

Historical Retrospect and Prospect: Research on the Development of State-owned Economy

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ABSTRACT

Throughout the dynasties, China has implemented state monopolies in high-profit industries to protect the country's political stability, military spending, and basic people's livelihood. From a historical perspective and the current development of China, the state-owned economy will exist in China for a long time. This has its historical foundation as well as its practical needs.

Keywords: *Historical retrospect, Prospect, State-owned economy.*

1. INTRODUCTION

There have been four prosperous times in the entire Chinese history. In the 8th century BC, the "Prosperity of Chengkang" was the earliest peace and prosperity in Chinese history. At that time, China had entered agricultural rotation, with a substantial increase in productivity, and the people's living standards were significantly higher than those in the world. In the first century BC, the "Government of Wenjing" was the second prosperous era, during which the treasury was sufficient, the people were prosperous, the military was strong, and the people lived and worked in peace and contentment. In the 7th century AD, the "Kaiyuan Prosperity" of the Tang Dynasty was the third prosperous era. This was the most prosperous and prosperous era in Chinese history. It was also the pinnacle of China's historical development. Its military, economic, technological, and cultural aspects far surpassed all of the world at that time. The country was the world's economic and cultural center; The fourth prosperous era was the "Prosperity of Yongle" that appeared in the 14th century. At this time, China was strong. During Zheng He's voyages to the West, he brought wealth, technology and culture to the countries along the route, but did not plunder the countries and people along the route. It also demonstrated the national characteristics of the Chinese nation that loves peace. These four prosperous ages are all characterized by the country's peace and security, the country's prosperity and the people's affluence,

and the country's strength and the culture's flourishes. Economically, there has been a phenomenon of state intervention in the economy. The four flourishing ages in history are all separated by about 700 years. According to the law of history, can China in the 21st century move toward a flourishing age again? How will the state-owned economy develop?

2. STATE-OWNED ECONOMY THEORY

Article 7 of the Chinese Constitution: "The state-owned economy, that is, the socialist economy under ownership by the whole people, is the dominant force in the national economy. The state guarantees the consolidation and development of the state-owned economy." Deng Xiaoping insisted that China should take the dominant position of public ownership, take the road of common prosperity, and avoid polarization[1].

From 1929 to 1933, the Western world fell into a severe economic crisis, and the people's calls for the government to regulate the economy became louder, and there was a trend of state interventionism. The well-known British economist Keynes systematically put forward the theory of state intervention in the economy, urging to expand government functions to intervene and make up for the lack of effective demand, and to achieve full employment. State interventionism has become the mainstream social management theory. Western

countries' public management function systems have also undergone large-scale adjustments, using nationalization as an important way to regulate the economy, solve market failures, and overcome crises. Among them, the most typical case is Roosevelt's New Deal, which promoted state intervention in the economy in many ways. Although the state-owned economy has been questioned and controversial in Western countries, all countries have developed a state-owned economy and play an important role in the country's economic development.

China's state-owned economy is the leading force of the national economy and plays a leading role in the overall social and economic development. It plays a leading role in the overall socialist economic construction with Chinese characteristics, and is the country's economic lifeline. The state-owned economy is a special type of economy under the socialist system, which gathers the maximum amount of natural and human resources required for social and economic development, including wholly state-owned enterprises, state-owned capital holding enterprises, and state-owned components in a mixed-ownership economy[2].

3. THE DEVELOPMENT OF THE STATE-OWNED ECONOMY IN THE PAST DYNASTIES

In the 8th century BC, Guan Zhong implemented economic reforms, which was also the most successful economic reform, which was called "Keynesianism" of more than two thousand years ago. He divided all social strata into four classes: sergeant, peasant, craftsman, and merchant and managed them according to their occupations; he implemented "relaxing the micro-level and controlling the macro-level", involving systemic overall reforms in multiple areas such as industry, taxation, and prices, encouraging consumption internally, and "stopping war with business" externally. Among them, the salt and iron franchise was the most important institutional innovation. As a classic mode of state intervention in the economy, it effectively protected the centralization system economically.

