

## THE ACADEMIC CAREER AND CONTRIBUTIONS OF CHENGXUN YANG

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**Abstract:** Professor Chengxun Yang has deepened study of the economics of socialism with Chinese characteristics. With "serving the people" as his goal, and "only the truth" as his sole reference point, he has extracted the essence of Lenin's thoughts on commodity production after a socialist revolution. He has proposed theories on developing socialist commodity economy in its early stages, and he has elaborated the mechanisms and forms of the "two leaps" in rural economy, which were originally proposed by Deng Xiaoping in 1990. Based on empirical studies, he has revealed profound contradictions in reforming state-owned enterprises. He has engaged in study of the economy of the Yellow River Basin. Prof. Yang also established a new discipline of the economics of science and technology under socialism with Chinese characteristics, within the framework of maintaining and advancing Marxist economics.

**Key words:** Chengxun Yang; socialist commodity economy; economics of socialism with Chinese characteristics

Prof. Chengxun Yang is currently a senior consultant at the Henan Economics Research Center, Henan University of Economics and Law. He is a former vice president of the Henan Academy of Social Sciences. He has advanced many cutting-edge proposals over the past 40 years. A prolific economist, he has published eleven books and over 800 papers, in journals such as *Social Sciences*

*in China, Economic Research, Economic Perspectives, Journal of Financial Research, Management World, Qiu Shi, World Review of Political Economy, International Critical Thought, People's Daily, Guangming Daily.* He led eight research programs of the National Social Science Funds, and was principal investigator in six major studies. His work has been recognized with several important academic rewards, including three national academic rewards and 30 provincial or ministerial prizes. In addition, he won the Sun Yefang Economic Prize, the highest prize in economics in China. That was awarded in 1998 for his book, *Investigation of Market Economy Theory: A Comprehensive Study of the Commodity Theory of Lenin.*

In 1988, he was awarded the honor of becoming a member of National Middle-Aged and Young Experts with Outstanding Contributions. He is currently a member of the judge panel in theoretical economics of the National Social Science Funds and a main member in the Study and Develop Marxist Theory project, and also the president of Henan Economic Association.

Prof. Chengxun Yang often says that: "I am a 'practical' economic researcher in China." By that he means that he studies and researches economics in practice. The major purpose of his research is to solve practical problems of Chinese economy and world economy. Finally, he adheres to the principle of "seek the truth."

He enrolled at Renmin University of China in 1959. After graduation, he began research in a local university and publicity work in a provincial news office. He transferred to the Henan Academy of Social Sciences in 1980, and began to teach at the Henan University of Economics and Law in 2000. Prof. Chengxun Yang has deepened research in several areas of the economics of socialism with Chinese characteristics. With "serving the people" as his goal and "only the truth" as his reference point, he uncovered the essence of Lenin's thoughts on commodity production after a socialist revolution. He has proposed theories on developing socialist commodity economy in its early stages, and elaborated the mechanisms and forms of the "two leaps" in rural economy after a socialist revolution (proposed by Deng Xiaoping). The first leap refers to abolishing the people's communes and instituting the responsibility system, the main form of which is the household contract that links remuneration to output. The second leap refers to introduction of large-scale operations and expansion of the collective economy, so as to facilitate scientific agriculture and socialized production. He also demonstrated profound contradictions in the reform of state-owned enterprises, using positive analysis. He has also engaged in research of the economy of the Yellow River Basin. Finally, Prof. Yang established a new discipline—that of the economics of science and technology under socialism with Chinese characteristics, while adhering to and developing Marxist economics.

## From Developed Socialist Commodity Economy to Socialist Market Economy

Based on a profound knowledge and analysis of history and on concrete conditions, Prof. Yang came to believe that socialism should be established on the basis of a developed commodity economy. In the early 1980s, at a time when market forces were rarely discussed, he proposed establishing a “multi-level ownership structure in a socialist market economy” and repeatedly raised the inevitability and superiority of establishing the system modes for a developed socialist commodity economy, which actually refers to market economy. When a consensus formed to build a socialist market economy, he then focused on the contradictions of market economy and on policies to address them, in particular the combination of the “two hands,” i.e. state planning and market.

