

17 December 2021

China Market Strategy

Common Prosperity: What 100 Years of Market Reveal

⊕ 2010 is a watershed year in China's macro-economics. This is the year when China transcended its Lewis Turning Point and Kuznets Turning Point. It is the year of twin inflection points, at which the inexpensive rural labor started to get exhausted, and four decades of "Reform and Open" had culminated in rapid economic growth lifting enough people out of pauperism, a time when inequality started to alleviate. From this point, China's urbanization, demographics, inequality, and the secular trend in the stock market all started to shift. Now, with "Common Prosperity" being the dominant theme in China, one must ponder how best to position one's investment portfolio in this new milieu.

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⊕ We use income disparity as a proxy for measuring social inequality and thus the level of common prosperity. Inequality affects stock market performance via its impact on interest rates. A society with acute inequality must be a surplus society, as the rich earns more than it can consume, while the poor doesn't earn enough proportional to their output to finish all the excess supply. Such a glut depresses inflation and thus interest rates, and vice versa. As such, as equality improves, inflation and interest rates should rise in tandem. And the change in interest rates is the key to stock returns.

We have constructed our proprietary market and sectoral indices over 100 years to learn from the US experience. Between 1950s and 1980s, inequality in the US fell precipitately; inflation and interest rates rose; materials, energy, communications, infotech and healthcare outperformed. In China's on- and off-shore markets, infotech, healthcare and staples have done well after the 2010 inflection.

⊕ "Common Prosperity" has been a consistent theme in China's development goal, and has indeed been entrenched in ancient classical Chinese philosophy. If China's social structure is a product of deliberate policy intent, then the inception of declining inequality in the US between 1950s and 1980s may be an accident. As Roosevelt signed the G.I. Bill of Rights to provide funding for education and housing for the 12 million returning military personnel to stop them from entering the job market to depress wages, the US in fact had accumulated tremendous human capital and initiated social mobilities across different social echelons.

This ushered in Lyndon Johnson's "Great Society" in the 1960s. Coupled with technology progress from war spending, this period laid the foundation for the US for the ensuing 60 years. We can see familiar elements towards China's goal of Common Prosperity from the US experience: higher education, home equity, safety net from healthcare, technology advancement and the government's strong intent. By 2020, China had eliminated poverty, a full decade ahead of the UN's goal. It is time to set our sight higher toward Common Prosperity, and position our investment accordingly for this dominant macro theme for the next decade.

Common Prosperity: What 100 Years of Market Reveal?

"It was stressed at the session that, to persist in shared development, we must persist in developing for the sake of the people, relying on the people in development and letting the fruits of development be shared by the people, make even longer-term institutional arrangements to ensure that the whole body of the people can gain even more through jointly building and sharing development, strengthen development drivers, enhance the people's unity, and progress steadily in the development of common prosperity."

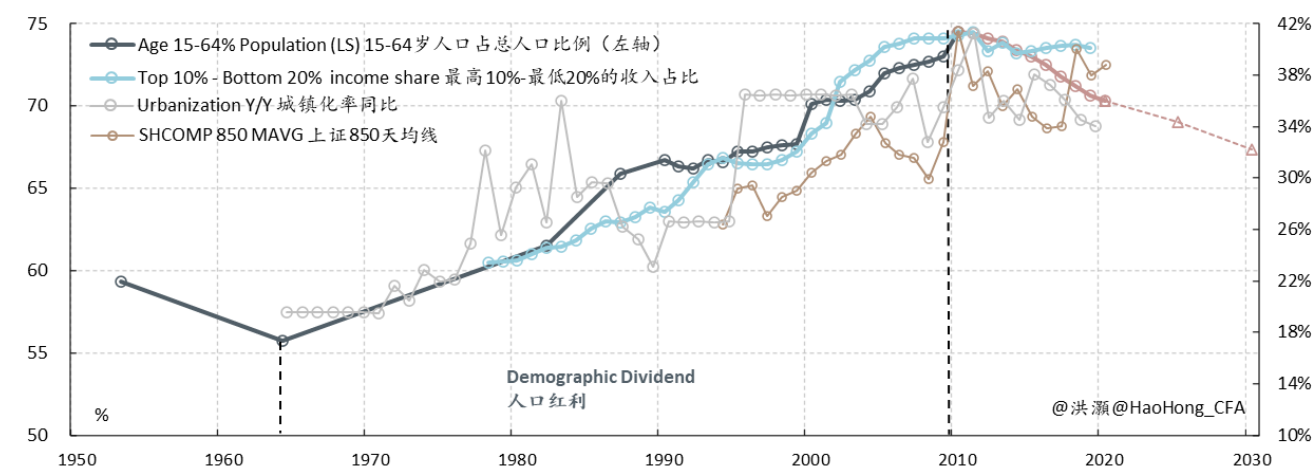
—COMMUNIQUE OF THE FIFTH PLENARY SESSION OF THE 18TH CPC CENTRAL COMMITTEE (October 29, 2015)

Income Inequality: China's Twin Inflections in 2010

On the snowy last days of December 2012, General Secretary Xi Jinping paid a visit to Fuping county in Hebei to inspect the progress of the poverty alleviation project there. He declared that socialism must alleviate poverty, improve people's livelihood, and achieve common prosperity. This field trip officially launched the national campaign on poverty alleviation.

Indeed, China's income inequality seemed to have inflected and started declining around 2010. This is a watershed year in China's macro-economics. Not only did China's income inequality start to alleviate, the size of its working population, the velocity of urbanization and the secular trend of the Shanghai Composite (SHCOMP) as measured by 850-day moving average began to inflect as well (**Figure 1**). We have discussed the significance of 2010 a number of times in our previous research (i.e. *"A Definitive Guide to Forecasting China Market"* on 2019-09-20, *"Property Bubble, Aging Demographics & Common Prosperity"* on 2021-10-18).

Figure 1: Chinese inequality vs. working population, urbanization, and SHCOMP's 850-day mavg



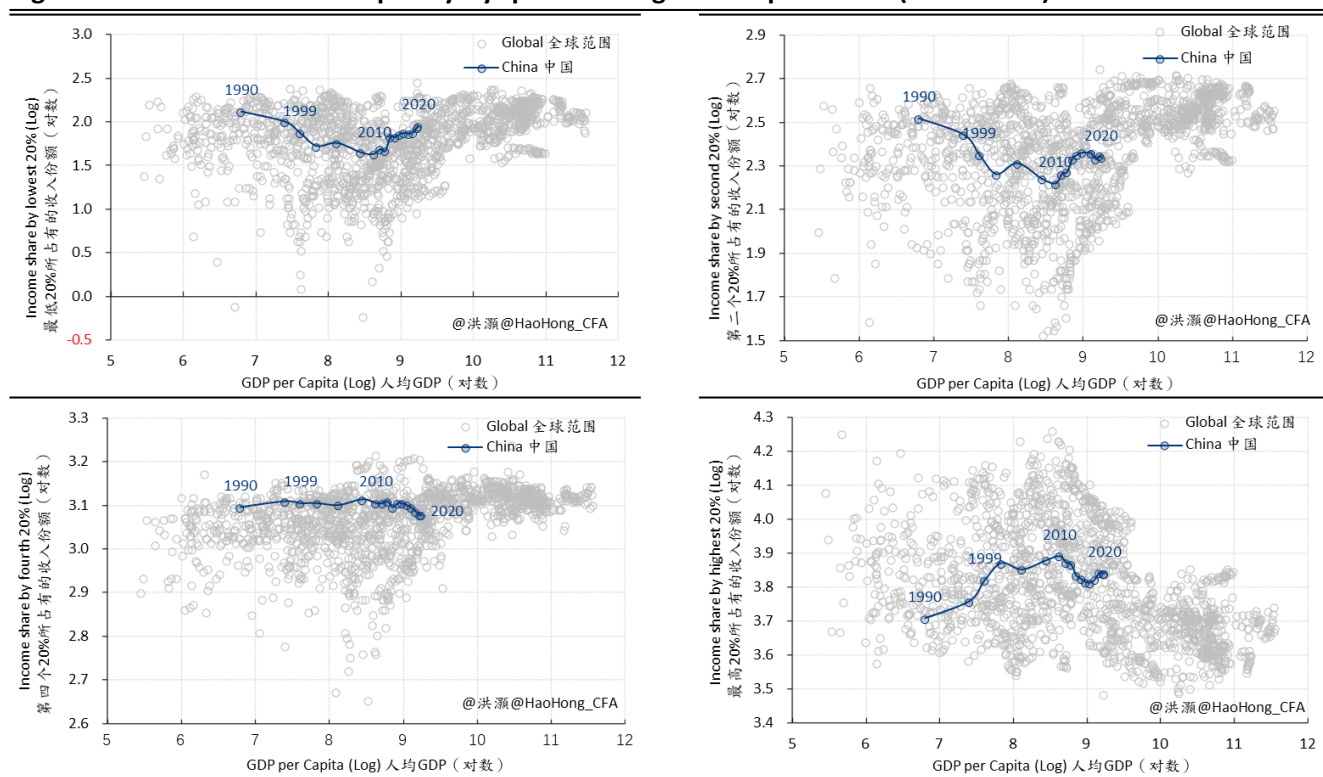
Source: WID, Wind, CEIC, UN, BOCOM Int'l

Academically, 2010 is the year that China supposedly passed its *Lewis Turning Point*, after which the rural labor supply started to dwindle, and the population started to age. Coincidentally, it is also the year China arrived at its *Kuznets Turning Point*, when the past economic development had benefited a large enough population that endogenous inequality started to give way to improving disparity between different socio-economic groups. This is a momentous year when China transcended two macro-economic inflection points.

Of course, some academics argued that it was not *the Kuznets Effect* that had alleviated the income inequality. Underreporting by the rich, property ownership and other data discrepancies may have skewed the results towards the Kuznetians' favor.

However, our own data analysis by comparing different income quintiles in China with global, country-level data over the past three decades disagrees with such trivial dismissal. Our analysis shows that income in the bottom quintiles in the Chinese society has been growing strongly since 2010, largely matching the global experience, while the top quintiles have experienced decelerating income growth that is also consistent with the experiences in other countries over the past 30 years (**Figure 2**). Our findings suggest that China has passed its *Kuznets Turning Point*, after four decades of "Reform and Open".

Figure 2: China's income inequality by quintile vs. global experiences (1990-2020)



Source: World Bank, CEIC, BOCOM Research

Indeed, by 2020, China's GDP had surpassed 100 trillion yuan, and per capita GDP topped 10,000 US dollars; nearly 100 million people, 128,000 villages and 832 counties had been lifted out of poverty – 10 years ahead of the goal stated in the UN's "2030 Agenda for Sustainable Development". It is no small feat.

As many other macro developments of which the underlying cause is difficult to pin down to just one variable, China's achievement in poverty alleviation is the collective result of economic development, demographic shift, and deliberate policy intent. We would argue that given the experience comparing favorably with the international experiences, China's policy plays a very significant role, even if not the most important. How else could we explain China's declining inequality amid a global rise of disparity between the rich and the poor that has garnered much academic attention in recent years?

And the long-term trend in the SHCOMP, as signified by its 850-day moving average, has been roughly following the same development pattern. The inflection points in urbanization, demographics, inequality, and the market all converged around the year of 2010 (**Figure 1**). It just cannot be simple coincidence, as some academic research suggests.

