

Development benefit, comparative benefit and the contest between two roads

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Abstract

Purpose – Under the circumstance that the development of developing countries is a major issue that has long been of concern to Marxist scholars, the research is focused on the category of development benefit, which Xi Jinping has mentioned many times.

Design/methodology/approach – Based on the Marxist theory of international value, the authors of this paper indicate that development benefit is the result of developing countries' consistently increasing labor productivity, reducing squandering in labor and transforming more labor into real value, and thus the fundamental cause of unequal development in international economics turns from the field of circulation to the area of production.

Findings – Also, the authors summarize China's experience of obtaining the development benefit and China's development path featuring common development and criticized the comparative advantage of mainstream Western economics, revealed the path of dependency development represented by mainstream Western economics.

Originality/value – Finally, the authors analyze the essence of the economy and trade conflict between China and the US and the respective strategic goals of the two countries and provide an outlook on the contest between the two roads of development and the evolutionary trend of the relationship between developed and developing countries.

Keywords Development benefit, Comparative benefit, International value, Unequal development, Common development

Paper type Research paper

In 1957, Paul Baran (2000) utilized the Marxist method to study the relationship between developed and underdeveloped countries and the development issue of underdeveloped countries systematically and early, which made him “the first Marxist theorist who believes the rights of the underdeveloped countries are worthy of studying” (Brewer, 2003). Since then, results explaining the development issues of underdeveloped countries have emerged. Since China's reform and opening-up, especially since the opening of the 19th National Congress of the Communist Party of China, there have been numerous theoretical achievements in studying China's development experience and path. However, not many results have been published to study China's development issue under the framework of Marxism, based on Marxist value theory, especially international value theory, and in the context of the changing relations between developed and developing countries and the development problems of developing countries. This paper tries to study this issue under the adherence to Marxism as an approach to advance the construction of Chinese development economics and the study of socialist political economy with Chinese characteristics.



1. Introduction: the prominence of development benefit and the proposition of development benefit category

Xi (2015) raised the thought of “maintaining the development benefit of China determinatively” during the 28th collective learning of the Political Bureau of Central Committee of CPC in November 2015. In the report of the 19th National Congress of CPC, he again stressed the need to adhere to the principle of putting people first and “safeguard China’s sovereignty, security and development benefits more consciously” (Xi, 2017, p. 15). At the Fourth Plenary Session of the 19th Central Committee of the CPC, Xi Jinping once again proposed that the “benefits of development” should be strongly safeguarded and unswervingly upheld” (Xi, 2019). Such arguments have presented the most important demands of China as a developing country in the process of achieving economic development and economic interests, thinking issues from the perspective of international relations. Among them, the development benefit, which generalizes China’s international economic aspiration as a theory, deserves the most attention.

Marxism has always emphasized the ultimately determinative effect of economic interests on human behaviors. Thus, economic interests are both the driving force and the result of human behaviors. However, real-life economic interests are always based on certain economic relations. Grasping the field of interests and examining economic relations from the perspective of interest relations and their changes can make one perceive the nature of economic relations more strongly—that is, compulsory, objective and historical.

The interest relations under China’s traditional institution emphasize the interests of the country and the collective more, and there’re no category of development benefit that reflect the changes in international economic relations. The reason is that then economic activities mainly occurred in the scope of the China’s public economy, which had no primary association with external economic entities. The public economy is the primary source of people’s direct interests—it is the primary provider of material benefits and also the organizer of “the realization of the demand of activities and relationship” (Sik, 1984, p. 263). As there were two forms of public ownership with “significant differences” then, the basic interest relation under the traditional institution can be defined as a dualistic interest relation based on two forms of public ownership of the economy, which is connected and regulated by planning. Developing and strengthening the traditional public economy, especially the state-owned economy, was the main force driving people’s behaviors. Maintaining and expanding the public economy and the planned economy associated with it constituted people’s pursuit of common or general benefits.

However, people’s affirmation of the traditional state-owned economy under the traditional institution is characterized by restrictions on the personal interests of workers and the interests of the enterprise, which is not conducive to giving play to the initiative, activity and creativity of enterprises and workers. When Deng (1983, p. 145) evaluated the traditional institution, he pointed out: “The power in our economic management institution is too centralized, and it should be authorized to subordinates bravely and designedly; otherwise, it will be not beneficial to give full play of the activity of four parties of the state, local places, enterprises, and individuals, nor it will be beneficial to practice the modernized economic management and increase labor productivity”. Giving full play of the initiative, activity and creativity of the enterprises and individuals by affirming the benefits of enterprises and individuals is the initial impetus and path for China’s reform and opening-up.