Prof. Yang’s unique insights can be illustrated through the following: (1) Commodity—the inevitability of market relations lies in the socialization of production. The essence of market economy is one of the most common forms of economic ties built on developed social divisions of labor. (2) A comprehensive understanding of the strengths and weaknesses of market economy. In the late 1980s, he outlined seven mechanisms of commodity economy, namely, contacting mechanism, accounting mechanism, incentive mechanism, competing mechanism, optimized selection mechanism, flexible response mechanism, and resource allocation mechanism. Meanwhile, he made clear the significant deficiencies of a market economy, being its spontaneity, blindness, multiple driving forces and complexity, which can lead to many serious problems. (3) The advantage of combining planning and market after a socialist revolution. He explained an important idea of Deng Xiaoping in detail: what does the superiority of socialist market economy refer to? It lies in “the Four Cardinal Principles,” which is “a set of equipment” and were first put forward by Deng Xiaoping in 1979 to ensure the continuation of the reform and opening up. The four principles refer to adherence to the socialist road; adherence to the people’s democratic dictatorship; adherence to the leadership of the Communist Party of China; and adherence to Marxism-Leninism and Mao Zedong Thought. They are the fundamental guarantee for the sound development of China’s socialist modernization. In Prof. Yang’s view, the advantages of the socialist system can compensate for the defects of a market economy and coordinate the “two hands” more consciously. (4) Explorations of the best methods to couple the “two hands.” Prof. Yang believes that there is a qualitative difference between a completely spontaneous market economy and a more and more conscious market economy, and the change needs to go through a complex historical process: on the one hand, by improving the breadth and depth of the market-oriented forces, on the other, by improving the orienting

role of the state's macro-control, resulting in coupling of the "two hands" within the framework of the socialist system. (5) The hypothesis of "economic agent" originated from Adam Smith cannot be used as a basic aspect of the socialist market economy. For a socialist market economy, we can absorb some of the positive elements assumed by the "economic man" hypothesis, while critically abandoning its non-scientific components and negative factors, and using concepts of Marxist economics to create a new category of "socioeconomic man" in implementing the principles of socialism and thus reflecting socialist economic relations. (6) According to the laws of the socialization of production, a market economy has a dual nature. In comparing capitalist market economy with socialist market economy, both universality and individuality can be found. It is the individuality that determines the nature of market economy. The universality and the individuality are interdependent as well as contradictory, thus causing both accommodation and rejection. Universality is the basis of the accommodation, while individuality is the basis of rejection between the two types of market economy. Accommodation is often spontaneous, while rejection mainly relies on the motive of "self consciousness" as opposed to spontaneity.

### **Review Historical Experiences with Lenin's Economic Thoughts as the Foundation**

Based on a profound historical knowledge, Prof. Yang first drew historical lessons from the Soviet Union's economic development, and then focused on Lenin's economic thoughts, especially on the New Economic Policy.

In 1985, Prof. Yang published *The New Economic Policy Theory System—Further Understanding Lenin on Socialist Economy*. In this book, he systematically analyzed the theory of Lenin's New Economic Policy, revealing its historic leap from theory to practice in Marxist economics. Prof. Yang advocated that the socialist model must be innovative in practice, thus providing historical experience and a theoretical basis for China's reform and opening up. During the 8th and 9th Five-Year Plans (1991–95 and 1996–2000, respectively), Prof. Yang directed two key programs of the National Social Sciences Fund. In 1998, he published *Theory of Market Economy: On Lenin's Commodity Economy Theory*. Prof. Yang considers that the theory of socialist market economy which originated with Lenin and subsequently shaped by Deng Xiaoping is still under constant development. As the founder of the socialist system and the first leader of socialist economic construction, Lenin's exploration was unprecedented. Due to historical limitations, Lenin did not have time to expand his ideas. He did not propose an explicit socialist commodity economy at that time, and could not even form the concept of a socialist market economy. He neither argued over the problem of

competition between state-owned enterprises, nor formed a complete theoretical system which allocates resources by “two hands” on the basis of market. Prof. Yang stresses that we should absorb the essence of proven ideas about the theory of socialist economic construction from Marx, Engels, Lenin and Stalin, review historical experiences, and adhere to as well as develop the theory.

