

The Unique “Visible Hand” and China’s Economic Development—From the Perspective of Systematic Thinking in Economic Development

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The history and practice of the great rejuvenation of the Chinese nation show that the founding of the Communist Party of China (CPC) has opened up a new era in the Chinese history and the CPC constitutes the fundamental leadership and organizational guarantee for the realization of the great rejuvenation of the Chinese nation. The CPC has united and led the Chinese people in having founded the People’s Republic of China (PRC), in having established the basic socialist system, in having eliminated all exploitation systems, and in having laid the fundamental political premise and institutional foundation for the great rejuvenation of the Chinese nation. The CPC has also led the Chinese people in having carried out Reform and Opening-up, in having launched the road of socialism with Chinese characteristics, and in having realized the great leap of the Chinese nation from standing up to becoming rich. Since its 18th National Congress, standing at the historical starting point of the new era, the CPC has led the people in unremitting struggle, has opened up a new realm of socialism with Chinese characteristics in the new era, and has achieved a historical breakthrough for the Chinese nation from becoming rich to becoming strong. The course of the CPC leading the Chinese people to realize the great rejuvenation of the Chinese nation reflects the systematic thinking of economic development and the integrated utilization of Marxist theory of economic development and traditional theories of economic development. The history of the CPC uniting and leading the people to strive for the great rejuvenation of the Chinese nation enlightens us that the CPC, as the “visible hand” of the cause of socialism with Chinese characteristics, is the fundamental guarantee for the great rejuvenation of the Chinese nation, and China must adhere to the CPC’s leadership.

Keywords: CPC, the great rejuvenation, the basic system of socialism, Reform and Opening-up, socialism with Chinese characteristics

Introduction

In 2021, we ushered in the 100th anniversary of the founding of the Communist Party of China (CPC). The centennial anniversary of the CPC is a milestone in the history of the development of the Chinese nation and the development of human society. Over the past hundred years, the CPC has led the people of the whole country through a glorious course of arduous and unremitting struggle, and has made a great leap for the

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Chinese nation from standing up to becoming rich and strong. At this critical juncture, it is of great significance to summarize the experience of the CPC in leading the people of the whole country to realize the great rejuvenation of the Chinese nation from the perspective of systematic thinking of economic development.

Flaws of Traditional Development Economics

After World War II, development economics became a very important branch of economics. The theories of traditional development economics are mainly economic growth theories, including Keynes's effective demand model, Lewis's two-sector structure model, Solow's exogenous growth model, and later the endogenous growth model. These models preach that aggregate demand, structure, market, population, capital, and technology are the major determinants of economic development. They basically put factors such as organizations and institutions in the "black box", ignoring the decisive role of organizations and institutions in economic development.

Xu, Ke, and Li (2009) pointed out that traditional theories of economic development often either overemphasized the role of capital in economic development, or the main agent or factor chosen for economic development was wrongly selected. Therefore, they did not provide reasonable policy references for developing countries to alleviate poverty. In the 1980s, development economics was criticized and attacked. Some economists even declared that development economics was obsolete or reaching the point of extinction.

Systematic Thinking in Economic Development and the CPC Leading the People to Realize the Great Rejuvenation of the Chinese Nation

Systematic thinking has always been the methodology of the members of the CPC. Since the 18th National Congress of the CPC, General Secretary Xi Jinping has demonstrated the scientific and systematic nature of the systematic way of thinking in political, economic, military, scientific, and cultural decision-making. Systematic thinking in economic development (Figure 1) means that on the one hand, it is necessary to firmly grasp the theoretical foundation of Marxist theory of economic development, and on the other hand, to absorb the rational elements of economic growth theories and other schools of economics.

Marx's theory of economic development pointed out that the reasonable adjustment of production relations could have positive effects on the development of productive forces, and that parameters of production relations, such as politic and legal systems, are important factors for economic development or the increase of national wealth. Schumpeter (1934) further elaborated on Marx's theory of economic development, arguing that economic development, or sustainable economic growth, mainly depends on non-economic factors such as organization and institutions. Coase (1991), the Nobel laureate in economics and the pioneer of new institutional economics, also inherited Marx's idea of economic development, pointing out that the firm is a hierarchical organization, which embodies the vertical decision-making framework relationship and is complementary with the parallel relationship of the market. The coordinated and balanced development of the two relationships can effectively adjust the transaction costs of the economy and promote economic development.

