

# Rethinking on Efficiency and Equity in a Socialist Market Economy with Chinese Characteristics

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**Abstract:** The basis of economic development is efficiency and fairness, and the level of social productivity determines the production relations and market competition, so it is necessary to adhere to the people-oriented in the market economy system. China's economy has been growing rapidly since the reform and opening up, but the world is becoming increasingly prominent in terms of resource allocation methods and inter-regional flows. In order to achieve this goal and make it continue to move forward at a faster pace, we need to constantly improve the pace and direction of the socialist economic system reform system construction, improve the level of efficiency to further promote the enhancement of social productivity and the degree of social progress of the whole country, we need to adhere to the economic development as the center, so as to achieve the overall progress of society.

**Keywords:** Characteristic Socialism; Economics; Equity and Efficiency

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## 1. Introduction

Efficiency and fairness are important elements in modern economic society, which also determine to a certain extent whether a country or nation can develop sustainably, and the continuous improvement and progress of China's socialist market economy system has an impact on the internal structure of our enterprises. In the current situation, what we must make clear is efficiency and fairness, and not the blanket pursuit of high efficiency. Therefore, how to improve the rate of resource allocation to maximize the use of resources has become one of the most important issues to be considered at the moment. The first and foremost problem to be solved is to coordinate the relationship between the various elements of the economic market and make the best combination of them so as to achieve the optimal effect, and the allocation system is one of the important links. This paper first analyzes the relationship between fairness and efficiency de from the perspective of economics, and then proposes the path to improve the efficiency of public economy and non-public economy, and finally, this paper also analyzes the path to improve the efficiency of public economy and non-public economy, so as to achieve the harmonious, stable and healthy development of socialism.

## 2. Theoretical Analysis of the Relationship between Equity and Efficiency from an Economic Perspective

### 2.1 Theoretical Analysis of Fairness and Efficiency in Western Economics

In Western economics, equity and efficiency are considered as two concepts of universal significance because there is a causal relationship between them. On the other hand, if one invests too much time and energy, the quality of work will be lowered, which means the cost of wasting time and even leads to the decline of economic efficiency; therefore, both fairness and efficiency are considered as a subjective meaning of "input" and "income distribution". Therefore, both fairness and efficiency are considered to be

subjective concepts of the relationship between "input" and "income distribution". In Western economics, fairness and efficiency are considered to be a contradictory relationship, and there is a unity of opposites between the two; and they are constantly changing with economic development and social progress <sup>[1]</sup>.

## **2.2 Theoretical Analysis of Marxist Economic Concept of Fairness and Efficiency**

Marx's theory of fairness is a summary of the laws of capitalist economic development, which also reflects the basic principles of socialist market economy. (1) Analysis of the relations of production: First of all, "people" should be taken as the basis. Secondly, in material distribution, the proportion of labor remuneration and income gap should be determined on the basis of pay for work and contribution rate; again, the social system should adhere to the method of pay for work and calculation of wages on the basis of contribution rate; finally, the social status should be equalized and rationalized, so as to meet the requirements of the principle of fairness under the conditions of socialist market economy. (2) Analysis from the aspect of distribution relationship: Fairness is the basis of social and economic development and the most important factor in achieving the goal of socialist market economy, and there is a close connection between efficiency and fairness. Therefore, the principle of efficiency and reasonable allocation of resources should be followed when formulating the enterprise system. (3) Analysis from the aspect of taxation system: Efficiency and fairness are complementary and mutually reinforcing. If the production and operation activities of enterprises produce untrue information or false data, it will lead to the loss of national tax money; if economic efficiency is improved and administrative costs are reduced, it can also increase government revenue and improve the level of public welfare and other positive effects. Therefore, the market behavior should be regulated through tax management of taxpayers.

