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## Article

Recapitulation of the relationship between economic thoughts and realities: Reflections on the prevalence of the westernized "Doctrine of the Mystery of China's Growth"

China Political Economy (CPE)

## Provided in Cooperation with:

School of Economics, Nanjing University

*Suggested Citation:* Liang, Hua (2019) : Recapitulation of the relationship between economic thoughts and realities: Reflections on the prevalence of the westernized "Doctrine of the Mystery of China's Growth", China Political Economy (CPE), ISSN 2516-1652, Emerald, Leeds, Vol. 2, Iss. 1, pp. 123-135,  
<https://doi.org/10.1108/CPE-04-2019-0009>

This Version is available at:

<https://hdl.handle.net/10419/319400>

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# Recapitulation of the relationship between economic thoughts and realities

Doctrine of  
the Mystery  
of China's  
Growth

## Reflections on the prevalence of the westernized “Doctrine of the Mystery of China’s Growth”

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### Abstract

**Purpose** – It is rather common for China’s current academic circles to use western doctrines that originated *in situ* to explain China’s economic problems, a suspicion of scenario misplacement may thus arise. The root cause lies in the lack of reflection about the current relationship between economic thoughts and realities. The paper aims to discuss these issues.

**Design/methodology/approach** – Correctly understanding economic thoughts associated with the brand of “that era” and effectively deducing its characteristics is of great significance to finding new features of this era and constructing new ideas with the characteristics of “this era.”

**Findings** – This motif is exactly the keynote on which to base the study of economic history and economic thought.

**Originality/value** – In a period of major historical turning points, the economic realities on which the economic thinking about that era (the era of economists) relied was undergoing major changes, and re-emphasizing the ancient topic of the relationship between economic thoughts and economic realities became particularly urgent.

**Keywords** Characteristics of the times, Economic thought, Economic realities, Scenario misplacement

**Paper type** Research paper

### 1. Introduction

At present, there is no doubt about the “Chinese growth miracle” after the country’s economic reform and opening up. Many economists have explored the source and driving force of this “miracle” while describing and summarizing China’s economic reform process. Generally speaking, research by western economists in their circles at home or abroad have concluded a wide range of influences as being responsible. Therefore, drawing on western mainstream theories, even applying them “indiscriminately in China, using standards *in situ* to gauge the Chinese practices, and explaining the Chinese experience with neoclassical dogmas” (Cai, 2018), has made for a rather common cognitive model, which shall be referred to in this paper as the “westernized doctrine of the mystery of China’s growth.”

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This research is a part of Hua Liang’s program – Measurement and Analysis of Cognitive Mismatch in China’s Industrialization Process, which is supported by the National Natural Science Foundation of China (General Program, Grant No. 71873141).



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The Industrial Revolution is a watershed separating human history (North, 1981). After this revolution, humans bid farewell to traditional agricultural society and entered an industrial one. Accordingly, the comprehensive rise of the West since the Renaissance has manifested the tremendous progress of human society. The summation of its historical experience constitutes a precious asset of human understanding. However, as Mei Junjie pointed out: the ideas of “laissez-faire, market mechanism and invisible hand” were by no means all pioneered by Adam Smith. There were scholars who had proposed similar ideas before but remained obscure mainly because they were not in line with the needs of the British national interest at the time, and the fundamental reason why *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776) is famous is that the UK in the mid-eighteenth century had established industrial technology advantages through its industrial policies and, hence, were eager to open markets in other countries, while Smith’s free trade proposition fit this need precisely, in the name of “mutual benefit,” tempting other countries to open up the industrial products market from the UK (Mei, 2014). Returning to a more recent historical scenario, as early as in the dawn of the nineteenth century, List, an Economist at the German Historical School, pointed out that Smith’s free trade was not the ultimate goal, but rather a means of promoting the aggrandizement of British national wealth. Smith covered, with subtle dexterity, the protectionist policy that brought prosperity and power to the UK with a subterfuge of cosmopolitanism. The aim was to preserve the established international competitive advantage of the UK, in order to prevent other countries from achieving prosperity through the same means (List, 1841). This shows that economic thought not only reflects the economic changes at that time, but also fundamentally reflects the ideological side, while covering up the real situation in order to protect self-interest. This scenario reminds us that, as historical scenes drift away, historical and dialectical thinking shall be applied to critically reflect and examine the past economic issues and theories.

