

A Study on the Coordination Between Distributional Equity and Economic Efficiency

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Abstract

Distributional equity and economic efficiency are two critical dimensions of socio-economic development. They are interdependent and mutually influential, together forming the cornerstone of social and economic progress. This paper aims to explore the coordination between distributional equity and economic efficiency, analyzing their inherent logic, historical evolution, and contemporary challenges, while proposing corresponding policy recommendations. By reviewing relevant domestic and international theories and practices, this paper argues that under the conditions of a socialist market economy, achieving coordinated development between distributional equity and economic efficiency is an essential requirement for promoting sustainable economic and social development.

Keywords

distributional equity, economic efficiency, coordination

1. Introduction

Since the reform and opening-up, China has achieved remarkable economic development, with significantly improved economic efficiency and a substantial increase in people's living standards. However, with the rapid economic growth, the problem of unfair distribution has gradually emerged, becoming an important factor restricting social harmony and sustainable development. To address this issue, the state has successively introduced a series of policy measures aimed at promoting the coordinated development of distributional equity and economic efficiency.

The Report to the 17th National Congress of the Communist Party of China clearly pointed out that we should adhere to and improve the distribution system with distribution according to work as the mainstay and multiple distribution modes coexisting, and improve the system of distributing factors of production such as labor, capital, technology, and management according to their contributions. Zhang[1] believes that this policy orientation not only reflects the state's attention to distributional equity but also provides a strong guarantee for the sustained improvement of economic efficiency. Meanwhile He and Li[2] points out that the state has also increased support for low-income groups through taxation, social security, transfer payments, and other means, striving to narrow the wealth gap and promote social fairness and justice.

2. Core Concepts and Theoretical Foundations

2.1 Connotation of Distributional Equity

Distributional equity, as the name implies, refers to a fair, reasonable, and acceptable state of income distribution among social members in socio-economic activities. It not only focuses on the absolute amount of individual income but also emphasizes the relative rationality and social acceptability of income distribution [3]. Distributional equity is an important part of the socio-economic system and one of the key indicators for measuring social fairness and justice.

2.2 Characteristics of Distributional Equity

The concept and standards of distributional equity have constantly evolved with historical development. In different social forms and historical stages, people's understanding and pursuit of distributional equity vary. For example, in primitive society and slave society, due to the low level of productive forces, the concept of distributional equity was not prominent; in modern society, with the development of productive forces and social progress, people's requirements for distributional equity have become increasingly higher. It requires a fair, reasonable, and acceptable state of income distribution among social members, and has the characteristics of historicity, class nature, differences in subjective evaluation, relativity, comprehensiveness, and dynamics. In the process of promoting distributional equity, it is necessary to fully consider these characteristics and adopt corresponding policy measures to achieve it.

3. Connotations and Characteristics of Economic Efficiency

3.1 Connotation of Economic Efficiency

Economic efficiency, usually referring to the operational efficiency of the social economy, refers to the economic benefits that can be obtained on the basis of a certain economic cost, or the degree of optimal allocation and effective utilization of social resources. It measures an economy's ability to achieve maximum output and meet social needs when using limited resources. The level of economic efficiency not only determines the overall performance of the economy but also directly affects the level of social welfare and the well-being of social members [4].

3.2 Characteristics of Economic Efficiency

The core of economic efficiency lies in the pursuit of optimization, that is, how to maximize output and meet social needs under given resources and technical conditions. This optimization orientation promotes the economic system to continuously optimize resource allocation and improve production efficiency to achieve maximum economic benefits.

4. Analysis of the Relationship between Distributional Equity and Economic Efficiency

4.1 Opposition and Unity

Under the premise of limited resources, equitable distribution and economic efficiency often face direct conflicts. Equitable distribution requires the balanced allocation of social resources among social members to narrow the income gap and achieve social justice. In contrast, economic efficiency emphasizes the optimal allocation and efficient utilization of resources to maximize output and economic benefits. When resources are allocated too evenly, it may reduce the efficiency of resource utilization and affect overall economic efficiency; when pursuing economic efficiency, it may exacerbate the inequality of resource allocation and undermine social equity. The improvement of economic efficiency often relies on effective incentive mechanisms, such as distribution according to work and distribution according to contribution. These mechanisms can stimulate individuals' enthusiasm and creativity, promoting the progress of social productive forces. However, excessive incentive mechanisms may lead to the expansion of the income gap, which is contrary to the principle of equitable distribution. On the contrary, although egalitarianism can narrow the income gap, it often weakens the role of incentive mechanisms and reduces economic efficiency.

