Digital Economy Empowering the Role and Pathway to Common Prosperity

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Abstract: The 20th National Congress of the Communist Party of China proposed that achieving common prosperity for all people is an essential requirement of Chinese-style modernization. This provides us with principles to understand the position and role of common prosperity in advancing the overall process of Chinese-style modernization, as well as a more solid foundation for promoting common prosperity for all people in the new era. The pace of pursuing common prosperity has become more determined and powerful. The primary advantage of the digital economy is its enabling effect, effectively promoting industrial upgrading and consumption synergies, continuously optimizing economic and social structures, and experiencing rapid development momentum in recent years. Empowering high-quality development through the digital economy serves as the foundation for achieving common prosperity. The digital economy promotes the enhancement of social production efficiency, facilitates the transformation of market behaviors, contributes to fiscal re-efficiency, and promotes balanced development to reduce regional disparities. Applying technologies such as big data and artificial intelligence in production, distribution, exchange, and consumption can stimulate organizational changes and institutional innovations in economic activities, which is of great significance for promoting common prosperity. Under the socialist system with Chinese characteristics, the digital economy has triple advantages in politics, systems, and governance in empowering common prosperity. The main pathways to achieve common prosperity through the digital economy include comprehensively regulating the supervision of the digital economy, promoting the improvement of public service quality and efficiency, and improving the employment security system to encourage innovation and entrepreneurship.

Keywords: Common Prosperity; Digital Economy; Chinese Characteristics.

1. Introduction

1.1. Research Background and Significance

Common prosperity is the essential requirement and goal of socialism, as well as the fundamental principle of socialism in China. The 10th meeting of the Central Finance and Economics Commission conducted a special study on the issue of common prosperity. As China has built a moderately prosperous society in all respects, it is necessary to continue to improve both the size and distribution of the economic pie, vigorously promote high-quality development, generally increase the income level of urban and rural residents, gradually narrow the distribution gap, and resolutely prevent polarization. The development of the new era has brought new connotations to common prosperity. The digital economy is of great significance to the construction of common prosperity, representing an inevitable path and choice in responding to global development and innovation. As a new engine for promoting general and balanced economic growth, the digital economy represents a new economy, new momentum, and new business forms. It has triggered profound changes in society and the economy, aligning with the main construction requirements and development goals of common prosperity. Studying the role of the digital economy in enabling common prosperity helps achieve common prosperity more efficiently through new paths and technologies, promoting the healthy development of China's digital economy and injecting new momentum into promoting common prosperity. Additionally, it contributes to promoting high-quality economic development and improving people's living standards in other countries around the world.

1.2. Definition of Related Concepts

1.2.1. Common Prosperity

Since the 18th National Congress of the Communist Party of China, General Secretary Xi Jinping has pointed out that "common prosperity is the prosperity of all people," "common prosperity is the prosperity of both material and spiritual life of the people," "letting the fruits of development benefit all people more and more fairly," and "promoting common prosperity for all people is a long-term and practical task." These discussions profoundly reveal that in the new stage of development, common prosperity aims to promote the coordinated development of material and spiritual prosperity for all people, promote comprehensive human development and social progress, and pursue universal prosperity, comprehensive prosperity, shared prosperity, and gradual prosperity. The first perspective is to understand common prosperity from the perspective of full development. Common prosperity is not just achieving prosperity without hard work or solely material prosperity. It is not just an economic issue. Instead, it is comprehensive prosperity achieved through high-quality development, where both material and spiritual wealth reach a state of affluence to better meet the growing needs of the people in various aspects.

1.2.2. Digital Economy

The concept of the digital economy was first proposed in the book "The Digital Economy: Promise and Peril in the Age of Networked Intelligence" written by Canadian scholars in 1995. The authors believe that the digital economy is a network system related to technology and intelligent machines that can closely link elements such as intelligence, knowledge, and innovation to promote social development.
and increase wealth. With the changing economic and technological development situation, the concept of the digital economy has undergone continuous changes and been given new connotations. Nowadays, the digital economy, as an economic concept, refers to an economic form that utilizes big data for identification, selection, filtering, storage, and utilization to guide and achieve rapid optimization, allocation, and regeneration of resources, thus achieving high-quality economic development. The digital economy is not equivalent to the virtual economy. The popular saying about the digital economy is "digitization of industries" + "digitization of industries." The three essential elements of the digital economy are data, information, and industries. Data has become a new key production factor. In the era of the digital economy, everything is interconnected, and all activities and behaviors in various industries will be digitized. Information and communication technology provides momentum for innovation. The digital economy based on information technology is breaking traditional supply-demand models and existing economic theories, fostering a more inclusive, shared, and open-source economic ecosystem, and promoting high-quality development.