The economic relations in China have changed dramatically upon the reform and adjustment. While the public economy, especially the state-owned economy, is growing in total volume and control and dynamism, its relative volume and ability to absorb employment is declining, however, and the non-public economy in various forms is growing rapidly, both in total volume and relative volume. The interest relation in China has also undergone tremendous changes. The traditional dualistic interest relation connected and processed by

planning before China's reform has changed to the multiple interest relation connected and processed by market. The benefit goal of different economic entities also differ significantly: capital-dominated enterprises are obviously pursuing profits and profit margins; more and more state-owned enterprises, which have diversified their shareholdings and become companies, also consider the increase in the company's profit margins as their behavioral goal, although due to their nature and the special regulation of government, these profit margins are expressed as "deformed profit margins" (Yan, 2018). As a result of the reform of the labor and personnel system, the majority of workers are de facto recognized as owners of the labor power and enter into a modern employment relationship with the enterprise, thus making income, such as wages, the driving force of their behavior. More importantly, by opening-up, China's integration into the global economy has been advanced, and China's commodity and capital markets are becoming more and more important parts of the world market. China's economy has transformed from a relatively closed economy in the past to an open economy, with increasing interaction with various economies. These changes constitute an important feature of the new era in China and an important background for this study.

In connection with the above-mentioned major changes in economic relations, another important change in China's interest relation has gradually emerged since China entered the New Era, in which a new type of interest, which did not exist in the traditional system, has been formed above the interests of all economic players, namely, the interests obtained through the common development of all economic players, which is what Xi Jinping outlined as the "development benefit". It can be foreseen that with the economic globalization and the development of China's international economic relations, development benefit will be increasingly prominent. Being determined to exclude interference and consciously safeguarding and realizing development benefits has become the common pursuit of all economic players and the driving force for the continuous development of China in the New Era.

2. Two forms of development benefit and the cause of unequal development

China's development benefit in the New Era are manifested, first and foremost, in the general increase in labor productivity resulting from technological progress, industrial upgrading and rational allocation of resources and in the material wealth that is rapidly increasing and used to meet the growing needs of the people. However, this is only the material form of development benefit. Beyond that, we should also examine it from the form of value, which is particularly important for research under a market economy. This is because in the market economy, material wealth is only the basis of value wealth; it is the value-form that is the basic form of social wealth.

According to Marx's labor theory of value, the relationship between material wealth and value wealth is directly dependent on the pivotal role of the duality of labor—with the changes of labor productivity and under the effect of the duality of labor as the source of wealth, the material wealth and the value wealth move in opposite. When productivity increases, the aggregate of material wealth will increase; the necessary labor time contained in the material wealth per unit will decrease. When productivity decreases, the total material wealth will fall, and the labor time required by the material wealth per unit will increase. However, no matter how the productivity changes, the aggregate value wealth remains unchanged. Such movement is just a manifestation of the law of value implied by Marx in the field of production. It results in three market phenomena: (1) Some producers of commodities with particularly high productivity produce more material wealth per unit of time and use less time to produce a unit of material wealth, and they still determine the value of commodities according to the socially necessary labor spent by most producers of commodities or most commodities production, thus generating more value due to "intensified" effect of the market on labor (Marx, 2009a, p. 370). (2) Some producers of commodities with lower productivity or

commodities requiring more labor time in the production can only determine value according to a relatively less amount of socially necessary labor, so “the excess of time would create neither value nor money” (Marx, 2009a, p. 228), thus reflecting the “squandering” effect of the law of value. (3) Only those majority producers of commodities or commodities with labor consumption consistent with the socially necessary time can have labor consumption compatible with the value wealth created.

The above understanding of the relationship between the two forms of wealth in a market economy is equally valid for the world market: “on the world-market the more productive national labour reckons also as the more intense, so long as the more productive nation is not compelled by competition to lower the selling price of its commodities to the level of their value.” (Marx, 2009a, p. 645). This indicates that, because of the effect of the law of value in the international context, some commodity-producing countries with extremely high productivity spend less labor and obtain more material wealth and value wealth, while some commodity-producing countries with lower productivity spend more labor and get less material wealth and value wealth; only commodity-producing countries with average or normal productivity have the labor input and the value received in line.

Therefore, we can divide the benefits obtained by relevant countries from the international economy into three kinds from the perspective of material form and value form of wealth: (1) “*Leading benefit*”, that is, additional benefits obtained by commodity-producing countries whose productivity is higher with less labor input, which is above the average return, i.e., more material and value wealth. Compared with the productivity of most commodity-producing countries or average global productivity, the higher productivity they have, the more leading benefits they will obtain and the better the conditions provided for capital accumulation and possible monopoly will be. (2) The more lagging behind the commodity-producing countries with low productivity are, the larger the “squandering” in their labor expenditure will be. If they can increase their labor productivity more rapidly through institutional and technical innovation, such “squandering” can be reduced, and more labor can create more material wealth and value wealth, thereby forming the so-called “*development benefit*”. Thus, it is reasonable to argue that, from the value perspective, the so-called development benefit is the more value gained by developing countries by reducing labor “squandering” through making the growth rate of labor productivity in developing countries (represented by DR) higher than the growth rate of the world’s average labor productivity (represented by WR), i.e. $DR > WR$, by means of institutional and technical innovations. (3) As for the commodity-producing countries with the average or general productivity, if their labor productivity generally increases, their total material wealth or the material wealth calculated according to constant price will increase. However, the sum of their actual value wealth does not change. They can only obtain the benefits in material form without extra benefits in value form.

