



Research on Theory and Practice of China's Economic Modernization

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Abstract. Economic modernization is an important part of socialist modernization. Without economic modernization, there will be no prosperous and powerful modern socialist country. As the most populous country in the world, China's economy has undergone tremendous changes since its founding. However, realizing China's economic modernization goal requires the country to make various efforts. This paper analyzes the current Chinese economic modernization based on theory and practice, and the research results show that China's economy has indeed improved tremendously over the past few decades. This research will help the next generation understand how the country has progressed and what dramatic changes have taken place.

Keywords: Modernization · Theory · Practice · China · Economy

1 Introduction

1.1 Research Background

China, the country which has the largest population, has experienced so many financial changes since the time of Mao Zedong. The present Chinese market is now more reflective of the capitalist free markets of the world. In any case, it must be said that in the more spectacular extent of the worldwide market, China is a new name in terms of world-class brands, companies, and industries, and it is still making incredible progress. Thus, it is indisputable that the country's economy keeps growing with the goal that it can remain as a worldwide powerhouse. However, the correct pathway to that objective will require action on the part of the government. The action of the government might just be letting go of their hold on the Chinese economy and market. In order to fully modernize the country's economy, China has to be a major player in a highly-competitive, globalized, world market. The government should also provide favorable conditions to the domestic market and encourage people to increase their communications with the outside world, in case the nation falls behind. Looking at the top 10 countries with a GDP per capita of more than \$20,000 in 2019, the top deciles are Switzerland, Norway, U.S., new break, Denmark, Australia, Netherlands, Sweden, Austria, and Finland (Fig. 1).

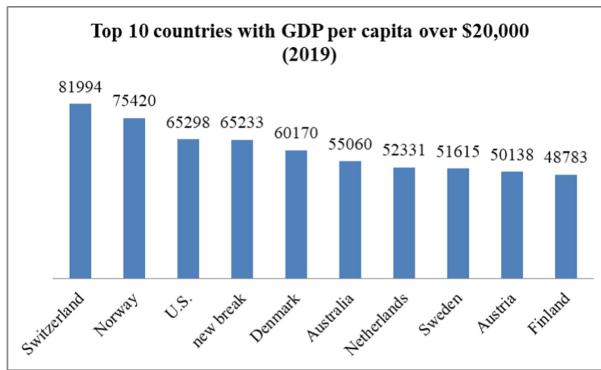


Fig. 1. Top 10 Countries with GDP per capita over \$20,000(2019)

1.2 Research Motivation

In the beginning, the whole economic system of the nation was firmly controlled and arranged by the central government. And later the Chinese government started loosening its grip on the market step by step, but without a doubt presenting innovative measures within the previous couple of decades. Further movement towards full freedom and reformations will most likely help the Chinese market develop, as evidenced by historical precedent. In recent years, we can see that this country has already begun further deregulation of the financial market and financial services sector [1]. What this means is the government started changing their mind, since they knew the previous methods would not help develop China's economy. And this movement has continued from past efforts because the country's economy is being slowly let go by the central government. In addition, past precedents have led to this reform in the market. People realized that the way of market management from the Soviet Union could no longer support the development of this newly born country, even if it was useful to China at first. The way in which the Soviet Union managed their economy was called the "Command Economy" [2]. This term means the whole country's economic system was under the command of the Soviet Union government. People could not argue about it since they did not have the right. This kind of economic style also lasted in China for almost thirty years. While the Chinese government was using the system from the Soviet Union, people in China believed that this kind of economic style was one of the signs of socialism or communism, and it did work in China for a while actually. However, later with the development of Chinese economy, the leaders of China found it actually prevented the further development of this country since there were too many restrictions in this kind of economic style, and it should be abandoned. And create a new way of market management which was suitable for this country and without copying from other countries became the priority.

