

Theoretical Interpretation and Practical Analysis of the Socialist Common Prosperity

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Abstract: Based on the theories of Marxism-Leninism and its localization in China and proceeding from the goal of socialist development and its connotation, this paper analyzes the important role and significance of achieving common prosperity to the consolidation of socialist system; on the basis of comparison between domestic and foreign theories on income distribution and realities of wealth gap, it elaborates the criteria to evaluate common prosperity or rich-poor polarization and clarifies several theoretical views on narrowing income and wealth gaps; it also analyzes varieties of disparities and their causes in the process of China's economic development and proposes two important approaches to enhance common prosperity.

Keywords: Common Prosperity, Wealth Gap, Urban-Rural Gap, Regional Gap, Essence of Socialism

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Social inequality accompanied by private ownership will be gradually eliminated on the basis of the development of the productive forces, which is an important scientific argument of scientific socialism on the development of future society. The proposition of the goal of common prosperity marks the fundamental establishment of Marxist value standard for the future society. In Deng Xiaoping Theory, the common prosperity as the core of the essence of socialism reveals the direction of the development of China's socialist reform. In the long run, to achieve common prosperity, we need to comprehensively implement the corresponding distribution system on the basis of consolidating the basic socialist economic system; in the short term, we should proceed from the actual situation of China in the primary stage of socialism and effectively curb the increasing urban-rural, regional and wealth gaps through complementing policies of consolidating and developing public ownership, promoting economic fairness by adjusting the initial distribution and redistribution of national income, and improving labor efficiency, etc.

§ I. The Essential Connotation and Practical Significance of the Thought of Common Prosperity

1. Common Prosperity as the Socialist Value Standard

The understanding of the concrete connotation and historical significance of common prosperity, the goal of socialist development, involves both theoretical and practical aspects.

Common prosperity can be theoretically understood as the scientific conclusion drawn from the laws of historical development, the basic stipulation and development goal set by the founders of scientific socialism concerning socialist society. Reviewing Marx's thoughts about the future society, we can find that common prosperity appeared first as the antagonism to "polarization". In his analyses on capitalist society, Marx criticized the historical nature of "polarization" under the conditions of capitalism by taking capital accumulation as the motivation and result of capitalist mode of production. Scientifically he said: "The production relations in which the bourgeoisie moves have not a simple, uniform character, but a dual character; that in the selfsame relations in which wealth is produced, poverty is also produced; that in the selfsame relations in which

there is a development of the productive forces, there is also a force producing repression.”¹ Such a system in which the accumulation of wealth and poverty appeared simultaneously would eventually lead to the collapse of the whole social reproduction. Therefore, the future socialist society must, by eliminating private property of wealth, the basis for social exploitation, fundamentally eliminate the historical phenomenon in capitalist society that a few people appropriate the laboring fruits of the majority of the people. In Economic Manuscripts of 1857-58, Marx made a foresighted argument that in the new social system, “the development of the social productive forces would be so swift the goal of production would be the prosperity for all people”², which would result in “the expansion of production to the point where it will satisfy the needs of all, the abolition of a situation in which the needs of some are satisfied at the expense of the needs of others”³. It can be found that from the very beginning, the founders of Marxism wrote the clear-cut concept of prosperity for all members of society on their banners, which has served as the guideline for the social practice of socialism.

Common prosperity can be practically understood as the concrete road of socialist practice, the inevitable choice to enhance the national cohesion of socialist countries and consolidate the socialist system. As any other system in history was confronted with the remnants left over from the old society at the beginning when it was generated, the socialist system has to choose its path of development consistent with its systematic connotation at the beginning of its establishment. In this respect China experienced a long-term arduous exploration. As early as December 16, 1953, China, a large backward agricultural country at that time, raised the concept of “common prosperity” in CPC Central Committee’s Resolution on Agricultural Producers’ Co-operatives. The Resolution pointed out: “In order to further improve the agricultural productive forces, the most fundamental task of the Party in the rural work is, with clear, understandable and acceptable reasons and methods, to educate and promote the peasants to gradually unite and organize themselves and gradually implement the socialist

1 Marx. *Capital*, Volume 1. Beijing: People’s Publishing House, 1975: 708.

2 Marx. “Economic Manuscripts of 1857-8”. *Complete Works of Marx and Engels*, Volume 46 (II). Beijing: People’s Publishing House, 1980: 222.