Equitable distribution and economic efficiency are not completely oppositional; they also have a mutually promoting relationship. On the one hand, equitable distribution can provide social members with basic living security and development opportunities, reduce social contradictions and conflicts, and create a stable social environment for the improvement of economic efficiency. On the other hand, the improvement of economic efficiency can increase the total amount of social wealth, providing a more material foundation for equitable distribution. Wang and Zhang[5] believes that when economic efficiency improves, governments and enterprises have more resources to invest in public service areas such as social security, education, and medical care, thereby further promoting the equitable distribution of society.

4.2 Historical Evolution and Practical Challenges

At the beginning of the reform and opening-up, affected by traditional small-scale peasant consciousness and the egalitarian ideas during the “Cultural Revolution”, the distribution in China’s economy and society was nominally based on work, but in reality, there was a serious problem of equal distribution. During this period, the Party and the government began to realize the importance of efficiency. Through rural reforms, such as the implementation of the household contract responsibility system, the egalitarian distribution method was gradually broken. Sun and Lin[6] points out that this stimulated farmers’ enthusiasm for production and improved economic efficiency.

With the deepening of the reform, especially the advancement of the urban economic system reform, the Party and the government gradually clarified the principle of “giving priority to efficiency while considering equity” in the distribution policy. This principle was formally established after the Third Plenary Session of the 14th Central Committee, aiming to promote economic development by improving efficiency while paying attention to social equity issues. However, this policy also exposed some problems in the process of implementation, such as the gradual widening of the income gap and the increasingly prominent phenomenon of unfair social distribution.

5. Path Choices for Realizing the Coordinated Development of Distributional Equity and Economic Efficiency

Primary distribution is the basic link of income distribution, and its fairness directly affects the effect of subsequent distribution. To improve the primary distribution mechanism, we must first ensure the fairness of the starting point and process for owners of factors of production to participate in market competition. This includes:

Protecting labor income: Establish and improve the wage level determination mechanism, normal growth mechanism, and payment guarantee mechanism to ensure that workers can obtain remuneration matching their labor contributions. Redistribution is an important means to regulate the income distribution gap. We should strengthen the regulatory role of redistribution, regulate excessively high incomes through taxation, social security, and other means, and increase the income of low-income groups.

Market-oriented reform is the key to improving the efficiency of resource allocation. We should further promote market-oriented reforms, improve the market mechanism, break industry monopolies and regional blockades, and promote the free flow and optimal allocation of resources. Coordinated regional development is an important way to achieve optimal resource allocation. We should strengthen regional cooperation and coordination, promote the coordinated development of industries among regions, the interconnection of infrastructure, and the co-construction and sharing of public services.

Education is an important way to enhance human capital. We should improve the quality of education, strengthen the coordinated development of basic education, vocational education, and higher education, and cultivate more high-quality talents. Yuan et al.[7] believes that educational equity is an important foundation for achieving distributional equity. We should promote educational equity and ensure that every child has equal access to education. Improve the education funding system: Establish and improve the funding system for students from poor families; increase support for education in rural and remote areas. Promote the informatization of education: Use modern information technology to expand the coverage of high-quality educational resources; promote the integrated development of urban and rural education.

6. Conclusions and Prospects

The coordinated development of distributional equity and economic efficiency is an inherent requirement of the socialist market economy and an inevitable path to realize the sustainable development of the economy and society. Measures such as improving the income distribution system, promoting economic transformation and upgrading, and strengthening system construction and legal protection can effectively promote it. However, realizing the coordinated development of distributional equity and economic efficiency is a long and complex process that requires the joint efforts of the government, enterprises, and all sectors of society.

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Conflicts of Interest

The authors declare no conflict of interest.

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