Importantly, if the inflection point in inequality suggests a change in the secular trend of the market, and if "Common Prosperity" sets the stage for China's future economic development, then how best should we position our portfolio for this tectonic shift?

Let us look to the US experience in the past hundred years for some clues.

The US Experience: The Great Society Postwar

"In your time, we have the opportunity to move not only towards the rich society and the powerful society, but upward to the Great Society."

– Lyndon Johnson

If China's alleviation of poverty is in some part driven by top-down policy by design, the moderation of inequality in the US after WWII seems to have been initiated by the Law of Unintended Consequence.

The immediate years after WWII saw the most dramatic decline in income inequality in the US over the past century. Indeed, war is the most unempathetic weapon of inequality, destroying wealth across social strata, and the rich probably stands to lose more. While the US has never seen a war waged upon its own soil, and was one of the few countries to emerge from WWII with much of its production capacity unscathed, the late 40s after WWII can only be characterized as "renewed depression" in economic and social sense.

At that time, 12 million returning men and women from the armed services were pouring into the job market, driving down wages and pushing up unemployment. With Keynesianism still inscrutable behind the second-order differentiation equations in his magnum opus "the General Theory", the US government was still obsessed with

balancing the budget. As Eisenhower's treasury secretary George Humphrey aptly put it, "I do not think you can spend yourself rich".

But the American economy was mired in depression after WWII, and President Roosevelt had to dig in deep into the budget. Under the pretense of rewarding the veterans for their bravery and sacrifice made during WWII, Roosevelt signed *the GI Bill of Rights* to slow the veterans' return to the job market. The Bill provided generous assistance for education and housing while the veterans were schooling, and further assistance to buy properties and business after completion of school.

The gloomy economists at that time did not see the significance of *the GI Bill of Rights*, except the 14 billion dollar bill in the ensuing seven years after its signing. Indeed, the Bill has initiated a tremendous creation of human capital that laid the foundation for the US technology dominance in the next six decades. Just in 1950 alone, close to half a million college degrees were awarded.

Meanwhile, the Bill also powered a social revolution by opening up high-level jobs previously unknown to the lower social strata and mostly occupied by northeasterners of British descent. And home ownership was on the rise, thanks to mortgages guaranteed by the Veterans Administration. Millions of Americans started to build equity, a term that was previously unknown to that generation, while living in better houses than their parents did, and capital accumulation followed. By December 1954, the Dow finally rose above its 1929 peak, after more than 25 years of staying below – the longest stretch in Dow's history. Now, the Great Depression is truly and finally over (**Figure 3**).

By the time when Lyndon Johnson was elected president, Keynesianism had gained prominence and made macro-economists more important in government affairs than ever. Keynes likened the working of macro-economics to a Copernicus machine with levers and gear wheels balancing and counter-balancing each other, and advocated fiscal spending during hard times. And vice versa.

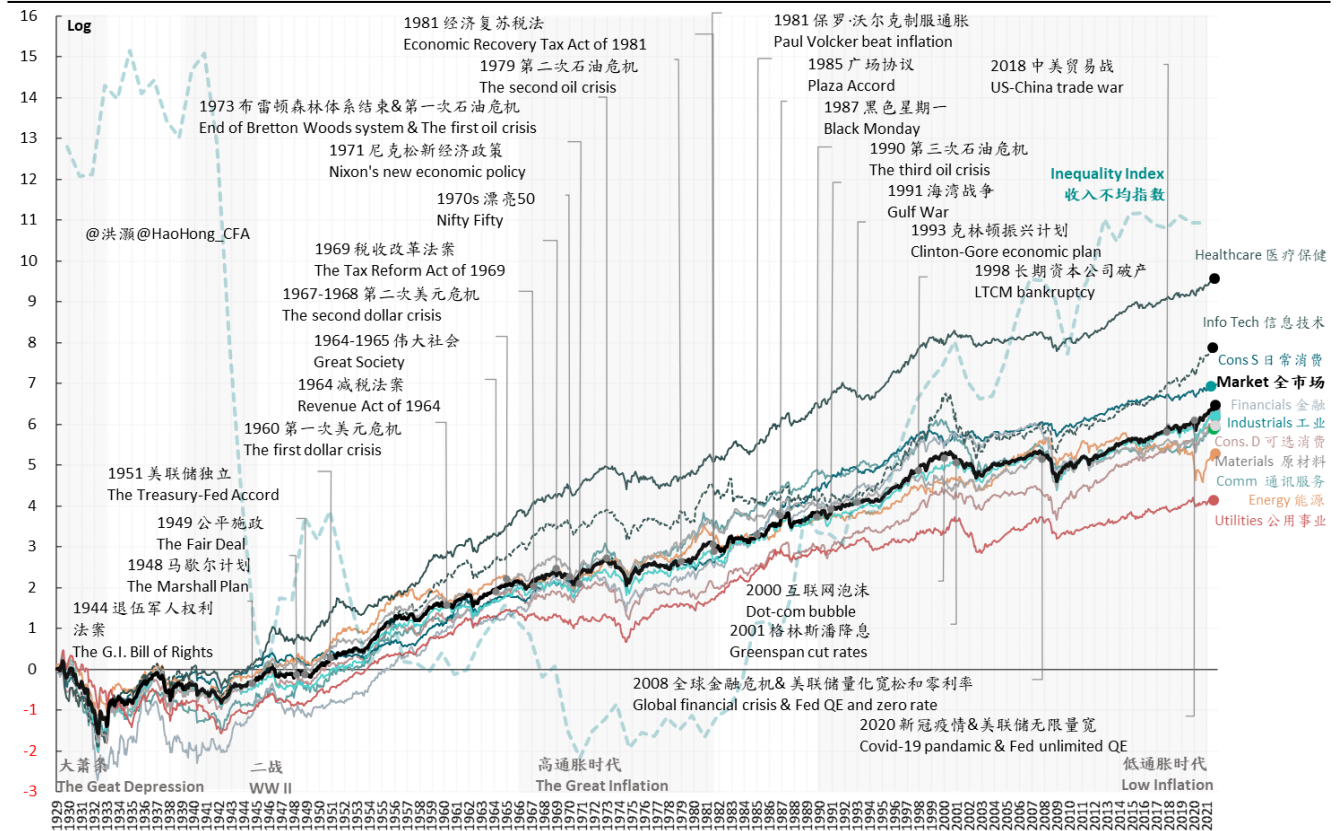
Such ideas immediately resonated with economists at the time. After Lyndon Johnson spoke those eloquent words quoted at the start of this section to his audience in awe at University of Michigan, he passed bills after bills with his unsurmountable legislative skills by any American presidents to improve the social safety net and eliminate poverty. Yet, at that time, the US economy was already in full employment, and Johnson's spending program was like throwing fuel to fire. Consequently, inflation started to spiral up. In 1966, the Dow briefly passed the 1,000 mark and was stuck there. Then, starting in 1973, the Dow sank back into the worst bear market since the 1930s.

On August 15, 1971, to stem the outflow of gold and to steady the devaluation of the Dollar, Nixon renounced the Bretton Woods Agreement, and severed the link between gold and the US dollar. The Dollar started to float, unhinged by the value of gold. It is a Diocletian move to depreciate the Dollar. And since then, a new phrase was coined – "Stagflation" – until Paul Volcker.

Initiated by *the GI Bill of Rights*, between 1950 and 1980, income inequity in the US fell precipitately amid many government programs. Then, inequality remained low, sustained

and promoted by significant legislations such as the Civil Rights Act, the Voting Rights Act, the Equal Opportunity Act and the Tax Reform Act. This period laid the foundation for what the American Society has become today. And the stock market has responded accordingly. We annotated these historic events along a proprietary market index we developed based on the CRSP database in **Figure 3**.

Figure 3: 100 years of the US stock market



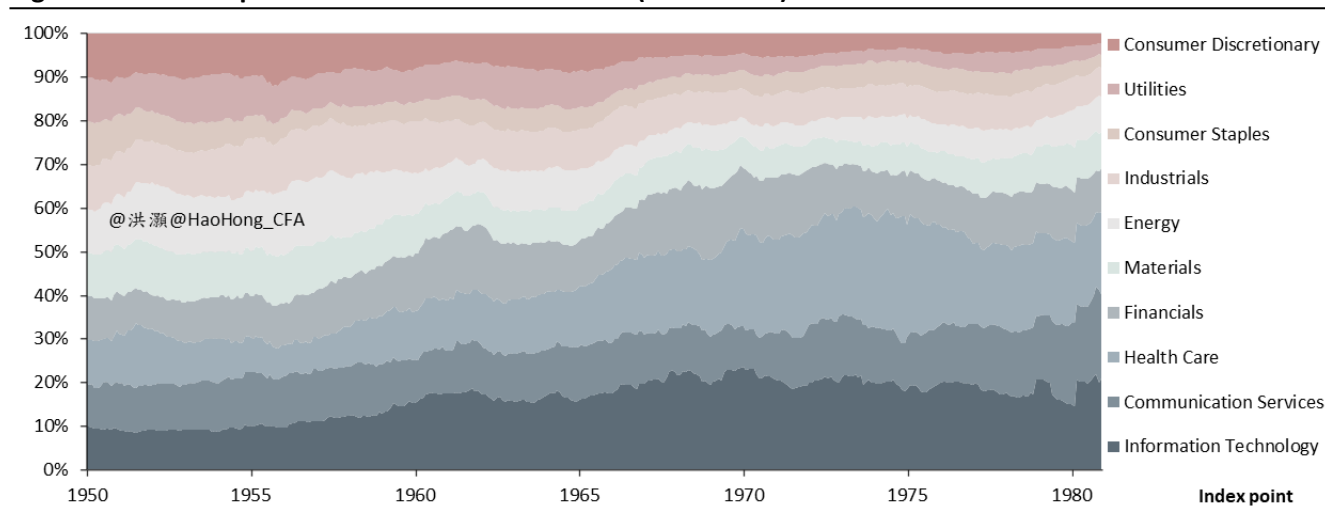
Source: CRSP, Bloomberg, WID, BOCOM Int'l

We have used the CRSP data of well over 100 years to construct a proprietary market index, and more importantly sectoral level of indices to gauge the impact of the change in social inequality on the stock market and its sectors (**Figure 3**).

For the entire 100 years of market history under our study, we find that healthcare, information technology, staples have outperformed, financials, industrials and discretionary have fared roughly in line with the broader market, while utilities, energy, communications, and materials have underperformed. Our proprietary data series are aggregated from individual stocks, and can be different from official indices because of its constituents. That said, our data series offer a more valuable view on the sectoral-level performance.

These findings are not surprising against the backdrop of the developments in the US economy and society discussed before. For instance, service sectors outperformed, as the US economy moved to a service-based economy after the oil embargo in 1973. The automobile sector, once the manufacturing powerhouse of the US, came to a screeching halt as the more fuel-efficient European cars were exported to the US market. By the time the US auto sector recovered in the 80s, two thirds of jobs in the US were in the service sector, compared with half of the jobs in manufacturing after the WWII.

Figure 4: Sectoral performance of the US market (1950-1980)



Source: CRSP, Bloomberg, BOCOM Int'l

That said, the year of 1981 seems to be a watershed year for the US economy. Around this year, inflation, inequality, interest rate and stock market performance all arrived at an inflection point. Around 1981, inflation and interest rate had started to decline after Volcker's rule, and the US stock market initiated its secular bull run, while inequality started to rise in tandem.

