

To build the soul of the socialist political economy with Chinese characteristics

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Abstract

Purpose – The socialist political economy with Chinese characteristics is the scientific fruit of Xi Jinping thought on socialist economy with Chinese characteristics for a new era. People-centred philosophy is the core values of the Communist Party of China (CPC) Central Committee's governance of China with Xi Jinping as the core and has become the core values of the socialist political economy with Chinese characteristics. According to Xi Jinping thought on socialist economy with Chinese characteristics, it represents the interests of all people and determines the disciplinary attribute of the socialist political economy with Chinese characteristics, that is, people-centred economics. Xi Jinping has defined the essence of the socialism as eliminating poverty, improving people's livelihood and gradually realising common prosperity. That determines the main line of socialist political economy with Chinese characteristics is to liberate, develop and protect the productive forces and achieve common prosperity. This study aims to discuss the aforementioned statements.

Design/methodology/approach – Xi Jinping's scientific judgement on the new stage of development and the principal contradiction facing Chinese society has put forward the requirement of problem orientation for the study of socialist political economy with Chinese characteristics, involving the main contradiction facing Chinese society, high-quality development and modernisation. China's socialist basic economic system consists of a socialist market economy in which public ownership plays the leading role alongside other forms of ownership and distribution according to work is the mainstay, while other forms of distribution coexist alongside it. And this socialist basic economic system, marked out from three dimensions—production, distribution and exchange analysis, is the key of analysis of systems in the socialist political economy with Chinese characteristics. The economic operation analysis in political economy mainly involves resource allocation and the government's macroeconomic regulation and control.

Findings – The new thought and new practices about the role of the market and the government in the new era have opened up a new realm for the economic operation analysis in the socialist political economy with Chinese characteristics. The new development philosophy and new development paradigm define the content of the economic development theory in the socialist political economy with Chinese characteristics. The new development paradigm reflects the dual circulation theory of social reproduction.

Originality/value – The socialist political economy with Chinese characteristics is to study laws of economics in various aspects from economic system, economic operation, economic development to foreign economy and provide the basic principles of socialist political economy with Chinese characteristics. Its mainstream economic position will be consolidated continuously.

Keywords New era, Thought on the socialist economy with Chinese characteristics, The socialist political economy with Chinese characteristics

Paper type Research paper

General Secretary Xi (2021a) pointed out while presiding over the 28th group study session of the Political Bureau of the Central Committee of the Communist Party of China (CPC) on Marxist political economy that "... To vitalise Marxist political economy requires keeping pace with the times. We should study the new situation and problems facing the economy of the world and China in depth based on China's conditions and development practice, reveal



new characteristics and laws of economy, summarise the laws of Chinese practices of economic development, upgrade the experience into a systematic economic doctrine, and constantly explores a new level of the contemporary Chinese Marxist political economy.”

The 70 years of the founding of New China, especially the 40 years of reform and opening-up, is the history of exploring and building socialism with Chinese characteristics when China rose from a poor and backward agricultural country to the second-largest economy in the world. The Chinese model for economic reform and the Chinese road to economic development have been tested in practice and recognised by the world. The socialist political economy with Chinese characteristics is a theoretical generalisation of China’s successful practice of reform and development to tell China’s stories by Chinese theories.

China’s rich experience in reform and opening-up and socialist modernisation is an abundant resource for studying socialist political economy with Chinese characteristics. The mission of building socialist political economy with Chinese characteristics in current times is to strengthen the systematic summary of the experience in reform and opening-up and socialist modernisation, enhance the study and interpretation of the Party Central Committee’s new ideas, new concepts and new strategies of governance of China, refine new scientific theories and generalise new regular practices. The economic concept of the CPC in the new era is summarised as Xi Jinping thought on socialist economy with Chinese characteristics for a new era. As the scientific result of the concept of socialist economy with Chinese characteristics for a new era, the socialist political economy with Chinese characteristics is the Marxist political economy in the 21st century and has become the mainstream economics of China.

1. People-centred philosophy: the core values of the socialist political economy with Chinese characteristics

At the press conference for the closing ceremony of the 18th CPC National Congress in 2012, Xi Jinping declared that meeting the people’s expectation for a better life is the Party’s goal. Also, at the 19th CPC National Congress, Xi (2017a, b, c, d, e, f, g) clearly pointed out that the original aspiration and the mission of Chinese communists are to seek happiness for the Chinese people and rejuvenation of the Chinese nation. This is the fundamental driving force for Chinese communists to move forward. As the core values of the CPC Central Committee with Comrade Xi Jinping at its core regarding the governance of China, it mainly involves the following aspects:

First, the goal is to realise the interests of the great majority of people. In the 100th anniversary of the founding of the CPC, General Secretary Xi Jinping said that the Party has always represented the fundamental interests of all Chinese people; it stands with them through thick and thin and shares a common fate with them. The party has no special interests of its own—it has never represented any individual interest group, power group, or privileged stratum.

Second, the goal of development is to promote people’s well-being and well-rounded human development (Xi, 2017c, d, e, f, g, p. 31). Details are reflected in Xi’s speech (Xi, 2014), “Our people have an ardent love for life. They wish to have better education, more stable jobs, more income, greater social security, better medical and health care, improved housing conditions, and a better environment. They want their children to have sound growth, have good jobs, and lead a more enjoyable life. To meet their desire for a happy life is our mission.”

