

The coordination and balance of economic structure is a major theoretical innovation of socialist political economy with Chinese characteristics in the new era

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Abstract

Purpose – The proportional distribution of social labor is a general law governing human social and economic activities, also a law discovered by Marxist political economy that governs socialist economic operations and development based on public ownership.

Design/methodology/approach – This law draws on Marx's vision of future society, but how it is adopted is not only subject to the way a country's economy interacts but also to the influence of a country's historical and cultural traditions. Generations of the CPC and state leaders since Mao Zedong have made unremitting explorations for its application.

Findings – As socialism with Chinese characteristics enters a new era, the Party Central Committee with Comrade Xi Jinping at the core adheres to the standpoints, viewpoints and methods of Marxist political economy, draws from the splendid Chinese traditional culture that values integrity, peace and harmony of all, builds on the reality of China's socialist market economy development, has summed up the features of socialist economy development with Chinese characteristics, and has proposed the five-sphere integrated plan, the four-pronged comprehensive strategy.

Originality/value – The new development concept of “innovation, coordination, green development, openness, and sharing” for socialism with Chinese characteristics, all reflecting the Party's deepening understanding of coordinated development, the gradual formation of the general thought and policy methods of the country's economic regulations based on the coordination and balance of economic structure, the continuous explorations to open a new chapter of contemporary Marxist political economy, China's experience and wisdom, and the Party's confidence in the theories it applies, the road it takes, its system and its culture. The coordination and balance of economic structure are a major theoretical innovation of socialist political economy with Chinese characteristics in the new era.

Keywords Structure, Coordination, Balance

Paper type Research paper

Summarizing the law governing the operation and development of socialist market economy is the historical responsibility and crucial mission of socialist political economy with Chinese characteristics. The right way forward is to not only study the general law of modern market economy reflected in the operation and development of the socialist market economy, but more importantly, to adhere to the Marxist political economy standpoints, viewpoints and methods and to draw from and sum up the reality of China's economic operation and development, so as to abstract the fundamental features of socialism with Chinese

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characteristics in its economic operation and development. Among these features, the coordination and balance of economic structure is a critical one.

Structure by definition is the allocation and arrangement of the components of a certain object. Coordination means appropriate allocation, and balance indicates that the opposite components equal or offset each other in quantity or quality. Affected by various internal and external factors, structures of things are constantly changing, showing various forms, coordinated or not. Institutions, systems and mechanisms are thus designed to coordinate the uncoordinated structure, and to balance or offset the opposite elements. Structural coordination and balance is a state that human society has been striving to achieve for better survival and development. Statements of those from classical Marxist writers to generations of party and state leaders have shown that seeking structural coordination and balance in economic operation and development is a consistent pursuit rooted in the fundamental law of human society based on the idea that social labor is distributed proportionally.

1. The coordination and balance of economic structure is an objective requirement imposed by the law of proportional distribution of labor

A view holds that Marxist political economy is an economic theory that sees its mission as criticizing the capitalist economic system and envisioning future social economic system. To serve this purpose, Marx and Engels have done in-depth study on the operation and development of the capitalist economy, but seldom on the law of future socialist economic operation and development. In fact, when envisaging the construction of future social and economic systems, Marx and Engels, seeing drawbacks of resource allocation in market economy, put forward the law governing socialist economic operation and development and the paths to realize the orderly operation and healthy development of the economy through reasonable allocation of resources, the most representative of which is planned distribution of social labor in proportion.

Marx found out that the combination of capitalism and market economy has, on one hand, injected into the market economy unparalleled vitality and creativity, but on the other, brought unprecedented shortcomings and damage. As he rightly put it, “Modern bourgeois society with its relations of production, of exchange and of property, a society that has conjured up such gigantic means of production and of exchange, is like the sorcerer, who is no longer able to control the powers of the nether world whom he has called up by his spells” ([Collected Works of Karl M, 2012a](#)). The shortcomings of capitalist market economy concentrate in areas like contradiction between labor and capital, relative overpopulation, polarization between rich and poor, relative overproduction, blind development, economic virtualization, ecological crisis and distortion of the world market. But the worst of all, in Marx’s words, “the point of bourgeois society is precisely that, *a priori*, no conscious social regulation of production takes place” ([Collected Works of Karl M, 2012b](#)), whereas the proportional distribution of social labor is precisely the general law of human social and economic activities.

The distribution of total social labor, or resource allocation, boils down to the allocation of labor time. Marx explains socially necessary labor time twice in *Das Kapital*. The first time is in Chapter One of Volume I where he states that “the labor time socially necessary is that required to produce an article under the normal conditions of production, and with the average degree of skill and intensity prevalent at the time” ([Marx, 2004a](#)), which is the socially necessary labor time by the first definition. And the second time appears in Chapter 38 “Differential Rent: General Remarks” of Volume III, where he further elaborates that: “the nature of the value of commodities asserts itself, its determination not by the labor-time necessary in the case of any individual producer for the production of a certain quantity of

commodities, or of some individual commodity, but by the socially necessary labor-time; that is, by the labor-time, required for the production of the socially necessary total quantity of commodity varieties on the market under the existing average conditions of social production" (Marx, 2004b), which is the socially necessary labor time by the second definition. This indicates that the allocation of labor time is relevant in two closely linked levels. One is in the relationship among the enterprises producing the same kind of goods, namely those from the same industry, which is similar to the modern industrial organization structure in which commodity exchanges are based on the socially necessary labor time by the first definition. The other is in the relationship among different industries, or the aggregation of the enterprises producing different kinds of products, which is similar to the modern industrial structure. This is when the second definition should be applied where the actual labor time spent by commodity producers on producing commodities is consistent with the labor time that society requires them to spend, reaching the balance of supply and demand quantity and structure of resource allocation.

