

## From Building a “*Xiaokang* Society” to Building a “Modern Socialist Country in All Respects”

Zhang Yi

*Department of Social Development, University of Chinese Academy of Social Sciences*

### Abstract

Since the reform and opening up, tremendous changes have taken place in China. The initial objective of building a *xiaokang* or moderately prosperous society developed into a national development plan, which adopted a phased approach: first, “building a *xiaokang* society in an all-round way,” followed by “completing the building of a *xiaokang* society in all respects.” The efforts have paid off: The Chinese nation has stood up, become prosperous and grown in strength, creating two miracles—rapid economic growth and long-term social stability. After achieving the first centennial goal of building a *xiaokang* society in all respects, China has embarked on a new journey toward the second goal of building a great modern socialist country. A new two-step development strategy has been drawn up, laying a solid theoretical and practical foundation for the realization of the second centennial goal.

**Keywords:** four modernizations, a *xiaokang* society, development strategy, a modern socialist country

In the transition from a traditional society to a modern society, choice of the path of national governance is of crucial importance. If a country creates a development strategy that suits its actual situation, unlocks the potential of the economy, and draws a relatively clear roadmap acceptable to most people, it will be in a better position to pool nationwide resources to achieve the goals set, and to get out of the low-income and the middle-income traps.<sup>1</sup> Historically, after World War II, only a small number of developing countries managed to become developed countries that were on the road to modernization and could ensure the continuous improvement of people’s livelihood. Other developing countries, though liberated from colonial control, failed to properly adjust the relations between different strata and different interest groups in the course of economic and social construction. Moreover, their development strategies were wavering and inconsistent; they did not have in place a widely accepted strategy. As a result, their societies were riven with unrest, and their people, haunted

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1 For more insights into the concept of “low-income trap,” see Richard R. Nelson, “A Theory of the Low-Level Equilibrium Trap in Underdeveloped Economies.”

by poverty and hunger, found it hard to make a living. Whether developing countries are able to blaze a path consistent with their own realities holds the key to whether their development strategy of “catching up with and overtaking the advanced countries” will be successful.

After the end of the Cultural Revolution, China’s economic and social development entered a critical period in its history. In 1978, the 11th CPC Central Committee held its third plenary session. At the session the Party completely rejected ultra-leftism, decisively abandoned the policy of taking class struggle as the key link, and initiated a strategic shift to economic construction as the focus of the Party and country’s work, thereby ushering in a new period of reform, opening up, and socialist modernization. This marked the greatest turning point of the most far-reaching significance since the founding of the PRC. In response to the development logic of the call of the times, local governments’ expectation of medium- and long-term policy direction, and the demands of the masses for a better life, the movement for “emancipation of the mind” and the subsequent major national decisions firmly resolved on a trajectory of political, economic, and social development in which synergy was formed through consensus building, creating a social environment in which all the people forged ahead in unison. This unique national endeavor was consistent with the mighty currents of development at home and abroad. It drew a blueprint for building a future society that rallied the people’s ideological consciousness—a blueprint for a *xiaokang* society, as well as a roadmap and timetable for its construction, thus activating the driving force of social development.

## I. The Inception of a *Xiaokang* Society and Its Contextual Construction

From the perspective of the theory of the circulation of elites, the end of the Cultural Revolution and the subsequent shift in the focus of the national task created not only a favorable environment for China’s reform and opening up, but also historical opportunities for Deng Xiaoping’s theory of a *xiaokang* society. This theory was not only a major development in the approach of the leaders of the first generation toward the country’s prosperity and the improvement of the people’s livelihoods, but also a reorientation of the path to Chinese-style modernization, representing the insights gained and the lessons learned in building a *xiaokang* society.

### 1. *The four modernizations and the two-step strategy*

In 1954, Zhou Enlai’s *Report on the Work of the Government*, delivered at the First National People’s Congress, set forth the grand goal of the “four modernizations,” namely, the goal of building modern industry, modern agriculture, a modern transport industry and modern national defense, in what was the first iteration of the four modernizations. In September 1961, in its *Directive on the Current Industrial Issues*, the CPC Central Committee formally proposed to “build China into a socialist country with modern industry, modern agriculture, modern national defense and modern science and culture.” In 1975, to carry out Mao Zedong’s instruction to “improve the national economy,” Zhou Enlai reiterated the four

modernization objectives and the two-step strategic vision in his *Report on the Work of the Government*, as follows:

The first step was to build an independent and relatively complete industrial system and a national economic system before 1980, and the second step was to fully modernize agriculture, industry, national defense and science and technology by 2000, to place China's national economy at the forefront of the world.