Major economic growth theories and other traditional theories of economic development have shown that factors such as capital, technology, market, and population are the immediate factors that directly affect economic development. Without the contribution of organizations and institutions, the contribution of the above-mentioned immediate production factors to economic development faces the dilemma of diminishing returns. Without the fundamental guarantee of organizations and institutions for economic development, it is impossible to talk about the contribution of capital, technology, market, and population to economic development. Only when all factors play a coordinated role can we overcome the dilemma of diminishing returns faced by the

contribution of a single factor to economic development, and finally achieve the effect of increasing returns and unlimited economic growth.

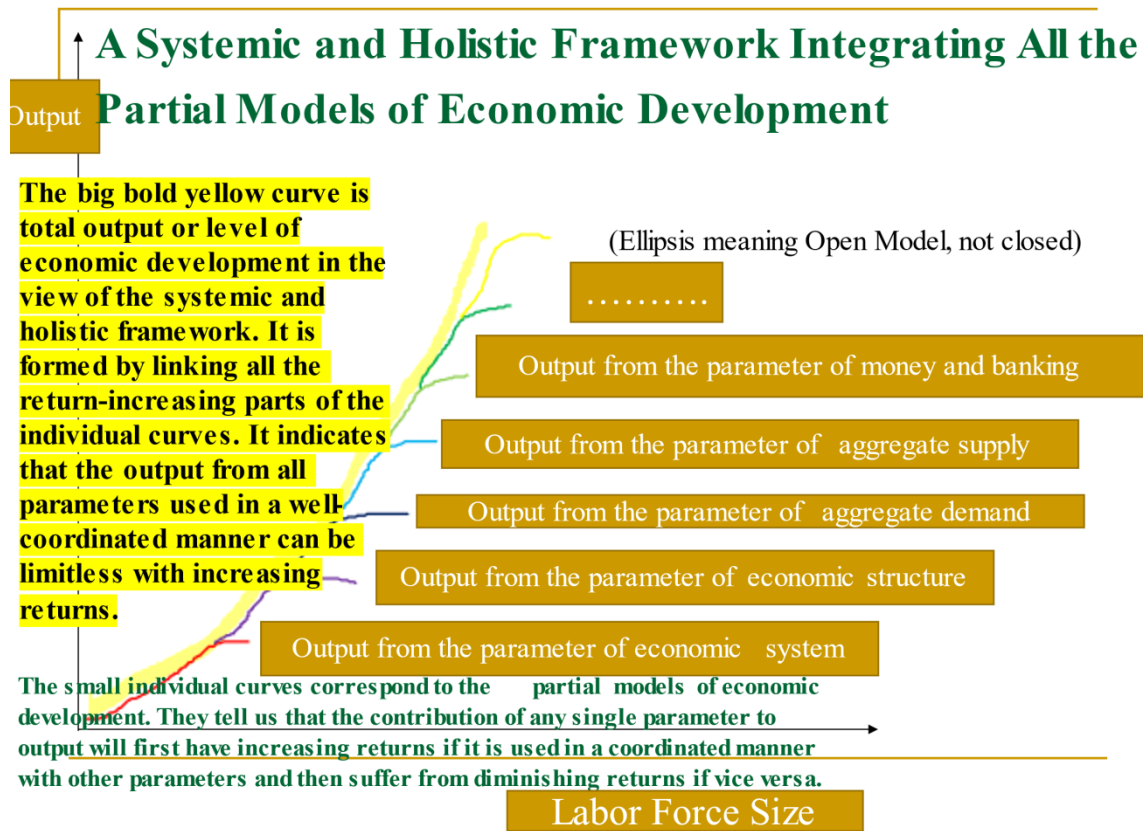


Figure 1. The systematic thinking of economic development.

