

Cambridge Judge Business School

Working Paper No. 2/2014

ON KEYNES & CHINA: KEYNESIANISM 'WITH CHINESE CHARACTERISTICS'

Malcolm Warner

Cambridge Judge Business School Working Papers

These papers are produced by Cambridge Judge Business School, University of Cambridge. They are circulated for discussion purposes only. Their contents should be considered preliminary and are not to be quoted without the authors' permission.

Cambridge Judge Business School author contact details are as follows:

Dr Malcolm Warner
Cambridge Judge Business School
University of Cambridge

Email: m.warner@jbs.cam.ac.uk

Please address enquiries about the series to:

Research Manager
Cambridge Judge Business School
University of Cambridge
Trumpington Street
Cambridge CB2 1AG
UK

Tel: 01223 760546

Fax: 01223 339701

WORKING PAPER

[Accepted by the *Asia Pacific Business Review*, in press.]

ON KEYNES AND CHINA: KEYNESIANISM 'WITH CHINESE CHARACTERISTICS'

Malcolm Warner (Cambridge Judge Business School, University of Cambridge)

Email: m.warner@jbs.cam.ac.uk

Abstract

This paper examines the relationship between the British economist, J. M. Keynes and his influence on China. It is divided into three sections, respectively covering the early, interim and later periods of this link. The first section deals with his initial interest in the 'Middle Kingdom'; the next one deals with the translation of his main works and the diffusion of his ideas in Republican China; and the last deals with the influence of his thinking in the People's Republic of China, after 1978, up to the present time, vis-à-vis the notion of 'Keynesianism with Chinese Characteristics'.

Keywords: Cambridge, China, Confucius, economics, Keynes, Keynesianism.

Introduction

In order to shed light on this fascinating diffusion of economic ideas in the twentieth century and beyond, we look at the links between John Maynard [later Baron, known as Lord] Keynes (1883-1946) and China [1].

The paper is divided into three sections, respectively covering the early, interim and later periods of this connection. The early section deals with his initial interest in the 'Middle Kingdom'; the next one deals with the translation of his main works and the diffusion of his ideas in Republican China; and the last deals with the influence of his thinking in the People's Republic of China after 1978, up to the present time, vis-à-vis the notion of 'Keynesianism with Chinese Characteristics'.

His surname may be represented in its Chinese form, in *pinyin* Mandarin, - as '*Kai'ensi*'; his school of thought - namely 'Keynesianism' - as '*Kai'ensi li lun*'; and what has been called 'Keynesianism with Chinese characteristics' as - '*juyou Zhongguo tese de Ka'iensi li lun*' (see Warner 2001: 140; Alexandroff et al 2004: 114). *We then go on to discuss in our analysis of the above - the apparent 'paradox' that, although Keynes' involvement in China may have been in a 'minor-key', its interest in his ideas was decidedly in a 'major' one.*

Keynes, probably the most original economist of the twentieth century, has lately been named in a recent work on his life, as a 'Master', who is said to have now 'returned' (see Skidelsky 2010: 1). The description is made by a scholar who had earlier come to prominence as his biographer, with a 3-volume study of his life and times (Skidelsky 1983, 1992, 2000) namely, Robert J. A. [later Baron] Skidelsky, (1939-) who is Emeritus Professor of Political Economy at the *University of Warwick*. A number of this author's biographical works on Keynes have also been published in translation into Chinese, for example, a recent one entitled

***Keynes: A biography (Kai'ensi zhuan)*, appeared in 2006 (Skidelsky 2006b, see WordCat 2014).**

Keynes has also lately been compared (see Skidelsky 2007: 1) by a number of contemporary Chinese commentators, with another 'Master', this time one in antiquity, namely *Confucius* (551-479 BC), (*Kongzi*, literally 'Master Kong'). Skidelsky notes that: 'A thinker may be dead in some bits of the world and alive in others. This has to some extent happened to Keynes. Keynes lives on in developing countries, even though his work was not about development at all. In some of these countries he is taken up as a critic of globalization, or apostle of a 'balanced' and 'harmonious' economy—strands which can readily be plucked out of his interwar writing, though they form no part of the General Theory model. In China he has been compared to *Confucius*. A thinker may be alive in a different sense to those so far discussed, because of the sheer fertility of his thought' (Skidelsky 2007: 1). Perhaps by sheer coincidence, or not, the above biographer himself had been born in *Harbin* in the north of China in 1939, where his family were interned by the Japanese, then repatriated back to the UK, but later returning to China and settling in *Tientsin (Tianjin)* before the Communists took over his father's coal-mining business there. It is a city, we may note here, whose university, *Nankai Daxue*, colloquially known as, *Nankai*, was one of the first to teach Western economics (Skidelsky 2006a: 1; Trescott 2007: 269).

Other commentators, however, argue the case for Frederich A. Hayek (1899-1992), as being better known in contemporary China (see *The Economist* 2011:1). He was an economist of the so-called 'Austrian School' and later a Nobel Prize winner in Economics, who after 1931 held a Chair at the *London School of Economics (LSE)* and then after 1949 at the *University of Chicago* and who was a stringent critic of Keynes' work. Hayek had, in his time, taught many Chinese students at the LSE, who later went on to support his theories in China and *Taiwan* (Trescott 2007:83-84). One advocate of his thinking in China has been *Zhang Weiyong*, (1959-), formerly Dean of the *Guanghua School of*

Management, a Professor at Peking University (known also as Beijing Daxue, or Beida for short); he has been described as the main Chinese 'anti-Keynesian' and has been dubbed the most cited economist in his country (see Bhattacharya 2012: 1). But we argue, on the other hand, that the Keynes has indubitably made his mark on Chinese economics as a subject and indeed more widely with respect to the economic policies adopted by the Chinese government in recent years. The connection with *Confucius* is, however, rather more contentious but as we shall soon see in the next section, the British economist had come to grips with this thinker quite early in his career.