3 Marx & Engels. “The Manifesto of the Communist Party”. *Selected Works of Marx and Engels*, Volume 1. Beijing: People’s Publishing House, 1995: 243.

transformation of agriculture, so that agriculture can change from the backward individual economy with small-scale production into the advanced cooperative economy with large-scale production. In this way, the contradiction of the incompatible development of industrial and agricultural sectors can be gradually overcome and peasants can completely get rid of poverty step by step and achieve the life of common wealth and universal prosperity.”¹ Obviously, the fundamental purpose of the socialist transformation of agriculture is to achieve common prosperity on the basis of the development of the productive forces, which is the organically unified and scientific elaboration of the goal and means of socialism. Only through the development road of common prosperity can we break the historical rise-fall vicissitudes and governance-disorder cycle caused by unequal expansion in the development process, can we shake off a variety of difficulties and crises in the economic and social development of capitalist countries, can we unite the strength of the whole society to accelerate improvement of the productive forces and quality of life. Common prosperity can be regarded not only as the socialist value standard, but also, because of the establishment of China’s socialist system, as a realistic approach for China’s socialist modernization drive and concrete embodiment of the institutional superiority.

From the perspective of the concrete practice of China’s socialist reform, the comprehensive elaboration of common prosperity should be mainly attributed to Deng Xiaoping. In 1992 he argued: “The essence of socialism is liberation and development of the productive forces, elimination of exploitation and polarization, and the ultimate achievement of prosperity for all.”² These five points of essence of socialism should be taken as a single entity, in which common prosperity is placed at the end not because it is less important than development of the productive forces. On the contrary, in the argument of socialist essence of Deng Xiaoping Theory, it is because of liberation and development of the productive forces, elimination of private ownership and exploitation and containment of polarization that common prosperity can be ultimately achieved. In answer to questions of the American correspondent Mike Wallace in September 1986,

1 Important Works Since the Foundation of PRC Vol.4, Edited by CCCPC Party Literature Research Office. Beijing: Press of Central Works, 1993: 661-662.

2 Deng Xiaoping. “Excerpts from Talks Given in Wuchang, Shenzhen, Zhuhai and Shanghai”. Selected Works of Deng Xiaoping, Volume 3. Beijing: People’s Publishing House, 1993: 373.

Comrade Deng Xiaoping clearly stated: “Wealth in a socialist society belongs to the people. To get rich in a socialist society means prosperity for all the people. The principles of socialism are: first, development of production and second, common prosperity. Our policy will not lead to polarization.”¹ Persisting in the basic tenets of Marxism here, Comrade Deng Xiaoping obviously elaborated “common prosperity” as the antagonism to “polarization”. This theoretical formulation expounds the criteria of the nature and the requirements of the development of China’s socialism under the conditions of reform and opening up. It is the unification of purposes and means of socialist development.

2. Common Prosperity as the Path to Socialism and Related Controversy

Although common prosperity was established from the beginning of the reform as value standard and development goal of socialism, there have been different understandings about how to achieve this goal in the practice of reform. The common prosperity proposed by Comrade Deng Xiaoping is not “simultaneous prosperity” or “equivalent prosperity”. For the uneven development of the productive forces in China, Comrade Deng Xiaoping pointed out in one of his talks given in 1983: “To let some people and some regions become prosperous first is a new policy that is supported by everyone. It is better than the old one.”² He also stressed: “let some people and some regions prosper before others, so that they can bring along the backward regions. The advanced regions have the obligation to help the backward.”³ The essence of the arguments is to proceed from reality, from characteristics and conditions of different regions in the whole country and correctly handle the development relations of different groups and regions. This thought that “those prospering first bring along the backward, thus achieving common prosperity” has undoubtedly played the role in emancipating the mind in the practice of reform and opening up, mobilized enthusiasm of all levels and greatly promoted the rapid development of China’s economy.