Third, the blueprint of socialist modernisation fully reflects the people-centred philosophy: The realisation of all-around moderate prosperity requires a constant guarantee that poor people are free from worries over food and clothing and have access to compulsory education, basic medical services and safe housing. The basic realisation of modernisation is to make people live a more well-off life, and the comprehensive realisation of

modernisation is to make people live more happily and healthily, which is based on people's living standards.

Fourth, common prosperity is an essential feature of socialism. In Xi's speech on the proposal for the 14th five-year plan at the fifth plenum of the 19th Central Committee of the CPC, he made it clear that common prosperity is the essential requirement of socialism and the common expectation of the people, and the party must attach greater importance to pursuing common prosperity for all with pragmatic and sustained efforts towards this goal. To this end, it is proposed that "making more notable and substantive progress towards achieving common prosperity for all" in the draft of proposals for the 14th five-year plan.

The above people-centred concepts have become the core values as well as the essential feature of socialist political economy with Chinese characteristics.

Is there class consciousness in economics? Karl Marx's answer is clear. The political economy founded by Marx openly advocates and defends the interests of the proletariat and serves the cause of liberation of the proletariat and all mankind. *The Communist Manifesto* clearly states: "All previous historical movements were movements of minorities, or in the interest of minorities. The proletarian movement is the self-conscious, independent movement of the immense majority, in the interest of the immense majority (Marx, 2009, p. 42)." The communists, as the vanguard of the proletariat, "have no interests separate and apart from those of the proletariat as a whole (Marx, 2009, p. 44)." The ideal society revealed for the proletariat by Marxist political economy is one that works for the interests of the vast majority of people, reflecting the proletariat's aspirations for a future society and its determination to fight for it.

Xi Jinping's economic thought declares it represents the interests of the whole people, which determines the disciplinary attribute of socialist political economy with Chinese characteristics, i.e. the people-centred economy. Xi Jinping pointed out that "the people-centred development approach should be adhered to. Development for the people is the fundamental position of Marxist political economy (Marx, 2009, p. 44)." Socialist political economy with Chinese characteristics confronts the economic interests of different groups, such as the interests of entrepreneurs, the interests of the working class and the interests of farmers. The people-centred orientation means that socialist political economy with Chinese characteristics cannot be constrained by a particular interest group but must represent the fundamental interests of all the people and seek the well-being of all people, including various interest groups. Socialist political economy with Chinese characteristics provides the economic theories of building a new society with the goal of promoting the well-being of the people and that of shared development with the goal of common prosperity.

2. The essential feature of socialism: the main line of socialist political economy with Chinese characteristics

Before the third plenary session of the 11th CPC Central Committee, a fundamental cause for China's mistakes in building socialism was that the relations of production and the corresponding economic system and regime were beyond the stage of China's socialism development at that time. In the third plenary session held in 1978, the party resolutely abandoned the wrong policy of "taking class struggle as the key link" and started shifting the work of the party and the country with economic construction as the central task.

One of the significant contributions to Deng Xiaoping theory is to confirm that China is still at the primary stage of socialism according to the current level of productive forces. Based on the features of socialism at the primary stage, Deng pointed out, "The essence of socialism is liberation and development of the productive forces, elimination of exploitation and polarisation, and the ultimate achievement of prosperity for all." This shows that there are two goals regarding the socialism with Chinese characteristics—liberation and

development of productive forces and common prosperity, which allowed some areas and some people to become better-off first.

With the deepening of reform and opening-up, the vitality of China's economic and social development has increased and people's living standards have generally improved while the income gap has widened. When China has entered the new stage of development, President Xi (2017a, b, c, d, e, f, g) further defined the essence of socialism in response to new contradictions facing the society—"Eliminating poverty, improving people's livelihood, and gradually achieving common prosperity are the essential requirements of socialism and the important mission of our Party (p. 83)." What Xi concerns about is the gradual realisation of common prosperity of all people, rather than some people. Comrade Xi Jinping pointed out that we cannot declare that we have realised the all-around moderate prosperity while tens of millions of people are living below the poverty standard, which affects both the people's satisfaction with and the international acknowledgement of China's realisation of a moderately prosperous society in all respects. In 2013, the CPC Central Committee proposed precise poverty alleviation for the first time. At the fifth plenary session of the 18th CPC Central Committee in 2015, general secretary Xi (2016) required that by 2020, the rural poor people should be free from worries over food and clothing and have access to compulsory education, basic medical services and safe housing. The growth rate of the per capita disposable income of farmers in poor areas should exceed the national average, and key indexes of basic public services should also be closer to the national average. In 2021, Xi announced at the celebration of the 100th anniversary of the founding of the CPC that China has fulfilled the first centenary goal of building an all-around moderately prosperous society in China, historically solved the problem of absolute poverty and is vigorously moving on towards the second centenary goal of building China into a great modern socialist country in all respects."

The above-mentioned exposition on the essential features of socialism also clarifies the objects and main line of the socialist political economy with Chinese characteristics.

