

Some thoughts on establishing the theoretical system of socialist political economics with Chinese characteristics

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Abstract

Purpose – It is scholars' great mission in this era to creatively develop new implications, paradigms and discourses of China's political economy and establish a theoretical system of political economy with Chinese characteristics based on the fundamental principles of Marxist theory and the practice and historical process of Chinese economic reform, through theorizing and systemizing the practices of China's socialist market economy construction. The purpose of this paper is to give some suggestions to establish a socialist theoretical system with Chinese characteristics.

Design/methodology/approach – This paper makes a comprehensive analysis of the principles, objectives, study objects, methodologies as well as the framework of the theoretical system of the political economy with Chinese characteristics.

Findings – Additionally, starting from the unity of opposites between public ownership of resources and resource allocation in a market mechanism, which is the fundamental dialectical relation of China's socialist market economy, the authors will adopt the dual dialectical analysis approach to discover and understand the duality features of the socialist economic system with Chinese characteristics.

Originality/value – With adherence to the mission of China's socialist economic system, the goal of China's market economic reform, and the perspectives of Marxist political economy, the authors must explicitly define the so-called Chinese characteristics and then summarize the dynamics and innovations during the evolution of Chinese socialist political economy with high theory confidence and theory self-consciousness.

Keywords Theoretical system of socialist political economics with Chinese characteristics, Unity of opposites, Dual dialectical analysis

Paper type Research paper

According to the report of the 18th National Congress of the Communist Party of China (CPC), we should continue to adapt Marxism to China's conditions in keeping up with the times and increase its appeal to the people, further implement the national project to study and develop Marxist theory, build an innovation system in philosophy and the social sciences and have every confidence in our path, in our theories and in our system. To that aim, we are required to establish a socialist theoretical system with Chinese characteristics, and socialist political economics is one of its most important components. Therefore, it is what we need to do in this era and also the significant mission of theoretical scholars to establish a theoretical system of socialist political economics with Chinese characteristics, which shall be a relatively well-developed theoretical system of political economics since the foundation of the People's Republic of China (PRC), especially after the implementation of the reform and opening-up policy.



1. Theoretical basis and practical implications of socialist political economics with Chinese Characteristics

Socialist political economics with Chinese characteristics is a systemizing process of theories–practices–theories. China’s reform and opening-up policy and economic growth are progressing under the guidance of Marxist political economics. Meanwhile, new economic theories develop during the practices of the reform and opening-up as well as economic growth.

The theoretical basis of the socialist political economics with Chinese characteristics originates from the innovation and implementation of Marxist political economics in China’s socialist market economy. It studies the nature and rules of China’s socialist economy based on Marxist political economics, especially the methodology and principles of *Das Kapital*. The socialist political economics with Chinese characteristics aims to combine the general principles of Marxism and the practices in China to guide China’s socialist economic practices, provides answers to and solve practical problems. This is not only of direct practical significance for guiding China’s economic construction and economic system reform but also enables the general principles of the socialist political economics to gain new findings.

The theoretical basis of the socialist political economics with Chinese characteristics is based on the analysis, summary and refinement of the actual practices of socialist construction in China. Since the 3rd Plenary Session of the 11th Central Committee of the CPC, Marxist political economics has been constantly enriched and developed, and thus, plenty of important theories have been put forward with the combination of the basic principles of Marxist political economics and the new practices of the reform and opening-up. This is the guiding approach of establishing the socialist political economics with Chinese characteristics. Therefore, the socialist political economics with Chinese characteristics is developed based on the Mao Zedong Thought, Deng Xiaoping Theory, the important thought of Three Represents, the Scientific Outlook on Development and the Five Major Development Concepts of “innovation, coordination, green, openness and sharing”.

Based on the basic principles of Marxism as well as the practices and process of China’s reform and growth, the socialist political economics with Chinese characteristics must form new implications, paradigms and discourses of the theoretical system of contemporary China’s political economics innovatively to establish and improve the socialist market economic system. In addition, the successful experience of China’s socialist market economy must be fully summarized, more specifically, theorized and systemized so that we can further establish a series of new economic categories and form an inherently logical theory of the socialist political economics with Chinese characteristics.

2. Guiding ideology for establishing the socialist political economics with Chinese Characteristics

2.1 The socialist political economics with Chinese characteristics aims to understand and follow the rules of economic growth, increase the quality and efficiency of economic and social development, and improve the capacity and qualification of governing the country and managing state affairs

The goal of establishing the socialist political economics with Chinese characteristics, just as Xi Jinping, General Secretary of the Central Committee of the CPC, pointed out, is to “understand and better adhere to the rules of economic growth, and constantly improve the capacity and qualification to implement the reform and opening-up, lead economic and social development, and improve the quality and efficiency of economic and social development”. The socialist political economics with Chinese characteristics is the innovative theory unique to China, created and developed in China as well as serving the whole world, which provides

theoretical support and scientific guidance for the socialist market economic practices in China and across the globe. The socialist political economics with Chinese characteristics, featuring a Chinese style and the spirit of the age, is not only the scientific theory that guides China to constantly unleash and develop productive forces but also the compass that leads its way to the sustainable and healthy development of the socialist market economy, which will enable China to sustain the long-term success of its economy.

