Several theoretical issues on the socialist utilization of capital

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Abstract

Purpose – In the new development stage of comprehensively building a socialist modern state, it is imperative to adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, comprehensively summarize China’s practical experiences in economic development, strengthen research on capital issues, construct theories of socialist political economy with Chinese characteristics regarding capital and provide scientific theoretical guidance for further promoting the positive role of various types of capital while preventing and overcoming their negative effects, which is a major theoretical issue and a glorious task for the theoretical and economic circles in China.

Design/methodology/approach – From the perspective of Marx’s theory on capital and historical development, modern capital represents the organizational mode of socialized mass production and market economy. It serves as both the economic foundation of bourgeois society and a tool for socialist economic development.

Findings – The market economy represents an inevitable historical stage and form of socialist economic development, necessitating the adoption of capital as an organizational form within socialist economies.

Originality/value – The utilization of capital to advance a socialist economy is a remarkable achievement by the CPC and Chinese people, representing a significant innovation in both theory and practice. The role of capital is inherently dual under any social condition. In the context of a socialist system, capital can play a positive role effectively, and its behavior can be guided and regulated correctly to curb its negative or even destructive impact.

Keywords Capital, Capitalism, Socialism

Paper type Translated paper

During its century-long struggle, the Communist Party of China (CPC) has been adhering to the basic tenets of Marxism, deepening its understanding of capital from the perspectives of China’s national conditions and main tasks in different periods and continuously exploring its guidelines and policies to regulate and guide the healthy development of capital. After the completion of the socialist transformation in 1956, “capital” was wholly rejected and disappeared in China. During that particular period in history, people treated “capital” as the equivalent of “capitalism” for ideological and political reasons. They refrained from using the concept of “capital” to express the opposition and fundamental difference between socialism and capitalism. Since the reform and opening up introduced in 1978, China has gradually established a socialist basic economic system, including the common development of multiple ownership economies with public ownership as the mainstay, the distribution system according to work as the main body and various distribution modes coexist and the socialist market economic system. In adapting to this basic economic system, multiple forms of capital have developed and become key forces in promoting economic growth.

General Secretary Xi Jinping’s important speeches at the Central Political Bureau meeting in 2020, the Central Economic Work Conference in 2021 and the 38th collective study of the Central Political Bureau in 2022 clarified the Party’s basic understanding and major principles of capital, marking a significant development in Xi’s Economic Thought and...
pointing the way for academics to conduct in-depth research on capital in a socialist market economy. It is necessary to adhere to Marxism and Xi Jinping’s Economic Thought as guidance, logically summarize the practical experiences of China’s socialist market economy development, currently understand the relationship between capital and capitalism and between capital and socialism, scientifically understand the general characteristics of capital, profoundly understand the commonality and essential difference between the capital in the capitalist system and that in the socialist system, deepen the understanding of the characteristics and dual role of various types of capital in the socialist market economy, for providing correct theoretical guidance to better play the positive role of capital in China’s socialist economic development.

1. What is capital?

For a scientific understanding of capital issues in the socialist market economy, it is imperative to grasp the true meaning of capital and capitalism and comprehend their relationship. In the past, people once equated capital with capitalism and thereby put capital against socialism, thinking it was based on Marx’s theory. However, this is a misconception, as capital and capitalism are distinct yet interconnected concepts according to Marx’s theory.

In terms of “what capital is,” Karl Marx has made a comprehensive, systemic and profound analysis in his work *Das Kapital (Capital)*. Unlike the metaphysical and historical idealistic understanding of capital held by bourgeois economists, Marx utilized materialistic dialectics and historical materialism along with a logical method that moves from abstract to concrete to reveal the multiple determinations and rich connotations of capital from three dimensions and levels: “the process of production of capital,” “the process of circulation of capital” and “the process of capitalist production as a whole.”

First, money is the original form of capital, and capital is the value that can bring about surplus value. To explain the transformation of money into capital and thereby propose the definition of “capital” in terms of logic, Marx originally proposed the “General Formula of Capital,” G-W-G, based on the overall character of surplus value of the capital movement in Part II of *Das Kapital*, Volume I. Furthermore, by comparing G-W-G with the formula of commodity circulation, W-G-W, Marx visually illustrated the connection and difference between the capital movement and the general circulation of commodities “formally.” Karl Marx presented three overarching characteristics of capital with the general formula of capital, G-W-G: the purpose and motive of value multiplication, i.e. making money; the endless pursuit of value multiplication by capital; and capital must go through a certain process of movement to achieve the purpose of surplus value or making money (for a more intuitive comparison with the form of commodity circulation, Marx used G-W-G, a form that also seems to belong to the form of the commodity circulation, to express the unique movement process of capital) [1]. To introduce the theory of surplus value production, Marx (2009d) coined the term “surplus value” to refer to the excess value generated by capital (p. 176). It is important to note that this is the most general analysis of capital, revealing the fundamental characteristics of capital across all forms and periods, including that under socialist conditions. Marx elucidated the correlation and distinction between money as a mere medium of exchange and money as capital through a comparative analysis of the general formula of capital and the circulation formula for commodities, demonstrating his profound insight into the intrinsic connection between capital, commodity circulation and money. Marx (2009d, pp. 171–172) pointed out that “... the circulation of commodities is the starting point of capital. The production of commodities, their circulation, and that more developed form of their circulation called commerce, these form the historical groundwork from which it rises. The modern history of capital (emphasis added by quoter) dates from the creation in the
16th century of a world-embracing commerce and a world-embracing market” and “... we have no need to refer to the origin of capital in order to discover that the first form of appearance of capital is money (emphasis added by quoter). We can see it daily under our very eyes. All new capital, to commence with, comes on the stage, that is, on the market, whether of commodities, labor, or money, even in our days, in the shape of money that by a definite process has to be transformed into capital.” Therefore, it is unfounded to assume that Marx viewed capital as a mere “material substance and power” (Hodgson, 2019, p. 154). It must be recognized that Marx’s theory holds significant guiding value in understanding the inevitability of capital’s existence within a socialist market economy. General Secretary Xi Jinping emphasized at the annual Central Economic Work Conference in 2021 that the socialist market economy is a remarkable creation, and diverse forms of capital must exist within it (People’s Daily, 2021), which is a correct assertion in line with the logic of Marx’s theory.

