

Making Solid Progress Toward Common Prosperity*

President of the People's Republic of China Xi Jinping

"Bringing prosperity to all is an essential requirement of socialism, as well as an important feature of Chinese-style modernization. The common prosperity we are working to achieve is for everyone, and covers enrichment of people's lives in both the material and non-material sense. Even in the future when we have reached a higher level of development, we still must not aim too high, and steer clear of the idleness-breeding trap of welfarism."



AFTER THE LAUNCH OF REFORM AND opening up in 1978, through a thorough review of both positive and negative historical experiences, our Party (Communist Party of China) came to realize that poverty is not socialism, and thus began breaking down the constraints of outdated systems. This allowed some areas and some people to become better-off first, and drove the liberation and development of productive forces.

Since the 18th CPC National Congress held in 2012, the Central Committee has kept a firm grasp on new changes in our stage of development, and given greater weight to gradually achieving the goal of prosperity for all. To this end, our Party has promoted coordinated development between different regions, and adopted effective measures to improve people's wellbeing, win the battles to eradicate extreme poverty and build a moderately prosperous society in all respects. These efforts have created conditions

conducive to bringing about prosperity for all. We have thus advanced into a historical stage in which we will make solid steps toward common prosperity.

We are now marching toward the Second Centenary Goal of building China into a great modern socialist country. In response to the evolution of the principal challenge facing Chinese society and people's growing needs for a better life, we must make achieving common prosperity the focus of the Party's efforts to seek happiness for all Chinese people, which will in turn solidify the foundations of the Party's long-term governance. High-quality development requires high-caliber workers. Only by promoting common prosperity, increasing urban and rural incomes, and improving human capital can we raise total factor productivity and build a strong base of momentum for high-quality development. We are now living in a world in which income inequality

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is a glaring problem. Some countries have witnessed the growth of a huge gulf between rich and poor and the collapse of the middle class, which has led to social division, political polarization, and a surge of populism. This is a profound lesson. We in China must make resolute efforts to prevent polarization and promote common prosperity in order to safeguard social harmony and stability.

Meanwhile, we must be soberly aware that unbalanced and inadequate development remains a prominent problem in China. In particular, there are large disparities in both development and income distribution between rural and urban areas, and between regions. The latest round of scientific and technological revolution and industrial transformation has not only given a strong push to economic development, but also exerted a profound impact on employment and income distribution. This includes certain negative impacts that we must take effective steps to address.

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Bringing prosperity to all is an essential requirement of socialism, as well as an important feature of Chinese-style modernization. The common prosperity we are working to achieve is for everyone, and covers enrichment of people's lives in both the material and non-material sense. It is not prosperity for a minority, nor is it rigid egalitarianism.

We should undertake thorough research on targets in different stages, and advance common prosperity in phases. By the end of the 14th Five-Year Plan period (2021-2025), we will have made solid progress toward bringing prosperity to all, while gaps between individual incomes and actual consumption levels will gradually narrow. By 2035, we will have made more notable and substantive progress toward common prosperity, and equitable access to basic public services will be ensured. By the middle of this century, common prosperity will be basically achieved, while gaps between individual incomes and actual consumption levels will be narrowed to an appropriate range. To reach these goals, we must promptly formulate an action plan for promoting common prosperity, and devise rational and workable systems of targets and methods of evaluation that suit China's national conditions.

There are four principles that we must adhere to in advancing common prosperity.

First, encouraging people to pursue prosperity through innovation and hard work

Just as a happy life is achieved through hard work, common prosperity can only be created with ingenuity and effort. We must stay committed to ensuring and improving people's wellbeing through development. Making high-quality development the top priority, we will create more inclusive and equitable conditions for people to further their education and enhance their capacity for self-development. This will boost human capital and improve specialized skills throughout society, build up people's capacity to find jobs and start businesses, and make



President Xi Jinping chaired and delivered a key speech at a forum on high-quality follow-up development of the South-to-North Water Diversion Project in Nanyang, Henan Province. He is seen here the day before the meeting chatting with locals in nearby Zouzhuang Village at a green farm producing vegetables and fruits set up with business development fund for people relocated as a result of the water diversion project, May 14, 2021. (Wang Ye/Xinhua, 2021)

people better able to achieve prosperity. We must prevent rigidified social strata by maintaining clear channels for upward mobility and creating opportunities for more people to become better-off. By doing so, we will foster a development environment that encourages everyone to participate and dissuades them from getting lost in the ideas of “lying flat” and “involution.”

Second, upholding our basic economic system

We must base our work on the reality that China remains in the primary stage of socialism, and reaffirm our commitment to the development of both the public and non-public sectors of the economy. We must uphold the predominance of public ownership while also allowing various forms of ownership to develop side by side, so as to leverage the important role of the public sector in advancing common prosperity. Meanwhile, we should also promote health-

hy growth of the non-public sector of the economy and of people working in this sector. While allowing some people to become prosperous first, we should lay more stress on pushing these people to give a helping hand to those following in their wake. In particular, we should encourage people inspiring others to pursue prosperity through diligent work, entrepreneurship, and legitimate business activities. Improper means of acquiring wealth must not be encouraged, and breaches of laws or regulations must be handled in accordance with the law.