Marxist political economy is a science about productive forces and relations of production, and the objects and main line of study in political economy are related to the times. When Karl Marx created the theory of political economy, his mission was to overthrow this society in front of capitalism to be analysed. Thus, the object of study in political economy is relations of production, whose main line is to reveal the fact that capitalist relations of production hinder the development of productive forces. At the early stage of the establishment of New China, in order to solve the issue of the victory of socialism over capitalism, the object of study in political economy was biased towards the relations of production for a long time, and the then main line of study was the issue of victory of socialism over capitalism. When China has entered the new era, the objects and main line of study in socialist political economy with Chinese characteristics are mainly the following two according to Deng Xiaoping Theory and Xi Jinping's thought on economy:

First, the objects of study are biased towards the study of productive forces. The analysis of relations of production and productive forces is the paradigm of Marxist political economy. The level of productive forces is the basics of developing and improving socialism with Chinese characteristics. *The Communist Manifesto* clearly states that after the proletariat seize power, their task is to "increase the aggregate of productive forces as quickly as possible" (Marx, 2009, p. 52). Thus, the central task of the primary stage of socialism is to develop productive forces. If the object of political economy does not enter the field of productive forces, the explanatory ability and directive role of political economy in the Chinese economy will become increasingly weaker, which will make it hard to guide the process of socialism with Chinese characteristics scientifically (Hong, 2020).

The important task of study in political economy is to mobilise all factors for developing productive forces, which requires a precise understanding of the factors of productive forces. For a long time, in political economy, the factors of productive forces are summarised as three

factors: labour power, means of labour and subject of labour. Deng Xiaoping stated that science and technology are the primary productive forces, and Xi Jinping emphasised that innovation is the primary driving force. Obviously, the three labour-based factors can no longer simply summarise the factors of productivity currently. The factors that Marx (2004) mentioned in *Das Kapital* on increasing the productivity of labour include “the average proficiency of the workers, the level of science development and the degree of applying science in craft, the social integration of the production process, the size and efficiency of the means of production, and natural conditions”. This suggests that productive force is multi-element, especially in the new era, where the internet, big data and artificial intelligence are integrated into the development of productive forces with the advancement of science and technology. Science, division of labour, management and data are all factors of productive forces.

What do the productive forces to be studied in the political economy consist of? Deng Xiaoping emphasised that we should focus on both liberating and developing the productive forces rather than just developing the productive forces. When Xi Jinping presided over the sixth collective study of the political bureau of the CPC Central Committee, he emphasised that “to firmly establish the concept that protecting the ecological environment is to protect the productive forces, and improving the ecological environment is to develop the productive forces”. In this way, the productive forces in the study of socialist political economy with Chinese characteristics include three aspects: First, liberating productive forces, which involves the adjustment of production relations and the reform of the economic system that promote the development of productive forces. Second, developing productive forces, which concerns the synergy of various factors of productive forces in economic development. Third, protecting productive forces, involving protecting and improving the environment and ecology. The socialist political economy with Chinese characteristics is a systematic economic theory that liberates, develops and protects productive forces.

Furthermore, aim at realising the common prosperity. Common prosperity is the essential requirement of socialism. Common prosperity is not egalitarianism, which involves two requirements—“prosperity” and “common”. At the dawn of reform and opening-up, to make the people rich as soon as possible, Chinese authority once implemented the policy of allowing some people to become rich first, which only indicated that there may be a difference in the time of getting rich, but the final result must be common prosperity. Nowadays, a moderately prosperous society has been built in an all-around way, and the poverty alleviation task of China has been completed. However, the problem of relative poverty is still prominent in China. Pursuing common prosperity requires a shift from overcoming absolute poverty to gradually overcoming relative poverty, and the path to this is the concept of shared development proposed by Xi Jinping, which means that the achievements of reform and development are shared by the people, who continually gain tangible benefits and have a greater sense of gain during the improvement of people’s livelihood.

Thereby, liberating, developing and protecting productive forces and achieving common prosperity become the main line of the socialist political economy with Chinese characteristics, reflecting the essential feature of socialism with Chinese characteristics.

3. The new stage of development and the evolution of the principal contradiction facing Chinese society: the orientation to problems of the times in the political economy

The 18th CPC National Congress was held in 2012, and the Central Committee of the Communist Party of China with comrade Xi Jinping at its core led the whole party and the entire nation to open a new era. This new era was announced at the 19th CPC National Congress in October 2017—“Socialism with Chinese characteristics has entered a new era. It means that the Chinese nation, which since modern times began had endured so much for so

long, has achieved a tremendous transformation: it has stood up, grown rich, and is becoming strong; it has come to embrace the brilliant prospects of rejuvenation (Xi, 2017a, b, c, d, e, f, g, p. 10).” At the fifth plenary session of the 19th CPC Central Committee in October 2020, Xi Jinping indicated that China has entered a new stage of development. According to Xi Jinping’s series of speeches on the new stage of development, the new stage of China’s development has the following characteristics (Xi, 2021b).

Firstly, the new stage of China’s development is the new stage of development at the primary stage of socialism. According to Deng Xiaoping theory, China is still at the primary stage of socialism regarding the current level of productivity, and the central task of the primary stage of socialism is to develop productive forces and promote reform and opening-up based on the features of the primary stage of socialism. The new stage of development raised by Xi Jinping is like what he said—It is a stage at the primary stage of socialism and is also a stage of China at a new starting point through decades of efforts. Building a socialist modern country in an all-around way and generally realising socialist modernisation are the requirements for China’s development at the primary stage of socialism and the requirements for Chinese socialism to shift from the primary stage to a higher degree.

