

Types of Economic Ideas in Late Imperial China and the Role of Western Economic Thought

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1. Introduction

The purpose of this study is to identify the different schools of economic thought in late Imperial China (1840s-1910s) and the influence of Western economic theories on them. Literature on Chinese economic thought for the period of Early Chou (twelfth century BC) to the Opium War (1840) has been well exposed by Chang (1987)¹. This article deals with the period from the Opium War (1840s) to the end of Imperial China (1910s). For basic sources, I rely heavily on the 3-volume study by Hou and Wu *et al.* (1982-84): *History of Modern Chinese Economic Thought*. From their largely descriptive work, eleven types of economic thought are identified, and their characteristics are compared, using schematic tables. In addition, the extent and significance which Western ideas played in policy — making is investigated. Obviously, this article is more of a synthesis than an original investigation — more of a “macro observation” than a “micro verification”.

Before entering the main subject, some related references are worth citing. The synthesis of Feuerwerker (1980) is a good source for the background of the late Imperial Chinese economy; papers by Elvin (1984), Bergère (1984) and Feuerwerker (1984) examine the historical origin of Chinese underdevelopment; Hou's (1965) is an excellent account of foreign investment in China and its impact on economic development.

In the domain of economic thought, there have been many textbooks, monographs, and countless papers on modern Chinese economic thought published in mainland China during the past three decades. Unfortunately, they vary little in terms of points of view. Unquestionably, the 3-volume study of Hou and Wu *et al.* (1982-84) is still the definitive text on this subject and thus was the main reference for this study. Two other source books were also

¹ In which he also illustrated the approach and the contents of a 3-volume study by HU Jichuang (1962, 1963, 1981): *History of Chinese Economic Thought*.

most helpful. One, by Wu *et al.* (1959), is a compilation of the main original texts of economic thought written during the period of 1840-1864. The other, by Zhao and Yi (1982), brings together original texts written during the period of the 1840s-1910s, closely related to the present analysis.

2. Types of economic thought

The main purpose of this section is (1) to classify the types of economic thought in terms of "schools" (Table 1) and (2) to match them with the appropriate Western economic "isms" (Table 2). It should be remembered that the tables play a major role in this paper and that reading these tables are more important than the text itself, because readers may develop further interpretations other than those analyzed by the author alone.

2.1 By schools

The first step to untangling this Gordian knot is to classify, albeit quite roughly, the main schools. Thus, the contents of Hou and Wu *et al.* (1982-84) are simplified into Table 1, which lists each school's main figures, their intellectual heritage, and their main claims on economic issues. All are compared in Table 1, without copious annotations in the main text.

Regarding Table 1, one qualification should be made. The names of each school were created by scholars in mainland China, whose method was very biased towards politics and social classes. The taxonomy is not familiar to neoclassical economists or even Chinese scholars in non-socialist areas. This study still follows that typology, however, because no better method of classification has been proposed.

The problem with Table 1 is that almost every "economist" had ideas that diverged from his "school". For example, a landlord-class economist can be a conservative in agricultural problems but "advanced" in international trade policy. Thus to classify economic schools by "classes" is not ideal, but to arrange each economist's view on different issues (in the form of a Leontiff input-out table) would be complicated and impractical. The virtue of Table 1 is similar to that of a 1/10,000 map; it ignores many details but provides the main guideposts.

2.2 By "isms"

Based on the data of Table 1, we use the conventional textbook classification of these schools by economic "isms" which is shown in Table 2.

Regarding Table 2, two phenomena stand out. First, the seven schools (before the 1880s) are strongly biased toward the Physiocrats, but the trend was replaced by "mercantilism" thereafter. Second, the eighth school (*bourgeoisie* reformers) contains many different views, some advocate *laissez-faire*

and some are protectionists. Like Table 1, this table is also a brief indicator of economic policy orientation during this era.

3. The role of western economic thought

Table 2 reveals a third interesting phenomenon: from roughly the ninth school (around the 1890s), new terminologies from Western economics became familiar to Chinese people and were used in debates. The terms such as protectionism, *laissez-faire*, liberalism, socialism, anarchism were widespread. This section, using Table 3, investigates the main figures "importing" Western economic ideas, and their main economic policy recommendations. In Table 4, these thirteen leaders are matched with their sources of economic ideas, that is British, French, German, American, Japanese etc., and then, again, compared by isms (similar to Table 2).

