

Is China engaging in the big experiment of market Socialism?

EST LA CHINE ENGAGEE DANS LE GRAND EXPERIMENT DU MARCHE SOCIALISTE?

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Abstract: The contradictory movement between socialistic state-owned system and market system in economic operation is both explanation & specification of contradictions of productive forces & productive relations in core level. It enables the state-owned system, market economy & China's socialistic market economy to appear colorful "scales", new qualities & particular logics. Abide by new theoretical explanation, the author compares western socialistic theories with China's new market economy theories, including: (1) contents & characteristics of China's new market economy. (2) plural viewpoint of Marxism Commodity economy. (3) Market economy is a historical economy. We should deny both the notion of "Omnipotence of market" and "Long live market" (4) Conclusion: China is not engaging in the "Big Market Socialistic Experiment".

Key words: public ownership, market economy, China's socialistic market economy

Résumé: Le mouvement contradictoire entre le système socialiste étatique et le système du marché du niveau d'opération économique est une explication à la fois une spécification du mouvement contradictoire des forces productives & des relations productives du niveau central. Il permet au système étatique, au marché économique & au marché économique socialiste de Chine d'apparaître des « forces colorées » variées, nouvelles qualités & particularités logiques. Former l'angle de nouvelles explications théoriques, l'auteur a comparé les recherches entre les théories socialistes occidentales & les théories du nouveau type économique du marché de Chine (1) les contenus & caractéristiques du nouveau type économique du marché de Chine (2) les points de vue au multi niveau de l'économie de commodité de Marxisme (3) économie du Marché est un type économique historique. Nous devons nier la notion de "Marché d'Omnipotence" et "marché de longue vie" (4) Conclusion: La Chine n'est pas engagée dans "le grand Marché Socialiste Experimenté" pour le présent.

Mots clés: possession publique, économie du marché, Marché socialiste, économie du marché socialiste de Chine

As a combination of Public Ownership & Market Economy, the Chinese Socialist Market Economy has been turned into lively reality tested by theorists' statement of historical necessity & realistic possibilities, together with politicians' strategic measures. We have finished the two big leap forward, namely the theoretical proof & practical testing. It's not an experiment engaging in "Market Socialism" or "market with Chinese characteristics", yet a new Market Economy.

1. CONTENTS & CHARACTERISTICS OF CHINA'S NEW MARKET ECONOMY

This new economy has been systematized, its basic content & qualifications include: Stick to the policy of taking Public Ownership as majority with common development of various economic units; Further transform the operation mechanism of State-Owned Enterprises; Establish the Modern Enterprise System in accordance with Market Economy requirement—with clear ownership property, definite separation of responsibilities from proper right, segregation between government & enterprises, a Modern Enterprise with

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scientific management; Set up an unified open market system nationwide; Realize the close combination of urban & rural market to realize the conjunction of domestic & international market; Improve resources allocation; Change government's functions to economic management; Set up a complete macro adjustment system; Ensure the healthy operation of the national economy, which is also the basic characteristics & inner requirement of Socialism; To build an income allocation system according to labor with efficiency first, meanwhile taking fairness into consideration; Encourage certain places & some people to get rich ahead of the final common rich; Set up a multi social welfare guarantee system. The structure has been basically formed. Instead of turning backward, alienation & exuviations into the Capitalist market economy, it is now stable & continuously reproduces Socialist Market & Socialist Production Relations suiting the Productive Forces. It is not a simple add of the Public Ownership with Market Economy, as Marx pointed out that "the coexistence, conflicting & emerging into a new concept of two contradictory parts, is the essence of the dialectical movement (*Collected Works of Marx & Engels*, volume 4, People's Press, 1958, page 146). We should try to grasp the "new concept", namely the new "peculiar logic of the special subject" of the new Market Economy, reveal its new characteristics, including:

1st. The ownership system & enterprises organization based mainly on Public Ownership is beneficial for its matching with various production socialization in reality, it is also beneficial for fostering numerous independent micro economic units, so it's complimentary with Market Economy.

