

New Development Pattern: China's Eminent Macroeconomics Strategist Evaluates Dual Circulation Economics: Urbanization and Agriculture

August 2020

Wang Jian, is the Vice President and Secretary General of the Chinese Society of Macroeconomics. Wang Jian put forward the "international circulation" economic development strategy in 1987 to establish an "export oriented" export-oriented economic strategy for China, that is, to develop labor-intensive industries in coastal areas. In 1993, he was awarded the title of "National Expert with Special Contributions" by the State Council; Research fields include virtual capitalism, Monetary hegemony war, "currency predestination" strategy; Macroeconomics, economic reform, and enterprise economic evaluation; National comprehensive development strategy, social development and stability.

From this year's Two Sessions Meetings and later Entrepreneurs Symposium emphasized to "gradually form a new development pattern with the domestic cycle as the main aspect and the domestic and international dual cycles promoting each other", to the Political Bureau meeting of the Central Committee which pointed out: "accelerate the formation of the domestic cycle as the main aspect, combine domestic and international circulation and form a new development pattern in which the double circulation promotes each other", After such decisions the new development pattern of the "dual cycle" has gradually become a hot topic of concern for the whole society.

In 1987, that is, 33 years ago, Wang Jian, the vice president and secretary-general of the Chinese Society of Macroeconomics, put forward the "concept of the development strategy of the international circular economy" and was recognized by the state leaders at that time. Since then, China has vigorously developed an export-oriented economy in coastal areas, and the international cycle development strategy has had a huge impact on my country's economic and social development.

As the proposer of the international cycle strategy and a long-term researcher in the field, what is Wang Jian's understanding of the current dual-circulation development pattern that has

attracted much attention? What is the difference and connection between the new development pattern with the domestic cycle as the main aspect and the domestic and international dual cycles promoting each other, and the previous development strategy? What problem is it trying to solve? How to break the situation and land?

Recently, the reporter conducted an exclusive interview with Wang Jian, and he gave an in-depth interpretation of the above issues.

The new development pattern is not closed-door policy

Reporter: How do you understand the new development pattern? What kind of consideration is this for?

Wang Jian: In my opinion, "dual circulation" is actually a definition, a description of the status quo of a country's economic structure. In modern society, as long as any country has foreign trade, it will have a double cycle, that is, foreign trade and domestic economic development exist at the same time. However, the domestic cycle that everyone is concerned about now, and the international cycle that I proposed back then, these two formulations are tendentious, meaning which cycle is expected to be the main one. Of course, the domestic cycle as the main aspect or the international cycle as the main aspect mentioned here does not mean that it accounts for a larger proportion of GDP, but that it is hoped that its development speed will be faster. For example, if the domestic cycle is the main aspect, it is hoped that domestic demand will grow faster than foreign trade growth; if the international cycle is the main aspect, it is hoped that foreign trade demand will grow faster than domestic demand growth or GDP growth.

In fact, except for some countries that mainly rely on foreign trade income and have a particularly small economic volume, the proportion of internal circulation in most economies to the total economic volume will be greater than that of international circulation, and the ratio of foreign trade to GDP cannot exceed 100%. "Large" And "small" actually reflects a kind of policy orientation.

At the same time, I also want to emphasize that both domestic and international cycles are endogenous requirements, not exogenous requirements. Many people say that due to changes in Sino-U.S. relations and Sino-U.S. economic and trade frictions, China needs to be closed to a certain extent. Therefore, we need to emphasize relying on the domestic market for development and we must separate from the world market. Then this strategy came into being. I think this is This superficial interpretation is very wrong.

In my opinion, the decision-makers do not have this kind of understanding. The transition from the international big cycle to the domestic big cycle is an endogenous requirement. Don't regard it as an exogenous one.

Consider domestic and international issues in the same cycle

Reporter: From the international big cycle development strategy to the double cycle development pattern with the domestic big cycle as the main aspect, what kind of change process is reflected behind this?

Wang Jian: The evolution process from the international cycle to the domestic cycle is a main line.

To explain this problem, we must first clarify the background of the international economic cycle, that is, the reason why the decision-makers at that time accepted my suggestion, proposed and implemented the coastal strategy, and participated in the international economic cycle.

At that time, we developed labor-intensive industries in the coastal areas, utilized both domestic and international resources and markets to realize China's export-oriented development, and the process of integrating labor transfer into the export-oriented economy was the embodiment of implementing the international cycle strategy. These are all choices that need to be made based on the historical conditions at that time.

