

Evolution of Principal Contradiction Facing Chinese Society and the CPC Leadership over Economic Work

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Abstract: *Since the founding of the People's Republic of China in 1949, the Communist Party of China (CPC) has separated China's evolving principal social contradictions into four different stages. Based on the assessment of principal social contradictions at different points in time, the CPC enacted different economic policies. During 1949-1956, based on the recognition of class struggle as China's principal social contradiction, the Party focused its economic policies on socialist transformation and established the foundation for the public sector of the economy. During 1956-1978, amid flip-flops in the Party's assessment of whether class struggle or backward productive forces were the principal contradiction, China's economic development suffered some setbacks, but the vision for building an industrial country remained unchanged, and resources were focused on developing major national industrial projects. During 1978-2019, the Party focused on economic development and reform and opening up in pursuit of the realization of grand economic development goals based on the assessment that China's principal social contradiction was between people's ever-growing material and cultural needs and China's relatively backward social productive forces. In 2017, the 19th CPC National Congress made the important political assessment that China's principal social contradiction had transformed into the contradiction between people's ever-growing need for a better life and China's unbalanced and inadequate development, and proposed new development concepts to lead the Chinese people on a new journey towards the second centennial goal. The most important experience of the CPC's economic work is analyzing and solving problems based on Marxist ideology and methodology.*

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The year 2021 marks the centenary of the founding of the Communist Party of China (CPC). Over the past seven decades, the CPC has carried out socialist economic development on a broad scale, established independent and complete industrial and national economic systems, eradicated absolute poverty, and transformed China from a poor and weak country into the world's second-largest economy and largest industrial powerhouse with the largest import and export volumes and foreign exchange reserves. Today, China is proudly moving towards the center of the world stage.

China's achievements of economic development over the past seven decades have garnered great

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attention from all over the world and elicited academic discussions on the “China miracle” from various perspectives (Wang and He, 2019). Some scholars explained the China miracle with neoliberalism, attributing China’s rapid economic growth to liberalization, marketization and privatization reforms since 1978. Some offered explanations based on the theories of comparative advantage or neo-structuralism, considering China’s economic growth as resulting from development based on resource-endowment-related comparative advantages. Others considered institutional transformation as a driver of China’s rapid economic growth based on the theory of neo-institutionalism. Finally, from the perspective of neo-political economics, local and central fiscal decentralization and GDP competition between local governments were identified as key drivers of China’s economic development. These views examine China’s economic miracle from various perspectives, but have yet to delve deeply into the fundamental factors explaining China’s economic success and why the CPC was able to transform China from one of the world’s most economically backward and populous countries into one that is moderately prosperous and that pursues a path of common prosperity. According to Marxism, contradictions drive social development, and a society evolves amid contradictions. According to the basic laws of social development, one must grasp the principal contradictions. Assessment of the principal social contradiction is of far-reaching and broad-ranging importance. Since its founding, the CPC has adhered to Marxist ideology and methodology in analyzing China’s principal social contradiction, using these to formulate guidelines for various periods of time, thereby accomplishing goal after goal. This paper analyzes the economic guidelines and policies formulated by the CPC at various stages of China’s economic development, elaborating on the CPC’s ability to make correct decisions and unite the Chinese people in making great achievements in economic development.

1. 1949-1956: Economic Foundation for Addressing Class Contradiction and Building Socialist Public Ownership

When the People’s Republic of China was founded in 1949, there was a huge gap between the working class and the bourgeoisie as land and the means of production were held in the hands of the few. As such, the CPC considered that China was in the stage of neo-democratic revolution with the gap between the working class and the bourgeoisie the principal social contradiction. The Party’s economic priority was to develop the economy by carrying out land reforms, transforming capitalist manufacturing, confiscating bureaucratic capital, and establishing a national economy based on public ownership.

1.1 Creating an Economic Foundation Based on Public Ownership

Prior to the founding of the People’s Republic of China in 1949, the vast majority of China’s land and assets was controlled by a few capitalists and landlords, and the gap between productive forces and the relations of production had long constrained China’s economic development. In this context, the CPC enacted the General Line for the Transition Period, i.e. “to make the socialist ownership of the means of production the only economic foundation for the Chinese nation and society.” During the socialist transition, the Party’s main economic focus was on confiscating bureaucratic capital, carrying out land reform, completing the socialist transformation of artisanal manufacturing and capitalist industry and commerce, and unifying national finance.

By 1956, China had basically completed the socialist transformation of artisanal manufacturing and cooperatized artisanal manufacturing by organizing over 90% of individual artisans as well as the socialist transformation of capitalist industry and commerce, and rural land reform and the establishment of farmers’ cooperatives. Originally planned to take ten to 15 years, China’s socialist transformation was completed eight years ahead of schedule. The completion of this socialist transformation marked the eradication of exploitative systems throughout the Chinese mainland and the establishment of the socialist system and industry-wide public-private partnerships for 99% of private industrial enterprises

and 85% of the private business workforce (Institute of Contemporary China Studies, 2019).

1.2 Economic Recovery and Industrialization

In the first three years after the founding of the People's Republic of China in 1949, the CPC launched numerous industrial and infrastructure construction projects aimed at economic recovery. In the northeast, the CPC increased investment in heavy and chemical industries, rescued and newly built railways and highways, and developed postal communications and water conservancy infrastructure. With a realistic approach to development and vigorous policy measures, New China made significant progress in economic development in the first three years after its founding, averaging an industrial growth rate of 49.8%, with gross industrial output exceeding 34.2 billion yuan, outpacing the highest pre-war level, which was in 1936. In the first three years after its founding, New China's gross agricultural output rose by 48.5%, and grain and cotton production increased sharply. By 1952, the state sector of the economy accounted for 67.3% of China's gross industrial output value, and state-owned wholesale business turnover accounted for 60.5%, bringing China's vision for national economic recovery to fruition.

As the economy improved, the CPC became more experienced in economic work and more confident for socialist transition and industrial development. With the firm belief that industrialization and socialist transformation could progress side-by-side, the CPC adopted the General Line for the Transition from New Democracy to Socialism: "In the transition period from the founding of the People's Republic of China to the basic completion of socialist transformation, the Party's general line and overall task is to gradually achieve the country's socialist industrialization and complete the socialist transformations of agriculture, artisanal manufacturing and capitalist industry and commerce." With the aid of the Soviet Union, China launched its First Five-Year Plan in 1953. By the end of 1957, most targets set for the five-year plan had been reached, with 83.6% of fixed assets put into service and one large modern enterprise put into production every three to four days (Institute of Contemporary China Studies, 2019).

1.3 Vigorous Development of State-Owned Enterprises (SOEs)

Upon the founding of the People's Republic of China in 1949, state-owned enterprises (SOEs) played a pivotal role in supporting China's economic development and stabilizing the market. The following enterprises were transformed into China's thriving SOEs: Public enterprises of various types created in the liberated areas; industrial enterprises confiscated from various levels of the Kuomintang (KMT) government; and foreign companies requisitioned or taken over by the People's Government. In this way, SOEs were newly created after the founding of the People's Republic of China.

