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Liberalism In Between East And West: a European Perspective on China facing crisis

Gilles Campagnolo

1. Origins of the project

In 2012 as a Full Research Professor (National Center for Scientific Research and Aix-Marseilles School of Economics) knowledgeable about Japan and China, I became the Global Network Coordinator for a project funded by the European Union (IRSES-LIBEAC).



After studying philosophy and economics at *Ecole Normale Supérieure*, Paris (1992-5) and at Harvard University (GSAS, *Augustus Clifford Tower Fellow*, 1995-6) I developed research in East Asia (1997-9 : *Monbusho* at Tokyo U. and Hitotsubashi U.; Summer 1998 : Beijing/Lanzhou ; 2007-8 : *Nichibunken* fellow, Kyoto ; Summer 2007 : French delegation at UNESCO/DLMPS Conference on Methodology and Philosophy of Sciences at Tsinghua U. ; Fall 2008 : Saitama U. ; Fall 2009 : Rikkyo U. ; 2011-2 : JSPS long-term Fellow Hokudai ; Summer 2012 : Tsinghua U.) I am presently for a series of short periods at Hokkaido University within the EU-funded LIBEAC project, whose results this seminar explores¹⁾.

In the Fall of 2010 I attended a Conference on Development at Wuhan University that resulted in the book edited by my colleagues Ma Ying and Hans-Michael Trautwein *Thoughts on Development in China*, published by Routledge in 2013²⁾. For LIBEAC project I decided that a collective volume on this model would be in order: I present here some results of what became actually an upcoming book (scheduled for May 2016, see reference *below* with Table Of Contents and cover-page).

LIBEAC actually stands for ('Liberalism In Between Europe And China') but its aim encompasses also Japan (where Hokkaido University is the partner³⁾) and South Korea and Taiwan (on an individual basis). LIBEAC is among the few elite projects selected by the Research Executive Agency of the

1) I deal here with themes from LIBEAC in cooperation with aforesaid program in the present seminar, so the following Official announcement applies: "The work leading to this intervention has received funding from the European Union Seventh Framework Programme (FP7/2007-2013) under grant agreement n°PIRSES-GA-2012-317767".

2) Campagnolo Gilles « Three Influential Western Philosophers in the Break-Up Period in China: R. Eucken, H. Bergson and J. Dewey in China », in Ma Ying and Hans-Michael Trautwein (eds.), *Thoughts on Development in China*, London-New-York: Routledge, chapter 6, pp. 101-136.

3) Three colleagues from Hokkaido University (Prof. Muramatsu in Philosophy, Prof. Hashimoto and Ass. Prof. Hayakawa in Economics) will go in 2016 to Aix-Marseilles University (AMU, leader of the project) at Aix-Marseilles School of Economics. Besides myself, three Early Stage Researchers, one professor and one senior administrator from AMU and Charles U. (Czech Rep.) visited Hokudai since LIBEAC started presenting papers and making connections with their Japanese counterparts.

European Commission (REA-EC)⁴⁾. After one year of preparation in 2012, LIBEAC started on January 1st, 2013 (it finishes on Dec. 31st, 2016) as a multinational (on the European side: France, Italy, Czech Rep., Great-Britain) and multidisciplinary (economics, sociology, law, politics, philosophy) comparative study of European and East-Asian significant contributions to various forms and kinds of liberalism (LIBEAC also stands for “LIBeralism for ACtion”). Mobility and cooperation *inter* European and Asian participants are the basis. But EU policies and thoughts with regard to East Asia are also at stake since results are academic and ‘technocratic’ as well (even where contracts are signed in English, understanding words properly need linguistic *and* conceptual translation)⁵⁾.

2. Rationale of the project and scientific issues

Regarding China, the rationale of the project is the position newly taken by China at international level: this implies to revise our assessment of liberalism within Asian modernization, at all three economic, political and social levels. The focus is on economic development, with a comparative analysis of the context in which it is displayed. There are indeed different ways to interpret Japanese, Korean and Chinese modernization: as a ‘liberalization’ that means “Westernization” if such is the case, or if it is already embedded in their own culture. I myself tend to put forth ‘Cultural economics’ and comparative ‘socio-economics’ since I think that political discrepancies between models point to how the “rule of law” is understood and may be effectively implemented in entrepreneurship and trade. The influence of the legal frame mid- and long-term is of interest not only to law and economics and history of economics but also to actual business. What about notions adopted/adapted from Europe? There, a European perspective on East Asia/Chinese development is in order.

The project highlights how to address such issues, through the lense of the nature of rationality of economic agents and (various kinds of) Liberalism and/or Individualization and/or Modernization process, notably through a comparison between Western economic doctrines and contemporary reality in East Asia: Japan was the earliest modernizer, Korea and Taiwan after WWII and the Korean War, and mainland China since 1978 with immense growth and a huge impact.

