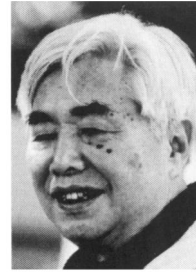


SPEECH UPON RECEIVING THE MARXIAN ECONOMICS AWARD

Guoguang Liu

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Today, I am honored to receive the World Marxian Economics Award from the World Association for Political Economy (WAPE). My health condition does not allow me to be in Amherst physically, but I was given a chance to communicate with you through video. Please allow me to express here my genuine gratefulness for the considerate arrangement by the Award Committee.

Now, I would like to share some of my understanding, as a Chinese economist, on some key economic issues that I have obtained in years of research.

To Begin, is the Right Standpoint Necessary in Economic Research?

When I was a young man and the new China had not been found, I studied in the National Southwest Associated University in Kunming and received formal education in Western economics. During that time, I studied Marxist economics by myself and continued to do so after the founding of the new China. After the market-oriented reform began, I had to confront once again the challenge and influence of Western economics. The two kinds of economics theories have coexisted and must come to terms with each other. My solution is something like the proposition of the New Culture Movement around the 1920s which advocated the “application of modern Western knowledge on the fundamental principles of traditional Chinese learning.” What I advocated in my research has been the development of Marxism with the aid of Western theories of economics. Today, pluralism is prevalent in China and it is not popular to say that research in economics should hold the right stance,

point of view and methods. However, I have always believed that what is demanded by the conscience of an economist and shall not be abandoned is the Marxist and laborers' standpoint that represents the interest of the majority of the people and the disadvantaged groups. While sticking to the basic theories and methods of Marxism, methods of Western economics regarding concrete economic problems can be utilized to develop socialist political economy in China. There are many useful analyses of the market mechanism in the mainstream of Western economics that can serve as good points of reference, but we must remain alert to those who try to replace the leading position of Marxist economics with mainstream Western economics. In the meantime, such a leading position cannot be maintained by the state authority alone, but must be developed in an adaptive and innovative way to advance with the times.

Usually people consider Marxist Political Economy to be of distinctive class orientation and to represent the interests of the proletariat. That is true. People also think that a Marxist stance means the continuous representation of the fundamental interests of the vast majority of the people. That is also true. At the preliminary stage of socialism, the vast majority of people, other than the vast number of laborers, also includes a part of the exploitative class. It is true that the Communist Party shall not represent the interests of the exploitative class, but only—under certain historical circumstances such as in the era of democratic revolution and the preliminary stage of socialism—give reasonable consideration to the justified interests of a part of it (e.g., national capitalists, owners of legally running private businesses, etc.), so as to unite all forces for the revolution and the construction for a new society. Support for the exploitative class, however, should not be unconditional and unrestricted to the extent that accommodation of their interests become detrimental to the interests of the laborers. The widening gap between rich and poor and the resulting polarization is just an expression of the harm already done to laborers, which is completely in opposition to the Marxist stance and the tenets of the Communist Party. Political economy in China must continue in this stance.

Correct Understanding of the Relationship between Planning and Market at the Preliminary Stage of Socialism

In the 1950s, the socialist economic system was being established. At that time, my research was mainly on the Marxist social reproduction theory, with the aim to solve the problem of comprehensive balance in economic planning. In my research, I gradually realized the gap between the practices of planned economy in China and the theory of comprehensive balance, and that the cause of it did not lie in the socialist system itself, but in the concentration of the economic administration. The Third Plenary Session of the 11th Central Committee of the Communist Party of

China in 1978 initiated the economic reform, during which I was one of the earliest advocates for market oriented measures. I participated in drafting the decision with regard to the goal of the socialist market economy in the 14th Congress of the Communist Party of China. At the beginning of the new millennium, after the establishment of the basic socialist market economy, various problems emerged in its operation, and I began to shift my study to the deficiencies of the market economy. The economists of my generation have experienced the repeated testing of the planning and market practices. Some think that everything is determined in the sense that the market prevails while planning is no longer welcomed. I do not think this is completely true. History showed that the planned economy had played a positive role in both the Soviet Union and China. In the meantime, history has also proved that the traditional planned economy cannot solve the problems with regards to efficiency and incentive. As a basic approach of resource allocation, market economy is inevitable at a certain stage of development. Market economy, however, has its weaknesses, and deserves no blind worship. I always argue that planning and market must be combined. Although at different stages the focal point shifts, the ultimate goal is to coordinate the visible hand and the invisible hand and let them function properly in collaboration. Therefore, the government—while sticking to the market oriented reform—must make reasonable and efficient macroeconomic adjustment and planning.

What is to be established in China is socialist market economy rather than capitalist market economy. Socialist market economy is a holistic concept, which combines socialism and the market oriented reform and demonstrates two fundamental characteristics. First, in terms of ownership structure, public ownership constitutes the foundation of the co-existence and development of multiple forms of ownership. It is different from capitalist market economy based on private ownership. Second, in terms of its operating mechanism, while the market plays a basic role in resource allocation, planning is essential in macroeconomic management. In other words, socialist market economy is a “planned” economy, which differs at its root from the “plan-less” capitalist market economy that excludes state planning.

