



On the Historical Evolution of Ownership in China

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Abstract: The issue of ownership is the fundamental problem related to the social nature of a country. The key to China's success in developing a market-oriented economy while pursuing the socialist path lies in its persistence and innovation in the reform of ownership structure. On the whole, the evolution of ownership structure in China can be divided into three stages as transition, exploration and breakthrough. It can be found that throughout the evolution course that China's ownership structure adjustment is a process with twists and turns and constant improvement, which is the inevitable result of consciously adjusting production relations according to the actual development of China's productive forces by the Communist Party of China, and also a successful model of the combination of Marxist ownership theory and China's reality. As China enters a new stage of development, the public sector, especially the state-owned sector, remains the backbone of the economy and society, while the non-public sector, especially China's private sector, will play an irreplaceable role more than ever before. We will continue to adhere to the "two unswerving" policies, continue to adjust and gradually improve the ownership structure, and encourage economic entities with different ownership properties to form synergy and jointly promote high-quality economic development.

Keywords: ownership structure, ownership reform, socialist market economy, basic economic system

Ownership structure is the core of ownership theory. The so-called ownership structure refers to the proportion of economic components with different ownership properties in the entire national economy^[1]. Ownership structure reflects the status of different economic development subjects in the national economy and their mutual relations^[2]. At present, China has formed an ownership structure with "A basic economic system in which public ownership plays a dominant role and various forms of ownership develop side by side", which is the theoretical result of the CPC following the law of economic and social development in practice and unremitting exploration after setbacks and failures. Sorting out the historical context of the evolution of China's ownership structure can help us deeply understand China's adherence to and innovation in following the path of socialism with Chinese characteristics under the leadership of the Communist Party of China, and provide experience and inspiration for us to give full play to the significant advantages of the socialist system while promoting high-quality economic development.

1. Transition period: stage of coexistence of economic components of various ownership (1949—1956)

When the People's Republic of China was founded in 1949, the conditions for building a socialist country in all aspects were not yet mature, and it was necessary to go through a transitional stage before entering a socialist society^[3]. During the transition period, China's economic composition was complex, including socialist economic composition, capitalist economic composition, and a large number of scattered small-scale production economic entities. The ownership structure is characterized with a distinct new democratic nature. This stage can be subdivided into two periods:

1.1 National economic recovery period (1949—1952): coexistence of multiple economic components

In the early days of the founding of the People's Republic of China, many things were waiting to be done. In order to restore production and develop the economy as soon as possible, the Party and the government allowed economic components of various forms of ownership to coexist in the society, and under the adjustment of state policies, they worked together for common development. On the one hand, by confiscating the bureaucratic capital and transforming it into a state-run economy, the government quickly established a socialist public economic component, thus controlling the national economic lifeline. On the other hand, the government encouraged, assisted and supported the development of national capitalist industry and commerce, which is conducive to economic prosperity and social stability, and guided them to play a role in the recovery and construction of new China. Recovery period of national economy, all kinds of ownership economy in the position in ownership structure and no obvious between primary and secondary (see chart 1), in the national total gross

industrial output value and the social commodity wholesale two indicators, the state-owned economy is quite high, 52.8% and 60.5%, respectively, but in the field of social commodity retail, private economy accounted for 57.2%. It exceeds the proportion of state-owned and cooperative economies. The ownership structure with the coexistence of various economic components of ownership was in line with the reality of China's economic recovery during this period. While stimulating the enthusiasm of private economy for production, it accumulated strength for the development and expansion of public economy and enabled the national economy to quickly return to the normal state after years of war. According to statistics, from 1949 to 1952, the average annual growth rate of gross social output was 22.8%, and the national economy was fully recovered and achieved preliminary development in only three years.

Table 1. Distribution of ownership structure in main indicators in 1952

Economic indicators	Share of state economy	Share of private economy	Share of other economies
National Gross Industrial Output	52.80%	39%	8.20%
Total Social Commodity Wholesale Value	60.50%	36.30%	3.20%
Total Volume of Retail Sales	42%	57.20%	0.80%

Source: Dong Zhikai. A history of analysis of Chinese economy from 1949 to 1952. Beijing: China Social Sciences Press; 1996.