1.3. Current Research on the Digital Economy Promoting Common Prosperity

1.3.1. Related Research by Domestic and Foreign Scholars

The digital economy has a profound impact on society and plays a positive role in economic and social development. Primarily analyzing its impact on regions, households, and individuals, Duan Bo and Shao Chuanlin (2020) found that the digital economy has a positive impact on regional development by promoting economic agglomeration, facilitating the free flow of regional factors. Zhang Xun et al. (2019) used Chinese household financial tracking data to discover that digital finance promotes entrepreneurial behavior among households with lower capital levels, positively impacting residents’ income. In the context of the COVID-19 pandemic, the digital economy has provided new forms of employment, enabling online work, reducing human contact, and promoting the normal development of other industries (Xia and Jingsong, 2020).

Promoting common prosperity emphasizes both increasing the size of the pie and distributing it fairly, conducting reasonable allocation, minimizing wealth disparities, and narrowing the gap in living standards between urban and rural areas and among different regions. Regarding whether digital economy can help narrow the income gap, some scholars have given affirmative answers. Zhang Yifang (2019) found in her research that Internet trade can reduce the urban-rural income gap. Lan Guanxiufeng et al. (2020) held the same view, arguing that the diffusion and permeability of digital technology can expand the scale and service scope of Internet trade, thus narrowing the urban-rural income gap. Zhang Lina, Lv Xiangwei, et al. (2021) showed in their research that the development of digital economy has a stronger income-increasing effect on rural households than on urban households. He Dehua et al. (2014) believed that the development of e-commerce for agricultural products has shortened the sales process of agricultural products, making them no longer limited by geographical factors, thereby expanding sales channels for agricultural products and effectively narrowing the urban-rural income gap by increasing farmers’ income. Other scholars believe that the impact of digital economy on the urban-rural income gap varies with changes in factors such as urbanization level, technological innovation level, and economic development level. Liu Jiang et al. (2021) proposed that urbanization level can inhibit the digital economy from narrowing the urban-rural income gap, and that regions with more developed economies and higher scientific research levels are more likely to narrow the income gap through the development of digital economy.

2. The empowerment of the digital economy in high-quality development is the foundation for achieving common prosperity

The digital economy, characterized by its collaborative and shared nature, enables the concentrated and effective allocation of various resources, including data. This further drives the deep integration of technology and data, realizes cross-regional, cross-industry, cross-department, and cross-business collaborative management and services, and promotes high-quality development in all areas of society. The development of the digital economy not only improves domestic supply chains and industrial chains but also elevates the value chain, changing the structure of economic growth momentum and enhancing the quality of economic development. It plays a significant role in technological innovation and improving total factor productivity. Emerging technologies can create a high-quality economic environment, and the digital economy promotes high-quality economic development through new input factors, new resource allocation efficiency, and new total factor productivity.

2.1. The digital economy promotes the enhancement of social production efficiency

The primary prerequisite for achieving common prosperity is to achieve a higher quality and level of social productivity. Only by continuously enhancing the level of social productivity and encouraging various factor resources to participate in production in a more efficient combination can we provide the society with more high-quality products and services, effectively meeting the growing material and cultural needs of the people. The digital economy has a significant growth effect on social production, and data has become a crucial production factor. It can not only directly create wealth in the production process but also assist enterprises in management calculations, making resource allocation more rational. In the digital economy, digital technology has become a tool to accelerate the circulation and operational efficiency of various production factors, continuously improving the input-output efficiency of various factors, enabling rapid development of social productivity driven by innovation. According to statistics, in 2020, the scale of China's digital economy reached 39.2 trillion-yuan, accounting for 38.6% of GDP. The digital economy aligns with the requirements of common prosperity for productivity development and economic expansion, positively promoting common prosperity and continuously accumulating the material basis for achieving it.
2.2. The digital economy promotes further market transformation