The rapid development of SOEs after 1949 is owing to the following factors: First, the legal status of the dominant state sector of the economy. As prescribed in the *Common Program of Chinese People's Political Consultative Conference* (CPPCC) adopted by the First Plenary Session of the CPPCC on September 29, 1949, "The state sector of the economy is of socialist nature. All undertakings related to national economic lifeline and of vital importance to people's livelihoods should be run by the State. All state-owned resources and enterprises are the public properties of all the people and constitute the principal material foundation for the development, production and economic prosperity of the People's Republic, as well as the leading strengths of the society and economy as a whole." This statement serves as the legal foundation for the creation and development of SOEs.

Second, SOEs represent advanced relations of production and productive forces. Under the democratic management of SOEs, workers became the masters and revamped unreasonable rules and systems. Workers' unprecedented initiative and enthusiasm vastly improved productive forces and relations of production, as evidenced in the rapid increase in the productivity of SOEs. Spearheading China's industrial development, competitive and well-equipped SOEs and public-private jointly operated industrial enterprises were superior to private enterprises in terms of scale of production, technology,

funding, raw materials, and product sales.

Socialist transformation of capitalist industry and commerce and massive investment on SOEs have transformed the ownership structure of China's economy. By 1957, the state sector accounted for one third of the national economy, up from 19.1% in 1952, and the share of the cooperative economy (later known as the collective economy) jumped from 1.5% to 56.4%. During the same period, the share of the individual economy fell from 71.8% to 2.8%, and the share of the capitalist economy fell from 6.9% to almost zero. The economic foundation for socialist public ownership took form. The 8th CPC National Congress assessed China's changing social contradiction and declared that the gap between the working class and the bourgeoisie was resolved and the socialist system was established in China.

2. 1956-1978: Tackling the Contradiction of Insufficient Productivity Development and Advancing Industrialization amid Twists and Turns

Over-fulfilment of the First Five-Year Plan laid the foundation for China's socialist industrialization. In 1956, the 8th CPC National Congress declared that China's principal social contradictions had been transformed: "Our principal domestic contradictions are the need to establish an advanced industrial powerhouse versus the reality of being an agricultural country and people's demand for rapid economic and cultural development versus the current lack thereof." In his speech *On the Correct Handling of Contradictions among the People*, Comrade Mao Zedong noted that the principal contradiction facing the socialist society was the contradiction between the relations of production and productive forces and the contradiction between the superstructure and economic foundation. The 8th CPC National Congress stated that the CPC's main task was to transform China from a backward agricultural country into an advanced industrial country as quickly as possible. Premier Zhou Enlai mentioned in his work report that China should complete industrialization with the implementation of three five-year plans or in a bit more time. While developing industry, great efforts should also be made to develop agriculture, transportation and commerce to improve people's living standards.

2.1 Initiate Industrialization with a Focus on Heavy and Chemical Industries

When the People's Republic of China was founded in 1949, China was a war-torn country that needed to be rebuilt from scratch. Across the country, the industrial sector employed only about two million people, and generated just around 10% of China's economic aggregate. With GDP per capita ranking seventh from bottom in the world, China was one of the least developed countries in the world. Daily consumer goods, most of which were made by artisanal workshops, accounted for around 70% of China's industrial output. The few modern factories were concentrated in China's eastern coastal region, primarily Shanghai, while a backward agricultural economy dominated in most parts of China's interior regions. Given China's industrial reality, Comrade Mao Zedong stressed that "the Chinese people and government must take practical steps to gradually establish heavy and light industries in a few years to transform itself from an agricultural country into an industrial one." "Without industry and solid national defense,"¹ he noted, "there will be no welfare for the people and prosperity for the nation."² Regarding the approach to industrial development, Chairman Mao Zedong believed that "Our country's economic development should focus on heavy industry, which must be reaffirmed. But meanwhile, we should also give full attention to developing agriculture and light industry."³ The basic task of the First Five-Year Plan was to lay the groundwork for national industrialization, which was to be achieved by giving priority to the development of heavy industries, especially those of iron and steel, coal, electric

¹ Literature Research Center of the CPC Central Committee. *Mao Zedong's Report and Speech on the 7th National Congress of the CPC*. Beijing: Central Party Literature Press, 1995, p.78.

² *Ibid*, p.77.

³ Literature Research Center of the CPC Central Committee. *Collected Works of Mao Zedong* (Vol.7). Beijing: People's Publishing House, 1999, p.241

power, petroleum, machine manufacturing, airplanes, tanks, tractors, vehicle manufacturing, the military industry, nonferrous metals, and basic chemical industries.

Many studies suggest that China followed the practice of the Soviet Union in its industrialization process led by heavy industries. However, instead of copying the Soviet Union, China blazed a new trail of industrial development based on its own domestic political and economic situations and institutional strengths. As Mao Zedong noted, “To turn a backward agricultural China into an advanced industrial nation, the task facing us is arduous, and our experience is far from enough. That is why we must be good at learning.”⁴ “We should learn from the Soviet Union that is ahead of us,” he emphasized, because “the Soviet experience in construction is fairly complete.” However, “no experience can be complete without committing mistakes.”⁵ That is to say, China did not follow the Soviet Union’s lead indiscriminately. China’s decision to prioritize heavy industries was not simply a replication of the Soviet Union’s development mode. The Soviet Union was not the only country that prioritized heavy industries. In his *On Ten Major Relationships*, Mao Zedong laid out the characteristics and innovations of China’s development mode that prioritized heavy industries. Both the United Kingdom and the United States took a long time to complete industrialization, which started with light industries. In Japan and Germany, heavy industries also took the lead. At the height of global industrialization after World War II, both developed and developing countries pursued industrial development as a driver of economic growth. China’s strategic choice to prioritize heavy industries, though somewhat influenced by the Soviet model, was based on the CPC’s strategic consideration to expedite industrial development.

In its economic work, the CPC has traditionally attached great importance to industrial development. As early as in the era of war, Mao Zedong and other leaders realized the importance of industry for social transformation. At a reception with factory workers in the Shaanxi-Gansu-Ningxia border region on May 22, 1944, Mao Zedong noted that, “Our Communist Party is committed to China’s industrialization. The Japanese imperialists dared to bully China because China did not have strong industry. They took advantage of our backwardness. It is, therefore, the duty of our whole nation to get rid of such backwardness. The people support our Communist Party because we stand for the expectations of our nation and people. If we could not solve the economic problems, establish new types of industry, and develop the productive forces, the people would not necessarily support us.”⁶ As can be seen from this statement, the CPC was keenly aware of the importance of industry to political stability. In December 1952, the CPC Central Committee noted in the *Instructions on the Formulation of Plan for 1953 and the Outline of a Five-Year Plan* that “the speed of industrialization is primarily subject to the development of heavy industries, which means that we must prioritize the large-scale development of heavy industries. In particular, we should ensure the completion of major projects that are decisive to the country and may swiftly enhance the country’s industrial foundation and national defense strengths.”⁷ Without heavy industries, there will be no supplies of equipment, fuel, feedstocks and raw materials necessary for agriculture and light industries, and China’s industrialization process would be throttled by the blockade of industrialized countries against China. It has been the founding mission of the CPC to develop industry and build a strong nation. China’s continuation to prioritize heavy industries after its relations with the Soviet Union worsened was a strategic choice of the CPC based on the principal contradiction facing China’s social development. This strategic decision was based on short-term consumption but accelerated China’s industrialization and shortened China’s catch-up process.

