

Observing the Economic Development Trend in China from a Comparative Analysis of Western Economics and Political Economics

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Abstract

This paper starts from the problems of “optimal allocation of resources” and “satisfaction of reasonable demands” that economics should research on. First it analyzes the problems of development of productive forces, such as resource depletion, environmental pollution and serious ecological problems, which resulted from the overemphasis on profit maximization of production and the satisfaction of people’s unlimited demands under the guidance of Western mainstream economic theory; then it also analyzes the problem of production relations, such as low production enthusiasm and inefficient production, lacks of human motivation under the guidance of traditional political economics. Finally this paper points out that in the future, what guides China’s economic development should be a combination of both: when paying attention to the development of productivity, we should also be concerned on improving the relations of production and innovated political economics with the interaction between productive forces and production relation, which is the future development direction of Chinese economics.

Key words: Western economics; Political economics; Productive forces; Production relations; Innovation

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INTRODUCTION

In Chinese economic academic circles, many people think that what Marxist economic studies are only the relations of production, only guiding a planned economy; what western economic studies is the configuration of scarce resources in society, guiding a market economy. Obviously, this generalization has often been misunderstood. In fact, the former does not neglect the study of the allocation of social resources and the latter does not entirely neglect studying the relationship between various interest groups and classes. The entire modern political economy of the West, old and new institutionalism and contemporary new Institutional Economics has highlighted this study. The difference between modern Marxist political economics and modern western mainstream economics does not lie in whether or not to study the allocation of resources, but rather how to study the allocation of resources, that is to say, what methodology shall be used to study the issue of resource allocation. Specifically, there are important differences between how modern Marxist political economics and modern western mainstream economics study resource allocation. It believed that economics is a social science; from beginning to end, it studies human beings, and believes that social production and reproduction is not only a process of material production and reproduction; it is a production and reproduction process of specific economic relations and an economic system. At the same time, it should be noted that there are similarities between these two kinds of economics; both research resource allocation mechanism by which means economic activities can be made more efficient, and the material wealth of society can be increased.

1. PROBLEMS THAT ECONOMICS SHOULD CONSIDER

Economics is the study of the science of the conditions under which the best yield can be made under scarce

resource constraints in order to most effectively meet the reasonable needs of the people. The contents of these two aspects that are the object of economic research, the “best” and “most effective” activity, are determined by two kinds of constraint: material constraints (i.e., resource constraints) and human constraints (need restraints); they are also determined that economics must study the “best” and “the most effective” from the aspects of material and human constraints. Correspondingly, there is the formation of two different types of economics, the research of which concerns an economics of material “provisioning techniques” and an economics of human “incentive techniques”. The former is “pure (Western mainstream economics) economics,” which tries to study how to improve the efficiency of resource allocation from adjustments to the relationship between persons and things; the latter is “traditional political economics,” which attempts improve the efficiency of economic activity from adjustments to interpersonal relations. Modern theories of political economy must dialectically consider these material and human aspects—the problem of optimal allocation and the human dimension - to meet reasonable needs with a unified system, and research the dialectical movement between these two.

For economics to act as the study of the operation of a social economy and the science of the enhancement of mankind’s well-being, it is necessary to study the surface of economic problems, but also to explore the deep-seated problems under the surface. Surface problems referred to here are the problems of economic operations; the deep-seated problems are the problems of the relationships between people. In fact, Western economic research focuses on economic operations, that is to say, as will be discussed below, the problems of the development of productive forces; and the research of political economics focuses on the relationships between people, that is, as will be discussed below, the relations of production. Their respective merits should guide China’s economic development and complement deficiencies in our economics; from the aspect of economic operations, such as how to allocate resources to achieve rapid economic growth, economic efficiency and so on, we can draw from the theoretical paradigm of Western economics for analysis, because it has experience in successfully guiding a market economy; however, to resolve our country’s current stage of important social fairness, justice, income gap, gap between rich and poor, and other problems, we still need the aid of the study of the Marxist economics paradigm, because it has unique advantages in the study of production relations, particularly the equal and harmonious social development model constructed with this guidance after the founding of our country is that was proved correct and feasible in practice, so at this stage of the economic development process, it must act as a director; and this is at the moment the most important economic issue.