Second, capital is a specific mode of production and relations of production belonging to a particular historical stage. In Part II of Das Kapital, Volume I, Marx further elaborated on his analysis of the “Contradictions in the General Formula of Capital” based on labor value theory or the law of value. Through his analysis, Marx (2009d, p. 193) came to a significant logical conclusion: “It is therefore impossible for capital to be produced by circulation, and it is equally impossible for it to originate apart from circulation. It must have its origin both in circulation and yet not in circulation.” This conclusion raises a critical question that any scientific, political economy must answer: how to account for the generation of surplus value based on the theory of labor value or the law of equivalent exchange [2]. This conclusion also reveals the systematic reasoning presented in Das Kapital from Volumes I to II, where Marx first unveiled the unique “contribution” of the purchase phase in the circulation process to the surplus value of capital, that is, there exists a special commodity in this link—namely, the purchase and sale of labor-power as a commodity—and it is only through this transformation that money can be converted into capital. Marx further analyzed the prerequisite for labor to become a commodity, which is the dispossession of workers from their means of production and acquisition of personal freedom, resulting in their transformation into wage laborers with “double freedom”. Marx (2009d) pointed out that “Nature does not produce on the one side owners of money or commodities and on the other men possessing nothing but their labor-power. This relation has no natural basis; neither is its social basis one that is common to all historical periods. It is the result of past historical development, the product of many economic revolutions, of the extinction of a whole series of older forms of social production (p. 197)” and “The historical conditions of its existence are by no means given with the mere circulation of money and commodities. It can spring into life, only when the owner of the means of production and subsistence meets in the market with the free laborer selling his labor-power. And this one historical condition comprises the world’s history. Capital, therefore, announces from its first appearance a new epoch in the process of social production (p. 198)” [3]. This clearly shows Marx’s progression in comprehending capital from a general concept to a specific level. In other words, Marx views capital not only as any form of money or value capable of generating surplus but also as a particular social mode of production specific to a certain period, i.e. the capitalist mode of production established through the commodification and sale of labor, serving as the foundation for all subsequent analyses presented in Das Kapital [4].

After the introduction of the category of “capital,” Marx further developed his analysis of “the process of production of capital” in Parts III to V of Das Kapital, Volume I. Through his analysis, Marx revealed the capitalist production relations and the law of development for surplus value production by examining the mode of production and the fundamental source of the surplus value. Part VII is a comprehensive analysis of the process of capital accumulation, which refers to the reproduction of capital, where Marx examined the
fundamental impact of the co-evolution between capital accumulation and labor productivity improvement on labor and capital, revealing the law of capital accumulation and its socioeconomic consequences. It is noteworthy that in *Das Kapital*, based on the methodologies of historical materialism and dialectical materialism, Marx, on the one hand, viewed “capital” as the “light of a particular hue were cast upon everything” of bourgeois society (2009m, p. 31) and on the other hand, he regarded the mode of production as the fundamental criterion for dividing human social forms and the dominance and domination of industrial capital in the entire social production as the fundamental sign marking the establishment of the capitalist mode of production and the capitalist society, and thereby distinguished commercial capital, loan capital and land ownership based on the capitalist mode of production from the pre-capitalist commercial capital, usury capital and land ownership. A thorough comprehension of this is the prerequisite and foundation for accurately apprehending the theoretical rationale and framework of *Das Kapital*.

Third, capital is a special movement and cannot be regarded as static (Marx, 2009h, pp.121-122) [5]. Based on the above logic, Marx systematically examined “the process of circulation of capital” in *Das Kapital*, Volume II, which studied the circulation and turnover of individual industrial capital in Parts I and II and analyzed the reproduction and circulation of total social capital in Part III. Marx’s theory on capital circulation shows that industrial capital takes on physical forms such as money, productive capital and commercial capital in a cyclical manner within the circulation process. Specifically, once transformed from money to production factors, means of production and labor force become the primary forms of capital, expressed as factors of production in a narrow sense. To maintain the continuity of circulation, industrial capital must exist simultaneously in three distinct forms: money, factors of production and commodities. These elements must be present in a certain proportion and undergo sequential transformation. Otherwise, the circulation of industrial capital will be disrupted or even halted. As industrial capital must take the form of money, factors of production and commodities in turn, if the circulation phase is deemed a necessary component of the production process in its broadest sense, then money and commodities are also indispensable in production. From this perspective, it can be argued that industrial capital and its various manifestations are all factors of production in the broad sense. Even after commercial capital and monetary capital have become independent to form commercial and loan capitals, their fundamental nature as broad-sense factors of production remains unchanged [6].

Capital circulation is a visible form of industrial capital movement, while the invisible capital-value movement and its multiplication are the essences of capital circulation. The purpose of capital circulation is not only to realize the return of advanced capital-value but also to realize the multiplication of advanced capital-value; otherwise, the whole cycle is meaningless or even a failure. Hence, Karl Marx further analyzed the movement of capital-value behind the industrial capital circulation, that is, the capital turnover. Starting from the capital circulation, Marx analyzed the factors influencing the movement of capital-value and its speed in the whole process, including the structure of productive capital, the ratio between fixed and circulating capital, labor time, production time and circulation time, to illustrate possible methods to increase the speed or efficiency of capital turnover. Marx’s theory on capital circulation and turnover embodies the analytical method of labor’s two-fold character. Only by recognizing the intrinsic unity between circulation and turnover can one truly comprehend the essence of Marx’s theory and gain an in-depth understanding of industrial capital’s movement laws [7].

Since each industrial capital is interconnected, inter-conditioned and mutually constrained, Part III of *Das Kapital*, Volume II delves deeper into the reproduction and circulation of total social capital resulting from the movement and intersecting of individual industrial capitals following an abstract analysis of the individual industrial capital
circulation and turnover [8]. Marx sequentially analyzed the process, forms and conditions necessary for realizing both simple and expanded reproduction of total social capital, uncovering the laws governing industrial capital's movement from a macroscopic perspective. Marx’s analysis demonstrates that from a macro perspective, various complex internal proportional relationships must be maintained between all categories, sub-categories and even sectors of social production to reproduce total social capital. However, due to the intricate nature of the process (Marx, 2009i, p. 558), and particularly the anarchic tendencies of capitalist social production, these proportional relationships cannot be automatically achieved and consistently maintained. The volatility and cyclicality of the capitalist economy demonstrate the extent to which these proportional relationships are fulfilled, with prosperity, crisis, recession and recovery being inevitable stages and states in the process of macroeconomic operation under capitalism.