If the above view is tenable, it can also be deduced that in the global economy, the productivity gap among countries will be reduced through common development and the general increase in labor productivity, especially that of backward countries, so that leading countries’ leading benefits in the form of value will decrease while backward countries’ development benefits in the form of value will increase, and their benefits in the form of material will increase generally. On the contrary, the labor productivity gap between countries becomes wider, the more the leading countries get the leading benefits in the form of value, and the more the backward countries squander their labor, inevitably resulting in the deepening of “unequal development” and the tendency of differentiation between developed and backward countries.

The unequal development between developed and backward countries was first raised by the famous left-wing economist Samir Amin (2000) and widely acknowledged by left-wing scholars. These left-wing scholars believed that a major cause of unequal development is the

unequal exchange in the international economy, and the continuous unequal development worsens the unequal exchange in international trade. A number of theories have been developed to explain unequal exchange, and here are the most representative ones: (1) A. Emanuel (1988) raised that the capital could flow freely in the international economy while the labor could not. The developed countries had strong trade union and high wages while the backward countries had weak trade union and low wages, thereby causing the unequal exchange and value transfers between the expensive products in developed countries and cheap products in underdeveloped countries in the international trade. (2) Baran and Sweezy (1977) indicated that it is not the monopoly of trade unions and labor in developed countries, but the monopoly of capital, especially international capital, which implements price manipulation via multinational companies to achieve super-exploitation of international labor and causes unequal exchange in international trade (3) Based on the dual economy theory raised by Prebisch (1959, pp. 251–273). put forward that underdeveloped peripheral countries export raw materials, which are primary products characterized by lower returns and the lower price elasticity of demand, while the central countries export industrial goods, which have a monopolistic market, thus resulting in unequal exchange and value transfers between the two kinds of countries (4) According to Bauer *et al.* (2000), along with the economic globalization and the transformation of international value into international production prices, the value is bound to transfer from the sectors of low organic compositions in backward countries to the sectors of high organic compositions in developed countries, causing the non-equivalent exchange or unequal exchange in a broad sense between developed countries and backward countries based on international production price. Based on the above views, Ricci (2019, pp. 225–245). divided two forms of unequal exchange according to the different elements emphasized, one is the unequal exchange and interindustry transfers of value between different countries, triggered by the old industrial specialization (e.g. 3, 4), and the other is the unequal exchange and intra-industry transfers of value in international scope, resulting from the difference of labor income worldwide (e.g. 1, 2), which further deepens the study of unequal exchange problems.

We believe that the research above is of significance for revealing the causes of unequal development. However, all of these were the analysis limited to the causes of unequal development in the fields of international circulation. In this paper, we focus on the field of international production. We emphasize that like value, the international value is first concerned with production category and taking the socially necessary labor time in the field of material production as social substance. The difference between value and international value is that the scope of effect of the latter does not belong to a specific country but the whole world, and the realization condition turns from domestic circulation to international circulation. The main theoretical contribution of this paper is to explore the causes of unequal development from the field of production and thus to provide a theoretical basis for development benefits and their realization.

In fact, the exploration of unequal development in the field of international production has already been reflected in the works of E. Mandel. In *Late Capitalism*, Mandel (1975, pp. 359–361) analyzed the manifestation of “unequal exchange”. He points out that the commodity exchange between developed countries and backward countries is the exchange of equal international values. However, such equal international values represent unequal amounts of labor. Due to differences in productivity, the exports of developed countries may represent 300 million working hours while the exports of backward countries may represent 1,200 million working hours in the case of equal international values. “Does this exchange of equivalent international commodity values, consisting of unequal quantities of labor, imply an international transfer of value?” Mandel answered this question in the negative. He points out that in the international market, “no transfer of value occurs in the real sense of the word, since labour not remunerated or acknowledged on the market, i.e., socially squandered labour, does not after all create value.”

However, in the domestic market, “that labour which is socially necessary on the national scale (performed under conditions of the social average productivity of labour) is less acknowledged internationally, but is still in fact fully creative of value.” Mandel argues that such kind of international exchange “not contrary to but in consequence of the law of value.”

We agree with Mandel’s basic view, which advocates a focus on the field of international production based on Marxist international value theory to reveal the conditions and causes of unequal development. Research has shown that the international effect of the law of value, especially its intensified effect and squandering effect, is the prerequisite for unequal development between developed and developing countries, and the gap between labor productivity levels of different countries is the direct cause of their unequal development, which is also the historical results [1]. Given this, we can conclude that: Increasing labor productivity faster through institutional and technological innovation, and on this basis, further gradually eliminating all forms of unequal exchange in circulation and continuously reaping the benefits of development, are the fundamental ways for developing countries to escape from the plight of unequal development.

The labor productivity level of China has increasingly improved via the reform and opening-up. According to available data of the World Bank, in terms of the total labor productivity in terms of US dollars earned per worker, compared with 1990 in 2001, the world average annual growth rate was 1.56%, while China’s growth rate was 5.89%, which was much higher than the average world growth level and also higher than that of the US, Japan and India, which were 3.75, 2.25 and 1.51%, respectively [2]. When comparing the data in 2015 with 2000, the world average annual growth rate was 2.26% and the rate of China was 9.05%, which was still far higher than the world’s level and much higher than the levels of the US (1.27%), Japan (0.79%) and India (5.53%) [3]. This shows that the reform and opening-up and the widespread and sustained increase of labor productivity have brought China more and more benefits in both material and value forms. It provides empirical proof of the correctness of the theory of socialist development with Chinese characteristics.

