

Economic theory innovation and China's development practice

Economic
theory
innovation

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Abstract

Purpose – The purpose of this paper is to promote the theoretical innovation of socialist economics with Chinese characteristics in these areas.

Design/methodology/approach – We must “excavate new materials, discover new problems, propose new ideas, and construct new theories from the practice of China's reform and development.”

Findings – Giving full play to the government's role in realizing optimal allocation of resources required for the public economy to better exert its control, influence and guidance, and at least assume the following three responsibilities. The first is to iron out the economic cycle. The second is to lead the industry to upgrade. The third is to ensure national economic security.

Originality/value – Some deep-rooted issues still need to be further studied in order to establish the scientific and practical nature of the socialist economics with Chinese characteristics. For instance, why is the theory of a socialist economy with Chinese characteristics summarized from the development practice in China a scientific theory?

Keywords Economic theory, System of socialism with Chinese characteristics, New practice, New theory, New system, Theoretical value

Paper type Research paper

1. Introduction

As General Secretary Xi Jinping (2015) stated at the 28th Group Learning Conference of the Political Bureau of the CPC Central Committee on the principles and methodology of Marxist political economics: “Our work must be based on China's specific conditions and development practices. We must uncover new rules and new laws, refine and summarize a series of results of our economic development, turn the practical experiences into the systematic economic theories so as to continuously explore the new realm of contemporary Chinese Marxist Political Economics.” In his speech at the symposium on philosophy and social sciences, General Secretary Xi Jinping further commented: “Only when we take China's actual conditions as the starting point, develop theories with subjectivity and originality, and build a discipline system, academic system, and discourse system with our own Chinese characteristics, can the China's philosophy and social sciences can be of their own characteristics and advantages.” General Secretary Xi Jinping's series of speeches point out the following directions and principles for constructing a theoretical system for socialist economics with Chinese characteristics: First, theories must come from practice, so that they can explain the actual phenomena; second, new theories should guide new practice and solve new problems encountered in development; and third, new theories must have both Chinese characteristics and global values.

Since the beginning of opening up to a new realm of contemporary Chinese Marxist political economics, scholars have conducted extensive and in-depth research and have achieved satisfactory results. By reviewing existing literature, we can see that scholars



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reach a consensus on some basic principles. These include: first, the socialist economics with Chinese characteristics must inherit and develop the fundamental theories and methodologies of traditional Marxist economics. For example, Hong Yinxing (2016) inherited Marx's approach of taking production relations as study object and at the same time innovatively incorporating productivity in the research. Second, the socialist economics with Chinese characteristics is a summarization of the practical experience of reform and development in China. For example, most scholars have identified development as the core element of the socialist economics with Chinese characteristics. Pang Jinju (2016b) described it as developing economy and meeting demands. Zhang Yu believed that the fundamental mission of socialism is to promote productivity and to put development as its top priority. As for the interaction between productivity and production relations, the study shall focus on the details of how to promote productivity (Yu, 2016a). Gu Hailiang (2016) argued that exploring the basic economic system and the economic institutions at the primary stage of socialism should be the main focus of study, combined with integration, development and improvement of the socialism economic system and the market economic system. Hong Yinxing regarded the basic economic system and basic income system as the core content of the socialist political economics with Chinese characteristics (Yinxing, 2016). Liu Wei (2016) identified it as a study of how to maintain the direction of the reform of the socialist market economy. Third, the socialist economic theory with Chinese characteristics should be systematized into a theoretical system. Hong Yinxing (2016) believed that systematizing a series of major theoretical innovations in economic system, economic operation and economic development that lead the great practice of the socialist economic construction with Chinese characteristics into success constitutes a theoretical system of socialist political economics with Chinese characteristics. Liu Wei (2016) built a theoretical system based on the historical perspective, core propositions, major tasks and fundamental goals of the socialist political economics with Chinese characteristics. Zhang Yu (2016b) believed that the socialist political economics with Chinese characteristics should cover the main areas of production, distribution, exchange and consumption of the socialist economy with Chinese characteristics, as well as the basic economic system, basic distribution system, economic institutions, economic development and opening up to the outside world. Fourth, the socialist economics with Chinese characteristics should establish its own discourse system. Most scholars emphasize that socialist economics with Chinese characteristics should be open to learn and draw lessons from the scientific components of both Chinese and foreign theoretical achievements (Liqun, 2016). However, "We must know which one is our first choice between Chinese and foreign economics, and must not regard Western economics as the mainstream and standard" (Peizhao, 2016), and give dominance to Marxist economics (Gang, 2015). At the same time, emphasis is placed on telling Chinese stories in a common language (Huang, 2016a). Zhou Wen believed that China now has foundation and ability to construct a discourse system for the Chinese economy and that China's development experience constitutes the basic core of the discourse system of the Chinese economy (Wen, 2016). Pang Jinju pointed out that socialist political economics with Chinese characteristics is both national and international. Only by taking China's actual conditions as the starting point, proposing subjective and original theoretical viewpoints, and building disciplinary systems, academic systems and discourse systems with their own characteristics can the Chinese economy truly form its own characteristics and advantages, and gradually be valued and accepted by the world (Jinju, 2016a).