Early Period

Whilst we do not have much direct evidence regarding Keynes' knowledge of China (or Japan for that matter) in his formative years, it is clear that he read very widely across the disciplines and would have known as much about that country, if not more, as any well-educated person of his time and class. Public opinion in Britain had become increasingly concerned about the new challenge of Chinese nationalism in the first part of the 20th century (see Chow 2011: 3). Here, an early biographer of Keynes, Roy (later Sir Roy) Harrod (1900-1978) does not enlighten us much on this point (see Harrod 1951). A later one, however, namely, Donald E. Moggridge (1943-) notes that the young Keynes was in favour of the 'Boxer Rebellion' in China early in 1900:- 'I am pro-Boxer', he told his father (Moggridge 1992: 43). In his recent short biography, Peter Clarke (1942-) adds little more about China in this context but not a great deal (see Clarke 2009). Yet, in the same year, when he was seventeen years old, it is claimed that Keynes had apparently penned a provocative essay, '*The Differences between East and West: Will They Ever Disappear?*' (see Paulovicova 2007). In it, he looked at the examples of the Jews and the Chinese and offered some rather prejudiced opinions as far most fair-minded people would perceive them, then and now but at the time not a few Western intellectuals shared his opinions. As far as the Chinese were concerned, he allegedly did not think much of them and any effort to turn them into

a 'race of tigers' was futile, adding that 'Europeans could hope nothing less than a second flood that would exterminate them' (see Chandavarkar 2000: 1619; Paulovicova 2007:43). Skidelsky describes a later Keynes' reaction to population expansion, as 'a typical Edwardian Yellow Peril coda' (1992: 430).

Accusations of Keynes's prejudices in this vein still persist (see also Chandavarkar 2009) and are ironic since Keynes own circle was heavily replete with intellectuals of Jewish origin, namely economists such as Richard F. [later Baron] Kahn (1905-1989), Nicholas [later Baron] Kaldor (1909-1986), Piero Sraffa (1898-1983), as well as political writers, like Leonard Woolf (1880-1969), at Cambridge and many others, such as the German banker and financial expert, Carl Melchoir (1871-1933) whom he met at the Versailles Conference in 1919 and who became his 'special friend'. We may also note that Keynes was later in the forefront of criticism of the Third Reich's racial policies (see Paulovikva 2007: 49). He had, in addition, cordial relations with several Chinese notables, such as *Soong Tse-ven*, known as *T.V. Soong* (1891-1971), an eminent businessman and politician, as we shall later see.

Between 1909 and 1911, Keynes had been preparing lecture-notes on Adam Smith (see Keynes Papers, JMK/UA/6/15). He would have seen that the eighteenth century writer had noted China's historic economic achievements and its use of the 'division of labour', if with qualifications. Again, he would have undoubtedly have come across observations regarding that country in several economic sources much earlier, particularly in other works of the 18th century 'Enlightenment' economists (see Warner 2014: 37). From his youth onwards, Keynes had collected antiquarian books and had acquired many first editions of classical economics works. There are indeed a number of references to China in Smith's works - including the following: '[P]erhaps no country has ever yet arrived at this degree of opulence. China seems to have been long stationary, and had probably long ago acquired that full complement of riches which is consistent with the nature of its laws and institutions. But this complement may be much inferior to what, with

other laws and institutions, the nature of its soil, climate, and situation might admit of' (Smith 1776, *Book 1, Chapter 9, 15*, cited in Warner 2014: 37-38). Chinese intellectuals had been much taken with the ideas of Adam Smith (*Yadang Simi*) (1723–1790) and tried to promote his ideas of free markets. His key work, namely *The Wealth of Nations* (*guo fu lun*) (Smith 1776) was first translated by Yan Fu (1854–1921), an intellectual who had attended the *Royal Naval College* in Greenwich in London. It was definitively published in 1902 in China in a Mandarin version (see Warner 2014: 37), in a somewhat idiosyncratic translation, although it had been first published in Japan where a summary had appeared in 1880. It is quite possible that Keynes may have heard of these translations from the three undergraduates (*Zeng Zhongjian; Luo Zhongyi; Zhang Wei*) then studying in the Economics faculty at Cambridge, all hailing from China, the first ones to enrol in that subject there from 1906 onwards (Trescott 2007: 85). Even today, Smith still remains up-front on the reading-lists in the history of economic thought courses today in the *People's Republic of China*, (PRC), as now does Keynes, as we shall later see.

By 1912, Keynes's views on the Chinese seem to have softened. His lengthy review essay of *The Economic Principles of Confucius and his School* (*Kongmen licaixue*) (Chen 1911), which had appeared at the time, in the *Economic Journal* of which he was Editor, is not however that well-known but is quite revealing (see Keynes 1912: 584-588; see Moggridge 1989: 239). The work's author, *Huan-Chang Chen* (1881–1931), was one of the early Chinese-born candidates to gain a PhD in Economics in the US and the first to do so at *Columbia University*, more than a century ago, having studied there with a number of well-known economists such as Edwin Seligman (1861-1939) and John Bates Clark (1847-1938). Chen, whose book still remains in print, believed that *Confucius* was 'a promoter of economic growth and prosperity' (Warner 2014: 57). Here, Keynes thinks it is doubtful whether *Confucius* was in favour of private ownership of land but believes the latter was certainly a 'free-trader' and did not doubt it was 'wrong to charge interest', for 'capital is the mother and interest is her child' (Keynes 1912: 584). The

book-review notes that *Chen* (1911) uses the methods of modern economists to deal with the economic history of China and praises the evocation of 'Gresham's Law' (Keynes 1912: 585–586). Keynes goes on to view population growth as a major weakness: 'The Golden Age of China...was not an age of teeming and overcrowded population' (Keynes 1912: 588). The original copy of the book reviewed, remains in the 'Rare Books Collection' of the Marshall Library in Cambridge, '*ex libris* John Maynard Keynes'.