In the more than 30 years since the founding of New China to the 1980s, we have actually been under external military siege and economic blockade. Under such circumstances, if China wants to develop, it must first be able to protect itself militarily, that is, other countries dare not attack you. To achieve this, we must first develop the defense industry, and manufacture guns, bullets, aircraft and tanks, and later atomic bombs and satellites.

These are all heavy industries, and the biggest feature is that the per capita capital share is particularly high. It is not like a textile factory, which has many workers but not much equipment, and is labor-intensive. The chemical factories, machinery factories, steel factories,

etc. that the military industry relies on are characterized by relatively few workers and more equipment.

However, when New China was founded in 1949, China was a typical agricultural country. According to the normal law of industrial accumulation, agriculture was the worst, followed by light industry. Only after light industry developed could it provide accumulation for heavy industry. Under the circumstance that the national defense industry must be developed first, we mainly adopted a system based on the planned economy. Its mechanism is to use strict household registration control methods to prevent farmers from entering the city, thereby reducing investment in urban construction.

During this process, we have always had very obvious differences between urban and rural areas. For example, the wage level of workers is relatively much higher than that of farmers. When I joined the queue, I was only allocated a few tens of dollars a year, but the wages of workers were only tens of dollars a month. The income level and consumption level of urban and rural areas are very different.

At that time, if farmers were allowed to enter the city, their consumption level would be greatly improved, and there would be a lot of supporting construction, such as hospitals, schools, housing, etc., all of which would require a lot of money. And if we use this money to develop military heavy industry, there is no way to let farmers go to the city, thus forming a high-accumulation development model.

In addition, we also sold the prices of industrial products at a particularly high price, and set the prices of agricultural products relatively low. By restricting the flow of urban and rural areas and the scissors difference in the exchange of industrial and agricultural products, in the first 30 years after the founding of New China, my country's military heavy industry realized Rapid development.

However, at the same time, some problems have emerged in the process of economic development, such as a large number of surplus rural labor force and old enterprises that have not been remodeled for a long time.

In the process of enterprise development, funds are needed for renewal and transformation. Some machines have been used for 20 to 30 years and cannot be used anymore and need to be replaced. In order to have funds for the transformation of the enterprise, in the process of development, depreciation expenses need to be extracted from the production value every year, but in order to achieve the rapid development of heavy industry, we used the depreciation and

even the overhaul fund to expand reproduction and set up new stalls, resulting in a large number of old enterprises that could not be transformed. This also formed a problem that we have to face after the reform and opening up .

In addition, after the 1980s, the world environment has also changed. Japan and the four Asian tigers have entered the era of industrial structure upgrading. It is necessary to transfer out the original low-grade, low-tech, and labor-intensive industries, forming a new type of industry. The economic environment also provides us with new opportunities. Therefore, after the reform and opening up, many businessmen from Taiwan, Hong Kong, and Japan hoped to set up factories and invest in China. This also raised the question of how we can grasp and implement international opportunities.

Reporter: What was the opportunity to propose the development strategy of the international economic cycle at that time?

Wang Jian: At that time, I participated in the work of the State Council's ten-year planning expert group. I often participated in meetings to discuss problems in the country's economic and social development process. I heard the leaders at the time talk about these problems repeatedly, but there was no clear solution. My thinking is that if these problems are only solved within the scope of domestic development, there is no way out. This is not a problem that can be solved in a closed country. Because we were already implementing reform and opening up at that time, if we put it in the international market, use a big circle to consider the problem, and open up domestic and international industries, maybe we can have a solution. After repeated thinking, I found that if labor-intensive industries can be developed in coastal areas for export, foreign exchange can be obtained while transferring a large amount of surplus labor. Foreign exchange represents the supply of some resources that can be purchased from the international market, such as the transformation of old enterprises required technical equipment, etc. In this way, our old enterprises can be transformed, and then support township enterprises, continue to develop labor-intensive enterprises to earn foreign exchange through export, and promote the development of an export-oriented economy.

Considering international and domestic opportunities and contradictions in a cycle, it not only makes use of international opportunities, but also resolves domestic conflicts, which is why I named this plan "International Great Cycle". Later, I wrote this thinking into an article of more than 3,000 words. The main title is "Choosing the Correct Long-term Development Path" and the subtitle is "Concept of International Circular Development Strategy". After it was reported to the decision-making level, the leaders at that time recognized this idea after seeing it, and it led to the rapid development of my country's export-oriented economy.

