve the environment for car use, and formulate policies to encourage purchases of hybrid vehicles and small- and medium-sized cars with low emissions, in order to encourage increased car consumption; and promote the stable and healthy development of capital markets and use capital markets to support the continued prosperity of the real estate and automobile markets, and strive to make both those markets important industries for driving the growth of the national economy.

Based on the guiding principles of the 17th National Party Congress, Zheng issued his “two increases” proposal at the National Committee of the Chinese People’s Political Consultative Conference, which consisted of increasing urban and rural residents’ income as a proportion of gross national income and increasing the household consumption rate. In his proposal, Zheng suggested trying to increase urban and rural residents’ income as a proportion of gross national income from 43 to 53% and the household final consumption rate from 35 to 50% in 3 to 5 years. Zheng believed this to be highly achievable and that increasing them by such a large margin would greatly alter the demand structure as ordinary people’s income and consumption increased markedly, boosting the effect of consumption on economic growth. For almost three decades, Zheng has repeatedly called for increased consumption and less investment waste as well as more restructuring to allow the masses to benefit from economic development. Nobody has been a greater champion of this viewpoint than Zheng, which gave rise to his nickname, “Mr. Consumption.”

Proposing Ways to Achieve Independent Innovation

Zheng looked at the experiences of Chinese enterprises in terms of independent innovation and proposed the following ten ways to increase it: first, introduce, digest, absorb, and re-innovate; second, innovate through system integration; third, conduct original innovation; fourth, integrate technology acquisition with trade and accept tenders from international companies; fifth, acquire intellectual property rights (IPR) through international mergers; sixth, set up R&D institutions abroad or entrust foreign R&D institutions to create independent IPR; seventh, work with foreign countries on R&D and share results; eighth, design in China and manufacture abroad, or import key components and manufacture in China; ninth, make innovation breakthroughs in key components and key links to gradually create

independent IPR; tenth, combine production, study, and research. Zheng also pointed out that innovations by tertiary industry are primarily format innovations, i.e., business model innovations.

Proposing to Include the Increased Value of Intangible Assets in Assessments of the Maintenance and Appreciation of the Value of Assets of State-Owned Enterprises

State-owned enterprises (SOEs) contain a large pool of innovative talent, allowing them to take the lead in technological advancement within their industries, and Zheng believes they should become the primary driving force of independent innovation. However, because assessments of the maintenance and appreciation of the value of assets of SOEs only considered tangible assets and not intangible assets, patents and technological achievements resulting from R&D are not included the scope of such assessments, which suppressed enthusiasm for R&D among enterprises and contributed to a short-term approach to business decision-making. In response to this, Zheng conducted investigations and wrote many articles calling for improvements to indicators for assessing SOEs. He even submitted a special proposal to the Chinese People's Political Consultative Conference. In the end, this incident attracted the attention of departments in charge of managing state-owned assets who formulated suggestions to encourage SOEs to increase R&D investment and to play a central and leading role in independent innovation, as well as to include intangible assets, such as technology and patents, when assessing the maintenance and appreciation of assets.

Proposing Increasing Chinese Exports and a Focus for Overseas Investment

Zheng believes that there are two factors constraining China's long-term economic development: the energy and resource bottleneck and the technology bottleneck. China has huge foreign exchange reserves, but to ensure their security and efficient use Zheng argues that China must expand foreign investment and transform some or most of its foreign exchange reserves into resource and material reserves. In response to the 2008 financial crisis, Zheng suggested combining China's substantial foreign exchange reserves and excess production capacity by exporting capital to drive Chinese exports of goods and services, thereby placing China at an advantage in the global economy. Zheng argued that increasing overseas investment would achieve multiple objectives, including creating demand for exports, overcoming the energy and resource bottleneck, improving independent innovation and international operations, and promoting the internationalization of RMB.

He proposed that creating demand for Chinese exports through overseas investment could be achieved in at least five areas. The first is by expanding investment in energy and resources overseas, which will drive exports of Chinese exploration and excavating equipment, as well as meet demand for energy and resources in China. The second is by expanding overseas processing trade, which would drive China's manufacturing exports, especially parts and components. Third is by expanding economic aid to developing countries, thereby driving exports of Chinese equipment and services. Fourth is by increasing consumer credit for exports of Chinese mechanical and electrical products. Fifth is by increasing exchanges of RMB so that countries that would like to buy Chinese goods but lack the ability to pay can buy Chinese goods in RMB and repay loans with energy and resources. Zheng also suggested increasing the international competitiveness of Chinese enterprises by increasing international mergers and acquisitions to access the innovative resources and international marketing networks of international enterprises. These views have strong practical significance.

