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Transforming Economic Development Pattern and Social Welfare Maximization

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Abstract: How to assess China's highly growth; how to achieve the whole social welfare maximization; this is the problem increasingly concerned on by people from all walks of life and also will be an important topic discussed on the Seventeenth National Congress of the Communist Party of China. This paper expounds the relationship between economic growth and social welfare; analyzes the reasons why China's economic growth welfare became lower in transforming and also its results. Based on these, it raises to regulate the governmental aims and orientations and build the basic structure of new economic development pattern in order to achieve the whole social welfare maximization.

Key words: Transforming economic development pattern; Economic growth; Social welfare

Since reform and opening up, China has experienced highly growth in economy for 30 years, which has been focused on by the public voice inside and outside. Certain people hold some controversies and doubts about China's economic statistic data. Domestic theory horizon discussed more about the negative effects brought by the highly growth of GDP, which mostly raised reproach aiming at resources and environment constraints, etc. The public is less increasingly interested in economic growth data; and the focus of the discussion is more increasingly fasten on people's welfare such as housing, medical care, education and income, etc. However, many government officials are still indulged in GDP and financial revenue contests, insisting that all the people's well-beings can be resolved as long as the economy gets highly growth. How to assess Chinese highly growth; how to achieve the whole social welfare maximization; this is the problem increasingly concerned on by people from all circles of life. There are more practical significance to discuss the economic growth and economic development pattern combined with social welfare than to discuss singly on the credibility of economic growth data. After all, economic growth and economic development should be aimed at raising the level of the well-being of the whole society.

I. Economic growth unequal to social welfare

Economic growth is mainly measured by GDP. GDP is the market value summation

calculating the final products (including goods and services) during the producing process; it is a concept of flux, which is a variable occurring in a certain period of time, relative to the term of stock. It can be said that so far mankind has not found better indicators which can completely replace GDP to express economic growth. But there is "illusion" surely existing in GDP. For example, it can not reflect either the loss of the environment or the situation of traffic congestion; it can even bring a "break the window effect", etc. GDP's bigger problem is that, as a total indicator, it often covers other social indicators' situation, for example, it can not explain one country's income distribution structure or reflect the development of the people; and it also can not explain whether a social structure has essentially advancements or not; neither provide the true information of social welfare, etc. Even worse, "a very good feature will sometimes redeem several bad ones" — it uses GDP's strong growth to conceal the disadvantages of a country or region's economy and social development.

We have emphasized that development, which means not only social economy but also social welfare is improved, is the absolute need for many years. But, in practice, some officers misunderstand development as just economy development, even think we should concede or sacrifice ecotope, employment, worker right, social sanitation, etc. just for economy development. When some people hope that we should resolve problems during process with development, they usually premise everything will be ok if economy is developing continuously. So, in a way, the mode of economic development now is single-soldier tantivy which sacrifices social welfare for economic development.

Social happiness is a stock index, which means tangible and intangible sustained accumulation during the process of economic development. Part of the economic development achievements turns into the residents' social happiness annually. It includes more and more useful social products, social service and the increase disposable income of individual which increase the quality of livelihoods of the residents, and it even include individual's happiness and satisfaction. Economic development and social happiness complete with each other, and relate with each other closely. Without sustained and stable economic development, there can not be the sustained transformation of the happiness, neither the improvement of the living standard of the people and their happiness and satisfaction; Only when there is a sustained improvement of social happiness, it can be called sustainable development. Economic development is only a measure, while social happiness is the aim. Therefore, how to effectively realize the transformation from GDP to social happiness is a key problem of any developing country.

However, it is a very complex process in the transformation from social development into social happiness. Among these, there are many economical and political influence factors, which results in the economic development doesn't always improves towards the same factor with the social happiness. In the 50s--70s of the 20th century of the initial stage of the foundation of New China, because of the deviation of the economic development

strategy and directed by the idea of "chase up and surpass the UK& USA ", the speed of China's economic development is relatively high, but there are no social happiness and the improvement of the living standard of people, which appears the declined tendency of the living standard of people in some area, even if there are the same changing direction of the two, the scope is not the same. Conversely, a certain amount of social welfare can be completely achieved under different rate of economic growth.