### **Conducted Field Research in the Rural Areas and Explored the Characteristics of China’s Socialist Agricultural Modernization**

Prof. Yang conducted field research in rural areas to investigate the “two leaps.” In 1988, he published *Corporate Governance and Household Economy under the Socialist Commodity Economy*, as well as a series of papers on transforming the dual urban-rural structure and an intensive path for agricultural modernization. Prof. Yang shows the greatest concerns about peasants and believes that reform in China can be made or broken in the countryside. This topic is a source of heated controversy in the theoretical field, closely related to the development of socialist commodity economy. Prof. Yang believed the system of family-contracted responsibility would revolutionize the rural economy. In recent years, he has continued study of tendencies and features of the second leap, and explored ways to realize China’s agricultural modernization and intensification. Based on his investigations, he has argued that agricultural modernization in China should be ecological, armed with scientific knowledge and technology, and highly intensified and properly scaled-up, rather than imitating models from capitalist countries. He has identified six essential measures of modernization: productivity of the land, return on investment, the proportion of high-quality products, the rate of development of new products, market share, and the rate of advance in ecological practices. The transformation of the urban-rural dual structure together with the realization of urbanization in China is also discussed from perspectives of the development of the socialist market economy and the new road to industrialization.

In addition, Prof. Yang took the initiative to explore the new mode of agricultural modernization in China. Having reviewed the strategic importance of agricultural modernization, Prof. Yang claims that agricultural modernization with Chinese characteristics should be ecological and sustainable and based on science and technology. He also believes it should be highly intensive and scalable, and that it should contribute to the development of biological science and technology. Finally, he believes in the harmonious coordination of industry and agriculture and of city and countryside.

Goals include, first, developing comprehensive, technology-intensive agriculture based on and guided by biological science; second, spreading ecologically-sustainable agriculture practices, with great effort to eliminate rural

pollution; third, exploring low-cost, resource-saving methods in agriculture; fourth, improving low- and medium-productivity lands through science and technology. Meanwhile, his work addresses issues of compensation, management, and provision of various services through deepening of reform and perfecting the system of agricultural services.

Additionally, Prof. Yang also emphasizes the necessity to develop greater knowledge of both the value of land and pricing of agricultural products. According to Prof. Yang, farmland is formed by both considerable labor and by rare, non-renewable resources; we should be realistic in acknowledging its value. That does not violate the labor theory of value; instead, it reflects deepening and application of the theory. Based on further study, Prof. Yang suggests that the function of value and structures of farm products, especially grains, should take into account the various factors that determine that value and the structures. Some of those factors are uncertain, incomplete or uncontrollable. The function can be expressed as follows:

$$W = f(C_1, C_2, V_p, N, G, E, S, M_a)$$

Here  $W$  represents value;  $C_1$  represents land returns;  $C_2$  represents other forms of materialized labor;  $V_p$  represents living labor;  $N$  represents natural properties (including both certain and uncertain ones) and various biological properties of factors of production (plants, animals, microorganisms);  $G$  represents the fundamental role of agriculture;  $E$  represents the ecological function of agriculture;  $S$  represents the “safety index,” the reciprocal of the value of harmful risk (shown as a positive value);  $M_a$  represents the average agricultural profit. These variables are interactive, complicated, and flexible rather than being simply quantitatively related. The basic value should be an average developed from the series of variables. Roughly estimated, the weight of grains and other farm products can be shown as follows: the input of science and technology together with materialized labor ( $C_1$  and  $C_2$ ) is 30, high-tech labor cost is 25, ecological cost ( $N$ ) is 8, resistance to disasters (or  $G$  as Fund) is 8, the security and quality of products ( $S$ ) is 10, basic function is 8,  $M_a$  (average profit) is 11.

Furthermore, Prof. Yang has conducted studies on Mao Zedong’s thoughts on agricultural economics.