We want to find out what the impact of the decline in inequality is on the stock market. For this purpose, we must zoom in the stock performance during the period between 1950 and 1980, a period when inequality in the US society was falling. Contrary to the outperforming sectors for the 100-year period described by our proprietary indices, we found materials and energy outperformed, while information technology, communication services and healthcare were consistent performers (**Figure 4**).

Besides its capacity to annihilate inequality by wealth destruction, war is also an engine for technological advancement. Many of the war-time inventions, such as the jet engine, communication technology and computing, were applied to civilian use after WWII. The advancement in communications technology caused a collapse in the cost of international communications, making it possible for global financial exchanges to evolve into their modern form. In the early 1980s, the global currency market was already trading over one trillion US dollars per day.

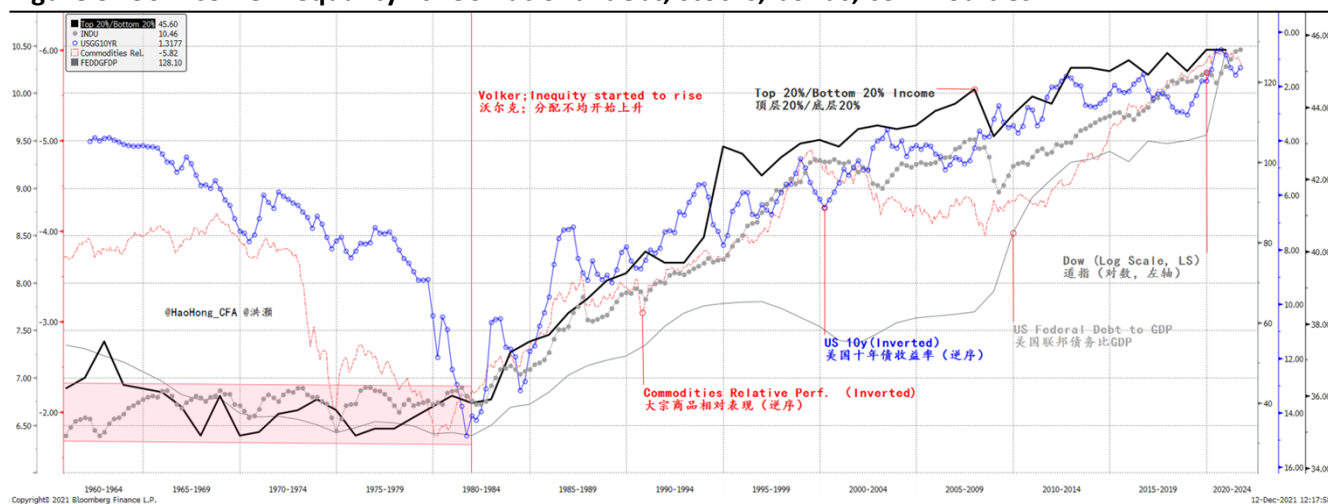
Meanwhile, the technology behind the war-time computer ENIAC that was used to break German military codes gave rise to IBM. By 1960s, IBM had dominated the computing service in banks, insurance, and other financial firms with its ubiquitous 7090. In 1959, the integrated circuit was first introduced by Texas Instruments and Fairchild Semiconductors. By manufacturing many transistors and connections between them at the same time on a thin slice of silicon, computing power started to grow exponentially. The tyranny of computing was then broken. These breakthroughs have all translated into outperformance of the corresponding sectors between 1950s and 1980s.

Inequality Suppresses Inflation & Interest Rates, and Helps Stocks

What then is the relationship between changing social inequality and the stock market?

We believe it social inequality should have impacted the stock market by affecting interest rate. In **Figure 5**, we show that as the US income inequality as measured by the disparity in the income share between the top and bottom income groups stayed steady to slightly declining before the watershed year of 1981, interest rates rose and commodity prices surged, while the US stock market and the US indebtedness were range-bound. After 1981 when Volcker reined in inflation, the opposite was true (**Figure 5**).

Figure 5: US income inequality vs. US national debt, stocks, bonds, commodities



Source: Bloomberg, BOCOM Int'l

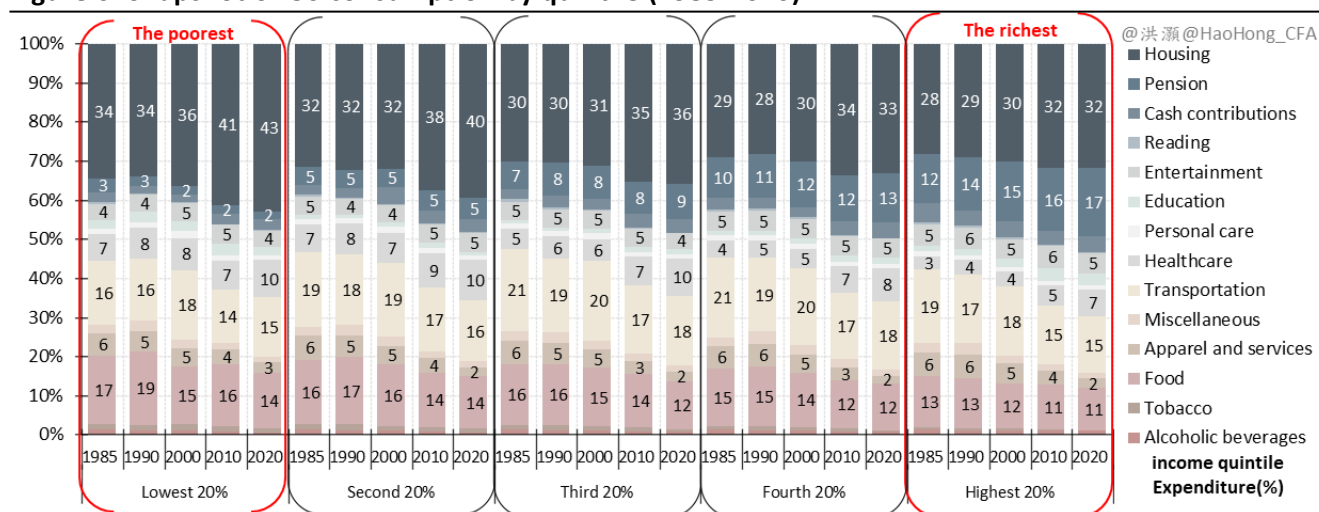
In a series of special reports first published in 2016, we investigated the relationship between inequality and the vanishing inflation over the past four decades (*"A Price Revolution"* on 2016-11-14, and *"Decoding Disinflation: Principal Contradiction, Social Progress and Market Fragility"* on 2017-11-14). We then devoted an entire chapter to this important topic in our bestseller *"The Forecast: the Economy, the Cycle and Market Bubble"* (published by the CITIC Press, October 2020). Our book was selected as the "Book of the Year" by FT China, and was rated the "Most Influential Financial Book of the Year" by Yicai, China's premier financial media company, amongst many other

distinguished book awards. It was re-printed 10 times within three months after its initial release.

Imagine in an economy, the bottom 90% splits the national income evenly with the top 10%, and income gain perennially lags productivity gain for the bottom 90%. Such an economy must be in constant surplus, as slow income gain would fail to spur sufficient demand for supply driven by rapid productivity improvement. Simply put, the top 10% who earns 50% of the total income cannot possibly also consume 50% of the total output. In **Figure 6**, we show that consumption structure is remarkably stable across different income groups.

Consequently, excess supply relative to demand inevitably depresses prices. As such, severe and worsening inequality is the reason why the global economy is still beset by the constant threat of deflation 10 years into recovery.

Figure 6: Snapshot of US consumption by quintile (1985-2020)



Source: Bureau of Labor Statistics, BOCOM Int'l

Decades ago, Keynes conjectured in his magnum opus "General Theory" as follows:

"Moreover, the richer the community, the wider will tend to be the gap between its actual and its potential production, and therefore the more obvious and outrageous the defects of the economic system.

For a poor community will be prone to consume by far the greater part of its output, so that a very modest measure of investment will be sufficient to provide full employment; whereas a wealthy community will have to discover much ampler opportunities for investment if the saving propensities of its wealthier members are to be compatible with the employment of its poorer members.

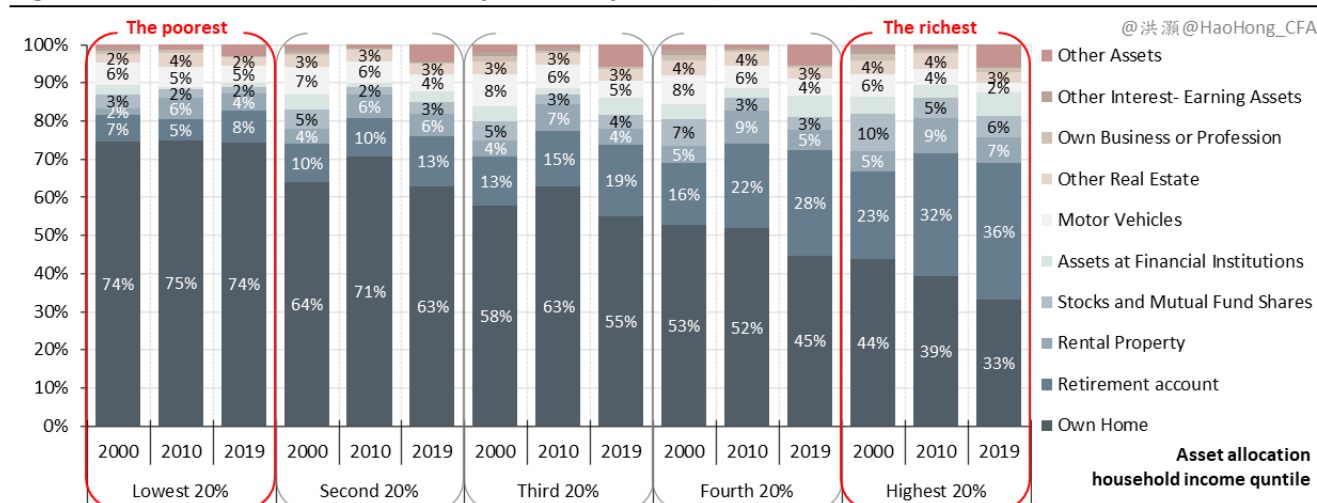
If in a potentially wealthy community the inducement to invest is weak, then, in spite of its potential wealth, the working of the principle of effective demand will compel it to reduce its actual output, until, in spite of its potential wealth, it has become so poor that

its surplus over its consumption is sufficiently diminished to correspond to the weakness of the inducement to invest."

It is an acute philosophical pondering from one of the greatest minds in economics decades ago, and resonates with our theory of disinflation and conclusion from our data analysis.

While wage gain in the US has started to outpace productivity gain since 2014, and inflation has crept up since, aggravated inequality continued to slow the momentum of inflation, giving central bankers leeway to experiment with QE. The rich are more invested in financial assets such as stocks, and have more means to gain financial resources than the poor (**Figure 7**). As such, disinflation and the environment of low interest rate have made wealth inequality even more acute than income. In turn, inequality made the market more prone to bubble and economies more vulnerable to small changes in interest rates.