The contradiction between private and social labor is the fundamental contradiction in the society of market economy. The combination of market economy and capitalism has exacerbated this fundamental contradiction in the society of commodity economy and highlights the contradiction between production socialization and capitalist private possession. This combination has made the requirement of proportional distribution of total social labor be realized only by blind competition in the same industry and among different industries, or a cycle of "trial and error-correction." It has also caused relative overproduction to be the normal state of economic operation. Spontaneous adjustment by the market mechanism is the force pushing the correction from "mismatch" to "right match." Worried about the negative impact of mismatched socially necessary labor time by the two definitions, the classical Marxist writers once envisioned that the "future society" should fundamentally correct the mismatch. Marx believed that in future society, "an association of free people" would be formed, "socialized man, the associated producers, rationally regulating their interchange with Nature, bringing it under their common control, instead of being ruled by it as by the blind forces of Nature; and achieving this with the least expenditure of energy and under conditions most favorable to, and worthy of, their human nature" (Marx, 2004c). In this so-called association of free people, "labor time would . . . play a double part. Its apportionment in accordance with a definite social plan maintains the proper proportion between the different kinds of work to be done and the various wants of the community. On the other hand, it also serves as a measure of the portion of the common labor borne by each individual, and of his share in the part of the total product destined for individual consumption" (Marx, 2004d). While Engels held that "from the moment when society enters into possession of the means of production and uses them in direct association for production, the labor of each individual, however varied its specifically useful character may be, becomes at the start and directly social labor. The quantity of social labor contained in a product need not then be established in a roundabout way" and that "express the quantities of labor . . . in their natural, adequate and absolute measure, time" (Collected Works of Karl M, 2009a). People are "working with the means of production held in common, and expending their many different forms of labor power in full self-awareness as one single social labor force" (Collected Works of Karl M, 2009b). With private ownership of the means of production abolished and social development under the direct control of the people, the whole production process and production relations are thus simple and clear. In *Anti-Dühring*, Engels pointed out that: With the seizing of the means of production by society, production of commodities is done away with, and, simultaneously, the mastery of the product over the producer. Anarchy in social production is replaced by systematic, definite organization. The struggle for individual existence disappears. Then for the first-time man, in a certain sense, is finally marked off from the rest of the animal kingdom, and emerges from mere animal conditions of

existence into really human ones. The whole sphere of the conditions of life which environ man, and which have hitherto ruled man, now comes under the dominion and control of man who for the first time becomes the real, conscious Lord of nature because he has now become master of his own social organization. The laws of his own social action, hitherto standing face-to-face with man as laws of Nature foreign to, and dominating him, will then be used with full understanding, and so mastered by him. Man's own social organization, hitherto confronting him as a necessity imposed by Nature and history, now becomes the result of his own free action. The extraneous objective forces that have, hitherto, governed history, pass under the control of man himself. Only from that time will man himself, more and more consciously, make his own history – only from that time will the social causes set in movement by him have, in the main and in a constantly growing measure, the results intended by him. It is the ascent of man from the kingdom of necessity to the kingdom of freedom. In Marx's *Das Kapital*, structurally coordinated balance was always seen as a reasonable state of social labor distribution, while the theories, such as those of surplus value, organic composition of capital, capital circulation, reproduction of social capital, economic crisis, real and virtual capital, were nothing more than the disproof of the operations and development of the structurally uncoordinated and imbalanced capitalist economy.

Learning from the above theories, the major socialist countries born successively in the 20th century all took the planned economy as their basic resource allocation model, and the way to meet the requirement of planned and proportional distribution of labor. As these countries were all relatively underdeveloped economically, most of them had an imbalanced economic structure. With the planned economy and state-owned businesses, those countries prioritized the development of heavy chemical industries, accelerated industrialization and adjusted the imbalanced economic structure in the shortest possible time, contributing significantly to consolidating the nascent socialist governance and laying a solid foundation for developing the socialist economy.

2. The formation and evolution of economic structure coordination and balance theory in China's socialist economic operations and development

(1) Explorations before the reform and opening up

When the People's Republic of China was founded, the country was in extreme poverty. How to allocate social labor proportionally and thus effectively allocating resources to recover and develop the national economy as fast as possible was an urgent issue to be solved. Lacking experience, China copied the planned economy model of the former Soviet Union and gradually formed a highly centralized planned economic system, which played a historically significant role in accelerating industrialization and establishing an independent and complete industrial system and national economic system. Since the first five-year plan, China has carried out large-scale economic development programs. With the help of the former Soviet Union, 156 large industrial projects were launched, covering major basic industries of the national economy like steel, coal, metallurgy and machinery. Prior to the "cultural revolution," China had generally achieved primary industrialization and built up an independent and relatively complete industrial system and national economic system. However, with the passage of time, the highly centralized planned economy gradually exposed its defects such as bureaucratic rigidity and lack of incentives. Mao Zedong had actually been concerned about this situation from the very start, he said, "In the early stages of Liberation we had no experience of managing the economy of the entire nation. So in the period of the first five-year plan we could do no more than copy the Soviet Union's methods, although we never felt altogether satisfied about it" (*Collected Works of Mao Ze, 1999*). He criticized Stalin's *Economic Problems of Socialism in the USSR*: "They speak only of the

