

A Study of China's Current Adjustments of Income Distribution Gap From Deng Xiaoping's Thought of Common Prosperity

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Abstract

This paper makes a comprehensive interpretation of Deng Xiaoping's thought of common prosperity from the perspective of the essence of socialism. Through analyzing the inevitability of China's current widening income gap and clarifying the connotation of common prosperity, it reveals that the thought of common prosperity commits to narrow the income distribution gap and avoiding polarization, which corrected the misconceptions of the radicals. Based on this, it makes an in-depth analysis of the real reasons for leading to China's widening income gap. With the guidance of common prosperity thought, China brings up several programs to narrow the income distribution gap, which includes improving the proportion of labor income share, changing the system of income distribution, developing the cause of social security and charity and punishing corruptions.

Key words: Deng Xiaoping; Common prosperity; Income distribution gap; Reasons; Strategies

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INTRODUCTION

With the market-oriented reformation, residents' income gap is inevitable. The appropriate gap of income is favorable to our economy. However residents' income gap must be qualified in a certain amount of time and limits.

Otherwise, it will impact the development of our society and economy.

1. INTERPRETATION OF DENG XIAOPING'S THOUGHT OF COMMON PROSPERITY

Deng Xiaoping's thought of common prosperity comes from the essence of socialism. Deng Xiaoping made an important speech about the essence of socialism during his inspection tour in south China in 1992, which is "The essence of socialism is to release and develop the productive forces, to eliminate exploitation, to eliminate polarization and finally to achieve common prosperity" (Deng, 1993, p.373). This reveals that the thought of common prosperity shall include four aspects: First, the basic requirement is to release and develop the productive forces; the second is to eliminate exploitation and polarization in appropriate time; third, the thought of common prosperity allows some people to get rich first, and then drive the others to get rich; and fourth, the objective is to improve all people's living standards.

The thought of common prosperity rooted in the essence of socialism is the engine of China's reform and opening up. Without it, the reform would be dead water or a tree without root. The following is a complete explanation of the four aspects of common prosperity thought and a significant exploration of narrowing China's income distribution gap.

1.1 Releasing and Developing the Productive Forces Is the Material Premise of Common Prosperity

To eliminate polarization and achieve common prosperity need highly developed productive forces, so socialism must treat productive forces' releasing and development as its fundamental tasks. However, in the beginning stage of new China, the government overlooked the significance of productive forces for society, and in the socialist

construction, China attempted to transform the production relations to achieve "large size and collectivity" socialism without considering the actual conditions of productive forces. During "the Great Cultural Revolution", the "Gang of Four" even proposed that "China prefers impoverished socialism to rich capitalism", resulting in a long-term recession of China's economic and social development. At that critical historical moment, to correct those wrong thoughts, Deng Xiaoping clearly noted that

Socialism is not about economic recession, nor making people's living standards in low level, but it is, firstly and mainly, to drive economic development. Only through this, can socialism show its superiority. Whether the socialist strategies are positive or not depends on the economic development and people's income, which are the overwhelming standard. (Deng, 1994, pp.311-314)

The releasing of productive forces is the premise of its development. Seeing from the past decades of experience after new China's founding, socialism indeed releases the productive forces and promotes the social progress greatly. However, with the development of productive forces and influenced by other factors, socialist production relations and its superstructure contain, inevitably, some factors hindering the development of productive forces, so Deng Xiaoping noted incisively that

After the establishment of socialist system in China, government shall convert those economy-constraint systems, and establish energetic socialist economic systems to promote the development of the productive forces, and this is the genuine reform. In the past, China solely focused on the development of socialist productive forces without its releasing through reform, which is not complete. China shall consider both of these two aspects. (Deng, 1992, p.370)

To increase the vitality of economic development and change the status of the planned economy's constraints to the productive forces, Deng Xiaoping noted creatively that "Socialism can practice market-oriented economy, and China can make use of both plan-oriented and market-oriented methods to serve socialism, as long as it is beneficial for the productive forces." In the reform of the economic system, China can ensure the socialist direction of the modernization construction as long as China adheres to make the public ownership in a dominant position and sticks to the road to common prosperity. The reform started from 1978, and with the releasing and development of the productive forces, some new and unadaptable production relations and superstructures arose, which requires us to stick to Deng Xiaoping's thought and principles of the reform and carry on the reform "steadily and boldly". We shall always remain sober-minded to "stick to the right, correct the wrong and solve those new issues timely" (Ibid., p.372).