The process and practice of the great rejuvenation of the Chinese nation under the leadership of the CPC show that the birth of the CPC has opened up a new chapter in the Chinese history and is the fundamental leadership and organizational guarantee for the realization of the great rejuvenation of the Chinese nation. The CPC has united and led the Chinese people in having established the People's Republic of China and the basic socialist system, in having eliminated all exploitation systems, and in having laid the fundamental political premise and institutional foundation for the great rejuvenation of the Chinese nation. The CPC has led the Chinese people in having carried out Reform and Opening-up, in having opened up the road of socialism with Chinese characteristics, and in having realized the great leap of the Chinese nation from achieving independence to becoming moderately prosperous. Since its 18th National Congress, the CPC, standing at the historical starting point of the new era, has led the people in unremitting struggle, in having opened up a new realm of socialism with Chinese characteristics, and in having achieved a historical breakthrough in the Chinese nation from being moderately prosperous to becoming comprehensively advanced. The course of the CPC leading the Chinese people to realize the great rejuvenation of the Chinese nation displays the systematic thinking of economic development. The great rejuvenation of the Chinese nation is the result of people's hard work led by generation after generation of communists in different historical periods. From the establishment of PRC (the People's Republic of China) and the promotion of socialist construction, to the implementation of Reform and Opening-up, to the creation of the road of socialism with Chinese characteristics, and to the new

era of socialism with Chinese characteristics, the CPC as the unique “visible hand” (Figure 2), has shouldered the responsibility of leadership for China’s economic development and the great rejuvenation of the Chinese nation.

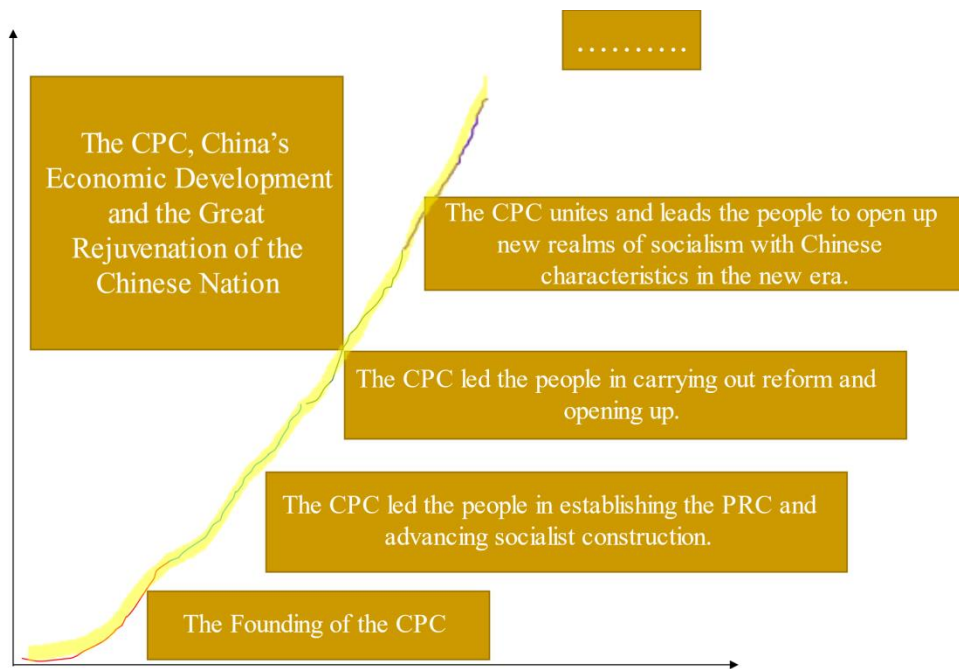


Figure 2. The unique “visible hand”—CPC and China’s economic development: the systematic thinking model.

The Founding of the CPC Laid the Foundation of Macro-Political Organization for the Great Rejuvenation of the Chinese Nation

Realizing the great rejuvenation of the Chinese nation is the greatest dream of the Chinese nation in modern times. After the Opium War, China fell into a dark situation of internal and external troubles. In order to achieve national rejuvenation, countless people with lofty ideals have waged struggles and made various attempts, but in the end they have not been able to change the social nature of old China and the tragic fate of the Chinese people.

The birth of the CPC has provided trustworthy leadership for the Chinese people who suffered calamity. The CPC acted as a backbone political organization which shouldered the responsibility of leadership for the cause of China’s revolution against foreign aggression, for socialist construction, and for Reform and Opening-up. The CPC is the fundamental political guarantee for realizing the great rejuvenation of the Chinese nation.

The founding of the CPC has united the people of the whole country who were in the same boat and in the same storm and has completely put an end to the scattered and fragmented situation in old China. The CPC has persisted in using Marxism as the fundamental guiding ideology for enhancing the leadership of the CPC through internal construction, and has continuously been working hard in terms of political construction, ideological construction, organizational construction, work ethics construction, and discipline construction.

