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## Social Planning: A Further Discussion on the Relationship between China's Labor Force and Market Economy

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### Abstract

*Since its founding, China has followed the socialist ownership system based on Marxism and Leninism. Its operational features include concentrated ownership in the central government, which then redistributes land to ensure fair and equal treatment for all owners. For example, the "land to the landowner" policy involves the government purchasing land from landowners and redistributing it through relevant departments, thereby freeing land for tenant farmers, reducing land hoarding, and freeing up labor [1]. In this research paper, we will discuss the Labor force policy and its implications behind.*

**Keywords:** Social Planning, Labor Force, Private Property Rights, Land for tenant

### Introduction:

The introduction of socialist ownership at that time had its background, mainly due to the runaway inflation and soaring prices that led to widespread poverty in China. To solve the social difficulties at the time, it was necessary to introduce a new land reform system, reduce hoarding and speculation, and free up labor. Central distribution was the only way to effectively control soaring prices, especially the prices of agricultural products and grains [2].

Against this backdrop, promoting socialist ownership was an effective measure to solve the current difficulties, especially in

Shanghai at that time, where inflation was out of control, prices were soaring, and people were suffering [3].

To alleviate Shanghai's economic woes, China had to adopt Leninist socialist reforms combined with Marxism, employing a public-private partnership system to gradually and systematically transform private enterprises into public enterprises. This allowed for full resource redistribution and effectively mitigated the prevailing inflation problem. The redistribution of equity utilized the public-private partnership system, with profits used to

gradually repurchase shares. Private enterprises, through tax breaks and other policies, initially transferred some shares before gradually acquiring more, ultimately becoming public sector entities. The focus of the late Haass socialist reforms was on the fair distribution of profits through the purchase of factory buildings by the working class, ensuring that all workers received a share [4].

The distinctive feature of China's socialist structural reform lies in land redistribution, which focuses on releasing agricultural workers. The equal distribution of land freed up labor, and the central government distributed agricultural products, including grain, to various units in a rationing system to control inflation. Its essence is to replace the monetary system with bills and contracts, and to replace private enterprises with public ownership of shares, thereby achieving the principle of fair redistribution of resources [5].

#### Private Goods & Public Goods (Pigou) Ownership and Public Property

When discussing the distinction between ownership, labour [6] and public ownership, ownership is defined as power held by the central government, while public ownership allows some individuals to hold shares and take responsibility for distributing them. For example, the rural contract system involves the central government purchasing land and farmhouses being operated in a semi-public-private manner, such as the "People's Commune." Its advantage is that it can mobilize many people to produce food, fostering unity among the masses. However, its disadvantage is that in later stages of national development, when it leads to a Collective Outcome, it fully captures the fruits of labor, turning into a disguised tax-sharing system to control the workforce [7].

The distorted belief in human self-interest caused a major shift in the "People's Commune." This self-interest led to an irreversible decline of the commune. Even worse, the "People's Commune" system of transfer payments, taxation, and income redistribution gradually turned into a system of rule by men. It not only failed to ensure fair redistribution but also reduced human motivation, which led to a steady drop in grain production. The equal sharing of resources decreased the labor force's energy, resulting in a mutiny by the Long-gong representatives. This triggered a second, more intense and brutal land reform than the first. The extreme methods and forms not only failed to achieve the desired land reform but also sparked fierce contradictions and class struggles [8].

This guidance, given the economic difficulties China is facing, originates from its confusion between land ownership and public-private partnerships. It seeks to suppress market pricing and, through so-called central contracting and tax-sharing systems, essentially turns profit sharing into tax allocation and the division of profits into the separation of property rights. This mixing of taxation and land ownership became a bottleneck for China's workforce development at that time, creating a blurred distinction between private and public property. Such confusion hampers labor productivity like a black hole, not only consuming the newly emerging labor force but also turning it into a tool of conflict. Consequently, labor fails to effectively promote social development and instead develops internal contradictions that grow stronger, hurting normal economic activities and growth [9].

In fact, such contradictions are not unique to the China. On the contrary, similar contradictions have also occurred in developed free economies in the West. At this time, economist Pigou

proposed using a tax allocation mechanism to control the output of pollutants through taxation, thereby achieving the effect of emission reduction. It also actively promoted the establishment of a clear private property system to effectively reduce the regeneration of pollution. Furthermore, he advocated for the clarification of land property rights and the streamlining and facilitation of taxation. Through the tax system, he believed that effective differentiation could be achieved, thereby achieving the effect of emission reduction [10].

It is crucial to recognize that taxation policies are predominantly formulated based on principles of economic efficiency and the protection of private property rights rather than an abstract notion of distributive fairness. The characteristics of Western fiscal systems include mechanisms aimed at streamlining tax collection processes and safeguarding private ownership rights, which are fundamental to the functioning of a free-market economy. The primary objective of such taxation is to facilitate the effective allocation and utilization of resources, thereby fostering economic growth and innovation. This utilitarian approach underscores that the principle of fairness often associated with equitable redistribution is considered subordinate to the broader goals of incentivizing productivity, safeguarding property rights, and maintaining a conducive environment for capital accumulation. In contemporary Western capitalist economies, normative views on distributive justice have receded in importance, with policy frameworks increasingly emphasizing macroeconomic stability, private enterprise, and institutional protections that support sustained economic development [11].

The distinctive features of the tax system in the China largely stemmed from the principle of transforming privatization into public ownership, effectively turning taxation into a tool. Its primary purpose was to replace private ownership and essentially replace the market mechanism with a system for setting prices through taxation. The people's commune system and its contract responsibility system effectively stifled market pricing power, turning it into a tax tool. This confusion and inversion of priorities, where the tax tool became private property, stifled the market mechanism. This tax system failure laid the groundwork for future natural disasters and class conflicts in China, Western tax systems aim to establish private property rights, while the China uses taxation as a tool to suppress private property rights and attempts to rapidly publicize private property rights through taxation and other systems. This has led to natural disasters and various forms of political movements in China, shifting the focus of urban labor to struggle movements. Labor and market mechanisms have become disconnected, resulting in the backwardness of the new China's economy and the failure of the current planned economy [12].

#### In-conclusion:

Modern economic studies show that clearly defining private property rights and employing market-based pricing are essential for stimulating labor. Resource redistribution is driven not by notions of fairness but by market optimality, also known as Plato optimality. In a free market, fairness is absent; instead, the system targets Plato optimality as the ideal satisfaction point. Relying solely on fairness can ultimately destabilize the economy. Economics fundamentally assumes legitimate self-interest; any taxation or system that weakens this premise is likely to cause socio-economic instability. Hope this paper can contribute to the communities.

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