Secondly, China’s economy has evolved from high-rate growth to high-quality development. In response to the new normal of economic growth changing from high-rate growth to medium-high-rate growth, comrade Xi Jinping pointed out: “China is still in a significant period of strategic opportunity. We must boost our confidence, adapt to the new normal condition based on the characteristics of China’s economic growth in the current phase and stay cool-minded.” The transition of economic growth from high-rate to medium-high-rate is accompanied by the shift of economic development mode from scale and speed to quality and efficiency, which indicates the transition to the high-quality development stage. There are two significant manifestations: First, structural optimisation, which means the adjustment of the economic structure should transit from incremental capacity expansion to adjustment of stocks and optimisation of increment simultaneously; second, change of driving forces of development from mainly relying on factor inputs including resource and low-cost labour power to innovation.

Third, the evolution of the principal contradiction facing Chinese society. The principal contradiction facing Chinese society involves the contradiction between productivity and social needs. When Deng Xiaoping defined the primary stage of socialism, he pointed out that the main contradiction in China was the contradiction between the ever-growing material and cultural needs of the people and the low level of production. Based on this understanding, development has been of paramount importance and economic development has become the central task. China’s economy has achieved an average annual growth rate of nearly 10% for more than 30 years. Owing to the great achievements of reform and opening-up, China’s social productivity has increased significantly, and the principal contradiction facing Chinese society has also changed accordingly. General secretary Xi Jinping pointed out in the report of the 19th CPC National Congress that “Socialism with Chinese characteristics has entered a new era. The principal contradiction has been evolved into a contradiction between the people’s growing needs for a better life and the imbalances and inadequacies in development.” This judgement is based on the following: On the one hand, a moderately prosperous society has been built in an all-around way, and the people’s needs for a better life are increasing; on the other hand, the productivity of Chinese society has increased significantly on the whole, and China has entered the forefront in the world in many aspects regarding the productivity. The transition of the principal contradiction facing Chinese society shows that the main manifestation of the current principal contradiction (development cannot meet the people’s growing needs for a better life) is imbalances and inadequacies in development. The most prominent manifestation of the so-called inadequate development is the inadequate supply of core technologies arising from insufficient

innovation capacity and the insufficient effective supply arising from the poor quality of the supply system. The so-called imbalanced development refers to the shortcomings in development involving the overwhelmed ecological environment, agricultural modernisation, imbalanced development of regions, etc. Changing this situation has become the focus of development.

The scientific judgement on the new stage of development and the main contradictions in society has put forward a problem-oriented requirement for the study of the socialist political economy with Chinese characteristics. Xi Jinping pointed out that adherence to problem orientation is a distinctive feature of Marxism. For the innovation of political economy, the most important orientation is problems related to the times. Only by listening to the voice of the times, responding to the call of the times and earnestly studying and solving major and pressing problems can we truly grasp the development sequence, find the law of development and promote innovation of theories. The political economy of each period has its distinctive characteristics of the times, which is related to the theoretical needs of each period. The transformation from rich to strong after China enters the new stage of development requires the innovation of major theoretical problems of political economy in the current era. Only on this basis can the Marxist political economy be innovated in the 21st century.

The first orientation is towards the problem of the principal contradiction facing Chinese society. Countries saying goodbye to the low-income development stage and entering the middle-income development stage will face a series of new major development problems different from those in the low-income phase. After entering the middle-income phase, some countries have fallen into the “middle-income trap” due to excessive income gaps, environmental and ecological damage and stagnant development. China faces severe challenges of avoiding repeating the mistakes of others and crossing the “middle-income trap”. The deep-seated problem of development is that people’s needs have shifted from quantity to quality. Solving the problem of imbalanced and inadequate development that cannot satisfy people’s needs for a well-off life becomes a vital problem to be studied in political economy.

Second, orientation towards the problem of high-quality development. Since the beginning of reform and opening-up, China’s economy has continued to grow at a high rate for more than 30 years. After many years of rapid growth, the potential economic growth factors have been fully released, and the development challenges faced by China have come to the fore: the traditional driver for development that relies on resource input has declined, and the supplies of resources from the environment have reached their limits, the economic structure is seriously imbalanced and industries are at the low end of the global value chain. Therefore, the focus of development is to improve the quality and efficiency of development and achieve higher-quality, more efficient, fairer, more sustainable and safer development, which is the requirement for realising high-quality development in the new stage. However, for a long time, Chinese economic theory and policy research focussed on the economic growth rate, with few studies on the quality of development. Thus, a series of relevant economic problems become the orientation of study in political economy.

Third, orientation towards the problem of modernisation. The fifth plenary session of the 19th CPC Central Committee started a new journey of modernisation. Modernisation has general laws and standards. Socialist China faces new problems in the new era, different from general modernisation theories. According to Xi Jinping, there are five characteristics of China’s modernisation: a huge population, the common prosperity of all people, the coordination of material civilisation and spiritual civilisation, harmonious coexistence of humans and nature and peaceful development. These five aspects of modernisation can be regarded as the characteristics of China’s modernisation in the new era. They are unprecedented and need to be created by China—all of them require innovation of theories of political economy.

4. The socialist basic economic system: three dimensions of studying production relations

If the third plenary session of the 11th CPC Central Committee is the milestone that pulled off the curtain of China's reform and opening-up, the third plenary session of the 18th CPC Central Committee in 2013 can be regarded as a new milestone for China's new reform in the new era. The third plenary session of the 18th CPC Central Committee adopted *The Decision On Major Issues Concerning Comprehensively Deepening Reforms*, setting "improving and developing the socialist system with Chinese characteristics and promoting the modernisation of the country's governing system and capabilities" as the overall goal of comprehensively deepening reform and making it clear that by 2020, "a system that is well-developed, scientific, standardised, and effective will be formed, and the system in all aspects will be more mature and well-established". The curtain was thus raised on the comprehensive deepening of reform.

