

The theoretical basis of supply side structural reform: a comparative analysis of Marxist value theory and Western supply school theory

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Abstract: *To guide the supply side structural reform in China with Marxist political economy, we must recognize the Western supply school and Marxism the fundamental difference of Economics on this issue. Based on the analysis of factor axiology, the western supply school confuses the difference between value and wealth, and not only ignores it this paper analyzes the circulation and Realization of value, ignores the economic effect of value distribution on production, and separates the dialectical relationship between demand and supply. Marxism political economy organically integrates the four links of “production, distribution, exchange and consumption” of social reproduction, not only focusing on the production and flow of value therefore, we should pay more attention to the distribution of value, which can more effectively explain and correctly guide the smooth progress of China’s supply side structural reform.*

Keywords: *supply-side structural reform; theoretical basis; Marxist value theory; comparative analysis*

1. Introduction

With the deepening of the supply side structural reform, the academic research on its theoretical basis is increasingly in-depth. Some scholars interpret supply side structural reform from the perspective of new liberalism of “supply automatic demand creation” and “government deregulation” based on the Western supply school theory. For example, the new supply economics thinks that “new supply creates new demand”, and new supply affects the economic cycle, and regards the change of supply creation demand capacity determined by supply structure as the main force of economic cycle fluctuation. “New supply economics” emphasizes that the “meta motive force” of sustained economic growth lies not in the demand side, but in the supply side output and related institutional supply; some people also suggest that the core of supply side structural reform is deregulation release vitality and make market mechanism play a decisive role, so as to reduce institutional transaction cost, improve the quality and efficiency of supply system, improve investment effectiveness, etc. At the same time, some scholars interpret the supply side structural reform from the perspective of Marxist political economics, and believe that the supply side structural reform must be guided by Marxist political economics, Keynesianism and supply theory cannot be copied

Reagan economics based on the school of economics. Some theorists analyze supply side structural reform from the relationship between supply and demand of Marxism, and think that there are problems of total amount, structure and long-term between supply and demand, so the difference between economic structure adjustment and economic structure reform cannot be confused. Therefore, we must coordinate and deepen reform comprehensively, supply supply and demand both ends of the force, and combine long and short-term. There are also some theorists’ social supply and demand based on Marx the paper analyzes the supply side structural reform theoretically, and thinks that the adjustment function of monetary policy should be fully played in the economic structural adjustment, etc.

2. Supply school and supply-side structural reform: comparison of theoretical origin and background

Among many western economists, Jean-Baptiste Say (Jean-Baptiste Say) led classical economics to the vulgar track. Representative. The so-called “Say’s Law” supply automatically determines demand,

and thus determines economic growth and market equilibrium. The idea is inherited from Adam Smith, that is, based on the self-interested assumption of “rational economic man”, as Smith preached, “the pursuit of personal gain helps to realize the public The theory of well-being”. For the superficial analysis of supply and demand based on the assumption of economic man’s self-interest, Marx denounced it as Say’s babbling and Ricardo’s nonsense. It can be said that Say’s Law promotes the classical political economy proposition that supply determines demand to the extreme. As for completely ignoring the restrictive effect of the demand side on economic development, let alone the adverse effect of socio-economic relations on economic growth. This kind of both the vulgar and superficial view was inherited by the later supply school.

My country’s supply-side structural reforms are different from the supply problems addressed by the “Reagan Economics” in the 1980s. The supply problem to be solved by “learning” is regulated by its background. In the face of the “stagflation” problem that appeared in the US economy at that time, the US federal government still Pursuing Keynesianism has led to huge and lasting fiscal deficits, especially the decline of the manufacturing industry represented by the steel and automobile industries. The already difficult U.S. economy is even worse. On the one hand, US federal government expenditures based on fiscal deficits constitute social needs However, economic stagflation makes deficit finance unsustainable; on the other hand, personal consumption based on debt expansion is rooted in the United States The welfare policy at that time, coupled with the lower deposit interest rate and higher inflation implemented in response to the economic recession, made the society’s personal savings depleted. force. In this context, “Reagan Economics” turned to rely on the theoretical propositions of the supply school in an attempt to stimulate the supply side to get rid of “stagflation.” It is clear that this is to raise the soup to stop boiling, and it cannot solve the problem fundamentally. Because of the problem of “stagflation”, in the final analysis, it is the inherent contradiction of the capitalist economy at the economic operation level. The performance of the face, of course, “Reagan Economics” does not recognize this.