⁴ Literature Research Center of the CPC Central Committee. *Collected Works of Mao Zedong* (Vol.7). Beijing: People’s Publishing House, 1999, p.241

⁵ Literature Research Center of the CPC Central Committee. *Special Selected Edition of Mao Zedong’s Works*. Beijing: Central Party Literature Press, 2003, p.947.

⁶ Literature Research Center of the CPC Central Committee. *Mao Zedong Si Xiang Nian Bian*. Beijing: Central Party Literature Press, 2011, p.386.

⁷ Literature Research Center of the CPC Central Committee. *A selection of Important Documents since the Founding of PRC* (III). Beijing: Central Party Literature Press, 1992, p.449.

In prioritizing the development of heavy industries, the First Five-Year Plan balanced the proportion of industrial development and the relationships between accumulation and consumption, domestic development and foreign aid, and new construction and exploration of potentials. By the end of 1957, most primary targets of the First Five-Year Plan were overfulfilled. In the five years, China's GDP grew at an annual average rate of 9.25%, outstripping the annual average growth rate of 4.8% in the developing world during the same period; 83.6% of fixed assets were put into use, and gross industrial output grew by 18% on an annual average basis, which was far above the growth rates of major industrialized nations during the same period. In the First Five-Year plan period, China's industrial fixed assets increased by 21.4 billion yuan, which was equivalent to twice the aggregate value of China's modern industries established between the late 19th century and 1949. In the five years from 1953 to 1957, China's gross national income jumped by 53%, and per capita national income grew by 36.5%. In 1957, China's national average household consumption increased by 42.8%. In the five years, the Chinese government re-employed over 13 million unemployed persons, built 94.54 million square meters of employee housing, and allocated 10.3 billion yuan for the payment of employee labor insurance and medical and welfare expenses (Institute of Contemporary China Studies, 2019).

2.2 Strengthening Defense Industry and Supporting Industrial Development in the Interior Regions

The northeast and other interior regions hosted most of the 156 major industrial projects implemented in the First Five-Year Plan, accounting for about half of the capital construction investment and large industrial projects (Institute of Contemporary China Studies, 2019). Through the implementation of the First Five-Year Plan, China established equipment manufacturing sectors from scratch, including aircraft, automobile, power generation equipment, heavy equipment and precision instrument manufacturing sectors. By 1957, China's gross industrial output reached 56.7% of its gross industrial and agricultural output, exceeding the share of agricultural output for the first time in China's history of thousands of years. Industrial activity was no longer heavily concentrated in the coastal regions.

In the 1960s, China's relations with the Soviet Union and India worsened, giving rise to geopolitical tensions in China's neighboring regions. Under national security considerations, the CPC Central Committee made the strategic decision of the "Third Front Movement," shifting the weight of the industrial layout to China's interior regions. Compared with the northeast and eastern coastal regions, China's interior regions, which were much less developed, had to develop industries from the ground up due to lack of investment for a long period of time. Implementation of the Third Front Movement brought defense industries - along with talent, technology and capital - to the interior regions. As a result, manufacturing industries thrived in cities like Xi'an, Chengdu and Chongqing, and modern industries such as aviation and aerospace, machinery, information technology and communications became the dominant industries in the interior regions. By 1980, China had made a total investment of 205.2 billion yuan under the Third Front Movement that lasted for over a decade, and built some 2,000 large and medium-sized enterprises, infrastructure projects and research institutes in the interior regions. Without a doubt, the Third Front Movement improved China's industrial layout and balanced regional development. During the Third Front Movement, led by the "two bombs and one satellite" project, China mobilized resources under the whole-nation system to establish all sorts of colleges and secondary technical schools, educated numerous engineers, and developed defense industries. In 1964, 1966 and 1970, China successfully tested its first atomic bomb and hydrogen bomb and launched a man-made satellite, putting an end to the nuclear threat, nuclear blackmail and the risk of a nuclear war. The "two bombs and one satellite" project greatly enhanced China's international status and offered defense assurance for its peaceful development.

With extremely limited economic fundamentals, China swiftly developed the economy, stabilized the market, and established an industrial production system. This achievement is owing to the planned

economic system and the nationally unified fiscal system that allowed SOEs to implement unified planning and management over human and material resources and distribution, production and marketing activities. Under the planned economic system, the government was able to mobilize the limited human, financial and material resources to undertake major projects. However, the system also stifled the initiative of enterprises and deprived the economy of vibrancy and efficiency.

2.3 Economic Setbacks due to Misjudgment of Principal Social Contradictions

The 8th CPC National Congress identified the principal contradictions facing the Chinese society as those “between people’s expectations for establishing an advanced industrial country and the reality of being a backward agricultural country and between people’s needs for rapid economic and cultural development and currently inadequate economic and cultural development.” However, this assessment of China’s principal social contradictions was discarded. After 1956, the Soviet Union withdrew its experts and cancelled technical aid to China. China suffered three years of severe natural disasters, making things worse. At the same time, rash advances were made in economic development and in the political line. The Great Leap Forward and a renewed political obsession with class struggle led to chaos in economic development. The decade-long Cultural Revolution, which started in 1966, wrought havoc on the economy, causing the economic growth rate and efficiency levels to fall below those of the 1950s. Living standards stagnated amid a severe shortage of commodities. Economic development stalled. During the same period, other countries and regions experienced rapid economic development driven by the computer and information technology revolution, and the world’s economic landscape was transformed. Japan emerged as the second largest economy in the capitalist world next only to the United States, and industrial activities started to relocate from developed countries to developing ones. Amid this trend, South Korea, Singapore, China’s Taiwan and Hong Kong as the four “Asian Tigers” followed an export-oriented strategy to develop labor-intensive processing industries. Those economies registered an annual average GDP growth rate of around 10%, an over tenfold increase in export volume, and surging GDP per capita. The Chinese mainland’s economic gaps with those economies widened.

For the first three decades after 1949, China’s economy developed rapidly as a result of the great importance attached by the CPC and the government to developing industry and defense. In the period 1953-1975, China’s economic growth averaged 6.2%. Despite economic volatility due to political and economic misjudgments, China reached the levels of middle-income countries in terms of indicators such as average life expectancy, length of education, school enrolment rate for school-age children, and adult literacy rate (Wang and He, 2019). That is to say, misjudgment of the principal social contradictions did not change the CPC’s original aspiration to seek happiness for the people and rejuvenation for the Chinese nation. As General Secretary Xi Jinping noted, “Without our Party’s resolute decision to implement reform and opening up in 1978 and steadfastly advance reform and opening up towards the right direction, it would not be possible for socialist China to enjoy today’s favorable situation. Instead, a severe crisis could loom large. Without the founding of New China in 1949, the socialist revolution and development, the accumulation of important philosophical, material and institutional conditions, as well as experiences of success and failure, it would be hard for reform and opening up to be carried out smoothly.”⁸

3. 1978-2017: Reform and Opening up for Socialist Development with Chinese Characteristics after Reassessing the Principal Social Contradictions

The arrest of the Gang of Four in 1976 marked the end of the decade-long Cultural Revolution and the beginning of ideological rectification to restore order and jumpstart economic development. The

⁸ Publicity Department of the CPC Central Committee. *Series of Important Speeches of General Secretary Xi Jinping Reading*. Beijing: People’s Publishing House, 2014.