1 Deng Xiaoping. “Replies to the American TV Correspondent Mike Wallace”. Selected Works of Deng Xiaoping, Volume 3. Beijing: People’s Publishing House, 1983: 172.

2 Deng Xiaoping. “Our Work in All Fields Should Contribute to the Building of Socialism with Chinese Characteristics”. Selected Works of Deng Xiaoping, Volume 3. Beijing: People’s Publishing House, 1993: 23.

3 Deng Xiaoping. “Let the Facts Speak for Themselves”. Selected Works of Deng Xiaoping, Volume 3. Beijing: People’s Publishing House, 1993: 155.

As for the question of how to achieve common prosperity, the core of the controversy lies in the question of ownership. One of the typical misunderstandings of Deng Xiaoping's thought of "prospering first or later" is to simply understand it in the sense of the ultimate goal by separating common prosperity and the question of ownership and taking "prospering first" and "prospering later" as two spatially antagonistic modes of development in practice. For example, some people think that Deng Xiaoping's argument about the essence of socialism does not mention public ownership, so it is no longer important that public ownership plays the dominant role. However, without predominance of public ownership, the distribution policy to each according to his work will cease to exist, let alone the goal of common prosperity. Similarly, under the conditions of the socialist market economy, with various factors of production simultaneously going into the market, those prospering first and later are faced with the same market, inevitably interlinked, and having different interests. For example, the different positions of coastal and inland areas in using resources make those prospering later unable to spontaneously achieve common prosperity simply through market behavior. In fact, Deng Xiaoping's proposition to let some people and areas become prosperous first mainly aimed at the requirements for liberation of the productive forces. That is, let some eligible areas and individuals become prosperous before others in the case of the generally backward economy. The current situation has already been what Liu Guoguang, a well-known economist and academician, pointed out: the most fundamental reason for the expansion of wealth gap and the formation of the trend of polarization in the past 30 years is that the "public" falls and the "private" rises in ownership structure and property relations, and that the public-owned assets are converted into the private-owned so that wealth accumulation has been rapidly centralized in a few individuals.¹

As for the question of "when to start", another typical misunderstanding with regard to Comrade Deng Xiaoping's thought of "prospering first or later" is to take it as two different stages of development temporally separated, and find excuses for the widening wealth and income gaps by blindly copying the so-called modern Western economic theories. Some papers and works follow the so-called "inverted U-curve" theory, arguing that the economy will produce an inflection

¹ Liu Guoguang. "Turn from 'National Prosperity Taking Precedence' to 'People's Prosperity Taking Precedence' or from 'Some People or Regions Becoming Prosperous First' to 'Common Prosperity'?" *Exploration*: 2011 (4).

point in favor of equitable distribution at a certain level of development. In other words, the inequitable distribution is an inevitable phenomenon at the lower stage of economic development, and thus they dogmatically believe that “making a big cake” is always more important than “dividing the cake well” in the systematic design and economic policies and they refuse to admit distribution can be greatly reactive to production and interactive with it. Obviously, this is nothing conducive to the implementation of scientific concept of development, the achievement of reform and development, and in practice it has become one of the theoretical sources for the theory of the unique importance of GDP. The “inverted U-curve” is actually a hypothesis, which, questioned by Western scholars with a large number of empirical analyses after the 1990s, has been on the verge of bankruptcy. Large numbers of theoretical studies and historical practices in economic development of different countries have proved that though a big cake is a favorable factor for the equal division, the good thing sometimes may turn into the bad, that is, if the cake is constantly made bigger while wealth gap is constantly expanded in division, the favorable factors will then be used conversely. Only the fair and reasonable allocation of the cake can maximally mobilize the enthusiasm of all the people and help make the cake bigger.

