

# *Forty Years of Reform and Opening Up and the Building of a Moderately Prosperous Society*

Xiao Guiqing, Qiao Huibo\*

Tsinghua University, Tianjin University of Technology

**Abstract:** Over the past forty years of reform and opening up, the Communist Party of China (CPC) has led people of all ethnic groups in the country to carry out the practice of building a moderately prosperous society. Combining Marxism with the contemporary reality of China, the CPC has adapted Marxism to the Chinese context and enriched the theory of building a moderately prosperous society since its initiation. In practice, China already achieved the goal of ensuring the people a moderately prosperous life and is now striving to secure a decisive victory in building a moderately prosperous society in all respects, making tremendous progress in economic and social development. To complete the building of a moderately prosperous society in all respects and achieve the intended goal, China should accelerate the advancement of the targeted poverty alleviation strategy, continue to improve the people's livelihood, and maintain sustained and sound economic and social development.

**Keywords:** reform and opening up, moderately prosperous society, adapting Marxism to the Chinese context

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\* Xiao Guiqing, professor, doctoral supervisor, vice dean, School of Marxism, and vice dean, Institute for Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, Tsinghua University.

Qiao Huibo, lecturer, School of Marxism, Tianjin University of Technology.

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Correspondence concerning this article should be addressed to Xiao Guiqing, School of Marxism, Tsinghua University, Beijing. E-mail: xgq@tsinghua.edu.cn

A moderately prosperous society has been a dream of the Chinese people for thousands of years and is now a phased goal in the grand blueprint of the CPC to realize the Chinese Dream of the great rejuvenation of the Chinese nation. At present, China's building of a moderately prosperous society is in a decisive stage, as its reform and opening up enters the 40th year. In such a context, a review of the development of the theory and practice of building a moderately prosperous society is of great significance to China, which strives to complete the building of a moderately prosperous society in all respects by 2020, basically achieve modernization by 2035, and build itself into a great modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious and beautiful.

### **The Theory of Building a Moderately Prosperous Society: The Theoretical Achievement in Adapting Marxism to the Chinese Context**

Major theoretical achievements have been made thanks to the CPC's strong leadership in socialist modernization. Centering on building a moderately prosperous society, the CPC has kept exploring and thinking, forming a theoretical system of building a moderately prosperous society. From a traditional view of moderate prosperity (xiaokang), Deng Xiaoping set the goal of building a moderately prosperous society and thus set an example for adapting Marxism to the Chinese context. Based on that, generations of the CPC's collective central leadership have made relentless efforts in innovation, successfully combining fine traditional Chinese culture with its socialist modernization in an organic way to allow constant enrichment and development of the theory of building a moderately prosperous society. Being the theoretical result of combining Marxism with the reality of China's reform and opening up, the theory of building a moderately prosperous society basically reflects corresponding requirements and is an important part of socialism with Chinese characteristics.

### **The Goal of Building a Moderately Prosperous Society: A Model for Adapting Marxism to the Chinese Context**

Moderate prosperity (xiaokang) is a concept of happy life that features strong Chinese connotations and styles. It is a time-honored social ideal of the Chinese people and represents Chinese people's yearning for a better and happier life. The origin of the Chinese word “小康” (xiaokang, meaning “being moderately prosperous”) can be traced back to the following verse in *Book of Odes*, “The people are indeed worn-out. And need some rest, there is no doubt.” Later, the concept of moderate prosperity was adopted in Confucianism to depict an ideal form of society. According to the *Book of Rites* (a Confucian classic), a moderately prosperous society is an inevitable stage of the journey towards a social ideal and great harmony. During such a stage, a moderately prosperous society refers to a social state that relies on social codes and ethics to maintain the normal functioning of society, and also an ideal society that can be realized by advocating social codes, etiquette and benevolence. Compared with the Confucian vision of moderate prosperity, the general public's

understanding of it is simpler, which is reflected in their description of a family with ample food and clothing as a “moderately prosperous household”. In ancient China, ordinary people might be able to build moderately prosperous households through hard work, while a moderately prosperous society could not possibly be achieved.

Socialist modernization is a goal set by the first generation of the CPC’s collective central leadership after the founding of the People’s Republic of China. In the 1950s, when visualizing socialist modernization, Zhou Enlai for the first time ever put forward the goal of Four Modernizations (of agriculture, industry, science and technology, and national defense). With the initiation of reform and opening up, Deng Xiaoping set the vision of building a moderately prosperous society as part of his grand blueprint to modernize China. Approaching this vision through traditional Chinese culture, Deng popularized and concretized the goal of Four Modernizations, injected new vigor into the idea of moderate prosperity and endowed it with new characteristics of the times. When meeting with then Japanese Prime Minister Masayoshi Ōhira in 1979, Deng Xiaoping said, “(The purpose of) our Four Modernizations is different from yours. Ours is about ‘moderately prosperous households’” (Deng, 1994, p. 237). The combination of moderate prosperity with the CPC’s governing idea embodies a theoretical innovation in adapting Marxism to the Chinese context. Thus, moderate prosperity became a key sphere for the CPC to build a strategic goal system for its socialist modernization.