Keynes was, however, more aware of India, having served in the *India Office* in London at an early stage in his working career between 1906 and 1908 but was to resign to pursue his writings on probability theory in Cambridge. After a faltering first attempt, he soon became a Fellow of *King's College* and a member of the Economics Faculty at *Cambridge University* and continued to be associated with its circle throughout his lifetime. He published his book *Indian Currency and Finance* (Keynes 1913) soon after. The Archives contain documents on his work in the *India Office*, and on the *Royal Commission on India Currency and Finance*, 1913-1914 and 1926 (see Keynes Papers, JMK/IA, IC, ID, IE, IF) but little else on Asia in general. He continued to have a detailed interest in and knowledge of the Indian economy and its banking system throughout his life, although he never visited that country or any other in that region, let alone China. His reputation in India has continued long after, indeed throughout the last century (see Chandarvakar 1989) and still persists today.

Interim Period

Keynes's ideas had soon spread around the world, particularly after a book he published in 1919. It is said that as far as his 'best-seller' the *Economic Consequences of the Peace* (Keynes 1919a) was concerned, a Chinese translation (see Keynes 1919b) was soon undertaken by *Tao Meng*, also known as *L. K. Tao* (1887-1960), an early LSE graduate. The work was a trenchant critique of the Versailles Peace Conference, which Keynes had attended as an official adviser, just after the end of the First

World War and it went on to sell over 100, 000 copies across the world. However, there is only limited evidence in detail of translations into foreign languages of his works, other than in European ones such as French, Italian, Spanish, and so on and respectively, Japanese and Russian (see Keynes Papers, JMK/EC/5, EC/6). The Mandarin version, *Ouzhou he yi hou zhi jing ji* (Keynes 1920) and other translations which appeared (see Lawrence 2003:225), nonetheless, would have clearly been of great interest to China, both generally on the making of the 1919 Peace-Treaty, as well as specifically *vis a vis* the fate of former German and other enclaves there. A consequence of the resulting agreement, then granting territories in *Shandong* Province to the Japanese, was the 'May Fourth Movement' (*wusi yundong*), led by students in *Beijing*, in 1919, which set in motion many of the revolutionary changes in twentieth-century Chinese history, including the founding of the *Chinese Communist Party* (CCP) three years later (Schwarcz 1986).

Again, Keynes did know Arthur Waley (1889-1966), who was to become an eminent poet, noted translator of Chinese literature and a well-known sinophile, who was associated with 'Bloomsbury', an artistic and literary circle, which had links with China (see Chow 2011: 30) of which the former was a prominent member, having been an undergraduate at *King's College* (1907-1910). However, throughout his career, there are only limited references to China in the standard Keynes' biographies (see for example, Harrod 1951; Skidelsky 1983, 1992, 2000). There is little more in his papers, with a few exceptions, such as a document concerning a currency system for China in 1910, a letter from Waley in 1915 and a report from the *Committee on the Chinese Situation* to boost trade between China and the UK to help recovery from the Depression in 1930 (see Keynes Papers; JMK/IC/3, JMK/PP/45/193 and JMK/EA/1 & 5; Howson and Winch 1977; de Gruchy 2008). Keynes had proposed building railways in China at that time, to help transport British exports into the country, funded by the *Boxer Compensation Fund*, to the *Economic Advisory Council* and its sub-Committee on which he sat (Lawrence 2003: 33, 132, 225). A little later, Skidelsky notes Keynes also

thought China should concede territory to Japan in 1937 (Skidelsky 2000: 33).

The central ideas of Keynes's *The General Theory of Employment, Interest and Money* (Keynes 1936a), which another famous economist of the day noted as 'the greatest literary success of our epoch' in macroeconomics (Schumpeter 1954: 1170), soon diffused in China after the book's initial publication in the mid-Thirties (see Trescott 2012: 324ff). A young Chinese economist, *Yao Qingsan*, who had previously studied in France, made the first-known presentation of Keynes's ideas in China soon after. A number of scholars teaching there and/or who had studied in England also helped disseminate his work, particularly at *Yenching (Yanching) University*, at that time a Christian college located in *Beijing*, later disbanded by *Mao Zedong* (1893 -1976). Amongst them was a Western Marxist academic, Michael (later Baron) Lindsay (1909–1994) and a group of Chinese economists. They had circulated an unofficial translation of the Keynes's *General Theory* (*Kai'ensi tonglun*) there in the early 1940s, although his ideas earlier had been promoted in Japan in an unofficial translation, edited by the noted Japanese economist *Nakayama Ichiro* (1898 - 1981), in *Keinzu Ippan Riron Kaisetsu* (Nakayama 1939; 1940), who had studied with Schumpeter (see Morris-Suzuki 1989: 93). *Nakayama* had discussed the *General Theory* in seminars with his colleagues and students not long after the work was published in 1936. But Keynes' ideas spread slowly in Japan, even in the post-war period, as many university economics faculties were dominated by Marxists.

The *General Theory* was not formally published in China in a Mandarin translation until 1957, when *Xu Yunan* (1910-1958) of *Tsinghua (Qinghua) University* (with the aid of *Wang Chuan-lun*, then a post-graduate student on the same campus in *Beijing*) put it in the spot-light and it still remains in print (Keynes 1936b; Trescott 2007: 253). A capable scholar, *Xu* was probably the first Chinese to be awarded a PhD in economics from Cambridge, who gained his degree in 1940, with a dissertation on the UK cotton industry in the Great Depression. But

there is no evidence that the earlier *Tract on Monetary Reform* (Keynes 1923) was ever translated into Chinese (and there is no reference in the Keynes Papers on this point, one way or the other). However, the *Treatise on Money* (Keynes 1930a) was eventually published in a Mandarin translation (as *Huobinlun*) in *Beijing* in 2008 (Keynes 1930b) but had been seen in Japanese as early as 1934 (Asada 2012: 325).

Late Period

Keynes did not, however, live to see the taking of power by the *Mao Zedong* and the establishment of the PRC in 1949, having died three years earlier. But, although he had dealings with Chinese diplomats and economists, there is little evidence he was much aware of *Mao's* life, let alone anything in detail about his writings and actions, at least as evidenced in the Keynes Papers and his published work. There are also hardly any references to the Chinese Communists in any of the biographies of Keynes published in English.