Third, doing our utmost while working within our means

We must set up a rational public policy framework and form a reasonable pattern of distribution in which everyone gets a fair piece of the pie. We must make greater efforts and adopt more effective measures to see that the people have a greater sense of fulfillment. But at the same time, we must

also be aware that the gap between China and developed countries in terms of level of development remains large. Taking into account both what is necessary and what is possible, we must ensure and improve people's wellbeing whilst maintaining the sustainability of our economic development and financial resources. We must not be overly ambitious or get people's hopes up by making promises that we are not able to keep. The government cannot take on everything. Instead, its main responsibility should be strengthening the development of projects related to public wellbeing that are fundamental, inclusive, and focused on meeting basic needs. Even in the future when we have reached a higher level of development and are equipped with more substantial financial resources, we still must not aim too high or go overboard with social security, and steer clear of the idleness-breeding trap of welfarism.

Fourth, pursuing incremental progress

As a long-term goal, achieving common prosperity will take time. We cannot expect to accomplish it overnight. We must have a full picture of the long-term, complex, and onerous nature of this goal, and recognize that to realize it we can neither wait around nor be too hasty. Some developed countries began industrializing centuries ago, yet as a result of deficiencies in their social systems, they have not only failed to crack the problem of common prosperity, but are facing increasingly severe disparity between rich and poor. We must therefore be patient, and work one step at a time to ensure that our efforts produce concrete results. While making solid progress in building Zhejiang Province into a demonstration zone for common prosper-

ity, we must also encourage other areas to explore effective paths tailored to their own conditions. We will draw together experience, and then gradually apply it in other areas.

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Our general guidelines in this regard are to adhere to the people-centered philosophy of development, promote common prosperity through high-quality development, and properly balance the relationship between equity and efficiency. We should establish basic institutional arrangements enabling coordination and complementarity between the primary, secondary, and tertiary distribution. We should intensify our efforts to regulate distribution through taxation, social insurance, and transfer payments while also working to make these efforts more precise. This will help us expand the relative size of the middle-income group, raise incomes among low-income earners, properly adjust excessive incomes, and prohibit illicit income, creating an olive-shaped distribution structure that is larger in the middle and smaller at each end. By doing so, we will be able to promote social fairness and justice and people's well-rounded development, and make solid strides toward the goal of common prosperity for all.

To achieve this goal, we will focus our efforts on the following six areas:



President Xi Jinping speaks to locals taking part in ethnic cultural activities for the Double Third Festival outside the Anthropology Museum of Guangxi in Nanning on the morning of April 27 during a tour of Guangxi Zhuang Autonomous Region, April 25-27, 2021. (Xie Huanchi/ Xinhua, 2021)

1. We will work to make our development more balanced, coordinated, and inclusive.

We will accelerate efforts to improve the socialist market economy, and promote more balanced, coordinated, and inclusive development. In order to make regional development more balanced, we will implement major regional strategies and coordinated regional development strategies, refine the transfer payments system, reduce gaps in per capita fiscal spending between regions, and increase support for underdeveloped areas. We will also work to boost coordination in development between different industries. To this end, we will expedite reform of monopoly industries and promote coordinated development between the real economy and the financial and real estate industries. Moreover, we will support the development of small and medium-sized enterprises, and create an environment in

which enterprises of all sizes develop in an inter-reliant and mutually reinforcing manner.

2. We will strive to expand the size of the middle-income group.

Focusing on key groups, we will take targeted measures to help more low-income earners enter the middle-income bracket. Graduates with higher education are an important source for populating the middle-income group. We must therefore raise the quality of higher education, seeing that students are able to acquire a specialty from schools and apply this specialty in practice. In this way, we will help graduates adapt to the needs of social development as quickly as possible. Technical workers also represent an important part of the middle-income group. With this in mind, we will step up training of skilled personnel and increase wages among technical workers in order to attract more high-caliber talent to join their ranks.

Owners of small and medium-sized enterprises as well as self-employed people are part of an important group building wealth through entrepreneurship. To help them maintain steady business operations and enjoy sustained growth of income, we will improve the business environment, reduce tax burdens, and provide more market-based financial services.

Low-income groups are the key target of assistance and support in our efforts to promote common prosperity. We must increase investment in human capital that covers all groups, ease the education burden on families facing difficulty, and raise the education levels of children of low-income families.

With regard to rural migrant workers, who constitute another important source of middle-income earners, we will deepen reform of the household registration system, and address problems related to education for children living with their parents who are from rural areas but now working in cities, helping them hold steady jobs and feel more at ease about living in the city. We will appropriately raise the pay packages of public servants, especially those working at the local level, as well as primary-level workers of state-owned enterprises and public institutions. Additional steps will be taken to boost income generated from urban and rural houses, rural land, and financial assets.