3.1 Penetration of Western economic ideas

According to Tables 1 e 2, five "schools" (Nos. 5, 6, 8, 9, 10) have been influenced by Western (and Japanese) economic doctrines. Some explanations are in order.

1. The Taiping Rebellion (No. 4) movement was influenced by the combined forces of Western religious doctrines (Christian), Ancient Chinese utopian ideas, and traditional Confucian ideologies. Western colour is obvious, but in a general and abstract manner. No precise economic doctrine heritages can be identified, so they are excluded in our analysis.

2. Although the main figures of the five schools (Nos. 5, 6, 8, 9, 10) did not reject "foreign affairs" (as most chauvinists did) and were eager to learn from Western and Japanese experiences, they still should not be included under the strict "Western economic thought influence" category, because they knew "facts", not doctrines.

3. Using this criterion, only three schools, (Nos. 8, 9, 10), and only thirteen important figures (see Table 3) had direct experience with Western thought. Most of these men are well-known and made important contributions to modern China.

In Table 3, they are ranked chronologically by birth, and compared according to (1) their sources of influence, (2) how they identify their ideas, and (3) their economic policy recommendations. Again, this method arguably oversimplifies these men's complex ideas, but it has the virtue of presenting their dominant ideas.

3.2 By "isms"

Similar to Table 2, Table 4 compares how these thirteen western-influenced people oriented their economic isms, so that one can easily grasp

the idea of (1) where they obtained their thoughts, (2) how the five isms were distributed among them, and (3) how these five main isms appeared in China chronologically.

One qualification must be made before interpreting Table 4. So many different economic ideas are expressed by these thirteen people that some distortion takes place in reducing their sometimes colourful and even fantastic concepts to five bland isms. Regarding Table 4, six remarks are in order.

1. In terms of geographical distribution, England and Western Europe were the most influential, followed by Japan and the USA.

2. In terms of popularity, Adam Smith was the best known (see Schwartz 1964 and Lai 1989) because his *The Wealth of Nations* was translated into Chinese and was widely read. Henry George was also famous because Sun Yat-sen advocated his ideas of single-tax and the nationalization of land. Malthus was also known but less important in terms of political economy (economic policy). Other Western economists were familiar to learned people, but had less actual influence.

3. In addition to classical and neo-classical economics, the ideas of anarchism and communism were also introduced into China. They were less significant in economic debates before the 1910s, but gradually became important thereafter — a rich story in itself.

4. In terms of educational background, only Liao and Zhu (Nos. 12 and 13) formally studied political economy at the university level (USA and Japan). All the others were self-taught, or "learned by doing". A main characteristic of all thirteen "economists" is that they not only took Western (economic) thought seriously, but also looked to it as their main source of inspiration.

5. In terms of isms, all these Western, influenced people were biased towards mercantilism, and abandoned traditional physiocratic ideas. The dialectic, thus, shifted from the mercantilism/ Physiocrat dispute (see Table 2) to a *laissez-faire*/protectionist debate (Table 4). Although hotly contested, it seems that the protectionists dominated slightly.

6. Some Western economic ideas became known to the Chinese through major historical figures, such as Sun Yat-sen who explicitly introduced Fabian economic ideas. However, the influence of Western thought that began in the 1840s did not have an impact on economic policy until the 1950s (socialism in red China).

4. Conclusions

During the last seven decades (1840s-1910s) of late Imperial China, the economic situation seriously deteriorated. Its long-term structural decline was aggravated and accelerated by the penetration of Western economic forces. Patriots, reformers, conservatives, radicals, intellectuals, and mandarins were all eager to enact recovery policies. The competing schools of economic

thought proposed complex, controversial, and contradicting advice and solutions. The four tables in this study help unravel this Gordian knot. From this macro analysis, three dominant impressions emerged.

1. During the 1840s-1880s, the trend of economic ideas in China shows an obvious shift from the Physiocrats to mercantilism.

2. After the introduction of Western economic thought around the 1880s-90s, the focus of dispute changes to *laissez-faire* versus protectionism.

3. Although Western economic thought impressed Chinese intellectuals and mandarins, they played no significant role in economic decision-making. No solid evidence exists to argue that it made a policy impact.

Late Imperial Chinese intellectuals and mandarins left extensive writings on economic problems. Some focus on the analysis of economic conditions, some emphasize policy aspects and some even propose plans to reconstruct the economic system (including utopian projects). All these are very interesting and invite deeper investigation into this rich but neglected field. The following three issues are especially relevant to such a study.

