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## **Two Stages of Economic Development**

### **Abstract:**

This paper suggests that the development process of a less-developed country can be divided into two stages with significantly different properties in terms of its structural endowments, production mode, income distribution and the driving force of economic growth, among others. The two stages of economic development have been indicated in the growth theory of macroeconomics and in the variety of "inflection point" theories in development economics, including Lewis's dual economy, Kuznets curve and middle income trap. We also construct a dynamic macroeconomic model to simulate the development process that reveals these two stage. Using this theory of two stages of economic development, we find that the current Chinese economy is at the intersection between the first and the second stages. This expresses the "new normal" of current Chinese economy.