production relations, not of the superstructure nor politics, nor the role of the people.” “His economics is all desolate, dark and gloomy” ([Selected Works of Mao Zed, 2003](#)). Mao then suggested to draw lessons from the Soviet Union and promote the “second combination” of Marxism-Leninism with China’s reality and create new theories and write new works. For this, he wrote *On the Ten Major Relationships* in which he proposed an agriculture-based and industry-led economic system, where agriculture, light industry and heavy industry were in coordinated development; to handle well the relationship between accumulation and consumption with holistic considerations, appropriate arrangements, and comprehensive balance; to tap the initiatives of both the central and local authorities; to deal well with the relationship between industries in the coastal regions and those in the interior and promote common development; to handle properly the relationship between the state, the collective and the individual so all can have their places; to build an independent and relatively complete industrial system and national economic system, achieve the modernization of agriculture, industry, national defense and science and technology in an all-round way, and to move China’s national economy to the forefront of the world; and to prioritize self-reliance and supplement with foreign aid, dispel superstition, develop industry and agriculture and conduct technological revolution and cultural revolution independently, learn from good experience of other countries and draw lessons from their bad experience ([Zhang, 2014](#)). These viewpoints adhered to the Marxist political economy standpoints, viewpoints and methods, and were also deeply influenced by Chinese cultural traditions like moral integrity, kindness, harmony and impartiality, reflected the then China’s reality and preliminarily formed the principle of structural coordination and balance in the operations and development of socialist economy. Shortly after the 8th CPC National Congress, due to the changes of situation at home and abroad, the Party made a “left” mistake in its guiding ideology, structural coordination and balance failed in practice and the national economy was severely stricken.

(2) Explorations since the reform and opening up

Since 1978, China started to carry out the reform and opening up, the entry point of which was reforming the highly centralized planned economy. This, to a large extent, stemmed from the major theoretical innovation of the socialist commodity economy. *The Decision of the Central Committee of the Communist Party of China on Economic System Reform*, adopted at the Third Plenary Session of the 12th CPC Central Committee in October 1984, put forward new views such as “casting away the traditional mindset of contradicting the planned economy with the commodity economy, and understanding that it’s necessary for the socialist planned economy to consciously follow and apply the law of value, and that it is a planned commodity economy built on public ownership,” “adopting a planned economy does not mean it has to be largely based on mandatory planning,” “enhancing the vitality of enterprises is the core of economic system reform” and “ownership and management rights can be properly separated.” Deng Xiaoping spoke highly of this Decision: “it read like the draft of a textbook on political economy that integrated the fundamental tenets of Marxism with the practice of socialism in China” ([Selected Works of Deng Xi, 1993a](#)). “It explains what socialism is in terms never used by the founders of Marxism-Leninism. There are some new theories” ([Selected Works of Deng Xi, 1993b](#)). Based on this understanding, China’s resource allocation in fact started the transition from a planned economy to a market economy. The principle of structurally coordinative balance of economic operations and development started to be applied under the theoretical premise of socialist commodity economy and became increasingly clear, manifested in the following areas:

A gradual approach of reform was designed and adopted to avoid the brunt of a radical shock therapy to economic and social development. The gradual reform combined top-down

measures with bottom-up measures, overall coordination with local reforms, dual track (planned economy and market economy) transition with incremental reform first, reform within the system with efforts outside the system, growth with stability, reform with opening up, economic reform with political reform, centralization of power with decentralization, and achieving the goal with emphasizing the process, blazing a successful path of transformation.

The understanding of the relationship between efficiency and equity was deepened, and efforts were made to build a balanced and reasonable income distribution system and achieve common prosperity. Deng Xiaoping repeatedly stressed the significance of common prosperity: “The distinction between socialism and capitalism is common prosperity, not polarization (in income distribution)” ([Selected Works of Deng Xi, 1993c](#)). “Capitalism can only enrich less than 10 per cent of the Chinese population; it can never enrich the remaining more than 90 per cent” ([Selected Works of Deng Xi, 1993d](#)). “The situation in China is unique, even if 51 percent of the people get rich first, the left 49 percent, or more than 600 million people, will still be in poverty, making stability impossible. Capitalism is not feasible in China, only by building socialism and realizing common prosperity, can society be stable and develop. An indication of socialism is common prosperity” ([Literature Research Office, 2004a](#)). The 1993 *Decision of the Central Committee of the Communist Party of China on Several Issues Concerning the Establishment of a Socialist Market Economic System* first raised the issue of the relationship between efficiency and equity, stating that “the distribution of personal income should adopt a system in which distribution according to work is the mainstay and other ways of distribution coexist, and give priority to efficiency with due consideration to equity.” The report of the 15th CPC National Congress in 1997 upheld this principle, mentioning that “by giving priority to efficiency with due consideration to equity, such a system is conducive to optimizing the allocation of resources, promoting economic development and maintaining social stability.” The 16th CPC National Congress report in 2002 stressed again to give priority to efficiency with due consideration to fairness and guard against an excessive disparity in income while opposing equalitarianism. In primary distribution, we should pay more attention to efficiency, bringing the market forces into play. In redistribution, we should pay more attention to fairness and strengthen the function of the government in regulating income distribution. After the 16th National Congress, the issue of social equity attracted increasing attention. *The Decision of the Central Committee of the Communist Party of China on Several Issues Concerning the Improvement of the Socialist Market Economic System* approved at the Third Plenary Session of the 16th CPC Central Committee put forward to “strengthen the regulation on income distribution and attach importance to bridging the excessive income gap among some social members.” The Fourth Plenary Session of the 16th CPC Central Committee stressed to “emphasize social equity, rationally regulate the distribution of national income, and take effective measures to bridge the excessive income gap among regions and some social members to gradually realize common prosperity for all.” The 17th National Congress report emphasized that a proper balance would be struck between efficiency and equity in both primary distribution and redistribution, with particular emphasis on equity in redistribution, so as to gradually reverse the growing income disparity and then bridge the widening income gap. The 18th National Congress report again noted that “a proper balance should be struck between efficiency and fairness in both primary and secondary distribution, with particular emphasis on fairness in secondary distribution.” With the above gradual adjustments, the relationship between equity and efficiency has been clarified and the income distribution system has turned more rational.

