
Zbigniew Wiktor¹, Dr. (Jia) Wei Xiao²

**THOUGHTS ON THE THEORETICAL PROBLEMS
IN THE BOOK OF PRESIDENT XI JINPING
ZARZĄDZANIE CHINAMI TOM I
(*THE GOVERNANCE OF CHINA VOL. I*),
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Keywords: governance of China, Chinese way, building socialism, Marxism, Leninism, Maoism, scientific socialism, transition period, class struggle, Confucianism, class contradictions, Deng Xiaoping theory, socialist market economy, Xi Jinping reform, state-owned economic reform, historical materialism, productivity, perspective

ABSTRACT: The article includes five parts:

1. Introduction – information about the book promotion event held in Warsaw on December 19, 2019 on the Polish edition of Xi Jinping's Governance of China vol. I. The book launch was great not only because of the editing and the contents of the book, but also because it was a po-

¹ Prof. dr hab. Zbigniew Wiktor is a retired scholar of Wrocław University. He analyzed various political systems of former socialist states, and now capitalist states and the last era of the People's Republic of China. Many of his books and articles on these problems were published by the Publishing House of Wrocław University and Adam Marszałek Publishing House in Toruń. He analyzes the problems of building socialism with the Chinese characteristics in the last period, the prospects of scientific socialism in the 21st century, and the role of the CPC as a center of international communist movement.

² Dr. (Jia) Wei Xiao is a scholar from Fudan University in Shanghai. He is currently a scholarship holder at the University of Wrocław and cooperates with prof. Zbigniew Wiktor. He studied economy and political sciences in the University in Nanjing, Hefei in Anhui, Soochow University in Jiangsu and Fudan University in Shanghai. He is the author of many articles on economy, reform and political culture in China. His goal after stay in Poland is a book about the transition of economy and political culture in Poland after the collapse of real socialism.

litical, economic, cultural and international event, since the author is the number one politician not only in China but also in the contemporary world. The introduction includes information about the book content and demonstrates its importance for the theoretical generalizations and recognition of the main problems of contemporary China.

2. According to the authors of the paper, problems mentioned in the book are especially important. The original Chinese way of building socialism and the early stages of Chinese revolution were national, anti-feudal, anti-capitalist, democratic and socialist. Mao Zedong established class-based Maoism as a Marxism-Leninism in the Chinese version, while Deng Xiaoping and his successors established and developed the socialist market economy, which is the continuation of Maoism in the new era and they created the Chinese path to the anti-capitalist revolution and the building of socialism with Chinese characteristics. The perspective of the development of China till 2021 and 2049 (as a modern and developed socialism) and its influence on the national rejuvenation is not only Chinese but also an international issue.

3. Third part of the paper is devoted to the problems of building socialism in China, the analysis of the theory of Xi Jinping, the leading role of the CPC, the economic role of the owner and foreign capital in economy and policy, and the socio-economic contradictions in the contemporary PRC.

4. Forth part concerns Confucianism and Marxism as theoretical and practical problems in China; the original Chinese culture and civilization; the continuation and discontinuation of the historical development in contemporary epoch; the original development; the policy of opening-up; the necessity of considering human contents of Confucianism in building and developing of socialism in China.

5. Fifth part of the paper is on the future status of the Communist Party of China's Economy. Since the emergence of state-owned economy, it has played a huge role in the economic development of all countries. However, under the way of neoliberalism, state-owned economy has gradually been associated with backwardness and inefficiency. On the forum of state-owned economy enterprise reform in China, General Secretary Xi Jinping gave out important instructions. State-owned enterprises are an important force for strengthening the comprehensive power of the country and safeguarding the common interests of the people. State-owned enterprises must be made stronger, better and bigger. Academia has had a huge disagreement on this, and some scholars believe that this is an act of favoritism toward state-owned enterprises. This paper analyzes China's state-owned economy from the perspective of total factor productivity (TFP), Marx's historical materialism, national productivity, and social development, clarifying that state-owned economic reform is different from the system of "profit based demands" rooted in the private economic market, but a system based on national productivity and the "needs" of the people. Making state-owned enterprises "stronger, better, and bigger" is in line with the historical development of socialism and material productivity, resolving doubts on the direction of state-owned economic reform.

I. INTRODUCTION

On December 19, 2019, the Polish edition of Xi Jinping's *Governance of China vol. I* was promoted in the Great Hall of King Castle in Warsaw. This book is also vigorously promoted by the Chinese government because it is not only a presentation of the published work of the Secretary General of the Communist Party of China (CPC) and of the President (Chairman) of the People's Republic of China (PRC), but it also shows many economic, political, cultural, ideological and international problems of the PRC that the world is concerned about. More than two hundred people were present at the launching event, coming from different fields, including culture, business, science, politics and diplomacy. They came not only from Warsaw, but also from many other provincial centers in Poland.

The book is a great source of the knowledge about contemporary China, telling about the country's history, economy, social and political life, international relations and many other important problems. The book was published by Adam Marszałek Publishing House in Toruń and its foreign partners: China International Publishing Group and Foreign Languages Press in Beijing. For many years Adam Marszałek Publishing House has been the main organizer of the famous International Asian Congress which is held every year in May. It has edited many valuable scientific books about different problems in Asia, especially China and its contemporary economic and political systems and life (Xi Jinping, *Zarządzanie Chinami tom I*, p. 3).

The event was co-chaired by the Chinese Ambassador to Poland, HE Liu Guangyuan, who represented the Embassy of the PRC in the Republic of Poland. The representatives of China included students, managers, cultural workers, and diplomats working in Poland. As for the Polish representatives, they were the former Prime Minister of Poland Waldemar Pawlak, the former Deputy Prime Minister of Poland Janusz Piechociński, and members of Polish and European parliaments. All of them attended the event.

This book was mutually introduced by Patryk Wawrzyński, PhD and Fang Zhenghui, PhD, who were responsible for the main contents and editing of this book. Patryk Wawrzyński is the Editor-in-Chief of the

Adam Marszałek Publishing House and Fang Zhenghui represented the China International Publishing Group, and, as its director, the Confucius Institute in Krakow. More information about the cooperation between Polish and Chinese partners were presented by Andrzej Ziemski, Editor-in-Chief of the “Who is Who” Publishing House in Warsaw. What is worthy of a mention is that Sylwester Szafarz, the translator and former General Consul of People’s Republic of Poland in Shanghai, has provided and elaborated many interesting information about the translation of the book.

The book includes numerous political documents, speeches and theoretical articles of the most important contemporary Chinese politicians, who provide various information and reflections on the political, economic, cultural and international relations of China. The book also includes numerous theoretical generalizations, which are of great significance to the theoretical development of the policies and ideologies of the CPC, the governance of China, contemporary Marxism, and the building of socialism with Chinese characteristics.

The problem with “socialism with Chinese characteristics” or “building socialism with Chinese characteristics” is a significant question faced by the CPC. It is even more a theoretical question for many other developing countries since many of them try to follow the path China has taken. This problem is not only a theoretical one, but also a problem of politics, culture and the history of civilization, since the Chinese experience of building socialism is universal, multi-faced, original and scientific.

The socialism built by China is an adaptation to its socio-economic, historical culture and great civilization that has come a long way. The CPC has turned Marxism into the Chinese objectives, developing processes, facts, historical conditions and international relations. All of these are the objective fundamentals to the innovative theory of building socialism with Chinese characteristics (Priestland, 2009, pp. 291, 604).