2.2.1. Digital technology drives changes in market behavior

In the digital economy era, data, as an important production factor, can effectively address the issues of incomplete information and information asymmetry in the market economy, enabling more precise and effective supply-demand matching. The reliance of enterprises' production and operation activities on geographical space is gradually decreasing, leading to a downward trend in market concentration and industrial agglomeration. At the same time, market entry barriers and industry thresholds are gradually lowered, significantly enhancing market competition vitality and the fairness of the business environment. The widespread penetration and application of digital technology enable various market entities to enjoy the benefits of digital technology while promoting changes in market behavior. On one hand, a fair, competitive, transparent, and orderly business environment has gradually eliminated price discrimination, making product pricing more uniform across different markets and groups. This can eliminate the influence of opportunism, moral risks, and other factors to a certain extent, significantly increasing overall social welfare. On the other hand, digital technology has strengthened the trust relationship between trading entities, making market transactions more efficient while promoting fairness in wealth creation and value addition processes.

2.2.2. Digital platforms drive market performance enhancement

Digital platforms empower the simultaneous improvement of production efficiency, resource allocation efficiency, and social welfare levels. On one hand, digital platforms connect market entities, aggregate transaction information, and support financial services, playing a crucial role in market pricing, expectation guidance, cost control, and profit distribution. On the other hand, digital platforms reshape industrial chains, supply chains, and value chains, stimulating a large number of new demands and supplies. The market-oriented operation of digital platforms optimizes and reorganizes original resource elements, gradually narrowing the regional disparities in labor compensation. Economic and social development achievements benefit less developed regions and low-income groups more, achieving organic unity between market performance and fair results.

2.2.3. The digital economy promotes fiscal re-efficiency

Digital finance and the provision of public services: The digital transformation of fiscal governance is a crucial component of modernizing government administration and national governance capabilities. On one hand, digital finance leverages the scientficity of fiscal decision-making, the precision of implementation, and the objectivity of policy feedback to effectively enhance the quality and efficiency of public services by reducing their expenditure costs. On the other hand, digital finance utilizes the accurate recording capabilities of big data to expand tax sources and achieve digital surpluses, while enhancing the alignment between supply and demand for public goods and services. The integration of digital finance and budget management is a vital aspect of coordinating fiscal authorities and expenditure responsibilities. The extensive application of digital technology can comprehensively promote budget performance management, optimize budget performance evaluation indicators, and address information asymmetry issues in public budget performance management. Leveraging fiscal big data allows for grasping dynamic changes in public market demand, achieving an organic integration of fiscal governance and data governance. Fiscal funds can be transferred and allocated between governments, between governments and enterprises, and between governments and individuals, thereby enhancing the level of fiscal budget management, making the implementation objectives of fiscal policies clearer, and making the government's "visible hand" in wealth redistribution more effective and impactful.

2.3. The digital economy promotes balanced development and reduces regional disparities

The diffusion effect of new digital infrastructure provides effective support for reducing regional disparities. The construction of new digital infrastructure relies less on inputs such as talent and capital, overcoming the constraints of land, natural environment, and other factors on traditional infrastructure. It can accelerate the full flow and connectivity of data elements among various entities, strengthen the correlation of economic activities between regions, promote collaboration and linkage between eastern and western regions, developed and underdeveloped areas, effectively connect resources between the east and the west, allowing both regions to leverage their respective advantages to expand industrial cooperation, promote equalization of development opportunities in the east and the west, share digital dividends, and create wealth in a balanced manner across regions, thus narrowing regional disparities. The digital economy can not only form new markets through new industries, new business formats, and new models, but also optimize existing markets to a certain extent by breaking administrative monopolies and regional segmentation, enabling enterprises to obtain more market access opportunities and a fair competitive environment. The innovation of digital technology will accelerate the emergence of new markets and the exit of old ones.