The theory of socialist market economy was a more evident reflection of the political wisdom of the Chinese Communists and the country’s cultural strength. This theory was not confined to the individual conclusions from the envisioned future society in Marxist political economy, and at the same time adhered to its socialist concepts and principles, was not

affected by the clamor of fundamentalism in the Western neo-liberal market, and also gave full play to the fundamental role of market in resource allocation.

As early as November 1979, Deng Xiaoping said during a discussion with Frank Gibney, Vice Chairman of the Encyclopedia Britannica's Board of Editors and others: "It is wrong to maintain that a market economy exists only in capitalist society and that there is only 'capitalist' market economy. Why cannot we develop a market economy under socialism? Developing a market economy does not mean practicing capitalism. While maintaining a planned economy as the mainstay of our economic system, we are also introducing a market economy" ([Selected Works of Deng Xi, 1994](#)). In 1985, when meeting with a delegation of senior US entrepreneurs, he stated, "There is no fundamental contradiction between socialism and a market economy. The problem is how to develop the productive forces more effectively. We used to have a planned economy, but our experience over the years has proved that having a totally planned economy hampers the development of the productive forces to a certain extent. If we combine a planned economy with a market economy, we shall be in a better position to liberate the productive forces and speed up economic growth" ([Selected Works of Deng Xi, 1993e](#)). He stressed again in 1987: "Why do some people always insist that the market is capitalist and only planning is socialist? Actually, they are both means of developing the productive forces" ([Selected Works of Deng Xi, 1993f](#)). In 1990, he also pointed out: "We must understand theoretically that the difference between capitalism and socialism is not a market economy as opposed to a planned economy" ([Selected Works of Deng Xi, 1993g](#)). "In the spring of 1992, Deng Xiaoping famously put it in the Southern Talk: The proportion of planning and that of market forces is not the essential difference between socialism and capitalism. A planned economy is not equivalent to socialism, because there is planning under capitalism too; a market economy is not capitalism, because there are markets under socialism too. Planning and market forces are both means of controlling economic activity" ([Selected Works of Deng Xi, 1993h](#)). In June 1992, Jiang Zemin put forward the concept of "socialist market economy" following Deng Xiaoping's southern talk spirit. In October of the same year, the 14th CPC National Congress report clearly set forth the goals of reform of socialist market economic system and stressed that "the socialist market economic system is integrated with the fundamental socialist system" ([Selected Important Docume, 1996](#)). Deng Xiaoping pointed out: "Where does the superiority of the socialist market economy lie? In the Four Insistences" ([Literature Research Office, 2004b](#)). Jiang Zemin stated that "we are engaged in a socialist market economy, which is integrated into the fundamental socialist system. We will fall into capitalism without the latter" ([Jiang, 2006a](#)). "Socialist" is indispensable-not redundant and not superfluous. On the contrary, it is the "eyepoint," and its nature is the market economy ([Jiang, 2006b](#)). And the 17th CPC National Congress report made "adhering to the basic system of socialism with developing the market economy" an important historical experience for the success of China's reform and opening up.

The sum-up of the scientific outlook on development represented the gradual maturity of the principle of structurally coordinated balance in the operations and development of socialist economy and became the guiding philosophy of the ruling party. Entering the 21st century, the structural problems in China's economic and social development became increasingly prominent, and the problems of imbalance, incompleteness and unsustainability were accumulating. Based on the features of this stage, the CPC Central Committee, after the 16th CPC National Congress, carried out a series of major theoretical innovations and formulated a series of principles and policies guided by the scientific outlook on development. In 2003, *The Decision of the Central Committee of the Communist Party of China on Several Issues Concerning Improving the Socialist Market Economic System* put forward to "balance urban and rural development, development among regions, economic and social development, relations between man and nature, and domestic

development and opening to the outside world,” “give full play to the initiatives of the central and local authorities, properly handle the relationship among reform, development and stability,” “put people first, establish a comprehensive, coordinated and sustainable view on development, and promote the all-round development of economy, society and people” ([Collection of Documents o, 2013](#)).

A number of important reform measures in this period applied the principle of structurally coordinated balance which reflected the features of that stage, including: implementing the individual household contract responsibility system while insisting on the collective ownership of rural land; state-owned enterprises “delegating power and sharing profits,” reforming the contract system and shareholding system, encouraging the development of self-employed and private businesses, and establishing a fundamental economic system in the primary stage of socialism with the public sector as the mainstay and all sectors of economy growing together; and formulating a four-region development master strategy of developing the western region, revitalizing the old industrial bases in the northeast, boosting the rise of the central region, and the previously proposed coastal development taking the lead. Based on these, the “12th Five-Year Plan” proposed to: promote the main functional area strategy that embodied the idea of territorial spatial development control, to make the country’s regional policy more complete and mature; play an active part in economic globalization, make full use of both domestic and international markets and their resources, while adhering to the principles of independence and self-reliance; stick with sustainable development and achieve economic development with coordinated speed, structure, quality and efficiency.