This problem not only has a theoretical meaning for the contemporary worker (communist) movement, it also has a great political importance, since the CPC had different understandings toward the

characteristics of Marxist-Leninism at different times. In the time of Mao Zedong, the theory and practice of the party and the people were separated, that is, Maoism and the PRC. After that, the time of Deng Xiaoping and his successors was an age of socialist market economy identified by some Marxists as a “state capitalism”. Their understanding of this problem not only faced difficulties in theory but also in political practices. After the collapse of the Soviet Union and Europe turning to capitalism, communist movements turned from internationally strong to weak. World capitalism and imperialism became the trend of the new generation, which is also called the “new world order”. However, current situations have changed. Capitalism is in the depth of serious economic crisis. The exploited and oppressed are once again fighting for social progress and an egalitarian society. The book of Xi Jinping is an important argument discussing about the different perspectives people around the world, especially those in developing countries, which have turned toward socialism (Xi Jinping, 2015, p. 281).

The main contents of the book are as follows: 1. Socialism with Chinese Characteristics (4 articles). 2. The Chinese Dream (7 articles). 3. All-Round and Deeper-Level Reform (5 articles). 4. Economic Development (5 articles). 6. Culturally Advanced China (6 articles). 7. Social Undertaking (7 articles). 8. Ecological Progress (3 articles). 9. National Defense (3 articles). 10. “One Country, Two Systems” (5 articles). 11. Peaceful Development (5 articles). 12. New Model of Major-Country Relations (3 articles). 13. Neighborhood Diplomacy (3 articles). 14. Cooperation with Developing Countries (3 articles). 15. Multilateral Relations (6 articles). 16. Close Ties with Developing Countries (4 articles). 17. Combat Corruption (3 articles). 18. The CPC Leadership (4 articles). The book included also an Appendix titled as Man of the People. It is a documentation of the profile of Xi Jinping as the Secretary General of the CPC since his student time, family life, and different political positions. The contents also included an Index of the names, pictures, and categories. As a result, this is an intensive book with 18 chapters and 79 articles, plus an appendix and index of the pictures, names and categories (Xi Jinping, 2019, p. 3–572).

In our opinion, the book provides decisive policies and functions for the CPC and the People's Republic of China after the 18th National Congress of the Communist Party of China. The CPC's plan for the prospect of future development is a long-term goal spanning over two centuries with the Chinese dream of national rejuvenation as the core value. In the first century, the goal is to achieve a moderately prosperous society in all respects by 2021, which is also the 100th anniversary of the establishing of the CPC. In the second century, the goal is to create a "great modern socialist country that will be prosperous, strong, democratic, culturally advanced, and harmonious" by 2049, which is the 100th anniversary of the establishment of the PRC (*Secure a Decisive Victory in Building...*, 2017, p. 25).

The Chinese Dream refers to the rejuvenation of the Chinese nation. This expansive vision includes not only reaching into China's rich historical and cultural past for inspiration, but also accessing innovation in the process of modernization. Socialism with Chinese characteristics and the leadership of the CPC is the basis for the rejuvenation in present China (Kiracofe, p. 12).

The authors of these articles did not give a complete review of all the parts of the book of Xi Jinping. Only modest contribution to the four discussion problems were provided.

II. THE ORIGINAL CHINESE PATH TO SOCIALISM

The discussion about the universal and multilateral ways of building socialism attended communist milieu since the beginning of the workers' movement. Two positions were confronted: 1. the transition to the socialist (communist) society will be in one revolution, like Marx said in 1846 "auf einmal und gleichzeitig" (Marx, Engels, p. 38); 2. The socialist revolution and the building of socialism are different. They are and will be in multilateral forms, because the level of the development of society, the economy, and the contradictions are also different. Revolution cannot happen at one time. The second variant was a base for the establishment of the theory of the different ways to socialist revolution and different

models of building socialism. Socialism is a homogeneous system in class contents that can be conducted in different ways (Lenin, p. 213).

The problem of different ways to socialism in communist movements were not only in its theoretical character, it also reflected the different maturity of development of different parts of world, the development of capitalism, and worker class and its consciousness. This contradiction was observed and analyzed by Lenin, who had built the theory of the different developments of capitalism and the possibility of the socialist revolution as a process of the many socialist revolutions, better said as the socialist revolutionary process, which can exist for many years and epoch.

History supported the theory of Lenin and the socialist revolution in Russia, which broke out in October 1917, and later developed into a capitalist country. This was another direction for the other exploited peoples, especially in China, Korea, and Indochina and after WWII in east and central Europe, where the new states of People's Democracies were established.

The Soviet Union and other socialist states continued 73 and 45 years respectively on the building of a democratic and socialist society, but resulted in many ownership and foreign conditions, press and class conditions, the forces of anti-socialist counterrevolutions were stronger as the socialist forces and socialist community fell after 1988-91. Communist movements collapsed greatly while counterrevolution and the capitalist world became relatively superior. However, the capitalist superiority was temporal. The counterrevolution could not destroy socialism in the PRC. Neither did it so in North Korea, Vietnam and Cuba. These states were going through socialist revolution for the building of socialist ownership, making them strong in confronting against the counterrevolution. This is especially true for China, which in the last 40 years has achieved many successes in victoriously building socialism with Chinese characteristics. Its progress is optimistic for the entire mankind (Kołodko, p. 352).

The CPC found new tactics of building socialism, that is, "socialist market economy". The strategy has remained consequent in the building of socialism and in the next period of communism. Chinese communists say that we are doing it the way Lenin and Stalin did in 1920–1928. They

were the ones who introduced state capitalism. The Chinese took this in giant scale and in other historical international relations (Schnehen, p. 231).

The CPC introduced not only the socialist market economy but also the policy of opening up foreign capital as an independent semi-colonial country. The foreign capital must respect the law-political system of the PRC and the principles of the leading role of the CPC. Great capitalist monopolies, corporations and banks provided great profits of China. It is the price for the modernization of the country, but the working class and Chinese economy became new factories and new direct investments, which generated every year more than 10 million new modern jobs, the same amount of moderated jobs, new technologies, new modern industries, and services also every year (Rakowski, p. 135).

The Global Product in China has increased more than 30 times in the last 40 years, and increased 450 times in the whole 70 years history of the PRC. The PRC has removed 700 million peoples from poverty and 400 million people rose to middle income in the last 40 years. The Global Product in 2018 was 13.6 billion dollars. If calculated in comparable money power (50% more), it is about 20 billion dollars, which enabled China to rank as the 1st or 2nd largest economy in the world. This data was confirmed in 2019, when the GDP of China was nearly 100 billion yuan (RMB), which is equal to 22 billion US dollars. The production of grain was nearly 664 million (Beijing Review, 2019, No. 51).

The prospect of China's development was declared at the 19th Congress of CPC in October 2017. The decisive victory was to build a moderately prosperous society in all respects by 2021 and a modern socialist China by 2049. It is the true perspective from the 1.5 billion people in China, which is about 20% of the global population.

For more than 40 years, the PRC has had great society and economy, which developed in many aspects, making the lives of hundreds of millions of people better, more worthwhile and more honorable. The population of the working class in industries has increased to more than 300 million people. New services have emerged, which was one of the main divisions of contemporary proletariat (Wiktor, p. 87).