Third Plenary Session of the 11th CPC Central Committee in 1978 re-established the correct assessment of China's principal social contradictions, shifting the focus of the Party's work back to socialist modernization, calling upon the whole Party to concentrate on economic development as the central task and strive to address the contradiction between people's ever-growing material and cultural needs and backward social production. The development of productive forces not only serves as a national development strategy, it also aims to meet people's needs for a better life. Re-understanding the principal social contradictions and the strategic decision of reform and opening up prompted the CPC to conduct a series of theoretical innovations and practical explorations in its economic work, which unveiled a new situation of socialist modernization.

3.1 Increasing Understanding of the Laws of Socialist Economic Development under the Goal of Building a Moderately Prosperous Society in All Respects

The Third Plenary Session of the 11th CPC Central Committee re-established the Party's ideological, political and organizational lines. With the liberation of ideological fetters, China unveiled a grand chapter of reform and opening up. The 12th CPC National Congress called for building socialism with Chinese characteristics and vowed to create a moderately prosperous society in all respects on the basis of realizing the "four modernizations", i.e. modernization of industry, agriculture, national defense, and science and technology. The 13th CPC National Congress established the theory of the primary stage of socialism and the Party's general line to focus on economic development as the central task in the primary stage of socialism, as well as a three-step strategy for building a moderately prosperous society, i.e. to join the ranks of moderately developed countries by the middle of the 21st century. The 14th CPC National Congress further clarified that the planned economy is not unique to socialism and also exists in capitalist societies, and that the market economy is not equal to capitalism and may exist in socialist societies. The Report to the 14th CPC National Congress expressly indicated that the "goal of China's economic reform is to establish the socialist market economic system to further liberate and develop productive forces."⁹ Macroeconomic regulation should better leverage the strengths of both planned and market-based systems. The central-local tax sharing reform was implemented to mobilize local government initiative. The 15th CPC National Congress called for adopting a sustainable development strategy to bring about an exemplary relationship between economic and social development. The 16th CPC National Congress adopted the goal of creating a moderately prosperous society in all respects, with the principle of putting people first, the concept of all-round, coordinated and sustainable development, and following the path of new-type industrialization. The 17th CPC National Congress laid out new requirements for building a moderately prosperous society in all respects: promoting balanced, sound and rapid economic development, improving people's living standards in all respects, developing an ecological civilization and forming an industrial structure and growth and consumption patterns that conserve energy resources and protect the ecological environment. The 18th CPC National Congress called for advancing the new great project of the Party's development with a spirit of reform and innovation to maintain the CPC's strong leadership of China's socialist cause. Reform and opening up have supercharged the development of Chinese socialism underpinned by science-based development and social harmony. Building a moderately prosperous society in all respects by 2020 is a goal of the Party and country and serves the fundamental interests of people of all ethnic groups.

Reform and opening up have unveiled a new landscape of socialist development. In the course of reform and opening up, the CPC has formed the path, guidelines and policy for and answered questions about the development of socialism with Chinese characteristics. Some important statements by the leaders of the CPC and the country have greatly enriched the theory of socialism with Chinese

⁹ *Documentation of 19th CPC National Congress*. Beijing: People's Publishing House, 1992, p.22.

characteristics. On such fundamental questions as “what is socialism and how to build it,” Comrade Deng Xiaoping put forth the basic line for the primary stage of socialism, i.e. “focus on economic development as the central task,” and insightfully pointed out that poverty is not socialism. In his “Three Represents” thought, Comrade Jiang Zemin noted that “Our Party has won people’s support because it always represents the requirements of China’s advanced productive forces in various historical stages of evolution, development and reform, the direction of China’s cultural advance, and the fundamental interests of the vast majority of the Chinese people. It is also because our Party has formulated wise principles and policies and made unremitting endeavors to serve the fundamental interests of the country and the people.”¹⁰

Comrade Hu Jintao put forth the “Scientific Outlook on Development,” which answered such questions as “what kind of development to pursue and how to pursue it” under new circumstances. “We must put people first,” he stressed, “establish a concept of comprehensive, coordinated and sustainable development, and promote the all-round development of the economy, society and people.”¹¹ Deng Xiaoping’s theory, the “Three Represents” and the Scientific Outlook on Development comprise the basic framework of the theoretical system of and strategic thoughts on socialism with Chinese characteristics. Based on change in domestic and international situations in the new era and the overall task of rejuvenation of the Chinese nation, the CPC Central Committee led by General Secretary Xi Jinping since 2012 has answered the important questions of what socialism with Chinese characteristics for the new era requires us to uphold and develop, and how we should go about doing it. The CPC’s understanding of China’s socialist development reached a new level, as reflected in a series of important thoughts, including Xi Jinping’s thought on socialism with Chinese characteristics for the new era, the new concepts of “innovative, open, green, balanced and shared” development, the “five-in-one” overall layout of socialist economic, political, cultural, social and ecological development, and the “four-pronged” comprehensive strategy, i.e. completing the building of a society which is moderately prosperous in all respects and comprehensively deepening reforms, establishing law-based governance, and enforcing strict Party self-governance.

3.2 Gradual Implementation of Market-Oriented Economic Reforms

From the early days of the founding of the People’s Republic of China to the eve of reform and opening up, China implemented a highly centralized planned economic system. After 1978, the focus of the CPC shifted from class struggle to economic development, with the initiation of economic reforms to address problems in its planned economic system and the development of forces of production. The reforms started with rural economic operation systems with the “household contract responsibility system” at the heart and the implementation of the “eating from separate stoves” fiscal system and the fiscal contract system before being extended to cities to invigorate enterprises owned by the whole people. In 1984, the Third Plenary Session of the 12th CPC Central Committee adopted the *Decisions on Economic Reforms*, which jettisoned the traditional concept of the planned economy, replacing it with the concept of the planned market economy, and identified China’s socialist economy as a “planned commodity economy based on public ownership.” This definition broke through the traditional concept that confuses ownership by the whole people with enterprise operation by state agencies. In 1993, the Third Plenary Session of the 14th CPC Central Committee adopted the *Decisions on Some Issues Concerning the Establishment of a Socialist Market Economic System*, which vowed to establish a “socialist market economic system” as the goal of economic reform and the overall framework of the

¹⁰ Literature Research Center of the CPC Central Committee. *Anthology of Major Documents Since the 14th CPC National Congress* (Vol.1). Beijing: Central Party Literature Press, 1996.