Three Major Opportunities Presented to China by the Global Financial Crisis

In the second half of 2008, the global financial crisis caused China's export market to shrink, seriously impacting its economic growth. Zheng looked at how to turn the challenge of the crisis into an opportunity and to convert pressure into impetus. In early 2009, he wrote a report in which he suggested that the current crisis presented China with three major opportunities: for international mergers and acquisitions, for expanding domestic demand, especially consumption, and for the internationalization of RMB. His views reflect the dialectical way of thinking, which not only enhances confidence but also translates into macroeconomic policies.

Proposing Policy Recommendations for Transforming Inflationary Pressures into Motivation for Industrial Upgrading

In 2011, the Chinese economy faced inflationary pressures. Guiding excess liquidity to achieve steady and rapid economic growth while maintaining stable overall prices was a severe challenge at the start of the 12th Five-Year Plan period. Zheng analyzed the situation and proposed reducing the price of agricultural products, with the focus on the "vegetable basket" (non-staple food supply) project, reducing house prices by constructing affordable housing, and reducing the price of imported iron ore through overseas investment. Zheng believed that increasing effective supply would suppress commodity prices that were rising excessively. Moreover, he felt that by reasonably guiding capital investment, excess funds could be directed to much-needed industrial upgrading, including capital markets,

strategic emerging industries, public services, infrastructure, agricultural modernization, tertiary industry, and overseas investment. Zheng maintained that as long as China worked hard in this direction, it would be possible to maintain rapid economic growth while stabilizing prices.

Establishing the Two Disciplines of Modern Policy Science and Development Planning

As its economy develops, China urgently needs a new theoretical system to support it. It also needs to adapt to the new discipline of market economics to methodically summarize and provide theoretical guidance for China's planned system reforms, policy research and utilizing the fundamental role of the market in allocating resources. In the 1990s, the books *Collected Works of Modern Policy Research and Development Planning*, both edited by Zheng, proposed a number of innovative theories that led to two new disciplines in China. Policy has been an important tool of the Communist Party of China for seizing political power and long-term governance, and it has been a key to its success. Although policy is important to the Party, the theoretical system of policy studies has lagged behind practice, and it is still not a complete discipline like law. Based on his practical experience in policy research over more than three decades, Zheng looked at the theory behind policy science and made significant contributions to establishing it as an independent discipline. Zheng led China's policy research community in conducting comprehensive research concerning the basic theories, methodologies, foundations, hierarchy theory, and department theory of policy science as well as descriptions of domestic and international policy research institutions and domestic and international policy research practices. This gave China a complete theoretical system of policy research for the first time and provided a solid theoretical foundation for policy research in China.

The discipline of development planning founded by Zheng refers to development planning under the socialist market economy. As a discipline, it looks at how to improve the organization of society, accelerate economic development, and improve the productivity of the whole of society. It reflects the requirement of developing a socialist market economy, explains the objective laws of economic and social development, and discusses the relationship between planning and the market under the socialist market economy. The discipline has established a complete system of medium- and long-terms plans, annual plans, and special plans. It particularly emphasizes the need for plans to complement market conditions in order to better utilize the functions of government and the role of the market in allocating resources so as to make the visible and invisible hands work together in economic and social development and provide institutional support for realizing the main task of socialism, namely increasing productivity.

Research on the Innovative Huai River Economic Zone Strategy

To support the development of the Huai River Basin and benefit the people, Zheng organized for various parties to research the development strategy of the Huai River Economic Zone. Zheng spent 3 years traveling up and down the Huai River conducting investigations and research and repeatedly demonstrating theories before publishing a research report titled “Accelerating Development of the Huai River Ecological Economic Zone as a Strategic Fulcrum for Expanding China’s Domestic Demand,” which was well received among leaders of the State Council.

This research led by Zheng created a number of firsts. It was the first research project to focus on the Huai River Basin and propose administrative recommendations. Previous research on the development of the Huai River was conducted by individual departments or localities. This was the first time civil forces from agriculture, water conservancy, industry, transportation, tourism, and other sectors joined forces for the sake of research. This was achieved with the help of the development and reform commissions of Henan, Anhui, and Jiangsu provinces, allowing researchers to overcome departmental or regional restrictions and form effective synergies in a number of areas. Zheng’s research was pioneering in that it considered a whole river basin, providing valuable experience for conducting research on other river basins. Previous research on the Huai River concentrated on flood control; this was the first time the Huai River Basin had been researched from the perspective of development.