Although the scholars have reached consensus on some principle issues in advancing the theoretical innovation of the socialist economics with Chinese characteristics, some deep-rooted issues still need to be further studied in order to establish the scientific and practical nature of the socialist economics with Chinese characteristics. For instance, why is the theory of a socialist economy with Chinese characteristics summarized from the

development practice in China a scientific theory? After China has become a middle- or high-income country, when emphasizing the innovation of the theories of economics, why does it call for the development of a new realm of Marxist economics, require the systematic transformation of practical experience into an economic theory and call for socialist economics with Chinese characteristics to develop economics with Chinese contributions? This paper seeks to promote the theoretical innovation of socialist economics with Chinese characteristics in these areas.

2. Chinese development practice of theoretical innovation

In order to write *Das Kapital* and to create the study of Marxist political economics, Marx left his hometown in Germany to travel to the UK. The reason was that he wanted to use the most typical British capitalist production system as an example to reveal the laws of capitalist economy. Similarly, today when we construct and innovate the socialist economics with Chinese characteristics, we should also return to Marx in terms of research method. We must “excavate new materials, discover new problems, propose new ideas, and construct new theories from the practice of China’s reform and development” (Jinping, 2016). This is because, so far, only China has created the typical conditions for constructing a theoretical system of socialist economics.

First, China is the best-developed socialist country in the world. In the international context of the Soviet Union’s disintegration and the drastic changes in Eastern Europe in the early 1990s, China continued to adhere to “one center and two basic points” and continued to improve the socialist basic economic system, mechanism and institutions by continuously pushing forward the reform of the socialist market economic system. This was to maintain the vitality of Marxism and the socialist system, contributing huge institutional dividends to economic and social development. This means that China has not followed the “Washington Consensus,” but the “Beijing Consensus.” It has not followed neo-liberalism or western mainstream economics but the guidelines of socialist theories with Chinese characteristics and has come up with a development path utterly different from those of the western capitalist countries.

Second, China has achieved faster growth over a more extended period of time than any other capitalist countries. In the process of advancing industrialization, the UK had the highest average annual economic growth rate of 2.31 percent in 1770–1790, its highest in the twentieth century was 3.54 percent in the 1960s, but only 2.73 percent in 1970–2007. The average annual economic growth rate of the USA was 4.38 percent from 1791 to 1820, 4.46 percent from 1820 to 1860 and 3.39 percent from 1860 to 1913. Japan achieved rapid growth from 1961 to 1973 with an average annual rate of 8.78 percent, from 1974 to 1991 dropping to 4.09 percent, then from 1992 to 2015 only 0.8 percent, which is known as “the lost 20 years.” South Korea achieved an average annual growth of 9.57 percent from 1963 to 1991, but it dropped to 5.68 percent in 1992–2007 and further decreased to 3.11 percent in 2008–2015[1]. China achieved an average annual growth rate of 9 percent in 38 years from 1978 to 2015. Even though downward pressure on China’s economic operation has been increasing since 2012, China has maintained a rapid growth with an annual growth rate of over 7 percent. This demonstrates the institutional superiority of the future society described by Marxist classical writers that enables faster economic growth than capitalism can do.