1.2 “Three Great Remolding” period (1953—1956): the transformation of private ownership economy

By the end of 1952, the national economy had basically recovered and the Chinese Communists began to consider “how to transit to socialism”. To change the nature of society is, in the final analysis, to change the structure of ownership, and further, to change the nature of ownership of the dominant economic component of the whole society. Based on this, our Party put forward the general line for the transitional period in 1953, the essence of which is to complete the socialist transformation of the national economy through “one transformation and three reforms”. With the promotion of the “Three Major transformations”, China’s ownership structure has undergone profound changes, from the coexistence of multiple economic components in the early days of the founding of the People’s Republic of China to a single pattern in which public ownership occupies an absolute advantage (see Table 2). By the end of 1956, the capitalist economy was almost zero in China’s ownership structure, while the total proportion of socialist economic components was as high as 92.9%. The socialist transformation was basically completed, and public ownership became the economic foundation of the country, thus establishing China’s socialist system. The establishment and consolidation of public ownership is conducive to national concentration of industrial production and accumulation of material wealth for socialist construction, but at the same time, too fast pursuit of a single ownership structure, divorced from the actual development of Productive forces in China at that time, a long time, the shortcomings of the single ownership structure will be exposed.

2. Exploration period: formation and consolidation of “single public ownership” (1956—1978)

In the late period of “the First Five-Year Plan” (1953—1957), the problems of the economic and social system established by referring to the Soviet model began to be exposed, and our party began to reflect on the Soviet economic model. On the adjustment of ownership structure, our party put forward many beneficial measures in line with the needs of economic and social development at that time. However, with the changes of the international and domestic situations, we soon went to the extreme of pursuing ownership structure of “more than two public and three pure”, and subsequently suffered the punishment of economic laws. This stage can also be subdivided into two periods:

Table 2. Comparison of ownership structure in China from 1952 to 1956

Economic sector	1952	1956
State-Owned Economy	19.1%	32.2%
Cooperative Sector of The Economy	1.5%	53.4%
Joint State-Private Ownership	0.7%	7.3%
Individual Economy	71.8%	7.1%
Capitalist Economy	6.9%	0

Source: Party History Research Office of the CPC Central Committee. History of the Communist Party of China Vol. 2 (1949-1978) : Volume 1. Beijing: History of the Communist Party of China Press; 2011.

2.1 Period of socialist exploration (1956—1966): formation of “single public ownership”

During this period, our party went through a complicated and tortuous process of adjusting the ownership structure, but it finally went to the extreme of advanced public ownership. At the National Congress of the CPC in 1956, it was proposed that, under the unified leadership of the state, a certain number of individual businesses, the free production of some products and the free market to a certain extent should be allowed as beneficial supplements to the socialist economy. After the congress, the free market was once very active. According to statistics, by the end of December 1957, more than 42, 750 individual manual businesses had been added in 16 cities such as Beijing and Tianjin. But in the late 1950s, with the launch of the “Great Leap Forward” and the rise of the rural people’s commune movement, we made a series of subjective mistakes in the ownership structure. Although the Central committee of the Communist Party of China harshly criticized this, and clearly pointed out that “small private ownership in large collectives” is beneficial and necessary, but this idea was not implemented in practice was interrupted by the Lushan Conference. In the continuing “Great Leap Forward” situation, China began to eliminate the non-public economic components of the upsurge. In 1961, the ninth Session of the eighth CPC Central Committee corrected the mistake again. After the policy adjustment, the non-public economy represented by the household quota system appeared again. However, in 1962, the tenth Plenary Session of the eighth CPC Central Committee criticized this, saying that the household quota system led farmers to take the road of capitalism. So far, our party to the diversification of ownership structure exploration into stagnation, the formation of a single public ownership situation.

2.2 “The Great Cultural Revolution” period (1966—1978): solidification of “single public ownership”

During this period, the ownership structure continued to develop towards the “simple and pure” extreme of public ownership, and the “single public ownership” structure was unprecedentedly consolidated (see Table 3). By 1978, the proportion of the public economy in the whole national economy had reached 99%, while the private economy in the non-public economy had ceased to exist, and only 1% of the individual economy was considered as the “capitalist tail” facing the danger of being cut off. The abnormal ownership structure seriously deviates from the actual development level of China’s productive forces, affects China’s economic growth in a long period of time, damps the enthusiasm of the working people greatly, and makes it difficult to realize the advantages of the socialist system.

Table 3. Distribution of ownership structure in main indicators in 1978

Economic indicators	Proportion of the public sector		The proportion of the non-public economy	
	Economic sector under ownership by the whole people	Collective economy	Individual economy	Private sector of the economy
Gross National Product (GNP)	56%	43%	1%	0
National Industrial Output Value	0. 8	0. 2	0	0

Source: National Bureau of Statistics. China Statistical Yearbook (1997). Beijing: China Statistics Press; 1997.