## 2. *Xiaokang society as envisioned by Deng Xiaoping*

In the social and economic environment based on class struggle, people's livelihoods had still improved under the strategy of prioritizing the development of industry, though the improvement was far short of people's expectations.<sup>2</sup> In view of this situation, after the Third Plenary Session of the 11th CPC Central Committee in 1978, Deng Xiaoping, the chief architect of China's reform and opening up, put forward the idea of a *xiaokang* society based on the reflections on strategic planning of the first generation of the Party's collective leadership and the people's eagerness for an improvement in their livelihoods. On March 21, 1979, when meeting with the delegation of the Executive Committee of the China-British Cultural Association, Deng Xiaoping said, "Our goal is to achieve the four modernizations by the end of this century. Our idea is different from the West's. Let me use a new term—Chinese-style four modernizations." This term represents the projection and trajectory of China's modernization drive in the late 20th century. On December 6, 1979, when meeting with Japanese Prime Minister Masayoshi Ohira, Deng Xiaoping said, "The four modernizations we are striving for are Chinese-style modernizations. Unlike your concept of modernization, ours focuses on the life of a *xiaokang* family. Even if we realize the four modernizations by the end of this century, our per capita GNP will still be very low. If we want to reach the level of a relatively wealthy Third World country, with a per capita GNP of US \$1,000, we must make an immense effort. Even if we reach that level, we will still be a backward nation compared to Western countries. Therefore, I can only say that we will have achieved moderate prosperity and China will remain 'a moderately prosperous country.'"

In June 1984, when meeting with the delegation of the Japanese Committee of the Second Meeting of the Council of Chinese and Japanese Non-governmental Figures, Deng Xiaoping said, "The lowest bar we set in the Four Modernizations Program is to build a *xiaokang* society by the end of this century, as first mentioned when the then Japanese Prime Minister Masayoshi Ohira paid a visit to China in December 1979. Specifically, the level of *xiaokang* means that by the end of this century, China's GNP will have reached US\$800 per capita. It is a low GNP per capita for you, but for us, it is a vision to be achieved. China has a population of one billion, and by the end of this century, it is expected to reach 1.2 billion, with China's GNP projected to reach one trillion US dollars. This wealth, if distributed according to

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2 In 1952, the per capita net annual income of farmers was 57 yuan. It had increased to 99 yuan by 1962, and to 133.6 yuan by 1978. Data source: Lu Yilong, "A Sociological Review of the Centenary of Chinese Rural Development."

the capitalist principle, is far from enough to get people out of poverty, i.e., only several percent of the people can live a well-off life, while the remaining 90 percent will still live in poverty. However, if distributed according to the socialist principle, all the people will enjoy a *xiaokang* life. That is why we stick to the socialist path. Without adhering to socialism, China's *xiaokang* society will not be possible."<sup>3</sup> Thereafter, Deng Xiaoping reiterated this point on many occasions, clearly expounding the idea that building a *xiaokang* society was a strategic goal to be achieved by the end of the 20th century.

*Xiaokang* is a social ideal that developed gradually over the course of the history of the Chinese people.<sup>4</sup> The first use of the word *xiaokang* was in the *Book of Songs*, which reads, “*Min yi lao zhi, qi ke xiaokang*. Of course, *xiaokang* in this poem has a different connotation from *xiaokang* as a social ideal. Generations of analysts of ancient texts have concluded that these lines mean, “The common people indeed are heavily burdened, but perhaps a little ease (*xiaokang*) may be got for them.” But then, we may as well take it as an admonition: don't turn a blind eye to the hard life of the peasants. *Xiaokang* society as envisioned by Deng Xiaoping was inspired by the wisdom of our forefathers and provided an incentive for people to pursue a prosperous life; it reflects their yearning for stability and unity and arouses their enthusiasm for building a *xiaokang* society. When this idea came out, it was warmly embraced by the people, and became the shared vision of the second generation of the Party's central collective leadership. On the one hand, Deng Xiaoping's *xiaokang* society represented “Chinese-style modernization,” adding the new dimension of seeking truth from the facts to the Four Modernizations so eagerly sought by the first generation of the Party's collective leadership. On the other, Deng Xiaoping specifically quantified the goal as achieving per capita GDP of US\$800-1,000, i.e., and after “achieving this goal,” “China's total national income and the output of major industrial and agricultural products will rank among the foremost in the world.” Even so, “our per capita GNP will still be very low, and we will remain a backward nation compared to Western countries. Therefore, we will have achieved only moderate prosperity and China will remain ‘a moderately prosperous country’.”

Nevertheless, Deng Xiaoping also said with full confidence that “If we follow the socialist distribution principle, the people of the whole country can achieve moderate prosperity.” It can be seen from this statement that Deng Xiaoping's *xiaokang* society was defined in terms of the development of the national economy as well as a relatively fair system of income distribution, not merely in terms of the quadrupling of GDP. Therefore, when studying the theory and developmental path of a *xiaokang* society, we should pay attention to “Letting some people get rich first” and “People who get rich first can help those who lag behind.” What is more important, however, are Deng's principle of socialist distribution and his thinking on institutional rules. Only in this way can his theory of *xiaokang* society be properly understood.