'China' is mainly mentioned from time to time vis a vis the economic crises of the period. The Chinese Nationalist Government had proposed asking Keynes to come over to be their Economic Adviser in 1932 (*The Observer*, 3 January 1932: 13) but nothing ever came of this suggestion. He did, however, oppose a British loan to China in the early 1940s (see Treasury Papers of J. M. Keynes, Series 2, T/247/3 China: Stabilisation Fund, 1941-1945). Even so, Skidelsky notes his good relations with *T.V. Soong*, mentioned earlier, then Chinese Foreign Minister, with whom he had conducted a correspondence earlier in 1935 (see Keynes Papers, JMK/PP/45/306) and who gave him a birthday-dinner at the Nationalist Government's Embassy in Washington DC in 1943 (Skidelsky 2000: 120). The legendary *Soong* was a brother-in-law of both Generalissimo *Chiang Kai-shek* (1887-1975), the *Kuomintang (KMT) (Guomindang)* leader in charge of Nationalist China at the time, as well as of its 'founding father', *Sun Yat-sen* (1866-1925). Keynes, in any case, would have been unlikely to have taken a benign view of *Mao's* achievements,

given his hostile view of Marxism, unlike a number of his contemporaries in the Economics Department in Cambridge and elsewhere. Even so, links between the faculty and China were very strong, partly because 33 Chinese students had studied there prior to 1949 and most took as 'received wisdom' Keynesian notions of 'market failure', although against this, 44 others had been students of the less enthusiastic LSE professors such as Hayek, mentioned above (see Trescott 2007:9, 85ff).

The Maoist model had indeed been highly praised by many of those Western Marxists who took an interest in post-1949 China and went on to visit it at first-hand. One such pilgrim was the 'fellow-travelling' Cambridge economist Joan V. Robinson (1903–1983), originally a colleague of Keynes and a number of other scholars in the field (see Harcourt 1995). The Archive of her documents and correspondence does not, however, reveal any evidence of an interest in China prior to the 1950s (see Robinson Papers). She later visited the PRC eight times over in the post-war years and penned a number of books on the Chinese economy, such as *China: An Economic Perspective* (Robinson and Adler 1958), amongst others. If Robinson was a more or less 'apologist' for Maoism in its late phase and saw it as a guide for 'Third World' development (see Warner 2014: 99) she appeared to have later recanted and go on to back the economic reforms (Harcourt and Kerr 2009: 146).

Keynes, on the other hand, was never a Socialist, let alone a Marxist and viewed Soviet Communism in the final analysis as an intellectual *cul de sac* (Skidelsky 1992: 235, 292, 488, 517-1). He was never influenced by Karl Marx (1818-1883) and he appeared to have no opinions on record relating *Mao* himself or to Chinese Marxism (indeed there is no evidence at all to be found in the Keynes Papers). He did, however, *pari passu* have an ongoing relationship with the Fabian Socialist stalwarts, Beatrice [later Baroness Passfield] Webb (1858-1943) and Sidney [later Baron Passfield] Webb, (1859-1947) as well as George Bernard Shaw (1856-1950) between 1915 and 1938 but remained critical of Soviet

Russia (see Keynes Papers, JMK/45/340; Harrod 1951; Warner 1966; Skidelsky 1992; Clarke 2009). He had visited that country in 1925 for instance, with his wife, Lydia Lopokova (later Lady Keynes) (1892–1946), who was a ballet-dancer of Russian origin and later again in 1928 and 1936. He wrote critically about the key features of the Soviet economy in his collection of articles, *A Short View of Russia* (Keynes 1925), anticipating later work on economic development (See Toye 2006). Interestingly enough, however, some economists in Cambridge, like Maurice Dobb (1900-1976), or Joan Robinson and Piero Sraffa, both referred to earlier, thought that Marx's and Keynes' ideas could be driven in tandem (see Harcourt 1995: 1228–1243).

With the 'Liberation' in 1949, the Chinese Communist authorities soon expressed hostility to Keynes's ideas, and even more so, in the 'Anti-Rightist Movement' of 1957–58. Strong efforts were made to import Soviet Stalinist-inspired economics in 1953 starting in *Beijing* at the newly-launched 'flagship' *People's University* (*Renmin Daxue*, known as *Renda*) (Trescott 2007: 297). Yet in the 1950s and 1960s, over 50 Western economic texts were translated into Mandarin, including 10 chapters of Paul A. Samuelson's *Economics: An Introductory Analysis* (1948 and subsequent editions in 40 languages) and these works in Chinese were widely circulated. The latter US scholar (1915-2009) was a *Nobel Prize* winner and the text may be seen as building on the 'Keynesian' model (see Pearce and Hoover 1995). Debates also continued on Malthus (1766-1834) and Keynes over the course of this period in the PRC (see MacFarquhar 1960: 82). Symposia were, in addition, held on Smith, Ricardo (1772-1825), Marshall (1842-1924), as well as Keynes, amongst others (see Trescott 2007: 361). However, during the 'Cultural Revolution' in the 1960s, discussion more or less ground to a halt and economists were harshly persecuted (Lin, 1981: 38). In 1975, the official English-language weekly, then-named *Peking Review*, stated that 'Keynes theory doesn't work' (*Peking Review* 1975: 17). But after the Maoist era ended in 1976 and after the reforms of *Deng Xiaoping* (1904-1997) were launched in 1978, Keynesianism re-emerged as a legitimate topic of discussion (Trescott 2007: 349, note

39) and possibly unacknowledged, are said to have been incorporated in Chinese demand-management policy thereafter (see Alexandroff et al 2004; Trescott 2012; Fang 2013).

