

# Research on Mixed Ownership Reform of State-Owned Enterprises from the Perspective of Marxist Political Economy

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**Abstract:** Under China's socialist system, state-owned enterprises are key forces driving the economic trajectory and providing strong momentum. These enterprises not only bear the crucial responsibility of advancing the process of national modernization but also serve as the core of the national economic lifeline through their irreplaceable status and function amidst changing times. In the new era, with the advent of the technological revolution and the wave of globalization, state-owned enterprises face unprecedented opportunities and challenges. As a significant aspect of state-owned enterprise reform, the mixed ownership reform is not only a transformation in the structure of enterprise ownership but also a reflection of China's broader, comprehensive reform efforts. By deeply advancing this reform, it will help optimize the allocation of state-owned assets and significantly boost technological and management innovation within state-owned enterprises, ensuring their competitiveness in the intense market environment. Therefore, this paper will conduct an in-depth analysis of the mixed ownership reform of state-owned enterprises from the perspective of Marxist political economy.

**Keywords:** Marxist political economy; State-owned enterprise reform; Mixed ownership

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## 1. Introduction

From the perspective of Marxist political economy, mixed ownership reform represents both a departure from traditional ownership models and a deepening of market mechanisms. However, the process of mixed ownership reform in state-owned enterprises still faces several challenges, such as unclear definitions of the reform's scope and objectives, persistent difficulties in achieving administrative reform expectations, and inefficiencies in decision-making and operations. Therefore, during the process of mixed ownership reform, state-owned enterprises must accurately understand the existing traditional issues and make adjustments and optimizations according to local conditions to promote high-quality development.

## **2. Traditional problems in the mixed ownership reform of state-owned enterprises**

### **2.1. The connotation and extension of the reform are not clear**

The core objective of state-owned enterprise (SOE) reform is to meet the development needs of a market-driven economy. In this process, the reform must not only focus on adjusting the equity structure but also emphasize the effective separation of ownership, management, and control to activate the vitality of SOEs. However, while the reform involves changes to the ownership structure, it has not fundamentally altered corporate governance. Despite certain modifications, such as adjustments to the registration system, the nature of state ownership remains largely unchanged. As a distinct mode of existence, wholly state-owned enterprises differ fundamentally from mixed-ownership enterprises. Enterprises under this model still retain a strong state-owned character, rather than embodying a true mixed-ownership structure.

Currently, due to the absence of clear differentiation criteria, many simply classify certain models of SOE reform as mixed-ownership reform. This approach leads to conceptual confusion and a vague understanding of the reform's connotation, creating challenges for effective implementation. For example, in complex cases like the restructuring of central enterprises or coal power industries, distinguishing between different restructuring methods becomes an urgent issue. In practice, if non-state capital is successfully introduced during restructuring, it can be considered part of mixed-ownership reform. Conversely, not all SOE restructuring should be seen as mixed-ownership reform. For instance, mergers between central SOEs or alliances between local SOEs should not automatically be classified as such.

Therefore, to ensure the accuracy and effectiveness of mixed-ownership reform, specific reform models must be clearly defined. Only by addressing these aspects can mixed-ownership reform achieve its original goals of optimizing resource allocation and improving market competitiveness, while also creating broader development opportunities and enhancing governance efficiency within SOEs.

### **2.2. Administrative reform has always been difficult to meet expectations**

Currently, the characteristics of administrative control remain deeply embedded in the reform of SOEs. This is particularly evident in the mixed ownership reform, where the process of reducing administrative influence has proven to be especially challenging. The continuation and reinforcement of this management model undoubtedly hinder the deeper implementation and full potential of mixed ownership reform. The principle of "separation of government from enterprise" holds a central role in SOE reform. The core of this concept is to ensure a clear boundary between the government and SOEs, so that government officials do not excessively interfere with the operations of enterprises, thereby allowing the market mechanism to function properly.

However, in practice, this separation often falls short of expectations, and the results are not as satisfactory as intended. In SOE management systems, senior managers are typically appointed by government agencies. As a result, during the reform process, these managers often play dual roles: they are both leaders of SOEs and government officials. This dual identity makes it difficult for them to fully detach from government influence in the operation and management of enterprises. Consequently, achieving seamless integration with market-based management becomes challenging, which in turn reduces the level of marketization and operational efficiency of these enterprises.

### **2.3. Decision-making and operational inefficiencies still exist**

In the current process of mixed ownership reform, some systems possess undeniable advantages, often due to deep historical foundations and mature practical experience. However, this superiority does not guarantee that all participants will benefit from it. Given the large number of stakeholders involved in the reform, each with its own interests, the phenomenon of “free riding” can easily emerge. In other words, while participants may appear to actively engage in the reform, they may still retain aspects of the original system to some extent.

During the integration of multiple institutional models, competitive dynamics inevitably arise. Participants may vie with one another, seeking to maximize their benefits by maintaining or enhancing existing systems. In such a scenario, systems with significant advantages become difficult to relinquish, which negatively affects the overall effectiveness of mixed ownership reform. Even within this complex competitive environment, these old institutions can continue to function independently, and in some cases, they may even provide additional benefits to the enterprise.