In summing up this period of history, Xi Jinping said that in the long-term practice of guiding the people to build socialism, our Party has put forward a number of ideas and strategies on coordinated development. Before and after the founding of new China, Comrade Mao Zedong created such ideological and working methods as overall consideration and “playing the piano.” He said: In playing the piano, all ten fingers are in motion; it will not do to move some fingers only and not others. However, if all ten fingers press down at once, there is no melody. To produce good music, the ten fingers should move rhythmically and in coordination. A Party committee should keep a firm grasp on its central task and at the same time, around the central task, it should unfold the work in other fields. At present, we have to take care of many fields; we must look after the work in all the areas, armed units and departments, and not give all our attention to a few problems, to the exclusion of others. Wherever there is a problem, we must put our finger on it, and this is a method we must master. *On the Ten Major Relationships* was an example of Comrade Mao Zedong expounding the laws of socialist construction with the view of universal connection. In the article *On the Correct Handling of Contradictions Among the People*, he further put forward the policy of “overall consideration and appropriate arrangements.” After the reform and opening up, Comrade Deng Xiaoping, having observed the new situation and problems in the new era, indicated that “the task of modernization is multifaceted, all aspects need to be comprehensively balanced, rather than addressed separately.” In different stages of the reform and opening up, Comrade Deng Xiaoping developed a series of “working on both fronts” strategic policies. Comrade Jiang Zemin mentioned that in moving socialist modernization forward, 12 major relationships bearing overall significance must be properly handled. Comrade Hu Jintao proposed the comprehensive, coordinated and sustainable development. The 18th CPC National Congress drew up a five-sphere integrated plan for socialism with Chinese characteristics, and then the four-pronged comprehensive strategy was formulated. All these have reflected our deepening understanding of coordinated development and the methodological significance of materialist dialectics in solving China’s development problems ([Comrade Xi Jinping’s Rema, 2016](#)).

3. The theory of coordination and balance of economic structure is the latest achievement of the socialist political economy with Chinese characteristics in a new era

Coordination
and balance of
economic
structure

In the socialist market economy, there are not yet foundation and conditions for comprehensive implementation of planned and proportional distribution of social labor envisioned by Marxist classic writers. On the contrary, it is important to let market play a decisive role in resource allocation to improve allocation efficiency and to increase total factor productivity. However, it is worth noting that socialist market economy, while reflecting general patterns of market economy, has its own characteristics, of which the most prominent one is that the state should play an effective role in regulating or intervening the economy. This is a derivative role of economy of public ownership, endogenous from system of socialist economy. Such a role is to meet the increasing material and cultural needs of the people by following the law of planned and proportional distribution based on public ownership, to realize the goals of socialist production by rational allocation of social resources, and to reflect socialist productive relationships. In this sense, it is the intrinsic responsibilities of a socialist country to exercise state regulation to prevent mis-allocation of social productive forces, namely errors in resource allocation, to correct imbalance of economic structure, and to promote structural optimization, transformation of development model and upgrading to mid-and-high-end industries.

Since the 18th CPC National Congress, the CPC Central Committee with Xi Jinping as the core takes stock of experience of the 30 years before and 40 years after the Reform and Opening-up, focuses on solving problems and constantly explores on new boundaries of socialist political economy with Chinese characteristics. Such exploration not only follows the standpoints and methodologies proposed by Marxist Socialist Economy but also considers the changing circumstances. It draws upon rational elements of Western economics but does not take it as the only way. Absorbing the best from advanced mankind culture, it finds stronger roots in outstanding Chinese traditional culture and fully demonstrates confidence in the socialist path, theories, system and culture with Chinese characteristics. The principle of coordination and balance of economic development has also become increasingly mature as one of the most important principles of socialist political economy with Chinese characteristics. This can be reflected in the following aspects:

Regarding socialist market economy, Xi Jinping pointed out in the 28th group study of the Political Bureau of the CPC Central Committee that it is important to adhere to the reform direction of socialist market economy, to be consistent on dialectics and the doctrine that everything has two sides, to continue to promote integration of fundamental socialist systems and market economy, and to take advantage of both sides.

Regarding the relationship between government and market, Xi Jinping stresses that the role of market in allocation of resources should be a decisive one but not the only one, and that government should also play a better role. Market efficiency and government action should be integrated in a dynamic way. Both an “efficient market” and a “proactive government” are needed to solve the worldwide challenge of economics ([Literature Research Center, 2017a](#)).

Regarding the relations among reform, development and stability, it is highlighted that “in terms of reform, development and stability, a balance should be established among maintaining growth, adjusting structure, improving people’s well-being and promoting reform” to ensure that Chinese economy operates steadily and reaches afar ([Literature Research Center, 2017b](#)).

Regarding economic and social development, the “Five-Sphere Overall Plan” was put forward, i.e. “to promote economic, political, cultural, social and ecological progress and to realize coordination among all aspects and areas in modernization development” ([Literature Research Center, 2017c](#)). The “Four Comprehensives” strategy was proposed, namely “to make comprehensive moves to finish building a moderately prosperous society in all

respects, to deepen reform, to advance the law-based governance of China and to strengthen CPC self-discipline” and to promote simultaneous development of new-type industrialization, informatization, urbanization and agricultural modernization.