## **3. The Path of Efficiency Improvement of Public and Non-public Economy**

### **3.1 The Path of Micro-efficiency Improvement of the Public Sector Economy**

From the perspective of China's national conditions, the public sector economy is the main and most representative subject in the socialist market economy with Chinese characteristics. However, due to the fact that before the reform and opening up, state-owned enterprises have been in monopoly position. Therefore, the efficiency within the enterprise unit is not high. The following measures can be taken: (1) Improve the management system of state-owned assets. The main source of state-owned enterprise assets in China is state investment, but the lack of effective supervision has caused the loss of state-owned capital, therefore, increase the supervision and control of state-owned assets; at the same time, strengthen the internal construction of enterprises and external environment improvement work, improve the role of government functions and other measures to ensure the efficiency of resource allocation and the maximum utilization of social wealth in the economic activities of state-owned enterprises. (2) Establish a system of market entities and improve the property rights trading mechanism. Under the conditions of market economy, the public ownership economy is the most basic and dynamic form of China's socialist economic system. Therefore, we should speed up the improvement of the property rights trading mechanism of socialist market economy, and establish the economic operation system in which market subjects and enterprises are autonomous, self-financing and share the risks and responsibilities. (3) Improve the function of social public utility services. China's state-owned enterprises have serious monopoly phenomenon and unclear government functions; at the same time, there are also a series of social problems such as low efficiency of resource allocation and serious loss of state-owned assets, etc. Therefore, we must strengthen the management system and system construction of state-owned capital operation from a macro perspective to promote its healthy development, so as to achieve national prosperity, democracy and harmony; (4) establish a perfect social security system, improve the income level of workers, so that they can be able to work in the enterprise. (4) establish a sound social security system, improve the income level of workers, so that they can get more pay in the enterprise; (5) strengthen the supervision of problems arising in the process of economic operation <sup>[2]</sup>.

### **3.2 The Path of Macro-efficiency Improvement of the Non-public Economy**

From the perspective of efficiency and fairness, the non-public economy is the most important resource allocation in the market,

and its basic and decisive role in social wealth distribution. The following issues should be focused on when optimizing the allocation of resources under the conditions of market economy: (1) strengthen the macroeconomic regulation of the market. The government should give full play to its guiding role in the development of the market economy. Through taxation, subsidies and other policies to increase the strength and scope of support; establish and improve the legal and regulatory system and strictly enforce the rules and regulations to regulate the behavior of enterprises. (2) Establish and improve the market information and resource allocation system. Strengthen the comprehensive understanding of the production and operation of enterprises and financial situation, and timely release of relevant data, so as to ensure the rational use of social resources; at the same time, legal means to regulate the behavior of enterprises, improve their management level and efficiency are important. (3) Improving the fair distribution and competition mechanism is one of the basic requirements of socialist public economy.

## **4. Paths of Public and Non-public Economies to Promote Equity**

### **4.1 The path of Public Sector Economy to Promote Equity**

Efficiency and equity are mutually reinforcing relationships. In a socialist market economy, we must adhere to the principle of public ownership and the joint development of multiple ownership economies. The reform and improvement process of state-owned enterprises should adhere to the principle of unity between fairness and efficiency: first, market-oriented, the establishment of a sound system for the management of state-owned assets to provide a good operating environment for enterprises; second, at a certain stage of economic development must focus on the rational allocation of social resources and improve their utilization; third, the internal restructuring of state-owned enterprises should be targeted to the implementation of different scales of business subjects between Third, the internal restructuring of SOEs should be targeted to implement the coordination mechanism and incentive means and methods among different scale business subjects.

### **4.2 The Path of the Non-public Economy to Promote Fairness**

The development of the non-public economy has contributed to the continuous improvement of China's market economy system, but there are also some problems, such as inadequate market mechanism and unreasonable property rights system. In order to solve these problems and defects must strengthen the state's supervision of enterprises. (1) Establish a reasonable and effective incentive and restraint mechanism. Through the government to formulate appropriate policies to guide employees to carry out independent innovation activities; at the same time also encourage enterprises to increase investment in research and development to improve the level of science and technology and capacity; (2) establish a sound system of internal control of enterprises. Improve the corporate governance structure, strengthen supervision and management, and strictly monitor the operation; at the same time, we should improve the quality of accounting information requirements and the construction of relevant laws and regulations to ensure the truthfulness and reliability of financial reports<sup>[3]</sup>.

## **5. Conclusion**

With the progress of society, China's socialist market economy system is also being improved, but for various reasons, there are still some problems. For example, the market order is chaotic, and the transaction is not standardized. Therefore, we should correct these deficiencies and develop a reasonable, scientific and effective distribution system and fair competition mechanism to promote economic development and improve efficiency. At the same time, we should establish and improve relevant laws, regulations and rules to protect the interests of citizens from infringement as a prerequisite, so that resources can be fully utilized and maximum benefits can be achieved, so that the social benefits and economic benefits can be achieved.

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