In summary, Das Kapital, Volume II provides a comprehensive and profound understanding of the determination of capital as a unique movement, which derives not only from the intrinsic requirements of commodity production but also from the essential attribute of capital as surplus value and a special mode of production. Only through the unity of these aspects can one gain a profound understanding and mastery of the characteristics and laws of capital movement.

Fourth, capital is a special social power. In Das Kapital, Marx conducted a comprehensive analysis of the power of capital. He first analyzed the power source of capital as a social power, which first and foremost derives from the first manifestation of capital — money — and the power of money derives from the unique determination of money as a general equivalent with various resulting functions. Also, “along with the extension of circulation, increases the power of money, that absolutely social form of wealth ever ready for use (2009c, p. 154),” and “… Money was the power of all powers (2009g, p. 825).” All capital is primarily expressed as money, endowing it with power and transforming the social power inherent in money into private power. Marx (2009c, pp. 155-156) astutely observed that: “… money itself is a commodity, an external object, capable of becoming the private property of any individual. Thus, social power becomes the private power of private persons.”

Then, Marx analyzed the source of capital's power in the production process and its antagonistic nature to the workers. Marx (2009e) pointed out that “… the cooperation of wage laborers is entirely brought about by the capital that employs them. Their union into one single productive body and the establishment of a connexion between their individual functions are matters foreign and external to them, are not their own act, but the act of the capital that brings and keeps them together. Hence the connexion existing between their various labors appears to them, ideally, in the shape of a preconceived plan of the capitalist, and practically in the shape of the authority of the same capitalist, in the shape of the powerful will of another, who subjects their activity to his aims (p. 385).” “It is not because he is a leader of industry that a man is a capitalist; on the contrary, he is a leader of industry because he is a capitalist. The leadership of industry is an attribute of capital (p. 386)” and “The separation of the intellectual powers of production from the manual labor, and the conversion of those powers into the might of capital over labor, is, as we have already shown, finally completed by modern industry erected on the foundation of machinery (2009f, p. 487).”

Furthermore, Marx (2009j) analyzed the role of capital as equal social power in capital competition and the resulting equalization of the profit rate, noting that in terms of the form of acquiring average profit through producer prices, “in this form capital becomes conscious of itself as a social power in which every capitalist participates proportionally to his share in the total social capital (p. 217),” and in the meantime, capital power also shows its unique class attribute: “Here, then, we have a mathematically precise proof why capitalists form a veritable freemason society vis-a-vis the whole working-class, while there is little love lost between them in competition among themselves (p. 220).” Furthermore, Marx (2009k) pointed
Das Kapital adopts the methodology of dialectical materialism and the method of theoretical exposition of moving from abstract to concrete. Therefore, one must possess a comprehensive understanding of the multiple determinations of capital and deeply grasp the dialectical relationship between these determinations and their internal unity. Among them, a profound understanding of the internal relationship between capital and money is particularly crucial because money always serves as a precondition and the initial form of capital, making its transformation into capital inevitable; however, the nature of capital transformed from money depends on specific social institutions and historical conditions. From this perspective, one can not only gain a profound understanding of why capitalism originated in Western Europe while China has yet to spontaneously transition into a capitalist society despite its well-developed commodity production and exchange but also accurately comprehend the phenomenon of capital within the context of China’s socialist market economy.

2. What is capitalism?

In terms of the meaning of capitalism, Western scholars hold various interpretations. For instance, in Conceptualizing Capitalism: Institutions, Evolution, Future, institutional and evolutionary economist Geoffrey Hodgson specifically addressed the definition of capitalism. He disagreed with or completely denied many existing definitions (including Karl Marx’s) and proposed the definition of “a rich traversal of capitalism.” According to Hodgson (2019, p. 223), capitalism is a production system with the following six characteristics: (1) A legal system supporting universal individual rights and obligations to own, buy and sell private property. (2) A general exchange of goods and a market that includes money. (3) Universal private ownership of the means of production, whereby firms produce goods and services for sale in the pursuit of profit. (4) Most production organizations are shared, away from home and family production. (5) Universal wage labor and employment contracts. (6) A well-developed financial system with a banking system with widespread utilization of credit with the property as collateral and the selling of debt. Particularly, Hodgson emphasized the significance of law in both the genesis and functioning of capitalism. As another example, contemporary American economists Bowles et al. (2022, p. 4) argued in their co-authored book Understanding Capitalism: Competition, Command and Change that capitalism is economic institution under which employers hire workers to produce and sell goods and services for profit. It is noteworthy that the definition of capitalism by Bowles does not emphasize the private ownership of the means of production. It is evident that the perspectives of scholars such as Hodgson and Bowles were significantly influenced by Marxism theory. Larry Neal stated in The Cambridge History of Capitalism [9] that all kinds of capitalism share four common elements: private property rights; contracts enforceable by third parties; markets with flexible prices; and a supportive government (Neal and Williamson, 2022, p. 3, 5). According to Neil, capitalism can thereby be defined as complex and adaptive economic institutions operating within a broader and supportive social, political and cultural system. He emphasized the connection between capitalism and capital but overlooked the unique status of wage labor in capitalism, viewing the “labor force” merely as an object of market transactions alongside land, capital, goods and services.