Differentiated approaches are typical of the project. One good example is how the so-called ‘social market system’ is linked to economic liberalism. What comparison to make between Chinese market adoption and EU (German-originated) concept of ‘Marktsozialwirtschaft’, for instance? LIBEAC has two symmetric conceptual “polarities” :

- On the one hand, the study of a renewed communitarianism on a multicultural basis (modelled on Canada’s experience) or, for instance on the replacement and/or complementation of ‘Chinese Marxism’ by a ‘Neo-Confucian’ approach⁶⁾ ;
- On the other hand, the traditions of rationalism, individualism and liberalism, stemming from a comparative study of English, French, German (and Austrian) economic doctrines migrating to Asia

4) Within the Seventh Framework Programme for Research and Technological Development (FP7-PCRD, ended 2013 and from 2014 it is ‘Horizon2020’).

5) More on its contents can be found on the official site www.libeac.org

6) For instance, Daniel A. Bell at Tsinghua U. works on this aspect, notably through analyzing the Chinese genuine system of elite selection.

from the 19th century to nowadays⁷⁾. An example that can bring more developments in the future is the study of how Hayek was received in Asia with a more or less effective influence on various countries.

What is significant for studies on liberty (the basic concept for any kind of liberalism) is that many categories need be explored in the relationship between liberalism-individualism, liberalism-ideology (does Liberalism truly work as a Western Ideology? Is it therefore restricted to the West?). Rationality grounds upon which to base science imply various levels:

- Logical: is liberty an irreducible derivation or a univocal metaphysical norm?
- Methodological: from the Modern era down to I. Berlin and/or F. Hayek, for instance;
- Ontological: do views from Western/ Eastern Asian sources, though being different, share a common basic more fundamental ground?⁸⁾
- Ideological: is liberalism temporarily received until adapted to local realities, and so made ‘genuine’? If so, what is there left in East Asia of the original import from Europe? (whether with free-trade schools or Chinese Marxian school, after all based upon a Westerner’s view as well.)

The following couples of notions are at stake: subjective/objective, conceptual/schematic, positive/negative freedom, Ancient / Modern, Eastern/ Western, a form of liberalism related to happiness vs. a form of liberalism of ‘pure freedom’ (the debate on formal rights vs. effective capacities). In symposiums, conferences and seminar discussions, questions are raised from there, like:

- the influence of Classical Political Economy and Classical Liberalism in Eastern Asia;
- Colonialism, mercantilism and unequal relations with Western countries (Unequal Treaties in 19th century, Asian economic dominance on labor-intensive products bringing unemployment in the West);
- Translations, textbooks, transfer and dissemination of ideas from abroad;
- European and EU official views on Eastern Asian economies;
- Economic discourse and the making of national identities;
- Money and credit: institutions, policy, instability;
- Establishment of critical and heterodox traditions;
- Underdevelopment, backwardness, and catching-up;
- The role of foreign experts in regional thought and policy; but also
- Institutionalization of the economics profession in Eastern Asia with research institutions, think tanks, and policy formation

Examination of the process of adoption/adaption of Western economic doctrines in Asia and China is in order. Through studying translations, textbooks, etc. it becomes clearer how the discipline of economics started (with the coinage of new term for ‘economics’: *jingjixue* in Chinese, *keizaigaku* in Japanese: 経済学), how scholars developed the field yesterday and how today ideas do not only come from the West

7) I study these traditions, especially in the light of my expertise on the founder of the ‘Austrian School of Economics’, Carl Menger, whose archives are located partly at Hitotsubashi University. Among much literature in English (for instance Campagnolo G., 2010: *Criticisms of Classical political economy. Menger, Austrian Economics and the German Historical School*, London & New York, Routledge, xxiv + 416 p: Foreword by Bertram Schefold), see in Japanese my article (tr. K. Yamazaki): « メンガー文庫・ある経済思想の原資料 *Mengâ-bunko: aru keizaishisô no genshiryô* », *Bulletin of the Center for Historical Social Science Literature*, n° 22, Tokyo, Mar. 2002, p. 23-39.

8) In the Q&A session after the talk, this topic was raised again and indeed whether there exists a common rationality ground between East and West is one important issue : do all human beings share it by assumption, or has it to be proven? An analogy is possible with Basic Geometry and its branches (by mitigating Euclides’ 5th postulate).

being adopted/adapted from there but now transfer in reverse direction. Calls to expertise were numerous and brought to the programme some very good specialists⁹⁾.

3. Some results and the impact of the research

Not only did East Asia learn from European thought traditions and do we all learn now about Chinese modernization, but Westerners may in turn see from the Chinese experience that new combinations are made between original traditions (whether they like or dislike them). A case-study in economics is the State Owned Enterprises (SOEs) and reception/translation of ‘principal-agent’ theory, as well as ideas on liberalizing property ownership rights. While privatization of the shock-therapy kind in post-Soviet Russia brought de-industrialization for many years, in China development happened *although* lacking clear private property rights. That should (according to most liberal theories) have stopped development from happening – but what does the Chinese case show then? Are pro-market tendencies dependent (or not) on liberalization of law (and politics)? If not, is economic development sustainable in the mid and long-run without pro-democracy tendencies?