2nd. The new macro (in general economic level) & medium (in regional economic level) adjustment under the open Market Economy are expressions & realization of the Public Ownership in the production area, meanwhile, it also complements with the Market Economy because it weakens the market mechanism's stagnancy, blindness & negative effect.

3rd. The new allocation of the combination of "Distribution according to labor (This is the requirement of Public Ownership, yet it prefers fairness to efficiency.) with "Distribution according to productive elements (This is the requirement of Market Economy, yet it prefers efficiency to fairness.) whose operating principal is to allocate first in micro economy field emphasizing in efficiency, while to allocate secondly in macro economy area focusing on social impartiality & equalization. This can change people's unfair ownership of surplus goods, realize the contradictory unity of efficiency with fairness to reach the final common rich. It is the requirement & realization of Public Ownership in allocations.

4th. It should be emphasized that the shareholding system, share-cooperation system & the Modern Enterprises system are by far the best choice till

now to realize the combination of the Public Ownership with Market Economy, therefore to enrich it with new contents. This system has been bred inner the Capitalist Market Economy with socialized properties, enterprises organizations, property right & blending ownership systems. It develops actively what is healthy & discards what not, thus is called by Marx as a pure transition to a new production method. The objective requirement & satisfactory conditions of Market Economy (for example, the pluralism & clarification of the majority of the property right, the decentralization of the structures of the property right, the duality of the capital & its ownership, the commercialization of the property right, its securitization, marketization, productive elements liquidization, market signal flexibility & openness) can be satisfied in the shareholding system. Besides, the shareholding system is open, infiltrating & can incorporate with various ownership relations & various groups with common interests. So, as one of the realization methods of Public Ownership, the shareholding system, the share-cooperation system & the Modern Enterprise system can naturally connect & incorporate with the Market Economy.

In one word, the characteristics of this new Market Economy lies in it can give full play to the advantages of Public Ownership as well as to the privileges of resources allocation with high efficiency in market mechanism. Meanwhile, it can overcome their weakness. Its immense systematic potential has been testified by results from our reforms & opening up. It should be emphasized that the subjective economic system equals not the objective Productive Relations. It depends on actual practice whether the subjective dialectical movement of the new Market Economy & the economy will coincide with the objective dialectical movement of Socialist Production Relations & production methods. The practical & theoretical results emerging in various regions will further enrich, testify & perfect this new system.

2. PLURAL ANGLES OF MARX'S COMMODITY ECONOMY IDEAS

The scientific Socialism & Communism by Marx is a Product Economy abolished commodity currency relations. Therefore Marx is an anti-market "resister", opposite definitely to the traditional viewpoint, Marx has been described as a Market Socialist or "half" Market Socialist. American scholar J. Lawler has focused that Market Socialism is a new era of the long "Market Socialism" in the six periods of Communist development. Marx himself has admitted that there indeed existed "an intermediate market-oriented Socialist period"(Lawler,J., *Marx's Theory of Socialisms; Nihilistic and Dialectical*, In. L. Pastoursa,ed., *Debating Marx*, Edward Mellon Press, 1994.). S.Moore has painted Marx as a half Market

Socialist, who has supported Market Socialism in his *Manifesto* & later put forward Non-Market Socialist views in his *Capital & Critique of the Gotha Progtamme* (Moore,S., Marx Versus Markets, Pennsylvania State University Press. 1993.).

This is one-sidedness & solidification of Marx's theories. We should understand Marxism as a unity, from both methodology & developing view. Marx's economic theories include a sub-system with two different evaluation paths. It takes UK as an example in the early stage, aiming to reveal the production methods of the developed Capitalism as well as the movement principal of Market Economy in the narrow sense Political Economy. This is the focus & major path of Marx's economic theories. Although Marx denied here the future "New Society", namely the Post-Capitalist Socialism, exists commodity currency relationship & Market Economy; In fact they have actually constituted the important contents of China's Socialist Market Economy theories. It may delete the "historic vestiges", namely the "old society pattern", "with unique Capitalist characteristics", draw on its experiences & absorb the "materialistic contents", which is the "common regulations", "common marks" & "common basis" shared by several ages (*Capital*, volume 3, People's Press, 1975, Page 925-926,990), it grafts then with the basic Socialist system.