II. Low transformation in the welfare of China's economic growth

There is a misunderstanding for a long time of measuring the overall economic activities by using of GDP indicators one-sidedly, and equating increasing speed of GDP and social well-being. In fact, compared with some developing countries and a number of developed countries, transforming in the welfare of the growth in China's Economic is low(Wang,Shu-tong and Zhao,Zhen-jun,2005). Although China's total economic output has exceeded some developed countries, welfare which the people get from economic growth in China are much smaller than it in developed countries. People in China and people in these countries have a completely different feelings when they faced the same growth rate according to this reason. For these countries, the average annual economic growth even if only 2 percent of the residents living will not significantly adversely affected. In China, people on the 7 percent growth rate would be panic. Because transformation in social welfare with the high growth of economic is still low;if low economic growth, social well-being on the lower. Therefore, to maintain a high economic growth rate is the the main objective for Chinese government pursuing. China's economic growth into the welfare of low transformation, of which the reasons and performance can be analysed in terms as follows:

1. Wasting economic growth

Some of the developed countries in northern and western Europe, their per capita national income has already been over by many developing up-and-coming countries. However, the life standard of ordinary people there are still better than the one in developing up-and-coming countries because of the large economic growth and the wealth. Walking in the streets of Amsterdam, or Paris, you can see several houses which exists hundred years. There are also many shops, dams, highways, bridges and other public facilities, people still gain the wealth of precipitation from these great wealth.

The situation in China is completely different. From the statistical data, China's economic growth is not only at the top of the world since the reform and opening up policy, but also the annual average growth rate located the global forefront, even in the 1950s to

the 1970s before the reform and opening up policy started. The problem is that many of China's economic growth is a growth of waste. In the process of economic growth, there are three major forms of wasting.

First, the rapid growth with the waste of resources

Including natural resources, especially the waste of non-renewable resources and the damage of the necessary environmental resources which human must be owned. Trees damaged, water polluted, and many non-renewable resources were mined in destructive, which were not included in the cost of production. To a certain extent, economic growth is established in such a wasting and destruction way.

Second, consumer waste in excessive competition and the products of show off

Between enterprises and regions, they conduct "face-saving projects", some enterprises used the aircraft squandering wine in order to attract "eyeball". Some Town Plannings were changed day by day. The city Square were constructed bigger and bigger. The road were built wider and wider. Even the government demolished a large of ructivedconstruction overpass 1980s and the constructions which the age of those are less than 20 years. A large number of very bad projects need to rework; some bosses owed workers wages, while they spent lots of money in luxury life. All these mean that many of the rapid growth of national income will soon be lost. And the input of removing the waste also becomes the current economic growth, which will never turn to the people's well-being at all.

Third, the elements of the waste in irrational economic structure .

China has become a "world factory", gradually. But in the division of labor which is global value chain, China's industrial located the low-end position. The competitive advantage in China manifested mainly in the processing and assembly sectors mainly. We highly depended on core technology and key components abroad, thus hard to increase the added value, so that the realization of economic growth in the material consumption, energy consumption is much higher than that of developed countries. In this economic structure, there are income gained in the process of economic growth outflow abroad by capital gains, intellectual property, brands, as well as high value-added benefits of modern service industries. The people wellbeing were not fully benefit from the GDP growth. At the same time, the excessive development of the manufacturing sector beyond the ability to resources and the environment. And make our resources and the environment carrying capacity decline, even sustainable development of China's economy has posed a severe challenge. In such an economic structure, including land, capital and labor in particular talent, and many other factors of production and the price did not reflect their true value. This make the allocation of social resources unreasonable, so that the using of limited resources should

be able to generate return. This "waste elements" will not bring about better social well-being.

2. Social development expenditure share low GDP

Social development expenditure means the fee spending on education, culture, health, sports, scientific research, and other business costs an investment, which part of the investment will directly affect the residents of a country to enjoy the social well-being. Therefore, the part of the annual GDP will be used to engage in social development investment. Under normal circumstances, the higher economic growth rate, the higher used for the cost of the part of the investment. So the majority of residents can get welfare from the economic growth larger and larger.

It should be said that since reform and opening up, social development, the absolute value of total expenditures have greatly increased, but compared with economic growth, it was a very low percentage. For a long time, social development and economic construction in the average ratio of investment is about 1:13. The scale of investment in economic construction is far exceed the social development expenditures, the scale of economic and social development has uncoordinated state.