In the timespan of one third of a century, economic development took China to stand blatantly to the fore among international economic powerhouses. From 1978, Deng Xiaoping oriented anew the country towards prospects of wealth and more economic freedom. Is 2015 the other end of the trajectory, with the result of unprecedented growth and accumulation of wealth ever seen (in absolute terms) and since, say (in proportions and with respect to impact on the history of mankind), Great Britain’s industrial revolution? In 2016, and already for years until then, China is respected, feared and its economic situation diagnosed at every single moment by all other major countries, which gives China both immensely new opportunities (and duties) and a newly “global” role on the scene of world economics – with the tasks and perils accompanying this place in the first decade and a half of the twenty-first century. In particular, from 2000 on, each and every power-player in the world has had to know not only how to take into account this power-state, but also to contend (and perhaps to contain) its new major role as an international player. And elements of crisis are now coming to the fore.

LIBEAC tends to focus on relationships between Europe and China, but to measure present China one needs to accommodate viewpoints from the whole world. This evolution was made all the more impressive as other powers

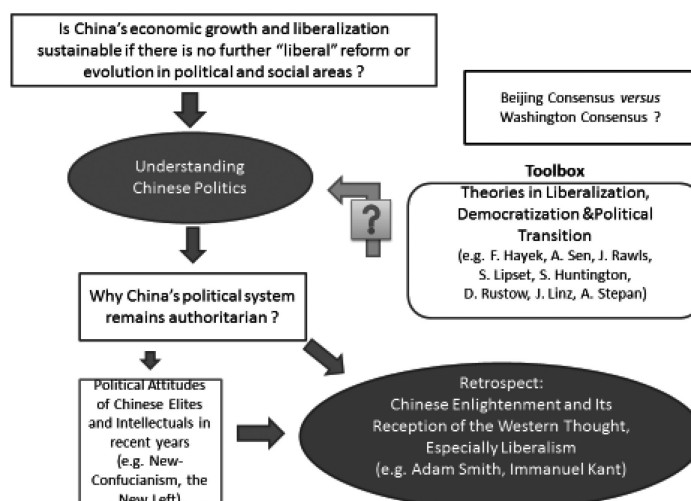


Figure Thinking About Today's Chinese Trends

9) For instance, in French in the *Bulletin de veille CNRS Chine* Mai 2013, in English in the *Newsletter Spring 2013* of the same institution, and in various newsletters, in a series of articles (to date)" in *Chinese Social Sciences Today*, 25/02/2013, p. A-03 (in Chinese, see <http://www.csstoday.net/>), also issues on 22/10/2012, p. A-03 and 15/05/2013, p. B-04. In Japanese, I, as the Coordinator, presented the project at numerous events.

suffered more than China from the major crisis originated in 2008 (“subprime” and Lehmann crisis, sequels on sovereign-debts in the EU). This crisis has dimensions reminding the Great Recession of the 1890s and the Great Depression of the 1930s. In a so-called “globalized” world, are nation-states powerless, or leaderless? Certainly China is not, the Chinese Communist Party (CCP)” sees to it. Yet, is there such a thing as the “Beijing consensus” (vs. the so-called “Washington consensus”) that would bring stability to the whole wherein China is now part (for instance with *renminbi* inserted as a reserve money)? In 2015, China set up the Asian Infrastructure Investment Bank (AIIB) to direct investments in countries arguably close to this new center of gravity of the world economy, thus contributing to shifting it even more to the Asia-Pacific region. Notice though that AIIB rulings/procedures are clearly not the same as those of the World Bank: two systems? With Headquarters in Beijing and Washington? Notions acknowledged and practised seem to diverge. Hence this scheme (G.C. and Xu Bo): see figure above on page 124.

4. Conclusion

The whole world has entered a mutation. Does it mean that the whole world has entered crisis with no outcome or that the change is such that we face a new world again – where the path trodden by China may help learn or expect future trends, like the “*Chinese dream*” ? Some turn directly from West to East: President Obama and President Putin look anew on the economic scene at this world giant. Europe has no Pacific Coastline but Europe has long experienced encounters with economic, social and political evils, and political turmoil for most of the twentieth century. From the perspective of the peace reached by the European Union, a clear goal stands at the confluence of three major issues in terms of internal policies as well as external actions: 1/ its position and role in the World at present, 2/ the past, present and future of European ideals (just think of the example of France, my country, presently under an ‘emergency state’) and norms of conduct, governance (energy, anthropic climate change, pollution issues: again in France the COP21 meeting led to Paris Protocol), and 3/ the past, present and future of citizenship ideals and so-called Human Rights, in a universal sense, as given by French thinker and diplomat René Cassin at the United Nations in 1949. In 2016, issues of European values are central to the world and Chinese development facing crisis.

Reference

This presentation is based on the upcoming book (deliverable of LIBEAC project) by Campagnolo Gilles (ed.), *Liberalism and Chinese Economic Development : Perspectives from Europe and Asia*, London & New York: Routledge, series ‘Frontiers in the World Economy’. May 2016. (Publishing houses in Asia are being contacted by the British publisher in Japan and China for respective future versions in these languages).