

# COMMENTS ON AND PROSPECTS FOR CHINA'S CURRENT MACROECONOMIC DEVELOPMENT

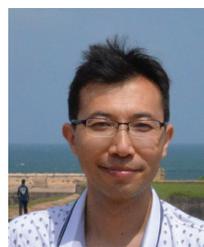
## Ten Measures to Guide the Economic New Normal

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**Abstract:** Since 2015, China's economic performance has initially exhibited characteristics with enhancing quality and increasing efficiency in economic new normal. This article, based on economic operation status since 2015 under the logical framework of economic development with "recognizing the new normal, adapting the new normal, guiding the new normal and exploring the new normal," aims at commenting on and forecasting for China's current and recent macroeconomic development from the following ten perspectives of economic growth, indigenous innovation, industrial structure, ecological environment, regional coordination, people's livelihood improvement, mixed ownership, financial development and coordination between market and government.

**Key words:** economic new normal; macroeconomic development; economic structure; economic reform; innovation driving

Since 2015, China's economic development has entered the new normal under which there is a steady development trend springing from China's economy in the recent years. At present and in the future, China's economic development should focus on the key logics of "recognizing the new normal, adapting the new normal, guiding the new normal and exploring the new normal" (*People's Daily* 2014). This article, based on economic operation conditions since 2015, attempts to commend and forecast the recent economic development.

## 1. Medium High Growth Rate of 6.5%–7.5% Should Be Maintained Continuously

China's economic new normal was initially characterized as a medium high rate of GDP growth. The transition to the economic new normal is a gradual process. During the period of 2002–11, China has maintained an annual rate of GDP growth of more than 9%.<sup>1</sup> In the six years between 2002–7, GDP growth has increased by more than 10%, and in 2007 GDP growth hit the highest record of 14.2%. Moreover, since 2012 the GDP growth has been less than 8%. The GDP growth rate was 7.7% both in 2012 and 2013, 7.4% in 2014, 6.9% in 2015 and 6.7% in the second quarter of 2016. The 6.7% and 6.9% growth rates are still in the forefront among the global economy. According to data released by IMF, China's economy contributes more than 25% to the global economic growth, showing that China is still the most important driver of global economic growth.

Entering into economic new normal, although economic growth rate is slower than before, economic growth amount has still approached and even surpassed that of the high-speed stage. At different economic development stages, there is a comparative difference between economic growth rate and economic growth amount. At the stage of comparatively small economic amount, the same economic growth volume represents a higher economic growth rate. While at the stage of the comparatively large economic amount, the same economic growth amount represents a lower economic growth rate. In 2007, China's aggregate amount of GDP was RMB 270,844 hundred millions in 2007, increasing by RMB 51,815.5 hundred millions more than in 2006, and growth rate was as high as 14.2% (calculated at constant prices). Aggregate amount of GDP was RMB 64,479.1 hundred millions in 2014, increased by RMB 48,729.6 hundred millions more than in 2013, and economic growth rate was only 7.3% (calculated at constant prices). Besides the economic growth rate, China's new normal economy has brought about the usual change of quality and benefit indicators which cannot be shown by GDP indicator. First, economic development pattern has been changed from extensive growth based on scale and rate to intensive growth oriented by quality and benefit. The energy consumption per unit of GDP has annually declined respectively by 2.01%, 3.6%, 3.7% and 4.8% during the period of 2011–14, and by 5.6% in 2015. Second, economic structure has been adjusted from economic growth based on incremental quantity and capacity expansion to economic growth with revitalizing the stock and optimizing incremental quantity. In the field of industrial structure, the proportion of the value added in the tertiary industry in the GDP has surpassed over secondary industry for the first time. This proportion was greater than the secondary industry by 5.6% in 2014, and this proportion was higher than secondary industry by 10% and almost reached 50% in 2015. In the respect of demand structure, internal

demand has played a decisive role in fueling economic growth. During the period of 2009 -14, the contribution rate of final consumption expenditure to the GDP growth was respectively by 56.1%, 44.9%, 61.9%, 54.9%, 47.0% and 48.8%, and the contribution rate of total investment to the GDP growth was respectively by 86.5%, 66.3%, 46.2%, 43.4% , 55.3% and 46.9%. The contribution rate of final consumption expenditure to the GDP growth was by 66.4% in 2015. Third, the economic development has transferred from a traditional factor-driven and investment-driven development pattern to the new innovation-driven growth pattern. The volume of domestic authorization to application patent of invention increased from 18,241 in 2013 to 162,680 in 2014. In the above-scale industries, high-technology industry increased by 12.3% in 2014, accounting for 10.6% in the above-scale industries, and grew by 10.2%, accounting for 11.8% in 2015.