When discussing Marx’s conception of capitalism, there are divergent views within the international academic community regarding whether and when Marx employed the term
“capitalism.” For example, the famous French historian Fernand Braudel (1993) argued in Volume II of *Civilization and Capitalism, 15th-18th Century*, that “capitalism” is a “recent word,” which was formed in the middle of the 18th century and that Marx never used the concept of “capitalism” (pp. 236-237). Other Western scholars believed that although Marx used the adjective “capitalist” or spoke of “capitalists,” he did not use capitalism as a term in either *The Communist Manifesto* or in *Das Kapital*, Volume I, until 1877, when Marx discussed Russia’s transition to capitalism in correspondence with his Russian followers (Bottomore et al., 1994, p. 76). Geoffrey Hodgson (2019, p. 218) put forward that it is generally accepted that the term capitalism was coined by socialist Louis Blanc in *The Organization of Labor (Organisation du travail)*, and soon after, Pierre–Joseph Proudhon (1851, p. 271) used the word capitalism, and its use slowly expanded in English and French. In addition, Hodgson (2019) also pointed out that Karl Marx frequently used the term “capitalist mode of production” and “capitalists” but rarely used the word capitalism, which appeared only twice in *Das Kapital*, Volume I and nine times in Volumes II and III (p. 218). Professor Zhang Yibing examined Marx’s use of the concepts “capital,” “bourgeois,” “bourgeoisie” and “capitalist,” as well as their historical changes. He concurred with the view that while Marx did not use the term “capitalism,” he did provide a scientific definition of what capitalism is—it is a mode of production and economic institutions in which the relations of production of capital dominate (Zhang and Wang, 1999). Professor Wei (2000), a renowned Chinese economist, dissented from Western scholars’ view of the historical emergence and popularity of the term “capitalism.” He criticized the tendency of Chinese scholars to imitate Western views and emphasized that it was Marx who initially employed the concept of “capitalism” in reference to social-economic systems.

The author believes that while the textual research and debate surrounding the historical origins of the term “capitalism” and its popular usage may have limited significance, examining when Marx first employed the term is crucial for comprehending the Marxist thought history and theoretical development. For contemporary ideological and academic circles worldwide, as well as the public, it is an undeniable fact that no matter how one defines “capitalism,” it is an indisputable fact that regardless of how one defines “capitalism,” it is always understood to be the antithesis or opposite of “socialism” or “communism.” Among Marxist scholars, Marx’s *Das Kapital* remains the most significant and authoritative theoretical work on the laws of motion governing capitalist economies, and this should be widely agreed upon. From the perspective of the topic discussed in this paper, it remains an important task to conduct an in-depth study and provide a scientific interpretation of Marx’s understanding of capitalism, particularly from the viewpoint of political economy. An examination of the nature of capitalism cannot be divorced from an understanding of capital. Therefore, this paper aims to further explicate Marx’s conception of capitalism based on the above Marxist theory on capital.

First, the claim that Marx did not utilize the term “capitalism” in *Das Kapital* and thus failed to define it is unfounded. As is widely acknowledged, Marx utilized numerous concepts throughout his work, including but not limited to the “capitalist mode of production,” “capitalist production,” “capitalist system” and “capitalist society.” Although the term “capitalist” was used in an attributive sense in these terms, it cannot be denied that Marx clearly understood the concept of capitalism. Logically speaking, if Marx did not know what capitalism means, how could he have employed these concepts? As correctly pointed out by Professor Wei (2000), “Is it possible to separate ‘capitalist’ from ‘capitalism’ and to have the former without the latter? By this logic, there would be an adjective ‘red’ but no the color ‘red’, no ‘sin’ but ‘sinful,’ ‘beautiful’ without ‘beauty’, no ‘America’ in ‘American’, and no ‘us’ in ‘our.’ Just think, will such an understanding of the problem and a judgment be justified?”

Beyond that, Marx indeed used the noun “capitalism” in *Das Kapital*. There are terms such as “the purpose of using machines by capitalism,” “under capitalism,” “the mode of production before capitalism,” “the age of capitalism” and “anti-capitalism” in *Das Kapital*,
Volume I; “the form of commodity production before capitalism,” “based on capitalism” and “the state of capitalism” in Capital, Volume II and “the development of capitalism,” “the development stages of capitalism,” “developed capitalism,” “determination of capitalism” and “the period of capitalism” used by Marx in Capital, Volume III. According to Professor Zhang Yibing (Zhang and Wang, 1999), the Chinese “资本主义” (capitalism) should be replaced by “资本家” (capitalist) in the above terms due to translation reasons. However, in the terms mentioned above by Marx, the word “capitalism” in most cases cannot be replaced by “capitalist.” Hence, the claim that Das Kapital did not employ the noun “capitalism” and consequently Marx did not precisely define capitalism is ungrounded.

Now, a general account of Marx’s theory on capitalism can be given. Marx’s capitalist theory is a systematic theory that includes the following key points: (1) In Marx’s theory, the term “capitalism” primarily denotes a special social form or stage in human historical development, which he designates as “capitalist society.” (2) Marx regarded the dominant mode of social production and its corresponding relations of production and social ideology. The intrinsic mechanism driving changes in social form is the interaction between production forces, relations of production, superstructure and ideology. In association with the capitalist mode of production, a capitalist political and legal system and social ideology must exist (Marx, 2009a, pp. 591-592). (4) Marx posited that societies characterized by private ownership of the means of production inevitably give rise to class divisions, with the economically dominant class also wielding political and ideological power. As such, he occasionally referred to capitalist society as “bourgeois society” and labeled its mode of production as the “bourgeois mode of production,” particularly in his early writings. (5) The capitalist mode of production always has two features from its inception: for one thing, “It produces its products as commodities. The fact that it produces commodities does not differentiate it from other modes of production, but rather the fact that being a commodity is the dominant and determining characteristic of its products. This implies, first and foremost, that the laborer himself comes forward merely as a seller of commodities, and thus as a free wage-laborer so that labor appears in general as wage-labor,” (Marx, 2009i, p. 996); for another, “… the production of surplus-value as the direct aim and determining motive of production (Marx, 2009l, p. 997).” (6) Both the capitalist mode of production and capitalist society are products of historical development and inevitable forms of social productive forces that have been developed at a particular stage in history. While promoting the development of social productive forces and socialization of production, capitalism has led to the deepening and widening of conflicts between classes, countries, society and nature and will eventually be replaced by a higher mode of social production, namely, the communist mode of production. Marx (2009g) observed that: “The transformation of scattered private property, arising from individual labor, into capitalist private property, is, naturally, a process, incomparably more protracted, violent, and difficult
than the transformation of capitalistic private property, already practically resting on socialized production, into the socialized property (p. 874).” It is noteworthy that Marx’s theory on capitalism was based on the actual development of capitalism in Western Europe, particularly in the United Kingdom, and the theory on “capital in general.” Therefore, Marx’s theory embodies an organic unity of generality and specificity. Only by starting from this unity can one accurately grasp the essence of Marx’s theory and correctly apply it to capital issues under socialist conditions.