## Use Empirical Methods to Explore the Overall Reform of State-Owned Enterprises

The reform of state-owned enterprises has been one of the focuses of Prof. Yang’s research. In the past 20 years, he has investigated over 400 small, medium and

large sized enterprises of all types, studied 1,000-odd cases, and helped some enterprises deepen reform, restructure their assets and improve their personnel management. In 1993, his monograph *Overall Reform of State-Owned Enterprises* was published. It has won the “Five One Project” award in the construction of spiritual civilization. This award is issued by the Publicity Department of the Central Committee of the CPC annually to promote the spiritual civilization construction in China since 1992. “Five One” stands for one drama, one TV play, one TV documentary, one book and one thesis in the social sciences, which are outstanding and representative. In addition to his earlier advocacy to expand enterprises’ autonomy and make them into independent operators and commodity producers, and have them adopt various forms of realization, Prof. Yang also advocated the following:

First, public capital should be personified. Prof. Yang suggested in 1989 that “public capital be personified,” claiming that capital is also an important economic category in socialist market economy. Personification of capital is a deep-seated problem in both property-right relationships and the realization forms of ownership. In theory, personification of capital is the connotation of realization forms of ownership, the core of property-right relationships and nerve center of production relations. The denotation of the implementation forms including the external environment, the structure, the property right, operation mode and etc. has been discussed a lot, while its connotation, the personification of public capital still needs to be further explored in both theory and practice. Evidence shows that if the implementation of public ownership forms remains unimproved, realization forms will remain superficial.

Secondly, reform of state-owned enterprises should be closely tied to strengthening of management. Early in 1995, Prof. Yang proposed that management should direct state-owned enterprises. He had studied rise and fall cycles of enterprises since the early 1980s. The fate of enterprises depends not just on property-rights reform, but on several factors, with management central throughout. Prof. Yang insists that the reform of property rights is important, but it is not the panacea for all diseases of state-owned enterprises. If our only focus is the reform of property rights while we ignore scientific management, reform will not succeed. This work led to an inequality: reform of state-owned enterprises  $\neq$  reform of property rights  $\neq$  privatization. Prof. Yang believes that the key to improving the modern enterprise system lies in “Scientific Management,” which is primary and essential for the optimal allocation of internal resources; we must deepen the reforms supporting changes in the relations of production, and identify, establish and improve their specifics.

Thirdly, optimize the external conditions of the state-owned enterprises, at the crux of which is the transformation of the management functions of the



government, truly separating government from enterprises, and government from capital. To this end, we should intensify institutional reform of the cadres. So, deepening enterprise reform requires deepening reform of the superstructure.

Fourthly, maintain and enhance the leading role of state-owned enterprises in the socialist market economy. Prof. Yang proposed that restrictions on small and medium-sized private enterprises should be relaxed, but that we should make sure that medium and large state-owned enterprises operate the lifelines of the national economy and maintain as well as enhance the state-owned enterprises' role as "the primary subject" in socialist market economy. To develop the non-public economy, Prof. Yang proposed early on not only to vigorously develop multi-level ownership, but also called for creating a good environment and allowing non-public businesses full play in the market economy, especially in the expansion of employment. Meanwhile, he argued that state guidance, supervision and education should be strengthened to promote legitimate businesses and develop an honest environment for them. In recent years, Prof. Yang emphasized that while socialist market economy is implemented in China, state-owned enterprises are by no means a luxury but an important symbol and the pillars of this economy, which can be called "the primary subjects." He analyzed reasons why state-owned enterprises should play a leading role in the socialist market economy, the conditions for state-owned enterprises becoming the first subject of the socialist market economy, and the main aspects of the leading role played by state-owned enterprises.

Finally, Prof. Yang developed a framework to evaluate the proper relationship between quantity and quality of state-owned economy, and the benefits of this relationship. Prof. Yang believes that in order for the state to maintain and play the leading role in the economy, state-owned enterprises should account for around 40 percent of GDP, and not less than 35 percent. (If we include collectively owned enterprises, the share can exceed 50 percent.) As for the benefits of state-owned economy, we should not only focus on one period, but also on long-term benefits; not only the benefits of one section or region, but also on the social and global impact; not only on one period of time, but also on the long historical stage; there should be not only economic benefits, but also ecological benefits; we should grasp the essence of Deng Xiaoping's "three favorables" as a whole from the relationship of the mode of production, rather than examine them from an isolated or absolute perspective. "The three favorables" were proposed by Deng Xiaoping during his 1992 Southern tour. They call for judging any development by whether it promotes the growth of the productive forces in a socialist society, increases the overall strength of the socialist state, and raises the people's living standards, so as to open new horizons for our cause.



