Regulating and Directing the Healthy Development of Various Types of Capital in China under the Guidance of the Capital View of Historical Materialism

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Abstract: Only by adhering to the scientific concept of capital as explained by Marx in Capital, and by drawing a clear line between the two different views of capital based on materialist and idealist conceptions of history, can we understand the phenomenon of capital in the real economy of contemporary China. In the real economy of developing commodity production, public and private capital share some common features, but there are differences in their nature. The misunderstanding, created by Western bourgeois economics, of the relationship between public and private capital harms efforts to achieve a scientific regulation of the healthy development of various types of capital, and needs to be clarified. Where the practical work of regulating and guiding the healthy development of capital is concerned, great importance should be attached to restoring and guaranteeing the dominant position of public capital within social capital as a whole; to ensuring that state-owned capital effectively fulfills the dominant role; to strictly governing the otherwise disorderly development of private capital; to strengthening control over the quantity and quality of foreign capital introduced to the economy; and to keeping state-owned capital firmly in control of the national financial system.

Key words: Capital; capital category; public capital; private capital; contradictory relations

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While presiding over the 38th group study session of the Political Bureau of the Central Committee of the Communist Party of China (CPC) on April 29, 2022, President Xi Jinping emphasized that

regulating and guiding the development of capital under the conditions of a socialist market economy is not only a major economic issue, but also a major political issue, and not only a major practical issue, but also a major theoretical issue. It is related to adherence to the basic socialist economic system, to the fundamental national policy of reform and opening up, to high-quality development and common prosperity, and to national security and social stability. (Xi 2022a)

President Xi Jinping also proposed to “strengthen the research on the theory of capital under the conditions of the new era,” and urged his listeners to “recognize and grasp the various types of capital existing in China’s society and their roles from a historical, developmental and dialectical perspective.” He went on to state clearly: “Regulating and guiding the healthy development of capital is an important part of the Party’s leadership of economic work” (Xi 2022a). The author of this article holds that only by adhering to the scientific concept of capital as explained by Marx in Capital, and by drawing a clear line between the different views of capital based on materialist and idealist conceptions of history, can we grasp the nature of capital and understand how it operates in the real economy of contemporary China. Only in this way can we implement the spirit of President Xi Jinping’s important speech, and take correct measures to regulate and guide the healthy development of various types of capital. This article will make some comments pertaining to these matters.

1. Distinguishing between Two Opposing Views of Capital

1.1. The Need to Distinguish between the Two Views of Capital

A view of capital is an ideal or concept of capital, reflecting the objective existence of capital as perceived by the human mind. According to the materialist conception of history, “the ideal is nothing else than the material world reflected by the human mind, and translated into forms of thought” (Marx [1873] 2010, 19). It is only when something resembling capital comes to exist objectively in history that the ideal of capital will emerge in the human mind. Only a correct conception, of course, can truly reflect the nature of objective things; a wrong conception, by contrast, is not only unable to reflect the true nature of objective reality, but will also distort or conceal this reality. Where the concept of capital is concerned, Marxist economics as “the political economy of the working class” or “the
political economy of labor” is different in principle from “bourgeois economics” or “the political economy of property” (also known as “the political economy of capital”) (Marx [1864] 2010, 11). In Capital, Marx undertook a scientific discussion of the role of capital and its laws of motion within the capitalist mode of production. He put forward a profound criticism of the concept of capital in bourgeois economics, and showed that ever since the emergence of the social form of capitalism in human society, two fundamentally opposed concepts of capital have existed: that of the working class, which is scientific, and that of the bourgeoisie, which is erroneous. Only by distinguishing between these two opposed concepts of capital, based respectively on the materialist and idealist conceptions of history, can we thus adhere to the scientific concept of capital guided by the materialist conception of history, and arrive at a basic positive judgment on the classification of capital under the conditions of the socialist market economy in contemporary China. Only in this way can we “recognize and grasp the various types of capital existing in China’s society and their roles from a historical, developmental and dialectical perspective” in economic work, and scientifically regulate and guide the healthy development of all types of capital.

1.2. The Concept of Capital Based on the Materialist Conception of History

Economic categories are the theoretical expression of real economic relations. In Capital, Marx utilized the materialist conception of history to provide a scientific explanation of the category of capital on the basis of the combination of phenomenon and essence as well as of form and content, and systematically revealed the relationships between capital and such economic categories as commodities, money, capitalist land ownership, and the total social product. This series of principles and methods related to capital can be referred to as the materialist conception of history where capital is concerned. The concept of capital put forward in Marx’s work reveals the true nature of objectively existing capital, reflected both in its essential content and in the forms of its manifestation.

1.2.1. The Essential Content of Capital

This can be summarized in the following points.

(1) Capital is self-expanding value and capitalist relations of production. It is value that in the course of its motion “expands itself,” and essentially, represents a relation of production or a social relation that emerges in production under capitalist historical conditions, which are exploitative in nature. “Capital is not a thing, but a social relation between persons, established by the instrumentality of things” (Marx [1867] 2010, 753). As things, money, means of production, machines, etc., are not naturally
capital in themselves; they become capital only when the person who owns them combines them with the use-value of the commodity of purchased labor power—i.e., the productive labor of the wage laborer—to create surplus value for the owner of these things.

(2) Capital is a historical category, an economic category in the capitalist mode of production. Although Capital also mentions merchant capital and usurer’s capital in ancient societies, the concept of capital is used there only in the sense of value-added. Merchant capital and usurer’s capital are not intrinsically connected with the capitalist mode of production, but are only a one-sided form of capital existing in the sphere of circulation. Capital linked intrinsically to the capitalist mode of production is not something that has always existed: “It [capital] can spring into life, only when the owner of the means of production and subsistence meets in the market with the free labourer selling his labour power” (Marx [1867] 2010, 180). Capital in the capitalist mode of production arises only under the historical condition that labor power becomes a commodity; labor power becoming a commodity is the cause of the formation of capital in this sense. Both capital and the commodity of labor power embody historical categories of a capitalist nature.

(3) Capital is the unity of the nature of the capitalist relations of production with a certain amount of value. The essence of capital is the capitalist relations of production, which are combined with the means of production, such as raw materials and machines, but the latter, as things, are not naturally capital in themselves. In the sphere of production, all capital has a certain amount of value, and in addition, must exceed a certain minimum amount. The nature of capital and the minimum amount of value are the unity of quality and quantity. Only if the number of workers employed by capital reaches a certain level, so that the person who owns the capital devotes the whole of the time spent in performing his or her functions “to the appropriation and therefore control of the labour of others, and to the selling of the products of this labour” (Marx [1867] 2010, 312–313) does it conform to the prescriptive nature of capital, and only then does the personification of this capital qualify as a capitalist. Otherwise, such capital is only “an embryo capitalist” (176), and the person who owns it, while having to participate in the process of production, is only a “small master” with a status intermediate between worker and capitalist (312). Therefore, a capitalist must own a minimum amount of capital value. As the productive forces of society develop, the minimum amount of capital in the productive sphere will gradually increase, and will vary from sector to sector. This is also why the means of production of small producers or self-employed persons cannot be called capital.
(4) The underlying essence of capital is surplus value. The quantity of value embodied in capital originates in surplus value exploited from wage laborers; it is the surplus labor condensed in the labor the wage laborers provide to the owner of capital which is in excess of the labor contained in the value of the commodity of labor power. “Capital is dead labour, that, vampire-like, only lives by sucking living labour, and lives the more, the more labour it sucks” (Marx [1867] 2010, 241). The extent of capital’s exploitation of wage laborers can be measured by the rate of surplus value. From the point of view of reproduction, all the capital owned by the capitalist, including capital acquired by so-called “primitive accumulation,” is “capitalised surplus value” (570). “Capital comes [into the world] dripping from head to foot, from every pore, with blood and dirt” (748).

(5) There are two basic methods of producing surplus value: absolute surplus value and relative surplus value. The working day of a wage laborer consists of necessary labor time, used to reproduce the value of the labor power, and surplus labor time, used for the production of surplus value. Marx called “the surplus value produced by prolongation of the working day . . . absolute surplus value” and “the surplus value arising from the curtailment of the necessary labour time, and from the corresponding alteration in the respective lengths of the two components of the working day . . . relative surplus value” (Marx [1867] 2010, 320; italics in the original). “The production of absolute surplus value turns exclusively upon the length of the working day; the production of relative surplus value, revolutionises out and out the technical processes of labour, and the composition of society” (511).

(6) Industrial capital is the fundamental capital. Industrial capital is the capital invested in “every branch of industry run on a capitalist basis” (Marx [1885] 2010, 57). Marx stated,

Industrial capital is the only mode of existence of capital in which not only the appropriation of surplus value, or surplus product, but simultaneously its creation is a function of capital. Therefore with it the capitalist character of production is a necessity. (Marx [1885] 2010, 62)

He also pointed out,

To the extent that it seizes control of social production, the technique and social organisation of the labour process are revolutionised and with them the economico-historical type of society. The other kinds of capital, which appeared before industrial capital amid conditions of social production that have receded
into the past or are now succumbing, are not only subordinated to it and the mechanism of their functions altered in conformity with it, but move solely with it as their basis, hence live and die, stand and fall with this basis. (Marx [1885] 2010, 62–63)

Thus, in a capitalist economy, industrial capital is the most fundamental form of capital, and the movement of other capitals is based on the movement of industrial capital.

(7) Capital is a kind of movement. Not only does capital encompass the class or exploitative relationship between capitalists and workers, but “it can be understood only as motion, not as a thing at rest” (Marx [1885] 2010, 110). This is because industrial capital, the fundamental capital, can only go through the three stages of movement including purchasing (buying the means of production and the commodity of labor power), producing (allowing the combination of labor power with the means of production to produce surplus value), and selling (enabling the realization of commodities containing surplus value). Continuously and one after another, in a sequential and non-stop manner, the industrial capital experiences the movement in which the cycles of three forms of capital—the cycle of money capital, the cycle of productive capital, and the cycle of commodity capital—are unified in order to survive and develop.