It should be emphasized that the focus of this paper is not to explore the “mystery of China’s growth” itself, nor to comment on western economic theories, but to reflect from a cognitive perspective on the unintentional or intentional misplacement or absence of scenarios in the cognitive model of the current “Chinese growth miracle,” based on the collation and analysis of theoretical issues. While learning, understanding and applying western economic theories, the later generations shall try to recapitulate the historical scenarios that produced and accommodated them, to clarify the background of their origins, lest the scenarios become gradually blurred while history slowly drifts away. It is exactly the major purpose of this paper to recapitulate the long-standing issue of the relationship between economic thought and reality.

This paper intends to show that the thoughts of that era have the imprint of that era and, in turn, it is the imprint of that era that formed that epoch-making thinking. However, when the economic realities that the economic thoughts of that era relied on were consigned to be history, undergoing major changes during critical historical turning points, recapitulating the ancient topic of the economic thoughts-realities relationship is particularly urgent. In the historical process, the only constant is change itself. Therefore, it is of great significance to correctly understand the economic thought that has been imprinted in that era, effectively deducing the characteristics of its times and look for new characteristics of this era and construct new ideas with them, which is exactly the keynote for studying economic history and economic thought.

On the one hand, the reason for using the term recapitulating is to explain, on the one hand, that this paper aims only at the phenomenon of the current fashion of the westernized doctrine of the mystery of China’s growth, reiterating the ancient topic of thoughts vs realities that merits attention. On the other hand, this paper only presents this issue that has been turned a blind eye to, and the in-depth argument that awaits joint efforts by the academic community.

Thinking about the relationship between economic thought and reality is inseparable from economists and the process of economic development. In general, modern economic growth models and theories originated in the West. The debate on China's growth miracle after the reform and opening up also focused on benchmarking a series of conditions proven to be successful in the western industrialization. Therefore, this paper takes this as a main line for analysis.

## 2. The reconstruction of economic order: the birth of economists and the era of the economists

The birth of the Economists and the era of economists are epoch-making. History and reality show that while the ideas and insights of the great economists would incite the world, their mistakes would be enough to bring woe upon it, too (Heilbroner, 1986). Therefore, to understand the long-term economic development process from a cognitive perspective, we must first pay attention to the creators of economic thought. The era of economists was born in the West. The French Revolution of 1789 marked the end of the European Knights era and was replaced by the Era of the Economists and human calculators (Burke, 1790). Heilbroner (1986) also discovered this interesting phenomenon in his research: the history of written records spans 6,000 years, and even before the era of the Pharaohs, human beings struggled with economic problems. For centuries, multiple philosophers, scientists, historians, artists and heaps of politicians emerged, but there was no economist who dominated the stage before Adam Smith (1723–1790), after whom economists have been transformed into the stars of academia and even society as a whole.

How was the Economist and the Era of the Economists and the born? This story should start with the motif of the socioeconomic order, which has long been concerned with all walks of life. In society prior to Adam Smith, the economic order was geared by tradition or command, which was repealed simultaneously with the European Knights Era by the French Revolution of 1789. A plain and chaotic modern society is coming who would have thought of asking about the arrangement and design of a poor family, the desperate and tragic look of a speculator in bankruptcy, masses on the streets protesting inconstant policies or a fruit merchant smiling at his customers however, the great economist's belief is that these seemingly unrelated clues can be woven into a magnificent tapestry that, seen from a distance long enough, can be regarded in this colorful world as orderly, turning the clamor of noisy voices into a harmonious chorus the economists are eager to explore the order and significance of social history (Heilbroner, 1986). They found a new way to turn a plain and chaotic modern society into an orderly one, that is, the market, which restructures the socioeconomic order with its unique charm, and yet confuses all: on the one hand, the rules are surprisingly simple each does what he deems to be his best job everyone has to fight for the greatest personal financial benefits; on the other hand, social economy is not only orderly, but it can do any job in the society – dirty or decent – that can be done and social welfare can continue to improve (Heilbroner, 1986). Attracted by the mystery of the market, Adam Smith wrote the *Wealth of Nations*.

Then, in the major issue of restructuring the socioeconomic order, why were the major discoveries made by economists represented by Smith, rather than earlier economists?