Zheng’s innovative development model for Chinese river basins proposed developing the Huai River into China’s third great waterway after the Yangtze and Pearl rivers and to develop the Huai River Economic Zone into the fourth growth pole behind the Pearl River Delta, Yangtze River Delta, and Bohai Sea. His suggestions have provided a wonderful blueprint for the development and utilization of the Huai River Economic Zone, with practical and feasible policy measures. Under Zheng’s impetus, the provincial governments of Fujian, Henan, and Jiangsu submitted a joint report on developing the Huai River Economic Zone to the State Council.

Two Recommendations Adopted by the Central Government That Had Significant Economic Benefits and International Impact

The two reports “Problems and Suggestions for Ensuring a Growth Rate of 8% This Year” and “On Setting Up an Asian Infrastructure Investment and Financing Institution Led by China” are prime examples of research results being used in national decision-making.

In response to the 1997 Asian financial crisis, Zheng wrote a report titled “Problems and Suggestions for Ensuring a Growth Rate of 8% This Year” in April 1998, which advocated increasing national debt to build infrastructure and thereby

expand domestic demand and solve the problem of deflation in China. The report was submitted to the State Council by the State Planning Commission and was ultimately adopted by the central government. In April of the same year, the State Council decided to issue an additional RMB 100 billion of long-term development bonds and ordered banks to lend a further RMB 100 billion. This policy was implemented for five consecutive years and was instrumental in the following six major events: reconstruction of rural power grids, construction of urban infrastructure, construction of highways, reinforcement of levees along the Yangtze River, construction of a national grain store, and better facilities to allow the enrollment of more college students. This policy not only allowed the completion of dormant projects, it also supported steady and rapid economic development and laid a solid foundation for a period of golden development characterized by high growth and low inflation over the following decade.

In March 2009, Zheng proposed establishing the Asian Infrastructure Investment Bank and the Asian Agricultural Investment Bank at the Boao Forum for Asia. In July 2013, Zheng wrote "Proposal on Establishing an Asian Infrastructure Investment and Financing Agency Led by China," which was submitted to the Party Central Committee and the State Council by the China Center for International Economic Exchanges and was well received by central government leaders. In October 2013, President Xi Jinping held talks with Indonesian President Susilo Bambang Yudhoyono in Jakarta, where he announced China's initiative to establish the Asian Infrastructure Investment Bank (AIIB). The main purpose of establishing the AIIB was to assist the construction of infrastructure in Asian-Pacific countries for the sake of greater interconnectivity and economic development in the region. On October 24, 2014, finance ministers and authorized representatives of 21 founding member countries, including China, India, and Singapore, signed an agreement in Beijing to establish the AIIB. On June 29, 2015, representatives from 57 member countries of the AIIB attended a signing ceremony in Beijing to mark the founding of the bank. China has a shareholding of US\$29.78 billion and 26.06% of the voting rights in AIIB, giving it the largest shareholding and voting rights of any member country. Establishing the AIIB was a key step in the internationalization of RMB. It has changed China's position in the world economy, been pivotal in raising China's international profile and is a pragmatic step in changing the pattern of global and international governance. Commentators agree that the founding of the AIIB is a wise move by China. The famous economist Joseph Stiglitz has spoken in positive terms about the AIIB and believes that 2015 will be remembered as the first year of China's financial era.

Proposing a Zhoushan Archipelago Free-Trade Port

After the State Council established the Zhoushan Archipelago New Area, the government considered how to make best use of the islands. Zheng was tasked by the Zhejiang Provincial Government and Zhoushan Municipal Government with

organizing a research group to conduct a thorough investigation of the Zhoushan Archipelago. Zheng reported that the establishment of the Zhoushan Archipelago New Area is strategically significant for building a new growth pole of national economic development, for building a new platform for China to expand overseas trade, for providing a demonstration of how to develop national marine economics, and for improving the security of national strategic resources. Zheng proposed developing Zhoushan in three phases. The first phase is making the archipelago a free-trade port, then creating a free zone and then developing a free port area. The Zhoushan Archipelago New Area Development Plan approved by the State Council proposed developing the first free port area in China, echoing Deng Xiaoping's ideas for Hong Kong. Zheng's research report also proposed constructing a second sea bridge across Hangzhou Bay, connecting Fengxian in Shanghai to Ningbo via the Zhoushan islands of Dayangshan, Lushan, and Zhoushan. The crossing would be a dual-purpose highway and railway bridge, providing seamless vehicle and rail connections around Hangzhou Bay. The bridge would allow the Zhoushan deep-water port to be utilized to its full potential and develop Zhoushan into an international logistics hub. The research report also proposed building a large environmentally friendly petrochemical base on Daxiaoyushan Island. After further work, Zheng proposed focusing on the development of petrochemical products, which there are a shortage of in the domestic market, to replace imports and utilizing private capital in Zhejiang to construct a petrochemical base and other projects. These recommendations have been included in the development plans of the State Council, and a number have already been implemented.