What needs to be discussed below is—Are the benefits above leading benefits or development benefits for China? The data provided in Table 1 indicate that though the growth rate of China’s labor productivity [4] is rapid and obviously exceeds the word growth rate of labor productivity per capita, its absolute value is still lower than the world average. This indicates that, in the context of the world economy as a whole, the labor time consumed for producing a unit of material wealth in China is still relatively much, and squandering exists therein. However, with the continuous increase in productivity, such kind of squandering is decreasing, and the material and value wealth generated by labor input is increasing. Thus, China obtains increasing development benefits of two forms rather than leading benefits.

Suppose we consider the above development benefit from the perspective of the domestic market rather than the world market. The general increase in labor productivity per capita in

Period (Year)	2000	2005	2010	2015	2016	2017
World total labor productivity in terms of USD earned per worker	24,281	26,784	30,382	33,830	34,494	34,609
China’s total labor productivity in terms of USD earned per worker	6554	10,013	16,778	24,324	25,988	27,153
The ratio of China’s productivity to the world productivity (%)	26.99	37.38	55.22	71.90	75.34	78.46

Source(s): Calculated based on the data in Tables 5–8 of *International Statistical Yearbook (2018)*, Beijing: China Statistics Press, 2019 edition

Table 1. Comparison of total labor productivity in terms of US dollars earned per worker (Measured in constant US dollar value and purchasing power parity in 2011)

China indicates that the socially necessary labor time for commodity production in China is gradually decreasing, and some enterprises with higher productivity thereby obtain leading benefits or relative surplus gain, providing conditions for labor and capital to share the (material) benefits of increased labor productivity. Professor Meng (2018) recently emphasized that the theory of relative surplus-value should be taken as a frame of reference for research on the socialist market economy with Chinese characteristics. We agree with this. However, the above empirical evidence suggests that it would be premature to prove that China obtains a dominant position in the international economy and international market through a general increase in productivity, gaining relative surplus-value or leading benefits, from the perspective of the international economy rather than the domestic market. This suggests that the fact that labor productivity in China has gradually increased since the reform and opening-up can be examined from both domestic and international perspectives. Thus, the benefits gained from the increase in productivity are also of a dual nature. This is a common feature of the benefits gained by developing countries in economic development. As will be pointed out in the analysis that follows, recognizing this characteristic is significant for correct policymaking in developing countries.

3. The realization of development benefit and the selection of two development roads

The development benefit refers to the general benefits that various economic entities within developing countries obtain through common development. However, the specific goals of each economic entity are different at the current stage. How can the “development benefits” be realized when each economic entity is pursuing its own benefits?

The 19th National Congress of the Communist Party of China has answered this question clearly: “History has proven and will continue to prove that without the leadership of the Communist Party of China, the national rejuvenation is bound to be an empty dream” (Xi, 2017, p. 16). The practices have shown that the Communist Party of China is indeed the core and mainstay leading Chinese people to realize the collective interests and defend various kinds of hardship, and the guidance of the socialist political economy with Chinese characteristics and scientific development theory is an important prerequisite to ensure the strong leadership and the correct path of CPC. In the following, we further examine the issue of road choice, comparing the development benefit with comparative advantage.

In the international economic theories in mainstream Western economics, comparative advantage is a counterpart concept of development benefit. Obtaining the comparative advantage in international trade and economic development is the result of exploring and determining comparative costs. As long as the principle of comparative costs and benefits is followed, all countries involved in international trade can benefit from it. As long as the principle of comparative costs and advantage is followed, all countries involved in international trade can benefit from it. Formally, the theory is only concerned with the choice of foreign trade path, but since it requires that the economic development strategies of the countries involved in trade adapt to the foreign trade path requirements, it has become the basis for the development paths and policymaking set by mainstream economics for developing countries actually.

The theory of comparative costs and comparative advantage was first raised by David Ricardo as a rejection of Adam Smith’s theory of foreign trade based on the theory of absolute advantage. This theory emphasizes the relative advantages and relative differences in costs in the production of different products of each country in foreign trade and claims that the comparative advantage is a function of relative costs rather than absolute costs, and that each country can benefit from it as long as each country produces and exports relatively low-cost goods (Ricardo, 2009, pp. 114–117). From the beginning to the middle of the 20th century, the theory of comparative advantage evolved into the theory of factor endowment, which became

the basis of modern Western mainstream economic theory of foreign trade, as proposed by the Swedish economist Eli Heckscher and his disciple Berthier Olin and mathematicized by Samuelson. Unlike Ricardo's theory of comparative advantage, which emphasizes relative differences in costs and benefits due to relative differences in resource quality among countries, factor endowment theory emphasizes that "incomes as stemming merely from the relative scarcity or abundance of capital and labor, not from relative productivity, government policies to increase it or the labor-displacing trend resulting from technological progress." (Hudson, 2014, p. 175). The founder of this theory, Heckscher (1919, p. 274) argued that "the prerequisites for initiating international trade may thus be summarized as different relative scarcity, i.e., different relative prices of the factors of production in the exchanging countries, as well as different proportions between the factors of production in different countries." Since both theories emphasize that comparative benefit derives from comparative costs and comparative advantage, despite their different emphasis on comparative advantage, we classify them both as theories of comparative advantage.