Figure 7: Asset allocation in the US by income quintile (2000-2019)



Inequality in the US is now similar to the level seen just before the two wars and the Great Depression. Dramatic social disruption is looming on the horizon - if history is a guide. The US experience since Trump was elected president in 2016 may be the harbinger of what is to come. But inequality had remained high and steady for a long period before these catastrophic happenings. Without a proactive initiation of social system reform, inequality can stay in this status quo for some time still.

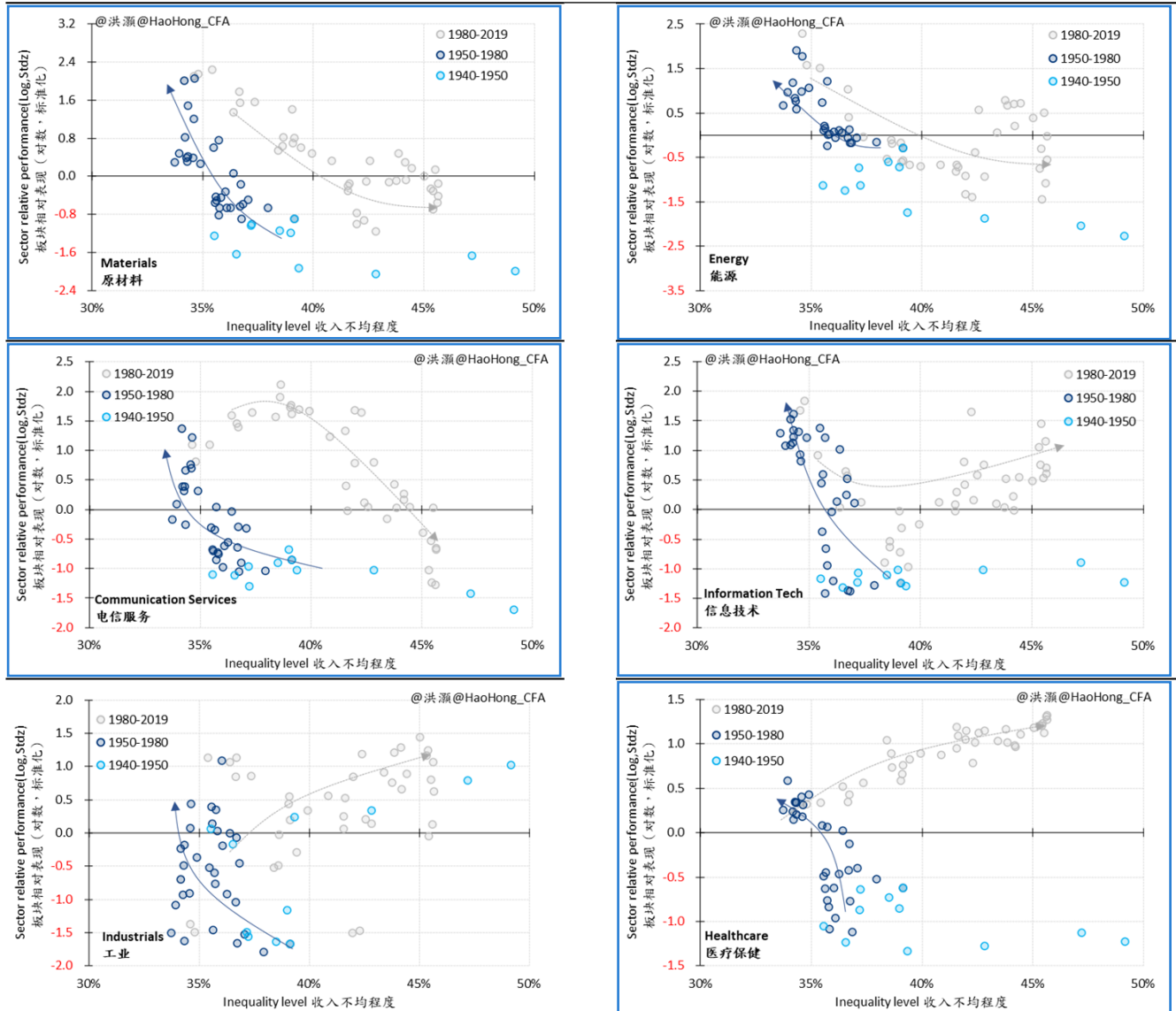
Empirically, **Figure 5** confirms our theory of disinflation. The next question to investigate is that, if inequality was declining between 1950 and 1980, elevating inflation and interest rates, which sectors benefited the most?

Our discussion above suggests that sectoral sensitivity to inequality is really its sensitivity to interest rate, given the relationship between falling inequality and rising inflation (and

hence interest rates). The relationship between inequality and sectoral performance really lies in sectoral sensitivity to interest rates.

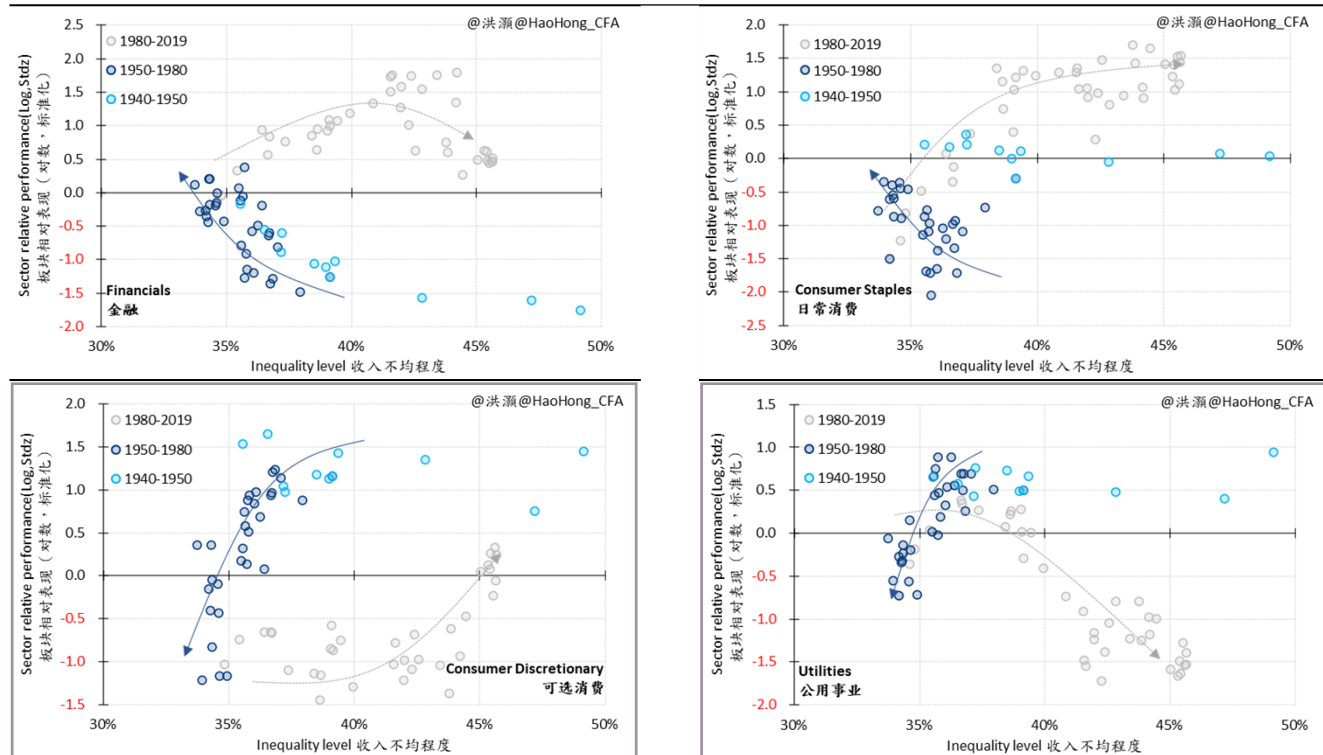
When inequality is declining, as from 1950 to 1980, materials, energy and communications tend to do well, utilities and discretionary fare poorly, while the other sectors are not too sensitive to the declining inequity and rising interest rates. Information technology and healthcare have been outperforming before and after 1981, regardless of the state of inequality. This is because there were more potent social economic changes happening concurrently (**Figure 8 and 9**).

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Figure 8: US inequality vs. sectoral performance

Source: WID, CRSP, FactSet, Bloomberg, CEIC, BOCOM Int'l (Materials and Energy indices are equal weighted since some mega-cap stocks distort sector performance from 1940 to 1980. Other sector indices are capitalization-weighted).

Figure 9: US inequality vs. sectoral performance (cont'd)



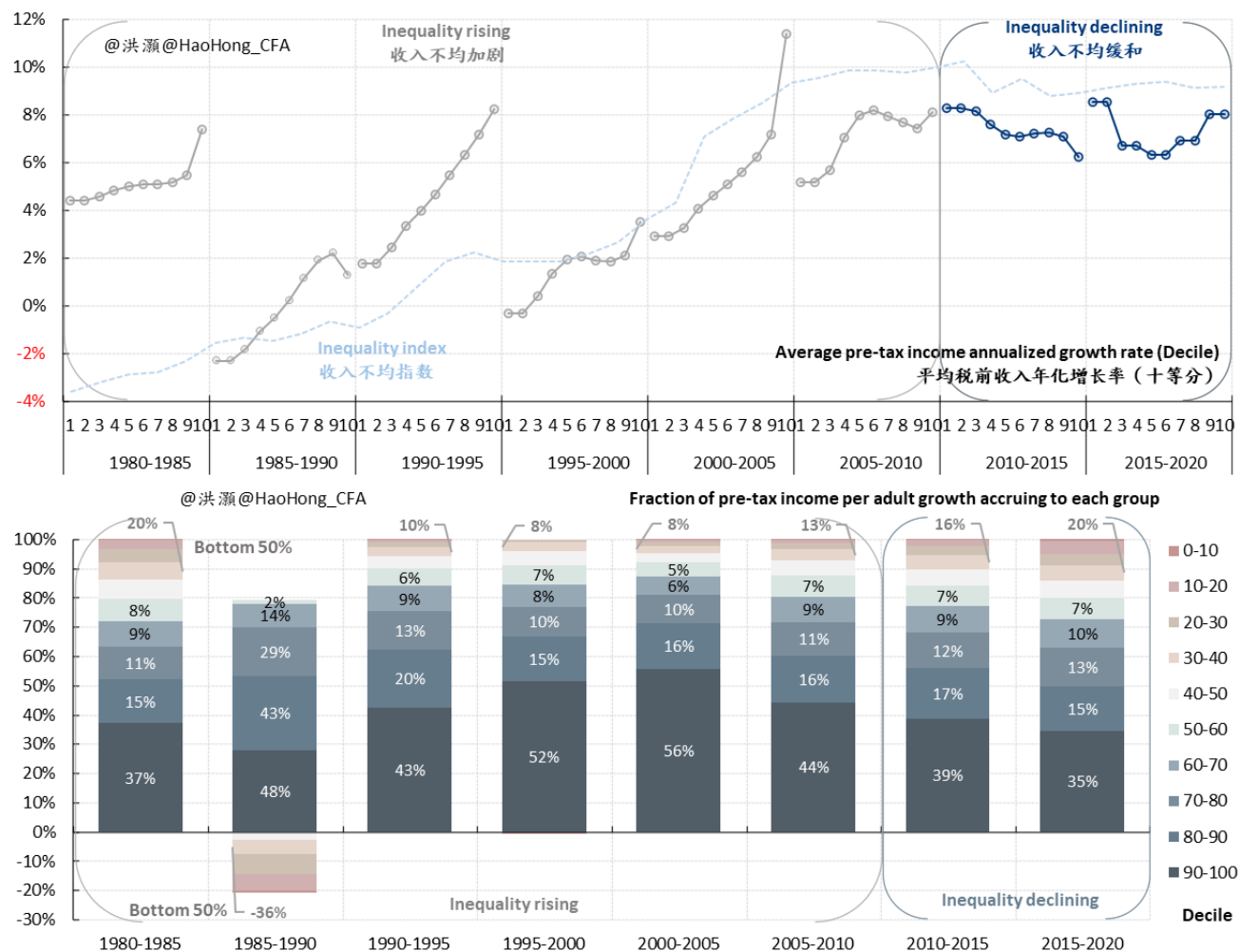
Source: WID, CRSP, FactSet, Bloomberg, CEIC, BOCOM Int'l (Materials and Energy indices are equal weighted since some mega-cap stocks distorted sector performance from 1940 to 1980. Other sector indices are capitalization-weighted).

