

## Answers to Several Questions about Socialist Market Economy

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Socialist market economy is a new category of the Marxism integrated with Chinese conditions. Questions in dispute still exist at present about socialist market economy; this paper aims to clarify the controversies.

□. Some people hold that we learn socialist market economy from the west, but it is not the case. Socialist market economy is not goods imported from the west but our Chinese people's own creation. Socialist commodity economy is first put forward by Zhuo Jiong, who had been sticking to it as well. In 1979, Deng Xiaoping put forward the socialist market economy, about which he had talked 12 times thereafter. Yu Zuyao wrote an article entitled *On Socialist Market Economy* in April, 1979. Lots of scholars had talked about socialist commodity economy by then. And Yang Chengxun has been advocating advanced socialist commodity economy since the late 1970s. He put forward the idea of establishing a multilevel socialist market economy in the early 1980s. The 14th National Congress of the communist Party of China established a socialist market economy economic system as the goal of economic restructuring.

□. Socialist market economy is not based on private ownership. Rather, it takes

public ownership as the mainstay while with diverse ownerships developing side by side. Market economy is not fixed to be based solely on private ownership. As early as the late primitive society when commodity came into being there were two types of exchanges, of which one was the exchange between two clans or tribes, and the other, interpersonal exchange. With the development of such exchanges, private ownership took the leading position later on. However, there still existed more or less such and such exchanges between public ownerships. Joint-stock enterprise under the advanced market economy also differs from common private production in that the former is a kind of social capital. Even nowadays in many developed countries there are a considerable number of state-owned enterprises. Just as Engels pointed out, “As far as I know, capitalist production is a social form and an economics stage while capitalist private production is the phenomenon that appears at this phase in this or that way. But what does capitalist private production mean exactly? That is one kind of production run by individual entrepreneur. But such production is becoming more and more exceptional. Since the capitalist production run by Joint-stock company is no longer regarded as private production but the production in which many people are the bearer of responsibilities.” Deng Xiaoping said, “Although a socialist market economy is similar to a capitalist one in method, there are also differences between them. The socialist market economy mainly regulates interrelations between state-owned enterprises, between collectively owned enterprises and even between foreign capitalist enterprises. But in the final analysis, this is all done under socialism in a socialist society. We cannot say that market economy exists only under capitalism.” It is thus clear that market economy is not always the exchange between modes of solely private ownership, in which the owner of an enterprise acts as the manager as well. Now that market is the integration of exchanges then why can not public-owned enterprises (or enterprises with public-ownership economy as the mainstay) participate in the competition as one of the exchange partners? According to Deng Xiaoping, we’ve begun the transition to socialist market economy since the reform and opening up. And the past 27 years have witnessed a rapid economics growth. Then how can we say that only private ownership can use market economy?

How it is that state-ownership will definitely be eliminated in market competition? Since market is the integration of exchanges, there is no wonder that public-owned enterprises as the mainstay of market economy can participate in the market exchanges. Fair market competition is not fixed to expel public economy. Socialist market economy must keep the public ownership as the mainstay.

□. The bond that links socialist with market economy is not private ownership but socialization, which means the socialized productive forces and socialized production relation, for which the market economy, as the socialized exchange form is the medium system. The socialization of production is such a process that by certain forms of relation the small-scale production in the past becomes a social process, the products of which are made to meet the needs of the society. Socialization of production consists of two parts, one is “division”, which means the finer and finer division into social labor, who become more and more professional at meantime. The other is “connection”, closer and closer social relations, with mutual reliability strengthened. As for the two parts, they promote each other while either one can be the other’s condition in developing. The deeper the social division is, the closer and wider the relation between the producers who take the load of the social division becomes. Moreover, the strengthening of social relation then takes the form of new comprehensive productive forces or alike and promotes the deepening of social division, of which the most basic form is the exchange-circulation course with products (commodities) as the vehicle and market as the medium. In general, market economy as an element of socialized production is the basic form to realize socialized connection. Thus it can be concluded that market as the integration of exchanges, it is the quality and price of product and its service, use value and value in essence, no matter what the nature of the enterprise is. Nor it is only private-owned enterprise suitable for market economy. With cheap and fine products, state-owned enterprises can adjust, explore and take up the market. A host of facts suggest that public-owned economy can be the foundation of market economy; it is especially true for socialist market economy. In other words, market exchange itself has nothing to do with the ownership nature of the enterprise. Such argument disproved the popular view that

only private ownership constitutes the basis of market economy. Instead, state-owned economy sector embodies great living power in socialist economy and shoulders greater social responsibility and takes more reform cost in China.