## New Insights into Theories of Distribution

Prof. Yang analyzed Deng Xiaoping's views on distribution. He believes that Deng Xiaoping properly carried out step-by-step implementation to optimize distribution in the primary stage of socialist economic construction. These can be roughly divided into three phases: (1) Before and after the 3rd Plenary Session of the 11th CPC Central Committee in 1978, when the focus was on recovery and implementation of distribution according to labor, exploring rules of distribution rules under a commodity economy, and achieving clarity on related issues; (2) From the 3rd Plenary Session of the 11th CPC Central Committee to the early 1990s, the focus was on letting some people and some regions get rich first, developing the theoretical basis for the distribution system in the primary stage of socialism, thus contributing to the development of productive forces; (3) After 1992, the focus turned to adjusting problems in distribution, and it was proposed to tackle disparity and polarization problems by the end of the 20th century.

Deng Xiaoping's idea of distribution according to labor has been regarded as a significant development in clarifying several aspects in the relationship between socialist market economy and distribution according to labor: (1) It confirmed that distribution according to labor remained the main principle of distribution in the socialist market economy; (2) It distinguished different levels of distribution according to labor, adding the level of collective distribution in the enterprises; (3) It made it clear that the system of household contract responsibility was in line with the principle of distribution according to labor; (4) It stressed the relationship between distribution according to labor and the responsibility system. At the 1978 plenary of the CPC Central Committee, Deng Xiaoping explicitly proposed the policies of allowing some people and some areas to "become prosperous first" so that they can help others become well-off, and achieving "common prosperity" step by step. This expanded the denotation of distribution as well as enhanced the connotation of distribution.

Secondly, Prof. Yang also discussed the relationship between distribution according to labor and market economy. He believes that distribution according to labor is essentially the same as relationship between exchange of the same amount of labor and exchange of similar value. The exchange of labor with commodities of equivalent value is based on respect for the profit of workers. The "same amount of labor" refers only to social labor, rather than individual labor. Remuneration paid to workers takes in the form of value, which is basically equivalent to the labor of workers, thus complying with the "equivalence" principle. Distribution according to labor and commodity exchange are interdependent and inter-determined, rather than mutually exclusive. Three things connect and unify the two: value as a scale of exchange, currency as means of payment, individual

ownership of consumer information (personal material interests). Market changes made distribution relations and forms of distribution more complicated, and the exchange of same amounts of labor should be understood as a relatively rather than absolutely equivalent exchange (equivalent exchange market is relative). Meanwhile, the multilevel nature of the market has also brought the diversification of the multi-level nature of distribution according to labor, along with changes in the forms of distribution and channels of distribution.

Thirdly, Prof. Yang proposed a distribution weight index, used to compare various factors. He consolidated several coefficients to measure the impact of the widening income gap, including three coefficients (or three calculation steps): (1) take into account an intensive measure of the breadth of people affected, and the depth in the gap in distribution; (2) compare factors after calculation and rank them; (3) convert factor weights into percentages, reorder them and develop a unified index, examining the differing degrees of various factors and sorting the structure of factors that are causing the widening income gap. In short, the comprehensive weight index is a re-arranged index drawn on the basis of the depth and breadth of various factors affecting the widening income gap.

### **Engaged in Research of Economy of the Yellow River Basin**

Prof. Yang's work shines in his research into the economy of the Yellow River Basin. To study this major regional economy, Prof. Yang has been to nine provinces along the Yellow River; he has visited farmers, local governments and research institutions, worked with the Yellow River Conservancy Commission, and reviewed a large number of domestic and foreign studies of the region. In 1995, he published *The Yellow River Basin Economy*, which was the first research monograph on the region.

Firstly, Prof. Yang analyzed the advantages and disadvantages of the Yellow River Basin and the Euro-Asia Continental Bridge area. Early on, he began to consider problems of resources, and made clear the basin's position in developing and using energy in particular. Prof. Yang predicted that this vast zone would become a chief "Economic Zone" in China's economic development and play a pivotal role in China's modernization.

Secondly, Prof. Yang proposed a strategy for the economic development of the basin, based on much research. He proposed building the Yellow River Euro-Asia Continental Bridge economic zone, suggested building eleven industrial systems, two major ecosystems, and developing a strategy of comprehensive and scientific development. Prof. Yang demonstrated in detail the development measures of the major Yellow River Basin industries, putting forward the principle of "Technology-based Prosperity of the Yellow River." At the same time, he specifically

analyzed some important related areas of the Yellow River Basin, including the building of urban agglomerations in the Yellow River Euro-Asia Continental Bridge, development of the Yellow River delta, development of the old course of the Yellow River, and so forth. Very early on, he advanced the strategic concept of the “Eastward movement (to the ocean), westward movement (development of the West).”

