World Scientific Research Journal (WSRJ) ISSN: 2472-3703
www.wsr-j.org

Reflections and Suggestions on Realizing High-quality Economic Development

Xiaoguang Xue [1, 3], Hongwei Wang [2], Zhaonan Shen [3]

[1]National Academy of Innovation and Strategy, Beijing 100021, China.

[2]Institute of Quantitative & Technical Economics, Chinese Academy of Social Sciences, Beijing 100732, China.

[3]North China University of science and technology, Tangshan 063000, China.

Abstract: The report of the Nineteenth Congress clearly stated: "China's economy has shifted from a high-speed growth stage to a high-quality development stage. It is now in the period of changing the development mode, optimizing the economic structure, and transforming the growth momentum. The construction of a modern economic system is an urgent requirement to cross the juncture and a strategic goal for China's development." The Central Economic Work Conference held at the end of 2017 further clarified the policy tone of "high quality development" rather than "high speed" development. After experiencing the period of economic growth shift in the past 6 years, China has already possessed a macroeconomic environment that promotes high-quality development, and has in-depth reflection on the issue of improving the quality of economic development. This has important practical significance and policy implications.

Keywords: high-quality development, macroeconomic environment, economic structure

---

1. INTRODUCTION

The connotation of high-quality economic development is very rich. It includes not only the content of economic dimensions such as efficiency improvement, but also the contents of non-economic dimensions such as social and ecological. High-quality development is a dynamic concept. From the current state of development in China, high-quality development includes the following meanings: (1) Increased economic growth efficiency. It mainly manifested in continuous improvement of a series of efficiency indicators such as labor productivity, marginal capital output rate, and total factor productivity; (2) Optimization and upgrading of industrial structure. To adapt to the economic development stage and the trend of world science and technology progress, the three industrial structures are more reasonable, and at the same time, they are moving toward modernization and advanced development; (3) The

quality of products and services continues to increase. The supply structure of products and services is more in line with the demand structure, and the added value of goods is higher; (4) The gradual improvement of other structural issues. Including a more reasonable supply and demand structure, a more equitable income distribution structure, a more balanced consumption and investment structure, and gradual improvement of urban and rural "binary structure"; (5) Economic development with innovation as the main driving force. Economic growth has changed from being driven by factors to being driven by innovation. New industries, new products, new technologies, and new forms of business have emerged constantly. The role of new production factors such as science and technology, human capital, information, and data has become increasingly important.

China's economy shifted from high-speed growth to high-quality development, mainly from the expansion of the economic scale to the improvement of quality, leading to China's economic development model of this major change in both internal and external factors. From the internal factors, the continuous high-speed growth since the reform and opening up has been characterized by "high input, low quality, and low efficiency", relying mainly on the extensive inputs of labor and capital production factors. With the passage of time, both the growth rate of capital accumulation and the rate of return have fallen, the demographic dividend has gradually disappeared, the labor costs have been rising, the carrying capacity of resources and the environment is approaching the limit, the technology catch-up effect has gradually weakened, and the traditional growth model has been difficult to sustain. A structural deceleration began to appear. From the external factors, the continued weakness of the global economy after the financial crisis in 2008 directly affected exports. In 2009, the share of exports in GDP fell sharply by 8 percentage points compared to the previous year, quickly falling from 31.7% to 23.7%. In 2015 and 2016, exports fell for two consecutive years, a year-on-year decrease of 2.8% and 2% respectively. The export-oriented development strategy that has continued for many years faces major adjustments. The combined effects of internal and external multiple unfavorable factors have resulted in the unsustainable development mode of the original. China's economic development must be shifted to the path of improving total factor productivity. From the simple pursuit of "high speed" to both quantity and quality, we must gradually move from "Made in China" to "Created in China".

2. PROBLEMS IN THE TRANSITION OF HIGH QUALITY DEVELOPMENT MODELS

As early as during the "Ninth Five-Year Plan" period (1996-2000), the central government proposed a strategy of shifting from an extensive development model to an intensive development model. However, this shift has not yet been realized. There are both periodic factors and institutional obstacles. To achieve the transition from "high-speed" development to "high-quality" development, we must profoundly understand these issues and actively promote the resolution of the problems.

2.1 Significant Decline In Productivity Growth

The level of productivity is a key factor in determining the quality of economic development. In the past 30 years of high-speed economic growth, the continued increase in investment in capital, labor, and other factors has been the primary driving factor. At the same time, the continuous increase in productivity has also played an important role. According to a study by Perkins et al. (2008) of Harvard University, the annual growth rate of China's productivity during the period from 1978 to 2005 reached 3.8%, and its contribution to economic growth was as high as 40%. However, a large number of studies and data show that since the financial crisis, the average annual growth rate of China's productivity has dropped significantly, and in recent years there has been a trend of increasing decline.