2.2 Three basic principles for establishing the socialist political economics with Chinese Characteristics

At the Central Economic Work Conference convened at the end of 2015, it was asserted that China should “stick to the significant principles of the socialist political economics with Chinese characteristics”. It reveals the importance of adhering to the socialist political economics with Chinese characteristics and also points out the significant direction for innovatively developing the socialist political economics with Chinese characteristics. To analyze, summarize and conclude the major principles of the socialist political economics with Chinese characteristics is an important growth point of theoretical innovation and the foundation of building up a theoretical system.

According to the general theories of the Marxist political economics and considering the practices of China since the reform and opening-up, the three major principles as follows must be followed when establishing the theory of the socialist political economics with Chinese characteristics. First, to be consistent with the mission and principle of the basic socialist economic system with Chinese characteristics, including the principles of releasing and developing productive forces; of common prosperity; of developing socialist market economy; of the basic economic system whereby public ownership plays a dominant role and economic entities under diverse forms of ownership develop side by side; of socialist distribution; of pursuing independent development, increasing the opening-up level and taking part in economic globalization and of carrying out reform, development and stabilization in unity. Second, to be aligned with the goal and direction of Chinese socialist market economic reform, including the principles of technology-driven sustainable development, of the people’s livelihood oriented production, of public ownership, of the state-dominated market, of distribution according to work, of performance-priority, of structural coordination and of self-directed opening-up. Third, to be consistent with the stance, view, and methodology of the Marxist political economics, including the assertion that human subjectivity is the primary principle of the socialist political economics with Chinese characteristics, the idea that dialectical materialism and historical materialism are the methodologies of the socialist political economics with Chinese characteristics, and the view that the public ownership of means of production is the basic principle of the socialist political economics with Chinese characteristics.

2.3 The theoretical goal of the socialist political economics with Chinese characteristics is to establish a scientific and standard discourse system with high theoretical confidence and theoretical self-consciousness

The goal of upholding and developing the framework of the socialist political economics with Chinese characteristics is to establish a scientific and standard discourse system of the socialist political economics with Chinese characteristics with both high confidence and consciousness in theory based on defining what “Chinese” means and what the “characteristics” are.

First, what does “Chinese” mean? The socialist political economics with Chinese characteristics does not focus on the “one-size-fits-all” absolute truth. It studies socialism within the territory of China in the time frame of the contemporary times, i.e. since the

foundation of the PRC, especially after the implementation of the reform and opening-up policy. This is the logical starting point of the socialist political economics with Chinese characteristics.

Second, what are the “characteristics”? The characteristics of Chinese socialism and the socialist political economics with Chinese characteristics mainly lie in two aspects. On the one hand, they are distinctive from traditional socialism and traditional socialist political economics, respectively. Socialism with Chinese characteristics emphasizes the exploration of China’s road to socialism. Since the reform and opening-up, CPC has carried out reforms on the traditional planned economy system with tremendous political and theoretical courage, thus forming the socialist political economics with Chinese characteristics. On the other hand, they distinguish themselves from capitalism and other economic systems. We cannot interpret China’s economic and social reality with Western capitalism and traditional socialism mechanically. Instead, we must be aware of the distinctions between socialism with Chinese characteristics and capitalism as well as other theories.

Third, a discourse system for the socialist political economics with Chinese characteristics shall be established, which consists of four aspects. First, the discourse system of the socialist political economics with Chinese characteristics shall take root in the rich experience of China’s reform and opening-up and economic growth, demonstrate the path and experience of socialism with Chinese characteristics systematically and then lead to theory construction. Second, the important literature of CPC and a series of major theoretical innovations put forward by the economic universe since the reform and opening-up must be refined and summarized systematically to form a basic theoretical argument: the major theoretical innovations since the reform and opening-up – new normal of economy, new assertions about development, new thesis on the relations between market and government, new ideas about the basic economic system and new claims about opening-up and growth – underlies the core of the socialist political economics with Chinese characteristics. Third, a series of important theoretical concepts and categories [1] should be come up with as the framework of the socialist political economics with Chinese characteristics. For example, socialism can be integrated with the modern market economy; both the “plan” and “market” are fundamental measures and methods for resource allocation; markets play a decisive role in resource allocation, and government can give better play to its role and the Five Major Development Concepts of innovation, coordination, green, openness and sharing should be advocated. Fourth, for establishing the discourse system of the socialist political economics with Chinese characteristics, we must draw experience from the scientific components of modern economics and speak a language that is universally comprehensible, that is, to establish the discourse system of China’s contemporary political economics. This is the value of learning from the scientific components and analysis paradigm of modern economics.

3. Evolutionary features of the theory of the socialist political economics with Chinese Characteristics

The socialist political economics with Chinese characteristics develops and evolves with twists and turns and innovation and progress in its practices, which can be divided into three phases:

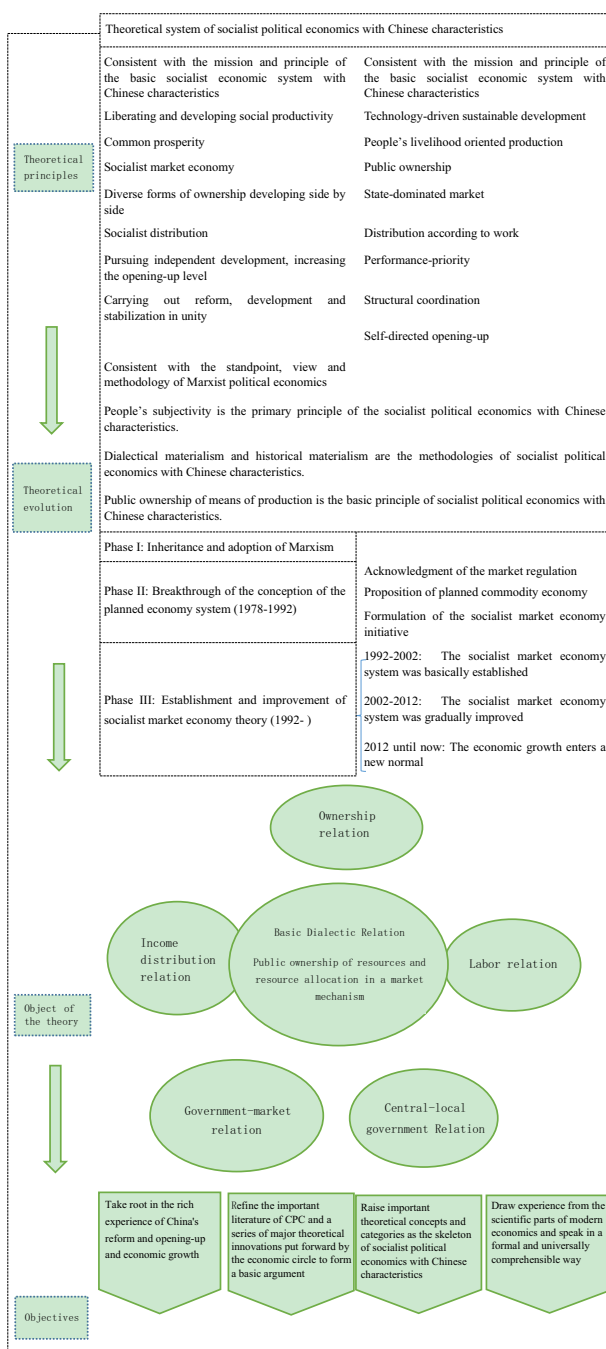
The first phase is the inheritance and adoption of classical Marxist thought. As early as more than a century ago, Karl Marx made some predictions on the future society while criticizing the capitalist society. After the October Revolution of Russia in 1917, the Soviet Union, the first socialist country, was founded. After more than 30 years, the book *Political Economy: A Textbook* deals with socialism was compiled and published in the early 1950s. After the new democratic revolution victory in 1949, the planned economy was implemented for nearly 26 years, from 1952 to 1978, and China has been labeled with socialism ever since.

The second phase is the breakthrough of the conception of the planned economy system (1978–1992). There are three breakthroughs during this phase. (1) Acknowledgment of the market regulation. At the 3rd Plenary Session of the 11th Central Committee of the CPC, the meeting proposed that China should respect the law of economy and act by the law of value, and the idea that the shortcoming of China’s economic management system lay in the overcentralization of authority was also introduced. The market regulation principle was officially acknowledged at the 12th National Congress of the CPC. These opened the door for breakthrough. (2) Proposition of planned commodity economy. This new concept was recognized in the *CPC Central Committee’s Decision on Economic Restructuring* (“Decision”) approved at the 3rd Plenary Session of the 12th Central Committee of the CPC, which means this idea had come into being. Although the Decision also emphasized the necessity of guidance, regulation and administration management, Deng Xiaoping asserted that it was already a kind of new political economics. (3) Formulation of the socialist market economy thought. Deng Xiaoping mentioned the nature of socialism during his Southern Tour of 1992. He stressed that plans and markets are both economic approaches and expressed his determination to carry out socialist market reforms. From then on, the boundary of the planned economy relating to the traditional socialist political economics was finally broken through.

The third phase is the establishment and improvement of the socialist market economy theory (1992–). There are three breakthroughs during this phase. (1) The socialist market economy system was basically established from 1992 to 2002. The theory explicitly clarifies that market plays a fundamental role in resource allocation while government must give full play to its functions in market regulation and public services. It is required to boldly explore the way to realizing public ownership, with active facilitation of the shareholding system reform and the development of the mixed-ownership economy. In addition, a modern market system should be grounded and established. The theory calls for taking an active part in international market cooperation and competition as well as constantly advancing opening-up to a higher level. (2) From 2002 to 2012, the socialist market economy system was gradually improved. The 16th National Congress of the CPC, the 3rd Plenary Session of the 16th Central Committee of CPC and the 17th National Congress of the CPC specially addressed that the socialist market economy system must be improved and also set forth the policy of maximizing the basic function of the market in resource allocation. The scientific outlook on people orientation and comprehensive, balanced and sustainable development was also formulated, and some new thoughts and ideas were also formed on the issue of development, which added new ideas to socialist political economics with Chinese characteristics. (3) Economic growth has entered the new normal since 2012. Combining the world’s economic growth cycle and the periodic features of China’s economic growth, the Party Central Committee led by General Secretary Xi Jinping asserts that China’s economic growth has entered a new normal. These new thoughts and ideas are aligned with the needs of China’s economic growth under the new normal, which enables the socialist political economics with Chinese characteristics to reach a new height in the realm of both theory and practice.

4. Structure of the theoretical system of the socialist political economics with Chinese Characteristics

Marxist political economics has always advocated “based on the actual current situations of the national economy”. That is, we should take the actual and real economic relations and economic issues as the starting point for our consideration. With the guidance of major practices and theoretical topics of China’s economic and social development, the socialist political economics with Chinese characteristics shall give a new and systematic



interpretation of such major questions as “what kind of development China should seek to achieve and how to achieve it” with firm reference to the trendy changes and periodic features of China’s economy and society by virtue of distinctive Chinese awareness and wisdom.