The answer also has to do with Smith's era, where two major revolutions occurred: one is a relatively mature stage of the scientific and technological revolution, and the other is the Industrial Revolution that has just begun. The Newtonian scientific revolution established the belief that order and coordination shaped nature, just like the wishes of God before, Newton's science fully and effectively explained nature. Through systematic analysis, people cannot only discover these natural laws, but also discover the laws governing human society. Natural laws could guide the economic system and people's various activities. This notion was revolutionary in the era of Smith (Bruce, 2000). The Industrial Revolution made

Britain the most efficient and powerful country in the 1870s. British entrepreneurs became stronger and stronger, and the labor force emerged. The monopoly and administrative power of national and local governments emphasized by mercantilism were under an increasingly strong impact. Although Smith and his colleagues in the early industrialization period did not fully realize the significance of this phenomenon and the future direction of its development, they have realized that manufacturing, trade, invention and division of labor have achieved substantial progress (Bruce, 2000).

Accordingly, how can the major issue of the reconstruction of a socioeconomic order be of epoch-making significance that consummated in Smith and the Era of the Economists? The answer is likewise attributable to Smith's era.

As represented by Smith, these great economists are not only attractive in personality, but also bestowed with ideas branded by their roots. Heilbroner (1986) referred to these famous economists as "worldly philosophers" (by "worldly" he means economists, and by "philosophers," thinkers), the most secular desire of all human activities – the pursuit of wealth – was included in their philosophical schemes – this is the most brilliant, fascinating and important insight of these thinkers, because the years before and after 1500 AD belonged to two distinct eras. From 1500 AD to date, markets and trade have expanded rapidly, the monetary economy has replaced the natural economy or the self-sufficient economy, and countries with unified markets have become dominant forces. A completely different picture is: in the era before 1500, there was almost no trade. Most products were produced for community consumption rather than for market exchange at first; although money and credit existed in ancient times, they were far from being widely utilized; strong nations and integrated national economies had not yet fully formed. Commensurate with the "ethical philosophy era" before 1500 AD, the "economics" of "that era" was called "oeconomicus," standing for "household management and agriculture." Aristotle (384 BC–322 BC) expresses economic thoughts by distinguishing between "natural and unnatural acquisition behavior." He believes that natural acquisitions included farming, fishing, hunting and other activities that provide essentials for human life. Non-natural acquisition behavior referred to activities that acquire items well beyond their own needs, which he opposed. Plato (427~347 BC) pointed out the benefits of human specialization in *The Republic*, which is the origin of Smith's thought on division of labor. During the Middle Ages, St Thomas Aquinas (1225–1274) proposed the concept of a fair price, at which neither the buyer nor the seller could obtain benefits from (or take advantage of) the other party (Bruce, 2000). Therefore, it was the era imprinted with "the desires of these secularities" that fashioned the economists of that era and their epoch-making economic thoughts. In other words, Smith became Smith because his thoughts responded to the demands of "that era."

### 3. The "westernized" study of the rise of the west

The modern economic growth pattern originated in the West. Why did the rise of the West or the Industrial Revolution bring about this kind of growth pattern, first occurring in western Europe – especially the UK? Since the mid-eighteenth century, western scholars have explored incessantly to date, with extremely rich theories. For the research works since the mid-twentieth century, be they historians or economists, the half-century of progress has challenged economic historians who have been involved.

#### 3.1 Summary of doctrines and evaluation

Regarding doctrines, the contributions of many scholars have divided them principally into the following categories: first, the natural-environment doctrine represented by Charles Montesquieu, Jared Diamond and David Landes. Second, The religious-influence doctrine represented by Max Weber and Lynn White. Third, the population-control doctrine represented by Thomas Malthus and Michael Postan. Fourth, the Oriental-despotism

doctrine represented by Karl Wittfogel, vs the European-free-market doctrine represented by Adam Smith. Fifth, the private-property-rights doctrine represented by Douglass North. Sixth, the agricultural-pioneer doctrine represented by Maurice Dobb, Robert Brenner and Patrick O'Brien. Seventh, the proto-industrialization doctrine represented by Franklin Mendels and Joel Mokyr. Eighth, the economic-history doctrine represented by Rondo Cameron and Larry Neal. Ninth, the technical-invention-and-communication doctrine represented by Lynn White and Joel Mokyr (Guan, 2009).