After 1978, Chinese economists took up Western notions again with renewed enthusiasm (see Ma and Trautwein 2013: 2) in terms of what has been referred to as theories 'with Chinese characteristics' (*juyou Zhongguo tese*) (Hsu 1991: 25). Amongst these, Keynesianism may be found, but with the latter being seemingly seen as more 'politically correct' there than the 'Chicago School' at the time. Western economics, including translations of theorists such as Keynes and Schumpeter (1883-1950), were soon reinstated in the university curricula (Lin 1981: 1-48). The following year, more reforms followed in economics teaching and research; a new complete version of Samuelson's textbook noted above was also published in Mandarin; and a *China Association for Research on Foreign Economics* (CARFE) was in turn set-up (Fang 2013: 296). As noted earlier, Keynes' ideas were to influence the post-Mao thinking on running the economy and their influence grew in China in the late 1980s and the 1990s (see Trescott 2007). A biography of Keynes (*Kai'ensi zhuan*) by *Ha Luo De* was published in Chinese by the *Commercial Press* in the early 1990s (see Ha 1993) who had been the publishers of the earlier translation of the *General Theory*. Another biography, *John Maynard Keynes* (*Yuehan Meinade Kai'ensi*) was in print more recently (see Bao 2009). Interest in 'Institutionalism', 'Neo-Keynesianism', 'Radical Economics', 'Regulation Theory' and so on, had spread across many of the economics faculties in the PRC (see Zhang and Xu 2013: 309). Economists like Ronald Coase (1910-2013), Milton Friedman (1912-2006, Douglass C. North (1920-) and Oliver E. Williamson (1932-), all Nobel laureates, became familiar figures to interested Chinese students and faculty. Today, the so-called 'China model' is said to incorporate both Smith and Keynes as part of its core 'ideological arena' (Yip 2012: 53).

As the early 2000s progressed, the Chinese economy was still on its 'Long March' of rapid economic growth, although it has been slowing

down from the trend-rate of the last three decades (see Warner 2013: 157). The annual rate of growth which had been sustained around 10 percent per annum now struggled to rise above 7.5 percent. Unemployment had risen, in fact coexisting with skilled labour-shortages and rising wages.

The Chinese Party/State's response to the 2008 global financial crisis, under the leadership of then Prime Minister *Wen Jiabao* (1953-) was to, in fact, boost 'aggregate demand' and the government took steps to stimulate the economy through a programme of 'quantitative easing', with extensive investments in nationwide infra-structure amongst other things, in a four trillion RMB (US\$586 billion) stimulus package, described as 'Dr Keynes' Chinese Patient' (see *The Economist* 2008: 1). The question, however, was whether the 'structural imbalance' as between saving and consumption could be dealt with (Fang and Gang 2009: 149). The 'multiplier effects' were possibly slow to work and boosting domestic demand might be easier said than done. There is a high degree of income inequality in the PRC, with a *Gini Coefficient* at officially 0.47, but in reality it may be much higher, perhaps over 0.60 (see Warner 2013: 177).

A World Bank Working Paper has, however, concluded that the multiplier effects did in fact seem to have been effective and that: - 'China's government economic stimulus package in 2008-09 appears to have worked well. It seems to have been about the right size, included a number of appropriate components, and was well timed. Its subnational component was designed to enhance the impact of the stimulus package on the economy and reduce the potential pro-cyclical elements that are usually built into subnational fiscal mechanisms in federal countries. Moreover, China's massive fiscal stimulus played an important role in the overall recovery of the global economy' (Fardousi, Lin and Luo 2012: 27). A Western Marxist economist (John Ross) teaching in China, commented on the irony: 'Keynes explicitly put forward his theories to save capitalism. But the structure of the US and European economies has made it impossible to implement Keynes's

policies even when confronted with the most severe recession since the Great Depression. The anti-crisis measures of China's "socialist market economy" are far closer to those Keynes foresaw than in any capitalist economy' (Ross 2012:1).

In 2009, the Governor of the *People's Bank of China*, *Zhou Xiaochuan* (1948-), who had initially graduated with a top PhD in engineering (if not economics) from *Tsinghua (Qinghua) University* in 1975, recently resurrected Keynes' idea of 'an international reserve currency that is disconnected from individual nations and is able to remain stable in the long run' (see Zhou 2009a: 1). This proposal, originally published by way of the *Bank for International Settlements*, in Basel, Switzerland, which set out a step-by-step process to resolving international imbalances, has been much discussed in the ensuing period (Zhou 2009b). It has received a good deal of publicity in the world's financial press at the time, however not a great deal has come of this proposal to date, but it has again kept Keynes' name alive both in China and globally in this regard (see Jaeger, Haas and Töpfer 2013).

In another exemplification, the Chinese have recently dubbed *Li Yining*, (1930 -) a Professor of Economics at the renowned *Peking University*, as 'the Keynes of China'. In 1955, he graduated from the Department of Economics at that seat of learning, classed today as the top Economics Department in the PRC (see CUCAS 2012). Their website announced that: 'Few economists have steered China's development path like *Li Yining* since his idea of joint-stock reforms guided China to transform itself from a planned to a market economy, a transition captured in his theses published recently in English, entitled "The Chinese Way of Economic Reform and Development", features 16 selected essays. These writings, collected between 1980 and 1998, were recently translated into English and published by the *Foreign Language Teaching and Research Press*' (see Li 2010; Peking University 2010). Because of his advocacy of 'joint-shareholding' reform, it is said 'he is known to many Chinese as the "Mr. Shareholding" and is sometimes called "the Keynes of China" because the joint-share reform transformed China as much as

the work of the British economist, John Maynard Keynes, transformed Western economic ideas', claims the source (Peking University 2010:1).

Another noted Chinese 'economics guru', indeed with a Keynesian penchant, is a former Chief Economist and Senior Vice-President of the *World Bank*, who became a Professor at *Peking University*, namely *Justin Yifu Lin* (1952-). He recently suggested a new *demarche* he called 'Beyond Keynesianism', (Lin 2011), pointing out that: 'We are in a global crisis. And you have two paths. The traditional Keynesian focuses on the domestic economy and tries an approach that would, for example, dig a hole and pave the hole in order to create jobs. I suggest going beyond Keynesianism, which has two meanings. First, the fiscal stimulus should be used for investment to enhance future productivity growth; and second, the fiscal stimulus can go beyond national boundaries, since the global crisis needs a global solution. In high-income countries, there are some opportunities for productivity-enhancing types of fiscal stimulus...' (Lin 2011:1) He noted that in the high-income economies, many opportunities exist, but they are limited. They may not create enough jobs to help unemployment to go back to a normal level. Developing economies, including low-income countries, have many of these opportunities. However, there is good deal of slack in the maturing sectors, even the tech sectors, in the high-income ones. He believes that we may see growth and investment in the developing examples as an opportunity both for both high-income and for developing examples. To do this, he suggests, 'we can create some kind of Keynesian-like optimism...' (Lin 2011: 1). His analysis of the fiscal stimulus in the Chinese economy in 2008-2009, referred to above, sets out how this might be achieved in practice (see Fardousi, Lin and Luo 2012).