According to estimates by Professor Chong'en Bai of Tsinghua University, the average annual improvement rate of China's production efficiency from 1979 to 2007 was about 3.78%, while the average annual improvement rate of production efficiency from 2008 to 2013 was only 1.40%. According to the calculations of the Development Research Center of the State Council, during the period from 1980 to 2007, the average annual growth rate of total factor productivity in China exceeded 3%, and fell to around 1.6% in 2007-2011. According to relevant data released by the US Large Enterprise Confederation, China's TFP growth rate was only 0.1% in 2013, and the growth rate in 2014 even fell to a negative value of -0.1.

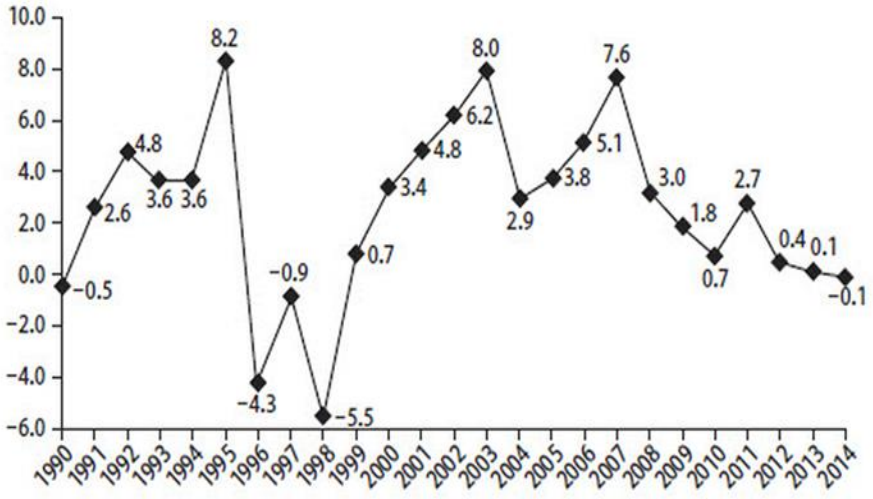

Figure 3. Total Factor Productivity Growth Trends from 1990 to 2014 (%)

Source: U.S. Large Enterprise Federation's overall economic database (TED)

Along with the fall in the growth rate of total factor productivity, there has been a continuous decline in investment efficiency. In 2000, the share of GDP and social fixed asset investment was 3.07, and by 2016 it had fallen to 1.22. In addition, the declining GDP growth rate and the increase in the social leverage rate also reflect the declining investment efficiency.

2.2 Industrial Internal Structure Imbalance

At present, China's three industrial structures are generally reasonable. In 2016, the proportion of industrial added value to GNP for the three times was 8.6%, 39.8%, and 51.6%, respectively. However, from the perspective of the internal structure of the three industries, traditional low

value-added industries, such as traditional processing and manufacturing still occupy a large proportion. The service industry also has a low-end expansion situation. High-tech industrial products are in short supply, and a large number of low-end manufacturing industries have serious excess capacity.

2.3 Supply Structure and Demand Structure do not Adapt

With the increase of the level of disposable income of residents, the product demand structure has undergone major changes, but the change on the supply side has lags behind. The supply of high-quality, high-end product is insufficient, and the supply of low-end products is surplus. In addition, from the perspective of product attributes, many private products have excess supply, but some public goods supply is seriously inadequate; services, spiritual and other intangible products are insufficient, and some tangible material products are in excess supply.

2.4 Investment and Consumption Structure Imbalance

The rapid growth of capital accumulation is an important foundation for laying down the "miracle" for China's economic growth. However, an excessively high investment rate necessarily means that the consumption rate is too low. China's total fixed asset investment in the entire society increased from 91.09 billion yuan in 1980 to 60,866.6 billion yuan in 2016, accounting for 81.5% of the total GDP from 19.8% in 1980 to 2016. The ratio of total social fixed asset investment to the total retail sales of consumer goods in the year has increased from 53.9% in 1990 to 182% in 2016. The imbalance between investment and consumption is increasing, which is not only one of the causes of excess capacity, but also It also leads to a decline in the economic efficiency of enterprises and threatens the sustained and stable development of the economy.