## **2. Accelerating the Innovation-Oriented Country Construction by Implementing Independent Knowledge Property Strategy**

Under economic new normal, scientific and technological innovation has become a primary driving force in economic development. Broadly speaking, the reform in the economic base and the superstructure is an important driving force to promote productivity development. Furthermore, science and technology themselves are pervasive factors in productivity. Science and technology enable people to create and develop new productive force by recognizing and mastering the law of nature (Yang and Cheng 2015). Scientific and technological innovation is a concentrated expression of productivity development. As pointed by Xi Jinping, innovation is a primary driving force to lead economic development (Hu 2015).

The independent knowledge property strategy is a core component of science and technology driving economic development. First, the core technological innovations in important fields are a key point for a country to grasp the development opportunities in international competition. Historically, some countries have become strong countries by relying on their core technology in important fields to hold the development opportunities. Moreover, the core technology can be obtained only by independent innovation, rather than by technology transfer from foreign countries. Second, independent innovation of core technologies is not only a basis for businesses to make reasonable profit, but also is a guarantee of national security. For example, the United States has monopolized information technology influencing modern society by relying on their chip core technology. This is not only for the United States to gain a core technology monopoly profit from independent innovation, but also to grasp the high ground and active power of information security. Due to being constrained by the monopoly of chip core technology by the United States, Chinese enterprises can only be engaged in producing peripheral products in the

relative production fields. Chinese enterprises can only gain a small portion of the total profit from manufacturing products. According to statistics, more than 70% of mobile phones in the world are produced by Chinese enterprises, but less than 3% of mobile phones are equipped with the microchips produced by Chinese enterprises (*People's Daily* 2015). Therefore, China can become much more powerful and safer only by independent innovation in the core technologies. As Xi Jinping pointed out, what is fundamental in building an innovation-driven society is strengthening China's capacity of independent innovation (*People's Daily* 2015).

Under economic new normal, China, emphasizing independent knowledge property strategy, will accelerate progress towards innovation-oriented country construction. Firstly, fully implementing the innovation-driven strategy oriented by independent innovation with China's characteristics is imperative. On one hand, economic growth is based on transferring more industrial innovative results into real industrial activities in order to cultivate and formalize new growth points; on the other hand, China needs to perfect the relative laws and regulations concerning scientific and technological innovation so as to protect and encourage the innovative activities of businesses, to cultivate the market innovation mechanism, and in turn to let government, enterprises, scientific research institutes, education departments and labors and workers play full and active role to enhance human capital quality and scientific and technological progress. Secondly, the extent and speed of industrial opening to the world should be determined by each industry's independent innovation ability so as to build relatively sound environment for industries to enhance independent innovation ability.

### **3. Making Adjustment of Industrial Structure More Reasonable and More Upgrading**

The rationalization and upgrading of industrial structure under economic new normal will promote the coordination development on the higher technical level between industries on the basis of dissolving the excess production capacity. First, the excess production capacity should be dissolved further. The large-scale investment in many industries has formed more serious excess production capacity in the past. On one hand, the excess production capacity has caused many businesses to lose efficiency, suffer loss and even undergo bankruptcy because their products were slow-moving. On the other hand, the excess production capacity was generated by the extensive production techniques, which has resulted in lower efficiency of resources and energy and serious environment pollution. Therefore, dissolving the excess production capacity is an internal requirement of enhancing quality and increasing efficiency under economic new normal. Generally speaking, the methods of dissolving the excess production capacity mainly include changing the line

of production, firm mergers and reorganizations, and so on. The concrete scheme of dissolving the excess production capacity should be formulated according to real conditions of each specific industry and region (S. Zhang 2015).

Second is promoting the coordination development between industries. With the industrial division coming into being, each industry cannot operate independently, whereas they are tied closely and support each other. Among these industries, agriculture is fundamental to national economy and provides necessary consumption goods and raw materials for the other industries. The manufacturing industry not only produces and accumulates physical wealth but also is a supporter and a necessary tool of scientific and technological innovation, and provides necessary technical support for the other industries. The service industry, especially productive service, provides service, guarantee for enhancing efficiency in other industrial development. Therefore, industrial development under new normal cannot be confined to develop a certain industry unilaterally, but tries to promote the coordination and balance between industries. Third is enhancing scientific and technological level in various industries. Among these industries, the agricultural sector will increase production efficiency and sustainability through promoting scientific and technological innovation and dissemination in agriculture, perfecting policy systems to support and protect agriculture, cultivating new-type professional peasants with higher scientific and technological ability, and advancing technical service level in agriculture. The manufacturing sector should upgrade the existing production capacity by technical innovation, and increase production capacity with the latest technology, so that manufacturing production can convert from an extensive way to a intensive one oriented with greenization, sophistication, high end and informatization. The service industry sector will continue to improve service quality, increase service capacity so as to improve people's life, and raise labor productivity.