The basis of the basic economic system of a certain society is the sum of the production relations of that society. The development of China's economic system reform is centred on reforming and improving the basic economic system. The party's understanding of the socialist basic economic system has been gradually deepened. On the basis of having made it clear that the common development of a variety of economic ownership with public ownership as the mainstay is the basic economic system at the primary stage of socialism, the fourth plenary session of the 19th CPC Central Committee in 2019 defined the socialist basic economic system from three aspects, that is, a socialist market economy in which public ownership plays the leading role alongside other forms of ownership and distribution according to work is the mainstay, while other forms of distribution coexist alongside it. Xi Jinping's economic thought has made a breakthrough in the construction of all three systems.

The study and analysis of economic systems is a core of political economy. The reform centred on reforming and improving the basic economic system is an important source for the development of socialist political economy with Chinese characteristics. According to Xi Jinping's economic thought, socialist political economy with Chinese characteristics outlines the socialist basic economic system in three dimensions: production, distribution and exchange. It should be noted that each aspect of the basic economic system involves two opposing economic patterns as considered in previous theories of political economy. For example, public ownership and a variety of non-public economies; distribution according to work and factor remuneration; socialism and market economy. All above are now included in the basic economic system. This inclusiveness is precisely the institutional advantage of each pattern in terms of developing social productivity and reflects the superiority of the socialist system. The inclusiveness and the analysis of the complementarities of the respective strengths of each pattern become important factors in the analysis of political economy.

First of all, improve the ownership structure. The direction of ownership reform is unswervingly consolidating and developing the public sector while encouraging, supporting and guiding the development of the non-public sectors. Based on it, there are three main innovations regarding theories and policies in Xi Jinping's economic thought: (1) Make it clear that both public and non-public sectors are important components of the socialist market economy. The property rights in the public sector are inviolable, as are the property rights in non-public sectors. A unified market access system is implemented in terms of policies. (2) Fully recognise the important role of the non-public sectors in stabilising economic growth, increasing tax revenue, promoting innovation, expanding employment and improving people's livelihood. General secretary Xi Jinping said at a private entrepreneurs' symposium during the 2016 National People's Congress that the private sectors had made a contribution to more than 50% of the tax revenue, more than 60% of GDP, more than 70% of technological innovations, more than 80% of urban labour employment and more than 90% of enterprises in China. At the same time, the requirement of building a new cordial and clean relationship

between government and business is clear. (3) It insists on public ownership as the main body. Xi Jinping (2021a) indicated that “the main status of public ownership cannot be shaken, and the dominant role of the state sector of the economy cannot be shaken, which is an institutional guarantee to ensure that our people of all ethnic groups share the fruits of development and an important guarantee to consolidate the Party’s ruling position and adhere to our socialist system.” Based on the recognition that state-owned enterprises have generally integrated with the market economy, the requirement to enhance the strength, quality and size of state capital has been clearly put forward. (4) Make it clear that a diversified ownership economy integrated by State capital, collective capital and private capital is the prime method for materialising the basic economic system. The joint development of a variety of ownership economies with public ownership as the mainstay is a form of ownership suitable for the primary stage of socialism that mobilises all resources and vitality for the development of productive forces. In particular, the introduction of foreign capital, the rapid development of private capital and the competition amongst diversified ownership economies have all urged the state sector of the economy to reform its own system, improve the mechanisms for redirecting investments of state capital and further improve the forms of public ownership for enhancing the competitiveness, innovation, control and risk resilience of public sectors.

Then, improve the distribution system. It is necessary to adhere to the principle of distribution according to work, but also to improve the institutional mechanism for distribution according to factors, so as to promote a more reasonable and orderly distribution of income. The basic ideas of Xi Jinping’s economic thought include: (1) Improve the mechanism of factor remuneration. The third plenary session of the 18th CPC Central Committee has put forward to improve the remuneration mechanism determined by the factor market, including capital, knowledge, technology and management. The fourth plenary session of the 19th CPC Central Committee further proposed to improve the mechanism whereby production factors such as labour, capital, land, knowledge, technology, management and data are evaluated by the market for their contribution and remunerated according to their contribution. (2) Promote common prosperity. A method is to improve the distribution according to work and encourage prosperity through hard work. The fourth plenary session of the 19th CPC Central Committee proposed to insist on more pay for more work, focus on protecting the income from work, increase the remuneration of labours, especially front-line workers and raise the proportion of labour remuneration in the initial distribution. Besides, the fifth plenary session of the 19th CPC Central Committee proposed to explore raising the income of the lower- and middle-income groups through the ownership of land, capital and other factors and the right to income, in addition to re-emphasising the creation of conditions for more people to have property income. (3) Improve the redistribution adjustment mechanism with taxation, social security and transfer payments as the main means, and reasonably adjust the distribution relationships between urban and rural areas, regions and different groups. In the distribution structure in which distribution according to work is the mainstay and diverse modes of distribution coexist, the institutional advantages of the participation of various production factors in the income distribution to develop productivity are mainly manifested in that it not only improves labour efficiency, but also fully mobilises and stimulates the input of factors belonging to different factor owners, allowing all sources of social wealth creation to flow fully. It allows the vitality of all wealth-creating labour, knowledge, technology, management, capital and data to burst forth in a competitive manner.