Objectively, the term of “prosperity” is historical, so “common prosperity” in Deng Xiaoping Theory also has practical relevance. According to the situations of the day, Comrade Deng Xiaoping obviously believed that common prosperity could be achieved when the per capita income of China reached the level of moderately developed countries with the economic development. But in today’s society there is a view that China cannot shake off the stage of “prospering first” and go into the stage of “common prosperity” until that time, which is obviously contrary to the intention of Comrade Deng Xiaoping. Here is evidence that Comrade Deng Xiaoping explicitly proposed the schedule to settle the question of common prosperity: “We should study when to raise this question and how to settle it. I can imagine that the right time might be the end of this century, when our people are living a fairly comfortable life.”¹ The facts show that the concern of Comrade Xiaoping is justifiable. Under the national situation of increasingly widening wealth and income gaps, we should maintain vigilance

¹ Deng Xiaoping, “Excerpts from Talks Given in Wuchang, Shenzhen, Zhuhai and Shanghai.” Selected Works of Deng Xiaoping, Volume 3. Beijing: People’s Publishing House, 1993: 374.

against polarization. Certainly the achievement of common prosperity is long-term and arduous work, but more importantly, we should be clear that the task is essential and urgent. As Academician Liu Guoguang pointed out, the current task is not turning from “giving priority to prosperity of state-owned sectors” to “giving priority to prosperity of private-owned sectors”. On the contrary, we should explicitly declare that the task under the policy of ‘letting some people or regions become prosperous first’ has already been completed and this policy should turn to ‘achieving prosperity for all the people and shift from “prospering first” to “common prosperity”¹.

§ II. Measuring Common Prosperity and Wealth Gap

When we talk about the goal of socialist common prosperity and its achievement, we cannot evade the discussion around its evaluation standard. Common prosperity is the goal of socialist development, which must be treated and evaluated with the standard of scientific socialism. According to founders of Marxism, common prosperity in the future society refers to “the participation by all in the enjoyments produced by all”². Since Marx’s vision of the future society is the common appropriation of the means of production by the society as a whole, and because there is no monetary intermediary owing to the elimination of commodity economy, common prosperity is thus reflected in the form of “enjoyments”. Obviously, the “enjoyments” here should be understood as the total material and spiritual wealth of the society.

Common prosperity always represents itself as the antagonism to the rich-poor polarization, so the judgment of rich-poor polarization can be taken as a reference standard to judge common prosperity. The greater the social polarization, the lower the degree of the achievement of common prosperity will be. Otherwise, the degree of the achievement of common prosperity will be higher. The current main measurable indicators are those of wealth and income distribution. The difference of the two indicators is that wealth indicators are not only linked

1 Liu Guoguang. “Turn from ‘Giving Priority to Prosperity of State-owned Sectors’ to ‘Giving Priority to Prosperity of Private-owned Sectors’ or from ‘Some People or Regions Becoming Prosperous First’ to ‘Common Prosperity’”, *Exploration*: 2011 (4).

2 Marx & Engels. “The Manifesto of the Communist Party”. *Selected Works of Marx and Engels, Volume 1*. Beijing: People’s Publishing House, 1995: 243.

with income, but also closely connected with the degree of the appropriation of the means of production. Deterioration of income distribution will exacerbate polarization, hampering the achievement of common prosperity. But seen from the history and realities of the Western capitalist countries, their polarization is not reflected in the gap of the general income distribution, but in the gap of the appropriation of wealth, and usually the wealth gap can directly widen the gap of income distribution.