Based on such understanding and considerations, the author asserts that the research object of the socialist political economics with Chinese characteristics should be the resource allocation relation expanded and deepened by the relation of the unity of opposites between productive forces and the relations of production, which refers to the relations between the basic socialist economic system – featuring public ownership playing a dominant role and diverse forms of ownership developing side by side – and the socialist market economy system – featuring market playing a decisive role in resource allocation. Simply put, that is, the relation of the unity of opposites between the public ownership (or collective ownership) of the means of production of the socialist economy with Chinese characteristics and the resource allocation in a market mechanism (marketability). With the above relation of the unity of opposites as the main thread, the study of socialist political economics with Chinese characteristics focuses on a series of binary oppositions during China’s economic growth since the reform and opening-up. The major relations include ownership relation, distribution relation, labor relation, central–local government relation, government–market relation, etc.

With respect to the track of thought, the structure of the socialist political economics with Chinese characteristics is shown as follows:

5. Methodology of the theoretical system of socialist political economics with Chinese Characteristics

To build a scientific and reasonable theoretical system, we need to define the methodology first. In terms of socialist political economics with Chinese characteristics, the object of research, methods of research and approach of research need to be confirmed.

5.1 Features of the research object concerning relations of production

Combining the basic principles of Marxist political economics with China’s actual economic growth, the CPC has gained plenty of theoretical findings relating to the nature of socialism, the basic economic system at the primary stage of socialism, the basic socialist income distribution system, the Five Major Development Concepts, etc. When defining the research object of China’s political economics, the core issue that needs to be considered is how to systemize these theories, especially how to integrate these different theories logically. Without figuring out these basic questions, a scientific theoretical system cannot be established.

Regarding the above questions, the author states that the several specific relations of the dialectical unity generated from the basic relations should be studied based on the basic dialectical relations of China’s socialist market economy. With these specific relations as the carrier, the basic concepts, basic rules, operating system, basic dynamics and basic features of the socialist market economy system shall be clearly and systematically defined. Not only should the productive forces or the resource allocation efficiency be studied but also the issues of relations of production or resource allocation relations must be emphasized.

The paper summarizes the basic dialectical relation of China’s socialist market economy as the public ownership of resources and resource allocation in a market mechanism. That is, “socialist” China’s basic economic system is public ownership system, i.e. national ownership (the government exerts the power of the country) in nature. And it evolves into the public possession of social resources (public ownership). China is a country adopting “market economy”, so the approach of resource allocation is subject to a market mechanism [2]. This basic dialectical relation is reflected in various areas and aspects of actual economic growth,

forming a series of practical dialectical relations, which constitutes the basic structure of China's socialist market economy theory. It consists of the following five relations. (1) Ownership relation: It reflects the dynamic process of dominant public ownership evolving into mixed ownerships and epitomizes the harmonious unity of China's public ownership and market economy. (2) Labor relation: It can best embody the relation of unity of opposites of political economics. The labor relation must be studied from the perspective of the evolution of the mode of production and be effectively analyzed. (3) Income distribution relation: It reflects the dynamic process of China's distribution system – from distribution according to labor to distribution according to productive factors, mainly embodying the harmonious unity of fairness and efficiency. (4) Central–local government relation: It is the fundamental relation that enables “being well-governed throughout the country” and “long-term stability” in China, as well as the way of governance and political economics unique to China, so the allocation of political and administrative resources between the central government and local governments should be appropriately analyzed. (5) Government–market relation: According to Western mainstream economics, government and market are mutually exclusive and contradictory. However, China's successful implementation of the reform and opening-up proves that government and market can complement each other. Therefore, a set of complete theories can be drawn from China's practices regarding the relationship between government and market, which is one of the features of the socialist political economics with Chinese characteristics [3].

Compared with Western economics, this research object is clearly distinctive from microeconomics and macroeconomics that feature the focus on the resource allocation issue in terms of theory and context expression. Compared with traditional political economics, a definite main thread is set, which can be flexibly extended and specified. It can be widened enough to include most of the problems and conflicts during China's economic reform and development and narrowed down enough to be specific issues for further study. In this way, the defects of the Chinese political economics – unclear main thread, confused thoughts, incomplete system and fragmented contents – are resolved [4].

5.2 *Dual dialectical logic of the research method*

The dual dialectical analysis shall be applied when combining Marx's method of contradiction analysis with China's actual social and economic situations. The method of contradiction analysis is the basic analytical method of Marxist political economics integrated throughout the study of *Das Kapital*; it is also the core of Marxist methodology and the most effective way in studies. As the fundamental way of materialistic dialectics in understanding and analysis, it is universally applicable for studying social phenomena, capable of interpreting the state quo and predicting the future. It especially plays a unique role in studying macro and complicated social phenomena and social issues. By adopting the method of contradiction analysis, we shall see things from two contradictory aspects: integrate their universality and particularity and analyze them on a case-by-case basis. Moreover, we must address both the major and minor problems and both the major and minor aspects of a problem while focusing on major issues and major aspects of a problem properly. Therefore, adopting the traditional method of contradiction analysis and dialectically analyzing the obstacles and problems encountered during the development of socialism with Chinese characteristics is not only conducive to a deeper understanding of the road map to as well as the theory and the system of the socialism with Chinese characteristics but also helpful for the ongoing application of the basic principles of Marxism to practices in China today. Consequently, it will facilitate the development of contemporary China's political economics.