Last but not least, improve the socialist market economy system. The market determines the allocation of resources based on market rules, market prices and market competition. The unique selection mechanism of market mechanism for the survival of the fittest) and the incentive function of rewards and punishments can not only determine the destination of

resources (sectors and enterprises) according to efficiency objectives but also determine the effective combination of various factors (resources), so that various production factors can be used in a most effective way, thus increasing total factor productivity. The organic combination of the socialist economic system and the market economy not only overcomes market failures in terms of polarisation, externalities and macro imbalances but also reflects the requirements of socialism and the institutional advantage of centralising power to do great things.

5. Market-determined resource allocation and better functioning of the government: a new realm of analysis of the economic operation

In 1992, the 14th CPC National Congress made it clear that the socialist market economic system was the goal of China's economic structure reform and defined the socialist market economy as the market playing a fundamental role in resource allocation under the macroeconomic regulation of the state. This definition continued until the 18th CPC National Congress. According to the decision of the third plenary session of the 18th CPC Central Committee on comprehensively deepening the reform, the core issue of the economic structural reform is to properly handle the relationship between the government and the market, so that the market can play a decisive role in the allocation of resources and the government can function better. Making it clear that the market plays a decisive role in the allocation of resources also returns to the original meaning of market economy, as Xi Jinping indicated that the market-oriented allocation of resources is the most efficient form of resource allocation, proven by theories and practices. This is a major breakthrough in the theory of socialist market economy, and China's economic system has ushered in major reforms, which are deepened in an all-around way from both the government and the market.

In terms of market-oriented reform, the 19th CPC National Congress raised two key points of reform for accelerating the improvement of the socialist market economic system—to improve the property rights system and the market-oriented allocation of factors. Promote the reform of the economic system at a higher starting point and a higher level with higher objectives and build a high-level socialist market economic system that is more systematic, complete, mature and well-established. The goal of improving the property rights system is to establish an efficient property rights system, i.e. a modern property rights system with clear-cut attribution of ownership, clearly defined rights and responsibilities, strict protection and smooth transfer. To improve the market-oriented allocation of factors is to focus on reforming the market-oriented allocation of factors, accelerating the construction of a unified, open, competitive and orderly market system, promoting the construction of the factor market system, and realising the market determination of factor prices and the independent and orderly flow as well as the efficient and fair allocation of factors. In 2019, the fourth plenary session of the 19th CPC Central Committee further put forward the requirements of improving the fair competition system and strengthening the fundamental position of competition policy. This is a significant institutional arrangement for realising the market-oriented allocation of factors.

The reform for giving better play to the role of the government refers to scientific macroeconomic regulation and control as well as effective government governance. This is an important aspect of promoting the modernisation of the state governance system and capacity. Details include: First, establish the regulation and control system for macroeconomic aggregates, make it clear that consumption, investment and export jointly drive economic growth, and highlight the pulling role of consumer demand. Second, define the appropriate range of macroeconomic indicators. On 21 October 2015, Xi (2015) indicated at the China–UK Business Summit held in the City of London: “The Chinese economy is now on the whole stable and making good progress in terms of stable growth, promoting reform,

adjusting the structure, benefiting the people's livelihood, and preventing risks, and the main indicators are within an appropriate range and expected targets." The appropriate range should be regarded as the main basis for the government's goal orientation regarding scientific macroeconomic regulation and the application of macroeconomic regulation policies. Third, clarify the direction of targeted regulation. Range-based regulation does not mean that the state does not make any regulation within an appropriate range but make targeted regulation rather than using a deluge of stimulus. Targeted regulation focusses on adjusting the structure and requires formulating regulation policies flexibly and differentially according to the actual situation. Range-based regulation focusses on stabilising the gross amount. The close combination of range-based regulation and targeted regulation can form the synergy of stabilising growth and adjusting structure. Fourth, innovate the means of macroeconomic regulation and control. The report of the 19th CPC National Congress called for "innovating and improving macroeconomic regulation and control, giving play to the strategic guiding role of national development planning, and improving the coordination mechanism of economic policies in fiscal, monetary, industrial, regional and other economic policies". Holding the bottom line of no systemic financial risks is holding the bottom line of no financial crises. To this end, the 19th CPC National Congress put forward the requirements of improving the financial regulatory system and the dual-pillar regulatory framework of monetary policy and macro-prudential policy. Fifth, carry out the supply-side structural reform since the end of 2015. To be more specific, "we should focus on strengthening supply-side structural reform and improving the quality and efficiency of the supply system while appropriately expanding aggregate demand", as noted by Xi (2017c, d, e, f, g, p. 87).

The resource allocation and the government's macroeconomic regulation and control concerned in the analysis of economic operation in political economy is reflected in the combination of "effective market mechanism" and "impactful government". Xi (2021a) believes that this is a "worldwide economic problem" that needs to be solved in practice. The study of this issue has opened up a new realm for analysing the economic operation in the socialist political economy with Chinese characteristics, and concerned fields include:

First of all, incentives of property rights are the most powerful driver of the market economy, and the property rights incentive system involves the definition, allocation and transfer of property rights, closely linking people's efforts in economic activities with property rights, clarifying the ownership, control, property rights and risks of enterprises' property rights and linking the risks of economic activities and property returns. This is a stable and lasting incentive. The construction of the corresponding property rights system involves strict property rights protection, smooth transfer of property rights and ensure the security of property rights.