(8) The reproduction of capital is characterized by expanded reproduction. This characteristic is determined by the purpose of capital’s production of “wealth in the abstract” (Marx [1867] 2010, 163),² that is, of the surplus value that it pursues. In qualitative terms, the general expression of the increase in wealth in the abstract is an increase in money of the same nature; quantitatively, the inputs at the beginning and the resulting capital increment are both finite amounts of money value. This means that if the purpose of the capital inputs is to obtain an increase in value, then both an initial £100 and the result (say, £110) are finite expressions of the amount of capital value. Although there is a difference between the £110 at the end of the cycle of capital and the £100 at the beginning, the goal of the capital movement (that is, an expansion) has not changed, and in terms of the aim of the investment (achieving a capital increment), the £110 at the end of the cycle remains a finite amount of value, which must then be invested as an input to a new cycle in order to continue fulfilling the purpose of expansion. Capital is therefore bound to take part in unlimited movements of value expansion, and the expansion of capital reproduction has a tendency toward indefinite and blind growth.
(9) Capital can be differentiated into individual capital and total social capital, which have commonalities, connections and differences. The commonality is that both are based on capitalist private ownership. Even the capital that arises in modern capitalist society and is controlled by the bourgeois state has the nature of capitalist private ownership, because it comes from private capital and in significant part, is used to protect the overall interests of individual private capital. The connection is that total social capital in capitalist society consists of the sum of individual capitals, and is private capital in the sense of this sum. The difference between individual and total social capital is that the movement of individual capital does not include individual consumption. The circulation of individual capital is the circulation of capital value, and generally does not include the circulation of commodities and money within an enterprise, whereas included within the reproduction and circulation of total social capital are individual and productive consumption, as well as both the circulation of capital and the circulation of commodities. There is a great difference in scope and content between the contradictions present in the movement of individual capital and those contained in the movement of total social capital. The former consist mainly of the contradictions between labor and capital within the enterprise, and the contradictions in the proportionality of the different forms of capital; the latter include not only these contradictions, but also the fundamental, antagonistic contradictions between the socialization of production and private ownership. These latter contradictions determine that in the movement of total social capital, cyclical crises will inevitably occur.

(10) Inherent in capital is a form of fetishism that necessarily creates illusions, which is determined by the value form of capital. Value in its simplest form already gives rise to a type of fetishism. That is to say, the property of commodities exchange, which is the social relations between human beings, is expressed as a social property possessed by the matter itself, as if the material form of commodities and of money had in itself the social character of being able to carry out exchanges. Marx called this a form of fetishism, identifying it as an illusion that is completely divorced from the essential truth and that covers up the truth. Capital develops from commodities and money, and manifests itself as a self-expanding entity with independent value, thus taking on a form of fetishism that is even more deceptive. In the ultimate form of capital development, that is, interest-bearing capital, the illusions associated with fetishism result in the perversion and materialization of production relations in their highest degree, so that “it [interesting-bearing capital] no longer bears the
birthmarks of its origin. The social relation is consummated in the relation of a thing, of money, to itself” (Marx [1894] 2010, 389). In consequence, Marx observes, “we get the fetish form of capital and the conception of fetish capital. In M—M’ we have the meaningless form of capital, the perversion and materialization of production relations in their highest degree” (390).³

1.2.2. Manifestations of Capital

According to the discussion in Capital, the manifestations of capital can be categorized into two basic levels: the form of the superficial phenomenon and the form of the essential content. The first of these is the form in which people perceive the existence of capital, while the latter represents the internal composition and inner connection of capital, as shown in Figure 1.

(1) The form of the superficial phenomenon of capital can be categorized as follows: (a) Movement forms, i.e., the productive capital forms, commodity capital forms, and money capital forms assumed by industrial capital in movement. Of these, productive capital and commodity capital are material wealth that can be used for productive consumption or personal consumption, and are thus real capital; conversely, money capital cannot be used for productive consumption or personal consumption, and is therefore non-real capital. In spatial terms, meanwhile, capital in the field of material production is productive capital, while commodity capital and money capital in the field of circulation are circulation capital. (b) Business forms, divided into industrial capital, commercial capital, and bank capital. The latter two forms are derived from the development of the commodity capital and money capital forms of industrial capital, respectively, and become independent. (c) Function forms. Industrial capital has the function of producing surplus value, while commercial capital has the function of realizing surplus value; collectively, these two are known as functional capital. Bank capital can neither produce nor realize surplus value, and is thus known as non-functional capital. (d) The income form, i.e., the average profit earned by functional capital, which consists of the business owner’s income and the interest on borrowed capital to be repaid to the bank. Even if functional capital operates exclusively with its own capital, it divides its income into the owner’s income and the interest (which goes to itself).

(2) The form of the essential content of capital can be divided as follows: (a) The primary essence of capital, i.e., the productive capital. This is differentiated into fixed and circulating capital on the basis of differences in the forms of value circulation and turnover. (b) The essence of capital, i.e., the
part of capital in productive capital that is transformed into means of production, and that does not change the amount of value in the process of production. This is defined as constant capital. The part of capital that is transformed into labor power and that not only reproduces the capital itself, but also produces surplus value in the process of production, is defined as variable capital. (c) The underlying essence of capital, i.e., capital is essentially all surplus value.

As explained in Capital and summarized above, the scientific concept of capital mainly indicates that the essence of capital is not the material means of production itself, but the capitalist social form of the material means of production or the

![Diagram of the essence of capital and multilayered manifestations]

**Figure 1.** Essence of Capital and Multilayered Manifestations

*Source: He (2022a, 74).*
social relations inherent in the capitalist production process. According to this concept, the essence of capital is that it seeks to expand itself indefinitely through the continuous exploitation of the surplus value created by the working class. Capital embodies the capitalist relations of production, and is the basic category of capitalist private ownership. The forms of existence of capital are multilayered, and an intrinsic linkage exists between each of these layers, as well as between the different forms within each of these layers. Capital represents the unity of multiple specific social attributes.

1.3. The Concept of Capital according to the Idealist Conception of History

Proceeding from the materialist conception of history, Capital not only reveals the true nature of capital, but also provides a scientific critique of the concept of capital set out in bourgeois economics. Based on the idealist conception of history, this latter concept represents the economic interests of the bourgeoisie.

The classical bourgeois economists had studied capital, and touched upon its primary essence. Quesnay, for example, restricted the distinction between fixed and circulating capital to the field of productive capital (Marx [1885] 2010, 190). Smith and Ricardo, on the basis of the labor theory of value, studied the connection between capital and surplus value in relation to profits and wages (Marx [1885] 2010, 14–17). So long as these economists took a bourgeois stand, however, it was impossible for them to understand correctly the origin and essence of capital. Marx pointed out that “in fact these bourgeois economists instinctively saw, and rightly so, that it is very dangerous to stir too deeply the burning question of the origin of surplus value” (Marx [1867] 2010, 517). This is for the reason that once the members of the working class come to realize that the essence of capital is surplus value, which originates from the condensed surplus labor that they themselves provide to the capitalists, they will inevitably unite to overthrow bourgeois rule and completely eliminate private ownership. Therefore, the question of the origin of surplus value is inevitably dangerous for the bourgeoisie and its economists. Once the bourgeoisie had seized state power from the feudal landowning class and lost its political and historical progressiveness, bourgeois economics essentially lost the scientific qualities it had earlier shown in classical economics, and as a whole degenerated into a vulgar economics marked by subjectivity, superficiality, one-sidedness, hypocrisy and deception. This has been even more true in the age of imperialism (He 2022b). The concept of capital put forward by bourgeois economics, a concept that is infused with the idealist conception of history and that Marx exposed comprehensively in Capital, can be summarized in the following points.
(1) The view that “capital is a universal and eternal relation given by nature” (Marx [1857–1858] 2010, 23), or a factor of production. For example, Smith “identifies the production of commodities in general with capitalist commodity production,” and “the means of production are to him from the outset ‘capital,’ labour is from the outset wage labour.” In Smith’s view, “the various factors of the labour process—both objective and personal—appear from the first with the masks characteristic of the period of capitalist production” (Marx [1885] 2010, 387). Ricardo, Sismondi, and others do not conceive of capital as a relation of production, but “think only of its physical substance, raw material, etc.” (Marx [1857–1858] 2010, 235); “Ricardo explains capital as accumulated labour employed in the production of new labour, i.e., as mere instrument of labour or material for labour” (Marx [1857–1858] 2010, 235; italics in the original). Marx also speaks of “the economists who, like Ricardo, conceive production as directly identical with the self-valorisation of capital” (Marx [1857–1858] 2010, 337). The vulgar British economist Torrens went so far as to attribute the use of capital “to a savage who aims a stone at a bird” (Marx [1857–1858] 2010, 511). These statements, which have their origin in the writers’ idealist conception of history, “treat this [bourgeois] mode of production as one eternally fixed by Nature for every state of society” (Marx [1867] 2010, 92). Bourgeois economics understands capital as a factor of production having no connection with social form. This ahistorical concept of capital has not changed in modern times. The textbook Economics edited by Paul A. Samuelson, which is considered the most popular post-World War II textbook in the capitalist world and has been called the West’s “new synthesis of modern mainstream economics,” states tautologically that “the term capital is usually employed to denote general capital goods,” and considers capital to be one of the “factors of production,” alongside land and labor (Samuelson and Nordhaus 1992, 88). The book also argues that “physical capital goods are important in any economy because they contribute to productivity” (Samuelson and Nordhaus 1992, 90). The common problems of bourgeois economics, it may be said, include leaving out the historical form of capital’s relations of production, confusing capital with the material means of production itself, and speaking of capital as a material factor of production that exists eternally. Bourgeois economics simply does not understand that capital is a social form that has arisen in the course of human history.

(2) The view that capital itself is the cause or source of its increase. Vulgar economists put forward all sorts of absurd reasons for this position, saying that the valorization of capital has its origin “in a nominal rise of prices or
in the privilege which the seller has of selling too dear” (Marx [1867] 2010, 172) in the course of the circulation of commodities; that capitalists obtain more money by prepaying for it, and that this arises from their “intention to make money,” without production entering the picture; that capital originates from its owner’s “abstinence” and frugality; that capitalists are “remunerated” for the “service” they provide in furnishing workers with the means of production and other conditions of production; and that capitalists receive an income because they monitor and supervise the workers in production, which is also “value-creating” labor (202–203). Based on the argument that capital comes from the capitalist’s “abstinence,” the vulgar British economist Nassau W. Senior went so far as to claim that “I substitute for the word capital, considered as an instrument of production, the word abstinence” (592) and even regarded this as a theoretical discovery. The essence of all this preaching is to fundamentally deny that capital is a production relation of an exploitative capitalist nature. This concept of capital totally denies the fact that the essence of capital is surplus value, which can only be produced in the process of value valorization within capitalism.