Shang Yang was the originator of the command-type planned economy and the founder of the Chinese-style centralized power system. Shang Yang's Reform had gone through the three stages of "farming", "military war" and "centralization" for 23 years. He built Qin into a

highly disciplined and efficient war machine. Shang Yang emphasized agriculture and restrained business, and implemented private land ownership to stimulate the people's enthusiasm for farming; the marquee system encouraged sergeants to be brave and gain fame and wealth; the system of prefectures and counties broke the enfeoffment and hereditary system and became the basic system of decentralization of power between the central and local governments. Economically, he believed that "powering the country" and "enriching the people" are opposites, and that the people are prosperous, and there is no driving force to move forward; ideologically, he implemented a policy of fooling the people and believed that the people should not have the ability to think. Shang Yang's ruling thought has been influential to this day: "powering the country" is superior to "enriching the people"; ordinary people should not be too rich, let alone thinking.

Emperor Wu of the Han Dynasty sent officials to the localities politically to strengthen centralization; ideologically "rejected a hundred schools of thought and respected Confucianism"; strengthened the military diplomacy and proactively attacked; Economically, he promoted reforms in industry, circulation, and taxation, and nationalized resource industries such as money casting, salt cooking, iron smelting, and wine making; in circulation, the "reporting order" and the "calculating order" were implemented, and taxes were levied on the property owners. These series of reforms made the Han Dynasty the most populous and centralized country in the world at that time. The advantages of its state-owned economy had been prominent, but the negative effects had also increased. Therefore, there are inherently famous "Sang Hongyang's Questions": If it is not state-owned, where does the state's money come from? How does the country fight? What about local separatism? This problem continues to this day and is also the basic source of the development of the state-owned economy.

Wang Mang was the first socialist to reform. He reformed to improve unfairness. At that time, the pualu economy was rising, the state's power to control society was weak, and the collusion between officials and businessmen appeared to subvert the central government. In order to crack down on the family economy and strengthen centralization, Wang Mang carried out reforms in three areas: finance, currency, and land. Among them, he tried to nationalize the land, but ultimately failed.

At the beginning of the Tang Dynasty, the resource industry was left to the private, and agricultural taxes and tariffs were also very low; the six-part system was implemented to streamline administrative staff; the rich were taxed to raise officials; local finances provided money to raise soldiers. The Tang Dynasty is the most prosperous dynasty and smallest government in Chinese history. However, after the "An-Shi Disturbances" a series of state monopoly and centralized measures began to be implemented.

The Wang Anshi Reform was an important turning point in history, turning China from a confident and open country to a closed, cautious country. The Song Dynasty exercised state control in resource-based, necessary, and violent industries, and authorized operations of monopoly resources; for those industries that were scattered, difficult to control, and profitable, they were completely liberalized, and the tax burden was very low, resulting in unprecedented development of private production and trade. The Wang Anshi Reform is a reform involving government institutions, industries, prices and circulation, and finance. Its reform is more important than any previous reform. It is also the last constructive exploration and overall supporting system reform in Chinese history.

During the Ming and Qing Dynasties, the economy stagnated, closed to the outside world, and implemented a small peasant economy internally, forming an ultra-stable structure of economic self-sufficiency and social rotation, which led to China's decline. In the industrial and commercial sector, collusion between officials and businessmen had become the only development direction. The franchise system had become more and more strict, and Shanxi merchants, Hui merchants, and Guangdong thirteen industries all prospered as a result, resulting in more insecurities with the increasing fortune, which has affected so far.

The modern Westernization Movement was the beginning of China's exploration of industrialization, but it did not involve fiscal, currency, and land policies, nor was it a universal economic revitalization movement. The government was afraid of losing control of the economy, and forcefully nationalized the well-developed enterprises and railways at the time, forming a "state advances and the people retreat", which also stimulated social conflicts and ultimately led to the demise of the Qing Dynasty.