Meanwhile, Prof. Yang systematically studied the reform and development of the regional economy of Henan, making more than 200 policy recommendations over 30 years, including some important, forward-looking strategic adjustments and specific operational changes in economic work.

### **Scientific and Technological Economics and Ecological Economics**

Scientific and technological economics is a new field developed by Prof. Yang and some experts in natural science. Different from the previous technical economics and the soft science of the natural science community, it uses basic Marxist theory to explain the laws of development of science and technology and its impact on economic growth. In this area, Prof. Yang has published a series of articles, and a representative monograph, *The Historical Leverage: A Research of the Law of Technology-led Economic Development* (2002).

Prof. Yang’s main views are as follows:

Firstly, on the basis of developments in research productivity and China’s experience, Prof. Yang put forward that “the law of technology-led economic development” is the basic law in the era of the knowledge economy. This is based on Deng Xiaoping’s important view that “science and technology are primary productive forces.” The connotation of this rule is that science and technology form the most important factor in the development of the productive forces today, and the core of the advanced productive forces, determining the direction, quality, speed and range of the development of the productive forces, and the ecological environment. Prof. Yang identified a system of five mechanisms: the mechanism of scientific and technological progress and innovation, the mechanism by which science and technology transform the economy, the mechanism of conflicts, checks and balances in scientific and technological development, the mechanism of social welfare and social security in scientific and technological development, and the mechanism of talent development.

Secondly, he elucidated the economics of changes caused by advances in science and technology. He proposed, for example, that social reproduction changes “the four rings” into “the five rings.” That is, “production, distribution, exchange, and consumption” become “science and technology, production, distribution, exchange, and consumption.” Modern society and economy is essentially

technology advancing productivity. As the first productive forces, science and technology will not only be able to integrate into the economy, they will also create the new economic “seeds,” the new economic means and new economic forms. Science and technology are first created or transformed from production tools into the object of labor, as well as quality of labor. Therefore, scientific research and technological experiments and the transformation process become the first link in the social production and reproduction cycles. It is an important feature of social reproduction in contemporary society that technology is changing the economic process, economy is stimulating technological progress and innovation, and the movement is spiraling upward.

Thirdly, Prof. Yang expounded the strategic thought of “independent innovation, supplemented by the introduction of technology.” This was in contrast with some people in domestic economic circles who advocated “the introduction of technology, supplemented by independent innovation.” Prof. Yang believes that as a socialist country, China must take the strategy of “independent innovation, supplemented by the introduction of technology” to achieve leapfrog development and overcome imbalanced technological development and China’s history under neo-imperialism and neo-colonialism.

Fourthly, Prof. Yang proposed that economists should study technological innovation and its application in the economy. He believes that economic activity cannot be divorced from science and technology, which determines economic development in the era of knowledge economy; integration of economics and science and technology thus is an inevitable trend. Therefore, he advocates that economics should integrate with natural sciences (especially modern science and technology), that it should take full advantage of scientific and technological research to optimize the industrial structure, to transform economic growth patterns and to develop a recycling economy.

Fifthly, Prof. Yang proposed the concept of “ecological productivity,” which expands Marxist economics. Marx and Engels stressed the unity of humanity and nature. By including basic ecological concepts, Prof. Yang has made it possible to build on and extend Marxism to incorporate the generalized concept of modern productivity systems as opposed to the “pan-theory of productive forces.” This understanding can include the three systems and the six elements. The three systems are the survival-base system (ecological productivity: ecosystems and ecological economy), the pioneering-power system (science and technology as the primary productive force), and the operation system (social productive forces, including the system of production, transport and warehousing). The six elements are: the natural environment; economic resources; forward kinetic energy; intellects of labor; the tools of production, transport and warehousing; and the

operating system (especially management). Prof. Yang believes that we should scientifically grasp the compatibility of ecology and economy.