Xinli Zheng's Philosophy and Work Style

Realistic, Pragmatic, Rigorous, and Innovative

“Learn earnestly and sufficiently to be able to teach others, and behave in a manner that serves as an example to others.” In his research, Zheng adheres to an ethos of being realistic, pragmatic, rigorous, and innovative. He is a prolific reader but is not a slave to theory. Zheng views China's reform and development as an unprecedented undertaking with no ready-made experiences to follow or books to provide simple answers. In this era of huge economic and social change in China, new problems are constantly emerging, so it is necessary to study and resolve issues as they arise. This requires constant emancipation of the mind, bold innovation, and the development of economic theories.

Zheng seeks to emulate the eminent Chinese economist Sun Yefang and be bold enough to hold his own views as well as seek to bring people over to his way of thinking based on thorough research. He insists that research should be based on practice for conclusions to stand up to scrutiny.

“Those who fail to plan for the long term will not be ready in the moment; those who do not adopt a global perspective will miss out on local knowledge.” Zheng insists on analyzing problems from a holistic and long-term perspective and observing problems from a dynamic perspective. He tries to understand China's economic situation, but also understand the world economy so as to analyze China within the wider context. For many years, he has dreamed of and struggled to make China rich and strong. His forward-looking perspective, adoration for his country, and concern for its people are reflected in his research results, and he deeply influences those around him.

Connecting Theory and Reality

Zheng believes that the most important quality a policy researcher can have is the ability to connect theory and reality. He believes that faced with complicated and constantly changing problems, effective solutions can only be found by looking first at reality. China's economy is in a catch-up period of rapid growth. There are many complex tasks to overcome in reform and opening up as well as in economic development to achieve the objective of building a moderately prosperous society in all respects by 2020 and basically achieving modernization by the middle of the twenty-first century. Many new economic theories need to be explored, and many problems in reform and development need to be resolved. This requires theoretical thinking and interest, bold innovation, and the development of economic theory. Zheng has long been engaged in economic theory and economic policy research, and he has a broad economic vision. He often says that he would like to improve China's innovation capabilities, the quality of its research and promote the infiltration and integration of research in different fields. He is sensitive to trends in economic operations and has his finger on the pulse of economic development. Zheng has been studying China's economic situation for more than 30 years. His research results are understandable, his methods are rigorous, and his analytical reasoning is clear and concise.

Zheng reaches his own theoretical understanding on the basis of in-depth investigations and independent thinking. His theory of ownership is that an economy with mixed forms of ownership is the most dynamic and fastest growing and that it is compatible with the public ownership model in the primary stage of socialism. Zheng believes China should establish a macroeconomic policy system that is suited to China's national conditions and with Chinese characteristics.

His theory of macro-control is based on his belief that China needs a strong macro-control system, so it needs to establish new planning functions to strengthen and improve macro-control and that emphasize the vital function of enterprises in the market. He proposed that national macroeconomic control policies and

macroeconomic plans should be coordinated annually and in the medium and long term and that China should establish sound macroeconomic controls that coordinate planning, finance and taxation, and banking.

In terms of his analysis and research of China's sustainable development practices, he stated that the main problem facing the Chinese economy after 1998 was a lack of demand, especially a lack of domestic demand. He feels that expanding final consumption, that is the consumption requirements of the Chinese people, provides the main impetus for economic development. On top of that, he believes in expanding investment in infrastructure and public services. And he proposes creating demand for exports of Chinese goods and services by expanding overseas investment.

Zheng believes in adhering to a combination of "bringing in" and "going out," paying equal attention to both foreign investment and overseas investment and improving China's ability to utilize two markets and two types of resources. He also believes that it is necessary to take advantage of China's foreign exchange reserves and surplus industrial production capacity to actively implement the "going out" strategy.

In-depth Investigations and Research

Xinli Zheng particularly values field research. From desert slopes to far-flung islands, he has travelled the length and breadth of China. Wherever there is a positive example to be learned from, he works tirelessly to investigate, summarize, and promote that example.

To unleash the potential of the Huai River Basin, Zheng spent 9 days conducting in-depth research in cities and rural areas along the length and breadth of the river. At the end of his research, he suggested establishing the Huai River Economic Zone, which was developed into China's third great waterway and fourth growth pole.