It should be admitted that the theory of comparative advantage indeed grasps a vital phenomenon in the market economy: comparison is the prerequisite of decision-making in the market. The advantage can only be found by comparison, and benefits can only be generated from advantages. Essentially speaking, such kind of comparison comes from the requirements on the law of value and market mechanism. This is an important reason for the widespread circulation and expanding influence of the comparative advantage theory. But there are questions: What to compare? How to compare? Compared with development benefits, the comparison method of the comparative advantage theory has significant flaws, thus forming a road different from scientific development.

The first flaw is the theory of comparative advantage insisted on adopting the method of comparative static analysis and failed to correctly predict the sequences of a dual economy of utilizing comparative advantages. According to Ricardo (2009, p. 114), as long as countries play to their respective relative cost advantages, countries will naturally use the capital and labor they have in the industries that are most beneficial to their development, and thus the pursuit of individual benefit can properly be combined with the general benefits of society. Ohlin (1935) reiterated that each region "has an advantage in the production of commodities into which enter considerable amounts of factors abundant and cheap in that region," The comparative advantage theory acknowledges the role of the international division of labor and international trade based on the comparative costs in achieving mutual benefits and eliminating international polarization. However, this is only the conclusion of analyzing the modern market by the short-term static method, which neglects the dominant role of capital in the international market and globalization, and disregards the domination of monopoly capital and the tendency toward a dualistic economy reinforced by the division of labor it advocates. On the contrary, if the long-term dynamic method is adopted, it can be seen that in recent history, the products of labor-intensive industries have tended to be primary products, with backward countries becoming exporters of such primary products and capital-abundant countries generally becoming exporters of industrial products. Hudson (2014, p. 174) indicated that: "since the nineteenth century an increasing disparity in factor proportions has emerged between capital-rich and capital-poor countries. Nations with high investment per capita have become more self-sufficient in food as well as in manufactured products. Countries with little capital have become relatively poorer, with high population growth rates. This has shrunk their capital/labor ratio, but not increased their competitive advantage in labor-intensive products." The so-called "smile curve" in the integrated production model, the aforesaid gap of labor productivity between the developed and developing countries, and the "unequal development" of these countries are important manifestations and results of the dual economy, the "unequal, international specialization" (Amin, 2000, p. 168) and the dependency economy currently.

Unlike the theory of comparative advantage, *the idea of development benefit regards the long-term dynamic analysis as a must of theories and methodologies. It takes sustainable development as the foundation and critical point for resolving all problems in China.* Xi Jinping (2017) indicates that “the development should be scientific, and the ideology of innovative, coordinated, green, opening and shared development should be implemented consistently” (Xi, 2017, p. 21) and China should “consider the domestic and international situations as a whole, implement the policy of peaceful development unswervingly, and practice the mutually beneficial and double-winning opening strategies on such basis” (p. 25), creating a new stage of building international economic relations.

Second, the theory of comparative advantage insisted on the idealist conception of history and failed to profoundly instruct the critical effect of economic relations and superstructure on promoting (or hindering) economic development. According to historical materialism, all economic activities are performed under the effect of particular economic relations and superstructure. A certain kind of productivity, including the costs and advantages of the current period, is always the result of long-term accumulation and interaction of previous periods’ economic and social relationships and the productivity in the current period. The comparative advantage theory neglected the long-term tendency of worldwide economic transformation and even negated the historical nature of resource endowment of a specific country in making strategies for economic development. Ricardo raised a proposition that “land has an original and indestructible productivity,” which was criticized by Marx (1973, p. 273) harshly. Heckscher (1919, p. 274) put forward that “no attention is paid to the advantages one particular country may achieve by means of protection, in altering the relation between the supply and demand of a certain commodity” and affect various elements in the production. Regarding it, the US left-wing economist Hudson (2014) pointed out that according to the theory of factor endowment, “countries are ‘endowed’ with their proportions presumably by nature, not self-endowed by government policy. The theory thus avoids discussing protective tariffs, subsidies or other policies to shape market forces, and not even the training and education of labor to use sophisticated capital.” (p. 175). However, modern history showed that the advantage of one country surpassing another country was not pleasant but cultivated. The “factor endowments”, capital formation and economic infrastructure have been brought in to being more by policy than by nature”, (p. 278) The theory of comparative advantage denied the vital effect of economic relations and governmental policies on economic development and was discrepant to the history and reality of world economic development but inherited from the method of short-term static analysis.