### **Focus on the Research of the Economics of Socialism with Chinese characteristics**

In the 21st century, on the basis of a few years of study in many specific areas and economic history, Prof. Yang returned his focus to a system-depth study of the economics of socialism with Chinese characteristics, which has been the basis of all of Prof. Yang's decades of study and what he has dedicated his life to solving. In 2009, People's Publishing House published *Economics of Socialism with Chinese Characteristics*, edited by Prof. Yang. This masterpiece crystallizes his life work.

The guiding ideology of *Economics of Socialism with Chinese Characteristics* has "Marxism" as its soul (Marxism as the soul), "China theory" as its body (the economics of socialism with Chinese characteristics as the basic content), and "Western theory" as its tool. Guiding *Economics of Socialism with Chinese Characteristics* is the manifestation of the laws of the socialization of production in China. The three systems of *Economics of Socialism with Chinese Characteristics* are the system of productivity, the system of relations of production, and the system of exchange that forms economic modes. The five aspects of *Economics of Socialism with Chinese Characteristics* are the essence of socialism, scientific development, self-improvement of socialism, socialist market economy, and the primary stage of socialism. The seven components of *Economics of Socialism with Chinese Characteristics* are basic categories, road construction, economic reform, development of planning as a whole, opening to the outside world, macroeconomics, and overall circulation. The nine aspects of innovation identified in *Economics of Socialism with Chinese Characteristics* are: (1) the laws of development of the productive forces and the characteristics of modern productivity; (2) the mechanisms of socialist self-improvement and laws of progressive propulsion; (3) the laws of socialization of production which form the basis of exchange modes and the developing stages; (4) the law of phased socialist development and its philosophical foundations; (5) science and technology guide the laws of economic development; (6) the compatibility of public ownership and market economy, and the realization level of public ownership; (7) the interdependent relationship between distribution according to one's performance and the socialist market economy, and the mechanism of that relationship; (8) the internal relationship between the agricultural cooperative system and the domestic economy; (9) information methods as a platform to build a modern feedback macro-control system (dual-oriented circular route figure).

The 21 new concepts presented in *Economics of Socialism with Chinese Characteristics* are: (1) the differences between the four categories of economics, namely, Marxist economics, economics in the former Soviet Union, Western economics, socialist economics with Chinese characteristics and their different logical starting points; (2) market economy promotes the connection between socialized productive forces and the socialized relations of production (duality, correlation and integrality); (3) the structure and levels of the market economy; (4) “Five Rings” (innovation, production, distribution, exchange, and consumption); (5) the technological trend in consumption; (6) the primary role of state-owned enterprises in the socialist market economy and the impact of this role on the market economy; (7) the role of market in the formation of a variety of constituents and their regulatory role in the non-public economic sphere; (8) the overall life of state-owned enterprises, and the importance of management and reform; (9) a comprehensive index to measure fair distribution; (10) the characteristics of the path of China’s agricultural modernization, and the system of compensation for agricultural products (the structure of the value of the agricultural products and price formation mechanism); (11) ten theoretical innovations through regional development in China; (12) “Chain ring” industrial structure and spear-shaped technological structure; (13) the connections between the five mechanisms of scientific and technological development; (14) overall economics and overall cycle, and ecology’s optimal role in the overall cycle; (15) the laws of socialist saving and the theory of negative value; (16) the law of sustainable development and the five levels of circular economy; (17) the six macroeconomic systems reflecting the requirements of modern social laws which emerged in market economies; (18) the “cart pulls the horse” phenomenon in developed market economies, and the coupling mechanism of “two hands”; (19) the laws of socialist countries’ participation in economic globalization and the principles that should be adhered to; (20) the position and role of finance and banking in the market economy structure; (21) the overall advantages of the socialist market economy and of the *four cardinal principles* supporting each other.

In the book, Prof. Yang also clarifies or answers a series of mistaken views of neo-liberalism, privatization, and opening up with sovereignty absent.