3 Deng Xiaoping, “Building Socialism with Chinese Characteristics.”

4 Xie Fuzhan, “Building a *Xiaokang* Society in All Respects: Theory and Practice.”

## II. *Xiaokang* Society and the Three-Step Development Strategy

After initiating reform and opening up, Deng Xiaoping firmly directed the country on to a development track, ensuring the sustained implementation of the construction of the *xiaokang* vision. In the countryside, the household contract responsibility system of household production allowed households to make operating decisions independently within the limits set by the contract agreement, which roused their enthusiasm for production.<sup>5</sup> This initiative not only solved the problem of subsistence in a country with the world's largest population, but also created a sizeable number of township enterprises,<sup>6</sup> paving the way for farmers to take up non-agricultural occupations. Not only did farmers have incentives to go to the cities as migrant workers to undertake work or open small businesses, but the initiative also transformed the People's Commune system, which had merged government and society, into a township system at the same time.<sup>7</sup> As well, the management of household registration was gradually relaxed, thus opening the door to social mobility. In the subsequent urban reform, the idea that "ownership by the whole people" was much the same thing as "direct management by state institutions" was categorically rejected and there was a call for a planned commodity economy based on public ownership to be developed via the law of value. The relevant directives and guiding plans, theoretical innovations in the planned economy, used decentralization of powers and sharing of profits to transform state-owned and collective enterprises into independent producers and operators who were responsible for their own profits and losses. For the first time, the systemic practice of rural and urban reform innovated and developed what Deng Xiaoping called "Marxist political economy," putting the building of a *xiaokang* society on the fast track. Thereafter, the concept of a *xiaokang* society was put at the top of the national development agenda, epitomizing the strategies for development of the state and the nation and for improving people's livelihood formulated by Deng Xiaoping and each later generation of Party leaders.

In September 1982, the Report to the 12th CPC National Congress stated that "In the twenty years from 1981 to the end of this century, the master plan of China's economic

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5 After the Household Contract Responsibility System was initiated, households could independently make decisions on what to produce, how to produce it and how much to produce.

6 Before reform and opening up, the enterprises established by the People's Communes and production brigades were called commune and brigade enterprises. In 1984, the CPC Central Committee and the State Council sent down a report entitled *Towards a New Situation for Commune and Brigade Enterprises*. This changed the name of commune and brigade enterprises to township enterprises and requiring governments at all levels to put township enterprises and state-owned enterprises on an equal footing.

7 The newly revised Constitution of 1982 stipulated changing the rural People's Communes to "township government" and changing the production brigades to "village committees." By June 1985, about 56,000 People's Communes nationwide had been transformed into about 92,000 township people's governments, and more than 540,000 production brigades had been transformed into more than 820,000 village committees.

construction is to strive to quadruple the national industrial and agricultural output value on the premise of continuously improving economic benefits, i.e., from 710 billion yuan in 1980 to about 2,800 billion yuan in 2000. By then, China's total national income and its output of major industrial and agricultural products will be among the highest in the world. Major progress will be made in the modernization of the national economy, urban and rural incomes will have multiplied, and the people's material and cultural life will reach the *xiaokang* level."

To achieve this goal, the 12th CPC National Congress made a two-step implementation plan, with the first step being to "lay a solid foundation in the first ten years, accumulate strength, and create conditions" and the second being to "enter a new period of economic revitalization in the next ten years," in "an important decision made by the Communist Party Central Committee after a comprehensive analysis of China's economic situation and developmental trends."

In 1987, the 13th CPC National Congress put forward for the first time the idea that China is in the primary stage of socialism and will remain so for a long time to come. It should be said that the primary stage theory, as a further deepening of the diachronic and procedural understanding of socialist development, was influenced by the *xiaokang* theory. The Party's basic line in the primary stage of socialism was to lead the people of all ethnic groups in a concerted, self-reliant, and pioneering effort to turn China into a prosperous, strong, democratic, culturally advanced, and harmonious modern socialist country. This was to be achieved by making economic development the central task, upholding the Four Cardinal Principles and the reform and opening up policy, being self-reliant and dedicating oneself to the onerous task ahead. Statements like "seek truth from the facts" strengthened the ruling Party's practical image in the minds of the people of the whole country, making it crystal clear that utopianism is a road that leads nowhere. It was for this reason that Deng Xiaoping said, "Not a single word of the Report to the 13th CPC National Congress can be changed."

Based on a systematic analysis of the development environment at home and abroad, the Report to the 13th CPC National Congress once again identified Deng Xiaoping's strategic concept of a *xiaokang* society as the long-term goal of the whole Party and the people of the whole country. To ensure smooth progress of the socialist modernization drive, a "three-step" development strategy was formulated on the basis of the 12th CPC National Congress.

The first step was to double the 1980 GNP by 1990 and solve the problem of the people's basic needs for food and clothing; the second was to quadruple 1980 GNP by the year 2000, with the expectation that people's living standards would rise to a *xiaokang* level; and the third was to reach the level of a moderately developed country by the middle of the 21st century, with the people having relatively prosperous lives and modernization basically achieved.

It should be said that by the time of the 13th CPC National Congress, there had already been a preliminary resolution of the problem of feeding and clothing the people. Therefore, the main goal of the plenary session was to reach the *xiaokang* level in 2000. "Smooth

implementation of the third step is premised on the successful implementation of the second step.” While stating the importance of protecting the legitimate income of business owners, the plenary session also stressed that the whole Party should “adhere to the direction of common prosperity and ensure social equity premised on promoting efficiency.”

First, building China into a powerful modern socialist country has always been the goal of the country the Communist Party leads. It is safe to say that the three-step strategy played a pivotal role in China’s modernization drive, bringing an economically backward country up to a *xiaokang* level. This was mainly manifested in the three-step strategy, which combined the ambitious goal of achieving modernization with improving more than a billion people’s living standards—ensuring subsistence requirements, then reaching the *xiaokang* level, and finally living a relatively affluent life. The goal of realizing modernization was closely related to people’s ability to make a living, and it thus won widespread support.