¹¹ Research Office of the State Council. *Guidance of the Government Work Report of the 2nd Meeting of the Standing Committee of the 10th National People’s Congress*. Beijing: People’s Publishing House, 2004, p.117.

market economic system: Based on adherence to public ownership and common development of various economic elements, the goal is to establish a modern enterprise system, create a nationally unified and open market, sound macroeconomic regulation, reasonable income distribution, and multi-tiered social protection. Progress was made in expediting institutional reforms of public finance, taxation, financial intermediation, foreign trade, foreign exchange, economic planning, investment, price, and distribution.

China's gradualist reforms were highly successful and led to a harmonious cycle between the development of productive forces and the relations of production. Under the goal of establishing a socialist market economic system, China has deepened its economic reforms and achieved rapid development in socialist productive forces. In 2000, the Fifth Plenary Session of the 15th CPC Central Committee solemnly announced the establishment of China's socialist market economic system. In 2003, the Third Plenary Session of the 16th CPC Central Committee adopted the *Decisions of the CPC Central Committee on Some Issues Related to the Improvement of the Socialist Economic System*, which called for further development of the mixed-ownership economy of state, collective and non-public capital; relaxing market access for non-public capital to enter some infrastructure, public utilities and other sectors; creating a modern property ownership system with clear rights and responsibilities, strict protection and smooth operation; and transforming the urban-rural dual economy. In 2010, the 17th CPC National Congress adopted the strategic task of transforming the economic development strategy with a view to addressing long-term structural contradictions facing China's economy and the crude pattern of China's economic growth. The 17th CPC National Congress adopted the strategic task of transforming economic development through economic restructuring, technological advancement, and innovation. Under the impetus of reform and opening up and with the goal of improving people's livelihoods, priority was given to building a resource-efficient and environmentally-friendly society. After 2012, the CPC Central Committee vowed to comprehensively deepen reforms based on an in-depth understanding of the close relationship among economic, cultural and social systems, to transform economic systems that constrain the development of productive forces and to improve the socialist market economic system. It affirmed that reforms should be systematic, comprehensive and coordinated, involving economic, political and other sectors.

3.3 Integrating into the Global Industrial Division of Labor through Reform and Opening up

Reform and opening up supplement each other and play a pivotal role in supporting China's economic development. Since 1978, China has embraced opening up as a basic national policy to attract foreign capital, establish Sino-foreign joint ventures, and carry out comprehensive trade and resource development. After establishing special economic zones in Shenzhen, Zhuhai, Shantou and Xiamen, China experienced rapid growth in international trade, ranking first, globally, in terms of trade volume. By introducing foreign capital and expanding imports, China increased the supply of consumer goods and food to meet growing domestic demand. Light industries thrived, putting an end to the lopsided proportion of heavy industries under the planned economy. People's living standards vastly improved. The trade structure shifted from the export of raw materials to the import of finished industrial goods, and industrial sectors generated the bulk of export revenue and jobs. Industrial activity was concentrated in China's eastern coastal regions with its favorable location for trade, allowing them to get rich first and become main growth pole of China's reform and opening up. In the early 1990s, the CPC Central Committee decided to develop the Shanghai Pudong New Area to lead the country in institutional innovation, industrial upgrade, and opening up on a broader scale. The 15th, 16th and 17th CPC National Congresses vowed to leverage domestic and international markets and resources, open wider to the outside world while becoming self-reliant in the interest of national economic security, and foster new strengths for international economic cooperation and competition under an open, secure and efficient economic system (Wei, 2012).

By taking advantage of China's abundant labor supply and bringing much-needed capital and

technology, economic openness greatly improved China's production function, leading to decades of rapid growth. Exceeding one trillion yuan for the first time in 1986, China's economic aggregate crossed the threshold of ten trillion yuan in 2000, with China overtaking Italy to become the world's sixth largest economy. After its WTO entry, China's economy became embedded in the global industrial division of labor, setting off on a fast track of industrial upgrade. In 2009, China became the world's largest exporter of goods and the world's second-largest importer of goods. In 2013, China surpassed the United States to become the world's largest trading nation in goods. By opening up wider to the outside world, not only has China developed itself, it has also benefited the rest of the world. By 2010, China overtook Japan as the world's second-largest economy. From a backward agricultural country, China has transformed into a major industrial powerhouse, contributing 30% to global economic growth. While opening up in both goods trade and domestic investment and market access, China has seen great transformations in its industrial, trade, investment and factor structures: First, industrial finished goods have replaced primary goods as dominant export commodities; second, its industrial structure is increasingly service-based; third, the comparative advantage of labor is giving way to those of capital and technology; fourth, outbound investment has been increased sharply.

Notably, reform and opening up have led to an emergence of private, foreign-funded and joint-venture enterprises, diversifying the economy away from state-owned enterprises (SOEs), greatly expediting economic growth. As microscopic entities of the state sector of the economy, SOEs have made great contributions to China's economic development, while the private sector has an irreplaceable role in raising livelihoods and living standards and enhancing China's overall national strengths. Foreign-funded enterprises have boosted China's trade development and served as a model for the R&D of new products and technologies for domestic enterprises.

4. 2017 Onwards: Building a Great Modern Socialist Country in Line with Evolving Principal Social Contradiction

Sustained economic development has transformed China's national conditions and economic strength. Originally a low-income country, China joined the ranks of middle-income countries in 1997, and crossed the threshold as an upper-middle-income country in 2010. In 2020, China's GDP per capita reached 72,000 yuan, edging closer to the level of high-income countries. Second, China has ranked first in the world in terms of manufacturing value-added for ten straight years and first in terms of the output of over 220 types of products. From an agricultural country, China has transformed into an industrial powerhouse with complete industrial sectors. Third, China has become the world's second-largest economy, and contributes more to world economic growth than the United States, the Eurozone and Japan combined. "Backward social production" no longer applies to China. In October 2017, the 19th CPC National Congress spoke highly of the historic achievements and transformations made by the Party and country, and made a major political assessment that socialism with Chinese characteristics had entered into a new era and that China's principal social contradiction had evolved into the contradiction between people's ever-growing needs for a better life and unbalanced and inadequate development.

In the new era, one side of China's principal social contradiction is "unbalanced and inadequate development," which means that while China's productive forces are no longer backward, unbalanced and inadequate development warrants greater attention (Jia, 2018). Another side of social contradiction is the transition from "material and cultural needs" into "needs for a better life," which reflects people's increasingly more extensive needs, including their expectations for a better material and cultural life, as well as for democracy, the rule of law, fairness, justice, security, and a clean environment.

At the new historical starting point, Xi Jinping's thought for a socialist economy with Chinese characteristics considers that the Chinese economy has shifted from the stage of rapid growth to the stage of high-quality development. In the current stage and in the foreseeable future, high-quality development

is the fundamental requirement for China's development approach, formulating economic policy, and implementing macroeconomic regulation. Xi Jinping's thought for a socialist economy with Chinese characteristics offers in-depth answers to important questions regarding China's current development stage, including what kind of development to pursue and how to pursue it. In addressing "unbalanced and inadequate development," we should focus on supply-side structural reforms, implement the new development concepts, and prioritize the creation of a new development pattern. We should create a modern economic system to complete the transition of the development pattern, optimize the economic structure, and shift growth drivers. These statements identify the goals and priorities of China's economic work in the new era.