Since the primacy of public ownership is the institutional foundation of socialist market economy, the maintenance of an economic structure with such primacy constitutes the prerequisite of socialist market economy, the loss of which will inevitably lead to the primacy of private ownership or complete privatization, and socialist market economy will consequently be transformed into capitalist market economy.

In China today, there are indeed forces of privatization, which have conspired to weaken the economy of public ownership while strengthening the non-public ownership so as to realize the goal of replacing the public ownership with private ownership. They are against the prefix of “socialist” before the term market economy,

and argue that market economy is a self-sufficient concept and no distinction is necessary between a socialist market economy and a capitalist one. Their purpose is obvious. Marxists and the Communist Party of China will not let them succeed.

The second characteristic of socialist market economy is the planning, which is also determined by the primacy of the public ownership. Marxist economists believe that in the overall production based on public ownership of the means of production, it is necessary and possible to achieve a development that is planned and proportional. Plan and proportion do not necessarily mean the traditional planned economy under strict administrative commands. While the reform has removed the malpractices of the traditional planned economy and established the socialist market economy, we cannot neglect the law of planned and proportioned development under public ownership. Capitalist countries can have macroeconomic regulation but lack the planning to direct economic development. China is a big socialist country based on public ownership, and it is necessary and possible to use the planning methods in macroeconomic regulation to direct the planned and proportioned development of its economy. Such is the superiority of socialist economy as compared with capitalist economy.

In this area, there exists in China serious interference from neoliberalists and market fundamentalists. What they need is market only. They want to cut down or even eliminate government regulation. The struggle against them by Chinese Marxists has never stopped.

Coping with the World Economic Crisis under the Chinese Model

In 2008 the sub-prime mortgage crisis in the US initiated a worldwide economic crisis, the most severe since the 1930s. According to Marxist economic theories, the fundamental cause of economic crisis lies in the inherent contradictions within capitalism. The current crisis differs from previous ones in that socialist China is drawn into it. The reason why a socialist country can be involved in a capitalist crisis is worth noting. For many years, China has carried out an export-oriented economy with high dependency upon foreign trade, which resulted in a close connection between the major part of Chinese economy with developed capitalist countries, and consequently the inevitable impact upon China when economic crisis occurs in those countries. But that is only the external factor. The internal factor, accumulated for many years, is surely the fundamental cause. The internal factor refers mainly to the economic system which contains a rapid increase of private ownership of means of production and the corresponding decrease in public ownership, as well as the drastic market-oriented reform and the consequent weakening of government adjustment and control. As a result, the capitalist market rule is functioning more and more widely in China. During the course of globalization dominated by

capitalist countries, it is only natural that China is involved in the cyclical crisis in the capitalist world.

That being said, it should be noted that the impact of the current worldwide economic crisis on China is relatively less severe and China has recovered fairly fast, owing mainly to its model of socialism with Chinese characteristics. Under such a model, socialist components and capitalist ones co-exist. Simply put, China allows marketization and privatization, but with reservation. For example, the primacy of public ownership is stressed and state owned enterprises maintain substantial strength in critical areas. In the meantime, macroeconomic regulation is strengthened during the construction of the market system, and space is reserved particularly for planning by the state, as could be seen in the continuous composition and execution of an annual plan, the five to ten year plan for mid to long term development, and the maintenance of a large National Development and Reform Commission. The various measures in tackling the current economic crisis have illustrated such capacity of planned adjustment and control which allow for timely, powerful and resourceful responses, which are hard to be found in capitalist countries. All these reduced the shock of the worldwide economic crisis on China and enabled China to respond with appropriate measures. In short, China has not duplicated the free market economic model in Europe and America, and has not followed the neoliberal “Washington consensus” advocated by some mainstream economists. Sticking to the model of socialism with Chinese characteristics constitutes the major reason why we could weather well through the current crisis.

To Conclude

Economic laws from two social systems—i.e., socialism and capitalism—are co-existing and exerting influence in China today, and are involved in complicated contradiction and struggle with each other. In order to stick to the socialist direction of the reform, we must utilize market and private economy to fully develop social productivity at the primary stage of socialism on the one hand, and avoid the pitfalls of the laws of capitalist economy on the other. We must stick to the road of socialism with Chinese characteristics and oppose the distortion of this into “capitalism with Chinese characteristics.” We must stick to the primacy of public ownership and the co-development of multiple forms of ownership. We must stick to the market oriented reform under the direction of macro-regulation by the state. The fundamental principles of socialism must be held against the capitalist privatization, marketization, liberalization and polarization, so as to confine the role of capitalist economy within a given scope. Only in this way, can we hold tight the red flag of socialism and march on against the muddy current of cyclical economic crises of capitalism.

Thank you all.