#### **4. Strictly Protect Ecological Environment and Efficiently Utilize Natural Resources**

To protect ecological environment and to efficiently utilize natural resources will play an important part in economic new normal. Enhancing quality and efficiency and improving people's livelihood is central for economic development under economic new normal. Before entering into economic new normal stage, the Chinese economic development pattern oriented towards extensive growth based on scale and speed led the carrying capacity of energy resources and ecological environment to arrive at, or approach, the maximum limitation. This situation is more serious in some areas and this condition not only reflected the poor quality and lower efficiency of economic development, but also was harmful to people's living environment. Under economic new normal, only by strict ecological

protection and efficient utilization of natural resources, can this condition be relieved fundamentally, the quality and efficiency of economic development be enhanced, and people's living environment be improved.

Under the new normal, strictly protecting ecological environment and efficiently utilizing natural resources will require economic development to follow the objective development law concerning contradiction between human and nature so as to realize the harmonious unity relationship of economic development and ecological environment protection.

First is to firmly establish the ecological civilization concept of a harmonious relationship between humans and nature within the whole society. This requires people to dialectically treat the relationship between economic development and ecological environment protection on the basis of recognition and understanding the law of nature so as to make the idea of caring for nature, complying with nature and protecting nature to go deep into the hearts of the people across the whole of society. To continuously deepen the recognition and understanding of natural development law is a prerequisite to establish the ecological civilization concept. As pointed out by Engels, people will learn to more accurately understand the law of nature day by day, and learn to recognize the relatively near or far impacts that result from interfering with usual procedure of nature (Engels 1971, 521). Dialectically treating the relationship between economic development and ecological environment protection is key to establishing the concept of ecological civilization. There is a contradictory relationship with the unity of opposites between economic development and ecological environment protection. The unity of both is the major aspect of the contradicting relationship, which expresses that protecting the ecological environment means protecting productivity, and improving the ecological environment means developing productivity (*People's Daily* 2013). The opposite is a minor aspect of contradiction, which mainly reflects that seeking a disproportionately economic development based on the short-term benefits and partial interests without considering the impacts on nature comes at the cost of damaging the ecological environment.

Second is to perfect and implement the ecological civilization system. Primarily, the relative laws and regulations concerning ecological environment protection should be perfected and implemented. The relative laws and regulations of environment protection such as the Law of Environment Protection, the Air Pollution Prevention and Control Law, the Air Pollution Prevention and Control Law have been gradually perfected. Therefore, government at all levels, enterprises, and the public should fulfill their respective obligations, duties, and rights in accordance with the laws and regulations concerning ecological environment protection. The next step is to establish and perfect the various levels of government administrative performance evaluation systems including ecological environment evaluation. These administrative performance evaluation systems not only evaluate economic development speed, but also evaluate

economic development quality indicators and performance indicators such as resource consumption, environmental damage and ecological benefits.

## 5. Speeding up Regional Economic Coordination Development

The regional economic coordination development is an internal requirement to entirely and structurally enhance economic development quality under economic new normal. Regional economic structure reflects the space ties of economic variables such as industrial structure, opening-up, ecological environment, capital, labor force and residential life. Therefore, under economic new normal, the coordination development of regional economies can be of strategic importance to achieve China's economic goals such as favorably upgrading industrial structure, improving the standard of the opening-up policy, protecting ecological environment, keeping reasonable flows of capital and labor, and raising people's living standard.