(3) The view that capital may be understood in the terms provided by the concept of capital fetishism. With the establishing and development of the capitalist credit system, interest-bearing capital and bank capital came into being in capitalist society, and a separation occurred between the movement of capital performing industrial and commercial functions and that of bank capital. The form of interest-bearing and bank capital no longer contained any trace of the fact that capital has to originate from social labor, and the illusion became manifest that in the form of interest-bearing capital $M \rightarrow M'$, gold (money) would itself create more money. “Thus we get the fetish form of capital and the conception of fetish capital. In $M \rightarrow M'$ we have the meaningless form of capital, the perversion and materialization of production relations in their highest degree” (Marx [1894] 2010, 390). The concept of capital put forward by vulgar economists, who believe that pure money capital or interest-bearing capital in the form of gold is itself capable of generating profit or interest, directly reflects the fetish form of interest-bearing capital. “Say’s dogma,” which has been passed down to the present day, holds that the material form of capital is the basis or direct source of profit and interest. Understanding capital in the terms of fetish capital has given rise to absurd fantasies. For example, the British economist Richard Price claimed that “one penny, put out at our Saviour’s birth to 5 per cent compound interest, would, before this time, have increased to a greater sum, than would be contained in a hundred and fifty millions of earths, all
solid gold” (392). Apparently, Price used the mathematical formula \( s = c(1 + i)^n \), “in which \( s \) = the sum of capital + compound interest, \( c \) = advanced capital, \( i \) = rate of interest (expressed in aliquot parts of 100) and \( n \) stands for the number of years in which this process takes place” (393), to illustrate the law of capital growth. Price simply did not understand that the increase in the interest-bearing capital should be premised on the increase in the industrial capital; that the reason why industrial capital can grow is premised on the surplus value produced by the surplus labor provided by the wage laborers for the industrial capitalists; and that the substance of gold as interest-bearing capital simply cannot automatically produce a single grain of gold. Although a mathematical formula such as the binomial expression can correctly express the abstract laws of quantitative relations between things in the universe, such mathematical laws cannot replace the specific economic laws of human society under definite historical conditions. It can be seen that the concept of fetish capital put forward by vulgar bourgeois economics is an extremely absurd, idealistic notion of capital, which will inevitably deny fundamentally that capital is a production relation of an exploitative capitalist nature.

(4) The view that total social capital is composed of three types of income: profit, wages, and rent. Smith did not understand the duality of labor, and confused the “value of the product” \( (c + v + m) \) and the “value product” \( (v + m) \) of commodity production, with the result that \( c \), the constant value within the value of the product, was lost in his analysis of the social reproduction of total social capital. This led to the formulating of “Smith’s dogma” (Marx [1885] 2010, 368–371). Bourgeois economics, including modern-day Keynesian bourgeois macroeconomics, has always followed this dogma, analyzing macroeconomic movements while leaving the value of constant capital out of total social capital. This has made the bourgeois view of total social capital very one-sided and unscientific.

(5) The view that identifies the circulation of capital with the circulation of commodities. Bourgeois economics confuses the circulation represented by “the capitalist’s purchase of the commodities of labor power and means of production” and “the sale of commodity capital containing surplus value” with the circulation of “the worker’s purchase, using his or her wage income, of commodities of the necessary means of subsistence.” This equates the process of capital circulation, in which the capitalist produces surplus value and realizes it, with the process by which workers sell the commodities of their labor power and reproduce them. Capital is thus confused with money, and the exploitative nature of capital is thus concealed.
The idealist conception of history, it may be seen, leaves aside the historical form of capitalist ownership of capital, claiming instead that capital is a material factor of production that exists eternally and is capable of generating profit or interest in its own right. This concept of capital reflects the capital fetishism of the bourgeoisie, whose members have blind faith in their economic illusions. Still more, it reflects their greed and their delusion that they will be able perpetually to dominate and exploit the working class.

The above is a lengthy discussion of the two concepts of capital. Although both analyze capital in capitalist private ownership, the results of their analysis are fundamentally different. It can be seen that comparing the two concepts of capital is not to show an excessively fastidious regard for conceptualization, but is essential if a correct and scientific guiding ideology for the theoretical study of capital is to be arrived at. Only through applying the scientific concept of capital, under the guidance of a materialist understanding of history, can we make a basic positive judgment on how capital is to be classified under the conditions of contemporary China’s socialist market economy. In our economic work, it is only in this way that we can “recognize and grasp the various types of capital existing in China’s society, and their roles from a historical, developmental and dialectical perspective.”

2. A Brief Historical Review of China’s Use of the Concept of Capital

2.1. The Concept of Capital Only Began to Emerge in China at the Beginning of the 20th Century

In terms of the conceptual prescriptions of dialectical logic, the concept of capital is a human conceptual reflection of the process that has seen the creation and development of real capital in China. This makes it necessary to review the origin and development of capital and its concept in China.

Ci Hai, an encyclopedic dictionary, notes that in ancient China the word for “wealth” was matched with various concepts such as “assets,” interpreted as fortune, materials, savings, instruments, money, property, etc., but there was no word corresponding to “capital.” According to research by various scholars, the word now translated as “capital” was not used in economic articles in China until the early 20th century. This word emerged in Japan in the late 1870s, and was not introduced to China until some time around the end of the 19th century. It was first translated by Yan Fu as “original principal,” and later as “original wealth,” acquiring the meaning of “capital” as a specialized term in China only in the early 20th century (Lippert 2003, 151–155). It was from this time that the old China, as a colonial, semi-colonial, and semi-feudal society, began to witness the appearance of real capital, referred to in this article as private capital. The elements of this real
capital included the bureaucratic capital held by the state ruling group that represented the interests of the feudal landlord class and the big bourgeoisie; foreign capital (mainly from the imperialist countries); the capital of the comprador bourgeoisie that acted in collusion with foreign capital; and the national capital of the national bourgeoisie. After the New Democratic Revolution led by the CPC, the first three kinds of capital were confiscated, becoming the state capital of the People’s Republic of China, while the national bourgeoisie and its national capital became the objects of utilization, restriction and transformation by the state of the people’s democratic dictatorship.

2.2. China Has Used the Concept of Capital in the Sense of Private Capital for a Relatively Long Period

In the new China, the concept of capital, in the sense of private capital, was employed in economics textbooks and in the CPC’s documents for a considerable period before and after the socialist transformation of ownership of the means of production was completed. From 1984, when China carried out a comprehensive reform of its economic system centered on the cities, the ownership structure of the means of production gradually began to change, and the concept of capital was used more and more frequently, but it was employed only to refer to the private capital. In 1987, the 13th National Congress of the CPC proposed that China was “at the primary stage of socialism” (Party Literature Research Center of the CPC Central Committee 1991, 9); in 1992, the 14th National Congress of the CPC proposed that “the goal of China’s economic system reform” was “the socialist market economy system”; and in 1993, the proposition that “the state will practice a socialist market economy” was enshrined in Article 15 of the Constitution of the People’s Republic of China (Party Literature Research Center of the CPC Central Committee 1996, 18–19, 208). Until the convening of the 15th National Congress of the CPC in 1997, however, CPC documents still referred to public ownership of the means of production in the terms of “publicly owned assets” rather than of public capital. Obviously, this had to do with observing the concept of capital derived from the materialist conception of history, which distinguishes strictly between the relations of production under public ownership and the capitalist relations of production embodied in the original concept of capital.

2.3. The CPC’s Documents Began to Formally Use the Concept of Public Capital Only from the Point When the Practice of Reform Was Deepening

Important documents of the CPC and China reveal that as the socialist market economy was put into practice, a process began of expanding the original meaning of capital to include the concept of public capital. The 15th National Congress of the CPC, convened in 1997, summarized the historical experience of the reform and
opening up, and stated: “Public ownership, being the mainstay with diverse forms of ownership developing together, is China’s basic economic system at the primary stage of socialism.” In discussing reform of the shareholding system, it acknowledged this system as “a form of capital organization in modern enterprises,” and proposed: “State and collective holdings, which are clearly publicly owned, are conducive to expanding the scope of domination of public capital and enhancing the main role of the public system.” Here, for the first time, an important CPC document employed the concept of “public capital” (Party Literature Research Center of the CPC Central Committee 2000a, 20, 22; emphasis added). Since then the government’s economic management departments, in advocating and implementing policies, have increasingly used the concepts of “state-owned capital,” “wholly state-owned commercial banks,” “collective capital,” and so on. In 2003, the 16th National Congress of the CPC passed a “Resolution of the Central Committee of the Communist Party of China on Several Issues concerning the Improvement of the Socialist Market Economic System,” which further proposed to “vigorously develop a mixed-ownership economy with the participation of state-owned capital, collective capital, and non-public capital” (Party Literature Research Center of the CPC Central Committee 2000b, 466). With the development of diverse forms of ownership, important CPC documents began to officially use the concepts of state-owned capital and collective capital in addition to the concept of capital in its original meaning. Public discourse in China then began making wide use of the terms “state-owned capital” to denote the state-owned economy under the ownership of the whole people, “collective capital” to denote the urban and rural collectively owned economy, and “public capital” to denote the socialist publicly owned economy. It is necessary, however, to point out that to date, the CPC’s documents have not yet provided an in-depth theoretical explanation of and justification for using the concept of public capital. This is perhaps because the concept in theoretical terms is still seen as somewhat controversial, and as needing to be tried out first and argued for later.

State-owned capital, collective capital, and the public capital they make up amount to a new set of concepts, and to incorporate them into the theoretical system of Marxist political economy, it is necessary to carry out a serious scientific study of their rationality and necessity. This is a requirement for maintaining the purity of the materialist conception of history as the guiding ideology. The argument for the rationality of employing the new concept of public capital mainly needs to clarify whether this concept conforms to the rules of formal logic that govern concepts (such as the law of identity and of contradiction), and to the rules of dialectical logic requiring that novel concepts should reflect objective changes in economic reality. In fact, argumentation about whether this new concept of capital is reasonable has been occurring in academic circles since the 1980s, but so
far no consensus has been reached. As China’s economic practice becomes more deeply implanted, it is necessary to continue the academic discussion surrounding the concept of public capital, in order to assist the CPC in making an authoritative argument for its use.

2.4. The Use of the Concept of Public Capital Raises Theoretical Issues That Should Not Be Avoided

The first question here is whether the new concept of public capital conforms to the rules of formal logic that govern concepts. According to the law of identity and of contradiction of concepts, capital cannot reflect both capitalist and socialist relations of production. Since the materialist conception of history regards the original concept of capital as a reflection of capitalist relations of production, there is a logical contradiction if we examine the concept of public capital from the direction of formal logic. It was because of this contradiction that for many years the economics community did not use the concept of public capital with reference to the public economy. Even after the achievement of a consensus that the public economy can be combined with commodity production, there are still three proposals regarding how to describe the public economy, i.e., as consisting of “public assets,” “public funds,” and “capital under the public ownership” (or “socialist capital”). However, while all these proposals are careful to draw a clear line between socialist and capitalist economies, they all leave something to be desired.

(1) There is uncertainty about the conceptualization of “public assets.” An “asset” can be understood as legally recognized property; as an asset on the balance sheet of an enterprise, i.e., as a certain amount of value; or as a particular material means of production, i.e., a use-value—for example, we can say that a machine is a public asset.

(2) The concept “public funds” emphasizes the prescriptive nature of money. Obviously, the term “public funds” emphasizes money as the “gold” form of value, while leaving aside the use-value form. This can have the effect of inducing people to view the movement of the public economy from the perspective of the value form, and to neglect to recognize the industrial structure of the social economy in terms of use-value. It is therefore one-sided.