1. Tables 2 and 4 listed five economic isms, but deeper investigation is needed. What did these isms mean to the Chinese at that time? How did the Chinese schools differ from their European counterparts? Such questions are not clear at all.

2. As a history of economics, how were Western economic ideas introduced into China, with its completely different culture both in concept and way of thinking? How were these ideas distorted, absorbed, and rejected? How was economics institutionalized in China? (see, e.g., Trescott, 1985, 1989). Further research is badly needed.

3. When did Western economic ideas start having an impact on Chinese economic policies? Although we "assert" that no impact is evidenced until the 1950s, is this also true in the post-world war II era? Did Keynesian ideas really play no role in the Chinese economy? Again, much more research is needed.

Table 1
 TYPES OF ECONOMIC THOUGHT IN LATE IMPERIAL CHINA

Schools	Key figures	Basic points of view
1. Landlord class reformers (some "advanced" bourgeois elements tried to propose policies to rescue China from crisis and foreign power penetration).	GONG Zizhen (1792-1841) BAO Shicheng (1775-1855) LING Zeshu (1785-1850) WEI Yuan (1794-1957)	1. Criticise political, social and economic problems and tried to reform within the same dynastic structure. 2. For political economy, they wanted to reinforce the traditional physiocrat project and to "enrich people by farming". For administration, they wanted to lower taxes, limit unequal land holding, exploit new land. 3. Based on traditional ideologies, they despised commerce, profit-seeking, and emphasized the importance of saving.
2. Landlord class conservatives (against reform movement and for the traditional value system to save China from crisis).	XU Zi (1801-1862) SUN Dingcheng (1819-1859)	1. Against commercial activities. 2. Proposed the "Protecting the rich" theory: rich people can help the ruler to support the lives of the poor.
3. Compromisers toward foreign forces (free trade with foreign powers).	XU Naiji (1777-1839) HUANG Entong (1801-1881)	1. Against Opium War, proposed to remove restrictions on opium trade. In order to end the crisis: "the more restrictions on opium, the worse the situation will be". 2. Legalize opium trade, to improve tax income. 3. Trade with foreign powers, but not war with them: little chance of winning.
4. Leaders of Taiping Rebellion (a political and peasant rebellion hoping to overthrow the Dynasty, to establish a new fair society).	HONG Xiouquan (1814-1864) HONG Rengan (1822-1864)	1. Abolish current socio-economic system, towards an egalitarian society. 2. Abolish private property, equal division of all wealth, against commerce and profit-seeking, dissolve families into communal life.
5. Landlord class during Taiping Rebellion period (against Taiping movement, they started to have contacts with Western "affairs" and tried to learn from the West).	ZENG Guofan (1811-1872) WANG Shiduo (1814-1889) FONG Guifen (1809-1874)	1. Basically physiocrats, but realized the power of Western countries. Tried to learn their military technology and establish schools of "foreign affairs", to translate Western books.

6. "Western affairs" school (some important Mandarins who wanted to "learn from barbarians in order to control the barbarians").	LI Hongzhang (1823-1901) GUO Songtao (1818-1891) ZHANG Zhidong (1837-1909)	1. Their slogan: "Chinese learning for Truth; Western learning for application". 2. Encourage private enterprises for the wealth of the nation. 3. Trade with foreigners: "Westerners are seeking profits in China, but not intending to hurt her, so we can ask for loans for industries, joint ventures, etc."
7. Traditional conservatives (against "foreign affairs" school and for the superiority of the traditional Chinese value system).	LIU Xihong (18??-18??) ZHENG Lian (1857-19??)	1. Against learning from the West. 2. Chinese learning is superior to Western learning; and the latter sprang from the former. 3. Trade with foreign countries can only benefit mandarins, foreigners, and malicious profit-seekers.
8. Bourgeois reformers (to reform Chinese society with traditional culture and new Western thought: "When the situation has changed, the method must also be changed").	WANG Tao (1828-1897) MA Jianzhong (1845-1900) KANG Youwei (1858-1927) YEN Fu (1853-1921)	1. Using Western systems to reform, and to build a new, strong China. 2. Develop national industries, but against state paternalism in this regard. 3. Build a Western type national budget and auditing system. 4. Laissez-faire for domestic economy, but protectionism against foreign trade.
9. Revolutionists (overthrow Imperial Dynasty, to build up a republican China).	SUN Yat-sen (1866-1925) ZHU Zhisin (1885-1920) LIAO Zhongkai (1877-1925)	1. Seek all the new possibilities from the West (politics, technologies, ideas). 2. Introduce Fabian socialism; the slogan was: "state-owned land, limit private-owned capital". 3. Promoting Western cooperatives system.
10. Constitutional monarchists (royalists but also reformers, they were opponents to the revolutionists).	LIANG Qichao (1873-1929) Zhang Jian (1853-1926)	1. Against land nationalization. 2. Against socialism. 3. Keep good relationship with Western countries, using foreign loans for industries and construction.
11. Bureaucratic compradors (important mandarins who had deep foreign relationships and controlled main state enterprises).	SHENG Xuanhuai (1844-1916) ZHOU Xuexi (1865-1947)	1. Establish state-owned industries, enterprises and financial systems. 2. Similar to No. 10 above.

