

Developing a High-Standard Socialist market economy system: Historical Evolution, Characteristics, and Pathways

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Abstract: *The Resolution of the CPC Central Committee on Further Deepening Reform Comprehensively to Advance Chinese Modernization, adopted at the Third Plenary Session of the 20th CPC Central Committee, sets a strategic goal to “fully establish a high-standard socialist market economy system by 2035”, outlining new requirements and measures for the new era. This paper provides a comprehensive exploration of the historical trajectory, intrinsic characteristics, and strategic pathways of this system, offering theoretical support and practical guidance for the continued optimization and advancement of China’s market economy. Since the launch of reform and opening-up in 1978, China’s understanding of socialism and the market economy has become increasingly sophisticated and scientifically grounded. By tracing the historical evolution of the socialist market economy system, this study defines the core attributes of a high-standard socialist market system through four key features: Coordinated government-market relations, standardized market-oriented reforms, a well-developed foundational market economy framework, and extensive high-standard global integration. Building on these insights, this article proposes a comprehensive strategic framework centered on optimizing government-market relations, invigorating market participants, developing a high-standard market system, deepening market mechanism reforms, improving the fundamental systems of the market economy, coordinating fiscal and financial reforms, expanding high-standard openness, and strengthening risk prevention mechanisms—jointly forming a systematic pathway for establishing a high-standard socialist market economy system.*

Keywords: *Chinese modernization; high-standard socialist market economy system; government and market; intrinsic characteristics; strategic pathway*

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Over more than four decades of reform and opening-up since 1978, China has undergone a historic transformation—from a centrally planned economy dominated by a single form of public ownership to a socialist market economy system. Through continuous exploration and practice, the country has steadily advanced toward the goal of building a high-standard socialist market economy system, providing innovative answers to three fundamental questions of the era: whether to develop market economy, what

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kind of socialist market economy system to build, and how to build it effectively (Ren & Li, 2024). A major milestone in this process came in July 2024, when the Third Plenary Session of the 20th Central Committee of the Communist Party of China (CPC) adopted the *Resolution of the Central Committee of the Communist Party of China on Further Deepening Reform Comprehensively to Advance Chinese Modernization*. This resolution set forth a strategic plan to “fully establish a high-standard socialist market economy system by 2035”, outlining new requirements and initiatives to address the evolving conditions and demands of the modern era.

President Xi Jinping has repeatedly emphasized that “the world today is undergoing profound changes unseen in a century”. On one hand, the global balance of power is undergoing significant adjustments, with new structural tensions and confrontations emerging in geopolitics. Voices advocating for “semi-globalization”, “slow globalization”, and “de-globalization” are growing louder, while uncertainties in global economic governance and the resurgence of trade protectionism have introduced numerous destabilizing factors to China’s economic development. On the other hand, China’s economy has entered a new stage, transitioning from a phase of rapid growth to one focused on high-quality development. Promoting socioeconomic transformation remains a crucial task for the foreseeable future, endowing the reform of the socialist market economy system with new contemporary significance and requirements. Against this backdrop, building a high-standard socialist market economy system—starting from a higher baseline, aiming for higher standards, and pursuing more ambitious goals—will help align production relations with productive forces (particularly *new quality productive forces*), the superstructure with the economic base, and the national governance system with social development. This effort not only provides strong support for the new development philosophy, the new development pattern, and high-quality development but also serves as a vital pillar and driving force for advancing Chinese-style modernization.

1. Historical Context of Building a High-Standard Socialist Market Economy System

The proposal and development of a high-standard socialist market economy system in China have followed a complex and evolving trajectory. From a broader historical perspective, this process reflects a deepening and increasingly scientific understanding of socialism and the market economy. Over time, this has led to the institutionalization of the socialist market economy system and the gradual formation and refinement of its theoretical framework. This evolution can be divided into three key stages: the transition from a planned economy to a market-oriented system, the establishment of the socialist market economy system, and the advancement toward a high-standard socialist market economy system. From the perspective of its core components, the construction of a high-standard socialist market economy system has centered on effectively balancing the relationship between government and the market, navigating the evolution of public and non-public sectors, and developing a high-standard market system. These efforts have progressively contributed to achieving the strategic goal of building a high-standard socialist market economy system.

1.1 Core Trajectory of Constructing a High-Standard Socialist Market Economy System

First, the transition from a planned economy to a market-oriented system. In the early stages of reform and opening up, Deng Xiaoping laid the conceptual groundwork in 1979 by asserting that socialism could incorporate a market economy. He stated, “Why can’t socialism adopt a market economy? This should not be labeled as capitalism. We primarily follow a planned economy, but also