If measured with indicators of wealth appropriation, the polarization of the capitalist countries is astounding. For example: in the wealth of various types of financial assets, any item of the wealth appropriated by the richest 10% of families in the United States is 3 to 60 times as much as the similar assets owned by the remaining 90% of the families. In commercial assets, those appropriated by the richest 1% of families account for 62.4% in the total amount of commercial assets, and those appropriated by the next richest 9% account for 30.9%, while the remaining 90% only possess 6.7% of all the commercial assets.¹ This disparity is much greater than that of general capitalist countries and socialist China. In 2011, Joseph Stiglitz, a contemporary Keynesian economist, pointed out in his analysis about the current crisis sweeping the capitalist world: “The upper 1 percent of Americans take in nearly a quarter of the nation’s income every year. In terms of wealth rather than income, the top 1 percent richest people control 40 percent of the wealth. Their lot in life has improved considerably. Twenty-five years ago, the corresponding figures were 12 percent and 33 percent respectively.” In case that the system of wealth appropriation is not touched, the “trickle-down economics” in which people outside the top 1 percent increasingly live beyond their means may be a chimera!²

It should be noted that even just from the perspective of income distribution, the GINI coefficient and the indicator of quintile grouping of household income (usually comparing the household income of richest 20% with that of the poorest 20%) commonly used by the current Western theoretical circles are not completely scientific in that they have partly concealed the real

1 Qiao Lie. “10% of American Families Control the Arteries of Wealth with Weak Continuity of the Poor 2nd Generation”. *Money Weekly*, August 9, 2010.

2 Stiglitz, Joseph. “Of the 1%, by the 1%, for the 1%”. *Global Times*, October 18, 2011.

situation of rich-poor polarization. For example, the income quintile grouping which classifies the top 1% of the population who are very wealthy into the so-called high-income quintile essentially covers up the reality of polarization under the dominance of monopoly capital. With the slogan “We Are The 99%!” of the present-day “Occupy Wall Street” movement, it is easier to discover that the “income quintile grouping” proposed by bourgeois economists and sociologists is indeed confined to its class limitations.

At present, the status qua of common prosperity or wealth gap in China has been generally manifested as follows:

(1) Wealth gap is widening rapidly. According to statistics, China’s imbalance in wealth distribution has been much greater than that in income distribution in recent years. Wealth concentration in high-income population is growing at an average annual rate of 12.3%, twice the world’s average growth rate.¹ In 2009, there were 670,000 rich families each with more than one million US dollars in the country, making China rank third in the world in terms of the number of rich families; China ranked second in the world in terms of the number of billionaires, only after the United States.² According to the report of the Boston Consulting Group, in 2011, the number of rich families each with more than one million US dollars increased to 1.43 million, a growth of 16% to the previous year while the figure in United States decreased by 129,000 to a total of 5.13 million.³ In addition, a report of the World Bank shows that 5% of Americans have controlled 60% of the wealth, while in China 1% of the families have controlled 41.4% of the wealth of the whole country, a far greater wealth concentration than that of the United States.⁴

(2) The income gap has been over the warning point. Despite the different measures and calculations of China’s GINI coefficient, the academia has a consensus that China’s GINI coefficient has reached 0.45–0.49 and the figure

1 Zhang Monan. “We Must Be Serious to the Distribution Reform”. *Yangcheng Evening News*, March 15, 2012.

2 Liu Guoguang. “Some Questions of Prosperity of State-owned Sectors and Prosperity of Private-owned Sectors, of Some Prospering before Others and Common Prosperity”. *Xinhua Monthly*: 2011 (12).

3 A Report by Bloomberg News. “Asia and the Pacific Outshine in the Growing Number of Billionaires”. *Reference News*: June 2, 2012.

4 Cong Yaping & Li Changjiu. “China’s GINI Coefficient has Actually Exceeded 0.5, Showing Polarization of Wealth”. *Economic Information Daily*. May 21, 2010.

offered by the World Bank is 0.47, both of which have been over 0.4, the internationally recognized warning line. If measured with the ratio of income quintile grouping, according to the data of the National Bureau of Statistics, the ratio of per capita net income of high-income group to that of the low-income group in the rural areas, though dropping from 8.0:1 in 2009 to 7.5:1 in 2010, was still at a high level. The ratio among urban residents remained at a high value of 5.4:1.