3. The development of modern service industries developed slowly

Economic growth in the services sector was the transformation of the social well-being of the industries, modern service industries have unique advantages especially in business, employment, enriching the people. And is a conservation-oriented industries, low-cost industries, and the green industry. However, as the concept, system, and so many reasons for China's service industry particularly the development of modern services always lags behind economic growth. Jiangsu Province as an example. its GDP and many other important economic indicators tops the forefront of the country, GDP per capita has reached 4,400 US dollars. However, the services sector in the GDP accounts for only around 36%.

The rate of contribution to economic growth and employment absorption population is only a little over 30 percent. Production of the service sector accounts for only about 30 percent of services (Jiangsu Province Bureau of Statistics, 2006). Jiangsu people could not get the social welfare from the high-speed growth of the GDP.

4. Irrational distribution of social wealth

Different distribution method will bring the total diverse level of social welfare even by the same amount of social wealth. Human society always search for an optimal balance between equality and efficiency ceaselessly. But one thing is certain that it can not lead to the maximization of social welfare as a whole, if wealth is extremely distributed unevenly under certain aggregate social output, meanwhile the violence resists of social lowest layer will

lead to further loss of social welfare.

In the past thirty years, China quickly become one of the countries to have a wide gap between the rich and the poor at the time it achieves a rapid economic growth, which undoubtedly impedes the transformation from economic growth to social welfare. Economic growth creates a great deal of material wealth which, yet, is concentrated in the majority more and more. The economic growth based on the inequality in income distribution is actually the growth for the rich income and their disiration at the cost of the poor' benefit.

It shows that, in 2001-2003, China's economy increased at the annual rate of nearly 10%, while the real income of the poorest group (10% of 1.3 billion population) declined by 2.5% in the research result of Poverty Assessment Report issued by the experts of World Bank on December 1, 2006. This group'daily income is less than one dollar(the standard of definition for the poorest population by Word Bank). Survey results also show that over half of these poor people who do not live in the official designated poverty-stricken areas, such as state-level poverty-stricken counties in the category, and not just scatter in the rural areas, has spread to the cities. There is a substantial number of poverty-stricken population in the cities and urban areas.

Experts of World Bank hold that this conclusion may shake the basis of China' achieving economic growth successfully in the past 30 years. It shows that the rich become more affluent at the cost of the poorest crowd. It is the bottom line, which is accepted by China to develop unbalancely, to improve the welfare of society as a whole. But the bottom line is chanlleged by the discovery. (Andrew Batson/Shai Oster, 2006) .

The consequence of low transformation from economic growth to social well-being is :(1)Investment starvation symptoms. Everything is around economic growth and is subordinated to growth. The most visible manifestation of symptoms is extremely high rate of social investment. The entire community is forced to use investment to stimulate growth. Absorbing investments at any cost has become the primary task of local government officials. (2)The growing accumulation of social contradictions. Due to the slow improvement of the well-being and the unjustic of the social distribution system, those who can not obtain from the economic growth will be marginalizated. Over time. when this long-term accumulation of social contradictions once break up, it will bring catastrophic consequence to the socio-economic and social order.

III. Transformation of economic development pattern in China

The rapid economic growth of china not only brings many of social contradicts, but also lay a foundation to solve the problem of the future. China's economy has become unable to wheel-stop. Once slowdown, stealth contradictions will be evident, and even

intensify. How to get rid of this "dilemma" is the severe test of China's rulers. Thirty years ago, China resolutely made a historic leap from "taking class struggle as the key link" to "taking economic construction as the central task", facing the difficult situation after "Cultural Revolution". Now, China is facing the "dilemma" situation of rapid economic growth and improving social welfare, and it is the key to truly implement the scientific development concept that timely realization of the change in the pattern of economic development and putting more emphasis on the improvement of social welfare and establishing the new approach of the development of "maximizing the welfare of society as a whole" on the basis of modest growth.

Changes in economic development calls on upgrading from the people's livelihood to "maximizing the welfare of society as a whole". "Maximizing the welfare of society as a whole" is not a short-term policy, milestones, and should be a fundamental goal. In this process, the government should be more concerned about people's income, services, especially public services, and pay more attention to the people's true feelings and satisfaction to the revenues and services. The core of the scientific concept of development is people-centered, where "people" is in fact the people's happiness, basing on welfare of society as a whole. This requires that the government has to adjust their own objectives and positioning and therefore establishes the new approach of the development of "maximizing the welfare of society as a whole".