If decision-making authority and management responsibilities can be clearly separated, with professional managers handling specific business activities, the operational efficiency of enterprises would undoubtedly improve.

## **3. Practice of state-owned enterprise mixed ownership reform from the perspective of Marxist political economy**

### **3.1. Adhering to the Party’s absolute leadership in SOE reform**

In the significant process of advancing the socialist market economic system with Chinese characteristics, the Party’s absolute leadership in SOE reform reflects Marxism’s deep understanding of the nature of national capital. This leadership is not only evident at the theoretical level but also implemented in specific policies and practical operations, particularly in the critical issue of SOE reform. To ensure that SOE reform proceeds in the correct direction, especially in promoting the mixed ownership reform of SOEs, the Party’s leadership role is of paramount importance. Through this leadership, resources can be efficiently integrated, structures optimized, and reform measures firmly established, thereby leveraging the Party’s governance strengths and providing fresh impetus to national development.

In September 2015, the release of the “Several Opinions on Upholding the Party’s Leadership and Strengthening Party Building in Deepening the Reform of State-Owned Enterprises” marked the further reinforcement of the Party’s leadership position in SOE reform. The document outlined a series of key guidelines for Party building within SOEs, clearly defining the role the Party should play in SOEs and the importance of Party organizations within the corporate governance structure. Furthermore, these discussions emphasized that as a crucial pillar of socialist modernization, SOE reform and development are directly linked to the stability and long-term progress of the national economy, as well as to the consolidation and enhancement of the socialist system. Therefore, strengthening and improving Party building within SOEs has become an urgent task in deepening SOE reform.

The Party’s building efforts within SOEs must adhere to the Party’s core leadership over SOEs and ensure that the Party maintains a dominant role in all aspects of decision-making, management, and supervision. The Party must adopt a proactive stance in participating throughout the SOE reform process, including the formulation of reform plans, evaluation of reform effectiveness, and resolution of issues that arise during reform. Strengthening the Party’s leadership will ensure that SOE reform remains aligned with the socialist

path, that state-owned assets are preserved and appreciated, and that the fundamental interests of the people are protected.

In addition, Party building in SOEs must focus on innovating and improving the Party's organizational system and operational mechanisms to align with the requirements of modern enterprise systems. For instance, it is essential to develop a scientific and reasonable decision-making process, establish a robust democratic management system, and create an effective supervision mechanism to ensure that the Party's leadership and cohesion are integrated into every facet of SOE operations and management. Through these efforts, SOEs will not only achieve enhanced economic benefits but also play a more active role in promoting social harmony and serving the national strategy <sup>[1]</sup>.

## **3.2. Correctly handling the “public” and “private” relationship in SOE reform**

### **3.2.1. Achieving de-administration**

In the current economic system, the reform of state-owned enterprises faces a major challenge: the issue of administration. This problem not only hinders state-owned enterprises from playing their proper role and achieving efficiency in the market economy but also brings various adverse effects on their development. Therefore, it is essential for state-owned enterprises to fundamentally change their business philosophy, abandon the traditional administrative management model, and adopt a management approach more aligned with the principles of a market economy. However, achieving de-administration in state-owned enterprises is not easy, as it involves changes in mindset, system adjustments, and personnel training. State-owned enterprises should establish a management system that adapts to the market economy, optimizes their internal governance structure, improves transparency, and reduces inappropriate government intervention, thereby aligning more closely with market-oriented operational standards.

Moreover, SOE reform should aim to reduce the influence of policy factors on business operations. Policy subsidies and preferential treatments are often key resources that state-owned enterprises rely on, but excessive dependence on these benefits may weaken their competitiveness in the market. Therefore, SOE reform should encourage enterprises to improve their market competitiveness by increasing efficiency, reducing costs, and strengthening research and development. This approach will not only help state-owned enterprises integrate more swiftly into the market economy but also create a more level playing field for other businesses and promote the healthy development of the entire economic system.

### **3.2.2. Deepening reform and entering monopoly sectors**

Currently, some sectors remain deeply monopolized, which are directly linked to people's daily lives and the core of national economic development. However, excessively strong monopoly positions tend to inhibit innovation and competition. Therefore, in advancing the reform of state-owned enterprises, the government should first actively promote the mixed-ownership reform model, encouraging the integration and joint development of capital from different ownership types, thereby bringing a more market-oriented operational mechanism to state-owned enterprises. This approach can not only improve resource allocation efficiency but also foster deeper integration between state-owned enterprises and the market, allowing them to remain vibrant and competitive in a highly competitive market.

Secondly, it is essential to improve relevant institutional frameworks, providing a solid foundation for the transformation and upgrading of state-owned enterprises. The reform of state-owned enterprises involves



not only adjusting property rights structures but also establishing a sound market environment. In particular, reforming the ownership structure requires optimizing the ownership system to ensure the reasonable flow and effective operation of state-owned equity, while simultaneously regulating the development of the equity market and establishing comprehensive entry and exit mechanisms to maintain transparency and fairness in the market.