Therefore, the dual dialectical analysis based on dialectical materialism and historical materialism is the basic research method of socialist political economics with Chinese

characteristics. The dual dialectical analysis featuring the unity of opposites is the main methodology adopted throughout the paper to establish the framework and theoretical edifice of socialist political economics with Chinese characteristics. The reason lies in the fact that the basic characteristics of the socialist economic system with Chinese characteristics is being capable of unifying some seemingly contradictory binary relations harmoniously to serve the purpose of liberating and developing productive forces. For example, public ownership and nonpublic ownership are not naturally coexist. Objectively, they are contradictory. However, the basic economic system at the primary stage of socialism enables them to facilitate, complement and integrate each other systematically. For another example, the most important success of the reform and opening-up is the combination of the socialist system and market economy, namely developing market economy under socialism or implementing market economy with socialist features. Adopting a market economy in a way beyond the market economy and integrate public ownership with the market economy in a “contradictory and complementary” manner is the very essence of the socialist market economy.

5.3 Empirical evidence and comparative path of research approach

From the angle of how the theoretical paradigms are formed, the establishment of the socialist political economics with Chinese characteristics should be carried out by stages in the following steps.

The first step is to collate existing theories. It includes understanding the origin and development of political economics from a historical perspective, learning about the evolution, subject attribute and methodology features of political economics and analyzing the theoretical crises that political economics and mainstream economics face from an interdisciplinary comparative perspective, thus providing support to the overlapping and integration of different disciplines. Collating the theories of existing political economics and mainstream economics is actually providing an academic source for the establishment of the socialist political economics with Chinese characteristics.

The second step is to review China’s practices, namely, review the “compatibility” between China’s economic practices and the existing theories. Any innovation in economic theory is the result of the “deviation” of existing theories from practices. After collating relevant theories, people need to develop a proper understanding of China’s practices based on the detailed and accurate research of the national conditions and build up a reliable case library and database by relying on big data and coordination between multiple departments to abstract the factual characteristic of China’s economic growth. By comparing the facts with existing political economics or mainstream economics, we can thus define the coupled and deviated parts between China’s practices and existing theories. Obviously, it can help provide sources of practices for the establishment of the socialist political economics with Chinese characteristics.

The third step is to absorb the comparative advantages of different economic studies. Political economics features theory criticism, system analysis, systematic perspective and social care, while mainstream economics is comparatively advantageous in terms of methodology. In the context of economic globalization, different economic theories are at the critical stage of new integration and breakthroughs. A more comprehensive and practically interpretable theory system should be formulated based on the comparative advantages of various economic theories.

The fourth step is to push forward logic construction. The logical deduction of the socialist political economics with Chinese characteristics should rest upon a variety of concepts, and the foothold of government–market relation can provide a possible direction for the establishment of this theory. The institutional factors of China’s economic development and

China's economic performance can be reviewed within a systematic framework of analysis, and the similarities and differences between China's economic development and that of other economies can also be interpreted within this framework.

The fifth step is to create academic influence, namely, exploring the long-term verification and international value of the theorization of China's practices. After the socialist political economics with Chinese characteristics is established, verification should be conducted with the large samples and long-term data of China's economy. If the results of the verification are satisfactory, the established theory can serve as the guidance for making economic strategies and policies in China. At the global level, the above theory construction effort can enhance the diversity of international economic theories and provide powerful developing economies with experience regarding economic practices.

6. Core content of the socialist political economics with Chinese Characteristics theory

The study of the socialist political economics with Chinese characteristics focuses on the contradictory and complementary relations in China's economic reform, economic growth and economic operation based on the dual dialectical analysis. Above all, the study on the following five relations is the most important.

6.1 Study on the China's socialist ownership and the interaction and relation between various ownerships

The fundamental task of socialism is to release and develop productive forces. The liberation and development of the productive forces are the essential requirement of socialism, the requirement for solidifying the social system and the fundamental way to resolving the major contradiction at the primary stage of socialism. Deng Xiaoping stated, "The primary task of socialism is to develop productive forces and to elevate the standard of the material cultural life of the people." Xi Jinping asserted, "To build a well-off society in an all-round way, and realize socialist modernization and the great rejuvenation of the Chinese nation, the most fundamental and urgent task is, nevertheless, to further emancipate and develop social productive forces." Hence, whether the ownership structure of a society is reasonable or not directly decides the speed of the development of the productive forces in this society. Ownership is about the fundamental theory and practices of the socialist movement. In the socialist context, how to rebuild individual ownership based on collective possession of the means of production is a challenge in both theory and practice. Socialist ownership takes the basic form of public ownership along with a certain portion of private ownership. Thus, the structure of socialist ownership must be demonstrated by the relation between public ownership and nonpublic ownership, the relations among different forms of public ownership, the replacement relation of public ownership versus nonpublic ownership and the evolutionary conditions of the concrete forms of public ownership. Ownership develops in the direction of meeting the requirement of gradual socialization of production and the socialization of ownership over time. Such socialization consists of the scale expansion of ownership (including the increase of owners), the breakdown and balance of ownership, the close correlation between production and management effect and the personal interest of owners and operators and the free flow combination of ownership, namely free trade. The main trend of contemporary ownership is mixed ownership. These constantly differentiated and combined ownership breakdown and their internal relations are what this paper studies in this session.