It should be said that both of the above two measures were the ones used for Western countries, which could not fully reflect the real situation of wealth gap in practice, but even so, the reflection was severe. Another indicator reflecting wealth gap is the continuous declining of China's proportion of remuneration for labor in the GDP. According to the data of the National Bureau of Statistics, China's proportion of remuneration for labor declined from 53.42% to 46.62% from 1990 to 2009. During the same period, the gap between different industries was also increasingly widening. This imbalance between personal efforts and appropriation of social achievements and between value creation and social contribution became a major challenge to China's achievement of common prosperity and building of harmonious society.

(3) The urban-rural income gap is overlarge. According to certain analyses, since the mid-1980s, China's urban-rural income gap has been widening from 1.88:1 (the rural area is 1) in 1985 to 2.21:1 in 1990, to 3.48:1 in 2005, and even to 3.66:1 in 2009.¹ Judging from the data of the National Bureau of Statistics, in which China's per capita net income of rural residents was 5,919 yuan in 2010, the per capita annual disposable income of urban residents was 19,109 yuan, and the urban-rural income ratio was up to 3.23:1, the income gap was obviously widening though lower than the former estimate. It should be noted that what is compared here is only the annual income gap between urban and rural residents rather than the property gap analyzed from the perspective of the stock. Considering the gap of property between urban and rural residents, the urban-rural gap will be even greater. First, it is because income can be transformed into invested assets under the conditions of market economy, but for rural residents,

¹ HE Yuchang. "Structural Imbalance in Sharing National Income and the Countermeasures". *Studies on Mao Zedong and Deng Xiaoping Theories*: 2011 (4).

much of their low income has to be spent on daily necessities, children's education and health care,¹ resulting in less ability to accumulate wealth; second, it is because the rural residents' income in the statistics actually includes salaries for their work in cities; therefore, the comparison on the basis of such income level is unlikely to fully reflect the real gap between urban and rural economic development.

We should neither exaggerate nor lessen the problem of the current urban-rural income gap. There is a one-sided view regarding the urban-rural difference as the major root cause for the income gap. Such a view is unjustifiable. An obvious fact is that rural-urban difference existed before the reform and opening up, but at that time the great rural-urban difference did not excessively widen the income gap and serious wealth polarization. The urban-rural difference is also attributed to the rapid industrialization and urbanization, but the domestic and foreign statistics in different periods cannot fully prove this argument. A profound reason needs to be illustrated through the change of ownership structure and the dominant factors of economic development. It can be said that the rapid development of domestic and foreign privatization, the imbalanced development prioritizing the city over the rural area, etc. are the main causes for the urban-rural income gap.

(4) Attention should be paid to regional income gap. According to statistics, the per capita income ratio of China's eastern, central and western areas widened from 1.37:1.18:1 in 1978 to 2.42:1.2:1 in 2000.² In 2008, the ratio of per capita annual income of urban residents in these three areas was up to 1.51:1.01:1, and that of the annual net income of rural residents 1.88:1.27:1.³ Some scholars pointed out that in 2000, the per capita GDP in the eastern and western areas were 1.98 times and 77% of that of the central area respectively. In 2010, the per capita GDP in the eastern and western areas were 1.74 times and 80% of that of the central area respectively. The gap was still large though it was narrowed.

1 As the Rural residents enjoy lower level of health care security, their percentage of medical expenses in income is greater than that of urban residents, such that some ailing peasants have been impoverished and slowed their pace toward prosperity. It is the same case in the fields of education and pension, and all the more so for the gap of "property income" in hot discussion.

2 Yang Yiyong. "We Should Work Hard to Reverse Widening Gap of Regional Income Distribution". China Economic Times, August 2, 2007.

3 HE Yuchang. "Structural Imbalance in Sharing National Income and the Countermeasures". Studies on Mao Zedong and Deng Xiaoping Theories: 2011(4).

The regional gap has been produced for reasons of history, geographical factors, industrial policies and resources. The widening regional income gap is the new problem faced with China's economic development process in recent years.