In summarizing the above research, western scholars are trying to prove the existence of a "British miracle" or a "European miracle" from various angles, while trying to explain that the reason for this miracle as being entirely due to internal factors present in Europe. Some unique phenomenon or many of them in European history led to the Industrial Revolution and the rapid economic growth of the modern West, since forming different stages of the same incremental, historical process (Pomeranz, 2000; Guan and Zhang, 2017). In short, through the process of the Industrial Revolution and modernization, Europe has long ended up being superior to other parts of the world in terms of race, natural environment or rational culture. This thinking summarizes one of the main lines of this study.

### *3.2 Summary and value from the perspective of the evolution of topics for discussion*

From the perspective of the evolution of topics for discussion, there is little detailed collation. Here we combine the disciplines of history and economics to sort out a rough contextual outline as comprehensively as possible.

*3.2.1 History.* In the 1950s and 1960s, studies on the Industrial Revolution focused on the events that took place in Britain in the eighteenth century. At that time, the concentrated study of the UK gave people a new understanding of the concept of the Industrial Revolution, originally the "revolution" was not a sudden increase in the rate of economic growth, but a gradual instead of a revolutionary acceleration process (Van Zanden, 2009). Given that it has been a gradual and continuous process, just when did it start?

The discussion in the 1980s and 1990s triggered the re-examination of the history of the Industrial Revolution in western academic circles from the end of the twentieth century to the beginning of the twenty-first century. The discussion of the first economic globalization and China (Zhang, 2012) and the analysis of the divergence between China and the West and its causes have also been carried out in depth. Among them, Frank (1998), Pomeranz (2000), Wong (1997), Goldstone (2008), Lee and Feng (2001), Li (2000) and other "California School" economic historians and social-historical scholars have reversed the story of "the rise of the West" and no longer see it as a process of continuous progress in Europe and stagnation in other regions. They even believe that the rise of the West may be only a short-term temporary phenomenon, because other countries are catching up with, even outpacing the western countries in economic fields. With the rise of the West, the research perspective of the successful realization of industrialization in the West is undergoing an expansion from British history or European history to global history, and from the modern society of the Industrial Revolution to the traditional society before it.

In the twenty-first century, the rise of "global history" research has triggered some further reflection on the "Western European model." How to correctly treat the "Western European experience" has become one of the major concerns in current western academic circles. For this reflection and transformation, as well as its causes and challenges, Barraclough (1987) wrote a summary on the state of world historiography after the Second World War, "For the recent fifteen to twenty years, the progress of historical science is an astonishing fact." However, according to the records, 90 percent of historical works published in recent years, regardless of research methods and research objects, or conceptual systems, are completely following suit. Like some industrial sectors in

established developed countries, history is only content to rely on inherited capital to continue to use collections of machines. The most important reason for this situation lies in the “rooted psychological barriers” of historians, that is, “historians will not be willing to give up their habits and rethink the basic principles of their work.”

*3.2.2 Economics.* After the Second World War, the wave of mathematics represented by econometrics, linear programming, game theory and general equilibrium analysis swept American economics academia. Indeed, scientifically oriented neoclassical economics became the mainstream, and other schools that advocated government intervention were completely marginalized. It is undeniable that this wave of mathematics, known as the “formalist revolution,” is of great significance to the development and improvement of the system of economic theory, which makes economics more formal. But it is precisely this more precise, scientific orientation that has enabled neoclassical economics to gradually become the mainstream and consolidate its position. Nonetheless, its deficiencies in excessive pursuit of formality and universality, while neglecting the economic particularities of various countries, loom large. Accompanied by the Industrial Revolution is the evolutionary path of the Industrial Revolution research topic, from the initial UK-based British experience, to the ascended “Western European model” of economic transformation, which was then haloed as a universally applicable model. This outcome typically reflects the profound influence of neoclassical economics on the cognition of western economic history.