The coordinated development of regional economy needs to integrate and coordinate the economic development strategy between regions from an overall perspective. From now on, China will implement a series of key regional economic development strategy such as One Belt and One Road, Beijing-Tianjin-Hebei collaborative development, Yangtze River economic zone, development of the west regions and revitalization of old industrial bases in Northeast China. The economic development under the new normal will, from an overall perspective, promote these above-mentioned strategies to combine, and encourage complementary advantages and positive interaction between regions. First is to carry forward the interconnection and interworking of infrastructure between these regions. Because China is a large country with a vast territory, there is large difference in natural resources, cultural environment, quality and quantity of population between regions. The organic mixture of regional economic development strategy cannot be separated from the orderly flow of commodity, capital, personnel and information between regions. This requires the establishment of a three-dimensional, rapid, and efficient nation-wide infrastructure network system through interconnection and interworking of traffic and transportation, finance, telecommunication, and interflow of goods and materials between regions. Second is to carry forward the connection and coordination of economic management system between regions. The organic mixture of regional economic development strategy cannot be separated from the free movement of production factors between regions. It requires the promotion of the connection and coordination of economic management systems between regions such as finance and taxation system, census register system, public service supply system, and social security system by integrated planning and coordination, and reform. Only then can the institutional barriers for factor flow between regions be gradually eliminated.

Third is to progress the planning and coordination of ecological environment protection between regions. China will, in accordance with development patterns, classify the land space into four main functional aspects: optimal development, focus development, restrictive development and prohibitive development (H. Zhang 2015). The organic mixture of regional economic development strategy will require the classified guidance of space development in the various regions according to planning and coordination of the main functional aspects. Economic development under the new normal will promote the organic combination of local economic development with population regulation and land space development in order to realize sustainable economic development. Fourth is to carry forward the planning and coordination of opening-up strategy between regions. The development strategy in various regions contains opening-up strategy to a different extent. The organic mixture of regional economic development strategy will require confirmation of key field, scope, speed and extent of opening-up in the region on the basis of prominent, unique regional features according to the strategic deployment of an overall national development strategy and location advantages of the region.

## **6. Designing A Six-Field Development Strategy Based on Improving People's Livelihood**

The development strategy based on improving people's livelihood will design development in the six fields of wealth and income distribution, employment, medical care, housing, education and social security, which is the fundamental value orientation of economic development under the new normal. The final objective of socialist economic development is to continuously improve the living quality based on common prosperity. The six fields of wealth and income distribution, employment, medical care, housing, education and social security are closely interlinked with people's living quality. The value orientation of development based on improving people's livelihood is internal unity of the fundamental objective of socialist economic development. Advancing economic new normal will make a plan for a development strategy based on promoting people's livelihood in these six fields, and should accelerate the establishment and perfecting of the relevant system and mechanism in which there are two key systems distribution system with distribution based on work as the main. First is to persist in perfecting the system of distribution according to work in the publicly owned economy. The publicly owned production sector shall determine the proper proportion of accumulation and consumption through perfecting the distribution system in order to ensure reasonable proportion of labor reward in the primary distribution, and try to synchronize increase in labor reward and advance in labor productivity. Second is to persist in perfecting the regulation system of wealth and income

by government. In the primary distribution fields, government will perfect and reinforce the relevant laws and regulations on income distribution, and scientifically regulate income and wealth distribution. In the redistribution fields, government will perfect the taxation system to regulate over-high income among the high-income people and perfect the transfer payment system to increase the income among the lower income people, and perfect the law system to ban illegal earnings. As for the income distribution structure, there is new look in narrowing the income gap between urban and rural residents. The multiple of disposal income disparity between urban and rural residents was 2.75 in 2014, lower than the previous year by 0.06, and was 2.73 in 2015, lower than the previous year by 0.02. But there is a higher income disparity on the whole. The Gini coefficient of national resident income was still as high as 0.462 in 2015.

Second is to establish and perfect the basic public service system with a bottom line guarantee in terms of employment, medical care, housing, education, and social security. The basic public service system in these fields will regard service equalization as its main goal. The core of this goal is opportunity equalization which contains the opportunity equalization between regions and groups.

## **7. Priority in Developing the Mixed Ownership Oriented by Public Capital Holdings**

The priority in developing the mixed ownership oriented by public capital holdings is a fundamental way to make the state-owned enterprises bigger, stronger and more superior.<sup>2</sup> On one hand, the mixed ownership oriented by public capital holdings is favourable to form the a community of interests with organic combination, mutual supervision and mutual encouragement between public and non-public shares in enterprises with in the premise of the oriented public ownership, and vitalize enterprises and enhance production efficiency of enterprises. On the other hand, the mixed ownership oriented by public capital holdings can lower the negative effects of private surplus value so as to reduce effectively high volatility in economic development (Gao and Cheng 2015).