1. Adjustment of the government objective and position

For a long time, the government has really failed to take on what the government should do and can do, and what the market is not able to do. People who have blind faith in market and GDP, hold that economic growth will automatically provide public services. The shortage of public goods is taken as the source of the current public unhappiness, and it's serious shortage of supply is the main contradiction.

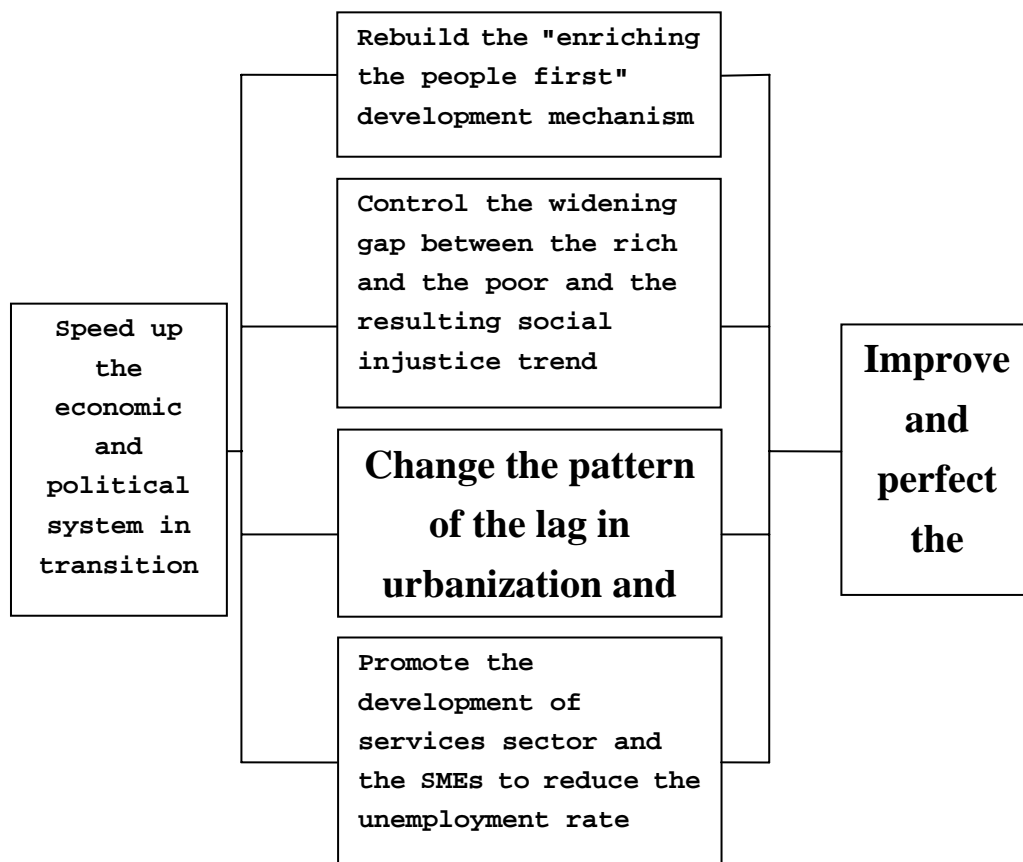
As is showed by other countries's experience, people will be increasingly urgent for public services, including public health, public education, social security, environmental, security and other aspects; and their reaction will be more sensitive. Moreover, in the transition, the shortage is particularly the public goods in the form of intangible service of the just legal, policy and system.

It is believed that, to realize Macro-economic stability, to keep a long-term progress of economy, to slow down conflict and contradiction in the society, and to control the damage on environment in a low level, are actually depended on the fundamentally transform on the mode of economy development. The most important facet is Repositioning the role of government in daily economy and living life. That is to say, the government's main objectives should shift to greater supply of public goods to the population and the necessary welfare security from promoting rapid economic growth. Thus government changes its role

from the engine of economy development to the public service system.