From the perspective of form, the economic development modes of China have undergone a procedure from highly depending on cheap labor force and developing labor-intensive industries to developing capital-intensive industries based on the rapid increase in the capital-labor ratio since the reform and opening-up. This seems to be proof of the theory of comparative advantage. However, we believe that this is actually a manifestation of the continuous adjustment of economic relations, interest relations and various policies by the Communist Party and the government of China based on the condition of productivity to improve labor productivity gradually. During the initial period of reform and opening-up, the modes of economic development were indeed the labor-intensive economy (e.g. agriculture) and the economy of combined labor and capital (e.g. industry), which was the basic situation of productivity in China then. The only way for China to improve productivity was to reform the traditional system, mobilizing workers through the rural household contract responsibility system and the urban contract responsibility system and allowing the development of individual economy. When enterprises and individuals had accumulated certain capital, China implemented policies to establish a modern enterprise system in state-owned enterprises, support and guide the development of the non-public economy, actively

introduce foreign investment and develop modern agriculture, which led to a gradual improvement in the technological composition of China's economy, a gradual change in the modes of China's development and a further increase in labor productivity. Currently, China is in a new development stage with high-quality development. This shows that the development course of China since the reform and opening-up is the process of taking the innovation of production relations and superstructure as a breakthrough, realizing positive interaction of three dimensions: productive forces, production relations and superstructure and providing institutional and technical conditions for the transformation of China's economic development mode, thus making China's economic development meets the requirements of the general law of socialized production development under the market economy and achieving improved productivity faster. *The advantages thus formed can only be called dynamic development advantage, and the benefits obtained thereby can only be called development benefits.* The theory of comparative advantage only gave a one-sided or distorted mirror image of this process.

We want to emphasize the role of opening-up in increasing productivity through institutional innovation and gaining development benefits. As most contemporary left-wing economists believe that unequal exchange is the cause of unequal development, they claim "the theory of disconnection" and support the policy of "import substitution". However, China's opening-up indicates that though the "disconnection" can reduce the labor transfer caused by irrational international labor division and international monopoly, it also restricts the technical progress and increase in labor productivity, causing labor waste. In contrast, China's opening-up in various forms makes China obtain technological spillover effects and interact with independent innovation, which is a vital way for China to improve labor productivity constantly.

Third, the theory of comparative advantage insisted on the incorrect theory of value and failed to disclose the source and nature of comparative benefit scientifically. The comparative advantage theory held that as long as the principle of comparative advantage was implemented in economic activities, benefits would be generated from foreign trade. However, what is the source and nature of this comparative advantage? Modern Western theories on development closely guarded a secret for this or discussed it as "bonus", which showed the intrinsic property of market fetishism. In contrast, Ricardo, who raised this theory, tried to discuss this problem. He pointed out that the exchange should be made based on equal value according to the labor theory of value. However, according to the theory of comparative advantage, "the fruits of labor of 100 Englishmen can be exchanged for those of 80 Portuguese, 60 Russian persons, or 100 persons from West Indian Peninsula." Why? Since Ricardo failed to understand the essence of value, he claimed that "the rules determining the relative value of the commodities in a certain country is not applicable for determining the relative value of the commodities exchanged between two countries or among more countries (Ricardo, 2009, p. 116, p. 114). However, Ricardo did not give the rules for determining the relative value of commodities in international trade. It is difficult for economics to become a complete and scientific economic theory if international economic problems cannot test it. The theory of comparative advantage was just such a kind of theory that could not be called scientific. Neoclassical economics, based on the marginal utility theory, confused use-value and value, and it is even more difficult for such theory to distinguish between use-value benefits (material wealth) and value benefits (value wealth) obtained through international exchange and to explain the nature of the latter.

Marx (2009c, pp. 91–92) defined the essence of value as the relationship between producers of commodities based on general human labor and expressed through materials. This basic rule provides a clue for connecting and understanding a series of categories and judgments made by Marx, such as individual value, value, market value, extra surplus-value, surplus profit, country-specific value, international value, "intensified labor", "more productive

national labour reckons also as the more intense” and provides a basis for understanding the source and nature of the developmental benefits of value forms. Accordingly, we can define the source of development benefits in the form of value as the labor that was once squandered but is now acknowledged and define its essence as the dynamic catching-up relationship between developing countries and developed countries expressed by the increasing commodities through the continuous improvement of productivity. To safeguard development benefits is not only to safeguard the increasing material benefits obtained through reforms but also to safeguard the developing countries’ right of development, which ultimately leads to a path of “common development” for all countries in the world (Xi, 2017, p. 71).

In terms of the relationship of commodity exchange between developed and backward countries, Marx once (2009b, p. 265) pointed out that in such transactions, “the latter may offer more materialised labour in kind than it receives, and yet thereby receive commodities cheaper than it could produce them”, and they could obtain surplus profit thereby. The great mainstream economist in Western countries, Samuelson also (1999, p. 556) raised that “countries will benefit from trade if they import products that are relatively costly for them to produce” and regarded it as the main path for developing countries to realize comparative benefits. It indicates that there is indeed a road to develop via comparative advantage in the real economy. However, we must point out that this road is a road of unequal development; in other words, it is the road to dependency. This is because the surplus profits or comparative benefits gained by developing countries in such transactions are premised on the developing countries’ long-term dominant position and leading benefits, which are completely different from the development benefits and the catching-up relationship between developing and developed countries formed through dynamic catching-up. According to the profiting logic of such kinds of transactions, it can even be deduced that if the productivity of developed countries is higher and the productivity of backward countries is lower, in other words, the bigger the gap between them, the more comparative benefits the backward countries get through the trade. Obviously, such profiting of minor people (the ruling class and oligarchs controlling international trade) is at the cost of the backwardness of the whole country. It will aggravate international and domestic economic and social polarization and is never the development benefit generated by improving productivity faster and reducing the gap.