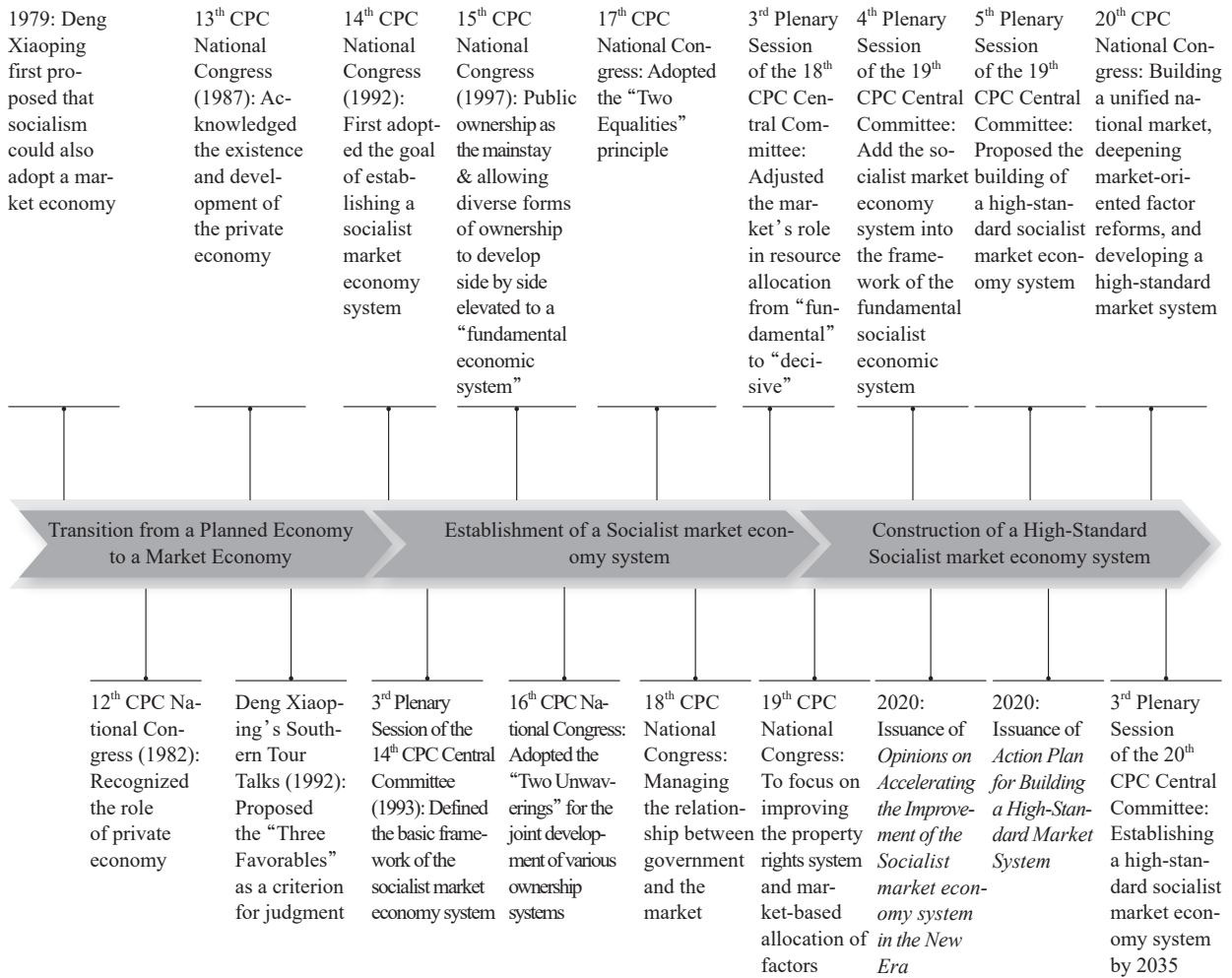


Figure 1: Historical Timeline of Building a High-Standard Socialist Market Economy System

integrate market economy elements". This integration of socialism and the market economy marked a significant reinterpretation of Marxist political economy and challenged the conventional Western notion of a rigid opposition between socialism and market systems (Hu, 2016). During his 1992 Southern Tour Talks, Deng Xiaoping further emphasized that "The extent to which planning or the market is used is not the essential distinction between socialism and capitalism... Combining planned and market economies can more effectively unleash productive forces". He also introduced the "three favorables" criterion (namely determining whether what we do is favorable to improving the productive forces in a socialist society, to increasing the overall strength of the socialist state, and to raising people's living standards), which has also become the underlying logic for establishing the socialist market economy system (Cai et al., 2024). At a critical juncture when the socialist market economy system, after more than a decade of exploration and development, faced growing risks and uncertainties, Deng Xiaoping's Southern Tour Talks in 1992 provided decisive guidance for deepening reforms. During this period, the non-public sector, particularly the private economy, saw rapid expansion, emerging as a vital driving force in China's evolving economic landscape.

Second, the establishment of the socialist market economy system. In 1992, the 14th National

Congress of the Communist Party of China (CPC) explicitly declared that “the socialist market economy system is integrated with the fundamental socialist system”. This marked the first time the CPC clearly articulated the reform target for establishing a socialist market economy system, offering an innovative definition of its fundamental character. Building on this milestone, the Third Plenary Session of the 14th CPC Central Committee elaborated the basic framework of the socialist market economy system, presenting a comprehensive blueprint for the direction and priorities of economic reform. With the target and framework established, the development of the socialist market economy system unfolded gradually. After nearly a decade of exploration, the 16th CPC National Congress in 2002 introduced the “Two Unwaverings” policy: “unswervingly consolidating and developing the public sector” while “unswervingly encouraging, supporting, and guiding the non-public sector”. This dual commitment provided the foundation and momentum for constructing the socialist market economy system, affirming the complementary roles of the public and non-public sectors as stabilizers in achieving both rapid and high-quality economic growth.