(3) The concept of “capital under the public ownership” does not explain the contradiction that it embodies in terms of formal logic. In the past, some scholars have suggested that under the conditions of commodity production, the ownership relationship of the means of production in a public economy should be called “socialist capital” or “capital under the public ownership.” This means that it is possible to use the same concept of capital in the sense of “capital in general,” and is tantamount to recognizing the
objective existence of “capitalist capital” and “socialist capital” in the real economy. But a number of points need to be clarified: first, whether it is reasonable to use the concept of capital, which embodies the special capitalist relations of production, to denote capital in general; second, whether there exists in economic reality such a category as capital in general which embodies the commonality of public capital and private capital; and third, the essential difference between public capital and private capital, as two kinds of capital with special characteristics.

3. Using Dialectical Logic to Understand the Rationality of Using the Category of Public Capital

3.1. Dialectical Logic Allows the Concept of Capital to Be Used to Denote Capital in General

From the point of view of formal logic, the use of the same word to denote both “special concept” and “concept in general” violates the law of identity and of contradiction of concepts. Nevertheless, it may be permissible from the point of view of the provisions of dialectical logic relating to concepts, depending on whether the concept involved reflects the objective nature of things. According to the above provisions, if different things with special characteristics have identity in objective terms, then it is in line with dialectical logic to use the same concept to reflect this identity. In the case of the same thing at different stages of development, as long as there is a general commonality of the thing, it is also logically reasonable to use the same concept to express the commonality or generality of the thing at different stages of its development, even though the same thing is subject to different, special forms of expression. For example, Marx used the concept of surplus labor to reflect both the (special) surplus labor of capitalist relations of production and “surplus labor in general,” stating that

Surplus labour in general, as labour performed over and above the given requirements, must always remain. In the capitalist as well as in the slave system, etc., it merely assumes an antagonistic form and is supplemented by complete idleness of a stratum of society. A definite quantity of surplus labour is required as insurance against accidents, and by the necessary and progressive expansion of the process of reproduction in keeping with the development of the needs and the growth of population, which is called accumulation from the viewpoint of the capitalist. (Marx [1894] 2010, 806)

Marx also used the (special) concept of surplus value, which embodies the capitalist relations of production, to denote “surplus value in general.” In comparing the extent of exploitation under serfdom with that of the capitalist era, he noted that “the ratio
of the corvée to the necessary labour 56/84 or 66(2/3)% gives a much smaller rate of surplus value than that which regulates the labour of the English agricultural or factory labourer” (Marx [1867] 2010, 246–247). The term “rate of surplus value” here is clearly used in the general sense of surplus value. He also pointed out that “if we consider ground rent in its simplest form, that of labour rent . . . the situation here is still quite clear, for in this case rent and surplus value are identical” (Marx [1894] 2010, 776; italics in the original).6 Clearly, the concept of surplus value is being used here to denote surplus value in general. Marx also said that

When the capitalist tenant farmer steps in . . . Profit, instead of rent, has now become the normal form of surplus value and rent still exists solely as a form, not of surplus value in general, but of one of its offshoots, surplus profit, which assumes an independent form under particular circumstances. (Marx [1894] 2010, 786)

Obviously, the “normal form of surplus value” in the above statement is also a way of denoting “surplus value in general” in terms of the special concept of surplus value. We know that the essence of capital is condensed surplus labor or surplus value, and since it is permissible to use the concepts of surplus labor and surplus value to denote surplus labor in general and surplus value in general, it is also permissible to use the original concept of capital in the capitalist sense to denote capital in general.

The formulating of new concepts by dialectical logic does not, of course, depend on simple reasoning, but requires adherence to the basic viewpoint of materialist dialectics that “economic categories are only the theoretical expressions, the abstractions of the social relations of production” (Marx [1847] 2010, 165). This requires confronting economic reality and examining whether the reality of the public economy under conditions of commodity production shares a certain degree of commonality with private capital, and whether the existence of a certain degree of commonality makes it possible to reflect this commonality with the concept of capital in general, while using the concept of public capital to reflect the special form of capital in the public economy.

3.2. The Concept of Public Capital Is Used in the Context of the Objective Requirement That the Real Public Economy Must Also Be Integrated with Commodity Production

3.2.1. At the Present Stage, the Process of Using the Means of Production in Public Ownership Has Some Degree of Commonality with Private Capital

First, the inputs and outputs of most of the publicly owned means of production take a form similar to that of the circulation of capital (for reasons that will be explained later, we are not in this case saying all the publicly owned means of production). Economic practice shows that social production in contemporary China is still in the “second
great form” of “personal independence based upon dependence mediated by things” revealed by Marx ([1857–1858] 2010, 95), that is, the form of commodity production. Therefore, the means of production under socialist public ownership must still be put into production in the form of value; in addition to calculating the production efficiency of products per unit of time by using the productivity of labor, the category of the “profit” of capital must also be used in the production process to calculate the combined operating efficiency of the value inputs and outputs of the means of production. The products produced also take the form of commodities, which are put into circulation and sold at market value (social value) so that they can enter the sphere of consumption. In this way, the inputs and outputs of the publicly owned means of production have a commonality with the forms of value movement of private capital.

Second, the reproduction movement of the means of production of public enterprises is similar to that of private capital. Under the conditions of commodity production, enterprises must be market-oriented in terms of inputs and outputs, must go through the two stages of production and circulation, and must experience the cyclic movements of “independent value” of three links in the form of money, production, and commodities in succession. These successive cyclic movements are similar to the unified movements of the three forms of capital circulation of private capital: money capital, productive capital and commodity capital. In the production form of “independent value,” there is still differentiation between the fixed-capital form and the circulating capital form in the transfer of the value of the publicly owned means of production to the product.

Third, the input of the public economy into social reproduction and circulation still needs, in large part, to follow the general requirements of the movement of “total social capital.” Under the conditions of the natural economy, where producers were independent and self-sufficient, and where even people who were geographically close to one another mostly did not contact each other or communicate with each other throughout their whole lifetimes, social reproduction was the sum total of the reproduction of independent producers, was characterized by the simple reproduction of use-value products, and underwent a slow development. Under the conditions of capitalist commodity production, social reproduction requires all producers, through the exchange of capital commodities, to establish an interconnected social division of labor capable of meeting the requirements for realizing the compensation of value and the renewal of physical goods for their respective products. Despite its spontaneity and blindness, this mode of the social division of labor promotes the role played by the division of labor as a social phenomenon and supports its further development. At the same time, it promotes the development of mental labor and the natural sciences, thus elevating the social productive forces to a level significantly higher than in the natural economic form. While the expanded reproduction that characterizes social reproduction within capitalism is certainly related to capital’s pursuit of increased surplus value,
it is the system of the social division of labor that facilitates the continuous increase in the efficiency of social reproduction. For this reason, Marx stated clearly that “what the capitalist thus utilizes are the advantages of the entire system of the social division of labour” (Marx [1894] 2010, 85). Under the conditions of commodity production, it is still necessary for socialist public ownership to utilize, to a considerable extent, this system of the social division of labor that includes an element of spontaneity. Producers in the public economy, in their internal relations and especially in their external relations with the non-public economy, are thus required to treat the publicly owned means of production as if they were “capital in general” in the form of “independent value.” From a micro point of view, this is in order to carry out the autonomous exchange of commodity capital of equal value between enterprises, and from a macro point of view, to adapt to the requirements of the development of the social productive forces and to join in the social division of labor necessary for the reproduction and circulation of the total social capital.

As can be seen, the fact that the publicly owned means of production take the “form of capital in general” is a stipulation imposed by the historical conditions of commodity production. Public capital is a conceptual reflection of the objective link that exists between the public economy and commodity production. The use of the term “public capital” to describe public ownership of the means of production is not superfluous, but is mainly intended to emphasize the inevitable connection between the latter and commodity production, so as to guide the reform of the management system of the public economy that will adapt it to commodity production. Aspects of this reform include implementation of the relative separation of ownership and operation of the means of production of state-owned enterprises which adapts to the assumption that public capital has the prescriptions relating to capital in general. This separation is designed consciously to alter the rigid institutions of the highly centralized management system, under which “everything is subject to instructions, and the enterprise lacks flexibility in its operations.”

4. There Is a Fundamental Difference between Public Capital and Private Capital in the Real Economy

4.1. Public Capital Has Its Own Special Provisions Compared to Private Capital

Although the same concept of “capital” can be used to denote the commonality (capital in general) of public capital and private capital according to the provisions of dialectical logic that relate to concepts, the “special” is not, after all, the “general,” and it is still necessary to clarify the “special” prescriptions of this new type of economic relation of public capital. We can draw inspiration from Marx’s analysis of the special and the general in the composition of the laborer’s workday. Marx ([1894] 2010, 864) pointed out that the workday of a producer in any society can always be
divided into two parts, whose product is in one case “directly consumed individually” (necessary labor in general), and in the other, goes “to satisfy the general social needs” (surplus labor in general). Under the capitalist system, the first part is expressed as the laborer’s necessary labor or the value of the labor power created, and the second part as the laborer’s surplus labor or surplus value. Marx also pointed out that with the complete elimination of capitalist relations of production, workers would no longer be forced to create capitalist surplus labor, and the entire working day would be “reduced to the necessary labour time.” Even in that case, however, the latter [the necessary labour time] would extend its limits. On the one hand, because the notion of “means of subsistence” would considerably expand, and the labourer would lay claim to an altogether different standard of life. On the other hand, because a part of what is now surplus labour, would then count as necessary labour; I mean the labour of forming a fund for reserve and accumulation. (Marx [1867] 2010, 530)

Under socialist conditions after the complete elimination of capitalism, the surplus labor of capitalism will therefore be eliminated, and the labor of the producers will be divided into two parts, “necessary individual labor” and “necessary social labor.” Both of these are necessary labor, but the former is “labor for the satisfaction of consumption by individuals (and their families),” while the latter is “labor for the satisfaction of general social needs” (He 2002, 377–389). Accordingly, under the conditions of commodity production based on public ownership, the condensate of necessary labor “for individual consumption” can be called simply “necessary individual value,” and the condensate of necessary labor “to satisfy the general social needs” can be referred to as “necessary social value.” From this, we can see that for the generality of “necessary labor in general” and “surplus labor in general,” the special manifestation under capitalist conditions is made up of “value of labor power” and “surplus value,” while under socialist conditions of commodity production it consists of “necessary individual value” and “necessary social value.” If the commonality between public capital and private capital lies in the fact that both have the character of commodity value, the essential difference between public capital and private capital lies in the fact that the underlying essence of private capital is surplus value, while that of public capital is “necessary social value.”

4.2. There Are a Number of Essential Differences between Public Capital and Private Capital
If the dialectical method of the materialist conception of history is used to make a comparison, it can be seen that between public capital and private capital (hereinafter referred to as public and private capital) there are not only “commonalities in
differences”—that is, they both possess the form of value prescribed by the production of commodities—but also “differences in commonalities,” that is, essential differences in the relations of production beyond the form of value. These differences are reflected mainly in the following aspects.