Additionally, promoting regional market-oriented development is crucial. As the regional market improves, the economic vitality of the entire city is enhanced, which not only contributes to the city's overall prosperity but also creates a more favorable environment for the mixed-ownership reform of state-owned enterprises. In this process, the government should play a guiding and regulatory role, avoiding market failures, preventing excessive intervention, and ensuring that reform measures are implemented in a healthy and orderly manner. Through this two-pronged approach, the transformation and upgrading of state-owned enterprises can be achieved, promoting the high-quality development of the national economy <sup>[2]</sup>.

### **3.3. Promoting SOE reform and realizing public ownership**

#### **3.3.1. Promoting mixed-ownership reform by classification and differentiation**

In the current economic environment, the government needs to thoroughly analyze and understand the unique background and stage of development of various industries and enterprises. This requires not only keen insight into market trends but also a deep understanding of the characteristics of individual companies. By doing so, the government can formulate more accurate and effective policy measures to promote the healthy and orderly development of the entire economy. State-owned enterprises, in particular, play a crucial role in fulfilling social responsibilities and safeguarding national economic security.

Therefore, when the core business of state-owned enterprises demonstrates strong market competitiveness, the government can guide diversified capital into these sectors through capital integration, thereby stimulating innovation and improving resource allocation efficiency. This approach not only adheres to market principles but also leverages the significant capital strengths of state-owned enterprises, helping to optimize management models and enhance performance in competitive markets.

However, in sectors critical to the national economy, public welfare, or national security—such as energy, transportation, and communications—the government must retain a leading role. State-owned enterprises must maintain a controlling position to ensure the steady progress of national strategic projects. At the same time, to better leverage private capital and promote industrial upgrading, the government should actively encourage the participation of non-state-owned capital to achieve mutually beneficial outcomes.

By comprehensively considering the characteristics of different industries and enterprises and adopting differentiated management strategies, it is possible to effectively promote the growth and development of state-owned enterprises while maintaining the stability and security of the national economy <sup>[3]</sup>.

#### **3.3.2. Optimizing the governance mechanism**

In the process of promoting mixed ownership, enterprises must clearly define their primary role within the economic system and clarify the status and responsibilities of each participant at the corporate governance level. Among these, equity reform, as an important economic activity, plays a role that should not be underestimated. Through a reasonable allocation of equity, the optimal distribution of enterprise resources can be effectively promoted. Therefore, mixed-ownership enterprises should focus on rationalizing the equity structure and ensuring an equitable distribution of shares to stimulate internal vitality and creativity.

Within the mixed-ownership framework, the proportion of equity allocation between state-owned and non-state-owned enterprises must be clearly defined to maintain a balance of interests between the two. At the same time, it is necessary to appropriately increase the decision-making power of non-state-owned enterprises, which will enable state-owned enterprises to participate more actively in market competition and improve their flexibility and responsiveness to market changes.

Additionally, the independence of corporate governance is another crucial factor in ensuring the healthy development of enterprises. To achieve this, it is essential to improve internal supervision and management systems and to establish a robust board of directors so that board members can make independent decisions. It is also important to strengthen the accountability of senior management, preventing them from excessively interfering in the daily operations of the company, and ensuring the objectivity and fairness of decisions.

In this way, the governance level of enterprises can be significantly improved, enhancing their competitiveness and capacity for sustainable development. Ultimately, for mixed-ownership enterprises to achieve long-term success, efforts must be made across various aspects, including equity structure, control distribution, and corporate governance, to strengthen their comprehensive capacity and market competitiveness. Only through these measures can state-owned enterprises maintain a strong position in a competitive market environment, continuously innovate, and achieve steady growth in benefits, thereby maximizing national interests <sup>[4]</sup>.

#### **4. Conclusion**

In summary, during the process of deepening the mixed-ownership reform of state-owned enterprises, it is essential to consistently implement the theoretical vision of the Marxist political economy, adhere to the guidance of the socialist market economy system with Chinese characteristics, and firmly follow market principles. Efforts should be made to further advance de-administration, uphold the direction of market-oriented and law-based reforms, and establish a corporate governance structure that aligns with the laws of the market economy and the requirements of the modern enterprise system.

At the same time, it is necessary to promote state-owned enterprise reform through classification, highlight key areas, and implement targeted policies. For enterprises facing intense market competition, ownership structures should be adjusted promptly, social capital introduced, and market competitiveness enhanced. For monopolistic industries or enterprises critical to the national economy and people's livelihood, the state-owned enterprises' controlling position should be maintained to ensure the dominance of state-owned capital.

In conclusion, only by effectively carrying out these efforts can the goals of mixed-ownership reform of state-owned enterprises be achieved during the process of reform and opening up. This will promote the healthy development of state-owned enterprises and provide strong support for the comprehensive progress of China's economy and society <sup>[5]</sup>.

#### **Disclosure statement**

The author declares no conflict of interest.

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