After the 17th CPC National Congresses, reforms were progressively refined to address persistent obstacles in the economic system. Emphasis was placed on harmonizing key relationships: between government and market, between state-owned enterprises (SOEs) and the private sector, and between domestic and international markets. Concurrently, efforts were focused on advancing high-standard market systems, strengthening national macroeconomic governance, and deepening market-oriented SOE reforms. These initiatives drove both theoretical and practical innovations.

Third, advancing the construction of a high-standard socialist market economy system. In the new phase of pursuing the Two Centenary Goals and the great rejuvenation of the Chinese nation, the Fourth Plenary Session of the 19th CPC Central Committee in 2019 officially incorporated the socialist market economy system into the framework of the fundamental socialist economic system. This institutional recognition marks a profound acknowledgment of China’s economic transformation within its modernization process. It underscores the organic integration of the socialist system with market mechanisms, affirming the intrinsic consistency between ownership structures, distribution mechanisms, and the overall economic system (Lin & Li, 2021). By this stage, the conditions for building a high-standard socialist market economy system had become relatively mature. The Fifth Plenary Session of the 19th CPC Central Committee in 2020 officially introduced the goal of constructing a high-standard socialist market economy system, while the Third Plenary Session of the 20th CPC Central Committee in 2024 further clarified the timeline, setting the target of fully establishing this system by 2035. This objective aligns with the broader goal of essentially achieving socialist modernization by the same year, carrying significant theoretical and practical implications.

1.2 Sub-Themes in Constructing a High-Standard Socialist Market Economy System

First, the evolving relationship between government and market. A key sub-theme in developing a high-standard socialist market economy system is the evolving relationship between government and market—a core issue in economic system reform. The 12th CPC National Congress in 1982 initially defined this relationship by advocating “a planned economy as the mainstay, supplemented by market regulation”. By the 14th CPC National Congress in 1992, the discourse shifted toward “correctly understanding and managing the relationship between planning and the market”. This perspective evolved further at the 18th CPC National Congress in 2012, which identified “properly handling the relationship between government and market” as the central challenge of economic reform, setting a clear direction for the construction of a high-standard socialist market economy system. Scholars

describe this evolution as a process of dynamic interaction, institutional cooperation, and functional coordination between the two forces (Ren & Li, 2024).

As the government's macroeconomic governance capacity steadily advanced, the market began to play a bigger role in resource allocation. The 14th CPC National Congress first defined the market's function as "fundamental" in resource allocation, a stance that was further refined at the Third Plenary Session of the 18th CPC Central Committee in 2013, where its role was elevated to "decisive". This adjustment marked a systematic and gradual improvement of the socialist market economy system, ushering in a new phase of China's reform and opening-up efforts. From a practical perspective, the market optimizes resource allocation through price mechanisms, ensuring the most efficient use of production factors. Enterprises adjust their production in response to price signals, while competition compels them to enhance product quality and service offerings to attract consumers. The diverse range of goods and services in a market caters to the varied needs of consumers, who, in turn, make purchasing decisions based on price signals. This self-reinforcing mechanism continuously refines resource distribution across the economy, promoting efficiency and dynamism.

Second, the coordinated development of multiple ownership forms. From the founding of the People's Republic of China in 1949 until the start of reform and opening up in 1978, China's industrial ownership structure was dominated by public ownership. According to the National Bureau of Statistics, in 1978, state-owned enterprises (SOEs) and collective enterprises accounted for 77.6% and 22.4% of China's total industrial output, respectively, with only a minimal presence of individual businesses. A shift began with the 12th CPC National Congress in 1982, which recognized non-public economies as a "necessary and beneficial supplement" to the public sector. This position was further strengthened at the 13th CPC National Congress in 1987, which explicitly acknowledged and supported the private economy's existence and development. By 1992, the 14th CPC National Congress established a broader framework: "Public ownership—including both state-owned and collective economies—serves as the mainstay, supplemented by individual, private, and foreign-funded economies, all developing in the long term together." This principle of "long-term coordinated development" settled long-standing academic debates and strengthened confidence in market participation (Shen & Yang, 2024).

Alongside this transition, China's state-owned enterprise (SOE) reforms progressed from initial exploration to institutional innovation around 1992, with the establishment of a modern enterprise system as the primary goal. By the end of 1997, the Chinese government adopted a classified guidance strategy, prioritizing the restructuring and development of over a thousand key SOEs. Meanwhile, the private sector revitalized a significant portion of state-owned assets through mergers, acquisitions, investment holdings, contracting, leasing, and entrusted operations. At the 15th CPC National Congress in 1997, keeping public ownership as the mainstay of the economy and allowing diverse forms of ownership to develop side by side was elevated to the status of a "fundamental economic system", laying an institutional foundation for the expansion of the non-public economy. The 16th CPC National Congress in 2002 further established the "Two Unwaverings" principle, which emphasized unwaveringly consolidating and developing the public sector while unwaveringly encouraging, supporting, and guiding the non-public sector. Subsequent CPC National Congresses have continued to refine policies on SOE reform and private sector development, fostering a diverse and competitive market environment where state-owned, private, and foreign enterprises compete and grow together. Notably, the transformation of state-owned asset management and capital market reforms has propelled SOE modernization into a new phase.