4.1 Characteristics, Requirements and Tasks of the New Era, New Concepts and New Pattern

As noted in the *Report to the 19th CPC National Congress*, "China's evolving principal social contradiction will not change our assessment that China remains in the primary stage of socialism and is the largest developing country in the world."¹² Dialectic unification of China's dynamic and static national conditions reflects the theoretical sophistication and self-consciousness of the CPC. In building a moderately prosperous society, we have realized a centennial wish of the Chinese nation, made a critical step in the rejuvenation of the Chinese nation, paved the way for accomplishing the second centennial goal, and made great progress in catching up with leading nations. As stated by Xi Jinping, we should transform China into a democratic, civilized and harmonious modern socialist country by the centenary of the founding of the People's Republic of China in 2049. To achieve the rejuvenation of the Chinese nation, we must steadfastly adhere to development as the top priority of the Party, release and develop productive forces, advance socialist market economic reforms, and promote sound economic development. Contradiction between people's pursuit of a better life and the reality of unbalanced and inadequate development provides the fundamental impetus of economic and social reforms. In the new era, we should move away from the traditional reform approach of "crossing the river by feeling your feet on the stones" and embrace a new model of top-down design for all-round progress, in which the CPC and the government guide the path of reforms. The CPC and the government should strive to meet people's expectations for a better life by improving social fairness, justice and peoples' livelihoods through institutional design.

The world today is experiencing once-in-a-century changes. A new round of technological and industrial revolution is taking place. The changing international balance of power and the complex international environment have led to increased instabilities and uncertainties. In navigating the strategic journey of the rejuvenation of the Chinese nation and the once-in-a-century changes taking place in today's world, Xi Jinping called for an in-depth appreciation of the new characteristics and requirements arising from China's principal social contradiction, as well as new challenges stemming from the complex international environment. He laid out a strategic vision of "forging a new development pattern with domestic circulation as the mainstay and domestic and international circulations reinforcing each other," noting that "in the centennial struggles, our Party has always adhered to the basic principles of Marxism in navigating historical trends, managing China's relationship with the world, and seizing various historic opportunities." "We should follow closer the historic trend and direction of development, and take the historic initiative for the causes of the Party and country."¹³ The new development pattern features more balanced regional development. Based on comparative regional strengths, the government has drawn a blueprint for the Guangdong-Hong Kong-Macao Greater Bay Area, an economic integration plan for the Yangtze River Delta region, a development approach of "avoiding large-scale development

¹² Editing Group. *Guidance Book of the Report of the 19th National Congress of the Communist Party of China*. Beijing: People's Publishing House, 2017, p.12.

¹³ Xi, Jinping. "Speech at the Mobilization and Deployment Meeting of Party History Learning and Education." *Qiu Shi*, 7 (2021): 4-17.

and focusing on environmental protection” for the Yangtze River Basin, and a vision for high-quality development in the Yellow River Basin. The Fifth Plenary Session of the 18th CPC Central Committee adopted the new concepts of “innovative, balanced, green, open and shared” development. During the 13th Five-Year Plan period of building a moderately prosperous society in all respects, those new development concepts became enriched and elevated. The 19th CPC National Congress noted that the new development concepts should be followed to keep pace with an ever-changing environment and meet its challenges to achieve high-quality development.

4.2 Putting Forth the Major Historic Task of Building a Modern Economic System and Steadfastly Advancing the High-Quality Development of the Real Economy

The shift in the stage of economic development means that after becoming the world’s largest industrial powerhouse, China should cease to pursue growth as the primary objective and should give greater priority to transforming the mode of development, optimizing the structure of the economy, and shifting the momentum of growth for more efficient, fairer and more sustainable development with higher quality. Based on the “two centenary goals”, Xi Jinping laid out the major historical task of building a modern economic system. Under this system, China should foster an innovative and balanced industrial system, establish a unified and open market with orderly competition, develop an efficient and fair income distribution system, integrate urban and rural development, promote resource-efficient and green development, and further open up to the outside world.

The real economy is the foundation of the modern economic system, and the modern manufacturing industry lies at the heart of the real economy. The 19th CPC National Congress called for maintaining a stable share of the manufacturing industry under consideration of the regionalization trend of the global industrial chain and China’s reality as the largest developing country. Xi Jinping noted that “China’s modernization is unlike that of developed countries in the West. It took over two centuries for developed countries in the West to complete a serial development process by the sequence of industrialization, urbanization, agricultural modernization, and IT revolution. To catch up and make up for the lost two centuries, the development of our country must be a parallel process, i.e. industrialization, IT revolution, urbanization and agricultural modernization should develop in tandem.”¹⁴

From “China’s path of industrialization” with a priority on heavy industries since the founding of the People’s Republic of China in 1949 to the “new-type industrialization” since reform and opening up, China has blazed a trail of industrialization unlike that of developed countries in the West, and formed its own experience of advancing economic modernization through industrial development. In the early days after 1949, China enacted a swathe of industrial policies to kickstart industrialization, which accelerated after reform and opening up.

After reform and opening up in 1978, China actively integrated into the global division of labor, and availed itself of its competitive advantages to the fullest possible extent. Building on the first three decades of industrial achievements, China adjusted its industrial structure to favor processing trade and took part in international goods circulation as a major importing and exporting nation. It enacted industrial policies to develop dominant industries to spearhead economic development and foster emerging strategic industries to upgrade the industrial structure and form new competitive strengths. In this manner, China has explored a path of leapfrogging development in which industrialization is driven by information technology and sustainable development. At the 18th CPC National Congress in 2012, the CPC developed a new plan for China’s modernization featuring the synchronous progress of industrialization, IT application, urbanization and agricultural modernization. Under policy preferences, the real

¹⁴ Xi, Jinping. "Speech on the 9th Collective Learning of the Political Bureau of the CPC Central Committee", 2013.; Literature Research Center of the CPC Central Committee. Special Selected Edition of Xi Jinping's Discussion on Scientific and Technological Innovation. Beijing: Central Party Literature Press, 2003, p.25.

economy should continue to be driven by innovation and attract resource factors.

The new era coincides with China's rapid industrial transformation and technological revolution. As noted in the CPC Central Committee's proposals for formulating the 14th Five-Year Plan, we should seize the opportunities of technological revolution, integrate the internet, big data and artificial intelligence (AI) into the real economy, and modernize our industrial supply chains.

We should expedite innovation in critical technologies, strengthen our whole-nation system under the socialist market economy, and leverage our institutional strength by mobilizing resources to accomplish major undertakings for the independence of strategic technologies. Enterprises should serve as key contributors to innovation, attract innovation factors, and bridge innovation chains with industrial chains. We should emphasize international industrial cooperation, balance development with industrial security, and complement regional advantages to broaden our regional development. Regional development strategies should be implemented in coordination, including the development of the western region, the revitalization of the northeast, the growth of the central region, and the supremacy of the eastern region. Progress should be made in the development of regional city clusters like the Beijing-Tianjin-Hebei Region, the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta, as well as in the integration of urban-rural development.