The CPC did not collapse politically and ideologically. Its programme and political praxis were adequate to the building of the fundamentals (base) of socialism in extreme poor economic conditions, where the transition period will exist even for 100 years. Therefore, it is the great programmatic change of the praxis of the building of socialism in a developing country. This was also in comparison to Marx and Engels' idea since 1846, who declared that the proletarian revolution and transition to communism would be "auf einmal und gleichzeitig".

The experience of the Commune of Paris sparked many arguments to the length and autonomous characteristics of the transition period. It confirmed the great experiences and many years of class struggle after the October Revolution in 1917. It was a great programmatic change of the periodization of the communist formation. We are living in another period of capitalist formation in comparison to Marx's time, when it was liberal capitalism, and in the time of Lenin it was monopoly – imperialism. Now, we are living in an oligarchy – global capitalism. However, it exists in a very different world from socialist states, especially in China and hundreds of developing post-colonial states that are drifting toward economic and political independence.

The Chinese "socialist market economy" is a cooperation between the economically weaker socialist states and strong foreign capital without the acknowledgement of dependency. This is what happened with Lenin and Stalin in Russia and in the USSR in 1920-1928, which was the period of NEP – "novaya ekonomicheskaya politika". We repeat again that we are now living in a different stage of capitalism. The CPC is fully legitimate to take this policy and build socialism with Chinese characteristics while others cannot. The theory and praxis of the Chinese building socialism and to strive for communism agrees with and are in consistency with the general theory of scientific communism.

The CPC liquidated the central planned economy, but generally, it did not liquidate planned economy, which has not indicative but steered characteristics. Many economic problems organized the market. It marks the cooperation of the two principles: "the invisible hand of the market" and the "the visible hand of the government" (organizing role of the socialist state). This system has brought great economic results

for the working class and other working people in China (Wiktor, Rakowski, p. 67).

In our opinion, the CPC nowadays has a great potential not only in social economy, but also in politics and ideology. China increased partners to solving the problems of the world and has declared them responsibility. No big problems in the world can be resolved without China. The way of building a more egalitarian socialist system is very attractive for the so-called underdeveloped countries in Asia, Africa, South America, Russia, and East-Central Europe. The promotion of this programme is the new Chinese initiative of the One Belt One Road (OBOR), a policy that provides great help and support for more than 130 countries in the world. The CPC has all requirements to be the new international center not only in the communist movement, but also to all progressive forces in the world (Góralczyk, p. 378).

Another problem is, can the CPC take upon itself the material and organizing function of a common center of international communist movement? For the past 40 years, policies have opened up and the socialist market economy in China has had great socio-economic and political development. It seemed as if China stood behind the main contradictions between the world of capitalism, the world of socialism (USSR), and the imperialist center of bourgeoisie, seeing the “socialist market economy” as a direct way toward capitalism. However, this was not true. The CPC has not betrayed socialism and communism, but it exploited the economic cooperation with great foreign and ownership capital for the rapid development of China and the technological modernization of ownership economy.

The development of the Chinese economy is global. However, in comparison to the USA and Western Europe, the working efficiency in its industries and services are 4.5 times lower, and even lower in terms of agriculture. This shows that China must attain a level of full modernization, innovation, high science-technological economy in the world in the next 30 years. Hierarchy is the source of the careful international policy of China, because imperialism is very dangerous and has relatively military superiority. The main problem of progressive mankind is to maintain the peace in the world instead of a global war (Xi Jinping, 2019, p. 305).

The Communist Party of China organized and continues the political alliance with the Chinese national bourgeoisie and it is directed against great foreign capital. It is policy of continuation of the class alliance and anti-colonial struggle since the time of anti-capitalistic revolution.

Of course, the secondary problem is the rebirth of the new national bourgeoisie, new millionaires, who control about 2/3 of the GDP (property?). However, as a social class, bourgeoisie in China has no official representing party, which could show the interest of its class. Even so, it has unofficial influence on politics through great corruption and officials by the Central Consultative Commission (a kind of Front National Unity).

The counterrevolution in China is really dangerous, but it is strong in keeping aloof of political power. The transition period between capitalism and socialism in China is a period of permanent class struggle between the victorious working class, other working people, and the continuation of the strong economic position of the bourgeoisie. It is a relatively long period. The class struggle in the PRC has been more acute in the last few years, which was confirmed in the leader decisions and main documents of the 19th National Congress of the CPC (XIXth National Congress of the CPC, p. 87).

Now after 40 years of the introduction of the new policy, the PRC opens up and has risen to the first-second place in the ranking of world economy (but in different structures than the USA or the EU). It has risen not only as the first competitor but also as the main class enemy of the capitalist world.

In this situation the international communist movement should change its relations with the CPC and to cooperate together in the common struggle against imperialism, capitalism, and war, for peace and solidarity, which should be the common goal of socialist revolutions and the building of socialism.

In our opinion, now, in contemporary epoch, the CPC and the People's Republic of China are the new center of communist movement, taking obligations of the united forces in the international communist forces, especially in developing countries.

Of course, this does not mean that the place of the new international must be in Beijing or Shanghai. It can also be in one of the developing

countries that is well-organized, democratic and governed by a progressive regime with a strong communist party. Prague in Czech Republic would also be a great choice (*On the issue of International Unity and Synergy of the Communist Movement*, p. 105).

III. PROBLEMS OF BUILDING SOCIALISM IN CHINA

The International Communist Movement is very important for the development of socialism, so it is very meaningful to discuss about it.

First, we want to introduce something about Xi Jinping's new era of socialism with Chinese characteristics. It is the guiding ideology of the international communist movement in China, allowing scientific socialism to develop and flourish. It has deepened the understanding of the laws governing the Communist Party, the laws of socialist construction, and the laws governing the development of human society from a whole new perspective. It plays an extremely important historical role in the history of the development of the international communist movement.

Xi Jinping's new era of socialist ideological system with Chinese characteristics answered major issues of "what kind of socialism with Chinese characteristics should we sustain and develop" and "how to sustain and develop socialism with Chinese characteristics". Xi Jinping's new era of socialism with Chinese characteristics is in line with scientific socialism, especially in the judgment of the stages of socialist development, the understanding of the essential characteristics of socialism, the adjustment of socialist development strategy, and the grasp of major contradictions in contemporary Chinese society, the innovation in the concept of socialist development, the deployment of socialist economy, politics, culture, society and ecological development. All these pushes scientific socialism forward (Xi Jinping, 2019, p. 6).

The CPC is problem-oriented and insists on using the basic principles of Marxism to explore various theoretical and practical issues China is facing. At present, China's GDP has maintained an average annual growth rate of 7.2%, breaking through 80 trillion yuan (2018), and ranking second in the world. The average contribution rate of China to world economic

growth is over 30%. The total length of the high-speed railway in China has exceeded 22,000 kilometers, ranking first in the world. The country's foreign exchange reserves exceeded 3 trillion US dollars and continued to be the world's first. China has become the "anchor of stability" and an "important drive" for the world economy (*Ambassador Liu Guangyuan speech...*).

As the largest socialist country in the world today, China has adhered to the foundation of scientific socialism and successfully embarked on a unique development path, which greatly inspired the development of foreign Communist Party and left-wing forces, injecting vitality to the international communist movement of the 21st century. As an important part of the international communist movement, socialism with Chinese characteristics became the starting point for the international communist movement to bounce back from the valleys and revive, which serve the purpose of demonstrating and developing socialism.