Zheng also led research teams to rural areas of Heilongjiang and Henan provinces to study how to deepen rural reform by promoting agricultural modernization, build a new countryside, and narrow the gap between urban and rural areas. His research led him to suggest that agricultural modernization, building a new countryside, and granting urban residency to migrant workers are the three main approaches for integrating urban and rural areas, but that the focus should be on reforming the rural land system. Zheng believes these to be fundamental measures for overcoming downward pressures on the economy, creating a moderately prosperous society in all respects, avoiding falling into the middle-income trap, and becoming a high-income country. It will also support the sustained and healthy development of the national economy.

Learning from the Economic Systems and Development Models of Other Countries

Zheng looks at the experiences of other countries to make practical recommendations for developing China. By conducting comparative analyses of national macro-control systems and development policies, Zheng learns what works for other countries and then proposes corresponding measures tailored to China's circumstances.

Establishing a New Type of Think Tank in China

In the 1990s, Zheng travelled to the USA to learn more about think tanks. In 1995, he edited a paper titled "The US Technology Market and the Information Consulting Market," which introduced the workings of US think tanks to Chinese readers. It has long been Zheng's wish to establish a world-class think tank. In 2008, he introduced the idea of creating a new type of think tank in China: a non-governmental think tank. The China Center for International Economic Exchanges was set up in March 2009, with Zheng appointed as a permanent vice chairman. In June of the same year, the First Global Think-Tank Summit was held in Beijing. Representatives from famous Chinese and international think tanks attended the summit to discuss global development. It was a great success. Former US Secretary of State Henry Kissinger said at the meeting how simple and important an idea it was but that it had never been done before. From a scholarly official to the head a leader of China's new think tank, Zheng has always been at the forefront of central government decision-making, State governance, and academic research in China. Even in his retirement, Zheng hopes to develop the China Center for International Economic Exchanges into a world-class institution and to make useful contributions to creating a new type of think tank with Chinese characteristics.

Proposing Urgent Monetary Policy Support to Stabilize Growth

Through his analysis of the role of the relationship between the M_2 money supply and GDP growth in the process of industrialization and urbanization in developed countries and emerging economies, and looking at the problems in China's economic development after 2011 within this context, Zheng surmised that lower growth of the M_2 money supply was the fundamental cause of the economic downturn. He wrote the article "Stabilizing Growth Urgently Requires Monetary Policy Support" in response to downward pressures on the Chinese economy, which stated that a proactive fiscal policy and moderately loose monetary policy should be implemented to reduce interest rates and appropriately increase currency in circulation. The article was published on June 12, 2015, and it was quickly

shared on a number of Web sites and garnered a strong public reaction. His proposals were soon adopted by relevant departments. On June 27, 2015, the People's Bank of China (PBC) announced that it would cut interest rates and make targeted cuts to required reserve ratios starting on June 28. This was the first time that the central bank had adopted the dual measure of cutting interest rates and reserve ratios at the same time. On August 26, the PBC announced another cut in interest rates to loosen monetary policy and stimulate economic growth.

Proposing Building a New Socialist Countryside

To formulate the 11th Five-Year Plan and to make progress with solving problems in work relating to agriculture, rural areas, and the rural population as well as with the economic and social development of rural areas, personnel from the Central Rural Work Leading Group Office, Ministry of Finance, Ministry of Housing and Urban-Rural Development, PBC and Guizhou Province visited South Korea to learn about the "Saemaul Undong" (New Village Movement). Zheng, the then deputy director of the Central Policy Research Office, was asked to head up the delegation. After returning to China, the delegation submitted their research findings in two papers titled "Investigative Report on South Korea's New Village Movement" and "Suggestions on Building a New Socialist Countryside," which suggested emulating South Korea by making the construction of a new socialist countryside one of China's major strategies to ensure its effective promotion. Zheng later published papers including "Learning from the Experience of the New Village Movement in South Korea and Accelerating Building a New Countryside in China," "Promoting Development of a New Countryside is an Important Way to Achieve a Moderately Prosperous Society in All Respects," "Building a New Countryside Requires System Design," and "Integrating Rural Reforms and Building a New Socialist Countryside," which played a positive role in promoting the new socialist countryside policy and improving rural development.