To summarize, Marx comprehensively revealed the essential properties and general determination of capital and capitalism while also profoundly revealing their intrinsic connection and dialectical relationship. Marx’s theory has shown that capitalism, or capitalist society, is a social structure in which capital and the capitalist mode of production dominate or become the “universal light.” However, it should be noted that the mere presence of capital and the capitalist mode of production, whether before or after that, does not necessarily indicate a society is truly capitalist, which has been proved by the practice of a socialist economy with Chinese characteristics.

3. Relationship between socialism and capital
The classical Marxist theory of socialism presupposes the existence of advanced productive forces and the extinction or elimination of commodity production and the capitalist economic system. Therefore, there are no non-public sectors in the economy, market-oriented economic system or capital in the socialist society (the first stage of communist society) envisioned by the classical Marxist writers. Since the founding of the People’s Republic of China, especially after the completion of the socialist transformation in 1956, China has conducted an arduous exploration of the socialist economic system and development path, resulting in remarkable accomplishments despite encountering significant challenges. Through reform and opening-up, China has successfully established a basic economic system for the primary stage of socialism and embarked on a unique path toward socialist modernization, creating a new form of human civilization and a new realm of scientific socialism. The relationship between socialism and capital must be scientifically comprehended through the historical, theoretical and practical logic that constitutes an organic unity in terms of establishing and developing the basic economic system of the primary stage of socialism.

After the founding of the People’s Republic of China, the socialist transformation began in 1953 following the established theory and political line of New Democracy to rapidly realize national industrialization. Private ownership of the means of production was peacefully eliminated, and two basic systems of public ownership were established in terms of means of production: ownership by the whole people and collective ownership. Correspondingly, distribution systems and methods such as wage system in organizations owned the whole people and piecework system in rural collectives were implemented, and a highly centralized planned economic system was established. In such an economic institution, true capital and private capital are non-existent. Theoretically, this socialist economic system is “relatively close to” the socialist model envisioned by classic Marxist writers, which is not only because of the persistence of two forms of public ownership rather than unified public ownership of means of production but also because money has never been abolished, thereby endowing economic activities with a certain commercial character. Therefore, the realistic socialist economy differs significantly from the assumptions about socialism made by classic Marxist writers right from its beginning. The practice has shown that though such a socialist economic system meets the preliminary target of industrialization, it also has serious defects, mainly manifested by the dampening of local government, enterprise and workers’ enthusiasm for production, low production efficiency, serious waste, low economic vitality and slow improvement in people’s living standards, which necessitates comprehensive reform.
After the Third Plenary Session of the 11th Central Committee of CPC in 1978, China entered a new era of reform, opening-up and socialist modernization. The core task for reform and opening-up is to vigorously promote the development of productive forces and rapidly enhance the country’s modernization and people’s living standards through economic restructuring and opening-up to the outside world. Due to the lack of prior experience, China’s reform and opening-up have undergone a gradual and deepening process that has moved from specific points to encompassing the whole, from individual parts to the entirety and from surface-level changes to substantive transformations [11]. China’s economic institutions have undergone profound changes in the reform and opening-up process. Collective ownership in rural areas has adopted a new form—the household contract system, while non-public economies, such as individual and private economies, have been restored and developed in both urban and rural settings. This has attracted significant foreign investment and restored and developed the commodity economy. A socialist market economy has been established, state-run enterprises have been transformed into state-owned enterprises and a modern enterprise system based on the shareholding system has been widely implemented. A new distribution system has been established throughout society, wherein distribution according to work is the mainstay and various distribution modes coexist. During the process of reform and opening-up, as well as the establishment and development of China’s basic economic system in the primary stage of socialism, capital with various natures and forms has gradually entered China’s social and economic life, playing an increasingly significant role.

In terms of theoretical comprehension, the focus of attention and discussion has been the correlation between socialism and a market-oriented economy since the initiation of reform and opening-up. One crucial aspect of this theoretical understanding is to differentiate a market-oriented economy from capitalism, thereby providing a theoretical foundation for the robust development of a socialist market economy [12]. In the practical process of developing a socialist market economy, various types and forms of capital have emerged. This implies a tacit theoretical judgment and logic that capital is not synonymous with capitalism. In fact, since the Third Plenary Session of the 14th CPC Central Committee, [13] “capital” has been recognized as a “factor of production.” The author believes that in the new stage of comprehensive construction of a modern socialist country, there exists favorable conditions and the need for deeper theoretical research and scientific explanation of the relationship between socialism and capital. General Secretary Xi Jinping pointed out that research on capital theory in the new era should be strengthened (People’s Daily, 2022). The author believes that two crucial theoretical questions need to be answered, the first of which is why capital exists in socialism. The second question is why the public economy can and must adopt a form of capital. These two questions are intrinsically linked and only after the first question has been answered can the second one be addressed.

To understand why capital can exist in socialism, one must first correctly understand the connection and differences between socialism (the first stage of communism) in the classical theory of Marxism and realistic socialism. It is a basic methodological premise for the understanding of all important questions of realistic socialism that classical socialism and realistic socialism cannot be equated to avoid dogmatism, nor can they be opposed to avoid empiricism and opportunism. Based on this methodology, one can gain a proper understanding of the existence of capital in realistic socialism and the inevitability of its evolution toward the socialist vision outlined in Marxist theory through the utilization of capital. The primary reasons are as follows:

First, from the perspective of the law of human civilization development, exchange and mutual appreciation of civilizations, particularly when underdeveloped countries learn from more advanced ones, not only promotes progress in human civilization but is also an inevitable path for these countries to achieve industrialization and modernization. As Lenin...
CPE (1984a) once profoundly pointed out, “Without the guidance of experts in the various fields of knowledge, technology and experience, the transition to socialism will be impossible because socialism calls for a conscious mass advance to greater productivity of labor compared with capitalism, and on the basis achieved by capitalism (p. 160).” “The possibility of building socialism depends exactly upon our success in combining the Soviet power and the Soviet organization of administration with the up-to-date achievements of capitalism (p. 170).” Furthermore, Lenin (1984b), p. 520 put forward the renowned equation: socialism = the Soviet Government + Prussia’s railway management system + U.S. technology and trust organizations + U.S. national education and so on. Socialism in China started from the country’s backward economic and social conditions. As a developing country, China must learn advanced science and technology, economic management methods and advanced cultural achievements across various domains from developed countries. Only then can it leverage its latecomer’s advantages to achieve industrialization and modernization quickly, narrow the gap with developed countries and ultimately surpass them. In the meantime, due to the lack of original capital accumulation, the domestic production sectors of developing countries can only provide a portion of the funds and resources required for realizing industrialization, and the remainder has to be introduced from developed countries with abundant capital. In addition, the introduction of foreign investment is the only way for underdeveloped countries to acquire advanced science and technology, management experience and other cultural achievements from developed countries simultaneously. This is an inevitable law and inherent requirement for developing socialism in underdeveloped countries. Therefore, during the process of opening-up to the outside world and international economic cooperation, capital will inevitably flow into socialist economies[14].

Second, as money exists in both a planned economy and a market economic system, the promotion of industrialization and modernization requires funds and capital accumulation. Although “funds” and “capital” differ in wording, they represent economic resources or surplus value in the form of money. Therefore, funds serve as a fundamental function of capital. Before China’s reform and opening-up, the concept of “funds” was ideologically preferred over that of “capital.” However, this does not alter the fact that funds possess the characteristics and functions of capital, albeit as public or government-owned rather than private. In addition, the characteristics and functions of funds as capital have not been fully realized due to systemic and institutional constraints.

Third, capital and capitalism are related but distinct in both theory and practice. If a market-oriented economy is an inevitable form of a socialist economy, and capital is the most important constituent element of the market economy system, then it is inevitable to fully utilize various forms of capital in resource allocation and organization during the establishment and development of a socialist market economy; otherwise, it will result in an incomplete market-oriented economy. The practice has demonstrated that vigorously developing a market-oriented economy and making full use of the positive role of all forms of capital does not necessarily result in the transformation of socialism into capitalism.

Fourth, from the perspective of the structure of a multiple-ownership economy at the primary stage of socialism in China, the recovery and development of non-public economics, such as individual, private and foreign-invested economies, possess market-oriented characteristics from their inception. Their operation and management are capital-centered from the outset. Fourth, under the conditions of a market-oriented economy, capital links various economic organizations and forms. Through the capital and the capital market, social and economic resources can flow and be optimally allocated via the market mechanism, thereby promoting continuous improvement in resource allocation efficiency and production efficiency across society.

Fifth, the socialist economy is an open economy. In light of capital’s continued dominance in the contemporary world economy, it is imperative for the socialist economy to not only permit the existence and growth of capital but also thoroughly comprehend and master the
laws of capital movement. This will enable full utilization and mastery of all forms of capital without succumbing to subversion by capital, particularly private and foreign capital.

The “relationship between socialism and capital” refers to not only the relation between a socialist society and capital but also the relation between a socialist economy and capital. Based on a correct understanding of the inevitable existence of capital in a socialist society, it is necessary to further comprehend why the socialist economy must take the form of capital. The socialist economy herein refers to the public economy, namely, state-owned and collective economies. The preceding discussion has already provided a partial explanation for why a socialist economy takes on the form of capital, upon which an “internalist” perspective can provide further explanation. It should be noted that China’s state-owned and collective economies have taken on the form of capital, referred to as “governmental capital” and “collective capital” in official documents after years of reform [15]. In a certain sense, the adoption of capital in the socialist public economy represents a significant innovation and breakthrough in socialist economic theory and practice. The key to comprehending this point lies not only in accurately distinguishing between capital and capitalism but also in gaining a deeper understanding of the pivotal role that capital plays within the contemporary social economy. According to Marx’s basic theory on capital, the most important connotation and the general characteristic of capital is its adaptation as a form of socio-economic organization for large-scale socialized production, which is why while a capitalist economy based on private ownership of the means of production can adopt capital as a mode of social production and economic organization, a socialist economy based on public ownership of the means of production can also adopt capital as a mode of social production and economic organization, especially under the conditions of a socialist market economy. The organic integration of socialist and market-oriented economies inevitably leads to the public economy’s property taking on a capital form. Therefore, the adoption of capital form by the socialist public economy is an inevitable outcome of the development of a socialist market economy. The Third Plenary Session of the 18th CPC Central Committee proposed the active development of the mixed-ownership economy with capital as the link and the major strategies and measures for the reform of the state-owned asset management system, namely, to improve the state property management system, reform the system of authorized management of state-owned capital, set up several state-owned capital investment companies and support the restructuring of qualified state-owned enterprises into state-owned capital investment companies, which is considered as another significant innovation in the theory and practice of socialist public economy (People’s Daily, 2013). The socialist market economy is a remarkable creation, so is the organization of capital adopted in the socialist economy.

4. Accurately understand the generality, specificity and dual functions of capital

As mentioned above, Marx’s analysis began with the theoretical framework of “capital in general,” focusing on typical capitalism based on private ownership of the means of production. Through a comprehensive and profound examination, Marx revealed the multiple determinations and properties of capital, embodying the dialectical unity between generality and specificity. Based on this methodology, it is imperative to comprehensively grasp and apply Marx’s theory of capital scientifically and accurately understand the general and specific characteristics of capital and its dual role within the socialist market economy.