Second, in accordance with international practice, per capita GDP was used to quantify the phases of development in the deployment of the three-step strategy (from US\$200 per capita at the start to US\$800-1,000 per capita and then to US\$3,000-4,000 per capita). The mighty goals of the national level were to be broken down in a phased, specific, and comparable way for execution by Party and government departments and agencies at all levels, who were to integrate the modernization drive with their routine work.

Third, the original goal of realizing the Four Modernizations by the end of the 20th century was revised to “achieving a *xiaokang* society,” with the addition of “reaching the level of moderately developed countries in another thirty to fifty years”.

### III. From Meeting Subsistence Needs to an Overall *Xiaokang* Life

The rural reforms ensured that the Chinese had enough to eat; the urban reforms ensured that China’s state-owned and collectively-owned enterprises had started market-oriented production; and the reforms of “replacing profits with taxes” and “replacing appropriations with loans” stimulated enterprise vitality. With the increasing pull of the cities, an unprecedentedly massive wave of migrant workers surged into urban areas, accelerating the process of urbanization and promoting the rapid transformation of the structure of society.

Some of the fruits of the *xiaokang* policy are given below. In 1990, China’s GDP reached 1,859.84 billion yuan, an increase of 1.4 times compared with 1980 with an average annual growth rate of 9 percent, calculated at comparable prices. Per capita GDP increased to 1,634 yuan, higher than the previous goal of doubling GDP. The income of urban and rural residents increased substantially. According to household survey statistics, in 1990 the per capita net income of farmers reached 686.3 yuan, with an average annual growth rate of 9.1 percent, and in the same year, the per capita disposable income of urban residents reached 1,510.2 yuan, with an average annual growth rate of 5.1 percent. According to the rural poverty standard established in 1978, the incidence of rural poverty was reduced from 26.8 percent in 1980 to

9.4 percent in 1990. In terms of the 1978 poverty line, that meant that 90.6 percent of the rural population had solved the poverty problem and had their basic needs met. This ushered in a new stage in the building of a *xiaokang* society.

Table 1 China's Achievements in Building a *Xiaokang* Society from 1978 to 1990

	Total population (10,000)	Urban population (10,000)	Rate of urbanization (percent)	Per capita disposable income of urban households (yuan)	Per capita net income of rural households (yuan)	Total GDP (hundred million)	Per capita GDP (yuan)
1978	96,259	17,245	17.92	343.4	133.6	3,624.1	379
1980	98,705	19,140	19.39	477.6	191.3	4,517.8	460
1985	105,851	25,094	23.71	739.1	397.6	8,989.1	853
1986	107,507	26,366	24.52	899.6	423.8	10,201.4	956
1987	109,300	27,674	25.32	1,002.2	462.6	11,954.5	1,104
1988	111,026	28,661	25.81	1,181.4	544.9	14,922.3	1,355
1989	112,704	29,540	26.21	1,375.7	601.5	16,917.8	1,512
1990	114,333	30,191	26.41	1,510.2	686.3	18,598.4	1,634

Data source: *China Statistical Yearbook 1999*. Some figures are rounded.

Given this, in 1990, the seventh plenary session of the 13th CPC Central Committee added more details to the *xiaokang* goal: “*Xiaokang* means not only a standard of living that ensures that life goes beyond the mere satisfaction of people’s basic needs, but also includes a richer material life, a reasonable consumption structure, a marked improvement in housing conditions, a richer cultural life and continuous improvement in health and social service facilities.” Furthermore, “*xiaokang* level” was redefined on this basis, “*Xiaokang* level means that meeting people’s subsistence needs will be taken for granted; their quality of life will be improved; and they will be able to lead a relatively affluent life. This requires the provision of more material goods as well as the enrichment of their inner lives, plus increased personal consumption as well as improved social welfare and working environments.”

In 1997, the 15th CPC National Congress put forward the basic program of the Party in the primary stage of socialism and the goal of building a new socialist countryside with Chinese characteristics in the first decade of the 21st century, requiring that efforts be made to develop the rural economy, increase farmers’ income, promote the comprehensive realization of a *xiaokang* society in the countryside, and gradually advance to a higher level. This program attached great importance to the realization of a *xiaokang* society in rural China as a cross-century goal, which means that building *xiaokang* in rural areas had officially become an important part of the national development strategy of the time.

As shown in Table 2, from 1991 to 2000, China set its post-subsistence goals by taking into

consideration their alignment with the characteristics of the times, thus directly fuelling the rapid development of the national economy.