2. Establish a new mode of economy development on “ maximum of the whole welfare society as a whole”

The basic framework of the new mode of economy development can be described as follows:



First , Speed up the economic and political system in transition

This is the basic premise of the new mode of economic development for "maximizing the well-being of society as a whole". Many people of insight hold that, economic growth changes into the well-being in poor efficient,with a economic reason that the arrangement of property rights system is unreasonable. Because in a market-economy with a clear property rights, property owner always set it the primary objective to maximize the benefits and add wealth. Objectively speaking, this can turn the economic growth into social wealth. In china, however, a large number of property are still under the control of

the state which was not subject to the constraints of people. So the maximization of personal interests or achievements of managers, which replaced the maximization of interests, can be totally different from the [appreciation](#) of property.

And the political reason is that , in the transition from the planned economy to market economy, we ignored the transition of social and political system and the establishing of democratic system. At the time of moving toward a market economy,the reform toward the political system to restrict power has not kept pace with. In this kind of formation of market economy, it is very easily for the one in power to set up rent and seek rent through the exchange of power for money, that directly leads to a sharp polarization in China's current system and the distribution of wealth in all sorts of rampant corruption.

So, construction of new model of economic development for "maximizing the well-being of society as a whole " must continue to push forward the reform of property rights, establish and improve the market economy system with a modern property rights system. In the same time, as a breakthrough of the establishment of a democratic system, and as a goal to constraint power, accelerating the reform and transition of the political system can finally achieve economic, political and social development in harmony.

Second, rebuild the "enriching the people first" development mechanism

Make "enriching the people" as the core of economic development, work guidance, and the most perfect performance of cadres at all levels. Guide party and government organizations and cadres at all levels, to concern more with people's livelihood, and make people wealthy.

Nowadays,it is spacailly needed ,to change the situation of residents' income growth lagging behind the GDP growth for a long period of time,and to solve the problem that the labor remuneration in GDP and the share of national income distribution have been in a excessively low level.During the years from 1991 to 2005, China's per-capita nominal GDP averaged an annual growth rate of 15.3 percent, while per capita net income in rural areas averaged annual growth of 10.9 percent, and urban per capita disposable income grew 13.8 percent, which respectively, compared with GDP growth rate ,were 4.4 and 1.5 percentage points below. (China Financial And Economic News, 2007). Residents' income growth rate lower than GDP growth rate for a long period of time means that the high GDP growth is unsustainable. Low income growth, will lead to slower growth in consumption.It is needed now to establish the linkage mechanism of people's income and economic growth, so that the residents' revenue grows slightly faster than economy to lay the foundation to maximizing the well-being of society as a whole.

Third Control the widening gap between the rich and the poor and the resulting social injustice trend

In fact, not only obvious income gap, but also more social injustice result in the social discontent. Many poverty-stricken people defeat in the competition because of the low degree of education, and some are poor due to disease. Society does not provide them with the same access of education and health care. Of course, the fate of each individual is different, for there are many opportunities and accidental, but a just society should make these crisis factors lowest. It is more hard to accept unequal opportunities than unequal allocation of income. Therefore, the state public administration should ensure that all citizens have equal access to get education, medical care and other services. Also, different social division of labor produces unequal status and hierarchy. There is a "status" difference in the traditional planned economy system. Cadres and workers, employees of state-owned enterprises and those of collective enterprises workers, workers and peasants are treated differently. However, They are of the same social status. Nowadays, the tremendous gap of different social classes and groups, which comes as a result of unequal economic status, has been not the problem of envy & admiration or disgust & disdain, but a phenomenon leading the rich and the poor in opposing, resentment of the rich and antisocial behavior. In the civil life, it is tolerable in unequal earnings but unacceptable in moral countermarch, caused by personal insult, which has become a unstable factor of the society.

It has usually been seen in real life that poverty gets a obvious cumulative effect. In other words, only when one gets stable incomes from his stable position, can he get medical security, dwelling, social security for elder and other welfare. Thus there is a phenomenon of winning all or none that may bring about an estate, including the landless and rightless unemployed peasants, the long-term jobless graduates, the unemployed urban workers, and other urban poor groups. Those who gain no wages and social security will make poverty solidified in a certain period of time and thus lead to a serious threat to social stability.