The continuous development on the road of socialism with Chinese characteristics includes its theory, system, and culture. It has opened up the way for developing countries to modernize, and has provided a blueprint for the countries that hope to accelerate development and maintain independence. Many socialist countries and developing countries have adopted the social development model and theoretical guiding ideology of socialism with Chinese characteristics as a reference paradigm when exploring the development path with their own characteristics. Caravahar, Editor-in-Chief of the Republic of Uruguay, pointed out that "China's development achievements have strengthened the confidence of Uruguay's independent development, because China has already demonstrated the feasibility of taking another road to modernity".

Secondly, we would like to introduce what is socialism with Chinese characteristics. Under the Communist rule, China is now the second largest economy in the world. The leaders of the Communist Party have guided the PRC since the founding of this nation to walk on the path of socialism. Now, China has the second highest GDP in the world, just behind the USA. The socialist market economy with Chinese characteristics brought great vigor to the development of China. Political institutions, such as the People's Congress of China, plays an irreplaceable role, contributing greatly to

the stability of the overall development in China. Now, China adopts socialism with Chinese characteristics. As for economy, China uses market means to develop socialism under the socialist system. To be more precise, the economy of China is free and open. As for socialism with Chinese characteristics, the Confucian concepts of Chinese socialism are integrated with Marxism, making China politically stable. Socialism with Chinese characteristics has enabled China to have over 70 years of history in terms of development. It has turned China into one of the greatest countries in the world and has brought more confidence and faith in the guidance of socialism and the Communist party (Li, Wang, p. 51).

IV. CONFUCIANISM AND MARXISM AS THE THEORETICAL AND PRACTICAL PROBLEM IN CHINA

At the beginning of all thoughts, both Marx and Confucius thought about the philosophical proposition of “what makes a man”. Their thoughts on humanity are the products of their own times, and both of them thought about the social contradictions and the problems they face. After criticizing Hegel’s non-scientific alienation theory, Marx proposed the idea of “comprehensive development of man”, in which everyone’s freedom is the prerequisite for the free development of all people. In a capitalist society, private ownership restricts production relations, resulting in alienation. People lose their motivation and are enslaved by alienated materials or spiritual power. Therefore, their personality cannot be fully developed. However, this alienation does not exist forever. To eliminate this alienation and to achieve “comprehensive human development”, the revolutionary practice of materialism must be carried out. The ultimate goal is to completely eliminate the relationship of class production rooted in private ownership. Confucius also had similar views on “comprehensive human development”. He believed that people should do four things in their lives. In the *Analects of Confucius*, he said, “Let the will be set on the path of duty. Let every attainment in what is good be firmly grasped. Let perfect virtue be accorded with. Let relaxation and enjoyment be found in the polite arts”. These are also the basic requirements for Confucius to

establish himself and others in his life. People must think well and develop in a comprehensive way. The most important of these are “benevolence”. In *The Doctrine of the Mean* of Confucius, , on ion.aof small conference rooms and many conferences and meetings are happening at the same time in different, “benevolence is the characteristic element of humanity” is the standard set for people to follow. According to “Zilu” from *The Analects of Confucius*, “benevolence” is the standard for people. The meaning of humans to society is to realize the “rectification of names”. “Benevolence” is the highest value pursued and advocated by Confucius, that is, everyone correlates to the name of a social person and consist with reality. Individual virtue is the basis of human beings. According to “Wei Zheng” from *The Analects of Confucius*, individuals should “do what they want”. Confucius believed that the relationship between people and society is mainly about cultivating their own virtues and then affecting others through the power of morality, so as to ultimately make changes in society. He directly aimed at the relationship between the individual and himself and focused on moral education with humanistic spirits, putting emphasis on the self-improvement of individual virtue to solve the problems of the people. However, Marx directly aimed at the social relationship between people and made a thorough and ruthless critique on the realistic capitalist society, which in turn resolves the problems of the people by changing the practical social relationship. In comparison, Marx focuses more on the changes in the external relationship of people, and Confucius accentuates on the changes in the internal relationship of people. The difference in the two concepts is precisely because they solved questions from different perspectives, that is, differences in the way of thinking (Wiktor, p. 39).

From the perspective of Marxist thinking and the traditional Chinese Confucian culture represented by Confucius, the fundamental problem they want to solve is “what kind of society should we build”? Marx’s ideal is “to establish a communist society”, while Confucius’ ideal of the society, according to “Liyun” from *Liji*, is to achieve “Great Harmony (Da Tong)”. Both ideas seek for the achievement of the greatest happiness in the real world. The social ideal constructed by Marx is “to achieve the comprehensive development of human beings, that everyone can develop their talents

freely and equally. Everyone should get the guarantee of life without the worry of hunger and cold”, that is, to “do all you can and take what you need” in a communist society. The top ideal society of Confucius is good social order, for example, “When the Great Principle prevails, and the world is a Commonwealth in which rulers are selected according to their wisdom and ability. Mutual confidence is promoted and good neighborliness cultivated. Hence, men do not regard as parents only their own parents, nor do they treat as children only their own children. Provision is secured for the aged till death, employment for the able-bodied, and the mean of growing up for the young. Helpless widows and widowers, orphans and the lonely, as well as the sick and the disable, are well cared for. Men have their respective occupations and women their homes. They do not like to see wealth lying idle, yet they do not keep it for their own gratification. They despise indolence, yet they do not use their energies for energies for their own benefit. In this way, selfish scheming are repressed, and robbers, thieves and other lawless men no longer exist, and there is no need for people to shut their outers. This is called the Great Harmony (Da Tong)” (Konfucjusz, p. 611).

To further discuss this issue, Marx’s theory is based on social ownership, and the ultimate goal is to establish an equal, fair, and transparent social system, which is the ideal communist society he had envisioned. Confucius’s “Great Harmony (Da Tong)” theory advocates self-cultivation of saving and personal morality, such as the political strategies to “enrich the common, educate the rich” and “give them enough food, give them enough arms, and the common people will have trust in you”. In Marx’s time, the main contradiction of society was that the private system of capitalism was based on the ruthless deprivation of the proletariat, resulting in fierce contradiction in social class. Therefore, Marx’s thought of salvation was to overthrow the entire capitalist system in order to achieve the freedom of people in a true community. He believed that “human liberation” must rely on armed struggle, elimination of class differences, eradication of social division of labor, and the old religions, morals, and philosophies built on it. In the face of the same social contradictions and the reconstruction of a reasonable social order, Confucius started out with morality and tried to cultivate the noble sentiment and morals of the

people. He tried to cultivate everyone in the society to stay put in their own positions, go their own ways, follow rules, and to achieve, according to “Yan Yuan” from *The Analects of Confucius*, a government in which “the prince is prince, and the minister is minister; when the father is father, and the son is son”. However, his thoughts of salvation was not about overthrowing the feudal system. Comparatively speaking, Marx’s thoughts of salvation expresses the realization of freedom of human personality, which transcends the dependent relationship between humans and things. This is very different from Confucius’ moral self-restraint. Marx believes that “the critical weapon cannot replace the criticism of weapon”. Social existence determines social consciousness, so in order to solve human problems, social existence must be changed so as to solve the real problems of humans from the solution of social systems. Marx believed that when social relationships cannot be established on the basis of people’s consciousness, individuals are always subject to social relationships. No matter how high the individual’s moral realm is, they cannot restrain people’s social relationships. Only by practically changing the oppressive and binding social relations between people can we lay a realistic foundation for comprehensive development, including moral improvement (Ji, Wang, p. 35).