Table 2 Major Achievements in Building a *Xiaokang* Society from 1991 to 2000

	Total population (100 million)	Total GDP (100 million)	Per capita GDP (yuan)	Urban population (100 million)	Rate of urbanization (percent)	Per capita disposable income of urban households (yuan)	Per capita net income of rural households (yuan)
1991	11.6	21,617.8	1,879	3.1	26.94	1,700.6	708.6
1995	12.1	58,478.1	4,854	3.5	29.04	4,283	1,577.7
1996	12.2	67,884.6	5,576	3.7	30.48	4,838.9	1,926.1
1997	12.3	74,462.6	6,054	3.9	31.91	5,160.3	2,090.1
1998	12.4	78,345.2	6,307	4.2	33.35	5,425.1	2,162
1999	12.5	82,067.5	6,547	4.4	34.78	5,854	2,210.3
2000	12.6	89,442.2	7,084	4.6	36.22	6,280	2,253.4

Data source: *China Statistical Yearbook 2002*.

By 2000, China's population had increased to 1.26 billion, and its GDP had reached 8,944.22 billion yuan, exceeding the 1980 goal of quadrupling the per capita GDP. Measured by the 1978 rural poverty standard, the proportion of the rural population below the poverty line had dropped by about 3.5 percent. This means that by 2000, the joint efforts of the whole Party and the people of the whole country had succeeded in making remarkable achievements in building a *xiaokang* society in China, and people's standard of living had reached the *xiaokang* level envisioned by Deng Xiaoping.

#### IV. Building a *Xiaokang* Society in an All-Round Way

##### 1. Understanding the overall *xiaokang* society

Achieving the overall goal of building a *xiaokang* society was no reason for complacency, for at this stage *xiaokang* was still at a low level. China's average per capita GDP reached US\$959 in 2000, exceeding the lower limit of US\$800 per capita and approaching the upper limit of US\$1,000 per capita envisioned by Deng Xiaoping. However, compared with developed and mid-level developed countries, the living standard of the Chinese people was still relatively low. Besides, China's social and environmental construction, in terms of democracy, rule of law, culture and education, and social security, fell far short of the goal of socialist modernization. More importantly, China's economic backwardness had not been fundamentally addressed. In such circumstances, upgrading China's economic, social, and political development strategies became an inevitable and historic choice for building socialism with Chinese characteristics. In that regard, the goal of "building a *xiaokang* society

in an all-round way,” aimed at improving people’s wellbeing, was gradually incorporated into the framework of the new development strategy of the Party and the government.

In October 2000, the fifth plenary session of the 15th CPC Central Committee put forward the new goal of “building a *xiaokang* society in an all-round way.” The Plenary Meeting resolution pointed out, “We have achieved the first two strategic goals of the modernization drive, comprehensive economic and social development, and the *xiaokang* standard of living. These are all fundamental changes introduced in stages. Starting from the new century, China will enter a new developmental stage of building a *xiaokang* society in an all-round way and accelerating modernization, in a new milestone for the history of the development of the Chinese nation.”

### 2. *The proposal to build a xiaokang society in an all-round way*

The report of the 16th CPC National Congress pointed out that *xiaokang* “remains at a relatively low level; it is not all-inclusive and is very unbalanced,” and that the principal contradiction in our society was still one between the ever-growing material and cultural needs of the people and the backwardness of social production. In 2001, the per capita income of Chinese residents was US\$500, more than three times that of 1980, but still at a low level compared with developed countries in the same period. The per capita annual income of the United States exceeded US\$20,000, and the United Kingdom, Germany, France, Italy, and other developed countries all per capita annual incomes above US\$15,000. The dual structure of the urban and the rural economy had not yet changed: data from the fifth census in 2000 showed that China’s urbanization rate was 36.2 percent, far lower than the average urbanization rate of 75 percent in developed countries, and also lower than the world average urbanization rate of 47 percent. Moreover, the income gap between urban and rural areas kept growing. The total population continued to increase, and those over 65 accounted for nearly 7 percent of the total, giving China one of the world’s largest aging populations. At the same time, the rapid increase in new additions to the labor force each year put mounting pressure on employment and social security. The contradiction between the environment and natural resources on the one hand and economic and social development on the other was becoming increasingly prominent. The economic system had yet to be perfected, and improving democracy and the legal system and raising ethical standards were problems that could not be overlooked. Long-term dedication was needed to consolidate and raise the current *xiaokang* standard of living.

Based on “building an overall *xiaokang* society” by 2000, “building a *xiaokang* society in an all-round way” had become the major blueprint that China was to achieve by 2020.

### 3. *Xiaokang society in an all-round way and the xiaokang society envisioned at the 17th Communist Party National Congress*

The change of diction from “achieving overall *xiaokang*” to “building a *xiaokang* society in an all-round way” demonstrated that the collective leadership of the Party who followed on after Deng Xiaoping had enriched and added new dimensions to “*xiaokang* society” represented a new development of the theory of building a socialist country. Roughly speaking, the differences between “achieving overall *xiaokang*” and “building a *xiaokang*

society in an all-round way” are as follows:

First, “achieving overall *xiaokang*” was proposed to solve the problems of subsistence arising from the basic national conditions in the 20th century, that is, a large population, and especially a high proportion of the rural poor. It was intended to promote the construction of material civilization. “Building a *xiaokang* society in an all-round way,” however, was a goal intended to be achieved in the first twenty years of the 21st century, including “economic, political, cultural, and social progress.” “Environmental progress” was added in the report of the 18th CPC National Congress, and thus the full text reads, “Promote balanced economic, political, cultural, social, and environmental progress.”