Third, China has created a “Chinese miracle” in the history of world economic development. Through more than 30 years of rapid growth, China has become the world’s second largest economy, the largest manufacturing country and the largest trading country, making more than 700m people out of poverty to enjoy a better quality of life. According to Madison’s (1997) calculations, China’s GDP accounted for 28.7 percent of the world total in 1820, much higher than the 5.2, 3.1 and 1.8 percent of the UK, Japan and the USA,

respectively, in the same year. However, from 1840 China suffered from a hundred years of humiliation. At the time of the founding of New China, the proportion of China's GDP to the world had dropped to less than 5 percent. The economic development of New China, especially since the reform and opening up, has enabled China to develop rapidly. In 2015, China's GDP accounted for 15.5 percent of the world's total, implying that China was close to the great rejuvenation, which had never been experienced before.

The birth and development of economics are all derived from successful practices. As the most developed country in the world, the USA has formed mainstream economics and its branches in the west. There are numerous Nobel Prize winners in economics. As a post-developed country, Japan has produced a unique industrial economics based on its successful practices. As the largest developing country in the world, China, in its successful development experience, should give birth to and can systematize and upgrade China's economics that guides developing countries in promoting industrialization, urbanization and modernization[2].

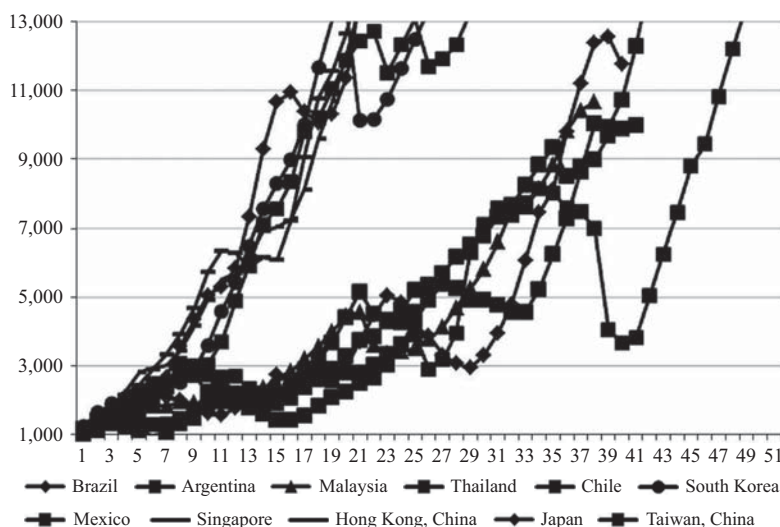
In fact, in the successful practical experience of economic development since the reform and opening up, China has already formed some socialist economic theories with Chinese characteristics, including: the theory of the primary stage of socialism, the underlying economic system theory together with the basic distribution theory in the primary stage of socialism, the theory of taking economic development as the center, the theory of the socialist market economy and the theory of opening up to the outside. Unique Chinese theory, Chinese path, Chinese system and Chinese culture have all been formed, and even the "China model" has been proposed to the world. The great success of Chinese economic development has boosted confidence in the Chinese theory, path, system and culture.

3. New development practice calls for a new theory

We are aware that the successful development achieved by our country is still in its early stages, and we have not yet realized the great rejuvenation of our nation. To further boost our confidence in China's theory, path, institution and culture, it is also necessary to further innovate the socialist economic theories with Chinese characteristics in the new development practices and put forward China's practice toward a new success.