At the 12th CPC National Congress in 1982, moderate prosperity was officially identified as a key strategic goal of the Chinese economy in the next two decades (PLRO, 2011a, p. 12). Centering on this goal, the CPC also introduced a two-step approach, aiming to reach the level of moderate prosperity by the end of the 20th century and to realize socialist modernization by the mid-21st century. Deng Xiaoping said, “The minimum goal of the Four Modernizations is to ensure the people a moderately prosperous life by the end of the 20th century” (Deng, 1993, p. 64). At the 13th CPC National Congress, the two-step approach was further revised to a three-step strategic plan for modernization, with the first step ensuring that the people would have adequate food and clothing, the second step ensuring the people a moderately prosperous life and the third step ensuring the people a relatively affluent life and realizing modernization (PLRO, 2011b, p.14). Thus, moderate prosperity was identified as a strategic goal for the Chinese people under the leadership of the CPC. With distinct Chinese characteristics, this expression was familiar to, understood, accepted and supported by the majority of the Chinese people. This goal conformed to the conditions of China at that time and was well-known among the general public, for which it could unite Chinese people of all ethnic groups to achieve it. The goal of moderate prosperity is in line with the basic tenets of Marxism and also adaptive to China’s practice of socialist modernization. Moreover, featuring unique Chinese cultural characteristics, it has set a good example for adapting Marxism to the Chinese context.

## **The Theory of Building a Moderately Prosperous Society: A Result of the Theory and Practice of Socialism with Chinese Characteristics**

Since Deng Xiaoping set the goal of building a moderately prosperous society as part of the strategic layout of socialist modernization, the goal has witnessed continuous enrichment. As the socialist construction further advanced, the CPC and the Chinese people had an increasingly profound understanding of moderate prosperity and added new meanings to this goal. The three-step strategic plan for modernization, which was laid out at the 13th CPC National Congress, is based on Deng Xiaoping's vision of "moderately prosperous households". By being "moderately prosperous" back then, the CPC meant raising people's living standard to "per capita (annual) income of 800 US dollars" (Deng, 1993, p. 64). At the Seventh Plenary Session of the 13th CPC Central Committee in 1990, the CPC leadership gave a further depiction of a moderately prosperous society, holding that moderate prosperity referred not just to the improvement of people's material life, but also the improvement of their cultural life, public welfare, working environment and other social services (PLRO, 2011c, p. 754). At the Fifth Plenary Session of the 15th CPC Central Committee in 2000, the CPC leadership argued, "We have already accomplished the first two goals of the three-step strategic plan for modernization, achieving comprehensive economic and social development and ensuring the people a moderately prosperous life. We are now striving to accomplish the third goal of the plan" (PLRO, 2011e, p. 487). Although the goal of ensuring the people a moderately prosperous life was achieved, the well-being of the Chinese people during that period remained at a relatively low level and was far from comprehensive and balanced. Back then, no fundamental improvement was yet made in the still underdeveloped Chinese economy. Under such circumstances, the moderate prosperity was largely restricted to areas concerning people's well-being, such as economic growth, cultural life, medical care and education.

At the 16th CPC National Congress in 2002, the goal was transformed from ensuring the people a moderately prosperous life to building a moderately prosperous society in all respects (PLRO, 2011f, p. 14). The introduction of the goal of building a moderately prosperous society in all respects at the 16th CPC National Congress demonstrated that China's strategic vision of socialist modernization became more comprehensive and that the blueprint for socialist construction with Chinese characteristics became clearer. The transformation from ensuring the people a moderately prosperous life to building a moderately prosperous society in all respects marked a profound change in the CPC's understanding of its strategic goal. This transformation also indicated that the CPC began to approach the issue of moderate prosperity from a perspective of overall social construction. The strategic goal of ensuring the people a moderately prosperous life refers to a level of overall social well-being and it attaches more importance to the improvement of people's livelihood. By contrast, the strategic goal of building a moderately prosperous society in all respects sees society as a whole and emphasizes the comprehensiveness of a moderately prosperous society. In other words, moderate prosperity is supposed to reflect in multiple areas ranging from economy, politics, culture and society, to ecology. A moderately prosperous society in all respects also features a sound and orderly institutional system.

In short, compared with the strategic goal of ensuring the people a moderately prosperous life, the strategic goal of building a moderately prosperous society in all respects is at a higher level and has richer connotations; it can better fit in with China's national conditions and socialist modernization, and can better meet the aspirations of the Chinese people.

At the 17th CPC National Congress in 2007, the CPC leadership called for continuing to march towards the goal of building a moderately prosperous society in all respects, and completing this mission by 2020 (PLRO, 2009, p. 5). Since then, emphasis has been placed on completing the building of a moderately prosperous society in all respects, which suggests a change in the theory and practice of socialism with Chinese characteristics and an endless theoretical innovation driven by practice. The steady economic and social progress in China inevitably generates more requirements of socialism with Chinese characteristics in its economic, political, cultural and social development.

Approaching 2020, at the 18th CPC National Congress, the CPC leadership officially revised the goal by adding the word “complete” in front of “building a moderately prosperous society in all respects”. The new goal, i.e. completing the building of a moderately prosperous society in all respects indicates that China is getting closer to the goal and that the goal has been further enriched. The key to this new goal lies in “all respects”, which means it covers rich content, a huge population and a large area. Also at the 18th CPC National Congress in 2012, the CPC leadership proposed to “double China's Gross Domestic Product (GDP) and the per capita income of its urban and rural residents from 2010 by 2020” (PLRO, 2014, p. 13). Given that the focus of building a moderately prosperous society has already been shifted from raising the households' living standards to improving the entire society, a moderately prosperous society in all respects, which is to be realized by 2020, covers multiple areas ranging from economy, politics, culture and society, to ecological conservation. Moreover, all of those areas will be quite advanced and coordinated and feature no weakness. The emphasis of “all respects” also means this moderate prosperity should benefit all Chinese people, which is in line with socialism's pursuit of common prosperity. To complete the building of a moderately prosperous society in all respects, “common moderate prosperity” is a must, too. Of course the “common moderate prosperity” here does not mean reaching the same level of moderate prosperity among all people in all regions. Instead, it emphasizes “acting according to circumstances” and “seeking truth from facts”.