The Republic of China implemented state capitalism, developed the state-owned economy, controlled private capital, and centralized political and economic power, but ultimately lost the trust of entrepreneurs and the people and failed.

4. STATUS OF STATE-OWNED ECONOMY AFTER THE FOUNDING OF THE PEOPLE'S REPUBLIC OF CHINA

After the completion of the three major socialist transformations and before the reform and opening up in 1977, the state-owned economy occupied an absolute dominant position in the national economy. State-owned industries accounted for more than 80% of total industrial output from 1958 to 1975, and reached more than 90% in 1960, 1965, and 1966. The proportion of the number of employed persons in the state-owned economy in the total employed persons in urban units has basically remained above 75% [3].

From the beginning of reform and opening up to the period when the economic system was basically determined (1978-1996), the state encouraged the development of the non-public economy, and the state-owned economy gradually withdrew from some economic fields. During this period, the proportion of state-owned industry in total industrial output gradually decreased from 80% to more than 30%, and the proportion of state-owned economic employment in total employment in urban units also gradually decreased from more than 80% to 36.3% in 1996 [4].

Since the establishment of the basic economic system in 1997, the non-public ownership economy has developed rapidly. The number of state-owned industrial enterprises dropped from 64,737 in 1998 to 22,072 in 2020, while the number of private industrial enterprises increased from 10,667 in 1998 to 286,430 in 2020 ("Figure 1"); State-owned industrial assets increased from 749.1627 billion yuan in 1998 to 50,046.095 billion yuan in 2020, while private industrial assets increased from 148.698 billion yuan in 1998 to 34,502,279 million yuan in 2020 ("Figure 2"); The number of employees in state-owned industries fell from 37.477 million in 1998 to 13.828 million in 2020, while the number of employees in private industries increased from 1.608 million in 1998 to 35,743,600 in 2020 ("Figure 3").

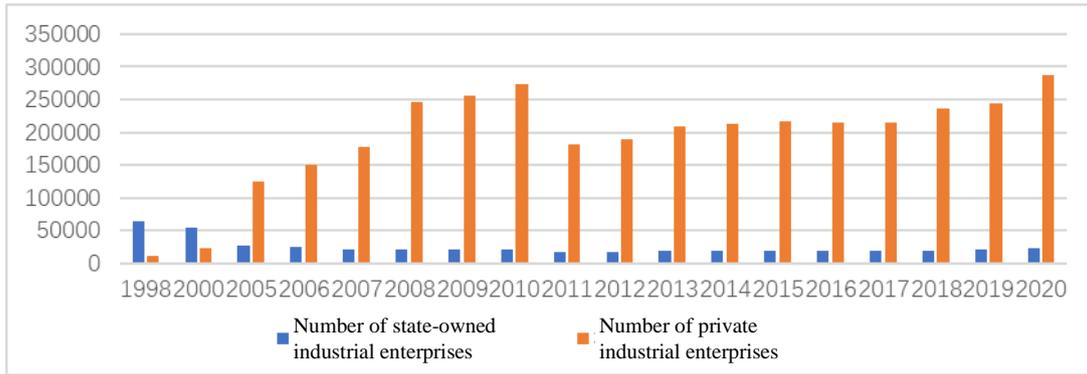


Figure 1 Number of industrial enterprises.

a Data source: "China Statistical Yearbook (2021)".