According to the World Bank Country Classification, the development process of a country can be roughly divided into four stages: from low income to low-middle income, from low-middle income to middle-high income, from middle-high income to high income and from high income to the stage of a developed country. In 2015, China's per capita GDP reached \$8,000, and it has become a middle- and high-income country and is moving toward a high-income country. Past experience in the world economic development shows that many developing countries (regions) can take advantage of low-cost advantages and resource endowments such as cheap natural resources, cheap labor and low-cost environment at the beginning of their own country's (region's) development to achieve an economic takeoff. However, when they reach or approach the middle-to-high income threshold, some countries or economies continue to maintain rapid growth, smoothly surpass the "middle-income trap" and turn into high-income countries or economies, such as Japan and South Korea[3]. There are also quite a number of developing countries or economies that experience low economic growth or even stagnation, and fall into the "middle-income trap," such as Brazil, Argentina and other Latin American countries, as well as the Philippines, Malaysia and other Southeast Asian countries (see Figure 1). Therefore, surpassing the "middle-income trap" has become the biggest challenge facing the middle- and high-income economies.

As shown in Figure 1, when the typical economies are striding over the "middle-income trap" with the per capita GNI around \$3,000, economic development of the two types of economies that have crossed over or become trapped in the "middle-income trap" begins to



Source: World Bank database

Figure 1.
Changes of per capita
GNI in typical
economies in the
“middle-income trap”
stages

show significant discrepancy, and thus totally different development trends arise. This shows that the economic development of middle- and high-income economies faces new challenges and has their own unique development rules. Therefore, it is necessary to “listen to the voice of the times, respond to the calls of the times, and earnestly study and resolve major and pressing issues” (Jinping, 2016), explore the particular laws of economic development in the middle- and high-income stage, and promote innovation in economic theories.

According to the experiences and lessons of the two types of economies that have crossed over or become trapped in the “middle-income trap,” the main reasons for falling into the “middle-income trap” are clear. First, there was no timely switch of the development strategy, and there were macro strategic mistakes. Second, the industrial structure had not been transformed and upgraded in a timely manner, and there were “vacuums” in the industries where middle- and high-end ones had not entered, and the low-end ones had been squeezed out, causing industrial investment to drop sharply. Third, no breakthrough had been made in technological innovation, total factor productivity and potential economic growth rate declined, thus the quality of economic growth declined. Fourth, the mode of foreign trade growth had not been transformed in time, and the international competitiveness of products declined. Fifth, income distribution has not achieved fairness and justice, and there was a significant income inequality. Sixth, reforms of institutional mechanisms were not in place, and economic restructuring was severely restricted by the systems and institutions.

Judging from the major problems and potential risks in the current economic development, China has already faced tough challenges of the “middle-income trap,” such as the middle- and low-end industrial structure, insufficient capacity for independent innovation and excessive income inequality. Moreover, from the perspective of the 13 economies that have already crossed the “middle-income trap,” the challenges facing China’s economic development are even greater. First, they all belong to economies with smaller populations and lands. There is no precedent for the realization of a leap in a country like China. Second, most of them have been protected and supported by the USA and other developed countries. On the contrary, China has been subject to various forms of containment. Therefore, whether China can cross the “middle-income trap” has aroused extensive concerns.

In the face of China's development challenges to cross the "middle-income trap," the existing economic theories can hardly provide certain scientific guidance and policy recommendations.

Privatization and marketization promoted by neo-liberal economics cannot be used to guide China's leap across the "middle-income trap." This is not only because neo-liberal economics is inconsistent with the basic socialist economic system, but also because it is not conducive to promoting the development of social productivity in our country. The great advantage of the basic socialist economic system lies in its ability to create faster and better development than capitalism. At the level of the promoting productivity, when just taking into account that China is a latecomer, it can be explained that the theoretical claims of neo-liberal economics are ineffective for our country to stride over the "middle-income trap." In the process of catching up with modernization and industrialization, latecomers can use the advantages as a latecomer to play the role of the government better and achieve "compression-style" catch-up development. This is not because the governments of the latecomers are smarter than those of the developed countries, but because "The country that is more developed industrially only shows, to the less developed, the image of its own future" (Marx, 1972). In this way, latecomers can learn from the experiences of the developed countries, spend less time researching and take fewer economic detours.