□. The nature of market economy should be distinguished. Socialist market economy is the unity of generality and individuality. The basic characteristics of socialist market economy is what Deng Xiaoping called, “The superiority of socialism lies in the four keepings” (keeping to the socialist road; upholding the leadership of the Communist Party of China, people’s democratic dictatorship, Marxism-Leninism and Mao Zedong Thought.) “Four keepings” are like a set of equipment, any of which can not be taken away while the whole is regarded as a complete, organic guarding system. In essence, market economy develops under the guidance of “ Four keepings”, in which the advantage and peculiarity of socialist market economy lies. To be specific, socialist market economy differs from the capitalist ones on five aspects. First one is different economic basis. Second one is different conditions and environment. Capitalist market economy is affected and restricted by state power, law, culture and other conditions of country, it reflects the interests of the bourgeoisies especially the big ones. Socialist market economy is guided by the whole people’s power under the leadership of Communist Party of China (CPC), it is affected by socialist cultural civilization, mainly stresses and strengthens socialism education and is restricted by the socialist legal system. We should not only use the profitable experience of capitalist market economy but also keep in accordance with the requirements of the four keepings. The third one is different level of conscious macro control. Though there are different modes of capitalist market economy, they mainly depend on the market to allocate resources spontaneously, which resulted in the weakness in macro control and may distract our attention on important things and periodic economy fluctuation (include periodic economic crises). Socialist market economy makes good use of the market to allocate resources while take the macro control as the guidance, thus can grasp the regulation of market operation more consciously, prevent wide-range fluctuation, avoid types of risks and take the advantage of collecting strengths to carry out big project. That is what Deng Xiaoping

mentioned as “Both planning and market are necessary”. The fourth rent one is different purpose of service. Since capitalist market economy emerges spontaneously and aggravates polarization, it protects bourgeois (especially big bourgeois). Moreover, both its laws and regulations and government acts are favorable for an insignificant minority to make money, they work for the rich’s benefits, including expansion in abroad, exploitation world-wide people (the capitalist international regulations also protect their worldwide profits). On the contrary, socialist market economy aims at developing the productive forces and promoting the ultimate achievement of prosperity for all. During the process, the strategy of “asking those who get rich first to help the laggards” is adopted so as to prevent polarization and accelerate the overall prosperity, for all labors’ legitimate rights and interests. Protection and support for the poverty are emphasized in particular. Public profits are further strengthened. For instance, adopt efficient measures to materialize social fairness and put restrictions on super-high income and the extreme wealthy that live on excessive speculation. We will definitely not follow the western’s way of “first pollute, then control and treated” in environment protection. The fifth one is different nature of social contradiction. Since market economy is a kind of economics form, under which the competition is fierce and interests are multi-polarized, it is easily to cause contradictions. Socialist market economy is mainly based on public-ownership, reflects the common interest of people thus the major contraction is the ones among people, which belongs to the no antagonistic contradiction while the contraction under capitalist market economy is antagonistic and can not be dealt with by itself.

V. To generalize the direction of the deepening of reform in China with “marketlization” is too partial, and will lead to “pan- marketlization” “absolute marketlization” or “market fundamentalism”. First and foremost, Chinese reform is “the self-perfection of socialism”. We can not separate market economy from socialism. Second, people stress marketlization while neglect macro-administration and macro-control, they think that planning is equal to planning economic system. Third, people stress marketlization while neglect public causes and products. But in

some fields like hospital, school, environmental-friendly basic construction, marketization can not be implemented. Fourth, people stress marketization while neglect the dominant position of state-owned sector and its control of the national economic lifeline. Fifth, people stress marketization while neglect social fairness and polarization. As for the so called “fully marketization”, it can not achieve the goal of prosperity for all or fairness in distribution either (that has already been proved by the cases in developed countries). That is what Deng Xiaoping once mentioned “in fact, polarization appears automatically”. Practice also suggests that only by improving the efficiency of resource allocation to widen the disparity of wealth distribution will not lead to the integral positive circulation of economic society eventually. To deepen the reform and improve socialist economy is to improve the depth and width of marketization directionally and further strength and improve government’s macro control, promote the control power and competitive capacity, thus show in utmost the superiorities of socialist system. In essence, “pan- marketization” and “absolute-marketization” are the very core viewpoint of neo-liberalism, which will lead to privatization and object to socialist system. We shall clear up such partial ideas and prevent them from tampering with the direction and goal of socialist market economy reform.