Focusing on Countermeasure Research and Providing Results for Use in Formulating Central Government Economic Policy

The purpose of Zheng's research is to aid central government decision-making. Zheng's philosophy is that he does it because it is helpful. Over the many years of his policy research, he has constantly developed new ideas and perspectives by studying problems in reform and development that China urgently needs to solve, and he has constantly focused on converting his results into State policies. He has channeled his energy into researching drafts of central government documents and on interpreting, publicizing, and implementing the guiding principles of central government documents. Zheng's main work consists of helping to draft important documents for the central government. Most of the time he does economic policy

research at central government policy research institutions and the Comprehensive Economic Management Department of the State Council, where he has had the opportunity to experience the whole process of China's reform, opening up and economic development as well as to participate directly and indirectly in the generation, introduction, and implementation of major economic decisions in the course of reform and opening up.

Zheng has been involved in macroeconomic theory and economic policy research for many years and has done thorough research and possesses unique insights in areas including reform of planning and investment systems, macroeconomic controls, and medium- and long-term development policies. He always starts from China's realities when suggesting theoretical opinions or policy recommendations. Many of his views and opinions have been made into implemented policies, and some of his predictions have come to pass. His research and policy recommendations on issues such as adjusting the industrial structure, transforming the economic growth model, expanding domestic demand, and transforming the economic development model have played an important role in solving problems in China's economy at various stages. From a new type of think tank to the Asian Infrastructure Investment Bank, from the Zhoushan Archipelago New Area to the Huai River Economic Zone, from proposing perspectives to implementing in practice—all these things reflect Zheng's focus on solving practical problems. He has always insisted that research results and policy recommendations must conform to China's national conditions. Such results are only meaningful if they are used in the country's development plans, strategies, and policies measures.

Most of Zheng's economic papers and published works over the years have focused on macroeconomic control, medium- and long-term development strategies, and major economic policies for reform and opening up. They have included theoretical explorations, proposed policy recommendations, interpreted central government documents, or reflected research results. His views are highly predictive and forward-looking, and they are concerned with the development of China's economy. He has grappled with pertinent and thorny economic issues in each period, which has made his research realistic and policy-oriented. Zheng's thoughts have advanced with the times, and he has always stood at the forefront of his field. His various proposals and suggestions provide strong theoretical guidance and will have great practical value for a long time to come.

Scientific Analysis that Combines Qualitative and Quantitative Elements

Zheng pays significant attention to combining qualitative and quantitative analyses in his research. This is evident from his articles. He believes that economic events are unique and complex, so research should include both types of analysis to grasp accurately the essence of phenomena. He uses this method to try to reveal inherent economic laws in various phenomena and economic data in order to understand

their true nature. Zheng strives to reveal the relationships between things. Only when a correct judgment has been made based on scientific analysis does he put forward practical and feasible policy recommendations. It is perhaps his science and engineering background at university that led to his special interest in data and his insistence on using it in his research. When expressing his thoughts, opinions, and research results, he uses a lot of informative data and examples to try to make them more persuasive. This makes his results reliable, his recommendations reasonable, and his measures effective, as well as being more actionable and convincing as intellectual support for economic decision-making.

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Preface

After graduating from the Graduate School of the Chinese Academy of Social Sciences in 1981, I started my career in economic research at the Research Office of the Secretariat of the CPC Central Committee. In 1987, because the Research Office was closed, I was transferred to the National Planning Commission and spent the initial 2 years at the State Information Center, before moving to the National Planning Commission's Research Office. In 2000, I was transferred back to the Central Policy Research Office of the CPC Central Committee, where I remained until my retirement in 2013. In 2009, I assisted Mr. Zeng Peiyan in founding a social think tank—the China Center for International Economic Exchanges (CCIEE)—to continue my dedication to economic research and international exchanges.

As you can see from my experience of the past 40 years of China's reform and opening up, I have always had the honor of studying economic theory and conducting economic policy research at CPC central-level institutions. Since the 1990s, I have been involved in the drafting of CPC central documents. I have participated in the drafting of the eighth through 12th five-year plans and four key CPC reform documents: the Decision on Establishing the Socialist Market Economy at the Third Plenary Session of the 14th CPC Central Committee, the Decision on Improving the Socialist Market Economy at the Third Plenary Session of the 16th CPC Central Committee, the Decision on Rural Economic Reform at the Third Plenary Session of the 17th CPC Central Committee, and the Decision on Comprehensively Deepening Reform at the Third Plenary Session of the 18th CPC Central Committee. Furthermore, I have also taken part in drafting the political report to the 17th National Congress of the CPC. For work reasons, my research has been largely focused on producing and interpreting CPC central documents and addressing problems regarding their implementation. Therefore, the articles in my *Collected Works* truly provide a sideline view of the evolution of China's development strategies, guidelines and policies and systems and mechanisms since reform and opening up began. It also reflects the various difficulties and conflicts in different historical periods and depicts how one by one these problems have been solved. Of course, the vast amount of information in my *Collected Works* also reflects the hard

work I have put in over the years, the creative approach I have taken to economic research, and how the research of an individual can be integrated into the tide of our times.

