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The Communist Party of China enacts 12th Five-Year Plan to promote innovation, adheres to the scientific concept of development for developing advanced productive forces, and promotes transformation of the economic growth mode from extensive to intensive and from epitaxial to connotation. CPC also is trying to overcome existing deficiencies in productivity. Marxism is the guiding ideology in China, the development of productivity need adjustment of the production relations, it will trigger a profound system change. this article discuss the possible path and direction of China's system transformation.

The social system is the collection of institution. man action produces a wide range of institution, these institutions also can exert influence to man action, various institutions have varying degrees of correlation and complementarity, and form a complex system. So changes in the social structure is very complex. A famous Japanese economist Aoki chang yan (1999) said that "what kind of approach can be the most achieving low-cost system reform? Key reform of the system. its impact will spread to the surrounding system, thus the reform will proceed smoothly. "After 20 years of reform and opening up, we have made great achievements in productivity, we finally established a market economy system which can adapt to the requirements for the development of productive forces. We did not meet the requirements of advanced productive forces because market economy system was not perfect, particularly our financial system. some important indicators of our financial system such as capital adequacy ratio, asset margins was far away from a full market economy country, there were strange phenomenon that different stock right existed in one stock. Comrade Deng Xiaoping, the chief architect of reform, has profoundly discussed The importance of the financial reform that "Finance is the core of modern economy. Once finance becomes a live game, Economy will be a live game". well-known American economist Joseph. Mr. Stiglitz proved importance of finance from the perspective of information economics. To represent the demands of advanced productive forces depends on deepen reform of the financial system.

Deepen reform of the financial system need new thinking and new path. We should use the model of system reform that financial system reform is core reform with which other reforms cooperate. This means that we must give up "cross the river by feeling the stones" pattern of gradual reform. Why? When we engaged in the reform of the financial gradual reforms, we have got a lesson. From 1998, We have done a lot in the bank reform, and in 1998 270 billion yuan special bonds which kept capital adequacy of the state-owned banks was issued, limit size of loans in the state-owned commercial banks was abolished, four Asset Management Corporation were set up to accept 1.4 trillion bank bad debts of the four state-owned commercial banks. What was Reform effect? In mid-2002, the four major state-owned commercial banks bad debts reached 1.7 trillion yuan again. The fundamental reason was that the reform of state-owned commercial banks were not in place, and modern financial enterprise system was not established, no property constraints and capital constraints supported the reform of state-owned enterprises and social security system reform has not kept up with bank reform. a moral hazard was triggered.

The model that financial system is a core reform will greatly facilitate to change the mode of economic growth in China. Now Chinese bank has a surplus of funds, Amount that deposits exceed loan reached 13 trillion yuan, it indicates the existence of a relative surplus of capital, In accordance with the principles of economics, capital is scarce. a relative surplus of capital can only be summed up as reasons that financial system is not sound., In order to curb the current stock market and the property market bubble which has already taken shape and to prevent the negative impact of bubble, we must improve the financial system to absorb the excess liquidity. The Chinese economy is a typical export-oriented economy, according to the experience of Hoffman industrial law, It is divided into three stages of processing industries, light and heavy industries. Heavy industry has a investment cycle of five years, heavy industrialization began in 2002, It shows Chinese economy is at the end of an economic cycle. In order to maintain sustainable economic growth and stability, we must adjust the relations of production, to promote the development of productive forces, To strengthen the financial system, financial system can play a important role in the economic growth.

Let us use a case study deepen our understanding of the social system changes exposition. To cool down overheat economy in 2003 macro-control, a illegal steel project of Tieben Iron and Steel Company Limited in Jiangsu Province (hereinafter referred to the Tieben) was forced to seettle down. The case gives us a lot of inspiration. Economists said the it was mistake of lending banks. Correct. During change course from executive to commercial banks, Because of the lack of advanced management

techniques to control loan risks, we can not harmonize credit liquidity, safety, profitability. We are engaging in the reform of the shareholding commercial banks, reason that strategic investors was introduced is to gain advanced management techniques to make up this deficiency. Joseph . Stiglitz(2005) pointed out that " the ability and willingness of bank to issue loan and take risks is important factor in economic activities'. If our bank become a real commercial banks, it will be spontaneous out these mistakes in the allocation of resources and minimize losses , fact proves that it will lead to a big loss until the government intervention, price lever and competing mechanism is not sufficient to achieve the optimal allocation of resources.it is more important to set up a sound financial system.we should implement the market economy under regulation and control of the financial market , achieve economic growth with intrinsic motivation, improve its internal control mechanisms.