3. The Significance of Promoting Common Prosperity

3.1. Achieving Common Prosperity as the Essential Requirement of Socialism

At the beginning of reform and opening up, Comrade Deng Xiaoping pointed out that the essence of socialism is to liberate and develop productive forces, eliminate exploitation, eradicate polarization, and ultimately achieve common prosperity. As socialism with Chinese characteristics enters a new era, General Secretary Xi Jinping has repeatedly emphasized that "common prosperity is the fundamental principle of socialism with Chinese characteristics” and “the development we pursue is development that benefits the people, and the prosperity we seek is the common prosperity of all people.” Achieving the free and comprehensive development of individuals is the fundamental value goal pursued by Marxism. It refers to the development of all members of society, or the development of each individual, rather than just a portion of the population. It represents the true unity of social development and personal development, without sacrificing the development of certain individuals.
Since the 18th National Congress of the Communist Party of China, our Party has adhered to the people-centered development philosophy, emphasizing that development is for the people, relies on the people, and its fruits are shared by the people. We have firmly pursued the path of achieving common prosperity for all people. Under the guidance of this philosophy, we have achieved the great feat of building a moderately prosperous society in all respects. Currently, the entire country is working together to promote high-quality development, with achieving common prosperity as an important task for building socialism with Chinese characteristics in the new era.

3.2. Achieving Common Prosperity as the Essential Requirement of Chinese-style Modernization

Chinese-style modernization has been gradually explored based on China's unique cultural traditions and basic national conditions. Building on the long-term exploration and practice since the founding of New China, especially since the reform and opening up, and through theoretical and practical innovations since the 18th National Congress of the Communist Party of China, the Party has successfully promoted and expanded Chinese-style modernization. Chinese-style modernization is the socialist modernization led by the Communist Party of China and the modernization towards continuous common prosperity for all people. It can be said that common prosperity for all people is the fundamental symbol that distinguishes socialist modernization from Western modernization. The report of the 20th National Congress of the Communist Party of China included "achieving common prosperity for all people" as one of the essential requirements of Chinese-style modernization, further emphasizing the significant importance of achieving common prosperity.

3.3. Achieving Common Prosperity as the Inevitable Path to Realizing the Great Rejuvenation of the Chinese Nation

The Chinese people have long aspired for a strong country, prosperous nation, affluent people, and harmonious society. To achieve the great rejuvenation of the Chinese nation, we must first achieve national independence and people's liberation, which has already been accomplished. The second historical task is to achieve national prosperity, strength, and common prosperity for the people. Whether China can achieve socialist modernization is crucial to whether the Chinese nation can achieve great rejuvenation. Since the reform and opening up, the country has encouraged some regions and some people to become prosperous first, with the aim of achieving common prosperity through the prosperity of the first driving the prosperity of the latter. The 19th National Congress of the Communist Party of China proposed a new goal of building a socialist modern country in two steps, based on the comprehensive building of a moderately prosperous society. This signifies a great leap forward for the Chinese nation from standing up, becoming prosperous, to becoming strong, ushering in a bright future for realizing the great rejuvenation of the Chinese nation. The 20th National Congress of the Communist Party of China made further deployments on this basis, proposing to comprehensively promote the great rejuvenation of the Chinese nation through Chinese-style modernization. It can be said that achieving common prosperity is the inevitable path to realizing the great rejuvenation of the Chinese nation.

3.4. Achieving Common Prosperity as a Significant Political Issue Related to the Party's Ruling Foundation

The core of the Party's ruling foundation is the people. Only with the support of the people can the Party govern and govern well. Since the reform and opening up, profound changes have occurred in China's social structure. Only by objectively and comprehensively understanding and treating the new changes in social structure and properly handling the interest relationships among various social strata can we consolidate the Party's ruling status and foundation. Achieving common prosperity aims to narrow gaps, create wealth-creation opportunities for more people, and foster a development environment where everyone participates, enabling all social strata to benefit widely and allowing all people to live a better life. This is fundamental to consolidating and expanding the Party's ruling foundation. Therefore, achieving common prosperity is not only an economic issue but also a significant political issue related to the Party's ruling foundation.

4. The deepening path of promoting common prosperity through the digital economy

4.1. Comprehensively standardize the regulation of the digital economy

In response to the monopoly risk of digital platforms, we should comprehensively regulate the supervision of the digital economy. First, we should focus on anti-monopoly and anti-unfair competition, improve digital governance and regulatory laws, and strictly supervise according to law. We should formulate legal provisions in different fields and industries as the red line of regulatory governance, providing legal basis for supervision. Second, we should improve the organizational system of digital economy supervision, provide talent guarantee for the development of digital economy, and inject talent vitality through the cultivation of regulatory talents to eliminate regulatory overlap or blind spots. Third, we should build regulatory rules that are compatible with the development trend, characteristics, and laws of the digital economy, strengthen inclusive and prudent supervision, and provide guarantees for regulating the development of the digital economy. Fourth, we should use advanced regulatory technology to improve the level and efficiency of platform supervision, and prevent unfair competition through digital platforms.