Marx studied mainly, in his later period, the questions of the Pre-Capitalist countries & social economic development. He has actually expressed thoughts of developing commodity economies & market relations under special conditions & historical environment. He has then revealed to us another evaluation & theoretical path, and has thus formed another sub system, namely the broad sense Political Economy theory, including the tri-periodical notion of the world histories, world market theories & social economies, the eastern social theories, the Asian theories, the primitive tribe & agricultural commune theories, etc. Marx has emphasized: the Socialist society, started historically on the backward productivity in developing countries, which has jumped over the Capitalist "Karfting Valley", should be connected with the world market, absorb the cultural products created by human society, esp. by the Capitalist society. In Marx's diaries about Russia's development in his later years, he has criticized the "Agricultural Socialism" proposed by Russian Populism, which is actually an "Agricultural Commune" socialist with imaginative socialist characteristics, clinging to Russian commune of Natural Economy with "primitive abundance", rejecting taking in results created by human civilization, away from the development of productive forces, disconnecting with market, esp. with the world market. Marx's Karfting Valley leap + world market connection + absorbing capitalist civilization achievements have vividly shown us the dialectical law of leaping (The Capitalist system belonging to the productive forces & connecting scope can be surpassed) & non-leaping (The

commodity economic period belonging to the Productive Forces & connecting scope can't be surpassed). Though it has not been proven by later practice (such as Russia in late 19th century), yet it has reflected the theoretical characteristics of Marx's theories as advancing with ages. This is also most important in current Marxist economic theories. We can see two evaluation paths & models in Marx's theoretical systems: One is to develop Socialism & Communism in advanced countries which replaces Commodity Economy with Product Economy marked by man's overall development; The essence of another evaluation path & model is that the developing countries develop the general Socialist Productive Forces through commercial institutions in world market, namely through market relationship & market mechanism. So to describe Marx as an anti-market "insister" or Market Socialist are both dismemberment of Marx's theories. This notion has flocked purposely the inner relationship between socialist Market Economy theories with Chinese characteristics and the Marx sayings, it has also denied Marxism's initiative & vitality.

3. ARE WE ENGAGING IN THE BIG EXPERIMENT OF "MARKET SOCIALISM" WITH CHINESE CHARACTERISTICS?

American scholar David Schweickart is the advocator of "Characteristic Market Socialism". The Market socialists represented by him consider the "self-governed Market Socialism" in Yugoslavia as a failed experiment; "State- managed, multi-economic & socialism-oriented Market Economy" is the market socialism with Vietnam characteristics.

Workers in eastern European countries with those in advanced capitalist countries are trying to establish market socialism with their own characteristics; China is rebuilding a democratic efficient market socialism, it is now engaging in the big experiment of Market Socialism with Chinese characteristics, "If the bold, innovative experiment of Market Socialism with Chinese characteristics succeeds, then the 21st century is a century of China" (Schweickart: preface of *Anti-capitalism* (Chinese version), People's University Press 2002). It is a misunderstanding needing clarification to equal the theories & practices of the initial China's socialist Market Economy with Market Socialism.

The Market Socialist ideas flourishing internationally has undergone 6 generations & 3 major development periods, namely 3 budding periods (late 19th to early 20th century), it has gradually turned to time determined (1920s-50s) & then to theory determined & further developing period (60s till now). So Market Socialism is a product of the important topic that foreign

scholars have been probing for one & a half century as to why & how Socialism combines & incorporates with Market Economy (Yan Pengfei: *The Division of the Period Development of Market Socialist Thoughts, Economics Research Referential* 1994, 2nd edition). They take Market Socialism as an economic conception or mode which combines efficiency with impartiality, differs either from Planned Socialism or from Market Capitalism (*The New Palgrave, A Dictionary of Economics*), Economy & Science Press, 1992); Or they take Market Socialism referring to certain socialist new economic organization, economic operation & economic system revealing market mechanism.