Third, constructing a unified national market. The establishment of a unified national market and a high-standard market system are mutually reinforcing objectives. As early as the Third Plenary

Session of the 14th CPC Central Committee in 1993, the Party proposed the “establishment of a socialist market economy system, which is to make the market play a foundational role in allocating resources under national macro-control”, and pointed out that “to achieve this goal”, it is necessary to “establish a unified and open national market system”. The 16th CPC National Congress in 2002 put forward new requirements for “improving the modern market system”, endowing the market system with the contemporary connotation of “modernity”. The Third Plenary Session of the 16th CPC Central Committee in 2003 further refined this vision, calling for a unified, open, competitive, and well-regulated modern market system. Since the 18th CPC National Congress in 2012, “building a high-standard market system” has been put forward and steadily advanced. This system encompasses robust foundational institutions, a high-quality market environment, efficient resource allocation mechanisms, advanced market-opening policies, and effective regulatory frameworks (Ma, 2021; Ren, 2023). The Report to the 20th CPC National Congress in 2022 integrated three key priorities—building a unified national market, deepening market-oriented factor reforms, and establishing a high-standard market system—into a cohesive strategy. The Third Plenary Session of the 20th CPC Central Committee in 2024 further specified the roadmap and concrete measures for implementing a unified national market, reinforcing its central role in China’s economic modernization.

2. Connotation and Characteristics of a High-Standard Socialist Market Economy System

2.1 Connotation of a High-Standard Socialist Market Economy System

Socialist characteristics are the defining hallmark of a high-standard socialist market economy system. Advancing this system to a more refined and sophisticated level requires a deeper understanding and effective utilization of its unique strengths. This involves seamlessly integrating the strengths of the socialist system with the benefits of the market economy, thereby forging a distinctive institutional advantage. Since the launch of reform and opening-up in 1978, China’s socialist market economy system has continuously evolved to meet the demands of the times, driving both economic system reforms and transformations in the development model. This adaptability has provided a solid institutional foundation for the great rejuvenation of the Chinese nation. A “people-centered” approach stands as the primary characteristic of this system (Deng, 2022), reflecting the fundamental stance and value orientation of the socialist system in economic development. This principle distinctly differentiates it from the capitalist market economy. Within the socialist market economy system framework, resource allocation through market mechanisms consistently serves the interests of the people, with the ultimate goal of achieving common prosperity. Under the centralized leadership of the Communist Party of China, this system leverages the institutional advantage of “concentrating resources to accomplish major endeavors” (Chen, 2022). It ensures a balanced emphasis on development and security, effectively responding to various risks and challenges while mobilizing efforts to address critical issues and unexpected crises.

Through a series of reforms and innovative measures, China’s socialist market economy system has been continuously improved and strengthened. However, as a complex, systematic and precise undertaking, building a high-standard socialist market economy system still faces pain points and challenges, such as an underdeveloped market system, immature market development, prominent structural and institutional contradictions, and an as-yet-unresolved relationship between the government and the market. Based on the advantageous characteristics of the socialist market economy system, the essence of a high-standard socialist market economy system lies in achieving the complementary

coexistence of public and non-public ownership economies within the framework of the fundamental economic system of socialism with Chinese characteristics. This involves establishing a unified national market, deepening property rights reform, promoting market-based allocation of factors of production, improving policy tools, and enhancing macroeconomic governance capabilities. By organically combining a “proactive government” with an “efficient market”, the goal is to promote common prosperity, strengthen institutional openness, and ensure the comprehensive, coordinated, and sustainable socioeconomic development.

2.2 Basic Characteristics of a High-Standard Socialist Market Economy System

First, coordination between the government and market entities. A high-standard socialist market economy system upholds the “Two Unwaverings” principle—unswervingly consolidating the public sector while encouraging the non-public sector—and leverages the coordinated advantages of an “efficient market” and a “proactive government” to foster a fair and competitive environment for all market participants (Pang & Jing, 2020). An “efficient market” emphasizes the decisive role of market mechanisms in resource allocation, promoting factor mobility and efficient resource distribution through competition and incentive mechanisms. Meanwhile, a “proactive government” continuously refines the modern enterprise system with Chinese characteristics, deepens reforms of state-owned assets and enterprises, and improves the private sector’s development environment through policy guidance and regulatory measures, thereby achieving the coordinated development of the public and non-public sectors. This coordination not only enhances the diversity and dynamism of market participants but also ensures effective government oversight in key areas, forming the cornerstone of a high-standard socialist market economy system.

Second, the standardization of market-oriented system reform. Market-oriented reform necessitates a clear, unified, and efficient regulatory framework to ensure the broader openness, sharing, and free movement of resources and production factors. On one hand, establishing and improving a standardized fundamental market system and regulatory framework provides a solid institutional foundation for the smooth operation of factor markets. This helps eliminate institutional barriers that hinder enterprise participation in market competition while ensuring fairness and authority in regulatory enforcement. On the other hand, advancing market-oriented factor market reform seeks to establish a high-standard market system featuring seamless factor mobility and agile price adjustments (Liu & Liu, 2023). By enabling factor allocation based on market rules, prices, and competition, these reforms accelerate the development of a unified national market, laying the groundwork for China’s economic competitiveness and influence in global markets.