What does “Common Prosperity” Mean for Investing in China?

Can we borrow the lessons from the US market over the past hundred years to invest in a new milieu with “Common Prosperity” as the dominant theme? Is the US experience during the period of 1950 to 1980 when inequality in the US society was declining applicable to the Chinese market?

China's inequality has been rising rapidly soon after the “Reform and Open” in 1978. The rising inequality of these three decades are driven by rapid income gain in the top income groups. The period of 1990-1995 when China re-engaged with the West after taming hyperinflation in the late 1980s, and the period of 2000-2005 after China entered the WTO, saw the most dramatic increase in income growth in the top socio-economic group, while the other periods also registered impressive income growth, albeit to a lesser extent (Figure 10).

Then, after 2010, the alleviation in income inequality was mostly driven by slowing top income growth (Figure 10, lower panel).

Figure 10: China's income inequality (1980-2020)

Source WID, CEIC, BOCOM Int'l

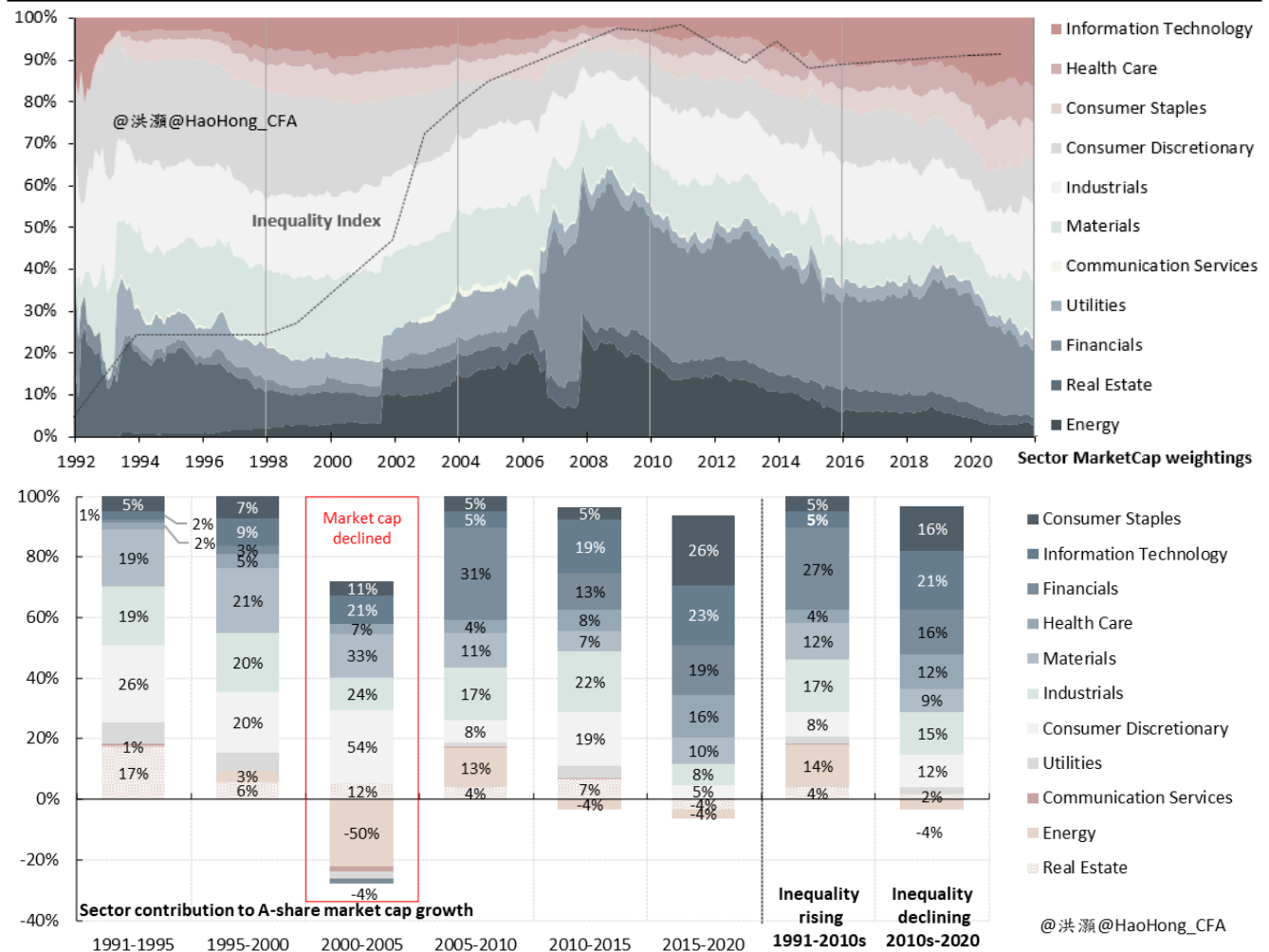
We believe that if the relationship between interest rates and market performance, as well as the sectoral sensitivity to interest rates continue to hold, then the observations in the US market between 1950 and 1980 will hold and will be transferable to the Chinese market.

The challenge when applying the same analytical framework to China, is that China's financial markets have a relatively short history. Thus, we do not have comprehensive data to show whether interest rates have changed decisively after inequality, demographics and urbanization arrived at their inflection points around 2010.

From the fluctuations of China's long bond yield, we cannot discern a decisive change in the level of long yields before and after 2010. It is conceivable that as income inequality continues to alleviate under the government's policy toward "Common Prosperity", the income of the lower socio-economic group should continue to rise.

Holding the marginal propensity to consume steady, with the US consumption structure as a guide, consumption should rise in tandem, and hence the upward pressure on inflation and interest rates. And our analysis found that after the 2010 inflection point of inequality, staples, information technology, healthcare and financials have outperformed the onshore market, while information technology and healthcare outperformed the offshore market. These findings are consistent with our hypothesis (**Figure 11**).

Figure 11: Sector performance pre and post the 2010 inflection (1991-2020, A-share)



Source: Wind, WID, CEIC, BOCOM Int'l

We believe China's stock market has been roughly reflecting the 2010 inflection. We observe that the long-term trend of SHCOMP, as measured by the 850-day moving average, stopped rising around 2010 (**Figure 12**). We believe this phenomenon reflects the changing saving and investment habits as China passed its Lewis and Kuznets Turning Point. We have explained how the wavelength of 850 trading days closely resembles the duration of China's economic short cycle of 3-3.5 years (*"A Definitive Guide to Forecasting China Market"*, 2019-09-20).

Figure 12: No new high in the long-term trend of SHCOMP (850-day mavg) after 2010

Source: Bloomberg, BOCOM Int'l

One of Ricardo's contemporaries and his soul mate, Thomas Malthus, collaborated with Ricardo in an unusual way - through series of lively public debates on various important economic issues during the time. Most notably, the "Corn Law" controversy that pitted the friends on the opposite sides of the debate laid the foundation for Malthus's principle on rent, and Ricardo's principle of comparative advantage, both of which are cornerstones of modern macro-economics.

During the debate on economic "gluts" with Ricardo, Malthus argued that total demand could be smaller than total output in full employment. Malthus later continued in his magnum opus "Principle" on the necessity of an unproductive class of consumers to absorb the excess supply. Keynes acknowledged Malthus as his predecessor on the Keynesian equilibrium in under-employment. To no avail, Ricardo could "see no soundness of the reasons ... for the usefulness of demand on the part of unproductive consumers".

But as we have established with data analysis of the past 100 years, the economic glut is real in a society of inequality, exerting downward pressure on inflation and interest rates, and consequently affecting sectoral performance. In China, income inequality passed its inflection point in 2010, and the improvement is set to accelerate under the policy guidance of "Common Prosperity".

As rising long-term trend evolved into a trading range in China's stock market after the 2010 inflection, a new market structure of relative sectoral performance has gradually emerged. In this new era of rising equality in the Chinese society, information technology, healthcare, consumer staples, materials and energy will likely outperform, judging from the experience so far since 2010, as well as the US experience from 1950s to 1980s. These sectors are also consistent with China's strategic development plan going forward.

Epilogue

On June 10, 2021, The Communist Party of China Central Committee and the State Council, China's Cabinet jointly published a guideline. The guideline supports Zhejiang to take the lead in building a demonstration zone as an example for promoting common prosperity nationwide. As proposed by the guideline, Zhejiang's systems and mechanisms for common prosperity should be well developed by 2035.

And on July 1, 2021, in a speech at a ceremony marking the centenary of the Communist Party of China, President Xi remarked, *"We have realized the first centenary goal of building a moderately prosperous society in all respects. This means that we have brought about a historic resolution to the problem of absolute poverty in China, and we are now marching in confident strides toward the second centenary goal of building China into a great modern socialist country in all respects."*

Later in November, The Sixth Plenary Session reiterated the principal contradiction stated in the resolution of the "Major Achievements and Historical Experience over the Past Century". It stated that *"the principal contradiction facing Chinese society in the new era is that between unbalanced and inadequate development and the people's ever-growing needs for a better life, and the Party must therefore remain committed to a people-centered philosophy of development, develop whole-process people's democracy, and make more notable and substantive progress toward achieving well-rounded human development and common prosperity for all."*

Indeed, back in 2017, some had already taken heed of how social extremes breed fragility. Then, President Xi had already redefined Chinese society's principal contradiction as "unbalanced and inadequate development and the people's ever-growing needs for a better life". He is calling for fairer income distribution and more inclusive growth. One should not doubt the government's resolve to achieve these social aims. The feats in the past few years are the strongest evidence.

Joseph Needham once observed that China, a country that had invented so much in antiquity, by the 18th and 19th century had turned into a "booby nation" as Emerson labeled it. But now China is changing right before our eyes. It is energetic, enigmatic, rich, freewheeling and awesome. The era of intense movements and entrepreneurial creativity has dawned.

It is time to get to work.