(1) There is a fundamental difference between the relations of production embodied in public and private capital. Public capital embodies socialist ownership of the means of production, while private capital embodies capitalist ownership of the means of production. Although both public and private capital are invested in the production of commodities, the workers of the former are autonomous actors who jointly own the means of production and are masters in the production, rather than workers employed by private capital. The value of the products they create through their autonomous joint labor in collective enterprises and state-owned enterprises includes the reproduction fund or collective welfare fund reserved for the enterprise, and taxes and fees paid to the state, which, created in the course of the “necessary working day,” are no longer privately appropriated surplus value, but rather a fund for the needs of society, including the workers themselves.

(2) The concept of public capital does not encompass the “variable capital” of private capital. Under socialist public ownership, the labor power of workers is not a commodity (one cannot say that going through certain employment procedures is equivalent to selling labor power), but is essentially variable capital that enters directly into the production process and combines with the means of production of the public system, thus eliminating the need to purchase the commodity of labor power. This is fundamentally different from private capital, which uses variable capital to buy the commodity of labor power, and which hires workers to indirectly enter the production process controlled by capitalists and to create surplus value for them. Various scholars have maintained that labor power in public ownership is also a commodity, arguing on the basis that commodity production requires the free movement of labor power, a view that is highly debatable. Under the conditions of advanced commodity production, the real reason for the movement of labor power is “the revolutionary material and technological foundation of large-scale mechanized industry,” and if labor power is a commodity, it will be unfavorable precisely to the free movement of workers. This is for the reason that in the productive process, workers are in a subordinate position, which determines that they can only be subject to forced labor and fixed in a certain position within the old-style division of labor. This leads to a deformed development of their labor capacity, and as
a result, to their facing difficulties in moving freely (He 1986). There are also scholars who believe that the concept of the commodity is linked to the market economy, and that there is no pejorative meaning in saying that labor power is a commodity. In fact, this argument confuses the two concepts of “commodity” and “commodity of labor power.” The former belongs to the category of commodity exchange relations, while the latter belongs to the category of capitalist relations of production and of the circulation of capital. It is precisely the fact that labor power becomes a commodity that gives rise to capitalist relations of production. Therefore, what the concept of the commodity of labor power reflects is not the general relationship of commodity circulation, but a special category of the essence of capitalist relations of production (He 1987). As mentioned earlier, in the context of public capital the value created by workers for their own individual consumption is “necessary individual value” (or “necessary individual consumption value”), and to call it variable capital is equivalent to considering it part of the private capital held by the capitalists.

(3) The substance of the value content of public and private capital is different. From the perspective of reproduction, private capital is essentially surplus value, and it is precisely because of this that Marx’s “Theory of Capital” is also known as the “Theory of Surplus Value.” In contrast, the substance of public capital is the “necessary social value” mentioned above. If private capital is the “means of absorbing” the surplus labor of wage workers (Marx [1894] 2010, 86), then public capital is the means by which the mass of workers can create, with their joint labor during the necessary working days, the social wealth which they share jointly and which can promote the comprehensive development of human beings.

(4) Public and private capital have different purposes and motivations for their investment in production. The purpose of private capital investment is the expansion of capital, and “the rate of self-expansion of the total capital, the rate of profit” is “the goad of capitalist production (just as self-expansion of capital is its only purpose)” (Marx [1894] 2010, 240). By contrast, the purpose of public capital investment is to promote a gradual improvement of the material and cultural life of the people in line with the development of the productive forces; to promote a gradual increase in the social wealth of the mass of the people, which includes an increase in the amount of use-value and value; and to serve the people through the use of public capital, which is a political as well as an economic motivation.

(5) The movement of public capital overcomes to a greater extent the spontaneity of capital in general. Public capital, possessing the properties of capital in general, has to participate in the spontaneous social division of labor under
the historical conditions of commodity production, and thus its production and movement are still somewhat decentralized and spontaneous. But public capital embodies, after all, the nature of public ownership of the means of production, especially in the case of state-owned capital, which is owned by the whole people and has a holistic character. State-owned capital can implement macro-planning and regulation through the central management agencies, in accordance with the objective laws of social reproduction, and can exercise a dominant role in the national economy, thus reducing to a large extent the spontaneity of the social division of labor in commodity production. The movement of private capital, on the other hand, has never been able to alter the spontaneity of commodity production; on the contrary, it has compelled this spontaneity to expand, as determined by the economic basis of capitalist private ownership. Although the states and governments of the capitalist societies after World War II also recognized the dangers of spontaneity in their social production, and took steps to exercise macroeconomic control, the theory guiding the practice of this macroeconomic control was fundamentally mistaken (He 2022b). Even if we leave aside these errors, macroeconomic regulation has not altered the ever more self-interested and exploitative nature of private capital, especially modern international financial monopoly capital, and thus, instead of overcoming the spontaneity of economic movements, it has increasingly deepened the fundamental contradictions of capitalism, as evidenced by the cyclical crises in the financial and economic world.

(6) There are fundamental differences between the personifications of public and private capital. Both public and private capital move through the personification of capital. “Personifications” are “definite social characteristics stamped upon individuals by the process of social production; the products of these definite social production relations” (Marx [1894] 2010, 886). The personification of private capital is the individual capitalist who accepts capitalist class relations and who appropriates, without compensation, the surplus value created by the workers, while the personification of wage labor under capitalism is the individual wage worker. Thus, Marx stated that the capitalist “is only capital personified” (Marx [1867] 2010, 241), and the wage worker is “nothing more than personified labour time” (Marx [1867] 2010, 251). The personification of public capital, on the other hand, is the individual worker who embraces socialist relations of production, pursues the common economic interests, and engages in autonomous joint production. The socialist worker, personified as public capital, and the capitalist, personified as private capital, necessarily stand in the opposing class positions determined by the opposing relations of production.
In view of the above-mentioned fundamental differences between public and private capital, public and private capital should never be regarded as economic forms of the same social character. Recognizing this fundamental difference is of great significance for preventing the inclusion of public capital in the category of private capital, for avoiding the characterization of employees in the public sector as wage workers engaged in production, and for preventing the movement of public capital from being observed and regulated according to the rules governing the movement of private capital.

4.3. Conceptually, Public Capital Cannot Fully Incorporate Public Ownership

In clarifying the essential difference between public and private capital, it should also be noted that the public economy should not be confused with public capital. As mentioned earlier, the vast bulk of the publicly owned means of production are public capital, which suggests that there are still parts of the public economy that do not have, or need not have, the form of public capital. From a substantive point of view, the socialist public economy has both conceptual similarities when compared with public capital, and obvious differences.

(1) There is a part of the means of production in public ownership that does not objectively need to take the form of public capital. Although the contemporary public economy needs to a large extent to be organically combined with the circulation of commodities and to take the form of public capital for the purposes of its movement, there is still a part of the public economy that does not need to be integrated with market relations and does not need to take the form of public capital for its existence and movement. For example, the “national reserve of strategic materials” can be directly controlled by the state, which represents the interests of the working people. Marx at one point explained that the renewal of society’s fixed capital in kind and in value needs to be balanced between the “part of fixed capital that is renewed in kind” and the “depreciation fund formed by the depletion of fixed capital.” This is a general law of socialized mass production, and under capitalist conditions its stipulations can be met only through cyclical economic crises. Within a public economy, however, it is possible to rely on the systematic stockpiling of fixed-capital products by social and economic regulators, so as to make up for cyclical deficiencies and absorb cyclical surpluses (Marx [1885] 2010). Further, the reserve products of the public economy do not have the stipulation of the commodity form; their regulating effect on the macroeconomy does not belong to the category of market regulation, and it is not appropriate to assign this part of the public economy to the category of public capital. This may be understood more
easily if we reflect that in recent years, governments at all levels have been offering free “dynamic zero” nucleic acid tests for the general public to prevent the spread of the COVID-19 pandemic, and equipment and medicines have been put into direct use without participating in the circulation of commodities. These inputs, therefore, do not belong to the category of public capital either.

(2) The public economy will advance toward communism, while the form of public capital will inevitably tend to die out. Marx pointed out in Capital that “after the abolition of the capitalist mode of production,” i.e., in communist society, “the determination of value” will continue to play a dominant role in “the regulation of labour time and the distribution of social labour among the various production groups,” in “the bookkeeping encompassing all this” and so on (Marx [1894] 2010, 838). By that time, however, the products created by human society will no longer possess the “form of value” corresponding to fetishism, and thus the social forms of commodities, money, capital, etc., which reflect the requirements of commodity production and circulation, will tend to die out. Undoubtedly, the form of public capital linked to commodity production will also die out. However, the public economy, in the sense of social ownership in which the means of production are shared by the whole society, will remain and will encompass all of society. Therefore, the concept of public capital cannot fully incorporate the concept of the public economy. Although real economic practice requires that a considerable part of the public economy take the social form of public capital, the concept of public capital should never be used to replace that of the public economy completely.

5. Clarifying Some Misconceptions about Public and Private Capital

5.1. The Division between Public and Private Capital Is the Criterion on Which the Differences in the Nature of the “Various Types of Capital” Are Based

The above discussion of the commonalities and differences between public and private capital is, in fact, the most basic and important classification and specification of the differences in the nature of “various types of capital” in contemporary China, from the point of view of the nature of the relations of production (or the nature of the ownership of the economy). Because it involves the questions of how the economies of public and private ownership and their interrelationships are to be understood, and of how we should understand the class relations and class contradictions of human beings that are embodied in public and private capital, this classification and specification is inevitably of a political nature. Further, it is
different from the classification of the various types of capital provided earlier in
the context of discussing how the concept of capital should be explained on the
basis of the materialist conception of history (Figure 1). The concept of categori-
zation discussed earlier refers to classification and specification in terms of the
functional and movement forms of capital, and while there are similarities between
public and private capital in the terms of this classification and specification, a
clear distinction needs to be made between public and private capital in terms of
the nature of the ownership or relations of production which they embody.

It should be noted that private capital in this article refers mainly to private
national capital and foreign capital investment, while excluding comprador capi-
tal, which is capital that colludes with and serves foreign imperialist capital.
Comprador capital was already among the targets of revolutionary struggle during
the era of the New Democratic Revolution, and its existence at the present stage is
definitely impermissible. The private capital referred to in this article also excludes
the property of small producers. As mentioned earlier, private property to be con-
sidered capital must exceed a certain amount, stipulated in terms of the historical
conditions. Small producers operate mainly on a basis of self-employment,
employing no other workers, and possess only enough means of production to run
a “small business” whose assets are not of a scale that can meaningfully be called
capital. This article does not use the concept of the “private economy,” since in
terms of the nature of the relations of production, most of the “private economy”
in reality belongs to private capital, with a small component of collective capital
that can be categorized as public capital.