The priority in developing the mixed ownership oriented by public capital holdings under the new normal is required to do the jobs as follows. First state-owned assets must be protected from loss. The central government has found through its special inspection that some leaders in the state-owned enterprises, under the excuse of reform and introduction of modern corporate structure, embezzled the state-owned assets in the way of selling productions at low prices and buying raw materials at high prices, and took whatever they wanted. To prevent the loss of state-owned assets in the process of developing the mixed ownership requires legislation by People's Congress to reinforce the state-owned assets supervision

system with complete coverage, clear-cut assignment of responsibility, coordination and cooperation and strong restriction by the way of internal supervision of enterprises, supervision and auditing of investors, disciplinary inspection and supervision and social supervision. Second the mixed ownership oriented by public capital holdings by the way of two-way joint stock and holdings. The mixed ownership oriented by public capital holdings will be realized by participation of non-public capital in the state-owned capital, and share holding of public capital such as the state-owned capital in the non-public capital. Whatever method is used depends on real conditions of enterprises in the regions. Third is to combine closely with technological development trends. To develop, the mixed ownership oriented by public capital holdings cannot be confined to traditional investment fields. Under the new normal, whether traditional industries are optimized and upgraded urgently or newly developing industries and service industries arise, both need to develop the mixed ownership oriented by public capital holdings so as to carry out the “three favors” of the state-owned enterprises put forward by Xi Jinping; that is to say, it is favorable to preserve and increase the value of the state-owned enterprises, it is favorable to enhance competitiveness of the state-owned economy, and it is favorable to enlarge functions of the state-owned capital.

## **8. Developing Finance to Serve the Real Economy and to Richen People and Strengthen State**

Developing finance to serve the real economy and to richen people and strengthen state is one of the preconditions to keep the steady operation of China's economy under the new normal. To serve the real economy is the basic function of finance. This function works well only when the speed and level of financial development are adapted to real economy. Financial development lagging behind the real economy can't provide the real economy with sufficient fund so as to hinder the real economic development. When finance develops far from the real economy, financial risk will be accumulated constantly, and finally leads to financial crises and economic crises due to lack of financial supervision (M. Zhang 2015).

Developing finance to serve the real economy and to richen people and strengthen the state under the new normal should do the following jobs. First is to prevent foreign capital from monopolizing finance in China. Financial monopolies of foreign capital in China not only take financial monopoly profits but also inhibit financial freedom and national safety. To prevent foreign capital from financial monopolies under the new normal restrictions are strictly imposed on the shareholding proportion and conditions of foreign capital in the commercial financial institutions according to laws passed during the development of mixed ownership in China. Second is to cautiously treat and carefully study the opening-up of

capital account. The control of capital accounts is an effective means of preventing foreign capital from seriously harming the domestic economy. The extent and speed of the opening-up of capital account should match to risk-preventing ability in the financial market and supervising ability of financial supervision administrations. Third is to reinforce the supervision before, during, and after the whole process, and especially to strengthen the supervision laws and system in the stock market. The construction of supervision ability should focus on the effective governance of stock market in disaster. On one hand, the People's Congress should perfect the legal system of financial market supervision in order to adapt the legal system to the practice of financial market development. On the other hand, the financial supervision administrations should continuously enhance supervision ability including supervisor's quality, and the skills and mechanisms of supervision.

## **9. Synergistically Developing the Dual Regulation Function of Government and Market**

Synergistically developing the dual regulation function of government and the market is the fundamental mechanism of the efficient and steady operation in the economy under the economic new normal. In the allocation of resources, government and market can realize mutual supplement in function, synergy in effect and antinomy in mechanism. The antinomy in mechanism means that the market can spontaneously regulate the allocation of resources according to law of value so as to realize the short-term and partial benefits; government can make active plans of resource allocation by professional and functional institutions so as to realize long-term and overall benefits (Cheng 1990).

Under economic new normal, the decisive role of the market in general resources allocation should be integrated organically with the orienting role of government for some important resource allocation. First is to fully play a decisive role in general resource allocation by market. The supply and demand of can be regulated by price fluctuations in the market and in turn influence the economic behavior of producers and consumers, and affect the allocation of productive resources and consumer's resources. There is a dual-sided function of market regulating resources allocation. The main functional advantages of market regulation lie in short-term resource allocation, microeconomic balance, signal transmission, technological innovation and partially benefit-driven motivation. Meanwhile, these functional advantages will bring about some disadvantages, including divergence of market regulation objectives, slow speed of regulation, high cost of regulation, limitation of regulation regime, technological monopoly and negative externalities, and so on. In the general resource allocation of short-term regulation