Appendix: Development history of “Common Prosperity” from ancient Chinese philosophy to modern-day CCP’s achievements

Tracing the source

- ⊕ *“Common prosperity is a fundamental goal of Marxism and has been a consistent aspiration of the Chinese nation since ancient times. Confucius said, ‘I have heard that rulers of states and chiefs of families are not troubled lest their people should be few, but are troubled lest they should not keep their several places; that they are not troubled with fears of poverty, but are troubled with fears of a want of contented repose among the people in their several places.’ Mengzi said, ‘Treat with the reverence due to age the elders in your own family, so that the elders in the families of others shall be similarly treated; treat with the kindness due to youth the young in your own family, so that the young in the families of others shall be similarly treated.’ Book of Rites has also vividly described the ideal state of society that ‘xiaokang’ (known as moderate prosperity) and ‘datong’ (known as the world of great harmony) would bring about.”¹*

——Xi Jinping, SPEECH AT A SEMINAR FOR LEADING BODIES AND LEADING CADRES AT PROVINCIAL AND MINISTERIAL LEVELS ON STUDYING AND IMPLEMENTING THE GUIDING PRINCIPLES OF THE FIFTH PLENARY SESSION OF THE 18TH COMMUNIST PARTY OF CHINA (CPC) CENTRAL COMMITTEE (January 18, 2016)

- ⊕ *“I have heard that rulers of states and chiefs of families are not troubled lest their people should be few, but are troubled lest they should not keep their several places; that they are not troubled with fears of poverty, but are troubled with fears of a want of contented repose among the people in their several places. For when the people keep their several places, there will be no poverty; when harmony prevails, there will be no scarcity of people; and when there is such a contented repose, there will be no rebellious upsettings.”*

——Confucius, Analects of Confucius-Ji Shi

- ⊕ *“Treat with the reverence due to age the elders in your own family, so that the elders in the families of others shall be similarly treated; treat with the kindness due to youth the young in your own family, so that the young in the families of others shall be similarly treated.”*

——Mengzi (Mencius), Selections of Mengzi-Liang Hui Wang I

- ⊕ *“When the Grand course was pursued, a public and common spirit ruled all under the sky; ... In this way (selfish) schemings were repressed and found no development. Robbers, filchers, and rebellious traitors did not show themselves, and hence the outer doors remained open, and were not shut. This was (the period of) what we call the Grand Union.”*

¹ This is not the official translation.

“Now that the Grand course has fallen into disuse and obscurity, the kingdom is a family inheritance. Every one loves (above all others) his own parents and cherishes (as) children (only) his own sons. People accumulate articles and exert their strength for their own advantage. Great men imagine it is the rule that their states should descend in their own families. ... Any rulers who did not follow this course were driven away by those who possessed power and position, and all regarded them as pests. This is the period of what we call Small Tranquility.”

——Book of Rites-Li Yun

- ⊕ *“The development of the power of social production will grow so rapidly that, even though production is now calculated for the wealth of all, disposable time will grow for all.”*

——Karl Marx, Grundrisse

Mao Zedong's era

- ⊕ On December 16, 1953, the Central Committee of the Communist Party of China has adopted the Resolution on Developing Agricultural Producers' Cooperatives, where Mao Zedong was in charge of the issuance. Mao's two talks on mutual aid and cooperation in agriculture formed the basis of the Resolution, which advanced the idea of common prosperity for the very first time.²

It was stated in the first part of the Resolution that in order to further improve the agricultural productivity, the Party should make the smart use of logics and approaches that are readily understandable and easily acceptable to peasants for education and facilitation of the gradual organization of the broad masses of farmers and the rapid transition to socialist agriculture. By doing so, the agriculture can move towards the more advanced collective economy based on production in large scale from the backward individual economy relying on small-scale production, so that we can overcome the contradiction from the incompatible development between agriculture and industry - the pair of important sectors of the national economy - step by step and lift peasants out of poverty to eventually lead a life of common wealth and shared prosperity in a progressive manner. This is what the Party makes the pivot of its work in rural areas.³

- ⊕ *“We must strive to make our country greatly developed and more prosperous. China is a large country, but not a rich country. We cannot manufacture our own airplanes and artillery, not to mention bringing prosperity and ever-growing strength to our country. But if we work hard and keep to the plan, we can make it. Such a country of prosperity means the prosperity of all, while such a country of ever-growing strength means the strength of all. Everyone has a share.”⁴*

² This is not the official translation.

³ This is not the official translation.

⁴ This is not the official translation.

——Mao Zedong, EXCERPTS FROM A SPEECH AT A SYMPOSIUM FOR THE EXECUTIVE COMMITTEE OF THE ALL-CHINA FEDERATION OF INDUSTRY AND COMMERCE (1995)

- ⊕ *“As is clear to everyone, the spontaneous forces of capitalism have been steadily growing in the countryside in recent years, with new rich peasants springing up everywhere and many well-to-do middle peasants striving to become rich peasants. On the other hand, many poor peasants are still living in poverty for shortage of the means of production, with some getting into debt and others selling or renting out their land. If this tendency goes unchecked, it is inevitable that polarization in the countryside will get worse day by day. Those peasants who lose their land and those who remain in poverty will complain that we are doing nothing to save them from ruin or to help them out of their difficulties. Nor will the well-to-do middle peasants who are heading in the capitalist direction be pleased with us, for we shall never be able to satisfy their demands unless we intend to take the capitalist road. Can the worker-peasant alliance continue to hold firm in these circumstances? Obviously not. There is no solution to this problem except on a new basis. And that means to bring about, step by step, the socialist transformation of the whole of agriculture together with socialist industrialization and the socialist transformation of handicrafts and capitalist industry and commerce; in other words, it means to carry out co-operation and eliminate the rich peasant economy and the individual economy in the countryside so that all the rural people will **become increasingly well off together**. We maintain that this is the only way to consolidate the worker-peasant alliance. Otherwise, this alliance will be in real danger of breaking up. The comrades who advise us to “get off the horse” are completely wrong in their thinking on this question.”*

——Mao Zedong, ON THE CO-OPERATIVE TRANSFORMATION OF AGRICULTURE (July 31, 1955), Selected Works of Mao Zedong: Vol. V⁵

Deng Xiaoping's era

- ⊕ *“This brings us back to the question of whether to continue on the socialist road or to stop and turn onto the capitalist road. Capitalism can only enrich less than 10 per cent of the Chinese population; it can never enrich the remaining more than 90 percent. But if we adhere to socialism and apply the principle of distribution to each according to his work, there will not be excessive disparities in wealth. Consequently, no polarization will occur as our productive forces become developed over the next 20 to 30 years.”*

“If, when the GNP reaches 1 trillion, we were to apply the capitalist principle of distribution, most of the people would remain mired in poverty and backwardness. But the socialist principle of distribution can enable all the people to lead a relatively comfortable life. This is why we want to uphold socialism. Without socialism, China can never achieve that goal.”

⁵ <https://www.marxists.org/reference/archive/mao/selected-works/volume-5/index.htm>

——Deng Xiaoping, BUILDING A SOCIALISM WITH A SPECIFICALLY CHINESE CHARACTER (June 30, 1984), Selected Works of Deng Xiaoping: Vol. III⁶

- ⊕ *“The aim of socialism is to make all our people prosperous, not to create polarization. If our policies led to polarization, it would mean that we had failed; if a new bourgeoisie emerged, it would mean that we had strayed from the right path. In encouraging some regions to become prosperous first, we intend that they should inspire others to follow their example and that all of them should help economically backward regions to develop. The same holds good for some individuals. A limit should be placed on the wealth of people who become prosperous first, through the income tax, for example. In addition, we should encourage them to contribute money to run schools and build roads, although we definitely should not set quotas for them. We should encourage these people to make donations, but it’s better not to give such donations too much publicity.”*

——Deng Xiaoping, UNITY DEPENDS ON IDEALS AND DISCIPLINE (March 7, 1985), Selected Works of Deng Xiaoping: Vol. III⁷

- ⊕ *“In the final analysis, the superiority of socialism should be demonstrated in a greater development of the productive forces. The experience we have gained over the years shows that with the former economic structure we cannot develop the productive forces. That is why we have been drawing on some useful capitalist methods. It is clear now that the right approach is to open to the outside world, combine a planned economy with a market economy and introduce structural reforms. Does this run counter to the principles of socialism? No, because in the course of reform we shall make sure of two things: one is that the public sector of the economy is always predominant; the other is that in developing the economy we seek common prosperity, always trying to avoid polarization. The policies of using foreign funds and allowing the private sector to expand will not weaken the predominant position of the public sector, which is a basic feature of the economy as a whole. On the contrary, those policies are intended, in the last analysis, to develop the productive forces more vigorously and to strengthen the public sector. So long as the public sector plays a predominant role in China’s economy, polarization can be avoided. Of course, some regions and some people may prosper before others do, and then they can help other regions and people to gradually do the same.”*

——Deng Xiaoping, THERE IS NO FUNDAMENTAL CONTRADICTION BETWEEN SOCIALISM AND A MARKET ECONOMY (October 23, 1985), Selected Works of Deng Xiaoping: Vol. III⁸

- ⊕ *“We have been fairly successful in economic development, and the economic situation is gratifying. This is quite an achievement for our country. But if standards of social conduct are deteriorating, what’s the use of achieving economic development? Worse, deteriorating social standards will in turn lead to a qualitative*

⁶ <https://www.marxists.org/reference/archive/deng-xiaoping/1984/36.htm>

⁷ <https://www.marxists.org/reference/archive/deng-xiaoping/1985/102.htm>

⁸ <https://www.marxists.org/reference/archive/deng-xiaoping/1985/20.htm>

change in the economy, eventually producing a society in which embezzlement, theft and bribery run rampant.”

—— Deng Xiaoping, TALK AT A MEETING OF THE STANDING COMMITTEE OF THE POLITICAL BUREAU OF THE CENTRAL COMMITTEE (January 17, 1986), Selected Works of Deng Xiaoping: Vol. III⁹

- ⊕ *“It is our policy to let some people and some regions prosper before others, so that they can bring along the backward regions. The advanced regions have the obligation to help the backward. We keep to the socialist road in order to attain the ultimate goal of common prosperity, but it is impossible for all regions to develop at the same pace. We used to practise egalitarianism, with everyone ‘eating from the same big pot’. In fact, that practice meant common backwardness and poverty, which caused us much suffering. The reform is designed, first and foremost, to break with egalitarianism, with the practice of having everyone ‘eat from the same big pot’. It seems to me that we are taking the right path.”*

—— Deng Xiaoping, LET THE FACTS SPEAK FOR THEMSELVES (March 28, 1986), Selected Works of Deng Xiaoping: Vol. III¹⁰

- ⊕ *“When the policies of reform and opening to the outside world were adopted at the Third Plenary Session of the Eleventh Central Committee of our Party, people all over the world, particularly in the Western countries, thought that we were going to adopt capitalism, or that our policies would ultimately lead to capitalism. But witnessing the realities of reform over the past few years, they have come to realize that we are keeping to socialism. Keeping to socialism is of vital importance for China. If China, with its one billion people, took the capitalist road, it would be a disaster for the world. It would be a retrogression of history, a retrogression of many years. If China, with its one billion people, abandoned the policy of peace and opposition to hegemonism or if, as the economy developed, it sought hegemony, that would also be a disaster for the world, a retrogression of history.”*

——Deng Xiaoping, KEEPING TO SOCIALISM AND THE POLICY OF PEACE (April 4, 1986), Selected Works of Deng Xiaoping: Vol. III¹¹

- ⊕ *“The main task in the socialist stage is to develop the productive forces, keep increasing the material wealth of society, steadily improve the life of the people and create material conditions for the advent of a communist society. There can be no communism with pauperism, or socialism with pauperism. So to get rich is no sin. However, what we mean by getting rich is different from what you mean. Wealth in a socialist society belongs to the people. To get rich in a socialist society means prosperity for the entire people. The principles of socialism are: first, development of production and second, common prosperity. We permit some people and some regions to become prosperous first, for the purpose of achieving common prosperity*

⁹ <https://www.marxists.org/reference/archive/deng-xiaoping/1986/202.htm>

¹⁰ <https://www.marxists.org/reference/archive/deng-xiaoping/1986/54.htm>

¹¹ <https://www.marxists.org/reference/archive/deng-xiaoping/1986/77.htm>

faster. That is why our policy will not lead to polarization, to a situation where the rich get richer while the poor get poorer. To be frank, we shall not permit the emergence of a new bourgeoisie."