3. Value formation and creation: theoretical explanation of the focus of supply-side structural reform

The main problems faced by the supply-side structural reforms under the new normal of my country’s economy are overcapacity and high-end consumption. Overflow is essentially a structural imbalance in production. Therefore, the basic focus of the supply-side structural reform should be around the production of material materials. The core structural adjustment to achieve the macroeconomic aggregate and structural balance. The in-depth exploration of this must be based on the Marxist theory of value department, the study of supply-side structural reform should be based on the theoretical explanation of value formation and creation.

Marx’s theory of value is the basic content of the scientific labor theory of value. Marx’s labor theory of value mainly states that commodities have The qualitative and quantitative stipulations of the two factors of value and value clearly stipulate that the entity of value is ordinary human labor condensed in commodities.” The usefulness of things makes things a use value.” And use value constitutes the material content of social wealth and is the material bearer of value.

Although, the purpose of market economy production is not the use value of commodities or things, but value. However, the society’s limit to the total demand for use value the degree specifies the degree of realization of the total value of the commodity. Different from value creation, value formation has not only the function of living labor, but also materialized labor. The role of. Because, in terms of value formation, whether the total annual product produced by the whole society or any single commodity, its value composition is composed of three partial composition: $C + V + M$, part C is the old value of the means of production transferred through the workers’ specific labor, which is the value created by the past labor, namely “Computational objectification of labor in this product”. Therefore, from the perspective of value formation, not only labor, but also technology, management, knowledge, capital, land and other elements participate in it. Of course, what creates new value $V + M$ is only living labor. So, value formation is the result of the combined effect of various factors of production.

4. Value Circulation and Realization: An Explanation of Economic Operation of Supply-Side Structural Reform

Under the new normal of the economy, the economic growth rate has changed from high-speed

growth to medium-high-speed growth, showing the lack of economic growth momentum. Economic growth is driven by in the process of the transition from extensive growth to intensive growth, the supply-side structural contradictions exhibited by the long-term rapid economic growth restrict economic growth.

The transformation of economic growth mode is mainly reflected in the overcapacity and high inventory of some industries occupying too many resources, which are difficult to digest in the short term; that is, the total the contradiction between supply and aggregate demand presents a structural contradiction of insufficient supply at the mid-to-high end and oversupply at the ineffective low-end, resulting in a misallocation of resources.

The production area is manifested as overcapacity, and the circulation area is the inventory backlog. The cause behind this phenomenon needs to be from whether the industrial capital circulation is smooth or not. To further understand whether the proportion of social reproduction is balanced.

The theory of the Western supply school one-sidedly emphasized the expansion of supply, not only ignoring the demand, but also ignoring the influence of the circulation link on economic development. The supply school believes that economic growth stems from the real expansion of supply and the continuous rise of productivity; social resources and production factors can sustain

Only with continuous and stable supply can the economy achieve long-term growth; only when productivity continues to rise and a highly efficient production mechanism can be formed, can consumers improve the ever-increasing number of products. However, it should be emphasized that supply expansion does not mean an increase in effective supply, and supply expansion does not mean that the economy must increase.

Supply and demand in economic growth have always interacted. There is no economic growth with only supply and no demand, nor is there economic growth in which there is demand without supply, an increase in supply does not mean an increase in demand. Increase effective supply, improve supply quality, and satisfy people the people's growing need for a better life is the meaning of the supply-side structural reform, and it also includes the value between supply and demand.