Through my experience in economic policy and theory research work over the previous four decades, I have come to see the following points as being critical:

Economic research must start with China's realities. The purpose of the economy is to help people enjoy a good quality of life and make the country stronger. How China's economy is to catch up with those of the developed countries is the central mission of economic research. China's national conditions—a large population and imbalanced economic development—have determined that we must find a suitable development path which fits our realities. Good solutions come from the people. Therefore, economic researchers must work on the basis of reality and try their best to find and summarize effective approaches to local economic development. They should also strive to see their experience transformed into national policies and theories. In doing so, they can contribute to the growth of the country as a whole. For many years, whenever I heard about some place implementing good practices, I would rush there to conduct field research and surveys. The articles I wrote, the reports I submitted, and the suggestions I raised were all supported by concrete cases. They were by no means empty talk. This is what we call being down to earth. I persist with my points, because they are based on reality.

Economic research must be based on quantitative analysis. Economics is a form of sophisticated science. Interactional parameters in the modern economy can illustrate varied economic performances. Without specific, dynamic economic data, it is impossible to make correct analyses and judgments on the health of the economy. Many economic rules are derived from analyzing massive economic data, so research in this field requires a strong interest in and a high sensitivity to data. I generally ensure there is ample data to support my arguments and points. And this tends to be one of the reasons why they are cogent.

An economic researcher must think independently instead of blindly worshipping authority, because economics is a science that studies objects that are constantly changing. As a large developing country, China has continually faced various conflicts and problems in different historical periods due to rapid economic growth and rapidly changing economic systems. My personal experience is that if you attempt to adopt old methods to solve new problems, it will only throw you off the right track. When I was working at the National Planning Commission, we were continually fighting against inflation between 1993 and 1998. Then after 1998, we had to make a sharp turn to deal with deflation. While we were curbing inflation from 1993 to 1998, we were working to expand domestic demand from 1998 to 2003. If you dwell on established rules, it can lead to huge mistakes. When new problems arise, no one can tell you how to solve them, nor can you follow the usual practices. What you must do is seek truth from facts, think independently, and solve the problems independently. Researchers in think tanks should express their own independent views. They should never just parrot the opinions of others or try to guess what leaders think about a certain topic, because what leaders need most are a researcher's independent views. As long as they are based on independent research,

he or she must, regardless of disagreement, stand by these views. For history has repeatedly proven that the truth is always in the hands of the minority.

An economic researcher must have a global vision and endeavor to take inspiration from international comparative studies. Economics as discipline is international in nature. Developed and developing countries have different national conditions, while every country, regardless of size, has its own characteristics. China is a country that has developed later than many others. It should take advantage of this by learning from the experiences of developed countries to accelerate its own development and achieve the goal of seeing the latecomers surpass the old-timers. In the early 1980s, we learned mainly from Japan how to formulate industrial policies and then drew upon Germany and US experiences of macro-regulation. I personally was able to broaden my horizons and gain inspiration as a result of visits to a number of fast-developing small economies. In the Republic of Korea I learned about industrialization, in Ireland about leapfrog development, in Finland and Israel about science, technology, and education development, in the Netherlands about high-efficiency agriculture, in India about the software industry, and in France about rural cooperative development. As part of the drafting of the Law on Tendering and Bidding, I visited a number of relevant international organizations and developed countries. I have visited the USA 15 times for research purposes, during which I conducted fruitful and in-depth studies from various perspectives. China has made tangible progress over the past four decades since reform and opening up began, but there is still a huge development gap compared with developed countries. In order to avoid the middle-income trap and join the ranks of high-income countries, we should act as modest students and study the strengths of all nations and the wisdom of all peoples, with the goal of advancing and maintaining healthy and sustainable economic development.