### **Continuous Improvement of the Theory of Building a Moderately Prosperous Society to Promote the Enrichment and Development of Socialism with Chinese Characteristics**

The process of building a moderately prosperous society is also a process of adapting Marxism to the Chinese context. China's reform and opening up has witnessed the shaping of the theory of building a moderately prosperous society. The improvement of this theory has also helped enrich and further develop the theory of socialism with Chinese characteristics.

After the 16th CPC National Congress, the CPC Central Committee, by analyzing China's own practice and also drawing on the experience of foreign countries, put forward the Scientific Outlook



on Development and regarded it as the guiding ideology to the building of a moderately prosperous society in all respects. The theory of building a moderately prosperous society in all respects was a new theory on development which was introduced at the 16th CPC National Congress. Being people-oriented, this theory places the interests of the general public in the first place, considering it a must to advance the all-round development of economy, politics, culture and society in a coordinated way. This perception is basically in line with the pursuit of people-oriented comprehensive, balanced and sustainable development, which is required by the Scientific Outlook on Development.

The goal of completing the building of a moderately prosperous society in all respects, which was set at the 18th CPC National Congress in 2012, marked the beginning of a new journey of development. In December 2014, Xi Jinping introduced the Four-pronged Comprehensive Strategy, a new major strategic thought that combines the goal of completing the building of a moderately prosperous society in all respects with comprehensively deepening reform, advancing law-based governance and exercising full and strict governance over the Party (PLRO, 2016, p. 247). The Four-pronged Comprehensive Strategy is a general plan that concerns the long-term development of the CPC and the country. Yet at the present stage, it has been introduced to help complete the building of a moderately prosperous society in all respects. Regarding the Four-pronged Comprehensive Strategy, its strategic goal is completing the building of a moderately prosperous society in all respects, and its three major strategic measures are comprehensively deepening reform, advancing law-based governance and exercising full and strict governance over the Party. More specifically, comprehensively deepening reform and advancing law-based governance form a driving force and legal guarantee for completing the building of a moderately prosperous society in all respects; while exercising full and strict governance over the Party is the fundamental guarantee for this cause. Evidently, completing the building of a moderately prosperous society in all respects is at the core of the Four-pronged Comprehensive Strategy. Based on the goal of completing the building of a moderately prosperous society in all respects, the idea of a Four-pronged Comprehensive Strategy has taken shape.

The 13th Five-Year Plan was adopted at the Fifth Plenary Session of the 18th CPC Central Committee in 2015. The Plan further put forward the goal of completing the building of a moderately prosperous society in all respects, giving a more concrete and beautiful depiction of the Chinese people's lives in a moderately prosperous society in all respects. According to the 13th Five-Year Plan, there are both sufficient conditions for and tough challenges against completing the building of a moderately prosperous society in all respects as scheduled. To this end, the CPC leadership put forward the vision of innovative, coordinated, green, and open development that is for everyone. The vision indicates the CPC's profounder understanding of the law of economic and social development and was shaped to tackle the prominent contradictions and problems standing in the way of completing the building of a moderately prosperous society in all respects. To implement the new development vision, China should overcome a range of problems (a lag in social construction, over-consumption of resources, excessive income inequality, ecological deterioration) resulting from its established development model, and ensure that the goal of completing the building of a moderately

prosperous society in all respects will be achieved by 2020.

## **The Building of a Moderately Prosperous Society and the Development and Progress of Contemporary China**

Over the past forty years of reform and opening up, the Chinese people, under the leadership of the CPC, have made relentless efforts to build a moderately prosperous society. Thanks to this, the Chinese society has witnessed sustained and sound development. During this historical period, China has realized rapid economic growth, continuously improved its people's lives, taken major steps in developing democracy and the rule of law, created a cultural boom, made solid progress in social development, and promoted ecological conservation step by step. China's building of a moderately prosperous society is now approaching the end, with intended targets soon to be fulfilled. Against such a backdrop, it is particularly imperative to have quantitative and qualitative analyses of the progress made in the Chinese economy and society. According to the aforementioned three-step strategic plan for modernization, in the step from 1981 to 1990, China should ensure that the people would have adequate food and clothing. As specified in the official report to the 13th CPC National Congress in 1987, benefiting from the reform-enabled rapid economic growth, this step-one goal was already accomplished (PLRO, 2011b, p. 14). At the Seventh Plenary Session of the 13th CPC Central Committee in 1990, the CPC leadership stressed, "With the goal of step one already achieved, we should now strive to achieve the strategic goal of step two in the following decade" (PLRO, 2011b, p. 712). Accordingly, the cause of building a moderately prosperous society since 1990 is divided into three stages in this paper.

### **The First Stage (1990-2000): Ensuring the People a Moderately Prosperous Life**

According to Deng Xiaoping's vision, a moderately prosperous society was relative to China's per capita Gross National Product (GNP) of US\$250 in 1980. It was expected that through ten years' efforts, China would double that per capita GNP (of US\$250) to US\$500 to ensure that the people would have adequate food and clothing by 1990. After that, China would spend ten more years in further doubling the per capita GNP (of US\$500) to 1000 US dollars to ensure the people a moderately prosperous life by 2000. To fulfill this goal, China began to advance its building of a moderately prosperous society step by step while continuing its reform and opening up. Under the leadership of the CPC, China started its rural economic reform by introducing the household contract responsibility system. This move significantly released and developed the productive forces in rural areas, improved rural residents' lives step by step, and gradually alleviated rural poverty. After the Third Plenary Session of the 12th CPC Central Committee, China started its urban economic reform. In particular, the reform of State-owned Enterprises (SOEs) significantly released and developed the productive forces in urban areas. Moreover, China successively launched and developed several special economic zones to gradually shape an opening-up landscape, keep introducing foreign