In Tieben case ,there were the two facts link with the government. First, project was broke up to get dispersed approval. Second, illegal enclosure and violations of rights and interests of farmers.the government-led investment overheating and the government power to allocate resources has become a chronic problem of China's economy .Government authority is so large that litigation costs is sky high, bargaining power from enterprises and banks to the government is small, strong powers of the government contains business boomed activities, hinder the financial control mechanisms. The reform of financial system must be in line with the reform of political system.

Marxist political economics says that economic base determines the superstructure. We have abandoned the planned economy, and initially implement the socialist market economy, Because the economic fundamentals have changed, the superstructure objective require to be changed. The masses of the people strongly wish for political reform. a high click rate of the article named" who can monitor Provincial Secretary " is very interesting on XINHUA.com , general content is that the Organization Department of the provincial party committee appoints government official, and the provincial propaganda department manage newspaper theory, the provincial discipline department administer public security, pro-curatorial, judicial, Who dares to supervise provincial party secretary?

What trails should Political reform follow? We must adhere to our political traditions, cultural and historical traditions, in a nutshell, respect our values. Political reform should be guided by the following principles: (1) Comrade Deng Xiaoping pointed out that it is imperative "to root out the remnants of feudalism impact" to overcome the "excessive concentration of power" to expand inner-party democracy and people's democracy. (2) "The state uphold uniformity and dignity of the socialist legal system", the separation of powers must be used to check and balance strong power. (3), Comrade Mao Ze dong pointed out that "The People's Republic of China have all powers belong to the people" Comrade Jiang Zemin saying: "we must represent the broad masses of people's fundamental interests". (4) We should merge with the world and absorb all the political civilization of mankind fruit, (5) the reform of political system impact the overall situation, we must actively and steadily progress (6) "The State organs of the People's Republic of China apply the principle of democratic centralism". (7) We should implement comprehensive and coordinated development required by the scientific concept of development. (8) We must respect the people's wishes.

In accordance with the above principles ,we can gain a program about reform of the People's Congress.Deputies must be directly elected by people with the adoption of international standard election procedures and election monitoring procedure, provincial-level administrative region is defined as election District . The elected deputies which are similar to those of western countries should no longer concurrently be charge of other duties ,and professionally perform the work of state management. Meanwhile the electoral law should be amended to ensure that the NPC deputies from the Communist Party of China in absolute majority, to embody the leadership of the Chinese Communist Party. Directly elected The National People's Congress , as the highest organ of state power right, should use the principle of democratic centralism to elect government commander and the deputy commander to exercise administrative powers, Heads of government candidates should be nominated from the Communist Party and the democratic parties separately, candidates without party should be nominated by a certain proportion of deputies. After government leaders and deputies are elected by the principle of democratic centralism through NPC , they should be fully responsible for the nomination of department officials , it should be reported to the people's congress to get approved. The government is responsible and reports on its work to the National People's, and accept the supervision of the NPC, People's Congress in accordance with legal procedures can submit a no-

confidence bill to remove the government or government department officials, However, the government has no right to dissolve the People's Congress. NPC exercise legislative power, The law can be implemented until it is signed by leaders of government. Summit judicial candidates are nominated from the Communist Party and the democratic parties separately, candidates without party should be nominated by a certain proportion of deputies., the heads of the judiciary should be elected by the principle of democratic centralism from NPC, A certain proportion of deputies can implement an independent judicial inquiry to monitor major issues in state management .

The new People's Congress system can be deem as modern version of famous Zunyi Meeting in the Chinese Communist Party's history , it is consistent with path dependency theory of historical changes and reflects advanced concepts of the modern social progress . Only democratic elections can really guarantee the people's freedom and rights, only competition can produce efficiency, the competition between the political parties guarantee effective use of power. Only the checks and balances of powers can prevent the abuse of power , corruption and despotism into the autocratic swamp.

China's system transformation should be expected to be changed in two main direction, To establish a sound financial system should be goal of economic reform, we have established the GEM market and we are preparing to establish the corporate bond market ,these events show the trend. decentralization reform should be goal of political reform, China will eventually become a a harmonious society characterized by complete market economic system .

reference

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***Constitution of the People's Republic of China*(Article 2 ,Article 3,Article 5)**