(5) Income gap between different industries is overlarge. In the 1980s, China's salary gap between different industries generally remained at 1.6-1.8 times. In 2010, however, the average salary of the financial industry, the one with the highest average salary, was up to 70,146 yuan, while that of the lowest agriculture, forestry, animal husbandry and fishery was only 16,717 yuan, so the ratio of the highest to the lowest was 4.2:1. Such a ratio was up to more than ten times in certain sub-industries.¹ Other data showed that in 2011, in the urban public sectors, the average annual salary of manufacturing and construction, which involved 40.5% of the total number of employees, was only 36,494 yuan and 32,657 yuan respectively, only about one third that of the financial industry which was 91,364 yuan.² From the perspective of the international comparison of industrial gap, the latest data released by the Ministry of Human Resources and the Salary Research Institute of Ministry of Social Security in 2011 showed that China's gap between industries with the highest and lowest income widened to 15 times with the figure being only 11 times according to the data released by the National Bureau of Statistics in the previous year. Data also showed that the gap between industries with the highest and lowest income in other countries of market economy in 2006-2007 was about 1.6-2 times in Japan, Britain and France and 2.3-3 times in Germany, Canada, the United States and Republic of Korea. Comparatively, China's salary gap among industries has leapt to the top of the world.³

§ III. Two Important Paths to Enhance the Socialist Common Prosperity

Now the urgent task for China is to truly comply with the wishes of the

1 Bai Tianliang. "Employment Orientation Collectively Reflects the Widening Industrial Income Gap", People's Daily, March 1, 2012.

2 Xiao Ming & Yuan Quanquan. "The Industrial Income Gap Was Narrowing in 2011, and It Remains to Be Seen Whether It Will Continue to Narrow". 21st Century Business Herald, May 30, 2012.

3 Song Xiaowu: "China's Salary Gap Among Different Industries has Widened to 15 Times, Leaping to the Top of the World". Economic Information Daily. February 10, 2011.

people rather than make a show, implement measures as Comrade Deng Xiaoping stressed about “raising and settling the question of polarization”, focus on narrowing the overlarge wealth and income gaps, and turn the economic reform and development into the scientific track to speed up the achievement of common prosperity.

(1) We should adhere to “building both state-owned and private-owned sectors” and make strong and excellent public sector of economy. The basis of socialism with Chinese characteristics lies in the establishment of the basic system in which public ownership is dominant and diverse forms of ownership develop side by side. Only by consolidating and developing the socialist public ownership can we fundamentally ensure the majority of the people take the ownership of the means of production and eliminate the obstacles to the system integrating the labor and the means of production. From the beginning of the reform, Deng Xiaoping pointed out: “In the reform we have consistently followed two fundamental principles. One is the predominance of the socialist public sector of the economy; the other is common prosperity.”¹ Macroscopically, we should on the one hand recognize the positive significance of private economy to the development of social productive forces within a certain range, but on the other we should notice that the predominance of the public ownership is not only the necessary condition to prevent the overlarge wealth gap, but also the important prerequisite to implement and carry through the distribution system to each according to his work, and to contain the declining proportion of labor income. The reason is that, compared to those in the private sectors, employees in the public economy have relatively higher salaries and better benefits, which can not only contain the wealth polarization, but also help to generally improve the salaries of common laborers so as to narrow the income gap. Only in the public sector of economy can the corporate profits be transformed into the wealth for the society or the collective as a whole so that the accumulation of wealth becomes the bridge toward common prosperity. The existing studies also show that the ebb and flow of the growth in labor income and capital gains are inconsistent, which intensifies the contradiction between the bourgeoisie and the

¹ Deng Xiaoping. “Speech at the National Conference of the Communist Party of China”. Selected Works of Deng Xiaoping, Volume 3. Beijing: People’s Publishing House, 1993: 142.

working class.¹ Furthermore, the competition in public and private economies is increasingly deepening in areas and forms, including: appropriation of economic resources and market, competition for professionally and technically trained personnel, the space and convenience for jobbery, private capital repulsing public capital in share holding joint ventures, etc.² It can be seen that the contradiction between public and non-public economies is an objective being, which cannot be ignored when making strong and excellent public enterprises. Taking “creation of a fair competitive environment” as an excuse to advocate the so-called “withdrawal of state-owned enterprises and advancement of private-owned enterprises” and “stock ownership by the whole people” can take us nowhere but into a way restraining and overthrowing the state-owned assets, and a way fundamentally contrary to common prosperity.