1.2 Eliminating Exploitation and Polarization Is an Important Approach to Achieve Common Prosperity

Exploitation is a socioeconomic phenomenon that some people gain others' achievements freely through

private possession of capital goods or using political power and violence. Marxism constantly asserts that socialism will eliminate exploitation system and exploitation phenomenon. However, seeing from the practical experience of China's socialist construction since new China's founding, to eliminate exploitation system and phenomenon blindly and pursue "large size and collectivity" production relations unilaterally without considering the actual productive forces can only result in constraints to economy and common poverty, so we shall realize that socialism will indeed eliminate exploitation finally, but when and how depend on the actual development of productive forces. Based on this, after the reform and opening up, China takes the public ownership and distributing according to performance as the mainstay, and allows exploitation to exist in some scope and some time to develop productive forces and promote people's enthusiasm and initiative. Furthermore, the reason why China allowed exploitation to exist for a long time is partly because of the need of productive forces development, and partly because China's current exploitation is relational not institutional, which has essential difference from that of capitalism, and it will not cause polarization as long as we control it within a certain level.

Concerning the polarization, we shall know it is a socioeconomic phenomenon that exists in the ever widening wealth gap on exploitation under the social economy of private ownership and commodity production. This concept is mainly from the economic perspective. However, in reality, the excessive widening wealth gap gives rise to polarization, which is not just caused economically, but also with political class differentiation and antagonism. Pure wealth gap cannot be called polarization. Therefore, China's socialist system taking public ownership and distributing according to performance as the mainstay constitutes the natural shield for polarization.

However, at the same time, the existence and expansion of exploitation could indeed widen the wealth gap and breed the possibility of polarization, so socialist countries must explore rational mechanism to macro-control the income distribution, to limit exploitation's negative effects institutionally and to avoid polarization. For this reason, Deng Xiaoping noted clearly "China must avoid polarization when formulating and carrying out new strategies" (Ibid., p.139). However, during the process of socialist economic construction,

Issues arise after development are much more than before. It is a big issue how China's 1.2 billion people get rich and how to distribute the wealth, which is more difficult than pure economic development. While distributing the wealth, China must take all kinds of measures to avoid polarization. If the minority get more wealth, while the majority get less, serious problems, like polarization, will emerge, which is all China must avoid and solve. (Literature Research of the CPC Central Committee, 2004, p.1364)

1.3 Allowing Some People to Get Rich First to Drive Others Is an Inevitable Road to Common Prosperity

The essence and ultimate goal of socialism is to achieve common prosperity. Synchronous or equal prosperity is impossible for China because China's socialism is founded in low level of productive forces with underdeveloped scientific and technological education, deficient material resources, asymmetrical resource distribution and different environment. Under these circumstances, if China dogmatically follows Marx's socialist distribution system by practicing equalitarianism and communal pot regardless of the production efficiency, people's working enthusiasm would not be promoted and the consequences would only be common poverty, so China must explore an appropriate approach to achieve common prosperity. Deng Xiaoping noted in 1978 that:

China's economic strategies shall allow some parts of China, some enterprises and some people to get better living standards through harder-working and bigger achievements, and then they will set positive examples for neighbors and other parts of China, driving the whole national economy to move forward steadily and quickly, and finally to achieve common prosperity. (Deng, 1994, p.152)