Giving full play to the government's role in realizing optimal allocation of resources required for the public economy to better exert its control, influence and guidance, and at least assume the following three responsibilities. The first is to iron out the economic cycle. In the face of major crises and emergencies, this plays a supporting role in stabilizing economic growth. For example, in 2016, China faced great pressure from the economic downturn. In the first three quarters, private investment only increased by 2.5 percent year-on-year while state-owned enterprise investment increased by 21.1 percent, which has played a role in steady growth. The second is to lead the industry to upgrade. China's economic growth requires: developing the strategic emerging industries, expanding new space and enhancing new momentum. Strategic emerging industries have high investment risks and strong externalities. Government guidance can correct for market failures. During the "Twelfth Five-Year Plan" period, under the active guidance of the government, China's strategic emerging industries developed rapidly with the proportion of added value in GDP rising rapidly from 3 percent in 2010 to 8 percent in 2015, raising GDP growth by approximately 1.4 percentage points, contributing 70 percent to industrial revenue growth. The third is to ensure national economic security. Under the background of economic globalization, national economic security in a certain sense depends on having a group of world-class large enterprises with international competitiveness. Due to the short development time and small scale of private enterprises in China, it is necessary for state-owned enterprises to assume this responsibility. For example, in China, the number of large enterprises entering the Fortune 500 has increased from 4 in 1999 to 98 in 2016, most of which were state-owned enterprises. Therefore, for those state-owned enterprises undertaking social responsibilities, it is unfair to evaluate their economic benefits from the perspective of enterprise efficiency. In fact, Japan, South Korea and other countries have increased the number of state-owned enterprises in the process of advancing modernization and industrialization. This shows that even in capitalist countries, in order to raise productivity more quickly, it is necessary to give a greater role to the state-owned enterprises.

Development economics, an essential branch of western economics, has also failed to solve new problems in China's development. Development economics is intended mainly to solve the economic development problems faced by a country from the low-income stage to the middle- and high-income stage. The most well-known theory is due to Lewis. With regard to the directional nature of his own theory, Lewis (1989b) explicitly stated: "In most countries

which are in the early stage of economic development, their economies are not monistic but dual.” Since its reform and opening up, China’s economic development practice has consciously or unconsciously used Lewis’ dual economic theory, but as China enters the middle- and high-income stage, the economic development needs a series of transformations. First, from the factor-driven to the innovation-driven, it is necessary to regard innovation as the primary driving force for economic development. Second, from uncoordinated development to coordinated development, focus should be put on economic structural adjustments. Third, from unsustainable development to sustainable development, we must place harmony, population, resources and environment as the necessary conditions for development. Fourth, from the emphasis on “bringing in,” one-way opening in the coastal areas to “bringing in” and “going out” along with the all-round opening in the coastal areas and along the borders, the building of a new system of opening up is the only way for prosperity and development. Fifth, from emphasizing that some people and some regions get rich first to shared prosperity, we need to consider the promotion of people’s well-being as the starting point and the objective of development.

Faced with the overall transformation of development momentum, development mode, development path, development conditions and development environment, the theory of development economics shows some limitations. First, it ignores innovation. The dual economic theory established by Lewis in the early days even assumed that technology would remain unchanged. It was assumed that a sound market economy system was in place and that innovation had not been placed at the heart of the economic development. Second, it stresses on non-balanced development strategies. Lewis began to ignore the development of agriculture. John Fei and Ranis, while making up for Lewis’s theoretical flaws and emphasizing the importance of agriculture, only recognized the development of agriculture as a condition of industrialization. Third, there is no emphasis on green development. In order to promote development, developing countries are usually required to make full use of natural endowments and comparative advantages in international trade. Fourth, the opening up to the outside world remains at the initial stage. In order to solve the shortage of capital and technology in developing countries, the primary emphasis is on “bringing in.” Fifth, the distribution of income highlights the distribution of capital, and the labor income is so low only to maintain the level of survival. As Lewis (1989a) explicitly stated, “The central fact of economic development is that income distribution has become more favorable to the savings class” The theoretical shortcomings shown by the dual economic theory at the middle-high income stage are precisely the main reasons that lead developing countries into a “middle-income trap.”