Remarks: 1. Classification of "schools" is based on the method of Hou, Wu et al. (1982-84).
2. Economic policies of each school are condensed from the "Overview" of each part of this 3-volume book.

Table 2
ECONOMIC POLICIES
OF DIFFERENT SCHOOLS (BY "ISMS")

Schools	Physiocrats	Mercantilism	Protectionism	Laissez-faire	Socialism
1 Landlord class reformers	+				
2 Landlord class conservatives	+				
3 Compromisers toward foreign forces		+		+	
4 Leaders of Taiping Rebellion	+				+
5 Landlord class during Taiping Rebellion period	+				
6 "Western affairs" school		+			
7 Traditional conservatives	+	-			
8 Bourgeois reformers		+	+	+	
9 Revolutionists		+		-	+
10 Constitutional monarchists		+	+	-	-
11 Bureaucratic compradors		+	+	-	

Remarks:

1. This table is similar to Table 1, but classified by economic policy "isms".
2. "+" means 'pro' and "-" means 'con'.

Table 3
KEY FIGURES INFLUENCED BY WESTERN THOUGHT

Names	Sources of influence	Policy recommendations
1. WANG Tao (1828-1897)	Influenced by British preachers in China and studied in UK (1867-70). He wrote a lot of articles to explain the situation in the West.	<ol style="list-style-type: none"> 1. In addition to modern technology, social and political systems are also important. 2. British constitutional monarchy system is a good example for China to imitate. 3. Turned from being physiocrat to mercantilism.
2. XUE Fucheng (1838-1894)	Ambassador to UK, France, Italy and Belgium between 1889-1894, and a main consultant to two top governmental officials (LI Hongzhang and ZHENG Guofan).	<ol style="list-style-type: none"> 1. Encourage commerce, establish Western-type corporations. 2. Machines are the sources of production and national income. 3. Introducing Western public finance system: budget and auditing to replace the old one.
3. MA Jianzhong (1845-1900)	Studied in France (1876-80), translator of Chinese ambassadors to Europe, familiar with European situation.	<ol style="list-style-type: none"> 1. Industry and commerce are the main sources of national wealth. 2. Tariff protection is necessary for China. 3. Mining of silver and gold in order to increase national wealth (bullionist). 4. Foreign loans should come from private sector, to avoid governmental control.
4. He Qi (1859-1914)	Lived more than 10 years in UK, lawyer and doctor in Hong Kong, writing in English and translated by HU Libuan (1847-1916) who also lived in UK and Japan for a short period.	<ol style="list-style-type: none"> 1. <i>Laissez-faire</i>, against state interventionism. 2. Commerce and profit-seeking are the major goals of the state. Develop railroad, steamship networks.
5. HUANG Zunxian (1848-1905)	As a consular official in Japan (1877-82), he introduced Meiji Reformation to Chinese people in detail. Consul in San Francisco (1882-85), and in UK (1889-95).	<ol style="list-style-type: none"> 1. Trade protectionism. 2. Develop industries and business. 3. Gold standard, control paper money to prevent inflation.
6. YEN Fu (1853-1921)	Studied in a UK naval military academy (1867-71), a great translator of British books into Chinese: <i>The Wealth of Nations</i> (1902), etc., with great influence.	<ol style="list-style-type: none"> 1. <i>Laissez-faire</i>. Against state intervention. 2. Against tariff agreements. 3. Against gold standard. 4. The importance of public finance budget and price index system to audit inflation.