The new development pattern is closely related to the dual structure of urban and rural areas

Reporter: What changes have taken place in the international and domestic situations that prompted us to build a new development pattern of "dual circulation"?

Wang Jian: Since the 1980s, we have implemented the international cycle and vigorously developed an export-oriented economy, which has largely solved the problems of the transfer of a large number of surplus labor in rural areas, the upgrading and transformation of enterprises, and the use of international resources and markets. However, with the changes in the domestic and international economic situation, the urban-rural dual structure formed during the long-term economic development of our country began to seriously restrict the development of the economy and society. This phenomenon gradually emerged after the outbreak of the international financial crisis in 2007 and the shrinking of external demand.

The so-called dual structure of urban and rural economy refers to a state of economic development in which advanced cities lag behind rural areas, advanced industry lags behind agriculture, and industrialization lags behind urbanization. Because we have achieved the advanced development of heavy industry with the planned economy, the problem of this dual urban-rural structure is very serious.

After the reform and opening up, as a country moving towards a market economy, the market itself also requires that this distortion be corrected to solve the problems of labor transfer and lagging urbanization. It should be said that starting from the 1980s, the strategic goal of developing a labor-intensive, export-oriented economy and transferring rural surplus labor was resolved before 2010.

After the outbreak of the international financial crisis in 2007, some changes have taken place. The wages of migrant workers have risen significantly, and there has been a shortage of migrant workers in coastal areas. Regarding this phenomenon, many researchers have suggested that China's demographic dividend has ended and the Lewis turning point has appeared, which means that the transfer process of rural surplus labor has ended, and China's labor supply has changed from a severe surplus to a labor shortage.

However, since the 1980s, in the process of promoting the integration of surplus rural labor into the export-oriented economy, we have solved the problem of farmers turning into workers,

but have not solved the problem of the dual structure of urban and rural areas. The problem of the workforce not becoming citizens remains.

In a certain period of time, this is a saving mechanism and an advantage of our economic development. Farmers live in work sheds, a dozen or even dozens of people live in one big room, eat very rough food, do not buy a house or a car in the city, and their families are not in the city. Under the support of strong external demand in the era of rising globalization, under this urban-rural dual structure development model, a large amount of surplus products saved by 300 million migrant workers are provided overseas, forming a large amount of foreign trade, and domestic savings become It has become a foreign exchange reserve, so our foreign exchange reserves have grown rapidly, forming the largest foreign exchange reserves in the world.

However, after 2007, the economies of developed countries have changed, and their consumption power has been getting lower and lower. Reflecting domestically, our foreign trade growth rate has begun to decline. Now, due to the new crown pneumonia epidemic, external demand has been further depressed, and our growth model relying on external demand has become unsustainable.

After the external demand has shrunk, the forced savings mechanism under the urban-rural dual structure has slowed the growth of internal demand. To solve the development problem, the domestic economic cycle has become the solution. This is why I believe that the main line is from the international circulation to the domestic circulation.

Use urbanization to ensure the landing of the domestic circulation

Reporter: Under the dual structure of urban and rural areas, it is inevitable to mainly develop the domestic economic cycle. What policies and measures are needed to ensure its implementation?

Wang Jian: The long-term urban-rural dual structure caused us to use the international cycle to solve the problem of rural surplus labor, but there was a missing link in it. It did not solve the problem of transforming farmers into citizens. The problem of rural urbanization was only half completed. The identity of consumers has been transformed, but the identity of consumers has not been transformed. Such a mechanism has led to the shrinking of external demand, and domestic demand cannot take over to support economic growth. In order to realize domestic demand to support economic growth, the dual structure of urban and rural areas must be opened. In my opinion, if we want to open up the urban-rural dual structure, we must solve the problem of the rural population settling in the city. Now that migrant workers have moved to cities, and there is not much surplus labor in the countryside, what needs to be solved is the problem of

migrant workers' families moving to cities. Bring their parents and children in, let migrant workers have families in the city, and then solve their housing and social security problems in the city. These problems are our historical debts and should be made up by the government.

To this day, I think this problem must be solved by using the domestic cycle, through the urbanization of the rural population, and by increasing the consumption demand of the rural population and migrant workers. Therefore, I believe that to develop a domestic and international dual cycle pattern with the domestic cycle as the main aspect, we need to take urbanization as our main strategy.