investments and injecting more vigor to the Chinese economy. China managed to double its per capita GNP (in 1980) by the end of the 1980s as planned and quadrupled it in 1995 ahead of schedule; it also managed to achieve the goal of ensuring the people a moderately prosperous life by 2000. From the introduction of the vision of “moderately prosperous households” in 1979 to the successful realization of a moderately prosperous society in 2000, it only took China some twenty years to have made such remarkable progress. By then, the Chinese economy grew much stronger; the Chinese people’s lives were increasingly improved; the comprehensive national strength was substantially improved; the reform and opening up was further advanced. Although China managed to ensure the people a moderately prosperous life, its overall development was still at a relatively low level and was imbalanced and incomprehensive. Overall, China made outstanding achievements in economic and social development, which were mainly reflected in the economic sphere. Chinese people’s material and cultural needs were immensely satisfied. Yet, the principal contradiction facing the Chinese society remained unchanged. China was still in the primary stage of socialism. Besides, new challenges began to emerge. Against such a backdrop, China must further advance its building of a moderately prosperous society. At the Fifth Plenary Session of the 15th CPC Central Committee in 2000, the CPC leadership announced, “The beginning of the 21st century marks China’s stepping into a new development stage, during which China will strive to build a moderately prosperous society in all respects and accelerate socialist modernization” (PLRO, 2011e, p. 487). Thus, the historical task in the first stage was accomplished and a new task of building a moderately prosperous society at a higher level was initiated.

The progress in the building of a moderately prosperous society can be assessed with a series of indexes of economic and social development. Relevant studies were already initiated in the 1980s. In 1991 the National Bureau of Statistics, in collaboration with 12 government sectors, developed an index system for assessing a moderately prosperous society, which contained 16 indexes (GDP, Engel’s coefficient, urban per capita disposable income, rural per capita net income, etc.) in five aspects (economic development, material life, quality of population, cultural life, living environment). As of 2000, all except three indexes (rural per capita net income, per capita protein intake, rural primary health care), i.e. 13 indexes were up to or above the standard (2002). Given that, the conclusion that the Chinese people’s lives were moderately prosperous in 2000 is scientific and rational.

### **The Second Stage (2001-2011): Building a Moderately Prosperous Society in All Respects**

At the 15th CPC National Congress in 1997, the CPC leadership made a detailed plan for social and economic development after the realization of the strategic goal of ensuring the people a moderately prosperous life. This detailed plan further modified the existing three-step strategic plan for modernization into a new version for the first half of the 21st century. According to this new version, by the end of the first decade of the 21st century, the Chinese people would lead more comfortable lives; by the end of the second decade of the 21st century, the Chinese society will have developed into a moderately prosperous one with a stronger economy, greater democracy, more



advanced science and education, a thriving culture, greater social harmony, and a better quality of life; by the end of the first half of the 21st century, China will have basically achieved modernization and turned itself into a modern socialist country (PLRO, 2011d, p. 4). Ever since the CPC modified its goal from ensuring the people a moderately prosperous life to building a moderately prosperous society in all respects in 2002, the vision of a moderately prosperous society has witnessed sustained improvement, with higher-level development plans introduced and the meanings deepened. In particular, at the 17th CPC National Congress in 2007, the CPC leadership made a detailed plan for the goal of building a moderately prosperous society in all respects, setting higher requirements and including social development in the scope of building a moderately prosperous society. During this stage, China experienced satisfactory economic and social development, making rapid progress in all areas.

In early 2003, the National Bureau of Statistics began to prepare for the development of an index monitoring system for building a moderately prosperous society in all respects. In 2007 this system was revised according to the new requirements set at the 17th CPC National Congress. The *2007 Annual Report on Statistical Monitoring of China's Progress in Building a Moderately Prosperous Society in All Respects* was published in the same year. Later, the *Plan for Statistical Monitoring of China's Building of a Moderately Prosperous Society in all Respects*, which was formulated by the Institute of Statistical Sciences, National Bureau of Statistics, was published and implemented in 2008. The plan included 23 indexes in six areas such as economic growth and social harmony. Based on that, the *2011 Annual Report on Statistical Monitoring of China's Progress in Building a Moderately Prosperous Society in All Respects* was developed. The 2011 report presented the results of statistical monitoring of the progress made by the whole nation and various regions in building a moderately prosperous society in all respects from 2000 to 2010. As is shown in Table 1, China's rate of progress in building a moderately prosperous society in all respects climbed by 20.5% to 80.1% in 2010 from 59.6% in 2000. Significant progress was made in other areas, too. This indicates that China's economic and social development during this period was quite fast and that the goal of building a moderately prosperous society in all respects was expected to be achieved as planned (National Bureau of Statistics, 2011).

Table 1. 2000—2010 China's Building of a Moderately Prosperous Society in All Respects and the Progress Made in Six Areas  
Unit: %

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
The building of a moderately prosperous society in all respects	59.6	60.7	61.8	63.0	64.8	67.2	69.9	72.8	74.7	77.5	80.1
Economic growth	50.3	52.2	54.4	56.3	58.2	60.6	63.4	66.6	69.1	73.1	76.1
Social harmony	57.5	59.6	57.1	56.3	59.9	62.8	67.6	72.1	76.0	77.7	82.5
Quality of life	58.3	60.7	62.9	65.5	67.7	71.5	75.0	78.4	80.0	83.7	86.4
Socialist democracy & legal system	84.8	82.6	82.5	82.4	83.7	85.6	88.4	89.9	91.1	93.1	93.6

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Culture & education	58.3	59.1	60.9	61.8	62.2	63.0	64.1	65.3	64.6	66.1	68.0
Resources & environment	65.4	64.6	66.3	61.8	67.7	69.5	70.6	72.6	75.2	76.8	78.2

Data source: *Annual Report on Statistical Monitoring of China's Progress in Building a Moderately Prosperous Society in All Respects (2011)* by the Institute of Statistical Sciences, National Bureau of Statistics.