First, the multiple meanings of the generality of capital must be deeply understood from the perspective of historical development. Dialectical materialism posits that everything has two determinations, i.e. generality and specificity, in which generality reflects the commonality and universal connections between things, while specificity mirrors their differences and contradictions. Generality is inherent in particularities, while particularities imply specificity. It is necessary to comprehend generality and specificity and their relative
relationship from the dialectical perspective to recognize the multiple meanings of generality and specificity. According to Marx’s theory on capital, capital is a historical category whose connotation has been enriched and developed through the course of historical development. Only through a historical development perspective can one understand the genesis of capital’s generality and specificity, as well as grasp the synchronic and spatial relationship between them. Capital has undergone various socio-historical stages in its form, from commercial and usury capital to industrial capital, culminating in the formation of the capitalist economic system and social structure with the capitalist mode of production at its core. Thereby, capital has acquired specificity in the capitalist social form, namely that it is a unique mode of production and production relations based on private ownership of the means of production and is significantly distinguished by the wage labor system. It should also be recognized that throughout the evolution of the capitalist economic system and social formation, the relationship between capital and other social forces (most notably, the state) and the position and role of capital within the whole society have undergone historical transformations that contribute to more connotations of capital. In the context of Marx’s theory on capital and the historical development of capital itself, the so-called “generality of capital” has multiple connotations, including money as the first form of the existence of capital; the endless pursuit of value or monetary wealth is a common purpose and motivation of capital; capital is a unique way of organizing the social economy and unique historical form of developing productive forces; capital movement is centered on the relationship between capital owners and workers; capital is premised on commodity production and a market-oriented economy, with competition between capitals; and industrial capital, commercial capital, loan capital, bank capital, financial capital and virtual capital are all different forms of capital [17]. There is no doubt that these “generalities of capital” also apply to capital in a socialist market economy [18].

Second, it is necessary to accurately understand the fundamental disparity between the capital in a socialist market economy and that under a capitalist economic system from the social-economic system and the specificity of capital. Given the diverse nature of various forms of capital in China, it is imperative to accurately recognize the fundamental distinctions between capital in China and capital under capitalism in general and analyze the capital of diverse characteristics and their respective roles.

On the whole, capital under socialism and capitalism share many general properties and functions; however, there are also essential differences that arise from the relationship between capital and a particular socio-political and economic system. The political and legal system of capitalist society is established based on the dominance of capital and the bourgeoisie, which is why Marx referred to it as “bourgeois society.” Although the contemporary capitalist political and legal system, i.e. the state system, has a broad range of public service functions, this does not imply any substantial alteration in the fundamental nature of the capitalist state, as evidenced by actual political and economic developments in developed capitalist countries and on the international stage. Thus, Engels’ (2009, p. 559) theoretical proposition that the bourgeois state is “the state of the capitalists” and “the ideal personification of the total national capital” remains relevant today. Whether one seeks to comprehend contemporary developed capitalist countries’ diverse economic, political and social phenomena or grasp the ever-changing global economic and political landscape trends, adherence to Marxism remains essential, as one can avoid being misled by superficial appearances by understanding the fundamental attributes and inherent contradictions of capital and the capitalist mode of production and the economic and political system from Marxism.

Compared to the capitalist economic and political system, the socialist economy with Chinese characteristics is founded on fundamental systems that include a diverse ownership economy with public ownership of the means of production as the mainstay, a distribution
system based on work as its core supplemented by various modes of distribution, and a socialist market economic system. This is an innovation of economic structure. And socialism with Chinese characteristics is an innovation of the political system, which is based on the leadership of the Communist Party of China, the sovereignty of the people, multi-party cooperation and extensive political consultation. Under the political and economic institutions with Chinese characteristics, it is not only possible but also necessary to vigorously develop the socialist market economy, fully utilize and leverage various forms of capital in promoting the development of productive forces, creating social wealth, improving the efficiency of resource allocation, driving technological innovation, increasing social employment and enhancing national competitiveness. From the perspective of practical development, China’s reform and opening up is an active choice made by all the people under the leadership of the CPC. Its fundamental purpose is to establish a correct way for socialist development, while its essential nature lies in the self-improvement of the socialist system. In the course of reform and opening up, the Party and the State have actively implemented various policies and legal measures to encourage, support and guide the continuous development of diverse forms of capital, thereby creating a new realm of socialist utilization of capital and capitalism as well as achieving China’s sustained and rapid economic development. Making the most of and effectively utilizing the positive role of capital in large-scale socialized production and market-oriented economy demonstrates the superiority and progressiveness of the socialist system with Chinese characteristics, as well as the unwavering confidence of both Party and people in the socialist system, theory, path and culture with Chinese characteristics. China’s development practice has fully demonstrated that under the firm leadership of the CPC, socialism can effectively utilize capital. It is incorrect to have a sense of original sin and fear of capital, and it is also unnecessary to feel intimidated when discussing capital.

While fully acknowledging the crucial status and positive role of capital within the socialist system, it is imperative to further comprehend the distinct characteristics of various forms of capital and their potential negative impacts. It is essential to strengthen regulation and governance over all types of capital in order to prevent and curb any possible adverse effects, including those that may be subversive or destructive. This paper aims to present a broad perspective on public and non-public capital, without delving into specific details. Regarding the governmental capital and state-owned enterprises in China, although their basic motive and goal are to pursue surplus value, they also bear the fundamental responsibility of implementing and realizing national development strategies due to their direct leadership by the Party and state government and their public ownership. Therefore, they have various economic, political and social functions. In this sense, governmental capital can be regarded as a unique form of capital, and state-owned enterprises constitute a distinct category of businesses. Therefore, for the governmental capital and state-owned enterprises with a mixed-ownership economy, it is crucial to prevent corruption in trading power for money, as well as the loss of state-owned assets in various business activities through comprehensive institutional construction and supervision. Additionally, guidance and supervision should be strengthened to ensure that governmental capital and state-owned enterprises consciously comply with domestic and foreign laws and regulations in their operations and maintain a fair, competitive market order and environment while playing an important role as the main force, pacemaker, cornerstone and central pillar in all aspects of developing the socialist market economy.