Regarding principles of development, it is pointed out that China would pursue innovative, coordinated, green, open and inclusive development. Innovative, coordinated, green, open and inclusive development each aims respectively to address the problems of impetus of development, imbalance of development, harmony between man and nature, internal and external coordination and finally social justice and equity. It is highlighted that “these five principles are interconnected and mutually promote each other; they are a collective group with inner connections; they should be implemented altogether; and no principle should be implemented at the expense of another, and no one can be replaced by another” ([Literature Research Center, 2017d](#)). Xi Jinping also elaborates on the new characteristics of coordinated development in the new circumstance. He points out that coordination is both the means and end of development. It is also the standard and metrics to evaluate development. Coordination is the unification of the two-point theory and key-point theory of development. A country, a region or even an industry has not only development advantages but also limiting factors at the same time during any particular period. In terms of development principles, we should not only focus on solving problems and shortcomings but also consider ways to consolidate existing advantages. These two sides should complement each other to achieve the best results. By doing this we will realize high-quality development. It is further put forward that coordination is the unification of balance and imbalance of development. For anything to develop, it is a general pattern that it starts from balance, and then turns to imbalance before finally reaching to a new balance again. Balance is a relative state, yet imbalance is absolute. Emphasis on coordinated development is not about advocating equalitarianism, rather it is to say that we should pay more attention to fair opportunity for development and equity in resource allocation. Xi Jinping also states that “coordination is the unification of development shortcomings and potentials” ([Literature Research Center, 2017e](#)) and that starting with acute problems of China’s development including imbalance, incoordination and unsustainability, we should make great efforts in promoting coordinated development among regions, between urban and rural areas and between material and spiritual aspects, and we should promote integration of economic development and national defense ([Literature Research Center, 2017f](#)).

Regarding inclusive development, it is stressed that we should properly handle the relationship between making the cake bigger and dividing the cake properly. As pointed out by Xi Jinping, the principle of inclusive development put forward in the 5th Plenary Session of the 18th CPC Central Committee has four layers of meaning. First, in terms of coverage, inclusiveness is for all people. Inclusive development, rather than enjoyed by a minority of people or part of the people, should be accessed by everyone and each one finds its own place. Second, in terms of content, inclusiveness is comprehensive. Progress in economic, political, cultural, social and ecological areas should all be shared to safeguard the legitimate rights and interests of people in all aspects. Third, in terms of means of realization, inclusiveness requires joint efforts. Only by joint efforts can we realize inclusive development, and making joint efforts itself is a process of sharing development. It is important that democracy be carried forward, people’s wisdom be widely pooled together and people’s strength be activated to the most so that a lively environment will be formed where everyone participates, everyone makes his/her greatest efforts and everyone feels self-fulfilled. Fourth, in terms of the proceeding, inclusiveness is a gradual process. One meal will not make a fat man. Inclusive development will experience several stages from low-quality to high-quality and from imbalance to balance. Even high-quality development is realized, there will still be imbalances. When formulating policies of inclusive development, we should fully consider the reality of the country and level of economic and social development. We should not tie our

hands, be excessively cautious or hesitate to spend the money that should be spent, nor should we aim too high, eat away next year's food in advance or make promise but not keeping it. These four aspects are interconnected and should be interpreted and addressed as a whole. To implement the principle of inclusive development, a number of tasks and measures were put forward during the 13th five-year-plan period, which could be grouped into two areas. The first is to mobilize the initiative, enthusiasm and creativity of the people, so as to promote the undertakings of socialism with Chinese characteristics with power of the people as a whole and make the cake bigger. The second is to properly divide the growing cake, make full use of the advantage of socialist system and make people have greater sense of gain. It is important to expand the class of middle income and gradually form an olive-shaped distribution pattern ([Speech of Comrade Xi Jinp, 2016](#)).

Regarding the relationship between public and non-public sector of the economy, it is pointed out that "the public sector and the non-public sector of the economy should support and complement one another, as opposed to mutually excluding and undermining each other." Xi Jinping stressed that we must uphold and improve the basic socialist economic system, unswervingly consolidate and develop the public sector of the economy, unswervingly encourage, support and guide the development of the non-public sectors of the economy, and promote all sectors of the economy to complement each other, stimulate one another for common development. At the same time, the dominant role of the public sector of the economy and the leading role of the state-owned economy cannot be changed. This is an institutional guarantee to ensure that the people of all ethnic groups in our country share the fruits of development and an important guarantee to consolidate the Party's ruling position and uphold our socialist system ([Xi, 2015a](#)).

Regarding the policy portfolio for economic restructuring, Xi Jinping stressed that "Economic restructuring requires us to be good at addition, subtraction, multiplication and division. Addition means to discover and cultivate new growth drivers, subtraction is to reduce backward production capacity and resolve overcapacity problem, multiplication is to comprehensively promote innovation in science and technology, management, market and business model, division is to expand numerator, reduce denominator and improve labor productivity and return on capital" ([Literature Research Center, 2017g](#)). In economic restructuring, we need to follow the general guidelines of keeping macro policies stable, industrial policies targeted, micro policies flexible, and reform policies practical, while also making sure social policies meet people's basic needs. We must be strategically prepared for a prolonged struggle, and tactically well prepared so that the challenges we may face can be overcome. Appropriately expand aggregate demand and make strong moves to advance supply-side structural reform. Improve the quality and efficiency of the supply system, enhance the driving force for sustained economic growth, so that China's overall productivity improves" ([Literature Research Center, 2017h](#)).

Regarding the key and difficult points in building a well-off society in an all-round way, emphasis should be placed on transforming the growth model, shoring up weak areas and preventing risks. Transform our growth model to raise the quality and efficacy of development; shore up weak areas to address the problem of unbalanced development; prevent risks and strengthen our awareness of risks and capacity to guard against them ([Xi, 2015b](#)).