1.3 Paper Organization

This paper mainly studies the theory and practice of China's economic modernization. The framework of the thesis is arranged as follows. The first part is the introduction, which mainly introduces the research background and research status of the theme. The

second part is the analysis of the development status of China's economic modernization, which is carried out from two perspectives of theory and practice. The third part is further discussion based on theoretical and practical analysis, and finally the conclusion.

2 Theory and Practice of China's Economic Modernization Development

2.1 Problems in China's Economic Development

Unluckily, a single unified government could not be able to even keep track of the operation of the whole economic system precisely because it does not have enough arms in the country to ensure control over every single aspect. It was at this moment, people knew that they had to let go of the previous way, and make the changes step by step, in case the change occurs too fast and the whole society cannot handle it. Actually during that time, some people also considered that the government wanted to change socialism into capitalism and they even disagreed with those new policies. In that case, the government decided to do a slow reform first before getting rid of the whole old-fashioned system. Surprisingly, it seemed that the slow reform actually worked. The economy of the nation started to increase, and the living standard of people was also becoming better and better. Researchers such as Gilli and Li also show that China's slow reform and providing more attractive conditions to the market has resulted in a growth rate of 9 percent for over 30 years, and China is becoming the second largest economic entity of the world [3]. We can attribute this growth pattern to an overall better performance and productivity from privately-run institutions, versus highly-regulated, government-sponsored companies. This can be seen in past events where private entities were either outperforming their government equivalents, or had replaced them entirely. For example, the privately-run hedge fund industry in China has now essentially taken over the mutual funds sector that was tightly controlled by the government, thanks to the fact that the former was allowed to deregulate [1]. Here, it should be noted that the new policies basically let the hedge fund companies extend their reach and provide better services, thus, attracting more customers.

By the way, the phenomenon of economic modernization can also help us remember what exactly happened during the period of the Great Leap Forward and the Great Culture Revolution. Actually those memories might still be fresh for most people in China. During the period of the Great Leap Forward, the central government set unattainable goals, and since the citizens at that time could not make it and they also did not want to let the country down, they gave fake production reports. Since this happened, the country thought people had enough food and goods, so they reduced the support to the citizens. A lot of people died because of starvation and short of those necessities of life. Then in the times of the Great Cultural Revolution, capitalists in the country were criticized, since they were seen as against the communism or spies from other countries. If anyone had private properties or reproached the government, they would get criticized until death. From 1958 until 1980's, the whole country's economy was seriously influenced by all kinds of issues. However, after all these issues, Chinese economy finally received new life and vigour. By contrast, we can learn that China is moving forward slowly step by step and the new policies are making progress too.

2.2 Successful Experiences in Realizing Economic Modernization

For China's situation, history showed that their reform efforts have resulted in benefits for people outside industrial settings. Meanwhile, evidence also exists for the redistribution of accountability for the economy during the reform years of China, after the death of Mao Zedong. By the way, leaders that came after Chairman Mao were looking to quell any kind of social anxiety that was prevalent at the time, whether it was due to the death of Chairman Mao. We should also know that due to the death of Chairman Mao, Premier Zhou and other great leaders, the people in China felt despair once, since a of them helped found the People's Republic of China. And as we know what happened during the Great Cultural Revolution, Chairman Mao was considered as a god in Chinese citizens' mind. This disaster also stopped because of his death, but the disaster also caused a lot of great leaders' death. Many of them who had mighty contributions to the foundation of China ended up with miserable treatment. Here we ought to know that 1976 was also a special year for Chinese people, three great leaders passed away, and the biggest earthquake, Tangshan Earthquake happened. The economy hadn't recover from the Great Cultural Revolution yet, and the whole country was heavily hit again, it seemed that the country was surrounded with all kinds of misfortune.