Discussion

First, the influence of Keynes in China must be considered in the context of the spread of Western notions of 'modernity' to Asia and

China, in particular over the last one hundred and fifty years (see Woodside 2006). Westernization spread with 'the flag' across Asia for good or for ill, depending on your point of view. A concept current at the time, both in general relevance and notwithstanding vis-a-vis economics, was *ti yong*, namely indigenous (Chinese) 'essence' (*ti*) versus exogenous (Western) 'usefulness' (*yong*) (see Warner 2104: 93). These notions may today be also applied to, and are clearly of relevance for, 'Keynesianism' in its Chinese manifestation.

Second, a growing awareness of Western Economics over the period must be taken into account and specifically Keynes' theories in their diffusion in China and in a Chinese context (Trescott 2007, 2012) over the last century and at the present time. Western theories are now in play in the PRC in what has been dubbed a synthesis of 'Confucius, Lenin, Schumpeter and Keynes' called '*Guanxi Economics*' (see Nitsch and Diebel 2008). The terms 'Neo-Keynesian' and 'Post-Keynesian' have also been employed here (Skidelsky 2010). In another contemporary contribution, Marx's, Schumpeter's and Keynes' ideas have been seen as used to come to grips with the nature of rapid China's economic growth trajectory (see Lo and Zhang 2011). Over a hundred books in all, by, or on, 'Keynes' or 'Keynesianism', ranging from 1949 to 2014, appear in the *World Catalogue*, a major online international bibliographical site (see WorldCat 2014). A recent search of Chinese economics journals also found that 43 out of 111 papers published in Mandarin between 1977 and 2009 could be categorized as specifically 'Post-Keynesian' (see Zhang and Xu 2013: 310).

Third, the last consideration is the degree to which contemporary Chinese economic theory or policy is dubbed 'Keynesian', with or without, this or that, set of characteristics. We have argued '*Keynesianism with Chinese Characteristics*' is a term which we argue may be useful in the debate but perhaps it is often used in a relatively broad sense, rather than a strict one (see Sheng 2013). Policies adopted by the Chinese leadership may be given labels *post hoc*, whether they have read any one given Western economist or not, anyway. Great

caution should be employed here, as it is often the case that economic commentators use adjectives an academic might be cautious to employ.

Concluding Remarks

Whether the economic hegemony of the ‘Washington Consensus’ will still go on to last into the coming decades to be replaced by the ‘Beijing’ version (see Jacques 2011: 427) and whether this will have a ‘Keynesian’ flavour is difficult to surmise. In any event, China’s economic policies need to be much more open and transparent, as ‘most of the world finds economic relations with China a complete puzzle’ (Quah 2013: 1). But we cannot take anything for granted, as we have stated in a previous contribution to the debate (see Warner 2013:157-161). As one commentator concluded: ‘*Deng Xiaoping* famously said, on his death [he] was “going to meet Marx”. But *Deng* may also be having an intense talk with John Maynard Keynes. And Keynes would be interested to discuss with *Deng*’s two cats – who appear to have read the *General Theory* more closely and accurately than any administration in the West’ (Ross 2012: 1). The debate on Keynesianism, albeit ‘with Chinese characteristics’, will no doubt continue for some years to come. We can, however, view the ‘paradox’ we mooted earlier - that although Keynes’ involvement in ‘the Middle Kingdom’ was in a ‘minor-key’, China’s interest in his ideas was decidedly in a ‘major-key’ - as a convincing one in the light of the evidence we have presented above.

=====

BIO-DATA

MALCOLM WARNER is Professor and Fellow Emeritus, Wolfson College, Cambridge and Judge Business School, University of Cambridge. He has been the Editor-in-Chief, of the *International Encyclopedia of Business and Management* [IEBM], 8 volumes, (London: Thomson, 2002) and the author/editor of many books and articles on China. His latest work has

recently been published: *Understanding management in China: Past, present and future*, (London and New York, NY: Routledge, 2014). He is currently Co-Editor of the *Asia Pacific Business Review*.

References

Alexandroff, A.S., Ostry, S., and Gomez, R. (2004) *China and the Long March to Global Trade: The Accession of China to the World Trade Organization*, London and New York, NY: Routledge.

Asada, T. (2012) 'Japan' in [Ed.] J. E. King, *The Elgar Companion to Post Keynesian Economics*, Cheltenham: Elgar, 325-326.

Bao, L. D. (2009) *John Maynard Keynes, (Yuehan Meinade Kai'ensi)*, Beijing: Huaxia Publishing House, in Chinese.

Bhattacharya, A. (2012) 'Zhang Weiyong: China's Anti-Keynesian Insurgent', *Wall Street Journal - Eastern Edition*. 12 October 2012, Vol. 260, Issue 88, pA11-A11, 1-1-2.

Chandavarkar, A. (1989) *Keynes and India: A Study in Economics and Biography*, London: Macmillan.

Chandavarkar, A. (2000) 'Was Keynes anti-Semitic?', *Economic and Political Weekly*, 6 May, 1619–24.

Chandavarkar, A. (2009) *The Unexplored Keynes and other essays: a socio-economic miscellany*, New Delhi: Academic Foundation.