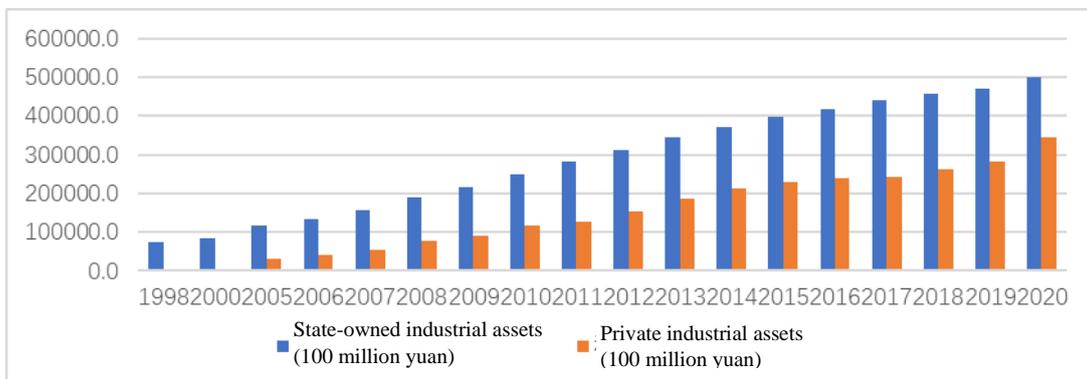


Figure 2 Assets of industrial enterprises.

a Data source: "China Statistical Yearbook (2021)".

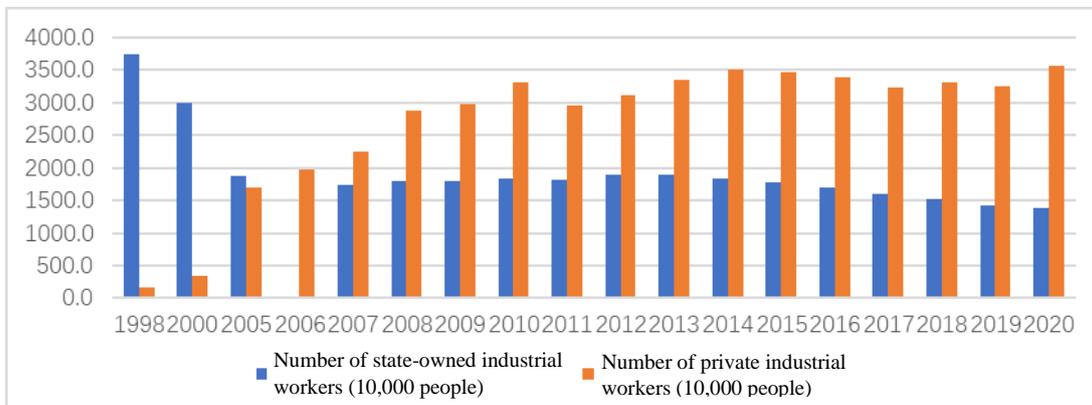


Figure 3 Number of employees in industrial enterprises.

a Data source: "China Statistical Yearbook (2021)".

5. CHINA'S STATE-OWNED ECONOMY IS IN EFFECTS

The development of the state-owned economy is an inherent requirement of specific national conditions and development stages in China. It is an important measure to eliminate exploitation, eliminate polarization, and ultimately achieve common prosperity[5]. It is an important guarantee

for the healthy development of the national economy. The role and functions of the state-owned economy in the construction of a socialist market economy are shown in:

First, the state-owned economy is the function of ensuring the socialist nature and ideology of China. The state-owned economy strongly controls and involves industries such as national livelihoods,

national security, natural monopolies, and important public service products; second, the state-owned economy has the function of correcting market failures and making up for market deficiencies. The pursuit of maximum benefits by capital will lead to market failure. At present, China's market economy is still immature and its self-coordination ability is low. Especially in high-risk industries with large investment scales and long return periods, the solution can only be solved by the state-owned economy. There are certain cyclical fluctuations in the market economy, and the macro-control of state-owned economic forces can effectively curb economic fluctuations. Finally, the state-owned economy has a strong function of driving and coordinating radiation. The enterprises of the state-owned economy are huge in size and high-level in science and technology, and they have a strong role in driving and demonstrating radiation. The state-owned economy can carry out industrial and regional layout according to the will of the country, which has a huge effect on reducing the economic gap between the east and the west and coordinating the economic development between regions[6].