4.3 Ecological Civilization Enriching Marxist Theories

Xi Jinping stressed that people's pursuit of a better life is the goal of the CPC. The Report to the 19th CPC National Congress captures China's evolving principal social contradiction and identifies environmental degradation as a prominent weakness in satisfying people's expectations for a better life. Vowing to pursue new-type industrialization, the 12th CPC National Congress did not recognize the relationship between economic development and environmental protection from a civilizational perspective. Xi Jinping put forth the "two mountains" theory, i.e. green mountains are gold mountains. There is a relationship of dialectical unity rather than antagonism between ecological protection and economic development. A good ecological environment is where the fairest public good is, and the most inclusive public benefit. Economic development should contribute to people's welfare, and so should ecological protection. The health of the ecological environment is a major issue that bears on the CPC's mission, people's livelihoods, and the sustainable development of the Chinese nation.

Since the 18th CPC National Congress, the CPC Central Committee, with Xi Jinping as its core, has incorporated ecological civilization into the "five-in-one" overall strategy. Compared with the past, the Chinese government has made unprecedented efforts to protect the ecological environment. Xi Jinping's thought on ecological civilization has unveiled a new chapter the Party's leadership on economic work and marks a key contribution to human development. As Xi Jinping stressed, no country is immune from global ecological crisis. As such, humanity must unite in creating an awareness of "community with a shared future for mankind" and seek a green development path of cooperation for win-win results. In his speech at the 70th session of the United Nations General Assembly, Xi Jinping identified the "creation of an ecological civilization that respects nature and pursues green development" as one of the five directions of efforts to create a community with a shared future for mankind. For humanity as a whole to survive and develop, people of all nations must abandon hegemonic development that pollutes the kitchens of others to keep their own gardens clean. People of all nations must abandon colonialist not-in-my-backyard development in which pollution is simply transferred to poor and weak countries and broaden their horizon beyond self-interest. Xi Jinping's call for creating a community with a shared future for mankind has been written into numerous documents of the United Nations. This vision serves as the guidance for China's diplomacy of political economy in building an ecological civilization and represents the common aspirations of peoples across the world for a better life.

As noted in the Report to the 19th CPC National Congress, China aspires to achieve a state of

modernization in which man and nature live in harmony. The CPC should lead the people in creating a better life by increasing material and cultural wealth and boosting the supply of ecological goods. In September 2020, Xi Jinping declared to the world that China would reach carbon peak before 2030 and achieve carbon neutrality before 2060. As can be learned from the COVID-19 pandemic, humanity needs a self-revolution to address the contradictions of industrial civilization, to clean up traditional industries, and to promote green and emerging industries. We should promote green finance and technologies, bolster legal and policy assurances to tackle environmental problems, and green our economy for civilized development featuring advanced productive forces, prosperity and a beautiful environment.

5. Success Experiences of the CPC's Economic Work

Since the founding of the People's Republic of China in 1949, China has achieved an economic growth miracle rarely seen in world history. The CPC has experienced successes and setbacks from which valuable lessons can be drawn. It is of great significance to draw upon the experiences of the CPC in economic work and find out what made it possible for the Party to navigate towards the right direction amid twists and turns. As Xi Jinping noted in his speech at the Party History Learning and Education Mobilization Conference, "We must gain inspirations from history and extract a magic weapon from historical experiences to overcome future challenges."

5.1 Adherence to Its Original Aspiration in Leading Economic Work

In retrospect of the past century, the CPC has adhered to its founding tenet to seek happiness for the people and rejuvenation for the Chinese nation. In the first three decades after the founding of the CPC, the Party united and led the whole nation in overthrowing imperialism, feudalism and bureaucratic capitalism, accomplished the New Democratic Revolution, and established the People's Republic of China in 1949. Since then, the Chinese people have stood proudly among the family of nations. Since 1949, the CPC has remained committed to its original aspiration and led the Chinese people to accomplish historic transformations of China's economy and society and set out on a new journey of building a strong, modern, socialist country in all respects.

The policy rationale of the CPC's leadership in China's economic development should be viewed from the perspective of the CPC's founding mission, which is to seek happiness for the people and rejuvenation for the Chinese nation. Unlike the theoretical premise of Western economics based on personal utility (self-interest), i.e. all decisions are made to maximize personal interests, the original aspiration of Chinese communists is the moral compass to ensure correct decisions in the twisted, arduous and complex process of development. This is the fundamental difference between the CPC and other political parties. The theoretical origin of the CPC's original aspiration is the grand goal of Marxism for the liberation of humanity. Ever since its founding, the CPC has pursued communism as its highest ideal and ultimate goal and combined the national mission of the great rejuvenation of the Chinese nation with the grand mission of communism for the world. As Xi Jinping noted, the founding aspiration of the CPC is to seek happiness for the Chinese people and rejuvenation for the Chinese nation. The CPC always represents the fundamental interests of the vast majority of the people and shares its destiny with the people. It has no mandate of its own and never stands for any vested interest, power group or privileged class. The CPC's centennial history is one of constant struggle to fulfill its original aspiration. To overthrow imperialism, feudalism and bureaucratic capitalism, the CPC united the Chinese people in fighting bravely in the protracted struggles of 28 years to complete the New Democratic Revolution and establish the New China. After the founding of New China in 1949, the CPC united the people in completing the socialist revolution, establishing the basic socialist systems, and advancing socialist development. This most extensive and profound social transformation in the history

of the Chinese nation has served as the fundamental political and institutional foundation for China's development and progress, reversing the fate of the Chinese nation from abysmal decline to prosperity and strength (Liu, 2018). The CPC's original aspiration is the fundamental impetus for its leadership of the Chinese people in their 28-year struggle to establish a socialist New China. Adherence to this founding mission will continue to drive the CPC to accomplish China's modernization and common prosperity.

It takes commitment and courage to hold on to the original aspiration. Relentlessly struggling to accomplish its founding aspiration and mission has been the fundamental principle underpinning all the CPC's theoretical innovations since its founding in 1921. At the Second Plenary Session of the 7th CPC Central Committee 70 years ago, Mao Zedong, aware of the dawning victory of the revolution, warned that "certain moods such as arrogance, the airs of a self-styled hero, inertia and unwillingness to make progress, love of pleasure and distaste for continued hard living may grow within the Party."¹⁵ He admonished the whole Party to stay sober-minded on the eve of victory. "Our comrades must remain modest and prudent, neither conceited nor rash, in our working practices; and our comrades must remain hardworking despite difficulties in our working practices,"¹⁶ i.e. the "two musts." In his speech at the 100th anniversary of the CPC's founding, Xi Jinping noted that the "courage to self-revolutionize is a hallmark of the CPC that tells it apart from other political parties." It is not only a major difference of the CPC from other political parties, but the very reason why the CPC has thrived over the past century. It is through constant self-revolutions and adherence to its founding mission that the CPC has steered China's decades-long stable and rapid growth and moved closer than ever to reaching the goal of rejuvenating the Chinese nation. In his report to the 19th CPC National Congress, Xi Jinping said that a manifestation of the Party's original aspiration is to increase people's welfare and sense of happiness. The people are the country, and the country is the people. "As we have fought to establish and consolidate our leadership over the country, we have in fact been fighting to earn and keep the people's support." It has been the CPC's code of conduct and basic principle of economic work to follow the people's will and reflect the people's interests. Understanding the CPC's original aspiration is the key to understanding how the CPC has maintained its vitality and continues to garner the people's love and support.