John Stuart Mill(1806-1873) is the creator of the "Primitive Market Socialism". He lived in an age when imaginative socialists flooded out & various thoughts conflicted fiercely with each other. Mill was the finisher of the Second Blending in Economic Thoughts History, who hesitated between Capitalist Privacy and Communist State Ownership, between Conservatives and Radicals, between Free Economy and Country Interference, between Government Defect and Market Defect. He worried much that the Planned Economy will become a big resource of society over man, finally he became a sympathizer of Imaginative Socialism & Capitalist Reformist. Actually his supposed "final modular of human society" is the so-called communist "new property Public Ownership" which can ensure all people to share the collective labor benefits, which he regarded as should be kept as the best characteristic of Capitalism, which embodied Free Market competition mechanism with non-interference of personnel rights (John Stuart Mill: *Theories of Political Economy*, Chapter 7 Section 4, London Longmans, Green Co. 1911). Supporters of early European workers' movement such as T.Hodgskin, P Proudhon & Ely held similar notions.

Market Socialism has at least experienced three big debates in history. The fuse for the first debate is the essay *The Production Section of Collectivism Countries* by Enrico Barone of Lason School in 1808, which has caused blames from L.Mises & F. Hayler, and thus ignited the big debate in 20s to 30s. O.Lange, A.Lerner, F.taylor & H. Didhinson, etc have put forward the famous "Lange Mode", "Lange-Miller Plan" & "Competition Solves Socialism", indicating that Socialism can have various economic modes & allocate resources reasonably based on Public Ownership, imitating the complete Free Competition in Capitalist Private Economy by "trial & error" mode. Yet, in general, the "Lange Mode" has not surpassed the framework of the Planned Economy.

The second debate started in 1970s-80s & was divided into two major fields. Economists of the former Soviet Union criticized mainly "the non-commodity advocates" & "the Market Socialist School", they called them as Socialists who actually were anti-Socialists, anti-Marxists & Revisionists. The sudden appearance of Siberia School has released the

besiege to Market Socialism, this school criticized the "exterior", "contemporary" & "contradictory" between planned organism & market organism of the commodity currency relationship of Socialism, yet this school ceased all its activities with the disintegration of the former Soviet Union. Meanwhile, the UK economists have started the fiercest debate since the Second World War in 1980s, its outstanding representatives are S. Estrin, D. Miller, R.Plant & G.Hodgson, etc. whose famous theories are "Union of Socialism plus Market", "Neutral Mechanism", Socialist Market-Oriented Mechanism. This Market-Oriented Market Socialism has overcome the dual mechanism of the Eclecticism. Market Socialism has thus obtained a complete theory.

The 3rd debate occurred in 90s & lasted now & then, with the common theme of studying the new concrete Socialist & designs including Market Socialism, & thus politicized & positivized the Market Socialism, which included the Market Socialism centered by banks & securities designed by John Roemer & Pranab Bardhan of USA, for example, the "Coupon Socialism", "Clamshell Socialist Mode", "Pure Mode of Cooperative Market Socialism" by Miller in UK, "Socialist Economy based on Economic Democracy" by Robin Archer in Australia; Other examples include "Equal Democratic Economy" characterized by indirect financing by Marc Flearbaey in France, Market Socialism of "Economy Democracy" by D. Schweichart in USA, Profit-Oriented "Practical Market Socialism" characterized by James A. Yuncker, "Democratic & Self-governed Market Socialism" or "Socialism on Democratic Enterprises" by Thomas Weisskopf. Fled Bluck was fond of the "Market Socialism without class rights". Jacques H.Dreze in Belgium thought highly of the enterprise through workers' management characterized by exterior direct financing (Lu Weizhou: *Market Socialization*, Henan People's Press, 2002). The new laborers' Union Socialism has especially developed from "never supporting the revival of private ownership" & from enlarging nationalization policy, to the blending economy or "social ownership system" of the so called Private Ownership plus "Public Ownership based on efficiency & impartial", which deviated from its original purpose (*Europe*, 2nd edition 1997, page 84), namely the "Third Road", they have therefore pushed Market Socialism to a mature stage. Market Socialists praised highly the blending economy combining both the State Ownership & the Private Ownership, & the theory of the "Third Road", which all the major capitalist countries have adopted accordingly. There have emerged various new modes & movements of State Ownership & Private Ownership replacing mutually.