In 1992, Deng Xiaoping made another speech during his inspection tour in south China: "Socialism is to achieve common prosperity step by step, and common prosperity is an ambitious strategy to influence and drive the whole national economy, which is also a shortcut to common prosperity." (Deng, 1993, p.1166)

1.4 Common Prosperity Is the Starting Point and Objective of Socialism

Since China's reform and opening-up has been over 30 years, the economic development has been into an industrial boom. The reform and opening-up has made some people get rich first, which means China has already made some progress in achieving common prosperity. For the next stage, we cannot suspend but to make more people join them, because the minority rich, not majority's, departs from the original intention of Deng Xiaoping's thought of common prosperity. Deng Xiaoping noted clearly that socialism is to achieve common prosperity, not the minority rich, the latter is solely an approach to common prosperity. For the issues of when and how to solve the wealth gap, Deng Xiaoping suggested during his inspection tour in south China in 1992 that

When China enters the moderately prosperous society at the end of 20th century, the comparatively developed areas shall continue to develop, and more importantly, support those comparatively less developed areas through more profit tax and technical transfer to explore their abundant resources and potential. In the end, China will definitely narrow the wealth gap of the country as a whole. (Ibid., p.374)

The difference between the essence of socialism and that of capitalism lies in the starting point. The production

purpose of capitalism is to increase capitalists' profit, but that of socialism is to satisfy people's ever-growing material and cultural needs, to improve people's living standards and to achieve common prosperity. During the process of China's socialist construction, the objective of China's series of strategies, which are to release and develop productive forces and allow some people to get rich first to promote others, is also to achieve common prosperity, so we can draw a conclusion that the starting point and objective of socialism is to achieve common prosperity.

2. THE RELATIONSHIP BETWEEN DENG XIAOPING'S THOUGHT OF COMMON PROSPERITY AND CHINA'S CURRENT WIDENING INCOME DISTRIBUTION GAP

With the gradual deepening of the reform and opening-up over the past 30 years, China's economy has made tremendous progress, and both the Gross National Product (GNP) and per capita income level have improved greatly. However, at the same time, under the premise of improving the whole nation's living standard, the wealth gap widens, and the gap-widening has a trend of growing with time moving. A survey by China's National Bureau of Statistics in June of 2006 suggested that the 10 percent of China's richest people possess 45 percent of national wealth, but the 10 percent poorest ones only possess 1.4 percent (State Statistics Bureau of PRC, 2007). China's Gini index has risen from 0.137 in 1978 to 0.49 in 2006, which exceeds the internationally recognized security line of wealth gap severely (Theoretical Bureau of Propaganda Department, para.3, 2007, p.65).

Facing this situation, some radicals even unilaterally attribute the widening income distribution gap to the market-oriented economic system from Deng Xiaoping's reform and opening-up strategy by allowing some people to get rich first, but in fact, it is the manifestation of the laws of economics. Firstly, productive forces decide production relations, and appropriate production relations can promote productive forces. China's current distribution system is distributing according to performance as the mainstay, and many other distribution patterns coexist, allowing other ownership economy to develop commonly, which is decided by the comparatively undeveloped productive forces. These strategies can promote people's enthusiasm of production, and increase the whole national wealth. Secondly, the temporarily widening income distribution gap during the reform of developing countries accords with the internationally recognized hypothesis of "reverse U" curve of income distribution gap evolution, which holds that in the early stage of the transformation from pre-industrial civilization to industrial civilization, the

inequality will expand and some time later it will become stable before it diminishes. To keep common prosperity on track, Deng Xiaoping noted particularly:

The starting point of the reform is to achieve common prosperity, and one day it will become our main subject. Socialism is not minority wealth, and its biggest superiority is to achieve common prosperity, which represents the essence of socialism. If China practices polarization, problems would arise, like the national contradiction, regional conflicts, class contradiction or even conflicts between central and local governments (Deng, 1993, p.364),

so Deng Xiaoping's strategy of common prosperity is trying to avoid polarization not increasing China's current widening income distribution gap. To achieve common prosperity, China must analyze the current situation thoroughly to find out the real causes of the widening income distribution gap, and continue sticking to Deng Xiaoping's thought of common prosperity, exploring a series of effective strategies to narrow the widening income distribution gap gradually.