General Secretary Xi Jinping (2021) said:

After the founding of the CPC, the fight of the Chinese people for national independence, liberation, national prosperity, strength, and happiness began to have a backbone, and the Chinese people have transformed themselves from being passive to being active. Since the day of its founding, the CPC has shouldered the historical mission of realizing the

great rejuvenation of the Chinese nation without hesitation, and has begun to unite and lead the people in an arduous struggle. After 28 years of bloody fighting under the leadership of the CPC, the Chinese people defeated the Japanese imperialism, overthrew the reactionary rule of the Kuomintang, completed the new democratic revolution, established the PRC, completely ended the history of the semi-colonial and semi-feudal society of old China, and realized China's historic leap from thousands of years of feudal autocracy to people's democracy.

The Basic Socialist System and the Socialist Construction under the Leadership of the CPC Have Laid the Fundamental Political Prerequisite for the Great Rejuvenation of the Chinese Nation

After the founding of the PRC, the CPC united and led the Chinese people to complete the socialist revolution, established the basic socialist system, continuously explored and promoted socialist construction, realized the most extensive and profound social transformation in the history of the Chinese nation, built the fundamental political and institutional premise for all development and progress in contemporary China, laid a solid foundation for China's prosperity and strength, and the people's well-being, and realized the great leap of the Chinese nation from being the "sick man" of East Asia to achieving total independence.

Under the leadership of the CPC, China enacted *the Common Program* of the Chinese People's Political Consultative Conference (CPPCC), *the Organizing Law* of the CPPCC, and *the Organizing Law* of the Central Government of the PRC on the eve of the founding of the PRC. China also adopted *the Election Law* of the National People's Congress of the PRC and Local People's Congresses at all levels, *the Constitution* of the PRC, and *the Organizing Laws* of the National People's Congress, the State Council, the People's Courts, and the People's Procuratorates after the founding of the PRC. These political and legal constructions have laid the foundation of China's political and legal system, and their good implementation has adjusted the transaction costs to the advantage of China's economic take-off. All these provided a fundamental guarantee for the increase of national wealth and the recovery of the national economy afterwards, for the subsequent Reform and Opening-up and modernization of the economy, and for the improvement of people's living standards.

From 1949 to 1978, the CPC led the people in having established an independent and complete industrial system, having effectively safeguarded the national sovereignty, and having made solid strides in China's socialist construction.

The CPC Has Led the People in Carrying Out Reform and Opening-up, Created a Path of Development with Chinese Characteristics, and Realized the Leap of the Chinese Nation from Achieving Independence to Becoming Moderately Prosperous

At the end of the 1970s, under the leadership of the CPC with Deng Xiaoping as the core, the Chinese people made a great decision for Reform and Opening-up, blazed the trail of socialism with Chinese characteristics, formed the theories of socialism with Chinese characteristics, established the system of socialism with Chinese characteristics, and developed a socialist culture with Chinese characteristics. That greatly stimulated the creativity of the Chinese people, much liberated and developed the productive forces of the society, largely enhanced the vitality of social development, significantly improved the people's living standards, remarkably enhanced the comprehensive national strength, and extraordinarily improved its international status.

Since the Reform and Opening-up, in terms of the land system, the household contract responsibility system has been implemented, and the rights to own, to dispose of, and to use and benefit from land have been

separated, so that property rights have become clearly delineated and farmers' enthusiasm for agricultural cultivation has been stimulated. In terms of business reform, state-owned enterprises have been reformed through delegating powers, contracting, introducing the modern enterprise system, and corporatization and formation of joint-stock corporation under the guidelines of loosening the regulation of the non-commanding-heights firms, and developing at full scale private enterprises and the private economy. In terms of the implementation mechanism of opening up to the outside world, special economic zones were established and later the strategy of free trade zones was adopted; in terms of the financial system reform, the modern central banking and financial system were established; in terms of the fiscal and taxation system, fiscal contracting and profit tax were implemented and later "tax sharing system" and business tax were replaced by value-added tax. The construction of these economic systems and related implementation mechanisms has reduced the transaction costs of the economy and provided an economic system guarantee for China's economic take-off and sustainable growth.