Third, the integrity of the fundamental market economy system. The integrity of the fundamental market economy system is crucial for the effective functioning of market mechanisms and the optimal allocation of resources. Strengthening this system requires establishing fair and unified market rules with robust oversight. A property rights protection framework centered on fairness, supported by a relatively independent judicial system, can effectively stimulate innovation among market entities. Implementing a nationally unified negative list for market access—simplifying procedures, reducing entry costs, and enhancing factor mobility—helps build a unified national market and improves resource allocation efficiency. At the same time, strengthening anti-monopoly enforcement, refining regulatory approaches to curb monopolistic behavior, and fully implementing a fair competition review system ensure market diversity and vitality. These efforts uphold fair competition, providing a solid institutional foundation for a high-standard socialist market economy system.

Fourth, the broad scope of high-standard domestic and international opening-up. Deepening high-standard domestic and international opening-up aligns with the inevitable trend of global expansion in socialized mass production and the continuous deepening of economic globalization (Jian, 2022). As an open economy, the socialist market economy system inherently requires the free flow and optimal allocation of resources on a global scale to sustain a virtuous cycle of economic development. This broad scope of opening-up with high standards entails reducing or eliminating protectionist barriers in areas such as international trade, investment, and exchanges, while actively integrating into the global economic system. By adopting a comprehensive, multi-tiered, and multi-channel approach to external engagement, the socialist market economy system can fully leverage both domestic and international markets and resources, facilitating the free and efficient movement of goods, capital, technology, information, and talent. At the same time, it upholds the principle of balancing openness with independence and self-reliance, ensuring national security in economic, political, social, and ecological aspects throughout the process.

3. Intrinsic Requirements for Building a High-Standard Socialist Market Economy System

3.1 Handling the Relationship between the Market Economy and the Basic Socialist Economic System

In order to uphold and enhance the fundamental socialist economic system, it is essential to promote the construction of a high-standard socialist market economy system as its core element. This necessitates carefully managing the interplay between the market economy and the fundamental socialist economic system. From an ownership structure perspective, building a high-standard socialist market economy system demands harnessing the strengths of public ownership while promoting the coordinated growth of diverse ownership forms, cultivating a mutually reinforcing and complementary framework. Achieving this calls for fully unleashing the vitality of a high-standard socialist market economy system, ensuring fairness in areas such as access to production factors, market competition, and legal protections for all ownership types, while strengthening the endogenous resilience and dynamic growth of the non-public ownership economy (Shen & Yang, 2024).

From the perspective of distribution methods, building a high-standard socialist market economy system requires improving the fundamental economic system in which distribution according to work is dominant and multiple forms of distribution coexist. This requirement is rooted in the realities of China's socialist public ownership and the current level of social productive forces, in accordance with the intrinsic logic of market economy development. Distribution according to work embodies the socialist principle of fairness, providing a solid foundation for the market economy to advance toward common prosperity. Additionally, its opposition to egalitarianism aligns with the driving forces of market economy development, achieving a harmonious integration of the market economy and distribution according to work within the socialist system. At the same time, distribution based on factors of production is essential for the advanced development of a market economy. By empowering owners of production factors to share in the final product's distribution, this system fuels the steady flow of resources into the market, sharpens resource allocation, and energizes the market economy's natural dynamism.

3.2 Balancing a “Proactive Government” and an “Efficient Market”

In building a high-standard socialist market economy system, a core aspect is to skillfully

navigate and harmonize the dynamic interplay between governmental oversight and market forces. These two essential pillars must complement each other to ensure smooth economic operations. A proactive government plays a vital role in addressing market failures, reducing wealth disparities, and correcting resource allocation inefficiency through policy support, state-owned asset management, and the provision of public goods and services. Meanwhile, an efficient market ensures that market forces play a decisive role in resource allocation, driving efficiency through price mechanisms, competition, and supply-demand dynamics. This, in turn, stimulates the vitality and innovation of market participants, fueling economic growth and maximizing overall benefits. However, challenges persist in China's market system. Institutional mechanisms remain incomplete, and the balance between government intervention and market autonomy still requires refinement. The decisive role of the market in the allocation of key production factors needs further strengthening, and some local governments, driven by local interests, have implemented protectionist policies that hinder the development of a unified national market. These issues disrupt efficient resource allocation and weaken the overall effectiveness of the socialist market economy system.

To build a high-standard socialist market economy system, it is essential to deepen our understanding of and effectively manage the relationship between government and market. Rather than functioning in isolation, the government and market are interdependent and complementary, together forming the complex framework of a modern socialist economy. Achieving sustainable progress toward a more advanced system depends on their seamless integration and proactive collaboration (Lin & Li, 2021). This requires clearly defining the boundaries of government functions and optimizing their allocation—ensuring that the market plays a decisive role in resource allocation while the government proactively addresses market failures through supplementary and guiding mechanisms. This synergy fosters the organic integration of an “efficient market” and a “proactive government”.

3.3 Balancing the State-Owned Economy and the Private Economy

Effectively managing the relationship between the state-owned economy and the private economy is crucial to building a high-standard socialist market economy system. As dual pillars of this system, the state-owned and private economies engage in both competition and cooperation, forming a relationship of mutual complementarity. The state-owned economy, as a key embodiment of public ownership, holds a unique political and economic role. It serves as an indispensable force in safeguarding national economic security, supporting national development strategies, driving institutional reforms, and leading high-quality economic growth—acting as a stabilizing anchor for economic progress. Since the adoption of market-oriented reforms, state-owned enterprises (SOEs) have undergone profound transformations in their ownership structures and management systems. Through a gradual “institutional embedding and systemic reform” approach, SOEs have advanced mixed-ownership reforms to better adapt to the market economy (Ren & Li, 2024). To further elevate the socialist market economy system, it is important to clarify the functional positioning and investment focus of the state-owned economy. This will not only enhance the core competitiveness of state-owned assets and enterprises but also effectively prevent market crowding effects on the private economy. These measures will collectively strengthen and refine the foundation of the socialist market economy system.