4.2. Improve the effective combination of digital economy and taxation

Tax revenue is taken from the people and used for the people, which is an important economic foundation for achieving common prosperity. To improve the effective combination of digital economy and taxation, on the one hand, we should accelerate the operation of the citizen tax credit system, impose reasonable punishment on taxpayers who conceal their true income and fail to pay personal income tax on time for many times, and enhance the awareness of taxpayers’ honest tax payment through reward and punishment mechanisms to promote the harmonious
development of the taxation cause. With the development of digitalization, most data can be shared online. If we can directly enter their tax information on citizens' resident identity cards, departments will be more time-saving and efficient in implementing reward and punishment measures, and taxpayers' awareness of honest tax payment will be higher. On the other hand, we should carry out personal income tax reform, focus on regulating excessive income, monitor the tax payment of high-income people such as celebrities and internet celebrities, and rely on sharing information to control the rental income of multiple property owners. At present, the national real estate information has been networked to achieve information sharing, requiring the owners of three or more houses under their name to actively report to the tax bureau.

4.3. Promote the improvement of the quality and efficiency of public services

Addressing the mismatch between the development of the digital economy and public service management, we should actively promote the improvement of the quality and efficiency of public services. It is clear that the integration of public services and digital technology is an inevitable trend for high-quality economic development. We should promote the digital economy to empower public services and explore a path that fits the actual development situation with Chinese characteristics for the equalization of public services. At the same time, we should accurately analyze the needs of people's livelihood, accelerate the construction of smart scenarios such as "smart healthcare/pension/education + future community", promote the development of new models and states such as the combination of medical care and elderly care, the combination of culture and education, the combination of sports and medicine, the integration of culture and tourism, the integration of entertainment and culture, and the integration of eco-tourism, so as to enrich the diversity and personalized needs of public services and improve the quality and level of public services. We should develop community-based inclusive living service institutions according to local conditions, strengthen the supply and demand docking in the fields of employment, pension, childcare, and housekeeping, develop affordable inclusive living services, and enable as many people as possible to enjoy life services, so as to solve the problem of fairness in resource utilization in the fields of education, healthcare, pension, and poverty alleviation.

4.4. Improve the employment security system and encourage innovation and entrepreneurship

In response to the problem of inadequate employment and social security, we should actively do a good job in social security for non-knowledge and skill workers and new business types. First, we should provide digital skills training for low-skilled workers to enhance their digital thinking and skills, build a digital learning platform system, and create a good environment for active learning. Second, we should give full play to the employment absorption advantages of the digital economy, cultivate market entities in the digital economy, and give full play to the supporting role of digital platform carriers. We should strengthen the cultivation of digital talents, increase investment in basic disciplines, and ensure employment security throughout the process, providing policy and institutional guarantees for promoting common prosperity.

In the development of the digital economy, by fully and rationally utilizing land and natural resources that are difficult to move in space in the economically less developed western regions, economically developed regions can liberate their productive forces and turn to invest in enhancing independent innovation in the field of digital core technologies. They can focus on the layout of innovation chains around emerging industrial chains such as digital industry, intelligent industry, and cloud economy, and lay a solid foundation for key core technologies. They can also use digital key core technologies to stimulate the potential high added value of industries and create richer and higher-quality social wealth.

5. Summary

Common prosperity is the common aspiration and direction of all Chinese people. Common prosperity and modernization are unified in the Chinese Dream of the great rejuvenation of the Chinese nation, and common prosperity accelerates the realization of the great rejuvenation of the Chinese nation. Common prosperity is the prosperity of all people, without emphasizing egalitarianism, and it should be promoted in stages. In the new era, common prosperity cannot be separated from the digital economy, which can help society make a "big cake", but the key to promoting common prosperity through the digital economy is to help low-income regions or groups have higher economic returns, that is, to help society divide the "cake" well. The digital economy empowers common prosperity. On the one hand, it promotes production and increases social production value. On the other hand, in the context of using the digital economy, it is indeed beneficial for relatively backward places to catch up with developed regions, thus narrowing regional disparities and promoting common prosperity. In the future, the development path of social digital economy empowering common prosperity still needs to be further improved and explored.

References