Furthermore, under the influence of the formalist revolution of economics, the economic historiography in the 1950s and 1960s also appeared in the revolution’s research paradigm – the revolution of econometrics historiography – which has made some progress in quantitative research and integration with economic theory, but has also generated some problems. For example, ignoring the verification and interpretation of historical data often excludes many institutional factors that cannot be quantified from the research framework; replacing the historical causality of the real world with mathematical relations; and even manipulating data, using historical data to cater to the needs of neoclassical economic theory. These troubles have limited the development of economic history to a certain extent (Guan, 2014). As Solow (1985) puts it, contemporary economics is disengaged from history and reality, while bending it while building models. Contemporary economic history, like economics, is also about integration, regression, as well as time-series variables instead of thinking. Economics learns no much from economic history, a field which gains little from the former other than to be hurt by it.

#### **4. Westernized “doctrine of the mystery of Chinese growth”**

The Era of the Economists and economists were born in the West, so did the models and theories for modern economic growth. After the advent of neoclassical economics experienced the waves of mathematics occupied by the mainstream of western economics, their disciples were also widespread on Chinese soil. The Chinese growth miracle occurred after the reform and opening up. Therefore, in explaining the mystery of China’s growth, it would be naturally inevitable to learn from western mainstream theories. At present, the debate on the “mystery of China’s growth” in economics with Chinese studies extends a view of the rise of the West coupled with misunderstandings and a westernized perspective in order to discuss the miracle of Chinese growth. This fact led to the author naming the singularity a westernized doctrine.

##### *4.1 The origin of the mysterious doctrine on the Chinese growth mystery from the evolution of the research topic*

In discussing the Industrial Revolution, “why Europe achieved industrialization, but Asia did not” is always a baffling issue, the specialized discussion of which can be traced back to

the nineteenth century. In the process of discussing the causes of the Industrial Revolution, Smith (1776) and Malthus (1798) expressed the view that the huge differences between Europe and Asia in terms of economic, political and demographic systems began to take shape. In the twentieth century, with the continuous expansion of the theories of Max Weber (1905) and Douglas North (1981), the view of the gaping chasm between Europe and Asia prevailed and, from the end of the twentieth century to the beginning of the twenty-first century, continued to play an important role, never ceasing to expand (Jones, 1981; Landers, 1998). Another important topic pertaining to the Industrial Revolution is, "Why did the Industrial Revolution take place in the UK, instead of France and any other country?" and further, "So far, why have only a few countries successfully reproduced the rise of the UK?" In this regard, the most popular response nowadays is the interpretation advanced by the new institutional economics, represented by Acemoglu and Robinson (2012), who explored institutional conditions in long-term economic growth. Be it the interpretation of the differences between Europe and Asia, or the recent interpretations of the different institutional conditions in long-term economic growth, they invariably try to prove that these are the advantages unique to Europe or the UK. China does not have a series of political, cultural, economic, religious and social conditions that enabled a scientific and technological revolution in the West. China is "nothing more than" an imitator of modern western civilization[1].

Obviously, in the current interpretation of the "Chinese Growth Mystery," the western scenario, rather than the Chinese one, has become the starting point for thinking about issues in China. Therefore, we refer to it as the westernized doctrine of Chinese growth mystery.

#### 4.2 Exploring China's economic growth from within the Chinese scenario

The current reflections on the western European experience brought about by global history studies in western settings reveal some doubts about the explanatory power of such settings. So, then, what about the interpretations of the contemporary or even future China, which is far from western historical scenarios?

Rethinking western experience, western Historian Paul E. Cohen (1984) has a clearer interpretation that the study of Chinese history in the West, especially in the USA, being shrouded by "West-centrism." This view holds that industrialization conforms to the needs of social and historical development, a premise of such industrialization perennially lacking within Chinese society, whereas the "Western invasion" is needed to provide these conditions, and is regarded as the driving force for the development of modern Chinese history, with a western society framing the view of China's historical development. When western historians talk about "Western shocks," they often ignore the confusing and contradictory nature of the modern West itself. In fact, there are many influences from the East in the development of modern western civilization. Similarly, modern China has indeed been affected by western shocks, but this must not be seen merely as some passive "reaction." To correctly understand the history of China in the nineteenth and twentieth centuries, we must not only regard it as a product of external forces, but also of internal evolution. The stances and perspectives would best be set within China, delving into its history itself; doing so is exactly what Cohen emphasized in *Discovering History in China*.