3. We will promote equitable access to basic public services.

Low-income groups are the key target of assistance and support in our efforts to pro-

mote common prosperity. We must increase investment in human capital that covers all groups, ease the education burden on families facing difficulty, and raise the education levels of children of low-income families. By refining the pension and medical insurance systems, we will narrow gaps in funding and benefits between working and non-working individuals, and between urban and rural residents step by step, and gradually increase basic pension benefits for rural and urban residents. We will improve the assistance system for basic needs, working faster to reduce disparities between urban and rural social assistance standards and gradually raising minimum subsistence allowances for both urban and rural residents in order to ensure that people's basic needs are met. We will also take steps to improve the housing supply and support systems. Acting on the principle that houses are for living in rather than for speculation, we will encourage both renting and purchasing of housing, implement city-specific policies, refine policies for long-term rental housing, and increase the supply of government-subsidized rental housing. Priority will be given to addressing the demand for housing from new urban residents.

4. We will adopt more rigorous measures to regulate high income.

While ensuring that legitimate income is protected in accordance with the law, we must also prevent polarization and eliminate unfair practices in distribution. We will regulate excessively high income in a reasonable manner, improve the personal income tax system, and standardize the management of capital gains. We will make active and prudent efforts to advance real estate tax legislation and reform,

and carry out trials in this regard. We will enlarge the role of consumption-based taxes in regulating distribution, and look into expanding the scope of excise taxation. We will strengthen standardized management over public interest and charitable endeavors, and improve preferential tax policies in order to encourage high-income groups and enterprises to give more back to society. We will put unreasonable incomes in check, and intensify efforts to regulate income distribution in monopoly industries and state-owned enterprises. In particular, we will rectify abnormalities such as increasing executive incomes under the guise of reform so as to set income distribution straight. We will strictly prohibit unlawful income, take determined steps to stop influence peddling, and crack down on methods of obtaining illegal income including insider dealing, stock market manipulation, financial fraud, and tax evasion.

Bringing prosperity to all is highly integrated with our efforts to promote well-rounded human development. We must reinforce the guiding role of core socialist values, and strengthen education on patriotism, collectivism, and socialism.

After years of experiment, we have developed a complete package of measures to tackle poverty, but we still need to build up experience on how to achieve prosperity. We will strengthen protection of property rights and intellectual property rights, and ensure that legitimate activities to acquire wealth are protected. We must firmly oppose disorderly expansion of capital, establish negative lists for access to sensitive fields, and intensify an-

ti-monopoly oversight. Meanwhile, we must energize entrepreneurs, and promote sound and well-regulated development of all types of capital.

5. We will strive to achieve common prosperity also in a non-material sense.

Bringing prosperity to all is highly integrated with our efforts to promote well-rounded human development. We must reinforce the guiding role of core socialist values, and strengthen education on patriotism, collectivism, and socialism. By developing public cultural undertakings and improving the public cultural service system, we will continue to satisfy people's diverse, multileveled, and multifaceted demands in the intellectual and cultural sphere. We must also do better at guiding discourse on the push for common prosperity, clear up confusion among people with a lack of solid understanding, and ensure that people are not too eager for quick results or afraid of facing challenges, thereby cultivating a favorable environment of public opinion for advancing common prosperity.

6. We will bring common prosperity to rural areas and rural residents.

The most arduous and formidable tasks in advancing common prosperity still lie in rural areas. While we need to press ahead with common prosperity in rural areas, it is inadvisable to quantify targets like we did in the poverty alleviation campaign. We will consolidate and build upon the success we achieved in the fight against poverty. In doing so, we will strengthen monitoring over people at risk of lapsing or relapsing into poverty,



Chinese President Xi Jinping in the symposium on advancing the high-quality follow-up development of the South-to-North Water Diversion Project, in Nanyang, central China's Henan Province, May 14, 2021. (Wang Ye/ Xinhua, 2021)

and be prepared to take quick action to help them if needed. We will also continue to give a leg up to counties that have been lifted out of poverty so as to guard against new poverty or large-scale relapse into poverty. We must make all-round efforts to implement the rural revitalization strategy. For instance, we will accelerate agricultural industrialization, put rural assets to use, and increase the property income of rural residents, thereby helping them become prosperous through hard work. We will boost development of rural infrastructure and public service systems, and improve the living environment in rural areas.

To sum up, I believe that achieving common prosperity is a holistic concept in the same vein as building a moderately prosperous society in all respects. Common prosperity is a goal for all of society, and therefore we should

not break it up into separate goals for urban and rural areas or for the eastern, central, and western regions. Instead, we should adopt an overall perspective. In order to achieve common prosperity for 1.4 billion people, we must put in persistent effort and maintain a realistic attitude. Our goal is neither to bring prosperity to everyone simultaneously, nor to see that regions reach a certain level of affluence all at the same time. Different groups of people vary not only in terms of the level of prosperity they can potentially achieve, but also the length of time they need to achieve it. Furthermore, it would be impossible to develop all regions at the same pace because of the gaps in wealth that still exist between them. This is a dynamic process of pushing ahead, and we must put in continuous effort to reap continuous results. 🌸

This was an excerpt from General Secretary Xi Jinping's speech at the 10th meeting of the Central Financial and Economic Commission on August 17, 2021.