V. THE FUTURE STATUS OF THE CPC’S ECONOMY: A CASE STUDY ON STATE-OWNED ENTERPRISE

The concept of free market and privatization has been around ever since the climax of the first state-owned enterprise reform in the mid- and late 1980s, making it seems as if there is only one way of state-owned enterprise reform- marketization and privatization. However, with the second and third state-owned enterprise reform, the strategy of “great state-owned” surfaced. State-owned enterprises have made a glorious turn back and the gradually strengthening of its status cannot be reversed (Heng, 2011). The call for privatization and marketization began to weaken, but it never stopped. Recently, with the introduction of the supply-side structural reform policy, the slogan of making state-owned economy

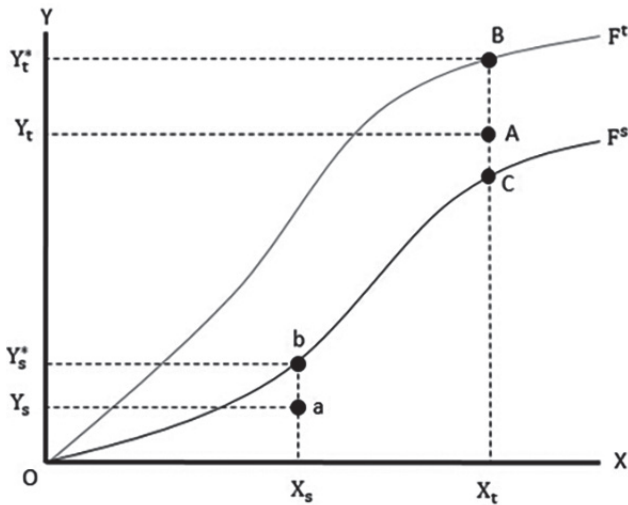
“stronger, better, and bigger” has emerged, and the trend of privatization and marketization broke out once again. Also, the recent industrial policy debate between Zhang Weiying and Lin Yifu made the path and goal of reforming state-owned enterprises controversial once again. Scholars in favor of marketization believe that making state-owned enterprises “stronger, better, and bigger” is an obvious act of favoritism toward state-owned economy, a retrogression of market-oriented Chinese socialism economic system. Some even consider it the restoration of planned economy. Before undergoing theoretical discussion, this paper must first correct two concepts. The first one is to make state-owned enterprises “stronger, better, and bigger”, which is now the most controversial term in academia. In fact, the term “stronger, better, and bigger” is without doubt none other than normal since all economies hope to become “stronger, better, and bigger” instead of “weaker, worse, and smaller”. Second, what must be corrected is the understanding of justifiableness. What is justifiable? It is not the extra care and favoritism. Justifiableness is that the goal of state-owned economies is different from profit-oriented privatization economies and that “strengthening the comprehensive strength of the country and safeguarding the common interests of the people” is a premise. Furthermore, with the General Secretary’s great vision on the current status of China’s economic development, clear tasks and objectives are set for state-owned enterprises, which is to make them “stronger, better, and bigger”, otherwise, the state-owned economy will not only be unable to play the leading role in the public sector of the economy but will also bring negative effects on economic development. Only by clarifying these two points can we better understand the source of justifiableness mentioned by the General Secretary in the national state-owned enterprise reform forum.

A. CHINA’S ECONOMIC REFORM FROM THE PERSPECTIVE OF TOTAL PRODUCTIVITY FACTOR

Before arguing about making state-owned enterprises “stronger, better, and bigger”, we must first understand what “stronger, better, and bigger” means. This paper contends that “stronger, better, and bigger” refers to

advanced technology, high efficiency, and large scale, which is also the economic meaning of total factor productivity (TFP). TFP is the ratio of the total output of a system to the actual input of all production factors. The formula goes like this: (TFP) productivity = output/input (Huang, Fu, & Huang, 2010). If we analyze the economic principles of total factor productivity, we can figure out the meaning of “stronger, better, and bigger”.

Suppose that the output is Y , input is X , and the productivity $TFP = Y/X$. To make comparisons between the different periods, we suppose that the output of s period and the output of t period is $Y(s)$ and $Y(t)$, and that $TFP(s) = Y_s / X_s$ or $TFP(t) = Y_t / X_t$. Therefore, the output growth Y_t/Y_s from s period to t period can be broken down into $X_t/X_s * [(Y_t/X_t)/(Y_s/X_s)]$, where X_t/X_s is the input growth from s period to t period and that $(Y_t/X_t)/(Y_s/X_s)$ is the TFP growth from s period to t period. From the decomposed formula, we can see that the growth of total output in an economy over a period of time is actually a combination of input growth and TFP growth. This process can be explained in further detail with the following figure (Huang, Fu, Huang, 2010).



(图一) 产出导向边界与效率

Figure 1. Output-oriented boundaries and efficiency

From Fig. 1, we can see that during a fixed period, the technical boundary of productivity is fixed. This is determined by the level of social productivity during this period. Therefore, the technical boundary line of F_t during t period in Fig. 1 is higher than the technical boundary of F_s during s period, meaning that under the same input, the output of F_t is higher than F_s . If we analyze within the same period, that is, making a comparison on the efficiency under the same technical curve, the productivity is composed of technical boundaries and efficiency. For example, in the case of F_s , the maximum output of input quantity X_s at F_s is at point b , which means that, when there is no efficiency loss, the maximum value of the input of X_s is b . However, in reality, the input of X_s usually cannot reach point b , and can only reach point a . The main reason for this is efficiency loss. The higher the efficiency, the closer the output is to point b . In other words, the lower the efficiency, the farther away X_s is from point b . From this, we can see that in addition to the technical boundary conditions, efficiency is also a key factor in determining the amount of output. Therefore, the principle of total factor productivity is to think comprehensively from the two dimensions of technical boundary and efficiency. If we use the TFP principle to analyze the direction of state-owned economic reforms of making them “stronger, better, and bigger,” we will find that these three points are in full compliance with the law of TFP growth. The essence of making the TFP principle “stronger” is to enhance technical level, which, according to Fig. 1, to raise it from F_s to F_t , because only by improving the technical level can the improvement of production capacity be fully reflected. If the technical level is not improved, such as the F_s in Fig. 1, even if the efficiency and the scale have been increased, it still cannot break through the bottleneck. Therefore, making it “stronger” is the fundamental basis. The “better and bigger” of the TFP principle is to optimize efficiency, including improving the technical efficiency and scale efficiency brought by technological improvement. When we enhance technical levels (from F_s to F_t in Fig. 1), we must also raise the efficiency of the level of high technology. If only the technical level is improved and the efficiency fail to follow up in time (from A to B, b in Fig. 1), advantages brought by technological improvement cannot be obtained, sometimes even hindering technical progress and affecting the development of pro-

ductivity. This is actually what Marx elaborated in his theory of historical materialism. Productivity is the source of all social progress and the enhancement of productivity, without doubt, requires a corresponding production relationship. At the same time, production relations will also have a negative effect on productivity. Reasonable production relations promote the development of productivity, while negative ones do the opposite. Therefore, “stronger, better, and bigger” is an indicator of overall improvement in productivity, among which “stronger” is the foundation. Only with “stronger” can “better and bigger” be possible. In other words, “better and bigger” are necessary requirements. Without “better and bigger” the value of “stronger” cannot be reflected, and neither can “stronger” be called “stronger” As a result, “stronger, better, and bigger” is a reasonable general direction, and it is, of course, “justified”

B. THE ORIGIN AND HISTORICAL STATUS OF STATE-OWNED ECONOMY FROM THE PERSPECTIVE OF HISTORICAL MATERIALISM

When discussing the reform of the state-owned economy, learning the history of the state-owned economy is inevitable. That is, understanding the emergence and the historical status of state-owned economy and knowing the fundamental difference between the state-owned economy in a socialist and capitalist country. Only by doing so can we discern the characteristics and purpose of state-owned economy, clarifying that the reform of the state-owned economy is based on the development of socialist countries and the greater “needs” of the people, rather than the marketization and profit-oriented reforms of capitalism. Historical materialism is a theory about the universal law of the development of human society. It is also a historical view of science. Historical materialism points out that the fundamental cause of all events in history is material productivity, and that the development of social history has its own inherent objective laws. If we apply the theory of Marx’s historical materialism to examine the state-owned economy, we will understand that the emergence of state-owned economy is a historical necessity and a necessity in the development of material productivity.