——Deng Xiaoping, REPLIES TO THE AMERICAN TV CORRESPONDENT. MIKE WALLACE (September 2, 1986), Selected Works of Deng Xiaoping: Vol. III¹²

- ⊕ *"By carrying out the open policy, learning foreign technologies and utilizing foreign capital, we mean to promote socialist construction, not to deviate from the socialist road. We intend to develop the productive forces, expand socialist public ownership and raise the people's income. The purpose of allowing some regions and some people to become prosperous before others is to enable all of them to prosper eventually. We have to make sure that there is no polarization of society — that's what socialism means."*

——Deng Xiaoping, TAKE A CLEAR-CUT STAND AGAINST BOURGEOIS. LIBERALIZATION (December 30, 1986), Selected Works of Deng Xiaoping: Vol. III¹³

- ⊕ *"If we took the capitalist road, a small number of people in certain areas would quickly grow rich, and a new bourgeoisie would emerge along with a number of millionaires — all of these people amounting to less than one per cent of the population — while the overwhelming majority of the people would remain in poverty, scarcely able to feed and clothe themselves."*

——Deng Xiaoping, CHINA CAN ONLY TAKE THE SOCIALIST ROAD (March 3, 1987), Selected Works of Deng Xiaoping: Vol. III¹⁴

- ⊕ *"It's not so easy to rectify the 'Left' thinking that has prevailed for several decades. 'Left' thinking is our chief target because people have become used to it. There are not many in China who oppose reform. But in formulating and implementing specific policies, some people unintentionally reveal a yearning for the past. That's because old habits of thinking tend to reassert themselves. At the same time we have also encountered interference from the Right. Certain individuals, pretending to support the reform and the open policy, call for wholesale Westernization of China in an attempt to lead the country towards capitalism. These people don't really support our policies; they are only trying vainly to change the nature of our society. If China were totally Westernized and went capitalist, it would be absolutely impossible for us to modernize. The problem we have to solve is how to enable our one billion people to cast off poverty and become prosperous. If we adopted the capitalist system in China, probably a small number of people would be enriched, while the overwhelming majority would remain in a permanent state of poverty. If that happened, there would be a revolution in China. China's modernization can be achieved only through socialism, not capitalism."*

¹² <https://www.marxists.org/reference/archive/deng-xiaoping/1986/192.htm>

¹³ <https://www.marxists.org/reference/archive/deng-xiaoping/1986/194.htm>

¹⁴ <https://www.marxists.org/reference/archive/deng-xiaoping/1987/23.htm>

——Deng Xiaoping, WE SHALL DRAW ON HISTORICAL EXPERIENCE AND GUARD AGAINST WRONG TENDENCIES (April 30, 1987), Selected Works of Deng Xiaoping: Vol. III¹⁵

- ④ *"It is a big problem to find ways for the coastal areas to assist the inland areas. We can have one coastal province help one or two inland provinces. Nevertheless, we should not lay too heavy a burden on the coastal areas all at once. During the initial period they can just transfer certain technologies to the interior. Since the very beginning of the reform we have been emphasizing the need for seeking common prosperity; that will surely be the central issue some day. Socialism does not mean allowing a few people to grow rich while the overwhelming majority live in poverty. No, that's not socialism. The greatest superiority of socialism is that it enables all the people to prosper, and common prosperity is the essence of socialism. If polarization occurred, things would be different. The contradictions between various ethnic groups, regions and classes would become sharper and, accordingly, the contradictions between the central and local authorities would also be intensified. That would lead to disturbances."*

——Deng Xiaoping, SEIZE THE OPPORTUNITY TO DEVELOP THE ECONOMY (December 24, 1990), Selected Works of Deng Xiaoping: Vol. III¹⁶

- ④ *"The essence of socialism is liberation and development of the productive forces, elimination of exploitation and polarization, and the ultimate achievement of prosperity for all."*

"To take the road to socialism is to realize common prosperity step by step. Our plan is as follows: where conditions permit, some areas may develop faster than others; those that develop faster can help promote the progress of those that lag behind, until all become prosperous. If the rich keep getting richer and the poor poorer, polarization will emerge. The socialist system must and can avoid polarization. One way is for the areas that become prosperous first to support the poor ones by paying more taxes or turning in more profits to the state. Of course, this should not be done too soon. At present, we don't want to dampen the vitality of the developed areas or encourage the practice of having everyone 'eat from the same big pot'. We should study when to raise this question and how to settle it. I can imagine that the right time might be the end of this century, when our people are living a fairly comfortable life. At that time, while developed areas continue to grow, they should also give strong support to less developed areas by paying more taxes, turning in more profits and transferring technology. Most of the less developed areas are rich in resources and have great potential for development. In short, taking the country as whole, I am confident that we can gradually bridge the gap between coastal and inland areas."

¹⁵ <https://www.marxists.org/reference/archive/deng-xiaoping/1987/120.htm>

¹⁶ <https://www.marxists.org/reference/archive/deng-xiaoping/1990/91.htm>

——Deng Xiaoping, EXCERPTS FROM TALKS GIVEN IN WUCHANG, SHENZHEN, ZHUHAI AND SHANGHAI (January 18 – February 21, 1992), Selected Works of Deng Xiaoping: Vol. III¹⁷

Jiang Zemin's era

- ④ The 14th National Congress of the Communist Party of China stressed that *"consideration should be given to both efficiency and fairness. While encouraging the vanguards, promoting efficiency and allowing the income gap to widen to a reasonable degree, the Party should also prevent polarization of the wealth and facilitate the common prosperity in a gradual manner with the smart use of various means of adjustment including the market mechanism"*.¹⁸

- ④ *"It is necessary to establish an income distribution system which takes the principle of "to each according to his work" as its mainstay, gives priority to efficiency while taking fairness into account so as to encourage some localities and people to become prosperous first while adhering to the road to common prosperity."*

——DECISION OF THE CPC CENTRAL COMMITTEE ON SOME ISSUES CONCERNING THE ESTABLISHMENT OF A SOCIALIST MARKET ECONOMIC STRUCTURE, Adopted at the Third Plenary Session of the 14th Central Committee of the Communist Party of China on November 14, 1993 ¹⁹

- ④ *"In gradually realizing the common prosperity of the people across the country, cadres who are Party members must correctly handle the relationships between becoming well-off early and late, and between individual and common prosperity."*

"Efforts must be made to enable all people across the country to lead a well-to-do life as soon as possible and to continue to uplift their living standards. The Party's policy to get the population rich must be adhered to. On the basis of economic growth, efforts should be made to increase income for urban and rural residents, constantly improve their living conditions, including food, clothing, housing, transport and daily necessities, improve the social security system, and medical and health facilities, with a view to bettering their life. When some people and some regions get rich first, others will be brought along and through this process, common prosperity of the entire population will be gradually achieved."

——Jiang Zemin, SPEECH AT THE MEETING CELEBRATING THE 80TH ANNIVERSARY OF THE FOUNDING OF THE COMMUNIST PARTY OF CHINA (July 1, 2001)²⁰

- ④ *"In the formulation and implementation of the Party's principles and policies, a basic point of departure is that we should represent the fundamental interests of the overwhelming majority of the people, and correctly reflect and take into account the*

¹⁷ <https://www.marxists.org/reference/archive/deng-xiaoping/1992/179.htm>

¹⁸ This is not the official translation.

¹⁹ http://www.bjreview.com.cn/special/2013-10/23/content_574000_2.htm

²⁰ <https://www.mfa.gov.cn/ce/cegv//eng/zgbd/smw/t85789.htm>

interests of different groups of people, enabling the whole people to advance steadily toward the goal of common prosperity.”

——Jiang Zemin, REPORT AT THE 16TH PARTY CONGRESS OF THE COMMUNIST PARTY OF CHINA (November 8, 2002)²¹

Hu Jintao's era

- ⊕ *“(We must) follow the overall requirement of building a democratic society under the rule of law, a society based on equity and justice, an honest and caring society, a society full of vigor and a stable and orderly society in which humans live in harmony with nature, strive to develop social services, promote social equity and justice, foster a culture of harmony, improve public administration, enhance creativity of the society, pursue the road of common prosperity, and push forward coordinated development of social construction, economic construction, political construction and cultural construction with the emphasis on solving issues people care about most and issues that concern their most immediate and most realistic interests.”*

——DECISION OF THE CPC CENTRAL COMMITTEE ON MAJOR ISSUES CONCERNING THE BUILDING OF A HARMONIOUS SOCIALIST SOCIETY, Adopted at the Sixth Plenary Session of the 16th Central Committee of the Communist Party of China on October 11, 2006

- ⊕ *“More importance must therefore be attached to social development on the basis of economic growth to ensure and improve people’s livelihood, carry out social restructuring, expand public services, improve social management and promote social equity and justice. We must do our best to ensure that all our people enjoy their rights to education, employment, medical and old-age care, and housing, so as to build a harmonious society.”*

——Hu Jintao, REPORT AT THE 17TH PARTY CONGRESS OF THE COMMUNIST PARTY OF CHINA (October 15, 2007)

- ⊕ *“We must strive for common prosperity. This is the fundamental principle of socialism with Chinese characteristics. We should adhere to the basic socialist economic system and the socialist income distribution system. We should adjust the pattern of national income distribution, tighten its regulation by secondary distribution and work hard to narrow income gaps so that all the people can share in more fruits of development in a fair way and move steadily toward common prosperity.”*

——Hu Jintao, REPORT AT THE 18TH PARTY CONGRESS OF THE COMMUNIST PARTY OF CHINA (November 8, 2012)

²¹ <http://www.china.org.cn/english/2002/Nov/49107.htm>

Xi Jinping's era

- ④ *"Our people have an ardent love for life. They wish to have better education, more stable jobs, more income, greater social security, better medical and health care, improved housing conditions, and a better environment. They want their children to have sound growth, have good jobs and lead a more enjoyable life. To meet their desire for a happy life is our mission. It is only hard work that creates all happiness in the world. To fulfill our responsibility, we will rally and lead the whole Party and the people of all ethnic groups in China in making continued efforts to free up our minds, carry out reform and opening up, further release and develop the productive forces, work hard to resolve the difficulties the people face in both work and life, and unwaveringly pursue common prosperity."*

——Xi Jinping, REMARKS ON THE OCCASION OF MEETING WITH THE CHINESE AND FOREIGN PRESS BY MEMBERS OF THE STANDING COMMITTEE OF THE POLITICAL BUREAU OF THE EIGHTEENTH CENTRAL COMMITTEE OF THE COMMUNIST PARTY OF CHINA (November 15, 2012)²²

- ④ On December 29-30, 2012, General Secretary Xi Jinping paid a visit to Fuping County, Hebei Province to investigate the poverty alleviation work. He pointed out that it is an essential requirement of socialism to alleviate poverty, improve people's livelihood and make the common prosperity come true. It becomes the launching pad and starting point for a nation-wide poverty alleviation campaign.²³

- ④ *"It was stressed at the session that, to persist in shared development, we must persist in developing for the sake of the people, relying on the people in development and letting the fruits of development be shared by the people, make even longer-term institutional arrangements to ensure that the whole body of the people can gain even more through jointly building and sharing development, strengthen development drivers, enhance the people's unity, and progress steadily in the development of common prosperity."*

——COMMUNIQUE OF THE FIFTH PLENARY SESSION OF THE 18TH CPC CENTRAL COMMITTEE (October 29, 2015)²⁴

- ④ *"We must therefore continue commitment to our people-centered philosophy of development, and work to promote well-rounded human development and common prosperity for everyone."*

"By the end of the first stage from 2020 to 2035, the following goal will have been met: Solid progress has been made toward prosperity for everyone; By the end of the second stage from 2035 to the middle of the 21st century, the following goal will have been met: Common prosperity for everyone is basically achieved."