The private economy is an indispensable part of China's socialist fundamental economic system, and private enterprises are important competitive entities in the socialist market economy system. (Liu, 2024). The expansion of private enterprises not only enhances the modern enterprise system with Chinese characteristics and improves the overall quality of the market economy but also promotes the

complementary advantages and coordinated development of various ownership structures. This, in turn, strengthens the inherent advantages of the socialist economic system. However, the private economy currently faces significant challenges, including a difficult domestic and international environment, declining market profitability, and operational disruptions. To overcome these obstacles, it is essential to strengthen institutional frameworks that guarantee the private economy's fair and equitable status in the market. This will enable greater synergy between the state-owned and private economies, providing a solid foundation for building a high-standard socialist market economy system.

3.4 Balancing the Relationship of Domestic and International Markets

Building a high-standard socialist market economy system requires effectively balancing the relationship between the domestic and international markets. This entails advancing domestic reforms and expanding external openness in tandem, ensuring a seamless connection and positive interaction between the two. Under the new development paradigm—where domestic circulation serves as the mainstay while international circulation complements it—establishing a high-standard market system will enhance resource allocation efficiency and make the domestic market more attractive and competitive. Moreover, it will also promote the efficient allocation of domestic and international resources and deeper market integration. This transition shifts the economy from an early-stage export-oriented model to a more open economy model, evolving from the traditional concept of “domestic and overseas resources and markets” to a “unified system of resources and markets” approach. Such an independent and self-reliant strategy enables China to engage in globalization on its own terms, preventing dependence on Western capitalist market systems. On the domestic front, fostering a unified national market is a central component of accelerating the improvement of the socialist market economy system (Liu, 2022), providing a solid foundation for building a high-standard system. By deepening market-oriented factor reforms and developing an advanced market framework, this process enhances market functionality, reduces dependence on external markets, ensures a balanced interplay between domestic and international circulation, and supports sustainable economic development.

In the context of the international market, the inherent characteristics of a high-standard socialist market economy system objectively necessitate the establishment of an advanced open economic system, promoting broader, wider-ranging, and deeper levels of external opening-up (Liu, 2023). This requires steadily expanding institutional openness—encompassing rules, regulations, governance, and standards—and embedding these elements into the global market framework. By reforming rules and optimizing institutional design, China aims to establish a regulatory and institutional system in accordance with prevailing international economic and trade norms, fostering a new open economy that integrates domestic and international markets in a mutually beneficial manner. This seamless linkage between domestic and foreign markets not only facilitates the effective integration of resources, technology, and markets but also enhances the internationalization and global competitiveness of the domestic market.

4. Strategic Pathways to Building a High-Standard Socialist Market Economy System

4.1 Leveraging Institutional Strengths to Integrate an “Efficient Market” with a “Proactive Government”

First, fostering an “efficient market”: A core strategy is to harness the price mechanism, using market-driven price signals to guide production and business activities, with a view to ensuring scientific

and efficient resource allocation. To strengthen competition mechanisms, we must dismantle market fragmentation, encourage technological innovation and managerial advancements, and promote a competitive environment that rewards excellence and weeds out less competitive market players. Efforts should also be made to deepen reforms in the property rights system by implementing effective property rights incentives. This will facilitate market-based allocation of production factors, optimize resource utilization, and maximize decision-makers' benefits, thereby injecting strong momentum into the market economy.

Second, creating a proactive government. To achieve this, we must enhance the macroeconomic governance framework by ensuring better coordination between fiscal, monetary, and industrial policies, thereby promoting policy consistency and foresight. Priority should be given to improving the social credit and regulatory systems to reinforce market competition rules and foster a fair and competitive market environment. Furthermore, reforms should be carried out to "streamline administration, enhance regulation, and improve services". This will minimize unnecessary administrative approvals and market interventions, reduce institutional transaction costs, and enhance government efficiency. Ultimately, these efforts will collectively contribute to a fair, dynamic, and law-based market ecosystem.

4.2 Stimulating Market Vitality and Achieving Complementary Efficiencies between State-Owned and Private Economies

We should harness high-quality services to fully unleash the intrinsic motivation and innovative vitality of market entities, fostering complementary strengths and coordinated development between state-owned enterprises (SOEs) and private businesses. First, deepen the reform of SOEs to elevate their core competitiveness. To meet the demands of building a high-standard socialist market economy system, it is advisable to bolster SOEs by reforming the property rights system, improving corporate governance structures, and deepening mixed-ownership reforms. Additionally, we should actively drive SOE reforms and resource restructuring in relevant sectors, optimize the layout of the state-owned economy, and prioritize strategic investments in key segments of industrial and supply chains to strengthen their leadership and catalytic role in emerging industries.

Second, promoting the healthy development of the private economy. We should safeguard the property rights of private enterprises and the interests of entrepreneurs with robust laws, regulations, and policy measures. Additionally, we should reduce operating costs for businesses and boost their competitiveness. To advance this goal, we should simplify administrative approval processes, reduce unnecessary government intervention, and strengthen intellectual property protections as key steps to ignite market vitality, foster social creativity, and sustain a thriving private economy.