- Chen, H.C. (1911) *The Economic Principles of Confucius and his school*, New York, NY and London: Columbia University Press and P.S. King & Son.
- Chow, P. (2011) *British Opinion and Policy towards China, 1922-1927*, PhD thesis, London: London School of Economics and Political Science (LSE).
- Clarke, P. (2009) *Keynes: The Twentieth Century's Most Influential Economist*, London: Bloomsbury.
- CUCAS (2012) 'Top 50 Chinese Universities in Economics', Chinese China Academic Degrees & Graduate Education Development Centre, http://www.cucas.edu.cn/HomePage/2010-04-09/page_714.shtml, (accessed 13 January 2013).
- Economist, The (2008) 'China's fiscal stimulus: Dr Keynes's Chinese patient', *The Economist*, 13 November, <http://www.economist.com/node/12601956>, (accessed 22 May 2013).
- Economist, The (2011) 'Keynes-v-Hayek in China', *The Economist*, 17 November, <http://www.economist.com/node/21537010>, (accessed 22 May 2013).
- Fang, X. and Gang, F. (2009) 'Economic crisis, Keynesianism and structural imbalance in China', In [Eds.] R. Garnaut, L. Song, W. T. Woo, *China's New Place in a World In Crisis*, Canberra: ANU Press, 137-154.
- Fang, F. (2013) 'The Changing Status of Western Economics in China', In [Ed] Ma, Y., and Trautwein, H-M. (2103) [Eds.], *Thoughts on Economic Development in China*, London and New York, NY: Routledge, 295-305.
- Fardousi, S., Lin, J. Y., and Luo, X. (2012) 'Demystifying China's Fiscal Stimulus', *World Bank Policy Research Working Paper*, 6221, October, 1-33.

Gruchy de, J. W., (2008) 'Towards a Study of Arthur Waley and China', University Bulletin, www.kjunshin.ac.jp/juntan/libhome/bulletin/No38/de_Gruchy.pdf (accessed 10 January 2014).

Ha, L. D. (1993) *Keynes: A Biography, (Kai'ensi zhuan)*, Beijing: Shangwu yinshu guan (Commercial Press) in Chinese.

Harcourt, G.C. (1995) 'Obituary: Joan Robinson 1903–1983', *Economic Journal*, 15: 1228–1243.

Harcourt, G.C. and Kerr, P. (2009) *Joan Robinson*, London: Palgrave Macmillan.

Harrod, R. F. (1951) *The Life of John Maynard Keynes*, London: Macmillan.

Howson, S. and Winch, D. (1977) *The Economic Advisory Council, 1930-1939*, Cambridge: CUP.

Hsu, R. C. (1991) *Economic Theories in China, 1979-1988*, Cambridge: CUP.

Jacques, M. (2011) *When China Rules The World: The End of the Western World and the Birth of a New Global Order*, London: Penguin Books.

Jaeger, C. C., Haas, A., and Töpfer, K. (2013) 'Sustainability, Finance, and a Proposal from China', *Working Paper*, Institute for Advanced Sustainability Studies (IASS), Potsdam, December 2013, 1-30.

Keynes Papers, Cambridge: King's College Archive Centre, 1868–1951.

Keynes, J. M (1912) ‘Book review of H. C. Chen (1911) “The Economics of Confucius and his School”’, *Economic Journal*, 22: 584–588.
<http://www.jstor.org/discover/10.2307/2222270?uid=3738032&uid=2129&uid=2134&uid=2&uid=70&uid=4&sid=21103355576801> (accessed 12 June 2013).

Keynes, J. M., (1913) *Indian Currency and Finance* (London: Macmillan).

Keynes, J. M. (1919a) *Economic Consequences of the Peace*, London: Macmillan.

Keynes, J. M. (1919b) *Economic Consequences of the Peace*, (*Ouzhou he yi hou zhi jing ji*), Shanghai: *Xin qing nian she* (New Youth Society Press), Chinese translation in 1920 by *Menghe Tao*, with *Xingren Shen*.

Keynes, J. M. (1925) *A Short View of the Soviet Union*, London: Hogarth Press.

Keynes, J.M. (1923) *A Tract on Monetary Reform*, London: Macmillan.

Keynes, J. M. (1930a) *A Treatise on Money*, London: Macmillan.

Keynes, J. M. (1930b) *A Treatise on Money*, (*Huobinlun*), Xian: *Shanxi shifan daxue chubanshe* (Shanxi Normal University Press) in 2008, Chinese translation by *Zhijun Liu*.

Keynes, J. M. (1936a) *The General Theory of Employment, Interest and Money*, London: Macmillan.

Keynes, J. M. (1936b) *The General Theory of Employment, Interest and Money*, (*Jiu ye, li xi he huo bi tong lun*), Beijing : *Shenghuo dushu xinzh* (SDX Press) in 1957, then after 1963, *Beijing: Shangwu yinshu guan* (Commercial Press), Chinese translation by *Xu Yunan*.

Laurence, P. (2003) *Lily Briscoe's Chinese Eyes: Bloomsbury, Modernism, and China*. Columbia, CA: U of South Carolina.

Li, Y. (2010) *The Chinese Way of Economic Reform and Development*, Beijing: Foreign Languages Teaching and Research Press.

Lin, C. (1981) 'The Reinstatement of Economics in China Today,' *China Quarterly*, 85: 1-48.

Lin, J. Y. (2011) 'Beyond Keynes', *World Policy Journal*, May 2011, <http://www.worldpolicy.org/journal/spring2011/justin-yifu-lin-beyond-keynes>, (accessed 9 January 2014).

Lo, L. and Zhang, Y. (2011) 'Making Sense of China's Economic Transformation', *Review of Radical Political Economics*, 43: 33-55

Ma, Y. and Trautwein, H-M. (2103) [Eds.] *Thoughts on Economic Development in China*, London and New York, NY: Routledge.

MacFarquhar, R. (1960) [Ed.] *The Hundred Flowers*, London: Atlantic Books.

Moggridge, D. (1989) *The Collected Writings of John Maynard Keynes*, Volume XXX, Bibliography and Index, Cambridge: CUP and the Royal Economic Society.

Moggridge, D. (1992) *Maynard Keynes: An Economist's Biography*, London and New York, NY: Routledge.

Morris-Suzuki, T. (1989) *A History of Japanese Economic Thought*, London and New York, NY: Routledge.

Nakayama, I. (1939; 1940) *Keinzu ippan riron kaisetsu*, Tokyo: Nihon Hyoronsha, Showa (in Japanese editions).