2. PROBLEMS IN THE STUDY OF TRADITIONAL ECONOMICS

One aspect of the problem emphasized by Western economic theory, namely the problem of how to effectively allocate resources to meet the needs of people, is that it is generally assumed that human needs are unlimited, and so there is no in-depth and detailed analysis of whether the needs of people should be limited as they are affected by the conditions of the natural environment. Because of this, a problem that has emerged with the guidance of socio-economic activities is that of the excessive satisfaction of the needs of some people, especially some irrational needs exceeding the capacity of material conditions and leading to the depletion of resources and the deterioration of the natural environment, which then affects the survival of humanity and its living conditions, and begins to threaten human health. This could even lead to the destruction of humanity, thus it necessarily commands our attention. In recent years, in order to meet the so-called unlimited needs of humans needs, the over-exploitation of resources, the large volume of harmful gas emissions, frequent natural disasters, global warming, rising sea levels, and so on have become a threat to human survival and development. At this moment, we need to look back and review the assumptions of this economic theory to see if there are problems in its guidance of economic activity. The undeniable assumption of Western economic theory regarding resource constraints, the assumption that, with constrained resources in a guided free market, the competitive mechanism will resolve the issue of optimal resource allocation has had a positive role; this deals with the material aspect and has also been fruitful in dealing with the issue of productivity; However, because of the problems of human aspect, and because the problem of reasonably satisfying human needs has not been studied in-depth from the aspect of people, nature and the harmonious development of society, we need to talk about the problem of need constraints, which presents the problem of the ecological crisis now facing humanity. People are social beings, so the real problem in researching meeting the reasonable needs of people is the problem of researching production relations.

On the surface it seems that traditional political economics studies relations of production by connecting it with productivity; in practice, the result is that it frequently overlooks productivity and just studies relations of production in isolation, which is directly contrary to how productivity determines the relations of production; relations of production must adapt to the principle of productivity development requirements. The investigation of Marxist political economics into basic economic law is very profound, but because of its specific historical mission under the specific historical conditions faced by Marx, it’s insufficiently analyzed the operating mechanism of a market economy. Traditional political economics is also excessively limited in its research under the thinking structure of a

planned economy; it emphasizes whether or not economic theory and classical economic are entirely consistent; it emphasizes the ownership structure and does not develop Marxist economic theory change according to changes in the situation; it overlooks paying attention to the dimension of the operating levels of the real economy, causing it to lack due power; thus there is the loss of a material basis for the relations of production, which also makes the study of production relations a mere figurehead. In addition, we are now developing a socialist market economy; the objective environment and the era of the traditional planned economy era are very different. Traditional political economics has not progressed according to the study of the existing economic environment and the flexible application of Marxism. Economics teaching follows the paradigm of “goods—capital—the surplus value”, placing too much emphasis on qualitative analysis, which makes it have less explanatory power with respect to real economic performance, especially regarding the optimal allocation of resources, and also makes it unable to keep up with the pace of modern economic development.

How to maximize output under certain resource constraints, or how to minimize costs under output certain conditions on how to minimize costs; these are two ways of talking about the essence of the problem of maximizing profits. The better economic development of capitalism is focus of study for bourgeois economists, the premise of which is that the capitalist system is regarded as a frictionless harmony, in which there is no consideration of ecological, institutional, or other such factors, and also no in-depth study of human relations or contradiction of interests. It is oriented towards maximizing output “with man assumed absent”; namely the “vulgar” pure economics that “sees things but not people” critiqued by Marx. The focus of their research is the problem of methods for the allocation of resources; the human factor is largely abstracted away. Our traditional political economics, again takes as the object of its research people’s relations of production, with too much emphasis on researching the interests between people, neglecting how to promote the development of productivity to its greatest potential and how to reasonably produce make the maximum possible material wealth of society; that is to say, it’s research into the issue of the allocation of resources is not deep enough, which leads to a lack of study into the technical problems of productivity.