The problem in China is not the rich's continuing to be richer but never getting the poor in a worse situation. In other words, we can have no limit of being richer but we must have a bottom line of poor. There is unfairness in China that can not be reduced but expanded by the market economy. The justice, social solidarity and risk-sharing is needed to achieve common prosperity of the human ideal. Not all inequalities are unjust, but unjust inequality should be despised, and eliminated as far as possible. It is only through the development of social policies to the [social welfare](#) as an impartial mechanism that can play a regulatory role.

Fourth, change the pattern of the lag in urbanization and rupture between rural and urban

Generally speaking, urbanization is a process of the rural population to urban areas. There should have been at least more than half of the population living in cities associated with the industrialization to China's current level. Nevertheless, the speed of "population

urbanization" is much slower than "land urbanization" in our country. It is not primarily realized through the rural population into the cities and towns, but to a certain extent a result of the adjustment of administrative districts. So far, there are still 2/3 of the population living in rural areas, and the real income of urban residents about seven times as large as rural residents. And the reality is that most of farmers will be excluded from the process of industrialization. Therefore, it will be nonsense to refer to maximizing the well-being of society as a whole, if we can not solve the problem of rural population into cities by urbanization, as well as incomes of farmers.

Fifth, promote the development of service industry and SMEs to reduce the unemployment rate

Employment is an important interest adjustment mechanism as well as a basic means of getting incomes for the ordinary workers, while unemployment means the missing of well-being, and the decline of life quality, sense of happiness and satisfaction. The service industry, which has such a large collection of labor-intensive, capital-intensive and technology-intensive to gain the unique advantages of providing both simple labour and complex labour opportunities, is of greater employment capacity to absorb labor and maintain social stability. SMEs contribute less to the GDP and tax but provide many people with employment opportunities. They can solve part of the employment, increase the incomes, and should be considered as a direct contribution to the economic and social development. In order to promote the development of the service industry and SMEs, changes should be done to the current discrimination in the service industry and SMEs in various ways. It is especially important to abolish the unreasonable charges imposed on the service industry and SMEs which cause all kinds of burden..

Sixth, improve and perfect the social security system

It is an important guarantee to build a new mode of economic development that can maximize the well-being of the society. The social security system is the first of "helping the poor and weak". However, in the modern society, the target of Social Security has evolved to the basic content of the category of human rights. Social security is a "social safety net" that can enhance people's sense of life security, reduce the unstable factors of unemployment and poverty, and achieve the goal of social stability and healthy development. The major goal of economic development is social equity, poverty eradication, and common prosperity. Social security is the important means to realize these objectives. At present, many problems in China is related to the lack of social security such as the laid-off and unemployed in the reform of State-owned enterprises and monopoly industries, the flow of farmers in the problems facing agriculture, rural areas and farmers, and the reform of government agencies and institutions. The social security system reform, which

was classified as a "supporting reforms" giving service to the reform of state-owned enterprises in the 1980s, and in the 1990s the fifth pillar for the framework of the socialist market economic system this reform, has now come to the forefront naturally.

Of course, the level of economic development is of significant impact on the establishment and development of the social security system that must be supported by the corresponding development of the material basis. However, economic factors are not the only aspect deciding the establishing of the social security system which was set up in Europe, the United States and other developed countries right before its economy was well developed. Germany, for example, in the the 1980s created the modern social insurance system when it was not the world's most powerful country. United States social security system, founded in the 1929-1931 economic crisis when its economy collapse, contributed tremendously to the sustained economic and social health development of the United States. British welfare state, which was founded in the end of the Second World War, also brought a golden development period of postwar Britain. And through the rapid improvement of welfare system, Japan hit a rapid growth miracle in economy. Even in some developing countries, such as Egypt, India, Brazil, an universal health insurance system have been established. The reason why these countries have attached importance to the building of the social security system, is mainly that the functions are irreplaceable by any other system in resolving social contradictions, maintaining social justice and equitable, and sharing of the fruits of development. (Zhen,gong-cheng,2007) No state get enough money for its social security because of the unlimited demand for well-being of people. Therefore, the core task of the government should be constantly enhancing the well-being of people by allowing them a sense of security and then a sense of happiness. Only after reaching a sound social security system, can people's worries or risk of life be resolved, expectation of safety in the future be established, and thus, can we pursue happiness. Hence, a sound social security system has become a guarantee produced by the new mode of development.

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