### The Third Stage (2012-2020): Completing the Building of a Moderately Prosperous Society in All Respects<sup>①</sup>

In general, from 2003 to 2012 substantial progress was made in building a moderately prosperous society in all respects. Yet it would be many years before this task could be completed, as there was still a lot to improve both in economy and society. It is worth mentioning that the 13th Five-year Plan was adopted at the Fifth Plenary Session of the 18th CPC Central Committee in 2015. This plan raised new requirements for the goal of completing the building of a moderately prosperous society in all respects.

At the 18th CPC National Congress in 2012, the idea of completing the building of a moderately prosperous society in all respects was introduced and it marked the beginning of a new stage for China's social development. China was then still at a promising period of strategic opportunities and therefore should make correct judgments on the strategic situation, tackle challenges calmly, and take proactive measures to achieve the great goal of completing the building of a moderately prosperous society in all respects by 2020. Later, profound changes took place both in China and abroad. In such a context, China continued to advance the Five-point Strategy (promoting economic, political, cultural, social, and environmental progress in a coordinated way) and the Four-pronged Comprehensive Strategy in a coordinated way, and adapt to, grasp and guide the new normal in economic development. As the Chinese economy continues to grow and society keeps developing, China has made remarkable new achievements, getting closer and closer to the goal of completing the building of a moderately prosperous society in all respects.

First, in terms of economic growth, aspects such as per capita GDP, the proportion of the tertiary industry's value added in GDP, the proportion of urban residents (in the whole population of China) and unemployment rates are key economic indexes in the index monitoring system for building a moderately prosperous society in all respects. Overall, since the 18th CPC National Congress, the Chinese economy has maintained a medium-to-high growth rate. Admittedly, with the Chinese economy stepping into a new normal, its economic growth began to step down. Judging from the statistics released by the National Bureau of Statistics, however, from 2013 to 2016, the Chinese economy still maintained an annual growth rate of 7.2% and its economic increment saw a year-on-

<sup>①</sup> Unless otherwise specified, all data in this part are calculated based on the analysis of data quoted from the *Achievements in Economic and Social Development Since the 18th CPC National Congress, Statistical Communiqué of the People's Republic of China on the 2017 National Economic and Social Development*, and *China Statistical Abstract 2018* posted on the website of National Bureau of Statistics.

year increase. The five years saw steady increases in both per capita GDP (gross domestic product) and per capita GNI (gross national income). In 2017 China's GDP for the first time ever exceeded RMB80 trillion to RMB82.7 trillion, a year-on-year increase of 6.9%. In 2016 China's per capita GDP reached RMB53,980, a 29% increase from that in 2012; the per capita Gross National Income (GNI) exceeded US\$8,000, which was far more than US\$5,940 in 2012. This shows that China was approaching the average level of upper-middle income countries. In terms of employment, from 2013 to 2016 China's unemployment rate remained at some 5% and its inflation rate was only 2%, indicating a healthy economy. In terms of the proportion of the urban population (in the whole population of China), by the end of 2016 permanent urban residents accounted for 57.35% of the population of China. Compared with the figure by the end of 2012, this 57.35% meant a 4.78 percentage point increase and an annual increase of 1.2 percentage points. These figures show that China's urbanization was progressing. In terms of proportion to GDP, the value added by tertiary industry at current prices in 2013 for the first time surpassed the value added by secondary industry at current prices, making tertiary industry the largest industry in the national economy of China. The value added by tertiary industry at current prices in 2016 rose to account for 51.6% of GDP, which was 6.3 percentage point higher than that in 2012. The value added by tertiary industry at current prices in 2017 saw a year-on-year increase of 8%; its increase was 1.9 percentage point higher than that of secondary industry, with its industrial structure undergoing continuous upgrades and optimization.

Social harmony reflects the degree of coordination for social development and is an important area of a moderately prosperous society. Social harmony mainly concerns the following monitoring indexes: Gini coefficient, urban-rural income ratio, coefficient of regional economic development discrepancies, and coverage of basic social insurances. According to the statistics released by the National Bureau of Statistics, China's Gini coefficient in 2016 was 0.465, which was 0.009 lower than 0.474 in 2012. Overall, China's Gini coefficient has been on the decline. China's rural per capita disposable income in 2017 was RMB13,432, a year-on-year increase of 7.3% in real terms and 0.8 percentage points higher than urban per capita disposable income. From 2013 to 2016, the average annual growth rate of rural per capita disposable income in real terms was 8.0%; the income gap between urban and rural residents was narrowing. The coefficient of regional economic development discrepancies reflects the coordinated development among regions. From 2013 to 2016, Central and Western China respectively had average annual growths of 8.6% (1.4 percentage point higher than the national average) and 9.1% (1.9 percentage point higher than the national average). Those figures show that China's regional development was optimized, and that Central and Western China were catching up in economic development at a pace faster than Eastern China. Also, China continued to advance the coordinated regional development strategy, achieving remarkable results in the advancement of the Belt and Road Initiative, the coordinated development of the Beijing-Tianjin-Hebei Region and the development of the Yangtze Economic Belt. A social security system was built in China and its basic social security coverage continued to expand. Compared with 2012, there was a significant increase in population covered by various basic securities in 2017. In particular, all Chinese people were covered

by basic medical insurances.