Generally, the positive meaning of the Market Socialism theories is its bold negative that market can only stick to the Capitalist system, the system assumption & fixed premise which the Market Economy theories of major western schools have relied on. It has broken through the fixed ideas & traditional

view that Market never coexists with Socialism & has provided inspirational theoretical reference for China's Socialist Market Reform. Yet, there is no doubt that the theory has many defects & malpractices, it has aviated a lot from the theories of China's Socialist Market Economy in a series of basic problems, including the attitudes to the Public Ownership, the difference on theoretical basis & on its final destination.

First, We insist on Public Ownership as majority. The Market Socialism theory has a decaying process from emphasizing to denying Public Ownership. The current Market Socialism not only deletes the Public Ownership from the Socialist essence (Romer regards the essence of Socialism as equalization), but also takes the Public Ownership as Achilles' heel (referring to the Socialist Market economy). Therefore the current Market Socialism is named as "revised Market Socialism"(Pierson. C., *Socialism Arter Communism*, the New Market Socialism Polity Press 1995; Kornai, J., *Market Socialism Revisited*, In P. Bardhan & J. Roemer(eds). *Market Socialism: The Current Debate*, New York: Oxford University Press. 1993). Second, the theoretical basis of the Market Socialism is western economy theories & moral ideas, while the theoretical foundation for China's socialist Market Economy is Marxism marching with ages. Third, the Market Socialism is just an imaginative Utopia, though it has exposed the defects of the traditional Socialism & has revealed its advantages compared with modern Capitalism, & in its later stage has formed various new modes & new systems of Market Socialism. Its theories or modes are mostly "constructions" of empty talking about neutral mechanism separated from practical environment. It's well known if the skin does not exist, where does the fur stick to? In researches of practical economic problems, Market Mechanism, the economic conception with certain historical trace & adhering to certain economic relationship & social systems, does not only refer to the "pure", isolation of resources allocation. Although "the regulations shared by all production periods & regarded as a common regulation, do exist. Yet the so-called general condition of all productions is only abstracted elements. No realistic historical production can be understood by these elements"(*Collected Works* volume 3, People's Press 1995, Page 29). Finally the Market Socialists failed to find out a major force to realize this idealistic society. In certain sense, the Market Socialism is either a Utopian or Social Democracy or Reformed Socialism. For example the Market Socialist of the UK Laborers' Party is a blending ownership under the capitalist Private Ownership. We are the living practical systemized China's new Market Economy.

4. THE RE-UNDERSTANDING OF FUNCTIONS & HISTORICAL POSITION OF MARKET ECONOMY

Since 1980s, "Return to Adam Smith" has become a trend of foreign economic development, its representative schools include Neo-Conservative, Neo-Classicism & New Political Economics. These uproarious thoughts have involved Market Socialism & Compatibility theories. There appears a recall of "Fundamentalism". First, they advocate exclusionism. In their views, Market-Oriented means the sole reverence of market, market is the only thing that accounts; The Planned Mechanism & the state's macro regulation should be weakened, devalued, expelled & even excluded to focus market functions; To achieve this, Public Ownership should be weakened or even Private Ownership should be re-adopted to establish the unique reverse position of the Market Economy. Poland scholar Adam Sharf rejected resolutely the Market Economy worshipping "new tide" in Socialist countries since 1980s. He criticized the notions of "conclude all achievements of western economies to Market Economy" & "consider Market Economy as the sole holy weapon to solve economic problems in Socialism". He advocated that the normal development of current economy needed the cooperation of the two forces of plan & market"(Gorbachov: *The Future Socialism*, Central China Translation & Edition Press, 1994, pages 101-102). Second, they advocated the solidification in time. In their view, Market Socialism imposed an important role also in future Socialisms. They replaced Communism Product Economy with it also. American scholar Shieldman also put forward the notions of "Market (non-concentrated) Communism" & "feasible communism political economy".