3. Breakthrough period: common development stage of diversified ownership structure (1978—)

China’s reform and opening up began with the reform of ownership structure. Since the reform and opening up, the Communist Party of China has deepened its understanding of ownership issues, and China’s ownership structure has gradually evolved from a single malformed public ownership pattern to a diversified common development.

3.1 Marginal breakthrough: from “uniqueness” to “necessary supplement” (1978—1992)

Before the reform and opening up, the public sector was the dominant economy, while the non-public sector had no living space. The ownership structure at that time could be described as “unique”. The Third Plenary Session of the eleventh Central Committee of the Communist Party of China affirmed that individual economy is “the necessary supplement of public ownership economy”^[4]. It can be said that China’s reform is the first breakthrough in allowing the existence and development of individual economy from the socialist ownership structure^[5]. During this period, the basic policy of the CPC Central Committee was to “encourage and guide” the individual economy, and it was written into the constitution of 1982 as a supplement to the socialist public ownership economy, and its legal status was confirmed within a very short time after the

reform and opening up. On the other hand, the policy of the CPC Central Committee is relatively cautious, “not advocating, not publicizing, and not eager to ban private economy”^[6]. It was not until 1987 that the thirteenth National Congress of the CPC affirmed private economy, thinking that private economy, like individual economy, was “a necessary and beneficial supplement of public economy”^[7]. In 1988, the Constitution was amended to protect their legitimate rights and interests. Opening to the outside world has injected a new economic element into China’s ownership structure, namely, the foreign capital economy. In response, the Chinese government has formulated a special Law on Sino-Foreign Cooperative Ventures to provide legal protection to overseas economic organizations or individuals that cooperate with Chinese enterprises on an equal and mutually beneficial basis. During this period, our party’s understanding of ownership issues broke through the debate of “capital” or “society”, and the reform of ownership structure in practice followed a marginal evolution path from simple to deep, from easy to difficult. The formation of “diversified economic components” in the primary stage of socialism has broken the single pattern of ownership structure in the past 20 years, which greatly stimulated the enthusiasm of individual businesses, and enabled enterprises to obtain autonomy of production and operation to a certain extent, thus releasing economic vitality and promoting economic development.

3.2 Institutional innovation: from “necessary supplement” to “common development” (1992—2012)

With the advance of reform and opening up, the ownership structure of China in the 1980s showed a pluralistic development trend in real economic life, but the whole Party was not unified in ideological understanding, and the questioning of ownership structure reform hindered further invigorating the economy. In early 1992, Deng Xiaoping made a clear distinction between the social system and the mode of resource allocation in his “Southern Talks”, which laid an important theoretical foundation for the transformation of ownership issues in China from structural reform to institutional innovation. At this stage, our Party took ownership structure reform as an important fundamental issue of economic system reform, carried out a series of theoretical innovations (see Table 4), and raised ownership structure to the height of “socialist basic economic system” to further deepen understanding. At this stage, our party clearly explained the scientific connotation of public ownership, and the understanding of “public ownership economy” and “non-public ownership economy” had a profound change. First of all, the realization forms of public ownership and public ownership are clearly distinguished into two concepts, and it is believed that “implementing shareholding system and developing mixed ownership”^[8] can be regarded as effective realization forms of public ownership. Secondly, the understanding of the role of the main body of public ownership has changed from the one-sided pursuit of a high proportion in quantity in the past to more emphasis on the dominance of quality, that is, to improve the “competitiveness, control, influence and driving force” of the public sector^[9]. Third, the understanding of “non-public economy” has changed from “diversified economic components” to “diversified ownership economy” in terms of expression, and from “necessary and beneficial supplement” to “common development” to “equal market subject” in terms of status, giving it an equal competitive position with the public economy. In practice, the adjustment and optimization of ownership structure have promoted the development and perfection of socialist market economy, thus greatly promoting the leapfrog development of China’s economy.