3. THE TASK OF INNOVATIVE MODERN POLITICAL ECONOMICS

Researching economic issues is just like having to solve a specific problem; if we need to create a table, two legs on the left and two legs on the right, four legs in all, are needed to support a stable surface. If we just carefully and exquisitely make two legs on, but do not make the legs on other, we can imagine that it will be impossible for the even surface of the table to be supported. The study of economic problems cannot be separated from productivity

and labor relations. If we only research problems of productivity, namely the optimal allocation constrained resources and do not consider problems of production relations and how to reasonably meet needs in relations between people, there will be that which we are facing today: ecological crisis. If we only research questions of production relations, and the problems of how to best meet the reasonable needs of people under need constraints, we will be stuck with the problem of being, as in the past, without material support for our ambitions; therefore we must overcome the problem of going to extremes in research methods, and understand the laws of the development of things in many ways.

Innovative modern political economy should advance with the times in accordance with Marxist methodology as is necessary to study objective phenomena, and this is to study allocation of resources in economic activity; but it is also to study the nature of things, a variety of economic relations, and core interpersonal relationship problems, namely the problem of how to meet the reasonable needs of different groups. Of course, this is not a simple addition of the two approaches, but the placing of both in the same framework to study economics; this will restore the original appearance of economic research and this is the task that and innovative modern political economics must complete. As Marx says in the preface of *Capital*, “What I study in this book is the capitalist mode of production and relations of production corresponding to it.” Here, where Marx speaks of “mode of production,” economists have had a lot of debate, but one thing we should understand is that, “production” obviously cannot exclude productivity, which is the unity of productive forces and production relations. In the same vein, the object of our political economic research should closely link to the situation of the production relations and productivity. Only occasionally in the past should get rid of the “Contact” under productivity is basically isolated study the relations of production errors. We must dispense with the errors of only occasionally touching on productivity and studying production relations in isolation.

It should be noted that the methodology of Marx’s research of economic problems is dialectical materialism should see research methodology is dialectical materialism that requires dynamic analysis because things are constantly changing, which requires our research to target constantly changing things; which is also the essential requirement of Marxist theory, so our research should be carried out, advancing with the times, under the guidance of this methodology. The most significant change to occur in the process of China’s economic transition is the transition in the form of the Chinese economy from the shortage economics of the planned economy era to the kind of relative surplus capitalist economy spoken of by Marx; the current stage, in fact, is that of an overcapacity economy. The shortage economy is a concept proposed by János Kornai; the phenomena of products always being in short supply in a country under a planned economy, of there always being a thirst for investment in society, of there

being shortages of consumer goods and having to wait in line to buy things are referred to by Kornai as a shortage economy. Obviously, before the transition, China's economy was indeed in condition of shortage; we can call it a resource constraint. The "surplus economy" is a concept proposed in recent years by Chinese economists, but economic theorists do not have a consistent definition, and, in essence, it is similar to the relative overproduction discussed in Marx's *Capital*; economic development is restricted by demand. This is the problem that has emerged from the market economy development process after China's reforms and opening up; namely that there is a great difference between the current state of the Chinese economy and the planned economy era; there is a glut on the market for most products, production capacity is at a relative surplus, while purchasing power is relatively insufficient; this we may call "demand constraint." This "demand constraint" is an aspect of "needs constraints" that we need to study. "Need restraint" includes both "demand constraint," which is subject to constraints on disposable income, and also includes "reasonable needs constraints", which is subject to ecological and environmental constraints. This is the study focus that our economics should have and is also the future development direction of economics.

CONCLUSION

As can be seen from the above analysis, Chinese economics should combine China national conditions to innovate and develop; we cannot blindly copy the Western theory of economics, but also but not be complacent in developing Marxist economics. China's economic development must be suitable for the basic national situation of public ownership having the main role. How to make effective innovations in the dominant role played by state-owned enterprises in the national economy and make a demonstration of its comparative advantages needs the guidance of innovative economics. Western economics began and developed in a full market economy environment; from the destruction of resources and the environment which has emerged from the present stage of the development of the Chinese market economy and the widening gap between rich and poor, which is even more severe than that in developed countries, it can be seen that the introduction of Western economic theories without any adaptation inevitably cannot take root. So, at this stage we do not need to become entangled in the issue of which traditional economics ought to guide the Chinese economy, but instead should let go of thinking about how to absorb the advantages of both of these two kinds of economics' and consider the reality of China's to innovate. At the same time that we take into account that China's political system is based on the guidance of Marxism, the focusing of our innovation and development must necessarily be a new Marxist political economics, which should also be the inevitable trend of the development of Chinese economics.

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