The economic growth theory of mainstream western economics surpasses China’s development stage. Economic growth theory mainly focuses on the economic growth of developed countries. Although some of these theories can be used by developing countries, in general, they do not apply to industrialization, urbanization and modernization, in developing countries. As the famous development economist Gillis *et al.* (1989) said: “On some major issues of economic development, these economic theories do not provide answers. At most, they provide only partial answers.” This is because the developing countries pursue economic development. Economic development includes not only economic growth, such as the growth of GDP and per capita GDP, but also some wider and more important aspects like the optimization of economic structure, changes in economic systems, improvement of resources and environment, and the fairness of income distribution. Ignoring these will result in growth without development. Therefore, in developing countries, “just measuring growth by economic growth rate is questionable. There are many reasons. GDP cannot tell us anything about distribution, nor can it show how this social welfare system is. Another weakness is that it ignores environmental factors” (Lundahl *et al.*, 2001).

For developing countries which enter the middle- and high-income stage like China, the speed of development is important. However, under the premise of maintaining rapid growth, the optimization of economic structure, economic system, resources and environment, income distribution is more important to guide the economy toward a higher quality, more efficient, more equitable and more sustainable development. The 2016 Central Economic Work Conference pointed out: "Although the prominent contradictions and problems faced by our country's economic operations are cyclical and aggregate, the root cause is the major structural imbalance" (*People's Daily*, 2016). Obviously, in the face of the above historical difficulties in economic development, existing economic growth theory is far from enough.

The socialist economic theories with Chinese characteristics also need innovative development in the context of new situations. The first is the formation of new theories. The Party has summarized and refined socialist economic theories with Chinese characteristics on the basis of its rich experience, which still need to be further innovated in accordance with the new situation in guiding the leap over the "middle-income trap." The second is to systematize the socialist economic theory with Chinese characteristics. The overall layout of the "Five in One" and the proposal of the "Four Comprehensive" strategic arrangements have meant that China's economic development has shifted from the key breakthroughs in the past to the overall advancement of the entire economy, and it is, therefore, necessary to coordinate the overall layout of the "Five in One" and to coordinate the promotion of the "Four Comprehensive" strategic arrangement. This involves not only the issue of economic aggregates but also more structural issues. The quality of development is not only determined by economic issues but also by politics, culture, society and ecosystem. The theories that guide the future development of China's economy must also shift from individual ones to systemic ones and provide an overall solution.

4. A new theoretical system to guide new development practices

For China's entry into the middle- and high-income stage, facing new challenges that span the "middle-income trap," it is necessary to make new strategic judgments on the new development stage to avoid major strategic misjudgments; on the other hand, we must propose new ideas, new impetuses, new approaches and new policies that lead the economic development to the new stage in accordance with the new strategic judgments, and form new theories that guide China to stride across the "middle-income trap" and move toward modernization:

- (1) The new normal for economic development: Chinese economic development has entered the new normal, which is a significant point in Chinese new stage of economic development. Its primary characteristics are as follows: first, the shift of the economic growth to medium and high speed. Second, the industrial structure has reached the middle and high end. Third, the driving force of factors has turned to innovation. Fourth, urban and rural development have integrated. Fifth, coordinated development of regional economy. Sixth, innovate independently to enter the rank of innovative countries. Seventh, more in-depth and higher level of two-way opening. Eighth, fairer income distribution. Obviously, the issues of concern for the new normal of economic development are entirely different from those in the past. Therefore, the new normal of economic development is a qualitative change in economic development. It requires that in the present and future we should recognize, grasp and use the new normal as the underlying logic for economic work.
- (2) A new concept of economic development: in order to adapt to the new normal and adopt the new normal, President Xi Jinping proposed a new concept of innovative, coordinative, green and open development with shared benefits, which provides