This indicates that in the context of globalization, when we examine changes in developing countries’ labor productivity and the relative surplus-value or development benefits associated with them, we must combine the domestic and international perspectives, consider the issues and make deployments from the international perspective based on the dynamic international effect of domestic development and transform the development benefits into people’s interests. It is critical not to take the position of a few people and see the private interests of the few as the benefits of a country. Acemoglu and Robinson (2012) once questioned, “why nations fail?” Our answer to it is: The domination of oligopolistic capital is the root cause of the failure of development in some countries, and the theory of comparative advantage covered the final evil consequence of this road.

Practices have proved that under the leadership of CPC, China has broken through the trap set by the comparative advantage theory. This shows from one aspect that the leadership of the CPC, the basic economic system and political system of socialism with Chinese characteristics, scientific development with three-dimensional positive interaction as the core, obtaining dynamic development advantages and development benefits and sharing the development benefits with the people are the guarantee of breaking through the trap of comparative advantage. These points are precisely the basic framework of development economics with Chinese characteristics with development benefits as the core, as revealed in this paper.

4. The conflict of economy and trade between China and the US and the contest between two development roads

Developing countries have made long and hard efforts and struggles to achieve development and obtain development benefits, and the developed countries inevitably suppress and destroy the development of developing countries by various measures to maintain and expand their leading benefits and monopoly benefits. Frictions and conflicts between the two are inevitable. The conflicts of trade between China and the US in recent years are a concentrated manifestation.

The US-China trade friction has been for a long time and suddenly escalated in 2018, rapidly developing into a trade war and showing an expansion into other areas. This conflict was initiated by the then government of the US, and China had to accept the challenge. However, China should fight for the initiative in the conflict. As a developing country, how can China gain the initiative and be active in this conflict? An important prerequisite is to clarify the nature of this conflict and the strategic goals of both sides for realizing China's strategic initiative and final goal.

As for the US, the strategic goal of the trade war initiated by the US government obviously not lies in the economy and trade but to restrict the scientific progress and improvement of labor productivity in China, hinder China's development and maintain the vested interest of the US. Data have shown that the rapid growth of China is threatening the US' leading position, leading benefits and monopoly benefits. Table 2 below shows the total labor productivity of the US and China from 2000 to 2017, calculated by US Dollar earned per worker. The data indicate that in the dynamic competition on labor productivity, although the labor productivity gap between China and the US is still relatively large, it has been narrowed by an annual rate of 7.01%. If we take into account that this gap is calculated through value-form wealth, which is necessarily affected by the "intensified" effect of the market economy, and that its space is becoming narrower due to inherent contradictions (Ding, 2017), we can conclude that this gap will be further reduced as China's labor productivity grows faster. This is a major issue that keeps the elite in the US awake at night and the direct reason they initiate the trade war against China and contain China with all their strength.

From the perspective of the history of the world economy and the history of economic thought, we can by no means regard this conflict as an accidental event between China and the US. Hudson (2014, p. 413) pointed out that "from the English mercantilists through early free traders and from protectionists among English landowners to American and German industrialists, the most important policy inspiration has been the desire to understand the world's polarization tendencies: how nations pull ahead of others or get left behind in a position of economic and financial dependency." "From either perspective the basic task of international economics is to explain how rich nations may achieve widening productivity and cost advantages for their industry and agriculture, compared to how the colonial and post-colonial periphery has been malformed by ... the Monoculture Syndrome with its

The contest between two roads

Period (Year)	2000	2005	2010	2015	2016	2017
Total labor productivity of US in terms of USD earned per capita	92,141	101,979	107,881	111,580	111,587	111,056
Total labor productivity of China in terms of USD earned per capita	6554	10,013	16,778	24,324	25,988	27,153
The ratio of the US productivity to China's productivity	14.06	10.18	6.43	4.59	4.29	4.09

Source(s): Calculated based on the data in Table 5–8 of *International Statistical Yearbook (2018)* (Beijing: China Statistics Press, 2019 edition)

Table 2. Comparison of total labor productivity of the US and China in terms of US dollars earned per capita (Measured in constant US dollar value and purchasing power parity in 2011)

economically and politically obsolete labor, agriculture, capital and oligarchic governments.” Although contemporary mainstream Western international economics denies this theme.

Since China’s reform and opening-up, the US has been importing international economics with the feature of neoliberalism into China while reaping substantial leading and monopoly benefits through developing trade relations with China. The mainstream trade theories therein pretend that free trade and the removal of capital controls will equalize world income without increasing foreign dependence. However, the Washington Consensus rejects the policies that gave the leading nations their own industrial, agricultural and financial advantages in the first place. US politicians told the followers of the Washington Consensus that in practice, they should “follow my present words and should not follow what I did in the past”. Such inconsistency between words and deeds and hypocrite has set the first obstacle to China’s development.