6.2 Study on the labor relation under socialist conditions of production in China

Within the political and economic fields of Marxism, the labor relation is the most essential and important part. The labor relation came into being, expanded quickly and then became

the major relation in social economy eventually during the 38-year building of socialism with Chinese characteristics. Since the reform and opening-up, especially with the reform of state-owned enterprises and the adjustment of ownership structure, the non-state-owned economy has achieved rapid development, and the labor relation has shown the feature of diversity. Whether the non-state-owned enterprises or state-owned enterprises, the interest gap and interest differentiation among employees and employers have greatly changed. The following roles have been gradually identified: Enterprises as the main demanders for labor, laborers as the main suppliers of labor and government as the main mediator for the interest between employees and employers. The two-way choosing mechanism of independent hiring of enterprises and independent employment of laborers and the tripartite consultation mechanism among the government, employees and employers have been gradually formed. In this way, three independent interest subjects, including government, employees and employers, are basically confirmed. Employers are under the stress of maximizing the interest; laborers have the motive of maximizing their utility function and the government is responsible for ensuring the healthy and harmonious development of labor relations for the sake of maintaining social fairness, justice and stability. China's political economics should study the current situation and problems of labor relations in China by means of the dialectical contradiction analysis so as to seek a way to coordinating and improving the relation. At the current stage, the scientific outlook on development with the people-oriented essence and the development concept of sharing provide better theoretical guidance for a harmonious labor relation, which is of important significance to establish a harmonious socialist labor relation.

6.3 Study on the relation between distribution according to work and distribution according to factors of production in the supply-side structural reform at the current stage

Common prosperity is an essential requirement, fundamental principle and ultimate goal of socialism. In 2015, Xi Jinping stressed during the tour in Guizhou Province, China, "Eliminating poverty, improving people's livelihoods, and realizing common prosperity are the essential requirements of socialism and an important mission of the Party." The basic distribution system in which distribution according to work is dominant and a variety of modes of distribution coexist is a requirement for developing the social productive forces of socialism and an objective requirement for developing a socialist market economy. The major contradiction of China's current income distribution relation is mainly reflected at the first distribution stage. In the first distribution, the distribution of profits between employers and employees is unreasonable; the proportion of labor income is relatively low; the share of individual income in the distribution of national income decreases, and a scientific wage deciding mechanism and a normal growth system have not been built up.

The top priority of the supply-side reform is to increase total factor productivity. The total factor productivity depends on education, research and development (R&D), innovation, entrepreneurship, intellectual property protection and economic system. Technological innovation and institutional innovation are the fundamental ways to improving total factor productivity. Governments should guide and support talents and R&D inputs toward the enterprises and make enterprises the true subjects of research and development inputs, innovation activities and innovative achievement application, thus advancing the shift from input-driven economic growth to innovation-driven economic growth. This requires a reform that furthers the distribution mode and an increase of the return rate of the technology factor. The supply-side structural reform implemented in China now aims to change the economic growth pattern, adjust the economic structure and increase the quality and efficiency of economic growth. To that aim, the priority is to modify the distorted factor allocation, fully motivate the positivity and creativity of the owners of production factors, expand effective

supply and increase the adaptability and flexibility of the supply structure in the face of changing demand. However, several problems and contradictions that exist in China's economy hinder the supply-side structural reform from proceeding steadily.

6.4 Study on the central–local government under the new normal in economy

The central–local government relation is of vital importance to a big country and a powerful party. Appropriately understanding and handling the central–local government relation and maintaining its institutions, standards and procedures are the aspects of the politics and political economics unique to China. China's practices indicate that properly dealing with the central–local government relation can give full play to the initiative of both central government and local government. If this relation is not properly dealt with, then there will be no initiative. By nature, a coexisting mechanism with incentives for both central and local governments shall be established to allow them to play their roles and work together on national affairs.

This requires a more detailed discussion on the following important questions. Over the history of China, how was the relationship between the central government and local governments? How were they related in history? What changes has the central–local government relation been through since the foundation of PRC, especially since the reform and opening-up? What common features do these changes have? How should we understand the basic direction of the central–local government relation outlined in the *Decision of the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Deepening the Reform* proposed at the Third Plenary Session of the 18th CPC Central Committee? As an integral part of the central–local government relation, the theories of “fiscal and taxation system reform” and “balanced and coordinated regional development” will also be the key research objects.

6.5 Analysis of the government–market relation and their interactive mechanism from the perspective of particularity in China

The practices of socialist economic construction indicate that the introduction of market mechanism into the economic system at the primary stage of socialism is aligned with the actual situation and rules of the social development. The socialist market economy theory is China's innovation of Marxist political economics. It not only inherits and develops the essence and thoughts of Marxist political economics but also makes a series of theoretical innovations with reference to China's actual situation and the characteristics of the times. Currently, the government–market relation is a key relation for China's socialist economic growth as well as the core and origin of China's socialist market economy system. The relation, boundary and interactive mechanism between government and market in China have unique characteristics. Xi Jinping stated, “On how to give play to the role of the market and the role of the government, we must adhere to the dialectics and the two-point theory To make the market play a decisive role in resource allocation and to give full play to the role of the government, the two are organically unified, rather than being separated and contradictory. We shall neither replace the role of government with the decisive role of market in resource allocation nor negate the role of government. Also, we shall neither replace the decisive role of market in resource allocation with a more powerful role of government nor negate that role of market.” Therefore, the formation and development of the market's function on resource allocation under the guidance of the government and the mechanism behind it should be analyzed. The government–market relation in China is special to some degree. By now, China's market is still not a fully free and effectively competitive market defined by Western economic theories. The leadership of the Chinese government is of significant importance to the development of China's economy. Even though China's market

is not standardized or well-established in many aspects, the market is in actual and active operation. It also stimulates various players in economy to play their roles and thus boost economic growth.