2.5 Urban-Rural and Regional Development Imbalance

In 1990, the proportion of disposable income of urban residents and disposable income of rural residents was 2.2. Since then, it has been rising year after year. Although it declined after reaching the highest level of 3.33 in 2007, the income ratio between urban and rural areas in 2016 was still 2.72, which was significantly higher than 20 The level of the early 1990s. The higher urban-rural income ratio is not only rare in developed countries, even though the gap between urban and rural areas in most developing countries is also less than this level. In addition, the imbalance in regional development is also very serious. According to the World Bank's income classification standards, per capita GDP of Beijing, Shanghai, Zhejiang and other places has exceeded 10,000 U.S. dollars, reaching the standards of middle and upper income economies, while some western provinces, such as Qinghai, Gansu, and Yunnan are still in the middle and lower economies.

2.6 Insufficient Capacity for Independent Innovation

The report of the Nineteenth Congress pointed out that "innovation is the primary driving force for development and the strategic support for the construction of a modern economic system." For a long time, China's rapid economic development has relied on imitative technological advancement and insufficient capacity for independent innovation. Many core technologies and high-tech products are highly dependent on imports, such as high-end medical devices,

80% of CT high-end monitors, 85% of inspection instruments, 90% of ultrasonic instruments, magnetic resonance equipment, and electrocardiographs are used in foreign brands., and 80% of high-end CNC machine tools are dependent on imports[8]. From the 2015 high-tech products import and export trade situation, in addition to computer and communication technology as a surplus, other such as life science and technology, electronic technology, computer integrated manufacturing technology, and biotechnology are all in a deficit state.

3. CAUSE ANALYSIS

3.1 Insufficient Effective Innovation

At present, the pace of China's innovation and development has been accelerating, but there are also cases where effective innovation is insufficient while innovation activities are increasing. For example, a large number of innovation activities of scientific and technological innovation subjects such as scientific research institutes and universities have failed to fully meet market demands, leading to innovation. Economic and social benefits are not high. The reasons are as follows. First, some scientific research institutions and functional departments blindly promote innovative projects regardless of the actual situation, leading to low yields. Second, the problem of innovative formalization is more prominent. Some units are keen to spend huge sums of money to build various kinds of innovative projects. The construction of innovative hatchery parks and industrial parks is only in form.

3.2 Distortion of Income Distribution Leads to Crowding out of Innovation

Land, labor, capital, and technology are the basic elements for promoting economic growth. In different stages of economic development, the status of various elements in the distribution of national income is different. At this stage, due to the existence of an administrative monopoly, some industries can use the market position or possess some scarce resources to enjoy high profit margins. Taking the listed companies in 2016 as an example, the industry ranked first in net profit margin is the financial industry (26.5%), followed by industries such as food and beverage (13.2%), cultural media (11.8%), Internet (11.7%), utilities (11.2%), and real estate (8.9%), electronic equipment, information technology, light industry manufacturing The net profit levels of industries such as machinery, equipment, and defense are relatively low, at 7%, 4.5%, 6.8%, 1.6%, and 1.6%, respectively. The excessive prosperity of real estate, finance and other industries leads to a higher proportion of land and capital factors in the distribution of income, and a large amount of funds continue to flow to these industries, while industries with intensive innovation activities can only obtain lower levels of profits. If it is impossible to break powerful group interests and monopolistic interests, and the structure of income distribution cannot be biased toward innovation-intensive industries and knowledge, technology and other factors, then innovation can only be empty talk and high-quality development cannot be discussed.

3.3 Local Investment Guidance

The tax-sharing system reform has greatly encouraged local governments to develop their economic enthusiasm, and the role of local governments has evolved from providing public

goods to production-oriented government. Officials at all levels have been blindly pursuing economic growth and neglecting economic restructuring under the encouragement of the "GDP Championship". The importance of quality of economic growth has led to the growth of "quantitative" growth, heavy production, light distribution, heavy short-term, light-term long-term, heavy investment and light consumption, re-introduction and light innovation. In addition, because the term of office of officials is generally shorter, averaging within 2-3 years, they often lack the incentive to develop the local economy from a long-term perspective. The short-term behavior of officials often leads to lack of long-term public investment, lack of incentives, and incentives to guide innovation activities.

3.4 Poor Transformation of Scientific and Technological Achievements

In recent years, China's scientific research achievements have not been transformed into social productive forces in a timely and effective manner. At the same time, a large number of scientific and technological achievements have been shelved, and serious scientific and technological resources have been wasted. The conversion rate of scientific and technological achievements in Chinese universities and research institutes is about 20%-30%, and the actual achievement of industrialization is less than 5%, and the conversion rate of 70%-80% in developed countries and the industrialization rate of 20%-30%, far away. Although the government has introduced a number of policies to promote the transformation of scientific and technological achievements, there are still multiple problems in its implementation, such as the low returns of scientific and technological achievements in the transformation of scientific and technological achievements, and the lags in some legal regulations leading to the existence of policy risks in the process of conversion. These restrict the exertion of policy effects.