Third, continuously optimizing the business environment. At the national level, we should develop and refine a policy and regulatory framework to improve the business environment, providing stronger legal protections for intellectual property and fair market competition. Efforts should be made to enhance the transparency and credibility of law enforcement. At the same time, information technology should be utilized to build "Internet + government services", thereby advancing the digitalization and intelligence of government operations, breaking down barriers across fields, departments, and levels, and ensuring greater consistency and coordination in policy implementation.

4.3 Building a High-Standard Market System for a Unified National Market

The construction of a unified national market is an inevitable trend in the development of a market economy. At its core, it aims to break down regional barriers, promote deep integration of regional

markets, and foster coordinated development. First, strengthening the market governance system. The focus should be on unifying fundamental market institutional rules by improving the fair competition system, reinforcing the foundational role of competition policies, and optimizing the property rights framework to provide a solid institutional foundation for the market. At the same time, it is crucial to deepen government regulatory reforms. Through targeted industrial policies, we should encourage fair competition among enterprises to stimulate innovation and drive continuous optimization and upgrading of products and services.

Second, enhancing infrastructure connectivity. Advancing the construction and upgrading of key infrastructure—including high-speed railways, highways, and information networks—is essential to eliminating entrenched industry and regional barriers. This will effectively reduce the costs of goods and factor mobility, facilitate economic exchanges and cooperation between regions, and provide strong support for market integration.

Third, establishing cross-regional cooperation mechanisms. Efforts should be made to dismantle local protectionism and market fragmentation by implementing a unified market access system and fair competition policies. Removing regional barriers will further promote national market integration. Additionally, it is crucial to ensure fair and consistent market regulation. A well-functioning cross-regional and interdepartmental collaborative regulatory mechanism should be established to enhance regulatory efficiency, maintain market order, and safeguard fair competition.

4.4 Reforming Market Mechanisms to Unlock Growth Potential

The core objective of deepening market mechanism reform lies in refining and optimizing market systems to achieve efficient resource allocation and sustained economic growth. First, enhancing the price mechanism is essential to ensure that market prices accurately reflect supply and demand dynamics, thereby effectively directing the rational flow of resources. To this end, we must strengthen oversight of the price formation process and resolutely combat market monopolies and price manipulation. Such measures safeguard the authenticity and transparency of price signals, providing a robust foundation for equitable market competition.

Second, it is crucial to advance market-oriented reforms of production factors. On one hand, we should improve trading platforms for key factors such as land, labor, capital, data, and intellectual property by expanding their functionalities, refining trading regulations, and enhancing service provision. This will establish an open, fair, and transparent trading environment that promotes rational pricing and efficient circulation of these factors. On the other hand, we must actively dismantle institutional and systemic barriers that impede the free flow of production factors. By establishing unified market rules and standards, we can eliminate regional and sectoral divides, enabling the autonomous, orderly movement and efficient, equitable allocation of resources including land, labor, capital, technology, and data.

Third, it is imperative to perfect market entry and exit mechanisms. Implementing a unified national negative list system for market access constitutes a vital step. Specifically, we should accelerate the development of access policy frameworks in fields such as green energy and digital products, clarifying entry standards and streamlining approval procedures to lower barriers for enterprises. This will invigorate the innovative capacity of market entities. In strategic emerging industries, it is advisable to establish a more comprehensive regulatory and service system to expedite the adoption and iterative advancement of new technologies and products, fostering additional growth drivers and economic hubs. Concurrently, refining the enterprise exit mechanism is equally essential. We should delineate

clear standards and procedures for enterprise exits to ensure fairness and transparency in the process. Furthermore, introducing efficient and accessible bankruptcy liquidation procedures will reduce the costs associated with enterprise insolvency and enhance the efficiency of bankruptcy case adjudications.

4.5 Developing a Strong Legal Foundation for Market Growth

Improving the fundamental system of the market economy is a key strategic pathway for building a high-standard socialist market economy system. First, we must strengthen the property rights protection system. This requires establishing standardized mechanisms for the legal identification and rectification of wrongful property rights cases. It is essential to unify enforcement and judicial frameworks, standardize the application of legal principles in property rights disputes, and enhance coordination between law enforcement and judicial agencies. Strengthening decision-making and execution in property rights enforcement will ensure that enterprise property rights across all forms of ownership are fully, equitably, and lawfully protected. Second, we must refine the institutional framework for fair competition. On one hand, this involves strengthening the fair competition policy system by expanding regulatory enforcement tools, intensifying the investigation and prosecution of major violations, and fostering a competitive market environment that promotes fairness and dynamic growth. On the other hand, efforts should be made to fully implement the fair competition review system. This includes advancing targeted anti-monopoly enforcement in key public welfare sectors, strengthening oversight of market concentration to prevent monopolistic practices, and improving the accuracy of identifying compliance risks associated with mergers and acquisitions.