1. Historical Inevitability of State-Owned Economy

State-owned economy is a historical form of society. When the development of society reaches a certain degree, this form will become an inevitable necessity. This inevitability is a denial to capitalism. When we look back at the economic development of capitalism, we find that the reason for the emergence of state-owned economy in capitalism lies in its basic principles – the pursuit of profit, competition, concentration, and the decline of profit (Burgan, Rambert, 1990).

a. *The Pursuit of Profit*

The capitalist economy is a kind of market economy, that is to say, the purpose of production is not to satisfy the demands of direct producers. “Goods are produced for selling rather than the producer’s direct consumption” (Marx, 1982). Such selling can only be accomplished by the market. Therefore, the production of capitalism is a kind of commodity production, where the producer sells his product to make a profit rather than serve humanity. Profit has become the motivation of a capitalist economy and the pursuit of profit has also determined its development.

b. *Competition*

To make a profit, the capitalist must sell his product. “If the capital stops at the final stage of $W' - G'$, the unsold goods that are piled up will block the flow of circulation” (Marx, 2008). Therefore, the capitalists do their best to sell their products. The difficulty of selling products depends on the demand of the market. Therefore, competition between capitalists arises. Every entrepreneur competes with his peers for a possible customer, and every entrepreneur strives to get market share so as to sell his products and exclude his competitors. Competition depending on the pursuit of profit is a rule that every capitalist must accept and obey, that is, to either eliminate his peers or to be defeated by peers of the same industry.

c. *Concentration*

In order to avoid being eliminated in the process of competition and to sell all of the products, each capitalist must reduce his cost. However, the reduction of costs can only be achieved by expanding production,

increasing revenue, and reducing total expenditure. Less total expenditure, increase in revenue, and the expansion of production are only possible through the use of the most modernized equipment by large companies. Therefore, the law of competition forces capitalists to constantly improve their technology and to expand their businesses. As a result, more capital must be invested, forcing the company to expand in size, which, thus, eradicates another group of capitalists, resulting in production concentration. “The more developed the industry, the faster the production concentration of large enterprises. This is one of the most important characteristics of capitalism” (Lenin, 1949).

d. The Decline of Profit

Driven by the principle of competition, the concentration of enterprises occurs. These large enterprises which are formed by concentration, continue to use the improvement of production technology to continuously expand its productivity, resulting in its increase. This increase in productivity is only possible when there is a large increase in the ratio of constant capital to variable capital. The result of the development of capitalism leads to the continuous increase of organic composition in capital, which causes a decrease in profit margins and accumulation of excessive commodity. Thus, accumulation of capital becomes impossible. “The process from commodity to money is a risky jump. If it falls, not only the goods shatter, but also the owners of the goods” (Marx, 1975). Therefore, “profit,” the driving force of capitalism, is also the Achilles heel of capitalism. The pursuit of profit was once the basis for the significant development of capitalism, but the decline in profit rate also led to the fall of capitalism.

2. The Emergence of the State-Owned Economy

The competition among the capitalists has prompted everyone among them to continuously improve and expand production so as not to be eliminated. This kind of competition is also true at the national level. If every capitalist country does not follow other countries to develop at the same speed, it will fall behind and there is a possibility of failure. Therefore, in order to safeguard sovereignty, the country must become stronger and more prosperous. The country must constantly develop its production and

must not lag behind other countries. Thus, capitalist countries face an insurmountable contradiction: on the one hand, it is crucial to expand production to protect the sovereignty of the state; on the other hand, it is necessary to restrict production to maintain the profit of the capitalists, so the interests of capitalism are not compatible with the interests of the state. Compromise is impossible. Either capitalism continues to exist, and the country falls; or the destruction of capitalism, and the country maintains its development (Burgan, Rambert, 1990). Therefore, with the concentration and monopoly of capital, the contradiction between the state and the capitalists is irreconcilable, as a result, the expansionism of capitalism shifts the competition to the international level. "Capitalists can also export capital to other late developmental countries to increase profits" (Lenin, 1949). It is precisely because the capitalism in each country mobilizes the entire country to support its struggle on the international market, competition becomes a rule among capitalist countries, albeit to a different extent. The concept behind capitalism is competition and expansion. Expansion was originally purely economic, but because it is a common feature in all countries and every country wants to block the path of others, it eventually becomes political, and war becomes the only way to open up this path. This law has been very obvious since the two world wars. After the Second World War, in order to overcome the contradiction between profit and national demands, the state had to intervene. At the beginning, the intervention was an attempt to help the production in capitalism. The state tried to make the economy work by giving out loans. However, in order to maintain national development, the state had to take action to fight against the production paralysis and social anarchy caused by capitalism. Therefore, it was essential to seize the productive forces so as to conform to an economy that the country generally needs, rather than an economy that only pursues profits. This economy is called a state-owned economy (Burgan, Rambert, 1990).

3. The Historical Status of the State-Owned Economy

The emergence of state-owned economy in capitalist countries is a common phenomenon. The essentiality of such state-owned economy is the result of the development of productive forces and historical evolu-

tion. Socialism is a historical form of society that derived from the evolution of capitalism, therefore, a transitional phase exists between capitalism and socialism (Burgan, Rambert, 1990). In a capitalist system, the goal of production is for profit, and in a socialist system, the goal is to meet the needs of the people. How can a production system that is rooted in profit transform into a system rooted in needs? An economy led by the state is the only method to transform from one system to another.

Judging from the above-mentioned emergence and historical status of state-owned economy, the development of the state-owned economy is the unavoidable result of historical development and the required development of productive forces. After the pursuit of profit, competition, concentration, and the decline of profit, inescapable contradictions in the development of a country's internal economy and national development will emerge. Such contradiction will directly lead to an evolution toward socialism. The direction of this evolution is clear, but its process may not be so smooth, because before the development of socialist productivity reaches full maturity, there will be a transitional stage. This stage is defined as the primary stage of socialism, which is essentially the stage of construction under state-led socialism. In order to ensure that the transitional phase goes smoothly, the state has to keep the resources in its hands and develop production, because this is conducive to the development of socialist productivity. In other words, as long as the productivity of socialism does not become an evident advantage, there is a need for such transitional phase. Therefore, the state-owned economy is different from the profit-oriented capitalist economy. It is guided by the development of the country and the greater needs of the people. It is the foundation for the transition from capitalist ownership to socialist ownership.