solutions to different problems. In response to China's shift from factor-driven to innovation-driven, it is necessary to place innovation and development at the core of the country's overall development. In view of the unbalanced, uncoordinated and unsustainable outstanding contradictions and problems that have emerged in China's economic operations, the coordinated development should be regarded as an inherent requirement for sustained and healthy development. In view of the fact that China's resource environment is at or near the upper end of its tolerance, green development is required as a necessary condition for sustainable development and an essential embodiment of the people's pursuit of a better life. In view of the fact that the development of our economy asks for the best use of two markets and two resources, we need to take opening up and development as the only path forward for China's prosperity. To solve the problem of excessive income gaps in China's income distribution, it is necessary to regard shared development as the essential requirement of socialism with Chinese characteristics. Therefore, if we want to successfully cross the "middle-income trap" and realize the "Chinese dream," we must take the new development concept as a fundamental guideline.

- (3) New impetus for economic development: under the new normal of economic development, innovation is the primary driving force for development. Innovation is a "four-in-one" innovation system consisting of theoretical innovation, institutional innovation, technological innovation and cultural innovation. This means that while technological innovation is important, innovation is not only technological innovation but also innovations such as economic system reform and emancipation of ideas. In particular, for countries like China in the institutional transition, deepening reforms must be used as a powerful driving force for economic development. Judging from the development experience since China's reform and opening up, the introduction of each major reform decision has brought about rapid economic development for about five years[4]. Similarly, theoretical innovation is also a powerful driving force for economic development in the new stage. The McKinsey report of October 22, 2015 clearly stated that so far most of China's innovation work had been relatively easy to carry out, and China had made remarkable achievements in incremental innovation. However, China has made fewer achievements in the more challenging areas of innovation, lacking significant breakthroughs in science or engineering (Overseas Media, 2015). Due to the lack of such breakthroughs, China's total factor productivity and potential growth rate tend to decline. The acceleration of scientific and technological innovation also depends on institutional innovation, theoretical innovation and cultural innovation to eliminate all ideas, systems and mechanisms that hinder technological innovation. This innovative theory surpasses Schumpeter's innovation theory and the innovation theory of institutional economics, pushing innovation theory to a new height.
- (4) A new approach for economic development: the emergence of a knowledge economy surpassed Lewis's dual economic theoretical framework of the agricultural and industrial economy and formed the triad economic structure of the agricultural economy, industrial economy and knowledge economy. Therefore, it is necessary to construct a new economic theoretical framework for the interactive development of industrialization, informatization, urbanization and agricultural modernization to replace the traditional dual economic theory. The new path for the development of the three-element economy is: first, the interaction between industrialization and informatization, and the road to a new type of industrialization; second, the interaction between industrialization, informatization and urbanization, and the

road to the new urbanization; third, the interaction between industrialization, informatization and agricultural modernization, and the road to a new type of agricultural modernization; and fourth, the interaction between industrialization, urbanization, agricultural modernization and informatization, which opens up a broader road for rapid information-based development.

- (5) New policy for economic development: since the Party's 18th National Congress, China has initially established an economic policy framework that suits the new normal of economic development. Economic development must be guided by new development concepts, with supply-side structural reform as the main route, and higher quality, more efficient, more equitable and more sustainable development as the direction, in order to enhance the well-being of people and promote overall development. We have steadily progressed toward the direction of shared prosperity as the starting point and destination of economic development, leading a set of economic policy frameworks for sustained and healthy economic development in China.

The systematization of the new normal, new concept, new impetus, new approach and new policy of the economic development into economic theories constitutes a new theoretical system that leads China's development from the high-middle-income stage to the high-income stage, making up for the theoretical defects or deficiencies of the existing economics at this stage of development. It has opened up a new realm of socialist economic theories with Chinese characteristics.