Continued Table 3

Names	Sources of influence	Policy recommendations
7. KANG Youwei (1858-1927)	Defeated in the Reform movement, exiled to Japan and Europe for 15 years, introduced new concepts into China. A well-respected scholar.	<ol style="list-style-type: none"> 1. Let the people be free in industries and business, head toward an industrialized country. 2. Issue new monetary system, prohibit foreign currencies in China. 3. Against democracy, against revolution.
8. CHENG Zhi (1851-1899)	High functionary in the court, read widely, translated Western books. Heavily influenced by Smith's <i>Wealth of Nations</i> , he published a book named <i>A Supplement to the Wealth of Nations</i> .	<ol style="list-style-type: none"> 1. Wealth acquisition is the way to save China. 2. Industries and commerce are important. 3. Monetary system must be reformed.
9. TAN Sitong (1865-1898)	Failed many times in state exams, radical in reformation movement, eager to learn from the West. Failed in the reform and killed at the age of 34.	<ol style="list-style-type: none"> 1. Rich people should consume more and invest in industries. 2. Trade protectionism. 3. Luxuries for rich people (underconsumption theorist, a modern Chinese Thomas Malthus?)
10. SUN Yat-sen (1866-1925)	Studied in Hawaii (1879-83), then studied medicine in Hong Kong. Largely influenced by Henry George and Fabian doctrines. Known as the father of the Republic of China, his ideas are widely known to Chinese.	<ol style="list-style-type: none"> 1. Limit private capital (from K. Marx). 2. Land nationalization (from H. George). 3. State-owned capital. 4. Abolish gold and silver standard, issue paper money backed by commodities.
11. LIANG Qichao (1873-1929)	A well-respected scholar, engaged in reform movement, failed and exiled to Japan where he widely absorbed new ideas, and introduced them to Chinese intellectuals with great influence.	<ol style="list-style-type: none"> 1. Machines are foundations of national wealth. 2. Rich people should consume and invest. 3. Against free trade and liberalism. 4. Against land nationalization. 5. Tariff protectionism. 6. Organize cartels and trusts to compete with foreign economic forces.
12. LIAO Zhongkai (1877-1925)	Born in San Francisco, returned to China in 1893. Studied in Tokyo (Waseda University) and Central University (political economy). Translated the preface of George's <i>Progress and Poverty</i> . Minister of Finance in SUN Yat-sen's government (1919).	<ol style="list-style-type: none"> 1. Advocate socialist-type production and consumption (cooperatives). 2. Against Malthus' theory of population: China needs more population. 3. Follower of SUN Yat-sen.

13. ZHU Zhixin (1885-1920)	Met SUN Yat-sen in Japan (1904), and became his follower. Studied political economy in Japan and introduced Karl Marx's <i>Das Kapital</i> and <i>Communist Manifesto</i> to China.	<ol style="list-style-type: none"> 1. Against economic liberalism. 2. Prohibit privately-owned land. 3. Pursue more social equality. 4. Imitate Russian "Labour Army" to reform in particular areas. 5. Use "rice" standard instead of gold and silver standard to back money.
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- Remarks: 1. Ranking in this table is chronological by birth.
 2. People appearing in this table are from schools (8-10) of Table 1.
 3. This table is derived from Hou, Wu et al. (1982-84).

Table 4
 ECONOMIC POLICIES ORIENTATIONS
 OF MAJOR "WESTERN INFLUENCED" FIGURES
 (by "ISMS")

Names	Sources of influence	Mercantilism	Physocrats	<i>Laissez-faire</i>	Protectionism	Socialism
1 WANG Tao (1828-1897)	UK	- (Earlier) + (Later)	+			
2 XUE Fucheng (1834-1894)	UK & West Europe	+				
3 MA Jianzhong (1845-1900)	France & W. Europe	+			+	
4 HE Qi (1859-1914)	UK	+		+		
HU Lihuan (1847-1916)	UK & Japan					
5 HUANG Zunxian (1848-1905)	Japan, USA	+			+	
6 YEN Fu (1853-1921)	UK (Adam Smith)	+	-	+	-	
7 KANG Youwei (1858-1927)	W. Europe Japan	+		+		
8 CHENG Zhi (1851-1899)	UK (Adam Smith)	+				
9 TAN Sitong (1865-1898)	West Europe				+	
10 SUN Yat-sen (1866-1925)	USA & U.K.	-				+
11 LIANG Qichao (1873-1929)	W. Europe Japan	+		-	+	-
12 LIAO Zhongkai (1877-1925)	USA & Japan					+
13 ZHU Zhisin (1885-1920)	Japan			-		+

Remarks:

1. This table is similar to Table 3, but classified by economic policy "isms".
2. "+" means 'pro' and "-" means 'con'.

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