3. CAUSE ANALYSIS OF CHINA'S CURRENT WIDENING INCOME DISTRIBUTION GAP

3.1 The Strategy Changes Since the Reform and Opening-Up

Firstly, since the reform and opening-up, China has been practicing in the development strategy of "two big picture". One picture is the coastal areas will reform and open up deeply to develop first, which shall be considered by inland; the other one is the comparatively developed coastal areas shall contribute more to support inland's development, which shall be considered by the coastal areas. Over the past 30 years, the coastal areas' economy has made tremendous progress by means of excellent geographical environment and favorable strategies, but the inland, especially the western areas, is much less developed because of complex geographical environment, backward infrastructure and insufficient personnel and so on. All these factors bring about the huge differences between the coastal areas and the inland in income and living standard.

Secondly, in the beginning stage of the reform, China adopted a gradual mode by combining binary economic system and the past urban-rural dual structure, so in the middle of 1980s, China practiced double-track price system and income distribution double-track system (government planned distribution and market-oriented distribution) during the process of transformation from planning system to marketing system, which offered speculation opportunities for some government officials who has right to allocate resources. What's more, since new China's founding, China has prioritized the heavy

industries rather than the light ones, which provides limited job opportunities, so the government can only restrict farmers to get into cities through segmented urban-rural dual census registering system to ensure the city dwellers' employment in the heavy industries. Based on this, city dwellers can enjoy social welfares, like medical treatment, education and pension and so on through census register barriers, but the farmers can not, who have to undertake all these responsibilities by their own because of no working units, and pay various kinds of agricultural taxes to feed industries. There is always a huge price scissors differential between the agricultural products and the industrial ones, so comparing with city dwellers, farmers' income increase much more slowly, which is why the income gap between them widens.

Thirdly, with the running of the restructuring of enterprises in the 1990s, the stated-owned property accumulated over the last decades has been divided. As the property rights delimitation of the original public property is not clear and the new property rights delimitation is led by government, speculation and corruption will definitely grow, and the original public property will be possessed by minor groups who have capital or political power, through which social wealth had been allocated unequally. The above creates winner from the reform of state-owned enterprises, but meanwhile, plenty of unemployment workers emerge because of unqualified knowledge or skill, insufficient vocational training, inadequate unemployment insurance and poverty relief. They had undertaken the price of the reform, falling to the bottom of the society. Since 1990s, as the subject of property rights is not clear and China's property rights system is defective, many property-developers get possession of the urban construction land in extremely low price through political power media, and resell it frequently to seek excessive profits, which created another unfair distribution of social wealth. It is reported that some current large-scale private enterprises came into being at that time, corresponding to which is a huge number of farmers losing their land, and many of them are entrapping into poverty because of insufficient land and not enough compensation for land requisition, which intensifies the widening wealth gap.

3.2 The Restriction of the Social Productive Forces' Development

3.2.1 China's Relative Surplus of Low Labor Supply

With the advance of urbanization and industrialization, there emerges plenty of surplus labors in China's rural areas, who flooded into cities filling the limited job positions in cities, and meanwhile, as they generally lack related knowledge or skills, the stock of human capital is pretty low, they have to compete for the lower posts, which causes China's relative surplus of low labor supply. What's worse, a large scale of university graduates step into society, but their professional

curriculum is defective, the university management is imperfect or they were not diligent in school, making them unqualified for the professional jobs, which causes the repeated supply labors, so China's labors' demand side can depress salary deliberately, generating a low proportion of labor income share in enterprises' and national income distribution.