Regarding the relationship between man and nature, green development and harmonious coexistence between humans and nature are emphasized. "Lucid waters and lush mountains are invaluable assets." He proposed that "man is born of nature, and man and nature form a community of life. Any harm we inflict on nature will eventually return to haunt us," and quoted Engels to explain this profound truth. "Let us not, however, flatter ourselves overmuch on account of our human conquest over nature. For each such conquest takes its revenge on us. Each of them, it is true, has in the first place the consequences on which we counted, but in the second and third places it has quite different, unforeseen effects which only too often cancel out the first" ([Engels, 1925](#)). Xi Jinping also cited ancient Chinese classics

with ease to show that Chinese people have recognized the importance of ecological environment very early on. He quoted *The Analects*: “The Master angled, but did not use a net. He shot, but not at birds perching.” It means that people should not go fishing using a big net or shoot birds at night. He quoted *Xunzi*: When grasses and trees are budding and growing, no saw or sickle is allowed to be taken into mountains and woods, as we shall not hinder the growth of plants or cause them to become extinct. During the season of reproduction, fish traps and toxins are not allowed to be put into waters, as we shall not impede animals from growing or cause them to die. He quoted *Lǐ’s Commentaries of History*: “Drain the lake to fish, you will get the fish but there will be no fish next year; Burn down the woods to hunt, you will get the animals but there will be no wild animals next year” (Xi, 2016). These citations show that Xi Jinping is well versed in ancient Chinese classics and has a firm cultural confidence.

Regarding the relationship between supply and demand, Xi Jinping pointed out that supply and demand are the two basic aspects of the internal relationship of market economy. They are in a dialectical relation of opposites and unity. They are interdependent and mutually conditional. Without demand, supply cannot be realized. New demand creates new supply. Without supply, demand cannot be satisfied. New supply creates new demand. The supply side and the demand side are the two basic means to manage and regulate the macro-economy. Demand-side management focuses on solving the aggregate problem and paying attention to short-term regulation. It mainly stimulates or restrains demand by adjusting taxes, fiscal expenditure, monetary credit and so on, thus promoting economic growth. Supply-side management focuses on solving structural problems and stimulating economic growth. It mainly improves the quality and efficiency of the supply system by optimizing the allocation of factors and adjusting the production structure, thus promoting economic growth. “Factors that restrict China’s economic development at present and in the coming period are about both the supply and demand sides, especially the supply side” (Literature Research Center, 2017i). The supply-side structural reform focuses on unleashing and developing productive forces. Reform should be conducted to adjust these structures. We need to reduce ineffective and lower-end supply while increasing effective and medium- and high-end supply, enhancing the adaptability and flexibility of the supply structure to changes in demand, and improving total factor productivity. This is not just a tax and tax rate issue, but a series of policies and measures, especially those to promote scientific and technological innovation, develop the real economy, safeguard and improve people’s lives, should be adopted to solve the problems existing on the supply side of our economy. The supply-side structural reform we are talking about emphasizes both supply and demand, stresses the development of social productive forces and the improvement of production relations, gives full play to the decisive role of the market in the allocation of resources and the role of the government, and focuses on the present and the long term. From the perspective of political economics, the fundamental of the supply-side structural reform is to ensure our country’s supply capacity better meet the people’s growing, continuously upgraded and personalized demand for material wealth and a beautiful environment, so as to achieve the goal of socialist production. (Speech of Comrade Xi Jin, 2016a) Xi Jinping clearly pointed out: “The supply-side structural reform is not the same as the supply-side economics school of western economics. We must not regard the supply-side structural reform as an implementation of the western supply-side economics theory. We must also prevent some people from using their explanations to promote “neo-liberalism” and use this opportunity to create negative public opinions (“Speech of Comrade Xi Jin, 2016b) to push forward the supply-side structural reform. The relations between government and market, short-term and long-term objectives, addition and subtraction, and supply and demand shall be properly handled (Xi, 2017).

Regarding the choice of industrial policies in growth model transformation and structural adjustments, Xi Jinping pointed out, “In general industries, it is up to enterprises to decide

which industries to develop or which technology to choose. The government should not take complete charge, nor should it handle matters it should not manage or cannot manage well. The government should concentrate its efforts on a few strategic, holistic and forward-looking major innovation projects” ([Literature Research Center, 2017j](#)). However, “to implement an innovation-driven development strategy,” “one must not act like they walk on watermelon rind and slide wherever it takes one,” but must focus on top-level design and task implementation ([Literature Research Center, 2017k](#)).

Regarding the improvement of the system and mechanism for the integration of urban and rural development, Xi Jinping pointed out that the unbalanced and uncoordinated development between urban and rural areas is a serious problem hindering China’s economic and social development and a major problem that must be solved in order to build a well-off society in an all-round way and accelerate socialist modernization. Tremendous changes have taken place in China’s rural areas since the reform and opening-up policy was introduced. However, the urban-rural dual structure has not changed fundamentally, and the widening gap between urban and rural development has not been reversed. To solve these problems, we must push forward the integrated development of urban and rural areas. We must improve the mechanisms and institutions to form new relations between industry and agriculture and between urban and rural areas in which industry promotes agriculture, urban areas support rural development, agriculture and industry benefit each other, and there is integrated urban and rural development, so that the overwhelming majority of farmers can participate in the modernization process on an equal basis and share the fruits of modernization. “Promoting the integrated development of urban and rural areas is essential for us as the development of industrialization, urbanization and agricultural modernization have reached a certain stage, and is an important symbol of national modernization” ([Literature Research Center, 2017l](#)). “Striving to narrow the development gap between urban and rural areas is an important task for building a well-off society in an all-round way” ([Literature Research Center, 2017m](#)).