5. Value Distribution: Theoretical Explanation of the Purpose of Supply-Side Structural Reform

To promote supply-side structural reforms, it is necessary to implement the "new development concept", resolve deep-seated problems in economic development, adhere to shared development, and earnestly ensuring that the fruits of development benefit all people is the goal and goal of supply-side structural reforms. Structural shortages under the new normal of the economy the problem of structural surplus is a problem of misallocation of resources. Although it is emphasized that the market plays a decisive role in the allocation of resources, the market cannot be ignored.

The field mechanism has failed in the field of income distribution and cannot automatically and effectively suppress the problem of widening income disparity.

The Western supply school inherited Say's theory of utility value and the three-factor value creation theory, and used it as the basis for value distribution. For to the school of thought, in order to overcome poverty, "people should discard the idea of using redistribution to overcome inequality", and advocated high investment rate to increase the income of the poor. He also believes that as the division of labor becomes more complex and refined, workers will be get more paid. Here, the supply school only saw an increase in the absolute amount of workers' income, but did not see that workers were creating more new products.

At the same time, the relative amount of labor remuneration is reduced compared with capital gains. At the same time, the reason for poverty is attributed to the decrease of investment by the rich.

Because if "struggling to take their income from the rich, it will reduce their investment, and give money to the poor, which will reduce them The work stimulus in the United States will definitely reduce labor productivity in the United States and restrict employment, thereby making poverty perpetual. "supply school this kind of investment promotes the increase in supply and thus stimulates economic growth to reduce poverty. It only sees the increase in value or wealth, but ignores the value. The role of distribution, this view is fully reflected in the tax cut theory of the supply school.

It can be said that the Laffer curve is the quintessence of the supply school of thought and the theoretical basis for the supply school to advocate tax cuts. The supply school believes that the high

progressive tax rate raised by inflation not only reduces labor productivity, but also hinders investment and reduces the capital stock. Capital outflow started. The supply school also attributed the main cause of inflation to taxation and taxation. From the perspective of supply, inflation is the separation of demand and supply. [16] 36 Inflation and insufficient supply are a vicious mutual cycle, which causes excessive demand and insufficient supply.

Inflation, inflation further restrains supply, and finally forms “stagflation.” So the supply school prescribes “medicine” to control inflation and stagflation. “Fang” naturally means cutting government expenditures and tax cuts. The “tax cuts” here refer to the reduction of marginal tax rates and the reduction of additional or new income tax rate. Therefore, the tax burden includes not only total government expenditure, but also all production losses caused by insufficient stimulus due to taxation lost. In fact, the “tax cut” policy of the supply school emphasizes the reduction of the marginal tax rate, which weakens the progressive taxation in practice sex, resulting in the policy effect of tax cuts mainly for the rich; the policy of cutting government expenditures is mainly to cut social welfare expenditures, leading to “robbing the rich the consequences of “helping the poor”.

6. Conclusion

My country’s supply-side structural reform is not just a unilateral emphasis on supply, as the Western supply school says, but starts from the supply side and reforms. Reform is not suitable for certain forms of realization of production relations in the development of socialist productivity. In fact, value relations are also a kind of production in the market economy production relationship. From behind the changes in the structure of supply and demand, we can see deep changes in value formation, realization, and distribution.

The essence of distribution is equivalent to the theory of element value. Moreover, the supply-side structural reform is a long-term comprehensive reform, and it cannot be simply understood as the five major tasks of “three removals, one reduction and one supplement” should focus on the long-term economic development. The Western Supply School and “Reagan Economics” are both for understanding to resolve the short-term economic “stagflation” problem, its short-sighted policies are difficult to solve the long-term and fundamental economic problems. The supply-side structural changes reform, not only pays attention to short-term economic issues, but also pays more attention to the value formation issue of long-term economic development; also pays more attention to the quality of economic development.

Measure this value realization problem. From the point of view of value distribution, my country’s supply-side structural reform should be aimed at achieving the “two centenary goals”. Laying the foundation is a major decision made for the common prosperity of all people. Therefore, the supply-side structural reform cannot be based on the Western supply theory. The theory is to be guided, but the Marxist theoretical system should be used as the guide.

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