4. THE PROPOSAL

4.1 Encourage Innovative Supply Based on Market Demand

Promoting the R&D activities of scientific and technological innovation bodies such as scientific research institutes and universities to face the major battlefields of the economy and facing major national needs, promote the deep integration of science and technology and economic and social development, and take the rapid transformation of scientific research results into productive forces as its basic mission. In the evaluation of professional titles, academic evaluations, and project evaluations, the research on the practicality of scientific research results is enhanced.

4.2 Reconstruction of Local Competition Mechanism for High Quality Development

As economic growth shifts from quantity to quality, the goal of government regulation is to shift from the traditional focus on material wealth growth to improving efficiency, optimizing structure, improving income distribution, optimizing the ecological environment, and improving innovation capabilities. Raising the quality of development is the basic basis for policy formulation. At the same time, the assessment of the quality of economic development is added to the official assessment mechanism. To this end, we must actively promote the transformation of government functions, reconstruct high-quality development of local

competition mechanisms, change the practice of GDP leadership, and build an index evaluation system that reflects high-quality development, such as employment and entrepreneurship, quality and efficiency, stability and sustainability and other indicators.

4.3 Strict Quality Control

On the one hand, it is necessary to improve the quality statistics system and the quality credit system, establish a joint disciplinary mechanism for dishonesty in product quality, intellectual property rights, etc., promote the improvement of punitive compensation systems, and greatly increase the quality of illegal and untrustworthy costs. On the other hand, we must create a fair market competition environment, strengthen intellectual property protection, carry out brand protection work, and then inspire companies to improve quality and nurture brand motive force, and guide the focus of the company's market competition from low price wins to quality premium and brand promotion.

4.4 Increasing the Profits from the Transformation of Scientific and Technological Achievements

We will further improve the income distribution system for scientific and technological achievements, mobilize the enthusiasm of units and scientific research personnel, and establish a guarantee mechanism for inventors and designers to obtain proceeds. Increase the threshold for the transfer of income from technology transfer to the main body of income, especially the low tax rate policy for the transformation of scientific and technological achievements related to strategic emerging industries. To support the transformation of scientific and technological achievements in a variety of ways including seed funds, guiding funds, and loan discounts. Actively reform the assessment system of scientific and technological achievements, increase the transformation of scientific and technological achievements and the quality and application of intellectual property.

4.5 Structural Changes to Promote the Accumulation of Human Capital

The core of the shift from extensive to intensive growth is to increase the efficiency of the use of resources, and from the intensive type to the innovative growth mode, the core of which is to promote economic development based on human capital and knowledge. On the basis of continuously increasing the level of human capital accumulation, we will actively promote the structural changes in the accumulation of human capital, optimize the educational structure, combine education with economic development, and adapt the accumulation of human capital to the upgrading of economic structure and industrial structure.

ACKNOWLEDGEMENTS

Soft science and popular science special project in hebei province"The path research on the characteristics of regional innovation system in hebei province "(174576436)

Natural science fund project in Hebei province “The construction of innovation ecological system and operation mechanism research on Lingang industrial cluster” (G2015209262)

REFERENCES

[1] Krugman P R. “Increasing Returns and Economic Geography”, Journal of PoliticalEconomy, vol.99, no.3, 1991, pp.483～499.

[2] Laurens Klerkx, Roberto Álvarez, Rolando Campusano. “The emergence and functioning of innovation intermediaries in maturing innovation systems: the case of Chile”, Innovation and Development, vol.10, no.1, 2015, pp.51～56.

[3] Mansoureh Abdi, Alireza Hasanzadeh, Ali-Asghar Fani, Seyed Hassan Ghodsi Poor. “Exploring the bottleneck of Iran's national innovation system by TOC thinking process”, Technological and Economic Development of Economy, vol.20, no.1, 2014, pp.204～220.

[4] Nelson P R, Winter S G. An evolutionary theory of economicchange, Cambridge MA and London: The Belknap Press, 1982, pp.34～43.

[5] Rainer Harms, Aard Groen. “Loosen up? Cultural tightness and national entrepreneurial activity”, Technological Forecasting & Social Change, vol.25, no.1, 2016, pp.20～25.

[6] Ron A Boschma, Koen Frenken. “ Why is Economic Geography not an EvolutionaryScience? Towards an Evolu-tionary Economic Geography”, Economic Geography, vol.6, no.3, 2006, pp.273～302.

[7] Sander Kern, Christien Enzing. “Why innovation policies should include a multiple system perspective: The case of biotechnology in EC Member States’ innovation systems”, Innovation, vol.24, no.1, 2006, pp.83～86.

[8] http://www.sohu.com/a/143231014_766672