Fortunately, after 1976, it seemed that China finally get through the hardest time since its foundation. A great new leader comes to power who can change the fate of the country. Meanwhile, He was also considered as the chief designer of modern Chinese economic construction. He said that the primary attention of the Chinese Communist Party should now focus on economic construction. So he introduced policies which strongly promoted the economic growth, and the living standard was also greatly improved later after that. This great new leader was called Deng Xiaoping. He was a visionary that led China through major market-economy reforms, putting China on the map as a formidable economic power. I would say that he's the second greatest leader after Chairman Mao founded New China. Almost all the people in China remember the famous policy that he introduced, which is called "the Reform and Opening-up Policy". The policy was introduced around 1980's and the substance of it was to develop social production force, enhance the whole country's power and free people's mind. In thirty years, the policy changed the operation of the market and China also became more open after that, China's economy increased sharply and became a strong economic entity in the world, which was quite amazing in modern history. Everyone was shocked by the development of China. From my perspective, that was a turning point of China's modernization construction in modern time and the whole world's gonna witness the rise of a new super power.

When we look at Deng Xiaoping's ideas, the decentralization of investments would help China, and one can trust that it would continue to help China today. Plus, "the Reform and Opening-up Policy" will allow business to act autonomously and participate in the global marketplace. There will be no more unnecessary restrictions on that. Basically, the term "Opening-Up" refers to an economy's openness to accepting trade and business with other countries, versus a closed economy where the nation's market is isolated from everyone else [4]. There's a great example of this in the Chinese history. If we compare to Qing Dynasty, we will find the totally difference easily. While China was in late Qing Dynasty, the emperor wanted to stop most of the communications with other countries since they were concerning that too many trades would affect the emperor's rule. So the

Qing government shut down most of the ports and reduced the trades with other countries. Until the Opium War took place in 1840, China finally realize that the gap between the country and outside world was extreme huge. Since that time, people in China knew if their country do not connect with outside world, they would fall behind, and then beaten by other power. But in today, everything in that time is gone. Let us imagine a scenario where a foreign company might produce a certain brand of car that becomes popular because they have plenty of resources for manufacturing and advertising. As a response, individual business that makes either cars or car parts could work together to out produce and out market that foreign competitor. We can imagine, what if China still keep the old traditional way of economic management, will all of these scenes allowed to happen? However, Most of them will be shut down or get fully controlled by the government.

2.3 Practical Analysis of China's Economic Modernization

As one the beneficiaries of this policy, a great example can be shared here. "Shenzhen" is a city in south of China, right next to Hong Kong and one of China's five special economic zones. The city is also my hometown. Thirty years ago, my hometown was just a small fishing village, no one would believe that this village could become a modern metropolis in the future. Surprisingly right after "the Reform and Opening-up Policy" was introduced, this place completely changed. More and more people came here for business since it is next to Hong Kong. The central government also gave a lot of benefits to Shenzhen since here is a coastal zone which exactly matched the term of "Opening-up". Shipments can be shipped to any other Southeast Asian countries from China in a short period of time. In order to increase the communications with outside world, the government set a few coastal cities as special economic zones, and Shenzhen became one of them. Since the government made it one of the "SEZ", the population of the city also got a huge increase, the amount of population in 1979, which was at the beginning of the reform policy was only 0.79 million; but in 2014 the number was 10.78 million [5]. In 2017 the amount of population increased to 12.53 million. After thirty years of development, Shenzhen now becomes one of the first-tier cities in China and there are only four first-tier cities in China in total, which are Beijing, Shanghai, Guangzhou, and Shenzhen. These three cities were ahead of Shenzhen since long time ago because of their geographic locations or political reasons. No one actually believed Shenzhen could catch up them in a short period of time. The whole progress was just like a dream for most people there. The great transformation from a small fishing village into a modern metropolis made the local people so proud of the country and also the great new leader Deng Xiaoping [6, 7]. More important is, it showed everyone that the new policies were quite successful. The huge success also inspired the new leaders to continue the reformation. Even in nowadays, when people mention one of the successful cases of "the Reform and Opening-up" policy or the five special economic zone, the best example comes up in their mind will be a city called "Shenzhen". That is why people always said there's a city in Southern China witnessed thirty years of transformation in China.