C. FURTHER DISCUSSIONS ON STATE-OWNED ECONOMY FROM THE PERSPECTIVE OF NATIONAL PRODUCTIVITY AND SOCIAL PRODUCTION

“Should the criteria be productivity or wealth?” That is the question! Throughout the history of human development, whether it is a change in production mode under the so-called speculative historical theory structure that progresses in stages and has gone through the four stages of hunting, nomadic, farming, and industrial and commercial (Sun, 2013); or the classification of the process of economic development at a certain stage when society surrounds industrialization, including traditional society, pre-conditions for take-off, take-off, self-sustaining growth, maturity, high mass consumption, and the pursuit of the quality of life (Rostow, 2001); or the social form resulting from the connection between productivity and production relations if we understand humans from a broader perspective, be it primitive society, slave society, feudal society, capitalism, and socialism, there are questions we must think about. For example, what is the relationship between social productivity and wealth? Does the improvement in productivity equal to the growth of wealth? Also, does the expansion of wealth prove that productivity is enhancing as well? What are the standards and criteria of the level of social development? Should the criteria be productivity or wealth?

Setting off from their theory of value, Adam Smith and David Ricardo believe that producing lower-cost goods in other countries is better because it is more cost-effective and beneficial to buy them from other countries. John A. List opposes to this statement, saying that “the productivity of wealth is much more important than wealth itself”. The classical economics school believes that if capitalist countries only produce goods with lower production costs and purchase other goods from other countries, a reasonable international division of labor will be formed. Such division of labor can only be realized through spontaneous and free competition without the interference of the state. List argues that this theory is a kind of cosmopolitan economics that obliterates the different levels of economic development and historical characteristics of individual countries (List, 1983). List’s idea was proven to be correct, because according to Ricardo’s

comparative advantage, even countries with overall backward labor productivity may have comparative advantage, thus entering the international division of labor and earning profits. However, such theory does not think from the perspective of the development of countries with backward productivity. Examining from the perspective of comparative advantage in the long run may bring about the solidification of productivity, and can only be at the low end of the value chain, blocking the progress of national productivity. On the surface, it is earning short-term profit, however, it is in fact hindering the enhancement of productivity. "What I have discovered is that the mainstream school does not take the country into account. What it sees is, on the one hand, all human beings, while on the other hand, an individual. I clearly see that two countries with advanced cultural development can only gain mutual benefits under free competition. Only when the two are in a roughly equal position in industrial development can this be achieved. If any country unfortunately lags far behind other countries in industry and commerce, then even if it has the spiritual and material means to develop these undertakings, it must first strengthen itself before it can be qualified to compete freely with countries that are relatively more advanced (List, 1983). "So, from List's point of view, the criteria of the development of a country should be the improvement of the country's productivity, not the increase of profits. However, there is a contradiction between the interests of the state and the interests of private enterprises in this regard. A profit-oriented private ownership economy does not have the responsibility of safeguarding the development of national productivity. The best way to alleviate this contradiction is to have state-owned economy that represents national interest make up for the deficiencies of profit-oriented private ownership economies.

From the history of social production in capitalist countries, the state-owned economy itself derived from a market economy with private ownership as the center. This is the internal contradiction of capitalism, the inevitable result of the outbreak of private production and social production. The emergence of the state-owned economy is to compensate for the inadequacy and contradictions of social production in capitalism. From the developmental history of Western developed countries, no country completely denies the role of state-owned economy, whether it is

the United States, Western Europe, or Japan. In an era of insufficient products, social production's need for products makes the goal of production and the way to make profits simple, that is, to expand production capacity as much as possible. This production capacity is still different. For the products in people's lives, the market has a natural advantage, because the market is rooted in the big environment of people's lives, and the market has natural sensitivity and information completeness. However, the market is often flawed. The existence of the market is profit-oriented. Without profit, there would be no possibility for the existence of the market. However, with the development of large-scale social production, profits are not eternal. In the first three chapters of John Kenneth Galbraith's book *The Affluent Society*, Galbraith described the stubbornness of traditional wisdom in lengthy texts. He believes that traditional wisdom is what people love to listen to and is willing to accept, but such traditional wisdom often hinders society. Therefore, traditional wisdom is naturally overturned. It is the result of the natural development of the world (Galbraith, 1965). "In the discussion of criticizing traditional wisdom, Galbraith believes that the conditions of classical economics have changed. The reason why people continue to repeat the principles of classical economics is simply because all traditional wisdom has a stubborn side. From Adam Smith to Ricardo, the condition of economics is the lack of material and the purpose of economics is to explore how to expand production capacity. Now, material is no longer scarce, and production is no longer urgent. Therefore, the production of modern society is no longer for satisfying the needs of survival, but to satisfy the growing desires of the people. Under this circumstance, the concept of production and economic development from impoverished times are no longer suitable, and realistic problems cannot be solved because the purpose and means of production have changed. Galbraith believes that production in an affluent society is not about increasing products but about employment. This concept is in essence in consistency with Keynes's views. The purpose of the market is not to satisfy employment but to make a profit. When profit no longer exists, the purpose of private production will not change. This will result in a crisis, so the government has to intervene. Public goods and state-owned economy have become the best tools and means.

D. THE ROLE OF CHINA'S STATE-OWNED ECONOMY FROM THE PERSPECTIVE OF SOCIAL DEVELOPMENT

From the perspective of historical development, capitalism will turn into socialism because of its own defects, and this transformation requires a process, which is the primary stage of socialism. At present, China's basic national conditions has not changed. It is still in the long-term primary stage of socialism. Such realistic national condition shows that China has not yet completed the great goal of socialism and is on the road to socialism (Wang, 2007). The gradual emergence of state-owned economy in capitalist countries is a common phenomenon. The necessity of such state-owned economy is the inevitable result of historical evolution. It is the result of the incompatibility between the interests of capitalism and the interests of the state. The state is the only tool to transit from one system to another, that is, to transit from a production system rooted in profit into a system rooted in demand. The state-owned economy is a transitional period between capitalism and socialism. It is a necessary stage on the path to socialism. At present, China is still in the primary stage of socialism and will be so in the long-term. This is a basic determining fact that the stage of state-owned economy cannot be ignored. State-owned economy can be said to be the basis on the road to socialism. If we do otherwise and weaken the power of state-owned economy, this would be a retrogression on the road to socialism, a violation to the law of social development and a disagreement to the law of the development of socialism. The reform of any socialist economy is to better meet the growing demand of the people and thus achieve socialist production. The production of socialism does not have an eye on profit, but on the needs of the people. Therefore, the goal of state-owned economy is to produce based on the needs of the people, not simply production based on the increase of profit. At present, academia has suggested that the core of state-owned economy reform is institutional reform, that is, to carry out institutional reforms in various areas surrounding the market so as to promote the vitality of state-owned economy. Such a proposal cannot be said to be wrong, because the improvement of the market mechanism promotes the vitality of economic development, which enables enterprises to obtain

profit and at the same time benefit the people. But does improving the market mechanism equal to weakening state-owned economy and undermining the role of public ownership? These two cannot be discussed together. The historical position of state-owned economy is not profit-oriented. It shoulders the “greater need” of the people, which is the development and stability of the country. This “need” cannot be found in a simple profit-oriented market. Therefore, market-oriented reform of private ownership cannot be used as a basis for reform, but a means of reform. State-owned economic reform can only be based on how to meet the needs of the people, and this need includes not only the material needs of the people, but also people’s “needs” to enjoy the stability and development of the country as citizens of the country.