Table 4. Innovative development of ownership theory by the Communist Party of China (1992—2012)

Time	Important Events	Innovation in ownership theory
1992	14th CPC National Congress	It defines the ownership structure of China’s socialist market economy, namely, “with public ownership as the main body, supplemented by individual economy, private economy and foreign capital economy, various economic components will develop together in the long run. “
1997	15th CPC National Congress	To upgrade the ownership structure to the basic economic system, that is, “It is a basic economic system in the primary stage of China’s socialism that public ownership is the mainstay and various ownership economies develop together.
2002	16th CPC National Congress	For the first time, the “two unwavering” policies were put forward, namely, “We must unwaveringly consolidate and develop the public sector of the economy and unwaveringly encourage, support and guide the development of the non-public sector of the economy by adhering to and improving the basic economic system in which the public sector is dominant and various owners-owned economies develop together. “
2007	17th CPC National Congress	It clarified for the first time that the public and non-public sectors of the economy have equal market positions, and proposed that “equal protection of property rights should be upheld to form a new pattern of equal competition and mutual promotion among all forms of ownership. “

3.3 Deepening reform: from “common development” to “mutual integration” (2012—)

Since the 18th National Congress of the CPC, China has opened a new era of comprehensively deepening reform, and the reform of ownership structure has also entered a new era of overcoming difficulties. In response to the debate that the state

advances and the private sector retusts, the CPC has made it clear that the state-owned economy will become stronger, better, and bigger. As a bridge linking public ownership and market economy, state-owned enterprises have always been the focus of China’s economic system reform. In the new era, the reform of ownership structure in China focuses on the optimization of the layout of state-owned economy and the accurate investment of state-owned capital, especially emphasizing the continuous concentration of state-owned capital in important industries and key fields related to the lifeblood of national economy, so as to ensure that the leading role of state-owned economy and the dominant position of public ownership will not be shaken. During this period, our Party further deepened the theoretical understanding of mixed ownership economy (see Table 5), and “took mixed ownership reform as an important breakthrough for deepening the reform of state-owned enterprises”^[10]. Mixed sector of the economy, in a variety of ownership economy common development on the basis of further explore “the realization of the mutual integration of state-owned economy and non-public ownership economy form”^[11], efforts to form the capital owners and workers “community of interests”, in order to achieve both fully give play to the role of the market economy, reveals the superiority of socialist system and economic development goals.

Table 5. The in-depth understanding of Communist Party of China toward mixed ownership (1993—2020)

Time	Important Events	In-depth understanding of mixed ownership
1993	The fourth Plenary Session of the 13th Central Committee	It puts forward the concept of mixed ownership for the first time, pointing out that “with the flow and reorganization of property rights, there will be more and more economic units with mixed property ownership, and a new property ownership structure will be formed.
1997	15th CPC National Congress	“The public ownership economy includes not only state-owned economy and collective economy, but also the state-owned and collective components in the mixed ownership economy.
2002	16th CPC National Congress	The congress put forward that the mixed ownership economy is “an effective form of public ownership” and proposes that “except for a very small number of enterprises that must be wholly owned by the state, we should actively promote the shareholding system and develop the mixed ownership economy. “
2007	17th CPC National Congress	The congress put forward “We will develop a mixed-ownership economy on the basis of the modern property rights system. “
2013	Third Plenary Session of the 18th Central Committee of the CPC	The session proposed that “we should improve the property rights protection system, actively develop mixed ownership economy, promote state-owned enterprises to improve modern enterprise system, and support the healthy development of non-public economy. “
2017	16th CPC National Congress	The congress proposed “to deepen the reform of state-owned enterprises, develop a mixed-ownership economy, and foster world-class enterprises with global competitiveness. “
2020	The fifth Plenary Session of the 19th Central Committee	“Accelerating the improvement of the modern enterprise system with Chinese characteristics, and deepening the reform of mixed ownership of state-owned enterprises. “

Reviewing the evolution of ownership structure in China, it is not difficult to find that China’s economic and social development is progressing along with the optimization of social ownership structure. It can even be said that the whole process of reform and opening up is basically around the exploration of ownership structure with Chinese characteristics in the primary stage of socialism. The ownership structure in the real economy must adapt to the development level of productive forces in a specific historical period. Once it is divorced from the actual development of productive forces, the economy will slow down or even decline. The achievements of China’s reform and opening up have proved that the ownership structure of our country at the present stage is in line with China’s national conditions and the needs of economic development in the primary stage of socialism, and should be unwaveringly adhered to in practice. At present, China has entered a new stage of development and begun to stride toward a modern socialist country. In this process, the public sector, in particular the state-owned sector, will remain the backbone of China’s response to the complex international situation and various risks and challenges. In particular, China’s private sector will play an irreplaceable role more than ever before. We will continue to explore and improve the composition of ownership structure and encourage economic entities with different ownership properties to form synergy and jointly promote high-quality development of the Chinese economy.

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