Regarding the coordinated development of regional economy, Coordination on poverty reduction between the western and eastern regions and one-on-one assistance programs are the major strategies to promote coordinated, integrated and common development in the region, and the major endeavors to strengthen regional cooperation, optimize industrial layout and expand new space for opening up to the outside world, as well as the major measures to allow those became prosperous prior to others help the latter to achieve common prosperity for everyone, therefore we must stick to them for a long time. ([Literature Research Center, 2017n](#)). “The Belt and Road initiative,” the coordinated development of Beijing, Tianjin and Hebei, and the Yangtze River Economic Belt are three major strategies spanning administrative regions and aimed at promoting coordinated regional development. The 18th CPC National Congress put forward a new idea based on the overall strategy of regional development, which included implementing new regional development strategies such as “the Belt and Road initiative,” the coordinated development of Beijing, Tianjin and Hebei, the construction of the Yangtze River Economic Belt, the construction of the Guangdong-Hong Kong-Macao Greater Bay Area and the integrated development of the Yangtze River Delta, as well as the ecological protection and high-quality development of the Yellow River Basin. These strategies gradually put together a vertical and horizontal economic axis formed by economic belts along the coast and rivers, which gives full play to the city clusters in driving the development of their surrounding areas. Priority will be given to the development of Beijing-Tianjin-Hebei, Yangtze River Delta and Pearl River Delta city clusters, and the city clusters in Northeast China, Central Plains, Middle Reaches of Yangtze River, Chengdu-Chongqing and Guanzhong Plain will be formed. It is a new major measure under the new situation to coordinate the eastern, middle, and western regions, as well as the northern and southern regions through the economic axis and to promote the coordinated development of

regional economy. At the 19th National Congress, in view of the profound changes taking place in the spatial structure of China's economic development showing polarization effects, and the difficulties in some areas, and the fact that central cities and city clusters are becoming the main spatial forms for carrying development elements, Xi Jinping has further put forward the idea of promoting coordinated regional development under the new situation, that is, to enhance the economic and population carrying capacity of regions with development advantage such as central cities and city clusters, to enhance the functions of other regions in ensuring food security, ecological security, border security and other aspects, and to form a regional economic layout with complementary advantages and high quality development (Xi, 2019).

Regarding the relationship between finance and the real economy, Xi Jinping pointed out that there are three main manifestations of the major structural imbalance in China's economy: first, the structural imbalance between supply and demand in the real economy; the second is the imbalance between finance industry and real economy; the third is the imbalance between real estate industry and real economy. "The 'three imbalances' have an internal causal relationship, leading to poor circulation in the economy. If we simply expand demand, we will not only fail to solve the structural imbalance, but also contribute to the growth of overcapacity and leverage ratio and push higher enterprise cost, thus exacerbating the imbalance" (Literature Research Center, 2017o). To deal with risks in areas such as overcapacity, real estate, local government debts, shadow banking, we need to "combine fast surgical cutting with conservative treatment in an extended and stable way" (Literature Research Center, 2017p). At the National Financial Work Conference held from July 14 to 15, 2017, Xi Jinping demanded that the financial industry needed to "go back to its fundamental purpose and serve social development. The financial sector should take serving the real economy as its starting point and foothold, and comprehensively enhance service efficiency and level." He stressed that the financial sector was the blood vessel of the real economy. Serving the real economy is the mission and the purpose of the financial industry and the fundamental measure to prevent financial risks (July 15th, 2017).

4. A brief conclusion

Although neither classical Marxist writers nor Party and state leaders have used such terms as coordination and balance of economic structure, the analysis shows that striving to achieve coordination and balance of economic structure in economic operation and development in accordance with the law of proportional distribution of social labor in Marxian political economy theory is an important principle for all previous Party and state leaders, especially the CPC Central Committee with Comrade Xi Jinping at its core, to govern and regulate the economy, and thus is also an important principle that socialist political economics with Chinese characteristics should adhere to in the new era. This conclusion can fundamentally clarify some misunderstandings about the laws of socialist economic development and the state's economic regulation function. One view is that China's implementation of a socialist market economy system is different from Marx's vision of a future society. Therefore, China's socialist economy system has gradually drifted away from Marx's vision of distributing social labor in proportion and then implementing a planned economy. Some even regard it as absurd that the development of big data and artificial intelligence can provide a better technical basis for the implementation of a planned economy, they take some defects of the traditional planned economic system into question and fundamentally deny the significance of distributing social labor in proportion. In fact, it is the common law of human society and economic development to distribute social labor in proportion, and to seek structural coordination and balance of economic operation and development through the state's regulation of economic operation and development. Socialist public ownership is the necessary condition for the realization of economic structural coordination and balance. As for the choice of a planned economy or other

possible forms of state regulation, it depends on the social economic form (whether it is a product economy or market economy).

The socialist market economy is a form of economic system that organically combines the basic socialist economic system with the market economy, where the necessity of distributing social labor in proportion according to the principle of economic structure coordination and balance remain unchanged. Another view is that the “invisible hand” of the market should be brought into full play under the market economy, and under the market mechanism, overcapacity and excess products are normal and will be automatically resolved. Therefore, no intervention is required before, during and after the economic activities to prevent and solve those issues. Some even think that all kinds of industrial policies implemented by the state will render the economic system “planned economy in disguise” and therefore are unnecessary. If the state is required to interfere in its economy, it is only a temporary measure to solve market failure. However, under the condition of socialist market economy, the basis for the state to regulate the economy is not only market failure, instead, socialist public ownership is the basis for the proportional distribution of social labor, and is also the basic condition for the coordinated and balanced economic development. Therefore, whether the market fails or not, socialist countries should carry out economic adjustment and regulation on the basis of public ownership in accordance with the socialist production purpose and the strategic needs of national economic and social development, so as to achieve economic transformation and structural optimization. In order to solve the considerable imbalance problems in China’s economic structure, it is necessary to deepen the reform and strengthen the effective market so that the market can play a decisive role in resources allocation. According to the socialist concept and principle, it is also the basic requirement for the operation and development of the socialist market economy to make use of the advantages of public ownership, effectively play the role of state regulation, and make sure an effective market and a proactive government reinforce each other. Pursuing the coordination and balance of the economic structure should be the basic direction for the regulation of a “proactive government.”

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