In terms of people's quality of life, from 2012 to 2017 Chinese people's lives were markedly improved. The per capita disposable income of the Chinese residents in 2017 was RMB25,974, which was RMB9,464 more than that in 2012 and which meant an average annual increase of 7.3% in real terms. Chinese people's livelihood underwent steady improvement. Also in the same period, the proportion of Chinese residents' disposable income in GDP was on the rise. By contrast, the Engel's coefficient was on the decline, with urban residents' Engel's coefficient dropped by 2.1 percentage points to 29.3% in 2016 from 31.4% in 2012 and rural residents' dropped by 5.3 percentage points to 32.2% in 2016 from 37.5% in 2012. The decline of Engel's coefficient indicates the further improvement of residents' lives. The floor area per urban resident and per rural resident in 2016 respectively increased by 11.1% and 23.3% from the area in 2012. Chinese residents' housing conditions were substantially improved.

In terms of the development of the socialist democracy and legal system, China has made active and prudent efforts to advance the reform of the political system and keep developing socialist democracy since the 18th CPC National Congress. At the Fourth Plenary Session of the 18th CPC Central Committee, the CPC leadership formulated a comprehensive plan to ensure that every dimension of governance would be law-based, introduced six major tasks and over 180 concrete measures, and completed a top-down design for law-based governance. Since the 18th CPC National Congress, the CPC has enhanced its leading role in lawmaking and continued to improve the Chinese socialist system of laws, at the heart of which is the Constitution. It has advanced the theoretical and practical explorations for the system of people's congresses to ensure the principal status of the people. It has also improved the socialist consultative democracy, orderly advancing a variety of channels for consultative democracy (such as consultations carried out by political parties, CPPCC committees and communities). It has promulgated the Supervision Law of the People's Republic of China and formed a new mechanism for supervising the exercise of power. The reform of China's judicial system has been accelerated. China has established a lifelong accountability system for judges concerning their case-handling to hold those who have done any unlawful trial accountable in accordance with relevant law and discipline and has advanced the reform of a trial-centered criminal procedure system. The allocation of judicial powers and responsibilities has been further optimized, with marked progress made in the circuit court system and the cross-regional procuratorate system. China has steadily advanced the building of a rule of law government. Governments at all levels have been committed to "streamlining administration and delegating powers, combining power delegation with supervision, and optimizing services". According to relevant statistics, from 2013 to 2016 more than 40% of the existing administrative approval items were either canceled or delegated to local governments by the State Council; over 1,100 charge items were canceled, suspended, or deducted by the central and provincial governments, relieving enterprises of an accumulated cost burden of over 2 trillion yuan (Wang, 2017, p. 6). The continued implementation of "power delegation to local governments, power delegation-and-supervision combination, and service optimization" has significantly improved the

business environment and boosted market vitality in China.

In terms of the development of culture and education, since the 18th CPC National Congress, China has deepened the structural reform of the cultural sector, making significant progress in cultural development. Cultural programs are increasingly thriving; cultural industries are expanding; the soft power of China is growing stronger. According to the statistics released by the National Bureau of Statistics, from 2012 to 2016 the value added of the Chinese cultural sector saw an average annual growth of 13.7%, which was 5.4 percentage point higher than the GDP growth of the same period. The combined business income of cultural enterprises in 2017 rapidly increased to RMB9,195 billion, a year-on-year growth of 10.8% and a growth rate rise of 3.3 percentage points. The cultural sector featured a momentum of rapid growth. The cultural sector's contribution to the overall economic growth rate was on the rise. The proportion of the cultural sector's value added in GDP increased to 4.07% in 2016 from 3.48% in 2012. Household expenditures on culture and entertainment were on the rise. The per capita expenditures on culture and entertainment in 2016 were 800 yuan, which was 38.7% higher than that in 2013. As for education, the average years of schooling was 9.05 years in 2012 and was later increased to 9.42 years in 2015. The net enrollment rate of primary school age children in 2017 was 99.9%, which was equal to the previous year. The gross enrollment rate of higher education in 2017 was 45.7%, which was 3 percentage points higher than that in 2016 and 15.7 percentage point higher than that in 2012. These figures show that Chinese residents were increasingly educated.

In terms of ecological conservation, since the inclusion of ecological conservation into the Five-point Strategy at the 18th CPC National Congress, the whole nation, from the leadership to the general public, have actively responded to the call by strengthening environmental governance and ensuring strict enforcement of laws on environmental regulation. Thanks to that, the ecological environment has been significantly improved. Upholding the idea of top-down design, China has formulated overall objectives for ecological conservation, an overall implementation plan for its reform of the system for developing an ecological civilization, as well as a basic institutional framework for ecological conservation that features strict prevention at the source, tight control of its process and severe punishments for ecological destructions. The utilization efficiency of energy and resources has basically risen, while the consumption of energy and resources per unit of GDP has visibly fallen. China's energy consumption per unit of GDP and water use per unit of GDP in 2016 respectively dropped by 17.9% and 25.4% from those in 2012. Its energy consumption per RMB10,000 GDP in 2017 saw a year-on-year decrease of 3.7%. The environment and air quality have been improved step by step and remarkable progress has been made in China's campaign to prevent and control air pollution to make our skies blue again. Of the 338 cities at and above the prefecture level with air quality being monitored, 29.3% of them in 2017 had air quality up to par, which was 4.4 percentage points higher than that in 2016. Also, surface water has generally been improved; the momentum of eco-system degradation has basically been curbed; the ecological conservation has achieved a "phased victory".



## **Major Challenges to Be Tackled to Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects**

The building of a moderately prosperous society has already generated fruitful results and is approaching the goal of completing the building of a moderately prosperous society in all respects. At present, the overall economic and social development goes well, yet it is still away from the new goal introduced at the Fifth Plenary Session of the 18th CPC Central Committee. More efforts need to be made in poverty alleviation. Besides, there are still areas of weakness in the Five-point Strategy and potential hazards and risks in social and economic functioning are increasing. Under such circumstances, apart from continuously implementing the Five-point Strategy and the Four-pronged Comprehensive Strategy, China should, above all, focus on tackling the major challenges during the stage of securing a decisive victory in building a moderately prosperous society in all respects.