5.2 Applying Marxism to Grasp the Basic Laws of Social Development

How is the CPC capable of such accomplishments? The reason it has been able to enact correct guidelines and policies and has been able to provide a theoretical basis for the Party's policymaking lies in its adherence to Marxism for guidance, an all-round grasp of the world views and methodology of dialectic materialism and historical materialism, insight into the laws of social development and the national condition that China will remain in the primary stage of socialism, and a correct assessment of principal contradictions facing the Chinese society in various stages of China's economic development. In this way, the CPC has been able to maintain vitality and vibrancy over the past century. During the era of the New Democratic Revolution, Mao Zedong published his famous work *Analysis of the Classes in Chinese Society*, which identified the principal contradictions facing Chinese society as imperialism, feudalism and capitalism. It was the historical mission of the CPC, he noted, to overthrow those three heavy mountains and establish a New China. After the establishment of a socialist society through the New Democratic Revolution, the CPC made three major adjustments to its assessment of the principal contradictions facing the society, and each adjustment brought China's economic and social development to a higher level. The CPC's original aspiration, its indelible "red

¹⁵ Mao, Zedong. Report to the 2nd Plenary Session of the 7th Central Committee of the Communist Party of China. Beijing: People's Publishing House, 2004, p.23. First published in 1949, page references are to the 2004 edition.

¹⁶ Ibid.

gene,” has played a decisive role in steering China’s economy in the right direction. Such an original aspiration is fundamental to the strategic stance of the CPC in analyzing China’s principal social contradictions and reflects the CPC’s people-centered development approach and salient values. Instead of concealing its stance, the CPC makes clear that its adherence to its founding mission is a benchmark for evaluating the effectiveness of the general line and policy measures. With the spirit of self-revolution, the CPC has courageously corrected its wrong assessments, guidelines and measures and stayed committed to innovation and leading the Chinese people to moving closer to the goal of rejuvenating the Chinese nation.

Since the 18th CPC National Congress, the CPC has combined the ideal of communism with China’s economic, political, cultural, social and ecological development and reaffirmed the confidence in the path, theory, system, and culture of socialism with Chinese characteristics. With great political courage and a strong sense of accountability, the CPC has put forth a succession of new concepts, philosophies and strategies and carried out key policies, initiatives and programs to bring about transformations in the causes of the Party and country with historic achievements in reform and opening up and socialist modernization. After over seven decades of economic development, the CPC leads the Chinese people to develop China into a strong socialist country and achieve common prosperity from a new historic starting point. According to the *Proposals for Formulating the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and the Long-Range Objectives Through the Year 2035*, China’s second centennial goal will be implemented in two stages: To achieve socialist modernization by 2035 and to turn China into a prosperous, democratic, civilized, harmonious and beautiful great modern socialist country by the middle of this century. Compared with the first centenary goal, the CPC is faced with a more complex international environment in its journey towards the second centenary goal. Amid rapid technological progress, China has caught up with leading nations in its economic development. In the face of uncertainties, we should take history as a lesson. Historic transformations have unveiled a new era of socialism with Chinese characteristics and a brand-new chapter in which the CPC lives up to its original aspiration. In the new journey, the CPC is determined to draw lessons from history, stand firmly for the people, remember its original aspiration, address the problems of unbalanced and inadequate development, and lead the Chinese people to achieve common prosperity.

5.3 Adjusting the Contradiction between Productive Forces and the Relations of Production

Upon the founding of the People’s Republic of China, a socialist economic system was established in which public ownership had absolute dominance. The highly centralized planned economy allowed China to concentrate resources to industrialize in a relatively short time, laying the material and technological foundation for economic modernization. With the increasing sophistication of the economic structure, however, the drawbacks of the planned economy surfaced. Combining Marxism with China’s national conditions and in light of the experiences and lessons of socialist development, after 1978, the CPC theorized the primary stage of socialism with the goal of developing the socialist market economy, and established China’s basic economic system in the primary stage of socialism characterized by public ownership as the mainstay and co-existing with various forms of economic systems.

Amid the changing times, the Chinese government carried out economic reforms ranging from the devolution of power and transference of profits to SOEs to the formation of a socialist market economic system and its improvement in the new era. Each reform was intended to address the contradiction between productive forces and the relations of production. The combination of the socialist system with a market-based economy reflects the CPC’s creativity. By breaking through the Soviet model and building a market economy entirely different from capitalist countries in the West, China has explored its own path of socialism with Chinese characteristics. Seven decades of experience suggest that China’s path of socialism is a bright path towards democracy, affluence and prosperity.

5.4 Concentrating Strength for Major Undertakings and the Unyielding Spirit of Chinese Communists

In the early days of New China's industrialization, the 156 industrial projects aided by the Soviet Union played an important role in expediting the industrialization in China, at the time, a less developed agricultural country. Yet the development of China's industrial system owes more to the nation's own efforts under the leadership of the CPC. In steering China's economic development, the CPC has blazed a trail in light of international experiences and the country's national conditions. For instance, China did not develop light industries before heavy industries as is a rule of thumb in Western economics textbooks. Instead, it started with capital-intensive heavy and chemical industries, which marks a great innovation in the world history of industrialization.

In a short time, New China restored its war-torn economy, stabilized the market, and built a broad range of industrial projects. This achievement was made possible by the planned economic system that was compatible with its productive forces. The planned economic system allowed the government to mobilize limited human, financial and material resources to complete major projects. Another unique strength of China's industrialization is the unyielding spirit of the Chinese communists, including the iron-man spirit of self-sacrifice behind the discovery and development of China's first oilfield and the spirit of patriotism, perseverance, self-reliance, cooperation and courage behind China's success of the "two bombs and one satellite" project. During times of war, Chinese communists braved all hardships, held firm to their convictions, and sacrificed themselves to forge ahead. In times of peace, Chinese communists devoted themselves to socialist development with the same unyielding spirit, turning the strength of truth and idealism into the strength of personal character. As Mao Zedong said, Chinese communists won people's heart and soul with their genuine spirit of self-sacrifice, attracting them to "willingly join our cause."

History is a mirror to the future. On the new journey towards the second centenary goal, the rationale of the CPC's guidelines and policies can be better understood by taking stock of China's evolving principal social contradictions and the Party's priorities and guidelines for economic work in various periods of time. History has proven that the CPC is whole-heartedly devoted to serving the people and serves as the leadership core of China's socialist cause. ■

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