For private capital and enterprises, as well as foreign capital and foreign-funded enterprises in China, the pursuit of endless value and wealth is their primary motivation due to their privately owned property rights. Thus, while most of these enterprises achieve profit maximization through legal means during their operation and development, there are also instances where they engage in illegal or non-compliant behaviors such as violating the
legitimate rights and interests of employees, manufacturing counterfeit and shoddy goods, false advertising and bribing officials, which can have negative impacts on society. It is worth noting that in the extensive application of digital technology and the development of the digital economy, private capital and foreign capital hold a dominant position in the platform, platform economy and new media, which play an important role and have extensive influence on socio-economic politics and ideology. These areas are most likely to generate monopolies and unfair competition, as evidenced by many cases and studies. Additionally, these areas pose significant hidden risks that impede national security, presenting serious challenges to the country’s regulation and governance of capital. Therefore, in guiding and regulating the healthy development of private capital and foreign investment, particular attention should be paid to the comprehensive implementation of the national security concept. From a strategic perspective of integrating development and security, the government should strengthen whole-process supervision over data, digital economy relevant enterprises and capital, insist on anti-monopoly and anti-unfair competition measures and resolutely prevent the disorderly expansion and unrestricted growth of capital, to ensure the healthy operation and development of various non-public capital under the regulation of national laws, regulations and social supervision and further effectively utilize the positive role of diverse non-public capital on both the nation and society.

5. Summary
Since the reform and opening up, various forms of capital have been generated and developed along with the reform of the ownership system and structure in terms of means of production, as well as distribution system and method and the establishment and development of a socialist market economy in China, playing an increasingly important role in economic and social life. From the perspective of Marx’s theory on capital and historical development, modern capital represents the organizational mode of socialized mass production and market economy. It serves as both the economic foundation of bourgeois society and a tool for socialist economic development. The market economy represents an inevitable historical stage and form of socialist economic development, necessitating the adoption of capital as an organizational form within socialist economies. The utilization of capital to advance a socialist economy is a remarkable achievement by the CPC and Chinese people, representing a significant innovation in both theory and practice. The role of capital is inherently dual under any social condition. In the context of a socialist system, capital can play a positive role effectively, and its behavior can be guided and regulated correctly to curb its negative or even destructive impact. In the new development stage of comprehensively building a socialist modern state, it is imperative to adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, comprehensively summarize China’s practical experiences in economic development, strengthen research on capital issues, construct theories of socialist political economy with Chinese characteristics regarding capital and provide scientific theoretical guidance for further promoting the positive role of various types of capital while preventing and overcoming their negative effects, which is a major theoretical issue and a glorious task for the theoretical and economic circles in China.

Notes
1. Denying the creativity and significance of Marx’s theory in this regard by conflating the general formula for capital proposed by Marx with that for commercial capital movement is erroneous.
2. One of the reasons for the disintegration of the Ricardian school is the inability to address this issue correctly. Refer to Engels’ preface to *Das Kapital*, Volume II.
3. In Chapter 24 of *Das Kapital*, Volume I, Part VII, entitled “The Accumulation of Capital,” Marx took England as a paradigmatic example in its “classical form” to examine the historical process of depriving laborers of their means of production, reflecting Marx’s analytical method that unifies logic and history. Marx’s analysis demonstrates the crucial and irreplaceable role of the state in establishing the capitalist mode of production. Therefore, it is a theoretical fallacy to regard the emergence of Western capitalist mode of production and capitalist society as a natural occurrence.

4. Jeffrey Hodgson’s dissatisfaction with Marx’s emphasis on the wage labor system as the essential feature of capitalism arises from his disregard or unfamiliarity with Marx’s historical materialist methodology.

5. Marx (2009h) indicates that capital “can be understood only as motion, not a thing at rest” (pp. 121-122).

6. In this sense, it can be argued that the conceptualization of capital as a factor of production is basically justified from the perspective of the broad production process. However, in terms of the narrow production process, industrial capital only transforms into the two primary factors of production—means of production and labor force—during its presence in the circulation's productive stage.

7. Marx’s theory enlightens us that in the new stage of creating a new development dynamic in China, it is necessary to conduct an in-depth study not only on the factors affecting the entire national economic cycle but also on the efficiency of national economic turnover.

8. In Marx’s theory, “social capital” is an abbreviation for “total social capital,” which differs significantly from the concept of “social capital” used in contemporary Western academia.

9. This work is essentially a treatise on comparative economic history that delves into the economic development of major countries and regions prior to the advent of capitalism, with particular reference to modern capitalism. Therefore, its title *The Cambridge History of Capitalism* may not be entirely fitting.

10. The “economic institution” as perceived by Marx refers to the ownership of means of production, which is an economic category rather than a legal concept. Marx’s novel idea was to view the legal and political system through objective economic relations, instead of vice versa, after critiquing Hegel’s Philosophy of Right. Therefore, Hodgson’s criticism that Marx overlooked the role and position of law in capitalism only demonstrates his inadequate understanding of Marx. Refer to Hodgson G. (2019), *Conceptualizing Capitalism: Institutions, Evolution, Future*, Shanghai Joint Publishing, Shanghai, pp.54-57.

11. Deng Xiaoping vividly likened it to the process of “crossing the river by feeling the stones.”

12. Deng Xiaoping expounded on the point in his Southern Tour Talks in 1992, providing the ideological and theoretical foundation for establishing the reform direction of building a socialist market economic system at the 14th CPC Congress.

13. Since the Decision of the Central Committee of the Communist Party of China on Some Issues Concerning the Establishment of a Socialist Market Economic System adopted at the Third Plenary Session of the 14th CPC Central Committee, the concept of “capital” has been used and recognized as a factor of production among the central documents.

14. In fact, whether and how underdeveloped countries can engage in international economic exchanges and cooperation is significantly influenced by the international political situation.

15. The concept of “capital” was not yet introduced in the Report to the 14th National Congress of CPC. It was not until the “Decision of the Central Committee of the Communist Party of China on Some Issues Concerning the Establishment of a Socialist Market Economic System” adopted at the Third Plenary Session of the 14th CPC Central Committee in 1993 that the state began to use the concept of capital and proposed that capital is a factor of production.

16. The focus of international academic debates on the theory on the state lies in comprehending the status and influence of capital and bourgeoisie in contemporary Western developed capitalist countries. Refer to Aronowitz S. and Bratsis P. (2008), *Paradigm Lost: State Theory Reconsidered*, Jilin People’s Publishing House, Changchun.
17. Strictly speaking, the notion of capital’s “profit-seeking nature” is rational only if it is understood as capital’s pursuit of endless value or monetary wealth through profit or interest maximization.

18. The statement that “capital is an important factor of production” not only fails to fully reflect the crucial position of capital in the socialist market economy but also presents logical problems from the perspective of Marx’s theory.

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