4.6 Coordinating Fiscal, Tax, and Financial Reforms to Strengthen Macroeconomic Governance

We must advance reforms in key areas such as fiscal policy, taxation, and finance while refining the macroeconomic regulation framework. First, improving the macroeconomic regulation system. The government should strengthen its role in macroeconomic regulation and public services by enhancing policy formulation and implementation mechanisms. Streamlining administration, delegating authority, and optimizing services will boost government efficiency and transparency, lower business operating costs, and stimulate market vitality. Enhancing the budget system and improving the allocation of fiscal resources will strengthen budget coordination, optimize resource distribution, incentivize innovation, and promote fair competition, further invigorating market participants. Additionally, refining the tax structure and improving tax incentive policies—particularly by expanding tax reductions and exemptions for high-tech enterprises, small and micro businesses, and innovative firms—will enhance their reinvestment capacity and market competitiveness. Third, deepening financial system reform. We must deepen reforms to innovate and refine the modern financial system. By comprehensively utilizing a range of monetary policy tools, we can reduce financing costs, optimize capital flows, and better meet the demands of the market economy, thereby promoting healthy interactions between the capital market and the real economy. Meanwhile, advancing market-based interest rate reforms is critical to ensuring that the market plays a decisive role in resource allocation. We should also encourage financial institutions to establish venture capital funds and risk investment funds to provide financial support for startups and high-tech enterprises, stimulating the innovative vitality of market entities.

4.7 Deepening Opening-Up and Establishing a Higher-Level Open Economic System

To fully align with high-standard international market rules, we must pursue broader, deeper, and more comprehensive opening-up. First, advancing trade facilitation. Leveraging digital technologies,

we can further streamline customs clearance procedures, optimize the business environment at ports, enhance clearance efficiency, and reduce enterprise costs. Additionally, diversifying trade payment and settlement channels, actively promoting the adoption of the international trade single window, and improving the efficiency of foreign exchange transactions and fund settlements will further facilitate international trade. Second, strengthening the policy framework for high-standard openness. Deepening reforms in the foreign trade system—by accelerating the development of a strong trading nation, optimizing and upgrading goods trade, and innovating mechanisms for service trade development—will drive industrial upgrading and high-quality economic growth. Additionally, reforming the management systems for foreign and outbound investment, expanding market access for foreign capital, and building a comprehensive service ecosystem for foreign investors will support high-standard openness and reinforce the rule of law in economic governance. Third, steadily advancing institutional opening-up. China should strengthen cooperation with international economic and trade organizations and actively participate in the reform and development of global economic governance to enhance its influence in the international economic order. To foster a transparent, stable, and predictable institutional environment, it is essential to enhance policy coordination, proactively align with high-standard international trade rules, expand autonomous opening-up efforts, uphold the multilateral trading system, and contribute to global governance reforms.

4.8 Strengthening Risk Prevention Systems to Ensure Sustainable Economic Development

Strengthening risk management is crucial for ensuring long-term economic stability, prosperity, and sustainable development. It also plays a vital role in developing a high-standard socialist market economy system. We must integrate development and security to cultivate a stable environment that meets the demands of the market economy and promotes sustained market dynamism. First, establishing and improving risk warning and response mechanisms. By integrating macroeconomic indicators, financial market data, and enterprise performance metrics, we can enhance risk monitoring and assessment in critical sectors. At the same time, strengthening emergency management capabilities—through adjustments to monetary and fiscal policies and sector-specific regulatory measures—will help contain risk contagion and maintain market stability. Second, refining the financial regulatory system. Strengthening prudential oversight of financial institutions will mitigate systemic risks, ensuring compliance with capital adequacy, liquidity management, and credit quality standards. Additionally, enhancing financial market monitoring and analysis will enable early detection and correction of irregularities, preventing financial risks from spreading across markets and industries. Third, advancing green, low-carbon development and ecological protection. Integrating ecological sustainability into economic development will drive industrial restructuring and transformation. Simultaneously, strengthening environmental protection and governance efforts will improve ecological quality and enhance long - term sustainability.

5. Future Directions for Building a High-Standard Socialist Market Economy System

President Xi Jinping has explicitly emphasized that “deepening economic system reform remains the priority in advancing comprehensive reform”. As we enter a new stage of development, the construction of a high-standard socialist market economy system transcends the confines of the economic domain. It has emerged as a critical issue of our times, intricately linked to the overarching blueprint of Chinese

modernization and the historic mission of achieving the great rejuvenation of the Chinese nation. Accomplishing this task demands systematic strategic planning and rigorous practical exploration. Within this framework, key priorities for establishing a high-standard socialist market economy system include market mechanism reforms, legal improvements, deeper market integration, comprehensive opening-up, innovation-driven development, and green, low-carbon growth.

To elaborate, we must further reinforce the decisive role of market mechanisms in resource allocation while developing a more responsive and efficient market response system. We should continually refine the legal environment to ensure fairness and transparency in the marketplace, providing a stable and predictable legal framework for both domestic and foreign investors. It is essential to prioritize deep market integration and coordinated development. By enhancing infrastructure connectivity and intensifying regional cooperation, we can optimize resource allocation across regions. We must fully implement a comprehensive opening-up strategy, shifting from an emphasis on commodity and factor flows to institutional openness, thereby strengthening China's pivotal role in global industrial, supply, and value chains. Concurrently, we should bolster innovation-driven capabilities by increasing investment in scientific and technological innovation, optimizing the allocation of innovation resources, improving mechanisms for translating research into practical outcomes, and implementing a talent development strategy—all of which will propel high-quality economic growth. Together, these measures will advance the construction of a high-standard socialist market economy system, laying a robust foundation for achieving Chinese modernization. ■

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