Microscopically, the scientific management in accordance with the inherent requirements of public enterprises and the regulated development of private enterprises on the basis of protecting the rights and interests of workers are the important guarantee for the achievement of common prosperity. The development of corporate theories and practice of modern enterprises also show that the improvement of labor productivity in the modern society needs to be established on the basis of enhancing the status of workers, technicians and management staff, and promoting the fundamental equality of stakeholders in enterprises. Therefore, we should not simply emphasize the effectiveness of the private economy which prospers before others in the process of economic reform and development, but attach more importance to the mechanism for common prosperity in publicly owned economy. Not only should we consolidate and develop the state-owned economy, but also specifically encourage, develop and expand all types of collective and cooperative economies in urban and rural areas. It has been proved in practice that paying special attention to the collective-level management when implementing two-level management on the basis of the production-related contracting, and actively developing the real rural collective economy are the key

1 Jane Xinhua. “The Relation Between Labor and Management and Class Struggle in Harmonious Society”. Economics Study of Shanghai School, Volume 23. Shanghai: Shanghai University of Finance and Economics Press, 2008.

2 Cheng, Enfu & He Ganqiang. “Adhere to the Basic Economic System Dominated by Public Ownership with Common Development of Diverse Forms of Ownership.” Economic Study of Shanghai School, Volume 24. Shanghai: Shanghai University of Finance and Economics Press, 2008.

to enhancing the rural cohesion and appeal of the Party organizations. It can not only help the rural economy develop on a large scale, and achieve intensification and modernization, but also concern the stability and common prosperity of the society. Therefore, we should pay special attention to realizing the function of rural collective economy in promoting the coordinated development of urban and rural areas and narrowing the gap between them.

In the process of the reform and opening up, some regions and sectors implement the excessive privatization policy so that the private economy develops on a large scale. In the name of marketization, a large number of state-owned assets flow to the private economy through restructuring, and many mining and land resources have been appropriated by the private economy, too. As a result, China has become a country with the fastest rich-poor polarization in the world in recent decades. Therefore, when we further develop the civil and foreign non-public economies, we should vigorously strengthen the guidance and management over them so as to restrain their negative effects and expand their positive effects.

(2) We should establish a development model oriented to the people's livelihood so that the government can make generalized preferential investment and policies. The progress in the cause of people's livelihood is a direct reflection of social prosperity, which allows the people to enjoy more achievements of the development of the social productive forces. Meanwhile, through covering more aspects of social welfare and providing the basic social security, the construction of the people's livelihood can effectively alleviate the negative effects of the income gap among different social groups, regions, sectors and industries in the process of economic development. Practice has proved that to achieve common prosperity in the primary stage of socialism with the productive forces underdeveloped, we must put forth the socialist superiority that the state power can intervene in and regulate the economic life so as to release the energy and creativity of those who lag behind. Therefore, we should not only focus on the root causes in the field of initial distribution, but also attach importance to the regulation role of the government in the redistribution of national income.

The development model oriented to people's livelihood should mainly include the following contents: substantially increase the investment in the

construction of people's livelihood, improve employment policies, enhance transfer payment through social security, housing security, special consumption subsidies, holiday allowance and reduction and exemption of special expenses, etc., strengthen the investment in education, improve the control policies on income levels of different industries, increase the investment in the construction of ecological environment and urban transport facilities and other aspects, continue to meet the requirements of urban residents for survival and development, promote the orderly flow of rural residents to cities and towns, and so on. The development model oriented to people's livelihood should focus on expanding social security, raising the income level of low-and middle-income people, narrowing the wealth and income gaps among groups, regions and industries at different levels, and etc.

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