Back then, we developed the international cycle, integrated economic development into the export-oriented economy, and solved the problem of surplus rural labor. Today, we have solved the second half of the transfer of rural surplus labor by urbanizing migrant workers. , our domestic economic cycle will be effective.

Reporter: Then how to solve the problem of rural population urbanization?

Wang Jian: First, to solve this problem, our goal is not the problem of migrant workers moving to cities, but the problem of their entire families moving to cities. We must give them urban hukou.

Second, these people go to the city to solve their housing and social security problems. For example, it is necessary to build a large number of low-rent housing, because they have no money to buy commercial housing in the city. Although they have saved some money during the working process, they are still far away from buying housing in the city. The state should provide land and funds to build low-rent housing for them. This is compensation for the contributions made by farmers in our past development. .

Third, we need to provide them with social security, the most important of which are medical care and old-age security, which must be resolved. If these two problems are not resolved, migrant workers will not dare to consume after entering the city. This part also needs to be resolved by the government.

Reporter: Where does the government get the money to solve these problems?

Wang Jian: Economic growth is slowing down, coupled with the rigid growth of fiscal expenditures, the government does not have this part of funds. It can solve the funding problem by issuing 30-year long-term special national bonds, for example, issuing 5 trillion yuan or more of national bonds every year. At present, we issue a large amount of national debt every year, and the scale of corporate debt is several trillion. In order to solve the most important problem restricting economic growth, I think it is feasible to issue special treasury bonds of 5 trillion yuan or more every year. At the same time, the capital investment in the construction of low-rent housing can be repaid through rent or the re-sale of houses for rent after many years. For example, migrant workers rent for 30 years. After 30 years, the rent can be deducted from the house payment, and then a part of the difference can be made up and sold to them. This not only solves the national debt problem, but also solves the housing problem of migrant workers; the same is true for social security. With social security, migrant workers dare to spend in cities only after they become citizens.

There are also calculations now. For example, how much does it cost for a migrant worker to enter the city? There are 50,000 yuan and 100,000 yuan. With an investment of 100 million yuan, working continuously for 10 years can solve the problem of 300 million migrant workers migrating to cities. It will be a relatively ideal situation to solve the problem of 500 million farmers moving to cities in about 15 years, and leave about 300 million farmers in the countryside.

The problem of agricultural modernization

Reporter: After solving the problem of most farmers migrating to the city, will the problems of low productivity and high cost that plague the countryside now will also be alleviated?

Wang Jian: The other end of migrant workers entering the city is connected to the countryside. To this day, there are still more than 200 million peasant families in our country. After migrant workers enter the city, they also have the right to contract and manage rural land. At present, large-scale planting in my country only accounts for less than a quarter of the 1.8 billion mu of arable land. The agricultural production method is still dominated by the family, and there is no agriculture that deviates from the original traditional natural management.

If we want to basically complete the modernization construction by 2035, we must complete the modernization of agriculture, that is, by then, agriculture must be fully mechanized, and the agricultural production mode with the family as the basic unit can no longer be implemented. More than 200 million farmers cannot solve the problem of 1.4 billion farmers' food problem. In the current rural households, the average arable land per family is only more than 6 mu, and there is no way to implement large-scale mechanization. If each family has 50 mu or more, this situation can be improved. From this perspective, we also

need to achieve a rural population of about 200 million, of which about 50 million rural laborers are engaged in agricultural production. To achieve this state, more farmers and their families must be moved to cities, which is a historical trend.

The way to implement it can be to give corresponding benefits to farmers who have moved into the city, and at the same time, let them transfer their land contract management rights and homesteads in the countryside to those who can't come out of the countryside. In this process, they must be given the right to choose. I call this policy "two for two", which means exchanging rural land contract management rights and homesteads for low-rent housing and social security in cities. I think that if we don't engage in "two for two", farmers' families will not be able to get out. If housing and social security are given to cities, but land is reserved in rural areas, it will be difficult to realize China's agricultural modernization. Certainly, the specific operation may also have various forms. For example, similar to the land ticket system launched by Chongqing, the rural land is discounted in exchange for housing and welfare in the city, giving farmers more flexible choices.

If we can solve the problem of urban-rural dual structure, complete the urbanization of migrant workers, reduce the agricultural population, and greatly increase the planting area of each family, the efficiency of agricultural production will definitely be higher, and the cost of agricultural production will also be lower.