Economic researchers must be eager to learn and work hard. Economics is a science that requires knowledge and the accumulation of experience. In the Research Office of the Secretariat of the CPC Central Committee, I had the honor to work under the leadership of Mr. Mei Xing. He is a noble-hearted and extraordinarily talented revolutionary. He always told us that the philosophy of the Research Office is to work for no fame or fortune. This has left a deep impression on me; no matter where I go, I always remember this motto. Researchers in think tanks must read, see, think, and write as much as they can to improve their skills, especially when they are young and energetic. At the National Planning Commission, I often worked late into the night. My colleagues also had a great passion for work. Anyone who stayed behind to work overtime did not feel a sense of loss. A document usually needed to be revised many times, the result of which would sometimes be rejection and an order to start all over again. The formulation of the CPC central documents is one of the most democratic processes in the world. Members of the drafting team treat each and every character as a matter of great importance to the Party's undertaking and the People's interests. It could be said that working hard and working meticulously are the basic requirements for an economic researcher in a think tank.

My students used to ask me how I managed to write so many articles while burdened with so much work. I am keenly aware that while I was working hard, my mother devoted so much of herself to my family and my kid. Although she is now 91 years old, she still insists on climbing ladders as a way of exercising. One of the things she passed onto me was tenacity. In addition, my old wife, a Professor at Peking University Health Science Center, did almost all the housework, so I could focus on my research. Zheng Zhe, my son, did not enjoy much company or help from his father while he was growing up. He was usually asleep by the time I had returned home. I feel a sense of shame that I did not fulfill my responsibilities to my mother, wife, or son. These articles are the results of their dedication.

I want to thank my student Xu Wei who scoured so many libraries and Web sites and found and printed out so many articles and papers for me. I also want to thank my editor Xu Lin for her careful correction and refining of the drafts.

Should you read my book and find it useful, it shall give me great satisfaction as I shall know my work has not been without value and I have not been idling away in this great era.

Beijing, China
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Xinli Zheng

Preface to the English Edition

Over the past 40 years from 1978 to 2018, China has achieved economic miracles recognized the world over. Its reform and opening up program have been a fundamental reason for these miracles. In the 1980s, we focused on rural reform by implementing the household contract responsibility system with remuneration linked to output and developing rural enterprises. As a result, we ensured adequate clothing and food for people, brought an end to the history of commodity shortages, and kick-started China's economic takeoff. Internationally, we mainly drew upon the experience of Japan and the Four Asian Dragons—Hong Kong (China), Singapore, the Republic of Korea, and Taiwan (China).

In the 1990s, we vitalized the four pillar industries of electronic machinery, petrochemical engineering, auto-manufacturing, and construction by advancing reform of the macro-management system of which SOE reform was the centerpiece. This reform powered vital and rapid economic growth. During this period, we gradually came to see the value in learning from Germany and the USA in terms of macro-regulation.

In the first decade of the twenty-first century, we developed infrastructure construction by issuing long-term construction bonds. This would pave the way for the world's largest highway, high-speed railways, and communications networks and help us achieve a golden decade of growth. During this time, we continued learning from other countries; we drew lessons from Finland's valuable education system, Israel's advanced science and technology, and Ireland's development of the software and biopharmaceuticals sectors by building free-trade zones. We also learned much from India's booming software industry and the highly efficient agriculture of the Netherlands. Therefore, China's success in reform and opening up is a result of learning from other countries, but it is also based on our own realities.

In the second decade of the twenty-first century, the changes in China's development pattern prompted us to promote reforms and adjust the economic structure. In the demand structure, we worked to strike a better balance between investment and consumption and make consumption the greatest driver for economic growth in place of investment. In the industrial structure, we reformed the tax system to encourage the development of the tertiary industry and become a

growth area of the economy. In the factor structure, we worked to ensure that technology, management, and the quality of the workforce played their role in growing the economy. Changes in the development pattern brought about progressive improvements in the quality of economic growth.

China's successful experience belongs also to the world and to humanity. Though China does not proactively promote its experience, its economists have a responsibility to review the Chinese development process and the major policy measures it has taken in the past 40 years and to introduce them in foreign languages so that they are available to any country or think tank that is interested in our experience of reform, opening up, and economic development. The content of this book is drawn partly from my 16-volume collected works published last year and also includes six articles written in the second half of last year. These articles are my most recent and are categorized under different subject areas in chronological order in each section. The appendices of the book include the main arguments of my economic research and the original preface as well as the entire catalogue of the original 16-volume collected works as a reference for interested readers.

The Chinese economy now faces a new challenge: overcapacity. How this problem is addressed will determine whether we can avoid the middle-income trap and rise to the ranks of high-income countries. Chinese economists are racking their brains for a solution. Therefore, we still have to study and learn from both positive and negative international experiences and search for inspiration through international comparative studies.

I would like to express my gratitude to all friends and colleagues who have worked on translating and publishing this book. And I very much appreciate the comments and criticisms of you, the reader.

Beijing, China
2018

Xinli Zheng