7. Theoretical issues to be further studied

The theory of socialist political economics with Chinese characteristics is not rigidly defined. It stays abreast of the times and evolves. A lot of relevant issues remain to be further clarified and revealed in future research.

First, the differences between the socialist political economics with Chinese characteristics and Western economics. China's economic reform moves on along with exploration efforts, during which many possibilities and problems may arise. However, when studying the same issues, the analytic methods and outcomes of the political economics can sometimes be different from those of Western economics. (1) As to some economic problems encountered by China that Western economic theories fail to interpret or solve, how should the socialist political economics with Chinese characteristics jump out of the paradigms and frameworks of traditional mainstream economics and provide new perspectives and answers? Take the constant assertion and failure of "China collapse theories" for example. Since the 1990s, some people around the world, especially those in Western countries where are the so-called hotbed of Western economic theories, have repeatedly released pessimistic comments on China's economy, which had given rise to a thought that a lot of "unconventional things", as the Westerners believed, existed in China. It reflects that China's current economy has grown beyond the typical events studied by Western economic scholars. As a result, they found it difficult to locate references quickly, directly, accurately for understanding and interpretation of many issues, which offers a huge room for exploring China's own theory paradigms [5]. (2) Regarding some economic problems that are prevalent in some Western countries and are of equal concern to Western economics, what lessons can be learned by the socialist political economics with Chinese characteristics and what cannot be adopted or should not be adopted or should even be discarded? For example, Western economics also studies the relationship between government and market, and a number of economic models have been formed based on it, such as the free-market economy in the USA, the regulated market in Western Europe, the government-led market economy in East Asia (Japan, Korea), etc. – why are they not suitable for China?

Second, the socialist political economics with Chinese characteristics' inheritance, innovation and sublation of Marxist political economics. Karl Marx once stated in the preface of *Das Kapital*, "In this work, I have to examine the capitalist mode of production, and the conditions of production and exchange corresponding to that mode." His *Das Kapital* takes the capitalist mode of production as the research object, and many principles revealed in the book are socially and historically limited regarding the socialist mode of production. Some of the arguments in the book are also not aligned with the practices of socialism with Chinese characteristics. Therefore, the theory of the socialist economy with Chinese characteristics cannot copy the assertions and conclusions in classic Marxist works that do not conform to the characteristics of historical development for providing guidance to China's practices. To adhere to Marxism, we should stick to the Marxist stance, viewpoint and methods. That is, we should stand in the shoes of the people and carry out scientific research by referring to dialectical materialism and historical materialism and relating theory with practice.

Third, how to draw a conclusive, general, and intrinsic theory from practices. The socialist political economics with Chinese characteristics must be able to analyze, interpret and solve realistic problems arising during more than 60 years of economic growth and nearly 40 years of reform and opening-up so that something conclusive, general and intrinsic can be drawn to

guide the future development of China's economy. In order not to follow in the steps of policy hermeneutics and historical textology of reform, future research must get a clear idea of the basic situation in China through themed surveys; the empirical lessons should be summarized from China's economic growth since 1949 together with a careful study and accurate evaluation on the development over the first 30 years to be made; in the end, with the preparation for forming a systematic theory based on in-depth practical research, some specific and feasible solutions should be put forward in terms of the research object, research method, framework construction, etc.

Fourth, to clarify the boundaries between government and market during the operation of the socialist economic system with Chinese characteristics. On the premise of clarifying the major issues studied by the socialist political economics with Chinese characteristics, the boundaries of government and market when building Socialism with Chinese Characteristics must be made clear. The orthodox Western economic theories assert that the "nonexclusive" and "noncompetitive" public goods are provided by the government while the exclusive and competitive attributes of public goods are offered by the market. That being said, for a specific country and a specific development stage, the government-market relation has peculiar forms and contents. Therefore, China must clarify the boundaries of government and market as well as the relation in between points out the nature and direction of the socialist market economy system reform, which is a significant and inevitable issue for China in the process of establishing the political economics with Chinese characteristics. To clarify the boundaries between government and market is the main thread and essence throughout the past, current and future reform of the socialist market economy system. Hence, it naturally becomes the core of socialist political economics with Chinese characteristics. For example, when considering the institutionalization of macro-control targets and policies in a standardized way, how to get out of the dilemma on the contradictory short-term and long-term goals of macro policies? When pushing forward the state-owned asset and enterprise reform, how to conceive a new thought to release the vitality, control and influence of the state-owned economy? When optimizing the fiscal and taxation system reform, how to improve the financial transfer payment system to drive the equalization of basic public services by balancing different regions, central and local governments and development and conservation? When deepening the financial system reform, how to strongly advocate the development of the virtual economy that provides the real economy with services and support?

Fifth, to establish the discourse system of socialist political economics with Chinese characteristics. The socialist political economics with Chinese characteristics must be innovated and developed in the benign interaction of theory and practice, set foot in building the socialism with Chinese characteristics, research the new situations and new problems faced by the global economy and China's economy, establish China's discourse of the political economics to provide a Chinese solution for the healthy and sustainable development of global economy and bring Chinese wisdom to the innovative development of the economy. This can not only manifest the Chinese characteristics, strengthen the confidence in taking the path of socialism with Chinese characteristics and in China's theories and system but can also serve as a valuable asset in the great treasury of economic theories.