3.2.2 China's Low Level of Domestic Industrial Technology

For high technology, as the academic unhealthy tendency prevails, scientific research equipments are backward and China is deficient in related researching environment, China is lacking in personnels equipped with core technical abilities, which results in that in the international industrial structure, the developed countries are controlling the core technics of products making themselves on top of the industrial value chain. However, China is on the low side of the industry value chain by purchasing advanced technology from developed countries, who have gained most of the profits of production, while China can only obtain little labor remuneration of processing. Under this pattern of international division of labor, China has become the world's workshop, in which the price of labor power has been underestimated and enterprises' profitability is restrained, so the national labor remuneration level is difficult to improve.

4. THE STRATEGIES TO NARROW CHINA'S INCOME DISTRIBUTION GAP

In the early stage of the reform, the widening wealth gap is somewhat inevitable, and appropriate gap is beneficial to break equalitarianism and communal pot, as well as to promote economic growth and productive forces development. However, inevitability is unequal to rationality, so the widening wealth gap must be controlled within certain time and scope, otherwise, it will create bad influence on social and economic development. Therefore, China must, under the premise of sticking to the socialist system, conduct reform timely to narrow the income distribution gap.

4.1 Increasing the Proportion of Labor Income Share in the Income Distribution

China's current low proportion of labor income share in the primary income distribution mainly attribute to the structural imbalance of labor supply and the lack of international competitiveness of the enterprises, so we must notice the following to increase the proportion of labor income share in the income distribution.

Firstly, to develop vocational training according to the market demand, and conduct professional re-education for the laid-off workers and surplus rural labors to improve manual labors' skills, and consequently to improve the

wage level, to adjust the structure of labor supply and to solve the imbalance of labor supply and demand.

Secondly, the training objective of higher education shall combine academic types and professional ones, adjusting the professional curriculum according to market demand to cultivate social qualified graduates, and establishing salary-increase mechanism according to market demand to facilitate the graduates to obtain employments.

Thirdly, to accelerate the transformation of industrialization and take a new road to industrialization to upgrade the industrial technology. Creating a sound research environment within the enterprises and cultivating innovative talents equipped with core technical abilities to improve the enterprises' independent innovation ability. Increasing the added value of products, strengthening China's international competitiveness of independent research and development, and transforming the status of China's being in the low end of the international industrial value chain to increase Chinese labors' remuneration level.

4.2 Changing the Inappropriate Income Distribution System for the Development of the Productive Forces Gradually

In the early stage of the reform, because of limitations from the low level of productive forces and regional conditions, China implemented unbalanced development strategies by prioritizing the development of the coastal areas, agriculture supporting industries and allowing some business' monopolistic operations, which definitely promoted China's economic development and improved the productive forces enormously, but meanwhile these strategies widened China's current regional, urban-rural and inter-industrial wealth gap. "Poverty is not socialism, nor polarization", so during the economic construction and in handling the productive forces and production relations, China shall neither transform the production relations frequently or pursue "large size and collectivity" or "equalitarianism" regardless of productive forces like before the reform and opening-up, nor, after the economic system's reform of ownership of the means of production and distribution system, stick to the original system and strategies regardless of the developed productive forces, making social economic development more difficult. All above requires us to reform the defective system to narrow the widening wealth gap gradually, and in detail, it includes:

Firstly, for the comparatively less-developed middle and west areas, China shall increase the capital and material investment of western development and rising of central China to strengthen their construction of infrastructure, and formulate investment programs according to the real situation of the middle and west areas, making full use of the natural resources and abundant labors through eastern areas' support to create large industrial base and open the source of wealth.

Secondly, For China's hysteretic agricultural development, China shall improve the level of agricultural mechanization, informatization and intensification to develop modern agriculture and improve the efficiency of agricultural sectors through governments' popularization of modern technologies. Promote and deepen the reform of rural land property rights system to make sure farmers enjoy the land appreciation income. Specify the legal consultation mechanism of rural land requisition compensation to clarify rural land property rights and normalize rural lands' flowing, which can facilitate the agricultural intensive management. Strengthen the construction of rural infrastructures to promote poverty reduction program through development projects, and increase investments in rural social insurances.