and partial regulation regimes, the functional advantages are oriented in the market regulation of resources allocation, and market can play an effective part in the resources allocation. In the important resources allocation that need long-term regulation and overall regulation, the functional disadvantages of the market regulation are exposed, where the function of market regulation of resource allocation is under a state of failure. In the field where the market can play an effective role, the spontaneous regulation according to the law of market regulation will realize the short-term and partial benefits of producers. In these fields, government should streamline administration, institute decentralization so as to fully display a decisive role in the resources allocation by market, reinvigorate all market participants, strengthen innovation-driven motives, establish modern industrial system and cultivate new advantages of open economic development. Second is to fully display the Government's leading role in the specific important resources allocation. Government should consciously take advantage of the objective law of social mass production to formulate in advance overall plan of social production, and to regulate scientifically and reasonably the allocation of total social labor in the various production sectors according to real operation status and development trends of social production by regulating measures such as economic, lawful, administrative and advisory tools. There are also two side-effects of government regulation of resource allocation. The strong points of government regulation include the functions of macroeconomic balancing, structural coordination, protection competition, efficiency optimization and income redistribution. The weak points of government regulation include subjective bias, slow conversion, internal friction policy, weak motivation and so on. The fields where government can have an effective role are the exact fields where market regulation has seriously failed. These fields include the direct correction of market failure by macroeconomic regulation, microeconomic management, and public goods supply; the direct allocation of specific resources such as underground natural resources, the long-term allocation of most general resources, and the strategic allocation of non-physical resources such as education, culture and so on; and the redistribution of wealth and income. In these fields, government can actively plan resource allocation through professional functional institutions so as to realize the long-term and overall benefits across the whole of society. Therefore, government should fully play its role in long-term and overall planning of resources allocation in order to get rid of various economic risks under the new normal, and to promote sound and steady development of national economy.

In summary, Chinese economic operation since 2015 has demonstrated characteristics of improvement in quality and efficiency under the economic new normal. At present and in the future, China will not only continuously keep the medium-high GDP growth rate of 7%, but also will constantly enhance the

quality and overall benefits of economic development as long as it follows the logics of its economic development make efforts to tackle the aforementioned challenges well.

## **10. Pursuing Both a Moderate Expansion of Demand and Supply-Side Structural Reforms**

“The Outline of the 13th Five-Year Plan of PRC’s National Economic and Social Development” issued in 2016 points out that “we must aim at improving the quality and efficiency of the supply system.” This can be viewed as the refining statement of the ideas of development. We can combine the following two aspects in an organic and efficient manner: the reform, development and management of demand-side “Troika” constituted by investment demand, consumer demand and net exports, and the reform, development and management of supply-side “new Troika” constituted by input supply, structure supply and technological innovation. Currently, while we pursue a moderate expansion of total demand, we need to insist on strong supply-side structural reforms in order to improve the quality and efficiency of the supply system, and enhance the progress of sustained economic growth and development. This is because the relationship between supply and demand is intrinsically complex and dialectical. For example, the supply (production) can determine the demand (consumption); one can only consume goods and services supplied by the production, but demand (consumption) may also decide supply (production), because goods and services which do not fit the demands of the buyers are ineffective supply and production. In another example, for the current period or the short term, investments, in the form of money expenditure to buy the factors of production, belong to the demand. But for the next period or the long term, investments, in other words, the sunk assets determine the production and technical conditions, belong to the supply. Therefore, the coordination of the supply-side and demand-side reform and development requires dialectical thinking and precise operation.

At the moment, there are five key tasks which are “decreasing production capacity, decreasing inventory, deleveraging, reducing costs, and making up for weaknesses.” Decreasing production capacity will focus on a few industries like steel and coal; decreasing inventory should focus on real estate inventory; deleveraging should focus on decreasing the enterprise leverage with the help from the financial system; reducing costs should focus on unreasonable charges posed on enterprise; making up for weaknesses should focus on increasing investment to repair the shortcomings of economic structure.

In short, the performance of China’s economy since 2015 has showed, in the first step, the essential characteristics of economic quality and efficiency of new

normal economy. For the current and future periods, China can keep the medium to high growth rate of around 7% while constantly improving the overall quality and efficiency of economic development at the same time, as long as an accurate grasp of the ideas of economic development will result in the implementation of the above-mentioned aspects.

## Notes

1. The statistics cited by this article all come from the National Bureau of Statistics of China: <http://data.stats.gov.cn>, if there is no specific explanation.
2. This point of view is from Xi Jinping's Speech (*People's Daily* 2016).

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