Second, overall *xiaokang* remained at a relatively low level; it was not all-inclusive and was very unbalanced. Thus, the building of a *xiaokang* society in an all-round way aims at a higher level of inclusive and balanced *xiaokang*, with one of the tasks being the sustained narrowing of the income gap.

In 2007, the report to the 17th CPC National Congress described the vision of building a *xiaokang* society in an all-round way as follows: When the goal of building a *xiaokang* society in all respects has been attained by 2020, China, as a large developing socialist country with an ancient civilization, will basically be industrialized. Its overall strength will have significantly increased and its domestic market will rank as one of the largest in the world. It will be a country whose people are better off and enjoy a markedly improved quality of life and a good environment, and who have more extensive democratic rights and a higher level of civilized behavior and mental pursuits; a country with better institutions in all areas and a society with greater vitality coupled with stability and unity; a country that is more open and friendly to the outside world and makes greater contributions to human civilization.

Table 3 Major Achievements in Building a *Xiaokang* Society in an All-Round Way from 2001-2011

	Total population (100 million)	Total GDP (100 million)	Per capita GDP (yuan)	Urban Population (100 million)	Rate of urbanization (percent)	Per capita disposable income of urban households (yuan)	Per capita net income of rural households (yuan)
2001	127,627	157,81.3	8622	48,064	37.66	6,859.6	2,366.4
2005	130,756	184,937.4	14,185	56,212	42.99	10,493	3,254.9
2006	131,448	216,314.4	16,500	58,288	44.34	11,759.5	3,587
2007	132,129	265,810.3	20,169	60,633	45.89	13,785.8	4,140.4
2008	132,802	314,045.4	23,708	62,403	46.99	15,780.8	4,760.6
2009	133,450	340,902.8	25,608	64,512	48.34	17,174.7	5,153.2
2010	134,091	401,512.8	30,015	66,978	49.95	19,109.4	5,919
2011	134,735	472,881.6	35,181	69,079	51.27	21,809.8	6,977.3

Data source: *China Statistical Yearbook 2012*.

China made further progress in building a *xiaokang* society in an all-round way in the first decade of the 21st century. The economic aggregate continued to increase, maintaining a steady rise in world rankings. In 2010, China overtook Japan and became the world's second-largest economy after the United States. In 2011, the country's per capita GDP reached 35,181 yuan, an increase of 1.4 times over 2002 (after deducting the impact of the price factor), with an average annual growth rate of 10.1 percent. According to the year 2000 redefinition of the absolute poverty line for rural areas, the incidence of absolute poverty in rural areas fell from 10.2 percent in 2000 to 2.8 percent, moving nearly a hundred million rural poor out of absolute poverty in ten years.<sup>8</sup> The Chinese level of consumption increased significantly, and the domestic market played an increasingly important role in China's economic development.

To deepen the reform of state-owned enterprises and improve the market economy system, China established and improved a social security system for urban enterprise employees. Medical insurance, including the New Rural Cooperative Medical System, Urban Employee Basic Medical Insurance, and the Urban Resident Basic Medical Insurance Scheme, covers more than 1.3 billion people—China has built the world's largest basic medical security network, achieving full institutional coverage. People's physical and mental health has improved significantly. According to the sixth national census data in 2010, the average life expectancy of China's population has increased to 74.8 years, an increase of 3.4 years over the 71.4 years in the fifth census in 2000.

## V. Building an All-round *Xiaokang* Society and an All-round Modern Socialist Country

### 1. *The proposal to complete building an all-round xiaokang society*

In 2012, the 18th CPC National Congress put forward new requirements and a new vision for building an all-round *xiaokang* society by 2020 that took into account the actual progress of economic and social development. The change from the theme of “building a *xiaokang* society in an all-round way” to “completing building a *xiaokang* society in an all-round way,” only involved one word, but it signified that the building of a *xiaokang* society had entered the final, critical stage.

The report of the 18th CPC National Congress added “promoting environmental progress” to the previous “promoting balanced economic, political, cultural, and social progress,” thus turning the previous “four-in-one” into “five-in-one.” Specifically, the *xiaokang* society scheduled to have been completed by 2020 will be a well-off society that ensures that the achievements of development and reform truly benefit its 1.4 billion population. It promotes balanced economic, political, cultural, social, and environmental progress and lays a solid

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<sup>8</sup> In 2000, due to rising income levels and living standards, China redefined the rural poverty line, with the post-2000 poverty line being renamed the absolute poverty line. In that year, 94.22 million people were below the absolute poverty line. The incidence of rural poverty was 10.2 percent, which decreased to 2.8 percent in 2011.

foundation for the realization of national prosperity, national rejuvenation, and the people's happiness.

*2. From completing building a xiaokang society in an all-round way to building a modern socialist country in an all-round way*

At the same time as the theory and practice of building a *xiaokang* society in an all-round way was being deepened, President Xi Jinping undertook systematic innovation and expansion of national development theory and put forward “the Chinese Dream,” a long-term vision with guiding significance to achieve national rejuvenation.