China's Socialist Market Economy is a new Market Economy with macro planning. Both Market & plan are the effective measures of resources allocation. They are the composition of China's Socialist Market Economy & reveal the basic requirement of this system. The macro adjustment should be concluded as an inner variable that is implied by the theme itself. Second, the notion of "Market Decision" is undoubtedly the translation of the myth of "All-Omnipotence of Market", which has already been besieged by its jinx of Market Defect & Country Interference advocators. The reasons are: Market Economy embodies dual characteristics (Resources allocation is its natural characteristics while profit allocation is its social characteristics.). It exists following conflicts: conflicts between equal principal & economic partial; conflicts between each economic unit pursuing their own & social interests; conflicts between the preferential allocation of resources, namely the pushing connection (the diversification originated from division & exchange system) puts forward productivity (originating from the multiplication of requirement & values), & the simultaneousness, blindness & sluggishness; conflicts between man's independence &

materialization or alienation. Third, this notion is the copy of the myth of “Long Live Market”. Considered from historical developments, the economic evaluation of human society is based on the dependent natural economy—the Commodity Economy based on material’s dependence—the Product Economy based on man’s overall development. Commodity Economy or Market Economy is the second historical type of man’s development. Abide by Marx’s standard of “Three Beneficial”, compared with Natural Economy, Commodity Economy is more “beneficial to the development of Productive Forces, more beneficial to the development of social relations, & more beneficial to the creation of various new & senior elements” (*collected Works*, book 25, People’s Press 1974, page 926), this is the cause it has replaced Natural Economy & its inevitable replacement by Product Economy. The economic operation, labor, working process & its product allocation will certainly discard this Commodity Economy & Market Economy to take a more advanced new type, the combination of Market Economy with Capitalist Private Ownership system has put forward greatly the development of the Productive Forces in Capitalism at their potential stage, the above two appear to be comparatively adaptable & compatible. So, the Capitalist Private Ownership has by far remained certain vitality, the Productive Forces in it have not yet been put forward fully, it composes big systematic & area elasticity or compatibility, therefore most countries & nationalities have chosen Market Economy. When the basic conflict of Capitalism is intensifying, the two reveal to be contradictory or non-compatible. The modern Market Economy is

weakening, keeping the healthy while discarding the not, aviating & denying the original pure Private Ownership system, namely the personnel ownership rights. At last, the Market Economy of Private Ownership will eventually be replaced by State Ownership which can overcome the above defects, the later will inevitably be replaced by State Ownership Product Economy which appears in a senior stage of Productive Forces development. Private Ownership Market Economy—State Ownership Market Economy—State Ownership Product Economy is the historical movement of the social economy.

How will the Socialist State Ownership combine with the market system is a pioneering international problem of our age. Related research is a theoretical challenge, there is not yet any final conclusion. Yet, undoubtedly, new Socialist Market Economy is just like morning sun rising from the horizon. Its systematic potential has been proven by our strategic platform of economic taking off (with GDP ranked 5th worldwide). Marx has praised, in his *Manifesto*, the miracle of Productive Forces in the Capitalist Market Economy, namely the Capitalist Productive Forces has surpassed, within 100 years, the total Productive Forces in human history. Yet, compared with the achievement in the 30 years of China’s reforms & opening up, it is nothing. Only if we abide by Marx’s development principals of social organism, learn from & absorb the practice & innovation of China’s Communists & Chinese people, can we surely solve all the conflicts & problems in the matching between the Socialist State Ownership & Market Economy, perfect, strengthen & develop our new economy, this is also a historical task of our epoch.

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