Second, it is concerned with the market-oriented allocation of stock factors. The scale of stock factors is much larger than that of incremental factors. The market-oriented allocation of stock factors can improve the efficiency of factor allocation for optimising asset quality. Market-based allocation of factors by way of property rights transfer revitalises resources tied up in sectors and enterprises suffering from inefficiency and overcapacity to provide space and resources for developing new industries and businesses based on the elimination of excess, polluting and backward production capacity and further to concentrate the assets in efficient enterprises.

Third, building a high-standard market system is the foundation for the effective operation of the socialist market economy. The market system is the carrier and platform for the allocation of factor markets. Although China's market economy started late, its starting point must be high and the standards for constructing the market system must be high. Market shortcomings need to be made up according to high standards, involving improving and regulating the financial market, constructing and regulating the land market, developing

the technology market, fully opening up the labour market, especially the talent market and sharing the data market.

Fourth, strengthen the fundamental position of competition policy. Fair and adequate competition is an essential feature of the market economy. Competition policy is an economic policy implemented by the government to protect, promote and regulate market competition, and is an important aspect of the country's macroeconomic regulation. The competition policy that should be strengthened is mainly manifested in the following aspects: the allocation of resources is competition-oriented; the cultivation of market players is based on competition; industrial organisation policies are based on competition; the construction of market order is based on standardising the competition order. In particular, it is necessary to establish and improve the construction of the competitive order targeted at new economic businesses.

Fifth, the regulation of supply side and demand side are two basic means of managing and regulating the macroeconomy. According to Xi (2017c, d, e, f, g, p. 99), demand-side regulation focusses on solving the problems about economic aggregates and emphasises short-term regulation, mainly through tax adjustment, fiscal expenditures, monetary credit, etc. to stimulate or suppress demand and further promote economic growth, while supply-side management focusses on solving structural problems and emphasises stimulating the driving force of economic growth, and at different stages of development, whether economic policy emphasises the supply side or the demand side should be decided based on the macroeconomic situation of a country. The fifth plenary session of the 19th CPC Central Committee put forward deepening the coordination of demand-side reform and supply-side reform, which reflects the combination of long-term goals and short-term goals in regards to regulated development.

6. New development philosophy and new development paradigm: the core of theories of economic development

At the new stage of development, facing the new normal of unsustainable high economic growth that has lasted for many years, Xi (2017c, d, e, f, g, p. 320) pointed out that “development must be scientific development that follows the laws of the economy and sustainable development that follows the laws of nature”. In the fifth plenary session of the 18th CPC Central Committee, Xi proposed a new concept of pursuing innovative, coordinated, green and open development and having its fruits shared by everyone.

Innovation is the primary driver of development. In the new stage of development, economic development needs to shift from factor-driven and investment-driven to innovation-driven. The core of innovation as the primary driving force for economic development is scientific and technological innovation, with the focus on international cutting-edge core technology. Xi (2018) noted that key and core technologies are a pillar of the nation. This requires not only the implementation of the self-relying and self-improving scientific and technological strategy but also the industrial innovation regarding the independent and controllable industrial system. The integration of scientific and technological innovation and industrial innovation means building a strong industry, economy and country through boosting scientific and technological development, putting scientific theories into technology and establishing mechanisms and channels conducive to the industrialisation of innovations. To this end, “we should give full play to the unique role of socialist market economy and the advantages of the socialist system of China as well as the role of scientists and entrepreneurs as the important force of innovation, to form the mechanism for achieving breakthroughs in core technologies in key fields,” noted by Xi (2018).

Coordination is the intrinsic requirement to the sustainable, healthy development of economy. Xi (2017c, d, e, f, g, pp. 35–36) noted that “coordination is the means and goal of

development as well as the criterion for evaluating development". Coordination as the goal of development indicates that economic development aims to pursue the balanced development of economy, society, humans and nature. Coordination as the means of development means focussing on the balances, systematicity and sustainability of development. Coordination as the criterion of evaluating development signifies that coordination is the evaluation criterion of high-quality development, involving the balanced development of sectors, urban and rural areas and regions regarding the structure.

Green development is the necessary condition of sustainable development and a significant reflection of the high-quality life of the people. It embodies the harmonious coexistence between men and nature, emphasising the importance of preserving ecological wealth while pursuing material wealth. This new era of the socialism with Chinese characteristics is one in which industrial civilisation evolves into ecological civilisation. The concept of green development includes innovations of the outlook on wealth. As Xi Jinping said, "the lucid rivers and lush mountains are invaluable assets", clean water, fresh air, diverse creatures and a sound environment are all precious ecological wealth. Economic development pursues not only material wealth but also ecological wealth, which reflects people's need for a better life.

Opening-up is the inevitable road towards the prosperity and development of a country. Following Xi Jinping's philosophy of "building a human community with a shared future", the open development in the new stage requires adhering to equal attention to "bringing in" and "going global" and utilising free trade zones and other openness carriers to form an open paradigm in China through links running eastward and westward, across land and over sea and obeying the innovation-driven development strategy with the focus of introducing foreign factors shifting to factors of innovation and implementing an open innovation system. Regarding the participation in the globalised division of labour, China will focus on cultivating new advantages with technology, brand, quality and service as core competitiveness and upgrading the status of China's industries in the global value chain as the emphasis and will form a global value chain of trade, financing, production and services relying on core technologies and cultivate new advantages in international economic cooperation and competition. Furthermore, the opening-up paradigm will shift from involving the manufacturing sector mainly to covering various sectors, especially the service industry.