### Original Analysis of World Economy

Firstly, Prof. Yang has summarized the seven characteristics of capitalism’s development stages and of new imperialism. Capitalism has shown a series of new economic and political characteristics in the international financial crisis, which can be summarized as follows: (1) The extremely-imbalanced development of capitalism has led to the United States dominating the world (the two tyrants

competed before the collapse of the Soviet Union), and becomes the absolute leader of the capitalist world and the international military police, extending its so-called “national interests” to the entire world; (2) With its powerful and comprehensive strength, the US dominates the world through the dollar hegemony rather than relying on general international monetary relations; the US leads globalization through its virtual capital, unrelated to the real economy, to exploit a vast number of developing countries, a new form of post-colonialism; (3) the US monopolizes the most advanced technology, and closely connects with virtual capital to strengthen the liquidity of finance; (4) the US promotes the physical transfer of industry to new forms of monopolies by using multinational organizations in international commodity markets and technology markets; (5) The US supports military superiority through virtual economy, controlling the global use of nuclear weapons and space technology, with its military might covering the entire world and seizing, in particular, areas with strategic resources; (6) The US regards neo-liberal and democratic values as the dominant values and imperialist ideology, and as a strategic policy in the world it strives to subvert and infiltrate all countries; (7) excessive economic virtualization leads to an overall bubble; the financial crisis triggered the economic crisis, which was passed on to other countries of the world in various ways. Among these, the core of the economic characteristics lies in the monopolized, super-international financial capital; the virtual economy dominates the domestic and world economy. The above seven characteristics are complementary and reciprocal.

Secondly, Prof. Yang put forward the characteristics of the international financial crisis in the 21st century. He proclaimed that co-occurrence in different categories and long lasting in time—are the new characteristic of the economics crisis in the 21st century. He points to the “Comprehensive symptoms of economic crisis.” For example, the international economic crisis has included a financial crisis, debt crisis, employment crisis, petrol crisis, food crisis and ecological crisis. The international economic crisis will not end quickly, it will continue for a long time.

Thirdly, he analyzed the trend of high-tech mass production combined with the optimization of public ownership. The use of nuclear power, on the one hand, and problems in nuclear plants, on the other, point to strengths and weaknesses of different types of ownership. The Fukushima accident demonstrates the fatal defects of private capital, while Chernobyl demonstrates the disaster that a state-owned enterprise can cause. By contrast, an optimized public sector in China can combine utilization of nuclear power with accident prevention. In an era in which high technology is increasingly applied, private capital is becoming less dependable. On the other hand, reform requires that state-owned enterprises engage in competition. This is determined by the mechanism of checks and balances in the development of science and technology, and especially by the laws of socialization.



Evaluation of the merits and demerits of private and public ownership should be conducted using a comprehensive, historical and evolutionary perspective and specific analysis. We should understand the trends (laws) of the interconnection and interaction of the large-scale application of advanced technology and optimized public ownership. In a new historical period, interconnections between rapid scientific and technological advances and the socialist system are being created and reinforced.

### **Adhere to the Principle of "Serve the People" and the Methods Which Seek Truth and Are Practical**

Committed to serving the people and seeking the truth, Prof. Yang's study focuses on the Chinese economy. Indifferent to fame and profit, he has focused on applying his wisdom to solve practical problems. Having systematically learned classical theories of Marxism and the basic works of western economists, he tends to carry out systematic investigation to solve practical problems with relatively more available materials, rather than restrict his work to books and concepts. Most of his views are inspired by facts and data. His works feature simplicity, and tend to strike a strong sympathy with readers. Two of his favorite sayings are, "Political economy is therefore essentially a historical science" by Engels, and "The foundation of political economy is fact, not doctrine" by Lenin. His key methodology is to pursue guidance for practice; his basic arguments are based on historical facts; his main platform has been his empirical research; his major research methodology has been field investigations, with the goal of enhancing scientific understanding. He takes on specific studies to achieve general conclusions aimed at solving practical problems. Focusing his research on practice, he claims his methodology to be practical, in contrast with traditional scholastic ways, and he rejects blind belief in either domestic or foreign tenets.

Prof. Yang usually sums up his work with four sayings: First, a slow sparrow should make an early start. Being extremely diligent, he has not taken a single day off for holidays. He absorbs the nutrition of knowledge like a sponge, in the natural sciences and in the economics, politics and customs of countries all over the world. Second, a faint heart never wins a fair lady. He takes opportunities to conduct investigations without dodging contradictions; he approaches problems by checking and clarifying. Third, stand on giants' shoulders, and surpass them bravely. Base yourself solidly on previous achievements as well as be innovative according to specific conditions. Fourth, go your own way and let others talk. He leads a simple life and does not care about trifles or personal profit. With impressive powers of concentration, he indulges in academic research and never hesitates to speak the truth. He has presented leaders with many practical proposals.