Consequently, the relationship between public and private capital discussed in this
article refers mainly to the relationship between public capital and private national
capital, that is, the relationship between socialist ownership and capitalist ownership
in the national economy. This is the main contradiction among the many that exist
between the diverse forms of ownership in contemporary China, and it also explains
why this article discusses the distinction between public and private capital.

5.2. Correcting Misconceptions about the Relationship between Public and
Private Capital

Contemporary China’s socialist market economy necessarily has economic inter-
actions with the international economy, and just as inevitably, Western bourgeois
economics exercises a certain negative impact on domestic economic concepts.
The results include misunderstandings of the categories of public and private capi-
tal, with detrimental effects on scientific regulation of the healthy development of
capital of various types. It is thus necessary to make relevant clarifications, taking
the concept of capital found in the materialist conception of history as a guide. The
main misunderstandings are as follows:
(1) Viewing public and private capital as factors of production that possess commonality. As explained by Marxist political economy, bourgeois economists describe labor, capital and land as the factors of production. This is tantamount to abstracting the three, in a fetishistic manner, into eternally existing material factors with physical characteristics, completely obliterating the economic reality that the factors of production are always combined with certain social forms under definite historical conditions. In his critique of Say, Marx noted: “This formula simultaneously corresponds to the interests of the ruling classes by proclaiming the physical necessity and eternal justification of their sources of revenue and elevating them to a dogma” (Marx [1894] 2010, 817). Viewing public and private capital as factors of production with commonalities effectively obliterates the fundamental distinction between the public and private relations of production represented by public and private capital respectively, and is clearly detrimental to maintaining the socialist nature of public ownership.

(2) Equating the relations of coexistence between public and private capital at this stage with relations of equality. In the first place, bourgeois economics has always used equal relations in the circulation of commodities to cover up the inequality in the capitalist relations of production (Marx [1867] 2010, 185–186). The capitalist buys the commodities of workers’ labor power in the field of commodity circulation and exchanges them at market value, which in formal terms is an equal relationship. The use of the commodities of labor power in the field of production, however, occurs in the context of capitalist relations of production, where there is no equal relationship at all, but only an unequal relationship in terms of economic interests. The capitalist appropriates, without paying compensation, the surplus value created by the hired workers; that is, the capitalist benefits from a relationship with the hired workers that is coercive, dominant, and oppressive. It is precisely this relationship that turns the means of production, concentrated in the hands of the capitalist, into an exploitative means for sucking up the surplus value created by others—in other words, turning this surplus value into capital. Consequently, the equal relations in the area of commodity circulation should not be confused with the unequal relations in the area of production embodied by private capital. Second, the equal exchange relationship of public and private capital in the market of commodity circulation is the equality represented by the social or market value of different commodities being equal in the process of exchange, and this equal relationship has nothing to do with the type of ownership under which the commodities are produced. However, it is fundamentally wrong to apply the equal relations of commodity circulation to the relations
between public and private capital, since although the stipulation of the value-relation of commodities exists in both public and private capital, the essential stipulation is the relations of production, which in terms of their nature are fundamentally different from the relations in the area of commodity circulation. In essence, the relationship between public and private capital is by no means an equal one, because the socialist relations of production will eventually prevail over the capitalist relations of production. The argument that public capital should compete with private capital on an equal footing in the market does not make sense. First, it is unconstitutional, negating the dominant role of state-owned capital. This dominant position has already established a relationship of inequality between state-owned capital and non-state-owned capital, which includes private capital. The dominant role of state-owned capital includes providing guidance and imposing restrictions, and is thus clearly at odds with the category of fair competition. Second, the development and growth of public capital is determined by the overall interests of the society in which the working people predominate. These overall interests are safeguarded mainly through the people’s democratic dictatorship, rather than by a so-called free and fair competition between public and private capital that requires abandoning the people’s democratic dictatorship.

(3) Confusing competitive market relations of a different nature. Where competition in the simple circulation of commodities is concerned, Marxist economics reveals that there is an equal power to evaluate the owners of the commodities involved by the measure of the value of these commodities. In the field of competition in the circulation of private capital, there is an equal social power to evaluate the owners of capital by the same measure of “equal profits for equal sums of capital,” or of the average rate of profit (Marx [1867] 2010). These two measures of equality are different. Meanwhile, in the sphere of competition within private capital, there is competition for the equal division of total profits with the working class on the basis of the average rate of profit when social reproduction and circulation are normal, but an economic crisis brings on a sharply different situation. During such a crisis, there emerges an unequal competition for distributing the loss of profits among the capitalists themselves, i.e., large capitals swallow up small and medium-sized capitals. Bourgeois economics thus advocates, in a general way, fair competition in the market and the use of this competition to realize the effective allocation of social and economic resources. This mixes up competition in the different areas of the circulation of commodities and the circulation of capital, while also misinterpreting the competition within the circulation of capital. With this
argument involving market competition, bourgeois economics puts forward an unscientific position that is absurd and extremely deceptive. Using this bourgeois-economic argument of equal market competition to describe the market competition between public and private capital as “equal” confuses the competition between public and private capital that occurs in different fields of circulation. The equal competition between public and private capital in the field of simple commodity circulation, when both sides are sellers of commodities, is confused with the “antagonistic contradiction of different relations of production between public and private capital in the sphere of capital circulation,” which involves the struggle of one side to overcome the other. In reality, the market competition between public and private capital is essentially competition between the working class and the bourgeoisie, and between the two opposing relations of production, socialism and capitalism, to decide who will occupy and control the market. To describe the market competition between public and private capital as equal competition in the market confuses the contradiction between the two systems of ownership with the conflicts between different capitalists who compete within private capital for the average rate of profit.

(4) Perpetuating the stage of public and private capital that has them “developing together.” The *Manifesto of the Communist Party* summarizes the entire theory of the communists as the “abolition of private property.” Given that the CPC’s historical task at the present stage is subject to this longer-term goal, the “developing together” of “diverse forms of ownership” expressed in the basic socialist economic system obviously refers to a certain period of time, and in no way means that public and private capital should coexist permanently. To interpret it in that fashion would be to abandon the great strategic goal of abolishing private ownership. The market economy will not exist forever. To understand the market economy only in terms of the circulation of capital is tantamount to understanding the market economy as the private economy, while understanding it only in terms of the circulation of commodities amounts to denying the production dimension of the social economy. Both of these positions are extremely one-sided.

6. The Uniformity and Antagonism of the Contradictions between Public and Private Capital in Terms of Their Role in the Social Economy

To guide the healthy development of various types of capital, it is necessary to recognize the historical role played by various types of capital in the economic development of contemporary China. It is only by understanding the uniformity of
the various types of capital that we can scientifically coordinate their relations and mobilize their potential for the construction of a socialist economy with Chinese characteristics, and it is only by understanding their antagonism that we can determine the position and functional scope of capitals of different natures in socio-economic relations, with a view to reducing the potential for conflicts between them. Correctly analyzing and dealing with the uniformity and antagonism of the contradictory relations between public and private capital is thus of great importance.

6.1. The Uniformity of the Contradictions between Public and Private Capital

(1) The uniformity of the contradictory relationship between public and private capital as seen in modern Chinese history. Private national capital was once an ally of China’s New Democratic Revolution. In the old China, private national capital had a sharply different character compared to private comprador capital. Private national capital played a dual role in society, and although it was exploitative in nature, it fulfilled a progressive function in the country’s development. It arose in response to the needs of social and economic development during the historical stage of the decline of the feudal system and natural economy. The productive enterprises of the national capitalists, including the cotton mills and cotton bases of Zhang Jian, the flour mills and textile mills of the Rong Zongjing and Rong Desheng families, the shipping industry of Lu Zuofu, the Yongli Alkali Company of Fan Xudong and Hou Debang, and so on, were almost all oriented toward items of consumption needed by the common people of China. The rise of Chinese national capital promoted the industrial and commercial development of the country’s national economy, facilitated the social division of labor, and was conducive to the progress of Chinese society. Unlike the comprador bourgeoisie that served foreign capital, the national bourgeoisie, though exploiting the working class, was the target of oppression by foreign imperialist capital, and was an ally of the New Democratic Revolution led by the CPC. Of course, the class position of the national capitalists and the strength of their capital determined their dual nature, i.e., a certain revolutionary character and within the revolution, a vulnerable status. In 1956, based on the objective requirements of the socialist revolution, the CPC adopted a policy of taking over national capital, through steps such as monopolization by the state of the purchase and marketing of the products of private enterprises; the state providing materials for private enterprises to process, or placing orders with these enterprises; and public-private partnerships. Measures to resolve the contradictions among the people were taken to deal with the originally
antagonistic contradictions between the national bourgeoisie and the working class, and the socialist transformation of the industry and commerce of the national capitalists were carried out. This transformation recorded a great victory, guiding the peaceful transformation of national capital into public capital. Both theoretically and in practice, it was demonstrated that a uniformity exists between public and private capital in China.

(2) At the present stage, there is still a uniformity in the role of public and private capital in socio-economic development. In the years since the socialist transformation of capitalist industry and commerce, the practice of building the socialist economy with Chinese characteristics has proved that private national capital still has a certain positive role to play in China’s socio-economic development, and that the complete elimination of private national capital at the present stage would not be conducive either to the implementation of the CPC’s correct policy of mobilizing all the positive factors for the construction of socialist modernization, or for the country’s socio-economic development in general. The fact that private capital, after being eliminated by the “transformation of the private sector,” has been allowed to recover and develop again to a certain extent does not mean that the previous “transformation of the private sector” should be repudiated. It simply means that the “transformation of private ownership” as an element in the practice of socialist economic revolution experiences twists and turns as it goes forward, having to make its way through the processes of disavowal, appropriate restoration, and then renewed disavowal until the strategic goal of the “abolition of private property” is fully realized. This is a process that combines deepening understanding and advancing practice.

The appropriate restoration and development of private capital in contemporary China is determined by the “transitional” character of the social form of contemporary China, known as the “primary stage of socialism.” Marx pointed out that “epochs in the history of society are no more separated from each other by hard and fast lines of demarcation, than are geological epochs” (Marx [1867] 2010, 374). In a “transitional” historical period, the economic factors of the old and new eras often coexist, and there is a relationship of contradiction and struggle. Practice shows that although contemporary Chinese society is described as being in the era of socialism, it has not yet reached the socialist era in the sense of having attained the goal of socialism as the first stage of communism, in which private ownership has been eliminated and commodity production has been wiped out. Rather, the present era is marked by the coexistence of diverse forms of ownership under the conditions of the people’s democratic dictatorship, and represents the era of transition to socialism as the “goal.”
such a transitional era, the establishing of the public economy as the country’s economic mainstay, the dominance of the state-owned economy, and the realization of a pattern of ownership in which diverse forms of ownership coexist all reflect the transitional nature of the period. On the premise that in contemporary China the public economy occupies the dominant position, it is conducive to socio-economic development to guide the development of national private capital to a certain degree.