In the process of building a socialist market economy system with Chinese characteristics, the CPC has led the people of the whole country to make great progress in the primary, secondary, and tertiary industries, the process of industrialization has been steadily advanced, major breakthroughs have been made in technological progress, the demographic dividend has been fully utilized, human capital has been continuously improved, national income has gradually increased, consumption has continued to grow, savings have been steadily transformed into capital accumulation, attracting a large amount of foreign direct investment, and at the same time, import and export trade has developed rapidly, with China becoming a major trading country. The government has provided a large number of public goods, such as transportation infrastructure, effectively matching aggregate demand with aggregate supply, and having promoted China's economic take-off and sustainable growth.

Standing at a New Historical Starting Point in the New Era, the CPC Has Led the People in Unremitting Struggle, Continued to Write a New Chapter in Upholding and Developing Socialism with Chinese Characteristics, and Achieved a Historical Breakthrough in the Chinese Nation from Becoming Rich to Becoming Strong

Since the 18th National Congress, the CPC Central Committee with General Secretary Xi Jinping at the core has united and led the whole Party and the people of all ethnic groups across the country to comprehensively examine the new international and domestic situation, profoundly revealed and answered the major questions of the times of what kind of socialism with Chinese characteristics to uphold and develop in the new era, and how to adhere to and develop socialism with Chinese characteristics. We have finished a series of major tasks, solved many difficult problems that we wanted to solve for a long time but could not solve, accomplished many major achievements that we wanted to do but could not do in the past, promoted historic changes for the cause of the Chinese nation, opened up a new realm of socialism with Chinese characteristics, and achieved a historical breakthrough in the Chinese nation from becoming rich to becoming strong.

Since the 18th National Congress of the CPC, major breakthroughs have been made in deepening reforms, major progress has been made in comprehensively governing the country according to rule of law, and major achievements have been made in strict self-governing of the CPC. The modernization of the national governance system and governance capacity has been accelerated, and the leadership of the CPC and the advantages of China's socialist system have been further demonstrated. The economic strength, scientific and technological strength, and comprehensive national strength have jumped to a new level with the macro-economy stability,

the economic structure continuing to be optimized, and the GDP exceeding 100 trillion yuan. The results of poverty alleviation have attracted worldwide attention, with 55.75 million rural poor people lifted out of poverty. The annual grain output has been stable at more than 0.65 trillion kilograms for more than five consecutive years, pollution prevention and control efforts have been intensified, and the ecological environment has been significantly improved. The opening up to the outside world has continued to expand, and the Belt and Road Initiative has yielded fruitful results. People's living standards have improved significantly; higher education has entered the stage of high-quality development; more than 10 million new jobs have been created in urban areas annually; the world's largest social security system has been built; basic medical insurance covers more than 1.3 billion people, basic pension insurance covers nearly 1 billion people, and major strategic results have been achieved in the prevention and control of Covid-19, and in the development of cultural undertakings and cultural industries. The level of national defense and army building has been greatly improved, and the organizational form of the army has undergone major changes. National security has been strengthened in an all-round way, and social harmony and stability have been maintained. Socialist China stands tall in the east of the world with a more majestic posture, and the great rejuvenation of the Chinese nation has taken a new big step forward.

Conclusions and Implications

The course of the CPC uniting and leading the people to strive for the great rejuvenation of the Chinese nation has very valuable implications: The CPC is the fundamental guarantee for the great rejuvenation of the Chinese nation, and the great rejuvenation of the Chinese nation must adhere to the leadership of the CPC. General Secretary Xi Jinping (2021) said: "The CPC is the largest political party in the world. Practice has fully proved that the CPC is capable of leading the people to carry out a great social revolution and a great self-revolution".

The leadership of the CPC is the most essential feature of socialism with Chinese characteristics and the greatest advantage of the socialist system with Chinese characteristics. The key to managing China's affairs well lies in the leadership of the CPC. Without the CPC, there would be no New China, no socialism with Chinese characteristics, and no great rejuvenation of the Chinese nation. Today, we are closer to the goal of the great rejuvenation of the Chinese nation and more confident and capable than at any other time in history. To continue to advance towards the goal, we must always uphold the leadership of the CPC. The CPC is the leadership of all fields, including the political party affairs, government management, military construction, economy, etc. Looking back on the course of revolution, construction, reform, and development over the past 100 years, it is precisely because of the CPC's strong leadership that we have been able to overcome countless difficulties and obstacles, achieve one major historical turning point after another, and win one great victory after another. History has taught us that on the issue of upholding the CPC's leadership, which is a major principle that determines the future and destiny of the CPC and China, we must always maintain a high degree of ideological, political, and action consciousness and never waver in the slightest.

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