On March 17, 2013, in the speech at the First Session of the 12th National People's Congress, President Xi systematically expounded the basic connotation of the Chinese Dream—the prosperity of the country, the rejuvenation of the nation and the happiness of the people. To ensure that China attained the goal of completing the building of a *xiaokang* society in an all-round way by 2020, in 2013, the Third Plenary Session of the 18th CPC Central Committee reviewed and approved the *Decision of the Central Committee of the Communist Party of China on Several Major Issues Concerning Comprehensively Deepening the Reform*, in which the “basic role” of the market in allocating resources was revised to read “decisive role.” Moreover, it was stressed that efforts should be made to straighten out the boundaries between the market and government, between the market and society, between society and the market, and between society and government, bringing the role of government and non-government actors into full play.

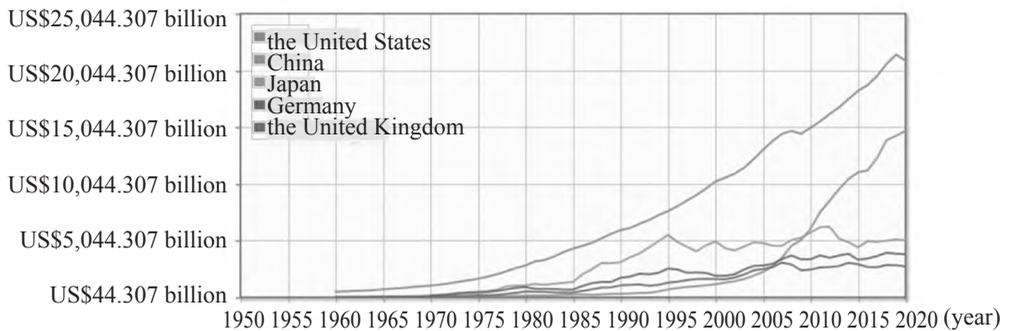
After several rounds of consultation, a “New Three-Step” strategic implementation plan has taken shape. The first step is to complete the building of *xiaokang* society in an all-round way by the time the centenary of the Communist Party of China is celebrated; the second is to fully realize socialist modernization with Chinese characteristics by the time China celebrates the 100th anniversary of the founding of the People's Republic of China; and the third is to realize the great rejuvenation of the Chinese nation by the end of the 21st century or beyond. On October 2017, the 19th CPC National Congress systematically summarized these great achievements. In the new era, the main contradiction in Chinese society has become the contradiction between unbalanced and inadequate development and the people's ever-growing need for a better life. To embark on this new journey, President Xi creatively developed and expounded the new strategic vision, representing a new top-level design for China's modernization drive.

Step 1: After completing the building of a *xiaokang* society in all respects by 2020, the Chinese people will work hard for another 15 years to basically achieve socialist modernization by 2035. By then, China will be at the forefront of innovative countries; the modernization of the national governance system and governance capacity will be basically realized; the level of social civilization will reach new heights, with the country's cultural soft power significantly enhanced; people will live a better life, striding confidently toward common prosperity; a modern system of social governance system will basically be formed;

and the goal of building a beautiful China will be achieved with the natural environment fundamentally improved.

Step 2: From 2035 to mid-century, on the basis of basically realizing modernization, the Chinese people will work hard for a further fifteen years to build China into a great modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious, and beautiful. By that time, China will have made great strides in promoting economic, political, cultural, social, and environmental progress; the modernization of China's system and capacity for governance will have been achieved; and China will become a leading country in terms of comprehensive national strength and international influence. The common prosperity of all people will have been basically realized.

Figure 1 Comparison of Aggregate GDP between China and Other Major Countries



China's unremitting efforts have paid off: Its total GDP exceeds 100 trillion yuan (further narrowing the gap between China and the United States, which has the world's highest GDP); and even as China's total population increased from 1.36 billion in 2012 to 1.41 billion in 2020, average per capita GDP exceeded the historic level of 70,000 yuan. As the 2021 GDP growth rate was above 8 percent while population growth was trending downwards, this means that at the current exchange rate, China's per capita GDP is over US\$12,000—close, indeed, to US\$12,700, the threshold level of high-income countries. By the end of 2020, since the growth rate of per capita disposable income of rural households was higher than that of urban households, the urban-rural income gap tended to narrow amid fluctuations—from 2.88 times in 2012 to 2.56 times in 2020. According to the absolute rural poverty line, reset in 2010, rural poverty incidence was 10.2 percent in 2012, and the population below the poverty line was 98.99 million. By 2021, all the rural dwellers who had been living below the current poverty threshold had left poverty behind, as had all the 128,000 impoverished villages and the 832 designated poor counties. China has completed the arduous task of eliminating absolute poverty and overall regional poverty, paving the way for completing the building of a *xiaokang* society in all respects.

In 2020, China's urbanization level had reached 63.89 percent, and the Engels coefficient

for rural and urban residents had declined to 29.2 percent and 32.7 percent respectively. Per capita housing space had increased to 39 square meters per capita for urban residents and 47.3 square meters per capita for rural residents.<sup>9</sup> Average life expectancy edged up to 77.4 years-74.7 years for men and 80.5 years for women.<sup>10</sup> The labor force has become increasingly educated, transforming a populous country into a human resources power. In 2020, new entrants to the labor force averaged 13.8 years of schooling, of whom 53.5 percent had college education. The number of newly graduated college students in 2022 will exceed 10.76 million.