6. FUTURE DEVELOPMENT TREND OF STATE-OWNED ECONOMY

6.1 China Will Firmly Develop the State-owned Economy

With the establishment and improvement of the socialist market economy system, the proportion of the private economy in the national economy and employment are constantly increasing, and it plays an increasingly important role. Although the state-owned economy has many problems, its leading role and core position remains unchanged. At the

Third Plenary Session of the Eighteenth Central Committee of the Party, it was emphasized that "it is a must to unswervingly consolidate and develop the public sector of the economy and adhere to the dominant position of public ownership." The state-owned economy is the foundation for the healthy development of China's economy, an important guarantee for social harmony and stability, and the foundation of the party's governance. It has a special status and role. In 2017, Comrade Xi Jinping pointed out in the report of the 19th National Congress that realizing the great rejuvenation of the Chinese nation is the greatest dream of the Chinese nation since modern times. The economic foundation, the development of the state-owned economy is its solid foundation.

6.2 The State-owned Economy Will Occupy Monopoly Industries for a Long Time

China has monopolized profiteering industries in the form of "salt and iron monopoly" in the past dynasties. Today, the state-owned economy that will continue to operate as a state for a long time will continue to dominate the profiteering economy. According to statistics in 2021, the number of state-controlled industrial enterprises is less than one-tenth of that of private enterprises, but their assets are 1.5 times that of private industrial enterprises, while the revenue, profit and number of employees of state-owned industrial holding enterprises are about half of those of private industrial enterprises. ("Table 1") The tobacco industry is a state-owned profiteering industry. In 2020, China Tobacco paid more than 1.2 trillion yuan in taxes. This tax alone is greater than the amount of the national defense budget in China that year.

Table 1. Number of employees in industrial enterprises

	Number of industrial enterprises	Total assets (100 million yuan)	Operating income (100 million yuan)	Total profit (100 million yuan)	Average number of workers (10,000 people)
State-owned holding enterprises	22072	500461.0	279606.8	15346.1	1382.8
Private enterprises	286430	345022.8	413564.0	23800.5	3574.4

a Data source: "China Statistical Yearbook (2021)".

6.3 State-owned Economic Enterprises Will Be Deployed in Basic and People's Livelihood Industries for a Long Time

At present, China is striding forward to the ranks of moderately developed countries. The state-owned economy is a manifestation of the will of the country. It does not fully pursue the principle of

maximizing benefits. For more than ten years, the revenue of the state-owned economy has continued to expand, but profits have not increased year-on-year. ("Figure 4") In the future, the state-owned economy will be deployed in the country's basic or strategic projects for a long time, and become the main focus of strengthening the overall national strength, promoting social development, and

ensuring and improving people's livelihood. Under certain circumstances, the economic nature of the state-owned economy needs to be transformed into a social one and play a special role, such as overseas evacuation, domestic disaster relief, and hte functions of making up for the market failure.

Especially during the fight against the COVID-19 epidemic, state-owned enterprises acted swiftly and produced various anti-epidemic materials not for profit, which highlighted the special ability of the state-owned economy to respond to the crisis.



Figure 4: State-owned industrial revenue and profit [data source: "China Statistical Yearbook (2021)"].

7. CONCLUSION

The Chinese have always followed the laws of historical development and learned from historical experience that the state-owned economy has its special mission at different historical stages, and the national economy will exist for a long time, laying a solid foundation for the country's development. The "Sang Hongyang's Questions" are actually not questions, but a commentary on state governance and development of the state-owned economy.

AUTHORS' CONTRIBUTIONS

Bingquan Ren is responsible for the topic selection, structure of the essay, research focus and revision. Zhiquan Yang wrote the manuscript.

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