Sharing is an essential requirement of socialism with Chinese characteristics. According to Xi (2017c, d, e, f, g, p. 25), "... allowing the whole people to share the fruit of reform and development is an essential requirement of socialism with Chinese characteristics, a concentrated manifestation of the superiority of the socialist system and an important manifestation of our Party's adherence to the fundamental purpose of serving the people wholeheartedly. Once the problem of equality is solved, the enthusiasm, initiative and creativity of the whole people in promoting development can be fully mobilised, and the country's development can have the deepest great power. The "cake" of China's economic development has been growing; however, the problem of unfair distribution is relatively prominent, and the gap between income and the level of public services in urban and rural areas is somewhat large. Thus, to let all people can move steadily towards common prosperity, we must insist that development is for the people and relies on the people and that the fruits of development are shared by the people and make more effective institutional arrangements, making sure that "the rich accumulate huge sums of money while the poor eat the chaff" does not occur." Therefore, sharing by all people is the aim, full-scale sharing is the content, co-constructing and sharing is the foundation and progressive sharing is the route.

Entering a new stage of development, China is facing a major change that the world has not seen in a century. Certain developed countries are pursuing anti-globalisation policies and protectionism is prevalent in an attempt to decouple China in areas such as technology and

industry. This, coupled with the global COVID-19 recession in 2020, has broken a series of global industrial chains. Against this context, China must not only continue to lead in promoting globalisation, but also promote a new development paradigm focussing on the domestic economy but featuring positive interplay between domestic and international economic flows. According to a series of speeches by Xi Jinping, the connotations of the new development paradigm include: Firstly, the new development paradigm is a strategic choice to reshape China's new advantages in international cooperation and competition at the new stage of development and is a long-term strategy. Secondly, while the momentum of the international circulation of markets and resources is obviously weakening, China's domestic demand potential is constantly being released. Relying on the domestic market, which is amongst the largest in the world, and seizing the strategic base point of expanding domestic demand to make production, distribution, circulation and consumption more dependent on the domestic market and improve the suitability of the supply system to domestic demand, and a higher-level dynamic balance of demand-driven supply and supply-creating demand can be achieved. Thirdly, the new development paradigm is a higher level of opening-up, which is mainly manifested in the following ways: The foundation for participating in the international circulation has changed from the comparative advantage of resource endowment to a new comparative advantage, namely, competitive advantage; the mode of opening-up has changed from export-oriented to domestic demand-oriented, relying on the super-sized domestic market and further promoted export with import; the introduction of foreign resources attaches more importance to the introduction of innovation factors and attaches equal importance to introducing capital, technologies and talents for promoting open innovation. Fourthly, the links of China's international and domestic dual circulation are integrated with the innovation chain to enhance the modernisation of the industrial chain.

The study of economic development in socialist political economy with Chinese characteristics is the study of the laws of the development of the productive forces. The new development philosophy and new development paradigm actually define the economic development theories of socialist political economy with Chinese characteristics. As Xi (2021a) said, "The philosophy of pursuing innovative, coordinated, green and open development and having its fruits shared by everyone echoes with the ideas of Marxist political economy." The philosophy of the new development is a scientific summary of practices and experiences of China in economic development, a major part of the economic concept of Xi Jinping thought on socialist economy with Chinese characteristics for the new era and explored a new realm for thought on socialism with Chinese characteristics in the new era. According to the new philosophy of development, innovation focusses on solving the problem of development drivers, while coordination for the problem of unbalanced development, green for the problem of harmony between human beings and nature, openness for the problem of internal and external linkage of development and sharing for the problem of social equity and justice.

Political economy is essentially about studying the social reproduction process consisting of production, exchange, distribution and consumption. The new development paradigm reflects the dual circulation theory of social reproduction. It is about open domestic-international dual circulation; in other words, it focusses on the domestic economy but features the positive interplay between domestic and international economic flows. Relying on the domestic market, which is amongst the largest in the world, the dual circulation seizes the strategic base of expanding domestic demand to make production, distribution, circulation and consumption more dependent on the domestic market, improving the adaptability of the supply system to domestic demand and forming a higher level of dynamic balance in which demand pulls supply and supply creates demand.

The core issue of a developing country is how to realise modernisation. After China has fully built a moderately prosperous society in 2020, it enters the modernisation phase

immediately afterwards. Political economy needs to establish a theory of modernisation based on the new development philosophy and the new development paradigm. These include the study of modernisation goals based on the concept of shared development; the study of modernisation strategies based on the concept of innovative development; the study of modernisation paths based on the concept of green development; the study of modernisation of the dual structure based on the concept of coordinated development to make up for the shortcomings in economic development, and the study of opening up to the outside world in the new development stage based on the concept of open development.

In conclusion, the socialist political economy with Chinese characteristics is based on China's practice of reform and development in the new era and guided by Xi Jinping thought on socialist economy with Chinese characteristics for a new era to innovate economic theories with the approach of problem orientation, to study laws of economics from the aspects of the economic system, economic operation, economic development and foreign economy, and to provide basic principles of economics. Also, its position as the mainstream economics will be consolidated continuously thereby.

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