3 Future Discussion

This paper can easily understand that economic reforms focused on giving more power to the individual and the business owner will eliminate industry inefficiency across China. In particular, after the policy was introduced in 1980's, independence became a reality for those who were able to get a piece of this decentralized power, and in the economic sector, this means they are able to make financial or business decisions without taking much decisions or ideas from the government [3]. What this means is that independent systems may devise their own solutions to any productivity problems. Because they approach the problem from different perspectives, they will come up with varying solutions. An example of this exists in China's agric sector in the past. Because they approach the problem from different perspectives, they will come up with varying solutions. Any example of this exists in China's agricultural sector in the past. In Liu's research, the author mentioned the origin of the contract responsibility system. When the contract responsibility system, also known as the CRS, was created, it was based on the household responsibility system, also known as the HRS, from the provinces, which traditionally increased labor productivity [5, 8]. Under the contract responsibility system, companies and individuals would be taught to emphasize taking responsibility for their own output, and not always count on the government to bail them out in times of hardship. Here we should understand that since the local production force no longer have to keep following the orders from the government, people's enthusiasm for production also increased[9, 10]. Further, this article suggests that the people can be encouraged, but the people should not rely too much on the government.

In addition, the contract responsibility system would also enable individuals to have greater control over their work, so that they could discover methods by themselves of improving the way they run and operate the factories rather than simply taking orders from the government. However, at that time some traditional communists rejected the idea, as they believed if the government do not get involved in the farming, the farmers would affirm that they could reach the production objectives without any help. In my opinion, the objectors were also reasonable. It is likely that the negative response comes from parties that thought the contract responsibility system would eventually make the citizens begin to hate the government when they thought their factories or businesses were interrupted by the government. Overall, it was more of a question of whether or not the contract responsibility system might lead to an opposition against the Communist Party of China, this might sound impossible in some ways. In previous years, unreasonable propaganda hindered the flourishing of innovation and invention in the Mao era, when China mostly existed as an isolated economic entity. They would soon learn that the contract responsibility system and the household responsibility system were necessary in increasing overall productivity, which benefited China. By the way a research came from Liu also showed that, the household responsibility system actually became so effective that it led to China becoming an exporter of tobacco, soybeans, and corn [5]. This was an unintended, but highly profitable effect of the program, which initially just aimed to make sure the agricultural output meet the demand of the nation. It is this result that pushed leaders to implement a similar system on urban industries across China, a system that would include expanded "independent management power" [5]. For those who directed the factories, but answered to the government, this would allow them

to act as if they were the owners. Without constant government oversight, they were free to pursue ventures that they thought would best benefit their production and their workers. Eventually, these urban industry reforms led to better wages for the labor, and incentivized cooperation between various enterprises [5]. With the Chinese economy now looking more and more like that of the Western capitalists, the stage was set for China to boom into the economic superpower that it is today.

4 Conclusion

In conclusion, China could benefit greatly, and even become one of the top economic power, by modernizing with more freedom, more creative thoughts and more support from the government. All of these favorable conditions which leads to those independent markets' strongly participation in the world market. And what's more, the new leaders of the country know how to summarize those experiences from the past, and make sure that the country does not go in the wrong direction again. There is no doubt that finding a new suitable path is important but also not easy. We could imagine what might happen if the government did not change their mind and still keeps the old fashioned-way: the economy of the country will not improve and the country will remain in the past. Of course, it doesn't mean that China needs to implement these changes overnight, because we learned exactly what happened during the period of Great Leap Forward. As historical and current evidence shows, gradual, small changes over an expanded time frame result in the best kind of growth for China. Not only that, but these new changes can result in great gains for both agricultural and industrial sectors, with benefits for the individual workers and labor that make up the backbone of the Chinese economy. Only time will tell, on the other hand, if China can take the next step further in their economic growth to surpass longtime giants in the West like the United States of America. If China continues to reform and open its economy, it will soon be at the forefront of the global economy.

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