²² http://www.china.org.cn/china/18th_cpc_congress/2012-11/16/content_27130032.htm

²³ This is not the official translation.

²⁴ This is not the official translation.

——Xi Jinping, REPORT AT THE 19TH NATIONAL CONGRESS OF THE COMMUNIST PARTY OF CHINA (October 18, 2017)²⁵

- ⊕ At the Fifth Plenary Session of the 19th CPC Central Committee in October 2020, General Secretary Xi Jinping clearly stated that common prosperity is an essential requirement of socialism and the shared aspiration of all Chinese people, and it is necessary to further emphasize promoting common prosperity for everyone as China embarks on a journey to fully build a modern socialist country. It was stressed at the session that more notable and substantial progress in promoting common prosperity for everyone will be achieved by 2035 and solid efforts will be made to push forward common prosperity.²⁶

- ⊕ *“Realizing common prosperity is more than an economic goal. It is a major political issue that bears on our Party’s governance foundation.”*

“We should see that people have a stronger sense of fulfillment, happiness, and security and make them feel that common prosperity is not an empty slogan but a concrete fact that they can see and feel for themselves.”

——Xi Jinping, SPEECH AT A SEMINAR FOR PROVINCIAL AND MINISTERIAL LEVEL OFFICIALS ON STUDYING AND IMPLEMENTING THE GUIDING PRINCIPLES OF THE FIFTH PLENARY SESSION OF THE 19TH CPC CENTRAL COMMITTEE (January 11, 2021)²⁷

- ⊕ General Secretary Xi Jinping stressed that as we entered the new stage of development for the complete, clear and comprehensive implementation of the novel concept of advancement, we must attach greater significance to the issue of common prosperity. It stands as a long-term task to facilitate the common prosperity for all. It is also a realistic task that must go with no rush for quick results but must be taken, and taken soon. Such a task much be put even higher on our policy agenda and unremitting efforts must be made in a more proactive manner and with a down-to-earth spirit to lead us to the final goal. He made the remarks when holding the 27th group study session of the Political Bureau of the 19th CPC Central Committee on January 28, 2021.²⁸

- ⊕ *“We must unite and lead the Chinese people in working ceaselessly for a better life.”*

“We will develop whole-process people’s democracy, safeguard social fairness and justice, and resolve the imbalances and inadequacies in development and the most pressing difficulties and problems that are of great concern to the people. In doing so, we will make more notable and substantive progress toward achieving well-rounded human development and common prosperity for all.”

²⁵ http://www.xinhuanet.com/english/special/2017-11/03/c_136725942.htm

²⁶ <http://www.xinhuanet.com/english/special/202010wzqh/index.htm>

²⁷ http://en.gstheory.cn/2021-07/08/c_641137.htm

²⁸ This is not the official translation.

——Xi Jinping, SPEECH AT A CEREMONY MARKING THE CENTENARY OF THE COMMUNIST PARTY OF CHINA (July 1, 2021)²⁹

- ⊕ At the 10th meeting of the Central Committee for Financial and Economic Affairs held on August 17, 2021, General Secretary Xi Jinping stressed that common prosperity is an essential requirement of socialism and a key feature of Chinese-style modernization, calling for adhering to the people-centered development philosophy and promoting common prosperity while pursuing high-quality development. Excerpts of the speech were published as a signed article titled *To Firmly Drive Common Prosperity* in the 20th issue of the Qiushi Journal on October 16.³⁰

- ⊕ *"We will ensure coordinated implementation of the Five-Sphere Integrated Plan and the Four-Pronged Comprehensive Strategy, deepen reform and opening up across the board, modernize China's system and capacity for governance, and work tirelessly to fulfill the people's aspirations for a better life and realize common prosperity for all."*

——Xi Jinping, SPEECH AT A MEETING MARKING THE 110TH ANNIVERSARY OF THE REVOLUTION OF 1911 (October 9, 2021)³¹

- ⊕ At the annual Central Economic Work Conference held from December 8 to 10, 2021, General Secretary Xi Jinping stressed that under China's socialist system, unremitting efforts must be made to unleash and develop the social productive forces as well as create and accumulate social wealth, while trying to avoid polarization. To realize the lofty goal of common prosperity, he urged that we will firstly make China's 'cake' bigger through the hard work of all our people and then divide the 'cake' well through reasonable institutional arrangements on distribution. This is a long-term historical process. We will march at a steady pace toward the goal.³²

How to understand common prosperity

- ⊕ *"Common prosperity is an essential requirement of socialism and a key feature of Chinese-style modernization. The common prosperity we are pursuing is for all, affluence both in material and spiritual life, but not for a small portion nor for uniform egalitarianism."*

"In my opinion, pursuing common prosperity, like building a moderately prosperous society in all respects, is a general concept that involves all aspects of the society across the country and is not proposed for only urban areas or rural areas, or east, central or west regions, insomuch that putting forward indicators requires overall consciousness. To achieve common prosperity for 1.4 billion Chinese people, we must take concrete, long-lasting actions. It does not mean simultaneous prosperity for

²⁹ http://www.news.cn/english/special/2021-07/01/c_1310038244.htm

³⁰ http://www.xinhuanet.com/english/2021-08/18/c_1310133051.htm

³¹ <https://www.chinadaily.com.cn/a/202110/13/WS6166e9afa310cdd39bc6ebcd.html>

³² This is not the official translation

everyone or the same level of affluence across the country. The degree of prosperity of different groups and regions and the time of achieving prosperity may vary. Common prosperity entails a process of moving forward amid developments and must be constantly promoted for continuous success.”

——Xi Jinping, SPEECH AT THE 10TH MEETING OF THE CENTRAL COMMITTEE FOR FINANCIAL AND ECONOMIC AFFAIRS (August 17, 2021)³³

☞ To realize common prosperity, we should adhere to the following principles:

- * *Encouraging hard work and innovation.*
- * *Adhering to the basic economic system.*
- * *Doing everything within our capacity.*
- * *Advancing step by step.*

The general idea is to adhere to the concept of people-centered development; promote common prosperity in high-quality development; correctly handle the relationship between efficiency and fairness; make basic institutional arrangements for the planning of primary distribution, redistribution and tertiary distribution; increase the intensity and accuracy of regulation such as taxation, social security and transfer payments; expand the proportion of the middle-income group, increase the income of the low-income group, rationally regulate high incomes and ban illegal incomes to form an olive-shaped distribution structure; facilitate social fairness and justice; accelerate the all-round development of people; and enable all people to make solid progress towards the goal of common prosperity.

- * *First, identifying a more balanced, coordinated and inclusive development path.*
- * *Second, endeavoring to expand the middle-income group.*
- * *Third, facilitating equal access to basic public services.*
- * *Fourth, intensifying the regulation and adjustment of excessive income.*
- * *Fifth, promoting common prosperity of the people’s spiritual life.*
- * *Sixth, promoting common prosperity in rural areas.*

——Xi Jinping, SPEECH AT THE 10TH MEETING OF THE CENTRAL COMMITTEE FOR FINANCIAL AND ECONOMIC AFFAIRS (August 17, 2021)³⁴

³³ This is not the official translation.

³⁴ This is not the official translation.

Goals of each stage

- By the end of the 14th Five-year Plan (2021-2025), we will march in confident strides toward common prosperity for all and gradually mitigate income inequality and narrow consumption gaps. By 2035, we will make more remarkable and substantive progress toward achieving common prosperity for all and effectively ensure equitable access to basic public services. By the middle of the 21st century, we will basically achieve common prosperity for all and reduce the income and consumption gaps between urban and rural areas to a reasonable range.³⁵

Current progress and achievements

- China's GDP exceeded the 100-trillion-yuan (15.7 trillion US dollars) threshold in 2020. The country's GDP per capita exceeded 10,000 US dollars in 2020 for the second year in a row.³⁶
- China's fight against poverty entered a critical stage after the 18th CPC National Congress in 2012. At the end of 2020, through eight years of hard work, China achieved the goal of eliminating extreme poverty – a key goal for the new era of building socialism with Chinese characteristics. The 98.99 million people in rural areas who were living below the current poverty threshold all shook off poverty; all the 128,000 impoverished villages and 832 designated poor counties got rid of poverty. China has eliminated poverty over entire regions and eradicated extreme poverty. It completed eradication of extreme poverty – the first target of the UN 2030 Agenda for Sustainable Development – 10 years ahead of schedule.³⁷
- The Central Committee of the Communist Party of China and the State Council, China's cabinet, jointly published a guideline on June 10, 2021 supporting Zhejiang taking the lead in building a demonstration zone as an example for promoting common prosperity nationwide.

By 2035, Zhejiang's systems and mechanisms for common prosperity should also be better developed, according to the guideline.³⁸

- "We have realized the first centenary goal of building a moderately prosperous society in all respects. This means that we have brought about a historic resolution to the problem of absolute poverty in China, and we are now marching in confident strides toward the second centenary goal of building China into a great modern socialist country in all respects."*

³⁵ This is not the official translation.

³⁶ http://www.xinhuanet.com/english/2021-01/18/c_139677413.htm

³⁷ http://www.xinhuanet.com/english/2021-04/06/c_139860414.htm

³⁸ http://english.www.gov.cn/policies/policywatch/202106/11/content_WS60c2bc4bc6d0df57f98db143.html

——Xi Jinping, SPEECH AT A CEREMONY MARKING THE CENTENARY OF THE COMMUNIST PARTY OF CHINA (July 1, 2021)³⁹

- ⊕ *“The principal contradiction facing Chinese society in the new era is that between unbalanced and inadequate development and the people’s ever-growing needs for a better life, and the Party must therefore remain committed to a people-centered philosophy of development, develop whole-process people’s democracy, and make more notable and substantive progress toward achieving well-rounded human development and common prosperity for all.”*

——RESOLUTION OF THE CPC CENTRAL COMMITTEE ON THE MAJOR ACHIEVEMENTS AND HISTORICAL EXPERIENCE OF THE PARTY OVER THE PAST CENTURY, *Adopted at the Sixth Plenary Session of the 19th Central Committee of the Communist Party of China on November 11, 2021*⁴⁰

³⁹ http://www.news.cn/english/special/2021-07/01/c_1310038244.htm

⁴⁰ https://english.www.gov.cn/policies/latestreleases/202111/16/content_WS6193a935c6d0df57f98e50b0.html

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