Notes

1. Due to historical limitations, all the categories in Marxist political economics, such as commodity economy, surplus value, capital, wage, profit, interest, land rent and etc., were defined as the unique categories of the society with private ownership and capitalist mode of production. Obviously, we cannot simply apply the categories in Marx's *Das Kapital* mechanically or transplant them to the theoretical system of socialist political economics with Chinese characteristics. According to the general and specific/individual dialectic as well as the path revealed by Marx through which the

most general abstraction arises, we must redefine the general properties, special properties and individual properties of the various categories of market economy based on the practices of the contemporary socialism with Chinese characteristics so that a logical system of socialist political economics with Chinese characteristics can be established with reference to the system of Marxist political economics.

2. The combination of socialism and market economy actually consists of two aspects – the relation between plans and markets, and the merging or integration of public ownership and market economy. The relation between plans and markets mainly involves the resource allocation methods while the integration of public ownership and market economy involves the nature and reform of the public ownership of production relations. According to [Roemer \(1994\)](#), the market socialism has gone through five stages. At the first stage, it is understood that the socialist economy cannot be measured by a physical unit but a symbol of value; at the second stage, it is realized that a correct equilibrium price should be acquired by solving complex equations; at the third stage, it is advocated that market should resolve the economic balance issues through introduction of competition; at the fourth stage, various theories and have market-based practices are founded in socialist countries; at the fifth stage, the theory of market socialism was put forward after the socialist reforms in the Soviet Union and Eastern Europe failed. The fundamental idea of this theory is that public ownership system (mainly state ownership) is not the nature of socialist system and the core issue of market socialism is to pursue the enterprise system which integrates fairness with efficiency.
3. Traditional socialist economic theory adopts classical theories doctrinally. It originates from the classical socialist theories and then makes further exploration based on these classical theories and with reference to the contemporary practices and people’s subjective understanding. The exploration is about the expansion and development of pertinent thoughts of Karl Marx and Friedrich Engels take up a large proportion. However, it also contains some one-sided and even wrong thoughts. For example, the most general and most abstract definitions of the socialist economic relations by Marx and Engels are mixed with the specific forms or models of socialist economic relations. In addition, it omits the distinction between the general specification and rich specificity, the concrete and complex connections within the economic relations and various specific economic rules. Marx and Engels addressed repeatedly that “How we view the characteristics that make future noncapitalist societies different from the modern society are the concrete conclusion based on historical facts and progress of development. Interpretation regardless of these facts and the practices during the development will be of no theoretical value and actual value.” They also pointed out that “the so-called ‘socialist society’ is not a constantly changing society rather than changeless, just like any other society.”
4. The traditional socialist economic theory is the adoption of doctrinated classical theories. It originates from the classical socialist theories and meanwhile, it is also a further exploration based on these classical theories and with reference to the contemporary practices and people’s subjective understanding. The exploration is mostly about the expansion and development of the pertinent thoughts of Marx and Engels, which also contains some one-sided and even wrong contents. For example, the most general and most abstract definition of the socialist economic relations by Marx and Engels is mixed with the specific form or specific model of socialist economic relations, which reflects the omissions of the distinction between the general specification and rich specificity, the concrete and complex connections within the economic relations and various special economic rules. Marx and Engels addressed repeatedly that their speculations on the characteristics that made the future noncapitalist societies different from the modern society were based on historical facts during the development and that interpretation regardless of these facts and the practices during the development would be of no theoretical value and actual value. They also contended that the so-called “socialist society” was not a fixed concept, but a constantly changing social phenomenon, just like any other society.
5. In fact, the Western mainstream economic theories are at the turning point at which they constantly evolve and response to the “paradigm crisis”. Mainstream economics contain the comparative advantages of methodology and relatively strong interpretability for the economies with a mature institution. However, it does not mean that the mainstream economic theories do not need to be canvassed and amended. Moreover, it does not mean that China can apply those theories

mechanically to its own development. In fact, mainstream economics is also evolving and responding to the “paradigm crisis”. For example, mainstream economics did not put forward any prospective warning the financial crisis in 2008 and the Washington Consensus derived from thereout also led to a negative result in the practices in Latin America. In addition, the paradigm crisis of the mainstream economics comes from the inherent defects of the relevant theories. First, mainstream economics adopts a government–market analytic paradigm, stressing that the government offers the effective supply system for public goods, while the enterprises and residents in the market act on their own rationally. The problem is that the assumption of “economic man” and “rational man” as the logical premise of the mainstream economic theory system haven not been strictly examined by empirical facts. On the contrary, the BPC model, by which agents seek for decisions that satisfy their preferences to the maximum extent based on their beliefs subject to certain constraints, can better explain one’s behaviors than the assumption of “rational man”. Second, in the case of separating market and government, mainstream economics does not explore the internal relations among different levels of governments even if it studies the behaviors of government and its influence on the economic growth. In reality, the behaviors of different levels of governments may be prominently different. The interaction between the central government and local governments usually becomes a key factor that affects the economic performance, which is extremely significant to developing countries like China. Thus, the logical defects of mainstream economic theories make them face the paradigm crisis. Likewise, the establishment of the socialist political economics with Chinese characteristics shows a positive response to this theory pattern.

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