The further systematization of the socialist economic theories with Chinese characteristics formed before the Party's 18th National Congress and the above new theories constitutes a new system of socialist economic theories with Chinese characteristics. This mainly includes: first, the research object, that is, the research object decided on the basis of the nature and time mission of the socialist society. We must study not only the relations of production but also the productivity. That is, we must liberate the productive forces through the continuous deepening of the relations of production that are not adapted to the productive forces; we must develop productive forces by studying the operating laws of the productive forces. Second, the logic main principles; the main line of logic determined according to the fundamental contradiction in the primary stage of socialism is development. Third, the theoretical framework, which is centered on the main logic line of development; this explains the concept, category, principle and operating mechanism of the socialist economic theories with Chinese characteristics in terms of development philosophy, development goals, development purposes, development speed, development and transformation, development momentum, development path, development resources, development environment and development systems (Huang, 2016b).

It can be seen that the theoretical value of the new system of socialist economic theories with Chinese characteristics lies in various aspects. First, inheriting and developing Marxist economics. For example, identifying the research object of socialist economics with Chinese characteristics as production relations and productivity is the inheritance and development of Marxist economics research object theory; the innovative development in the new development concept is the inheritance and development of the theories that science and technology is productivity by Marx, and that science and technology is the first productive force by Deng Xiaoping; coordinated development has inherited and developed Marx's two major departmental balance theories, Mao Zedong's Top Ten Relations, Chen Yun's Comprehensive Balance Theory and the "Five Balances" scientific development theory. Second, embracing and surpassing the economic development theory of western economies. For example, innovation theory includes Schumpeter's product innovation, technological innovation, market innovation, resource allocation innovation and organizational

innovation, as well as institutional innovation in institutional economics, and surpasses Schumpeter's theory that innovation is in the micro field, that is, innovation through entrepreneurs. This also includes innovation at the macro level, such as theoretical innovation, cultural innovation into the innovation system; the triad economic theory of the interactive development of new industrialization, informatization, urbanization and agricultural modernization demonstrates tolerance and transcendence of Lewis' dual economy theory, as well as of structuralist economics, traditional industrialization theory and urbanization theory. Third, summarizing and refining new theories from China's successful experiences. For example, the theory of the basic economic system in the primary stage of socialism is a theoretical innovation of the basic socialist economic system based on China's special national conditions, following the law that productivity determines the relations of production; the theory of socialist market economy unites socialism and market economy creatively and expands the meaning and capacity of the market economy.

The universal value of the new system of socialist economic theories with Chinese characteristics lies in the following: in theory, first, the economic theory that guides the transition from high- and middle-income countries to high-income countries has been constructed through innovation and has solved a theoretical defect of the existing economics in the world. It has also formed a complete economic theory system that can guide the entire process of industrialization, urbanization and modernization of developing countries, contributing Chinese wisdom to the refinement and development of economic theories. Second, it has proposed the new theories of a new concept, new impetus new approach and new policy for economic development. It has embraced and surpassed the existing economic theories and made Chinese contributions to the enrichment and development of the economic theories. In practice, theoretical guidance and policy guidelines have been provided for developing countries, especially those that are still struggling with the "middle-income trap," and will help them to leap over the "middle-income trap" successfully.

Notes

1. All the above information is from the World Bank database.
2. The "China" in the "China Economics" mentioned here is not a geographical concept but a concept of names, representing the theory that guides the developing countries to modernize.
3. According to statistics from the World Bank, between 1960 and 2008, 101 economies entered the middle-income stage successfully, but only 13 economies achieved a leap. They are: Equatorial Guinea, Greece, Hong Kong, Ireland, Israel, Japan, Mauritius, Portugal, Puerto Rico, Singapore, South Korea, Spain and Taiwan.
4. Between 1983 and 1988, the Central People's Government issued the first reform decision "Decision on Economic System Reform" in 1984; and between 1992 and 1996, the central government issued the second reform decision in 1993 "Decision on Several Issues Concerning the Establishment of a Socialist Market Economic System."

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