Nitsch, M. and Diebel, F. (2008) 'Guanxi Economics: Confucius Meets Lenin, Keynes, and Schumpeter in Contemporary China', *European Journal of Economics and Economic Policies: Intervention*, 5: 77-104

Paulovicova, N. (2007) 'The Immoral Moral Scientist', *Past Imperfect*, 13: 24-55.

Pearce, Kerry A.; Hoover, Kevin D. (1995), 'After the Revolution: Paul Samuelson and the Textbook Keynesian Model', *History of Political Economy*, 27 (Supplement): 183–216.

Peking Review (1975) 'Worst Postwar Economic Crisis', *Peking Review*, No. 6, 7 February, 17-18.

Peking University (2010) 'Works of Keynes of China', http://english.pku.edu.cn/News_Events/News/Media/7574.htm (accessed 10 January 2012).

Quah, D. (2013) 'China's Journey to the West', *Global Policy*, 2 February 2013, <http://www.globalpolicyjournal.com/blog/02/02/2013/china%E2%80%99s-journey-west>, (accessed 10 January 2014).

Robinson Papers, Cambridge: King's College Archive Centre, 1920–1986.

Robinson, J. and Adler, S. (1958) *China: An Economic Perspective*, London: Fabian International Bureau.

Ross, J. (2012) 'Deng Xiaoping and John Maynard Keynes', *Marx, Keynes and China Today*, <http://www.solidarityeconomy.net/2012/02/10/marx-keynes-and-china-today/> (accessed 7 January 2014).

Samuelson, P. (1948) *Economics: An Introductory Analysis*, New York, NY: McGraw-Hill.

Schumpeter, J. A. (1954) *History of Economic Analysis*, London: Allen and Unwin.

Sheng, A. (2013) 'In China, a new era of "likenomic" begins with new Keynesian reforms', *China Post (Taiwan)*, <http://www.chinapost.com.tw/commentary/the-china-post/special-to-the-china-post/2013/11/10/393296/p2/In-China.htm>, (accessed 16 January 2014).

Skidelsky, R. (1983) *John Maynard Keynes: Hopes Betrayed, 1883–1920*, London: Macmillan.

Skidelsky, R. (1992) *John Maynard Keynes, The Economist as Saviour*, London: Macmillan.

Skidelsky, R. (2000) *John Maynard Keynes: Fighting for Britain, 1937–1946*, London: Macmillan.

Skidelsky, R. (2006a) 'Essay: A Chinese Homecoming', *Prospect*, 1 January 2006, <http://www.skidelskyr.com/site/article/essay-a-chinese-homecoming/>, (accessed 6 January 2014).

Skidelsky, R. (2006b) *Keynes: A Biography (Kai'ensi zhuan)*, Beijing: *Shenghuo dushu xinzhi sanlian shudian*, (SDX Press), Chinese translation by *Lanxin Xiang* and *Ying Chu*.

Skidelsky, R. (2007) 'Keynes in the Long Run', *World Economics*, 8, 4, 1 October, 2007, <http://www.skidelskyr.com/site/article/keynes-in-the-long-run/>, (accessed 4 January 2014).

Skidelsky, R. (2010) *Keynes: the Return of the Master*, London: Penguin Books.

Schwarcz, V. (1986) *The Chinese Enlightenment: Intellectuals and the Legacy of the May Fourth Movement of 1919* (Berkeley, CA: University of California Press).

Toye, J. (2006) 'Keynes and development economics: a sixty-year perspective', *Journal of International Development*, 18: 983–995

Treasury Papers of J. M. Keynes, London: Public Record Office, now the National Archives (TNA), 1940-1946.

Trescott, P.B (2007) *Jingji Xue: The History of the Introduction of Western Economic Ideas Into China 1850–1950*, Hong Kong: Chinese University Press.

Trescott, P.B. (2012), 'How Keynesian Economics Came to China', *History of Political Economy*, 44, 2: 341-364.

Warner, M. (1966) 'The Webbs, Keynes and the Economic Problem in the Interwar Years', *Political Studies*, 14: 81–86.

Warner, M. (2001) 'The new Chinese worker and the challenge of globalization: an overview', *International Journal of Human Resource Management*, 12: 134–141.

Warner, M. (2013) 'The global economy in crisis: towards a new paradigm?' *Asia Pacific Business Review*, 19: 157-161

Warner, M. (2014) *Understanding Management in China: Past, Present and Future*, London and New York, NY: Routledge.

Woodside, A. (2006) *Lost Modernities: China, Vietnam, Korea and the Hazards of World History*, Cambridge, MA: Harvard University Press.

WorldCat (2014) World Catalogue,
http://www.worldcat.org/search?q=k%3Akai%27ensi&qt=results_page, (accessed 14 February 2014).

Yip, K. W. (2012) *The uniqueness of China's development model: 1842-2049*, Singapore ; Hackensack, NJ : World Scientific Publishing Co.

Zhang, L. and Xu, Y. (2013) 'The transmission of heterodox economics in China, 1949-2009', In [Eds.] Ma, Y., Hans-Michael Trautwein, H-M. (2103), *Thoughts on Economic Development in China*, London and New York, NY: Routledge, 306-326.

Zhou, X. (2009a) 'Zhou Xiaochuan's Statement on Reforming the International Monetary System', *Council on Foreign Relations*,
<http://www.cfr.org/china/zhou-xiaochuans-statement-reforming-international-monetary-system/p18916>, (accessed 10 January 2104).

Zhou, X. (2009b) *Reform the International Monetary System*, Bank of International Settlements, Basel, www.bis.org/review/r090402c.pdf, (accessed 10 January 2014).

NOTES

[1] I am greatly indebted to the published scholarship of Robert Skidelsky in general, and Paul Trescott in particular, which was of great help in the writing of this commentary on Keynes and China, as cited. I must also thank the referees of this paper for their invaluable comments and suggestions, as well as to William Brown, Geoff Hodgson, Susan Howson, Riccardo Peccei, Rod Wye, Ying Zhu, amongst others, for their generous advice. The dates of births and deaths of economists and other figures mentioned above are only noted where available

@@@@@@@@@@@@@@@@@@@@@@@@@@@@@@@@

END