From the perspective of productivity development, the emergence of state-owned economy is the inevitable result of the development of productive forces, and the result of the contradiction between the profit-based production of capitalists and the demand-based production of the state in a capitalist country. “The answer is always a general statement like this: when an industrial nation reaches the peak of its history, it has also reached its peak of production” (Marx, 1971). The key for a country to achieve economic growth is to look at its production. If a country has problems with production, the entire system will have problems. But production is also divided into the production for profit and the production that is needed for the country and the people. The emergence of state-owned economy is to make up for the lack of profit-oriented production. The production of atomic energy and the research and development of aerospace technology have always been state-owned since the establishment of the country. These productions are supported by the state. Profit-oriented private economy is incapable of completing this kind of productivity development. If the prosperity of the country is to be achieved, we must proceed from the perspective of productivity. Without productivity as the fundamental basis, development is illusory and has no foundation. Judging from the historical status of the state-owned economy, an economy controlled by the state is the evolution of a profit-oriented economy and the result of enhanced productivity. Therefore, from the perspective of productivity, state-owned economy is undoubtedly the most

competitive. Of course, when a new economy is forming, the production relations it adapts to will change. "When the social state corresponding to a certain stage of production has just emerged or is already dying, disorder in production relations will occur naturally, despite the difference in its degree and impact" (Marx, 1971). Marx's theory makes sense. When a social form shifts to another social form, some degree of disorder in production relations will appear. Such disorder is unavoidable and natural. After learning about state-owned economy, we are often affected by this natural and temporary disorder in production relations, forgetting the result of the development of productive forces and mistaking this temporary phenomenon as a permanent one, which results in illusions and misunderstandings. State-owned economy is often criticized for inefficiency brought about by the various institutions. Such inefficiency is actually the problem of production relations. However, problems in production relations, such as inefficiency, does not necessarily mean low productivity. These two are completely different. If we are familiar with the principles of TFP, we will know that the factors influencing productivity are technological progress and the efficiency it brings. In other words, productivity cannot be measured only from one dimension. Many domestic scholars have criticized state-owned economy and believe that the problem of efficiency is the problem of productivity. Such criticism is very biased. State-owned economy has unique advantages in technological development in terms of its resource allocation and its reliance. Because of this, almost every country hand over top strategic technologies to state-funded economies. However, if an excellent state-owned economy has problems in management efficiency, problems will arise. State-owned economy is often criticized for its inefficiency, including management efficiency, scale efficiency, input efficiency, etc. However, problems in efficiency is just one aspect. We cannot negate the whole thing from just one part of it. This is a fallacy, so what we have to do is effectively enhance the efficiency of state-owned economy, rather than denying its advantage of enhanced productivity and historical role.

From the perspective of China's current economic development, American economic historian and development economics pioneer Walter Whitman Rostow uses historical induction methods and divides

economic development into six stages: traditional society, preparation for take-off, take-off, self-sustaining growth, maturity, high mass consumption, and the pursuit of the quality of life (Rostow, 2001). Rostow’s six economic growth stage theory is a law summed up in the process of industrialization in Western countries. It mainly reflects the change in stages and a series of strategic choice-making a country has to encounter in the process of economic development. If we look at China’s current economic status from Rostow’s six-stage economic development theory, China is currently only in the fourth stage of economic development – moving toward maturity, instead of the high mass consumption stage we think we are already in. Because in terms of contribution rate, the high mass consumption stage is an economic development stage based on the service industry with its consumption contribution rate exceeding 70%, while the current consumption contribution rate in China hovers around 50% (see Figure 2). The path toward the stage of maturity in economic development is the beginning of high mass consumption stage. This stage must be based on the high development of the manufacturing industry. This is the law of the industrialization process in the Western developed

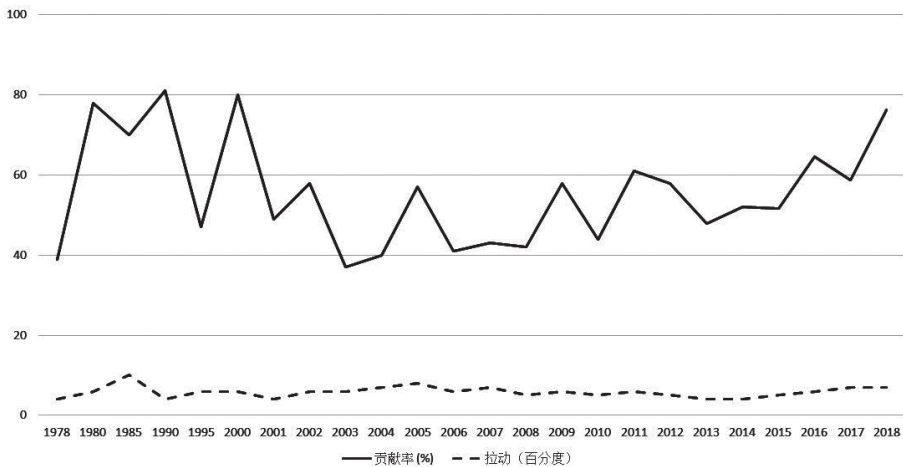


Figure 2. Final Consumption Expenditure

Source: National Statistical Yearbook 2018

countries. However, at present, for the manufacturing industry in China, we have not yet taken the lead in the world. For example, in the global ranking of science and technology strength announced in 2016, China Manufacturing ranked in the fourth echelon, tying with India, Mexico, South Africa, and other developing countries. This shows that our industrial technology strength still lags behind strong Western countries in Europe and America. Our industrial level is still far behind those of developed countries.

In this case, blindly reducing state-owned economy will definitely lead to failure. In an economy that has not yet entered the stage of high mass consumption, the development of manufacturing is the key. Without the foundation of manufacturing, blindly expanding the market to promote consumption will only be counterproductive and investment efficiency will be low. What is even more serious is that, without a good manufacturing system, the development of the country would be without foundation, resulting in an easy fall into the “trap of developing countries”. From within the country, most of the manufacturing development that meets the needs of the development of the country does not come from a profit-oriented private economy, but rather, from the government-guided state-owned economy (Chu, Zhou, Zhou, 2016). From an international perspective, in today’s economic globalization, China’s manufacturing industry faces international competition against strong large-scale Western multinational corporations with large scale and rich experience. Western large multinational corporations control the global economy with strong economic and technological strength. As a latecomer to industrialization, China’s economy faces tremendous pressure and resistance in the upgrading in all fields. In order to enhance China’s comprehensive national strength in the fierce international economic competition, we must have a big group of large-scale enterprises with strong international competitiveness (Chu, Zhou, Zhou, 2016). At present, other than a very small number of private enterprises, companies capable of contending to the international market and Western large-scale multinational monopoly companies are still mainly large state-owned enterprises in China. Moreover, Western developed countries will use their power to control and manipulate the world economy, setting rules for the international

economic system. Especially when the economic development level of developing countries is close to that of developed countries, they will create various excuses to “kick open the ladder”, so that developing countries never reach the height of developed countries (Chang, 2009). Therefore, for a developing country with rapid economic development, it is difficult to break through this shackle simply with private enterprises. Such obstacles and rules can only be broken by vigorously developing state-owned enterprises with strong international strength so as to enable many private enterprises to become international, thus ensuring the stability and sustainable development of the national economy.

From the above analysis of state-owned enterprises, we can see that the control of the Communist Party government is very necessary for China. In the current world pattern, the Chinese economy also needs the overall grasp of the Communist Party government, so from the economic point of view, the future position of the CPC government is more stable.

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