In the first place, this policy will enable China’s multidimensional social modes of production to be fully utilized. Although at the present stage the public economy and its public capital are conducive to realizing the country’s overall strategic objectives, to the implementation of planning on the scale of the entire society, and to investment in advanced modes of production, the total amount of public capital is, after all, limited; it is insufficient to satisfy the requirements of the machine production mode, which is relatively underdeveloped but still usable, as well as of the workshop production mode, which is still of value. Private national capital can meet the needs of these areas not covered by public capital, and can play an important supplementary role in socio-economic development.

Second, the potential of China’s private national capital to promote socio-economic development can be utilized. (1) Private national capital has managed a certain amount of capital accumulation, and facilitating the transformation of these funds from bank savings into industrial and commercial investment aids in bringing social productive forces into play. (2) The national bourgeoisie has an economic incentive to lay stress on the education of its children, and among the strata of Chinese society, has a particularly high level of knowledge. The members of the national bourgeoisie and their descendants often possess a notable accumulation of Chinese culture and business qualities, passed down from generation to generation, and this represents a definite intellectual resource for the development of industry and commerce. (3) The enterprises of national private capital are mostly family-run, and special techniques, secret products and secret family recipes are often passed down from generation to generation. These family legacies have potential for satisfying the long-term needs of consumers, and can contribute to the sustainable development of society. (4) Compared with small-scale production and services, private national capital also tends to be flexible in its operations, being market-oriented and more ready to make changes, while also operating on a larger scale and with a higher level of efficiency.

Recognizing that a certain development of national private capital in contemporary China is conducive to socio-economic development—that is, recognizing that public and private capital still have uniformity and homogeneity—Article 6 of the Constitution of the People’s Republic of China, which deals with the fundamental socialist economic system, contains provisions that spell out the uniformity
of public and private capital. This is the epistemological premise that enhances the possibility of guiding the healthy development of national private capital.

6.2. In Contemporary China, Public and Private Capital Remains Antagonistic

The present-day uniformity of public and private capital in contributing to socio-economic development cannot negate the other side of the contradictory relationship between these categories, that is, their antagonism. Under China’s national conditions, the antagonistic contradictions between the working class and the bourgeoisie can be dealt with in the same way as the contradictions among the people, but this by no means signifies that private capital itself has changed its inherent nature as capitalist private ownership. The private capital that has emerged under the economic policy of reform and opening up still embodies the capitalist relations of production, and remains antagonistic and even confrontational with regard to the socialist relations of production embodied in public capital. The uniformity and homogeneity of the contradiction between public and private capital are conditional, while the antagonism and confrontation are unconditional.

(1) Private capital, with its aim of appropriating without compensation the surplus value created by wage workers, always involves the economic exploitation and suppression of these workers. This hinders the full development of the most active factor among the productive forces of society, that is, the labor force. This is the contradiction that exists between the working class and the bourgeoisie within private capital, a contradiction that is clearly confrontational in nature.

(2) The working class is the leading class within society, but those who work for private capital must submit to the decisions of the capitalists. The greater the share of private capital in the ownership structure, the weaker the leadership of the working class, and consequently, the weaker the foundation of communist party rule.

(3) From the point of view of the strategic goal of realizing communism, market competition between public and private capital is essentially an antagonistic contradiction in the gradual victory of socialist over capitalist relations of production, and in the elimination of capitalist relations of production.

(4) At the macro level, private capital and public capital may be in conflict, confronting one another in the organic combination of implementing planned and market regulation of the development of the social productive forces, and in the promoting of sustainable socio-economic development and common prosperity. The overdevelopment of private capital will inevitably lead, through the objective laws of the development of the capitalist
private economy, to an increase in the spontaneity of the social division of labor and the polarization of social income. This has the potential to result in an imbalance between aggregate supply and demand in the marketplace, an imbalance in the ratio of social reproduction (an imbalance in industrial structure), and even the occurrence of an economic crisis.

(5) Public capital is liable to be eroded by private capital, and this antagonistic contradiction has been manifested time and again in real economic life. For example, personnel in the public-sector economy have without authorization held concurrent posts in both the public and private sectors, and have started private economic businesses in addition to their work in public-sector enterprises and institutions, thus benefitting themselves at the expense of public interests. Meanwhile, private capital has encroached on the human resources of public capital in a variety of ways, either by inviting public officials to work part-time on a long-term basis, by poaching them from public entities at a higher rate of pay, or by allowing public officials with technical expertise to take on certain kinds of high-technology business, resulting in a loss of total labor time for the public economy.

(6) There is a tendency for certain kinds of private capital to evolve into comprador capital. With the opening of the economy to the outside world, international financial capital and transnational corporations have invested in China with a view to reaping high profits. In hopes of capturing the Chinese market and controlling Chinese national capital, they necessarily seek to cultivate agents in China. Certain elements of national private capital may be tempted, for the sake of their own advantage, to abandon their basic position of patriotism and of safeguarding national economic interests, and to turn instead to foreign financial monopoly capital and multinational corporations. The result can be to transform them into new comprador capital, with the obvious consequence that their contradictions with public capital become antagonistic.

7. Several Issues Worthy of Attention in Regulating and Guiding the Healthy Development of Capital

The purpose of recognizing the nature of public and private capital, their interrelationships, and their role in the social economy is to establish a scientific guiding principle for practical economic work, and to make guiding and regulating the healthy development of various types of capital more conscious and deliberate. Subject to the premise of complying in a uniform manner with the fundamental socialist economic system, and within the limits prescribed by law, the healthy
development of various types of capital serves the overall strategy of socialist modernization of China’s national economy. It achieves the development of each type of capital in a way that is appropriate for its own needs, takes both public and private interests into account, and benefits both employers and employees. From a practical point of view, however, there are some areas that fall short of the above requirements, and that deserve attention.

7.1. Guaranteeing the Dominance of Public Capital within Total Social Capital

Public capital embodies the relationship of ownership of the means of production. Consequently, the basic meaning of ensuring the predominance of public capital within total social capital is to insist on the predominance of public ownership in the ownership structure of society as a whole. This is the economic basis for adherence to the basic economic system of socialism, and also the basic premise for giving full play to the positive roles of various types of capital under the banner of socialism with Chinese characteristics. Only when public capital is the mainstay of the system can private national capital be freed from the oppression of international capital, and within a certain range, undergo development. Only in these circumstances can foreign capital be subjected to China’s policy of “rational utilization,” join in the unified planning of social reproduction, and serve China’s socialist modernization while earning a reasonable profit.

The fourth national economic census, however, showed that at the end of 2018 the ratio of total public to private employment in secondary and tertiary industries nationwide was 13.3% to 86.7%, and for the total number of employees nationwide, including in primary industry, it was 37.8% to 62.2% (He 2021b). This means that as measured by employment numbers, the stipulations on the structure of ownership set by the basic socialist economic system are not being upheld, and that public ownership no longer dominates. According to Marxist economics, the distribution relations of the conditions of production, which are also the relations of ownership of the means of production, “determine the entire character and the entire movement of production” (Marx [1894] 2010, 866). In recent years, the structural imbalance and widening income gap that have appeared in China’s macroeconomy, and that resemble the economic movement under capitalism, have been linked to a serious weakening of the public economy. The basic reason for this is precisely that the movement of public capital has lost its dominant position in the overall movement of the national economy. President Xi has pointed out that

some areas and some people became well-off first after the reform and opening up, while the income gap has gradually widened, and some undue accumulation of wealth has brought risks and challenges to the healthy operation of the economy and society. (Xi 2022b)
He has also proposed that “the implementation of the job-first policy in the pursuit of high-quality development should be strengthened. Employment is pivotal to people’s well-being” (Xi 2022b). To satisfy the requirements in this regard, it is necessary to revitalize public ownership and to expand public capital investment, not only in state-owned capital, but also in urban and rural collective industrial and commercial capital. There is an argument that if urban employment is to be expanded, the private economy, i.e., private capital enterprises, should be vigorously developed, but this is a false position. Marx demonstrated firmly that capital accumulation inevitably produces a relative surplus of population, and that the development of private capital presupposes the creation of an unemployed population (Marx [1867] 2010, 623–628). Therefore, it is only by revitalizing the public economy that we can put “strengthening the implementation of the job-first policy” into practice. Based on the assumption that the ratio of the organic composition of state-owned and private capital at this stage is 5 to 1, the author believes that from the perspective of the paid-in capital of enterprises, state-owned capital should account for at least 78% in order to ensure that employees in the public sector account for more than 50% of the total (He 2014, 105–110). Therefore, there is still a lot of work to be done to expand the share of public capital in social capital as a whole.

7.2. Giving Effective Play to the Dominant Role of State-Owned Capital

The basis of state-owned capital is state-owned industrial capital, which is also the paid-in capital of state-owned enterprises in the real economy. Only by improving state-owned enterprises can state-owned capital, and thus the power of the state-owned economy, be strengthened. In July 2015 President Xi Jinping, while conducting an inspection in Jilin, pointed out that “state-owned enterprises are the backbone of the development of the national economy. We should have institutional confidence in state-owned enterprises.” In September 2015, the CPC Central Committee and the State Council released the “Guidelines on Deepening the Reform of State-Owned Enterprises,” which detailed the requirements for “making state-owned enterprises stronger, better and larger.” It now appears, however, that under the influence of Western neo-liberalism the “privatization” of state-owned capital is still being covertly promoted. In the reform of the state-owned enterprise system, for example, the introduction of individual shareholding by leading cadres and technicians has not only transformed state-owned capital into private shares without any scientific justification, but has also severed the relationship between the leaders and technicians and the mass of workers. Due to the relaxing of ideological and political education by the CPC in state-owned enterprises, the fine traditions of China’s state-owned enterprises, such as making vigorous efforts to expand production while practicing economies; relying on the
masses to carry out technological innovation and to collaborate in the transformation of technology; and popularizing the exemplary practices of the “Charter of the Anshan Iron and Steel Company” have not been able to develop in a healthy manner. These negative trends must be corrected.

There is much that needs to be actively explored and practiced if full play is to be given to the dominant role of state-owned capital, guided by the fundamental principles of Marxist political economy, in the movement of total social capital. For example, through raising the labor productivity of state-owned capital itself and by applying fiscal and financial measures, the rate of accumulation of state-owned capital can be increased in an integrated manner, and its ability to play a dominant role can be enhanced. The macro-management of total state-owned capital can be improved, and corresponding centralized management agencies can be established in line with the objective requirements of the three forms of capital in general (i.e., money capital, industrial capital, and commodity capital) and of their patterns of circulation, at the same time as the unified general circulation constituted by these three circulations is strengthened. In the process of formulating and implementing the national economic development plan, it is necessary to optimize the rational arrangement of state-owned industrial capital, and to insist on the development of wholly state-owned enterprises in strategic industries such as national defense and important infrastructure. It is necessary to increase the investment of state-owned capital in the development of high technology and new technology in general, and to organize collaboration within the national economy, with the state-owned enterprises as the center, so as to help resolve difficult problems encountered in the process of developing cutting-edge scientific and technological products that are subject to independent intellectual property rights. Finally, it is necessary to transfer the provision of goods and services related directly to the daily needs of the broad mass of the people, such as housing, running water and salt, to wholly state-owned capital.