### **Further Advancing Targeted Poverty Alleviation and Consolidating the Basis for Completing the Building of a Moderately Prosperous Society in All Respects**

Lifting rural population living below the national poverty line out of poverty is a primary indicator of completing the building of a moderately prosperous society in all respects. The CPC and the Chinese government have carried out targeted poverty alleviation, transforming the poverty alleviation policy from the previous “broad irrigation”-style to the current targeted one, which means ensuring that corresponding assistance reaches villages, households and individuals living below the poverty line. Targeted poverty alleviation aims to lift all poor villages and households out of poverty and make them better off by precisely identifying those villages and households, offering direct assistance to them, ensuring targeted management and assessment and reducing the waste of poverty alleviation resources. Targeted poverty alleviation requires accurate identification of population living below the poverty line and proper introduction of poverty alleviation measures tailored to a particular group.

To fully advance targeted poverty alleviation, China should improve its working mechanism of targeted poverty alleviation, increase the mechanism’s flexibility and at the same time stick to relevant principles. Such a working mechanism requires a unified general principle nationwide and some innovations which fit in with local conditions. Accurate identification of poverty alleviation objects is enabled via the following steps: create records for potential objects, ensure the democracy and justice of identification procedures to sift “the true” from “the false”, enhance dynamic management, and timely include households returning to poverty into the poverty alleviation plan. Targeted assistance requires relevant government authorities to accurately identify the causes of poverty for different households living below the poverty line and take targeted measures to get them out of poverty. That is to say, targeted assistance needs to be combined with local conditions and corresponding poverty alleviation plans should be made on a “household by household” and “village by village” basis. To facilitate targeted assessment, China should establish a corresponding mechanism to inspect and

assess the effectiveness of poverty alleviation, and introduce third-party organizations to oversight the assessment, establish an accountability mechanism to correct and investigate any wrong doing and malpractice, and ensure that real assistance on poverty alleviation is given to the real objects, i.e. households truly living below the poverty line.

The further advancement of targeted poverty alleviation in China has made significant achievements in helping the poor areas and the population living below the poverty line to get rid of poverty and set out on a road to prosperity. So far, rural populations living below the poverty line in China has markedly fallen; the poverty incidence has been on the decline; the income of rural residents in poor areas has undergone an accelerated increase. According to the statistics released by the National Bureau of Statistics, since the 18th CPC National Congress, a total of 68.53 million rural residents previously living below the poverty line in China have been lifted out of poverty. The rural population living below the poverty line was reduced by 68.53 million to 30.46 million at the end of 2017 from 98.99 million at the end of 2012. The poverty incidence was reduced by 7.1 percentage point to 3.1% at the end of 2017 from 10.2% at the end of 2012. From 2013 to 2017, the per capita disposable income in poverty-stricken areas saw an annual growth of 10.4%; its growth rate in real terms was 2.5 percentage points higher than that of the national rural average; the income increase of rural residents in poverty-stricken areas was faster than that of the national rural average. The per capita disposable income in poverty-stricken areas in 2017 reached RMB9,377 (National Bureau of Statistics, 2018). Such an increase should be attributed to grain harvest and the result of targeted poverty alleviation. According to local conditions, relevant government authorities strove to alleviate poverty by supporting competitive local industries such as tourism and e-commerce. Thank to that, residents in those poverty-stricken areas enjoyed a rapid income increase.

### **Upholding the Vision of Making Development People-centered and Accelerating the Development of Livelihood-related Areas**

Completing the building of a moderately prosperous society in all respects is primarily about how the general public feels. In other words, people who live in such a society can feel the stable and sound economic and social development, democratic and transparent politics, a diversified culture with positive values, increasingly improved and balanced livelihood, and a beautiful and livable environment. The building of a moderately prosperous society must return to the basics, i.e. to the general public's feelings of and comments on such a society. Whether the building of a moderately prosperous society in all respects is completed should be assessed with a series of indexes on economic and social development, and should, more importantly, be subjected to the personal feelings of the general public.

To this end, China must uphold the vision of making development people-centered. Being people-centered is a basic requirement for building a moderately prosperous society, which is supposed to be based on the realization and guarantee of the fundamental interests of all Chinese people. At the press conference by members of the Standing Committee of the Political Bureau of the 18th CPC

Central Committee in 2012, Xi Jinping, General Secretary of the CPC Central Committee said, “People’s wish for a good life is our goal.” “Our people have an ardent love for life. They want to have better education, more stable jobs, more income, reliable social security, better medical and health care, improved housing conditions and a beautiful environment” (Xi, 2015, p. 4). This is the Chinese people’s wish and also the goal of the CPC and is a scientific interpretation of the vision of making development people-centered. The CPC should consistently implement such a vision in all work, always be people-centered, ensure its work under the oversight of the Chinese people, stand in the position of the people and seek happiness for the people. Only by doing so can the CPC avoid “going south by driving the chariot north” and ensure that the people have a greater sense of fulfillment. A moderately prosperous society in all respects should be one built on such a basis.

According to the vision of making development people-centered, the CPC and the Chinese government should prioritize the fundamental interests of the Chinese people and regard the people’s approval as the criterion for determining whether the building of a moderately prosperous society in all respects is completed. During this decisive stage at which China is striving to realize a moderately prosperous society in all respects, to implement the vision of making development people-centered, China should focus on solving problems concerning people’s livelihoods. It is true that the completion of the building of a moderately prosperous society in all respects requires significant progress made in the development of all areas. Yet, what matters most to the Chinese people is their livelihood, for it directly concerns the vital interests of all. There is an urgent need to ensure and improve the people’s livelihoods before the building of a moderately prosperous society in all respects can be completed. To this end, China should promote the core socialist values, advance ecological conservation, and, more importantly, make steady progress in education, employment, income distribution, social security and health care. China should focus on the most pressing, most immediate issues that concern the people the most to build a sound and complete public service system, promote equal access to basic public services, and continue to improve the people’s livelihoods.