Thirdly, China shall conduct the reform of distribution system in national monopolistic industries to share their profit. China's national monopolistic industries are somewhat necessary because they control both the consumption of nonrenewable resources largely through price mechanism (control transportation by oil price, water consumption by water price and coal consumption by electricity price) and the lifeline of the state economy. However, in socialist system, their profits shall be turned over to the state and shared by the whole society, so under the premise of enterprises development and according to their operating status, China shall increase the proportion of their profits turned over to the state gradually and set a rational limit of enterprises managers' annuity and internal employees' welfare to regulate their excessively high income.

4.3 Applying the Relief Effect of Social Security and Charity for the Disadvantaged Groups

China's reform and opening-up is imbalanced, which means some people and regions will get rich first, and then to drive and assist other people and regions to achieve common prosperity, so in a certain stage of the reform, it is inevitable for the widening wealth gap, but based on the essence of socialism, the ultimate goal of every strategy China made is to achieve common prosperity. Therefore, China must develop social security and charity works vigorously to assist and support those disadvantaged groups risen during the reform.

Firstly, China shall perfect the special social assistance mode. China's current social security mode is wide-coverage, low-level and universal-save, and in recent years, strategies favorably develop the whole social security and welfares while neglecting the special assistance and support for some extremely vulnerable groups. Due to the low-level of productive forces, China's capital investments in social security is limited, and the universal-save social security mode can only benefit most people in low level, which results in that those who can sustain their basic lives share social security funds equally, while those disadvantaged groups who have special difficulties cannot gain the basic

life safeguards. Therefore, China shall, according to the current situation, adjust the universal-save social security mode and perfect the special social assistance mode gradually to devote more social security funds to those real-needed disadvantaged groups.

Secondly, China shall explore business charity mechanism vigorously through broadening capital source channel and improving operational ability to increase its influence in China and make it play an important role in assisting those disadvantaged groups. China has no inheritance tax and gift tax, so the riches are not enthusiastic in charity or social donations, which needs China to explore business charity mechanism vigorously, making sure enterprises' or individuals' products or capital donations can flow into the social disadvantaged groups by all means through charitable institutions, and making donations an approach for enterprises to fulfill their social responsibilities. In this way, charity can increase enterprises' social impact, forming a positive brand effect.

4.4 Cracking Down Corruption Severely From Institutional Perspective and Eliminating Power Economics

As mentioned above, China's current widening income distribution gap is due to many irrational, or even illegal reasons, so China must crack down governments' speculation and corruptions.

Firstly, China shall prevent speculation and corruption from institutional design. China shall practically formulate indexes of publicity, fairness and transparency concerned with government power projects nationwide, which can be used to guide and evaluate governments' actions during the process of those projects, to report to the superior departments timely, and to publicize to the society conveniently.

Secondly, China shall prevent corruption from the source. China shall create fair and competitive environment for enterprises through managing governments' actions, strengthening the efforts to punish bribe-offering of business entity or individuals, aggravating the punishment of bribery offering and taking, and encouraging enterprises or individuals to gain profits legally with favorable strategies.

Thirdly, China shall strengthen supervision on corruption. China shall further improve the supervision channels like networks, media, letters and visits and so on, which can make full use of the public supervision to prevent corruption and avoid illegal transfer of possessions or gaining effectively.

CONCLUSION

Up to now, Chinese reform and opening-up have gone over the past 30 years. Of Deng Xiaoping's thought of common prosperity, China's economy has made tremendous progress. And the Chinese government has always been dedicating to the adjustments of the income

distribution gap. To make China's income distribution gap keep in a reasonable level, the Chinese government must improve the proportion of labor income share, change the system of income distribution, develop the cause of social security and charity and punish corruptions.

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