Table 4 Major Achievements in Building a *Xiaokang* Society from 2012 to 2020

	Total population (100 million)	Total GDP (100 million)	Per capita GDP (yuan)	Urban Population (100 million)	Rate of urbanization (percent)	Per capita disposable income of urban households (yuan)	Per capita net income of rural households (yuan)
2012	135,922	537,329	39,771	72,175	53.1	24,127	8,389
2013	136,726	588,142	43,497	74,502	54.49	26,467	9,430
2014	137,646	644,380	46,912	76,738	55.75	28,844	10,489
2015	138,326	685,571	49,922	79,302	57.33	31,195	11,422
2016	139,232	742,694	53,783	81,924	58.84	33,616	12,363
2017	140,011	830,945	59,592	84,343	60.24	36,396	13,432
2018	140,541	915,243	65,534	86,433	61.50	39,251	16,417
2019	141,008	983,751	70,078	86,426	62.71	42,359	16,021
2020	1412,112	1008,783	72,000	90,220	63.89	43,834	17,132

Data source: Based on *China Statistical Yearbook 2021*.

In his speech at a ceremony marking the centenary of the Communist Party of China delivered on July 1, 2021, General Secretary Xi Jinping solemnly declared to the world that given this series of major achievements, “We have realized the first centenary goal of completing the building of a *xiaokang* society and are now striding confidently toward the second centenary goal of building China into a great modern socialist country in an all-round way.”

It should be said that the modernization centered on the new “two-step” implementation plan is a new development of Deng Xiaoping’s theory of a *xiaokang* society, a further deepening of the original “three-step” strategic goal, and a means by which the Communist Party can achieve national prosperity, national rejuvenation, and popular happiness. The

<sup>9</sup> Data released by the Ministry of Housing and Urban-Rural Development of the PRC in 2018.

<sup>10</sup> World Bank Data for 2019. According to the data in the Outline for the Development of Women (2011-2020) released on December 21, 2021, the average life expectancy of Chinese women has reached 80.88 years.

theory and practice of Chinese-style modernization has blazed a new path for the exploration of diversified human civilizations. Different countries have different historical backgrounds, different starting points for development, and different cultural and religious origins, so it is only natural that their economic and political systems as well as their developmental paths differ markedly. As the human race strides toward modernization together, Chinese-style modernization takes a path not taken by the West, creating a brand-new Eastern template that can be consulted by all developing countries in their pursuit of prosperity, strength, and equality.

Despite these major achievements, China has mounting problems that cannot be ignored: unbalanced development between urban and rural areas, and between the eastern, the central and the western regions; bottlenecks in key areas and key aspects; insufficient innovation to sustain high-quality development; the unsteady foundation of agriculture; a persistent gap in income distribution; inadequate ecological and environmental protection; shortcomings in people's livelihood security and social governance;<sup>11</sup> and a low birthrate and an aging population,<sup>12</sup> as well as the weakening of the capital and labor that should shore up economic growth.<sup>13</sup> In times of social transformation and demographic change, the speed of technological progress determines the speed of modernization. In this regard, success in implementing the rural revitalization strategy will largely determine the growth of common prosperity.

In short, Chinese-style modernization is an unprecedented undertaking. The theory of a *xiaokang* society put forward by Deng Xiaoping retains the core constituent elements of the Four Modernizations envisioned before reform and opening up was initiated, creating a new socialist landscape based on seeking truth from the facts. The three-step implementation plan has improved China's comprehensive national strength, raised people's living standards, and guided and united the people. It has led to four decades of prosperity, making China the second largest economy in the world. In this new stage of development, China continues to forge ahead with bold reforms and intrepid practice, putting forward the great vision of building a modern socialist country in an all-round way. The new "two-step" strategic plan serves as a guide for China on the road to the future. Therefore, Deng Xiaoping's theory of a *xiaokang* society has accumulated historical and practical significance for China's development and the Party's experience of rule. Xi Jinping's theory of building a modern socialist country in an all-round way has ushered in a new era in which the Chinese nation has stood up and become prosperous and strong, with a new timetable and roadmap for China's future socioeconomic development.

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11 Wen Jun, "Development and Change in Urban Communities," p. 184.

12 Zhang Yi, "Changes of China's Population Policy in the Seventy Years since 1949," p. 46.

13 Liu Wei and Chen Yanbin, "Economic Development between the Two Centenary Goals: Tasks, Challenges and Strategies."

### Notes on Author

Zhang Yi is Professor of the Department of Social Development at University of Chinese Academy of Social Sciences and Director and Research Fellow of the National Institute of Social Development at the Chinese Academy of Social Sciences (CASS). He is Editor-in-Chief of *Journal of Social Development*. His main research fields include social stratification, population and family, social governance, and migrant workers. He has published many articles in such journals as *Social Sciences in China*, *Sociological Studies*, *Chinese Journal of Sociology*, *Youth Studies*, *Chinese Journal of Population Science* and *Studies on Socialism with Chinese Characteristics*. E-mail: zhangyi@cass.org.cn.

### Notes on Translator

Li Changjiang (栗长江) is Professor at the School of International Police Studies at the People's Public Security University of China. E-mail: yangtzeli@163.com.

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——Translated by Li Changjiang  
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