### **Ensuring Sustained and Sound Economic and Social Development, Preventing and Resolving Major Risks in Economic and Social Functioning**

There is less than three years left before the planned date for the completion of building a moderately prosperous society in all respects. In this decisive stage, it is of vital importance for China to ensure the healthy development of the Chinese economy and society so that “no one falls behind in the journey towards the completion of building a moderately prosperous society in all respects” (Zhu, 2016, p. 15). Possible ups and downs in the Chinese economy can affect the fulfillment of relevant indexes of a moderately prosperous society. China should deepen supply-side structural reform and continue efforts to “cut overcapacity, reduce excess inventory, deleverage, lower costs, and strengthen areas of weakness”. Meanwhile, it should also take tough steps to forestall and defuse major economic risks.

The goal of China’s supply-side structural reform can be briefly summarized as to “cut

overcapacity, reduce excess inventory, deleverage, lower costs, and strengthen areas of weakness”. To maintain macro-economic stability, rebalance the economic structure and tackle any supply demand mismatch, China has comprehensively advanced its supply-side structural reform, which aims to “cut overcapacity, reduce excess inventory, deleverage, lower costs, and strengthen areas of weakness”. So far, certain progress has been made in cutting overcapacity. In 2016, China managed to achieve its annual goal of overcapacity cutting in the coal and steel industries. Regarding deleveraging, the debt-to-assets ratio of industrial enterprises over a designated size has been on the decline since 2016, which means those enterprises’ leverage is falling (Yuan, 2017). In 2017 China over fulfilled its goal of overcapacity cutting in the coal and steel industries and prohibited substandard steel; its industrial capacity utilization rate was 77%, reaching a record high in five years. At the end of 2017 the area of commercial housing for sale was 110,000,000 m<sup>2</sup> less than that of one year ago; the debt to assets ratio of industrial enterprises over a designated size dropped by 0.6 percentage points from one year ago (Guo, 2018).

To help enterprises lower costs, China has implemented a tax reduction policy aiming to improve expected return on investments. In the context of an economic downturn, the tax reduction policy can help enterprises lower their operating costs and is of particular importance to the survival and development of small and micro businesses. In October 2017, China officially abolished its business tax, a 60-year-long tax item and replaced it with a value added tax nationwide, thus effectively alleviating Chinese enterprises’ tax burden. Apart from lowering taxes on enterprises, the Chinese government also reduced the proportion of contribution by employers in the so-called employees’ the system of “five insurances” (endowment insurance, medical insurance, unemployment insurance, maternity insurance, employment injury insurance, housing provident fund), and cut other operating charges to feasibly alleviate the cost burden of relevant enterprises. Industries above a designated size saw their costs in per RMB100 primary operating revenue reduced by RMB0.25 in 2017 from 2016. Regarding the strengthening of areas of weakness, the Chinese government has implemented policy measures which focus on improving people’s livelihoods and social security. To help resolve a variety of problems in supply-side structural reform, the Chinese government has made many efforts to improve people’s livelihoods and social security. For example, it introduced a reemployment assistance program and subsidized vocational training. The government also further increased inputs in education, health care and old age care, laying a solid foundation for the smooth advancement of supply-side structural reform. In 2018 the Chinese government should continue to “cut overcapacity, reduce excess inventory, deleverage, lower costs, and strengthen areas of weakness”. More specifically, it should further reduce excess capacity, lower enterprises’ costs (financing costs in particular), continue to cut taxes, increase the efficiency of corporate innovation, and promote continuous economic growth from the supply side.

It is imperative for China to strengthen the awareness and capacity of risk prevention and control. Over the past forty years of reform and opening up, the Chinese economy has maintained high and steady growth. Yet, there have been a variety of risks alongside the economic growth. Having entered

a new normal in economic development, China is now faced with increased potential hazards and risks in its economic functioning. If such risks are left unresolved, they can do catastrophic harm to economic development and even national security when they are aggregated to a certain degree. Should that happen, China's efforts to complete the building of a moderately prosperous society in all respects would abruptly end in vain. That is why it is so important for China to strengthen the awareness and capacity of risk prevention and control. China should attach great importance to the resolving of potential hazards and risks in finance, local debt, international trade and information security. Given that the outbreak of any financial crisis can deliver a huge blow to economic activities, China should prioritize financial risk prevention and control among its priorities. Also, China should give full play to the government's role in macro-prudential management, and coordinate the rights, responsibilities and interests among regulators. It should continue to strengthen the role of financial deleveraging and maintain a prudent and neutral monetary policy. It should as soon as possible establish a risk-monitoring system and an early-warning mechanism by borrowing advanced experience from abroad (Yin, 2018). Local government debt now becomes a major risk in the functioning of the Chinese economy. To tackle this risk, China should combine offensive and defensive measures to prevent and resolve public-private partnership (PPP) risks, and resolutely halt non-standard PPP projects with high risks. It should also further improve local government accountability mechanism to enhance administrative accountability and avoid the occurrence of illegal local debt. Risks in international trade are the byproducts of trade protectionism performed by some governments of Western countries. The resulting risks in international trade should be a focus of China's precautions and contingency plans. China should take precautions against all possible risks. In short, China should strengthen the awareness of unexpected development and bottom-line thinking to prevent various risks from turning into a crisis which can threaten social stability.

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