When China steers by the obstacles set by mainstream Western economics and realizes the success in development and continuously obtains development benefit by its way, the US government’s attitude changes abruptly—it decides to prevent the development of all countries that might threaten the international economic position and leading benefits of the US, to perpetuate the “world leadership” and the dependence of other countries on the US. Also, its trade policies have shifted from advocating free trade to protecting trade with the attempt to expand this conflict to all possible areas, setting the second obstacle to China’s development.

From China’s perspective, the primary purpose of China’s rising up to fight against the trade war initiated by the US is to safeguard its development right and development benefits and to realize the great rejuvenation of the Chinese nation. However, China’s development is in no way intended to prevent developed countries from receiving more material benefits through increased productivity, much less to compete for its own dominant position in the world economy. Suppose China’s rapid development and the US-China trade conflict are regarded as a struggle for international economic dominance. In that case, it means that sooner or later, China will fall into the traditional trap caused by the international role of the law of value and the law of surplus-value and eventually follow the old capitalist path, which is completely contrary to the Communist Party of China’s goal of building the community with a shared future for humankind and establishing new-type international relations and the road to common development.

The answer can be given if we look beyond the narrow vision of the bourgeoisie, especially neoliberalism and take a materialistic-historical approach to the issue from the perspective of economic globalization as a background and the interests of humanity as a whole, especially interests of developing countries. Xi (2017, pp. 45–46) pointed out in the report of the 19th National Congress of the Communist Party of China that “the CPC is a party seeking the happiness of Chinese people and a party struggling for the career of human progress. It has always taken it as its mission to make new and greater contributions to humans.” Based on this standpoint, and in terms of new scientific and technologic revolution as well as productivity, the strategic goal of China is to break through and get rid of the control and monopoly of the developed capitalist countries on the development of productive forces and high technology and to further liberate and develop productive forces. What the US has done is precisely a prominent manifestation of monopoly capital hindering the development of productive forces. From the perspective of international economic relations, it is to establish a new type of international relationship and order. The relationship is not characterized by the domination of the international economy and international order by a few countries or allowing unequal development and economy polarization between developed and developing countries. It is about mutual respect, equal consultation, adherence to dialog to resolve disputes and consultation to settle differences, promotion of trade and investment liberalization and facilitation, respect for the diversity of world civilizations and protection

of the global home on which mankind depends for survival. These elements constitute the basic provisions of the Communist Party of China's proposal to build a community with a shared future for mankind and a new type of international relations and international order. This shows that China's purpose of promoting rapid technological development and increasing productivity through reform and opening-up is never to enjoy the benefits of leadership and monopoly, but to promote the construction of a new type of international relations, gradually narrow the gap in productivity levels among countries, so that all peoples of the world can share the benefits of development and take an important step toward the realization of a world commonwealth on the road of common development. This is the "original intention" of the Communist Party of China, China's government and Chinese people in the conflict between the US and China.

History has proved or will prove that this is the contest between two forces, two roads and two tendencies. It is inevitable and not subject to individual will and is long, arduous and even tortuous. We must recognize that constraining China's development is by no means the will of any particular government in the developed West, but rather the choice of the interests of the dominant elite, i.e., the ruling class. A change in government in the US may result in a different focus and approach to restraining China because of the different interest groups or classes of the ruling class it represents, but its fundamental goals will not change. Therefore, at the current stage of China, "do our own business, establish bottom-line thinking" and "put the development foothold at home" is still an important basis of work (Xi, 2020). Thus, Chinese people should continue to follow the requirements of the Party Central Committee, insist on well completing domestic work, especially economic work, promote high-quality development as the theme, unswervingly implement the new development concept, deepen the supply-side structural reform as the mainline, improve labor productivity as the core and focus on technological innovation, laying the foundation for strengthening the comprehensive strength and improving the international competitiveness of China. We believe that as long as people adhere to scientific development and with the joint efforts of all peoples, developing countries will gain more and more development benefits [5], while the value-form leading benefits and monopoly benefits obtained by developed countries through leading and monopolizing will tend to decrease. As a result, the trend of "unequal development" in the international economy will take a major turn, which will be the critical content of the major change in the world.

Notes

1. According to Marx (2009a, p. 596), "capital with its accompanying relations springs up from an economic soil that is the product of a long process of development. The productiveness of labor that serves as its foundation and starting-point, is a gift, not of nature, but of a history embracing thousands of centuries."
2. Calculated based on the data in Table 5–8 of International Statistical Yearbook (2003) (Beijing: China Statistics Press, 2004).
3. Calculated based on the data in Table 5–8 of International Statistical Yearbook (2018) (Beijing: China Statistics Press, 2019).
4. In this paper, the GDP created by per employed person is used to represent the labor productivity of per worker.
5. According to David Abuchar Luna (2019), while Western countries always teach China a lesson presumably, China is busy developing economy and making hundreds of millions of people get rid of poverty. During this process, there were also hundreds of millions of people getting rid of poverty in other developing countries. Benefited from the rise of China, many developing countries narrow the gap of wealth. In contrast, those Western countries have only made the gap of wealth in developing countries wider.

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