7.3. Governing the Disorderly Development of Private Capital

Leaving aside the newly-emerged comprador capital, the total amount of private national capital and foreign capital in China has now exceeded the total amount stipulated in the ownership structure, with the main reason being the rapid growth of private capital.

Excessive development is actually a quantitative as well as a qualitative manifestation of disorderly development. First, many small and medium-sized private enterprises are having difficulty in maintaining their capital turnover. This is due not only to external factors, specifically, the imbalance in the macroeconomic structure (which in turn is the result of the over-representation of private ownership), but also to the internal mismanagement of private enterprises. Second,
certain elements of private business resort to employing foreign capital. In some cases, the individuals and firms involved act as agents of foreign financial monopoly capital within China, behaving as “big capital players,” speculating on the stock market, disrupting the capital market, monopolizing the real estate industry and certain pharmaceutical industries, and harming the Chinese people. This kind of capital has in fact turned into comprador capital, and some of it has already been severely sanctioned by China in accordance with the law. In various instances, private capital of this type pays no heed to national interests, and shows a tendency to rely on foreign capital either explicitly or implicitly. Third, and as a result of the very nature of the pursuit of profits by private capital, it is hard to completely prevent the appearance on the market of “counterfeit and shoddy” products that are harmful to the economic interests of consumers. From this, it is clear that governing the disorderly development of private capital both qualitatively and quantitatively is an objective requirement if private capital is to develop in a healthy fashion.

Broadly speaking it is once again necessary, under the new historical conditions and in accordance with the new requirements, to apply the policy of “utilization, restriction, and transformation” to private national capital. Adhering to the principle of public ownership as the mainstay of society, we should give full play to the positive role of private national capital in socio-economic development. At the same time, we should also control the disorderly development of private national capital, which must also be transformed and guided along the path of socialism. Meanwhile, what should be done about the fact that private national capital has developed to an excessive degree relative to the ownership structure? One course is to reduce the relative volume of private national capital by accelerating the development of public capital, while another is to guide and assist private national capital in shifting, under certain conditions, to the public economy. Imbalances have appeared in the macroeconomic structure, since a great deal of private capital is experiencing difficulties in capital turnover, and needs the help of state finance and state-owned banks to overcome these difficulties. Also, the coordinated development of urban and rural areas and the expansion of employment both require the development of collective industry and commerce, and large and medium state-owned enterprises need to develop small and medium-sized enterprises to provide supporting services. Guiding the transformation of private capital into the collective economy of urban and rural industry and commerce is therefore necessary both for the revitalization of the public economy, and for solving the difficulties encountered by private capital in its operation. Of course, implementing such a transformation requires a strengthening of ideological and political guidance for the owners of private capital enterprises, most of whom are capable of accepting this guidance. In particular, it must not be forgotten that the
vast majority of private enterprises in China have been formed since the 1980s, as a result of the policy through which public enterprises have been “restructured” and privatized. Returning to the public economy now is simply a matter of negating the negation.

7.4. Strengthening Control over the Quality and Quantity of New Foreign Investment

In reasonable quantities and subject to definite conditions, the introduction of foreign capital can, to an extent, take advantage of the marketing channels of foreign capital, enhance knowledge of how advanced scientific and technological methods are used in foreign industries, and aid in the understanding of foreign economic management experience. All this is beneficial to the development of the national economy. However, since foreign capital is private capital, it has the profit-seeking nature of private capital. For example, the National Bureau of Statistics has announced that “the profits of industrial enterprises above a designated size increased by 66.9% year-on-year from January to June 2021, with an average increase of 20.6% over the past two years,” which is very gratifying from the point of view of the total amount. From the point of view of the distribution relations of the total profit, however, the picture is less pleasing. Consulting the profit distribution data published in this report, the author found that of the total profit, domestic enterprises accounted for less than 3/4 (72.9%), of which the share of domestic enterprises in the public sector was less than 1/2 (44.06%), while more than 1/4 (27.1%) of the profit was taken by foreign investors (He 2021a). This is a situation that deserves attention. Even if there is a shortage of monetary capital, the massive introduction of foreign capital will inevitably create hidden dangers, because foreign debt must always be repaid, and there is also the danger of adverse shifts in foreign exchange rates. It should not be forgotten that Marx revealed the scientific principle of economics according to which private capital is all surplus value; consequently, the purpose of foreign capital to invest in China is to extract surplus value created by China’s wage workers. In this sense, the introduction of additional foreign capital means that more surplus value is provided by China to foreign capitalists. In particular, much of the foreign capital is that of international monopoly capital firms or multinational corporations, which invest in China with the aim of earning profits in excess of the international average, and of taking over the Chinese market. Consequently, the introduction of foreign capital should be carefully planned and justified; if this capital offers nothing in terms of acquiring advanced foreign management experience or advanced science and technology, it is better not to introduce it. We must not believe in the theories of the “free movement” of international capital, and of the “spillover effect” of foreign investment in high
technology, that are advocated by neo-liberal economics. If China is to master the world’s most advanced high technology, it can only rely on hard work and self-reliance. From the perspective of macroeconomic operation, once foreign capital is introduced it will join in the reproduction and circulation of the total social capital, so the total amount must be controlled in a planned manner; otherwise, the excessive influx will inevitably destroy the ratio of the industrial structure of social reproduction. It must be observed that among some of the leading cadres currently in power, there indeed exists a tendency to blindly introduce foreign capital. Some people seem to have forgotten that the essence of the foreign capital introduced by multinational corporations is the relations of production of monopoly capitalism. Such people seem to have lost all their consciousness of the need to maintain national economic independence and autonomy. They even admit foreign monopoly capital into China’s financial institutions, as well as into the areas of urban water supplies, salt production, foodstuffs and other important fields related to the people’s livelihood. This is very dangerous and must be resolutely corrected!

7.5. State-Owned Capital Must Be Guaranteed Control of the National Financial System

Giving state-owned capital control of the national financial system means that the “own funds” (or the “capital fund”) reflecting “owner’s equity” on the central bank’s balance sheet must be made up entirely of state-owned capital. It is only in this way that the central bank—whose economic activities include issuing currency, managing the State Treasury, implementing monetary and monetary capital credit policies for the purposes of macroeconomic control, regulating the monetary reserves of the entire social banking system, and handling external financial relations and other functions—can employ the power of state-owned capital to exercise the ownership and operation rights and economic functions of the people’s democratic dictatorship. At the same time, the central bank’s regulation of the financial economy of society as a whole must be carried out through banks at all levels and of all types, so that a coherent banking management system can be created. The problem now is that in the course of reform of the financial system, a certain category of “private banks” (i.e., banks controlled by private capital) has been created. Some of the formerly state-owned banks at the grass-roots level, after incorporating a considerable portion of foreign and private capital, have been transformed into joint-stock banks with foreign participation. Control over financial institutions in the capital market, such as securities firms, has been loosened, and foreign investment holdings have been permitted. This inevitably affects the unified management by the central bank of the financial system of the whole society.
In addition to the problems associated with the diversification of capital ownership in grass-roots banks, the guiding ideology is being downplayed, and pressures are even being mounted for abandoning the guidance of Marxist financial theory. Instances of these trends include calls for so-called “financial deepening” (essentially, financial privatization); for “financial innovation” (effectively, the creation of financial derivatives intended to delay the eventual eruption of credit payment conflicts); for “free movement of capital” (i.e., advocating that China should liberalize the RMB capital account and allow international capital to enter and leave China freely, which in practice would allow powerful foreign financial capital to take over China’s financial market); and for other measures. These proposals, which amount to advocating the implementation of modern Western bourgeois neo-liberal financial theories, are extremely corrosive to China’s financial system controlled by state-owned capital. China’s social system is founded on the people’s democratic dictatorship, and in the field of financial management, we must protect and reinforce the guiding Marxist ideology. This ideology of financial management is integral to the scientific exercise of the country’s economic functions, and is the lifeblood of the national economic movement. We must defend it, and not surrender submissively to foreign financial monopoly capital. In *Capital*, Marx revealed at a profound level the important principles that govern the movement of money and capital from the point of view of the reproduction and circulation of the total social capital. He pointed out that developed commodity production, “whether considered socially or individually,” presupposes “capital in the form of money, or money capital, both as the *primus motor* of every incipient business, and as its continual motor” (Marx [1885] 2010, 353; italics in the original). He further explained that there is a law of return of money for the reproduction and circulation of total social capital; according to this law, the movement of total social capital is normal or healthy when money and money capital lent by the central bank can return to it within a certain period of time (He 2017). This tells us that the national financial system, with the central bank as its key institution, plays the role of “the *primus motor* and continual motor” for the movement of total social capital, and that the central bank’s ability to follow the law of the return of money is a barometer for observing normal social reproduction and circulation. Therefore, the country’s entire financial system must be composed as a whole of state-owned capital, with ownership controlled by the people centered on the working class.

In short, the need is for adherence to the basic socialist economic system, in which public ownership is the mainstay, and for the country’s financial system to be controlled through the use of state-owned capital. These are fundamental strategies for confronting systemic financial risks.
Notes

1. Capital in this quotation refers to capital employed in the capitalist mode of production; the quotations from Marx’s *Capital* that follow all refer to this capitalist private capital, and will not be noted separately.

2. Value is the condensation of abstract human labor, and surplus value is self-expanding value; therefore, surplus value is also the condensation of abstract human labor, and is a kind of wealth in the abstract.

3. The “meaningless form” in the quotation is a direct translation from the original German text. In the Russian version, the term used can be understood as “the irrational form.”

4. In the German version of *Capital*, vulgar economics is referred to as *die Vulgärökonomie*.

5. In 1983 the economist Jiong Zhuo put forward the concept of “socialist capital” as distinct from capital, arguing that “capital is the basis of capitalism, and socialist capital is the foundation of socialism. As for the capital fund, I take it as the general category of capital and socialist capital” (quoted from Li 2000, 130). Since then, similar concepts of “capital under the public ownership” have been proposed.

6. The “labor rent” in the quotation is an ancient form of land rent.

7. Analyzing the social relations of people engaged in the production process, Marx reveals that the development of human society will pass through three great forms, i.e., of “relationships of personal dependence,” of “personal independence based upon dependence mediated by things,” and of “free individuality, based on the universal development of the individuals and the subordination of their communal, social productivity, which is their social possession” (Marx [1857–1858] 2010, 95).


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