The continuation of this idea and explaining the mystery of China's 30 years of reform and opening up also requires "entering into the Chinese scenario." Concurrent with the growth of China's economic miracle in the 1980s, cross-country regression began to be widely used in the study of the determinants of economic growth. The explanatory variables used in transnational regression are generally the socioeconomic characteristics of the sample country and its policies. So, how many of these transnational regressions can be used to explain China's economic growth potential? In such regressions, Dwight Perkins (2005) showed the

importance of transnational effects, some of which are indeed unchangeable – for example, geographical factors. Yet most of the transnational variables are changing over time, such as natural resource abundance, political stability, education and regional spillover effects, etc. Moreover, the simpleminded addition of variables in the growth equation does not lead to the conclusion that China's growth potential is better or worse than other countries. Doing so shows that, albeit undeniably, that some aspects of western experience and even transnational research are universal, the economic development of human society is manifested more by the diversity and complexity of time and region, and therefore necessitates more "scenarios" and, in particular, "historical scenarios." What is more, China has undergone an industrialization exploration process for a century and a half. Therefore, it is emphatically necessary to interpret China's growth miracle by "going to the Chinese scenario" and looking at it against the backdrop of historical changes.

### **5. Recapitulation of the relationship between economic thought and reality**

In the two-and-a-half centuries since the Industrial Revolution, economists and the Era of the Economists took shape in the West, so did the modern economic growth models and theories, which have gradually established their extensive influence, uncovering China's growth mystery. Up to the moment, western countries have reflected on western models through paying attention to cognitive factors and cognitive models. This kind of reflection is subverting the views of economic thought and economic reality in traditional epistemology.

The relationship between economic thought and economic reality as an old topic, and that economic thought is the result of, and reflection of, economic reality, with economic reality being the essence and cause of economic thought. With the continuous development of the industrialization process in the West and the investigation of the prehistory of industrialization, economists have different views on the above epistemology. The study of the history of economic reasoning by K. Pribram (1983) suggests that although the content of economic thought will be affected by changes in the socioeconomic environment at that time, such changes will ultimately be traced back to changes in the mode of subjective reasoning, which has been given a status superior to those of the other objective socioeconomic factors. The later research of North (2005) also turned the perspective to cognition, advocated the explanation of human consciousness and integrated cognitive components into an analysis to seek an understanding of how the knowledge acquired by individuals and society influences the process of change culturally and institutionally. The argumentation of traditional epistemology and K. Pribram is not the focus of our discussion. Here we especially emphasize the importance of subjective thinking and cognitive mode factors in socioeconomic development. At present, along with the industrialization of the West in the past two-and-a-half centuries, China and other late developing countries have succeeded in catching up with western economies. The changes in the world's economic structures have become increasingly apparent, and the stages of world economic development are also quietly changing. In this context, it is particularly urgent to recapitulate the relationship between economic thought and economic reality, and reflect on the root causes of the popular phenomenon of the westernized "doctrine of the mystery of China's growth" from the perspective of cognition, and illuminate the path leading to China's economic growth based on Chinese history and its "scenario" within the wave of globalization.

#### *5.1 The value of economic thought in "that era"*

The above analysis of the birth of economists and the Era of the Economists shows that the thinkers of "that era" inevitably bear the brand of that era, which has accomplished the thinkers of that era. The ideas relevant to the society at the time and that were able to

answer or solve problems at that time would be preserved and spread, and topics and opinions irrelevant to that society would be gradually phased out. Therefore, some knowledge about that era is necessary for us to understand why people thought the way they did things at the time. In the era before the sixteenth century, there would be no Smith, and Ricardo's theory of comparative advantage, neither of which would have any major significance. After the 1930s, the traditional view that the market economy could automatically generate full employment also lost its former glory. Thus, the social, political and economic environment defining the substance of the questions economists and the content of an economic theory mainly pertained to a particular era (Stanley, 2000). As Galbraith (1958) puts it: "Thoughts are essentially conservative, they don't succumb to attacks by other ideas, but they succumb to the huge impact of the environment they can't cope with."

The economics community thinks so, and the history circles corroborate. At the beginning of the 1929 when the theory of the *Annales d'histoire économique et sociale* was founded, there were two major tendencies in the western historiography and social sciences academia: one was to describe individual phenomena, especially political activities; the other was to introduce natural science research methods into the social history discipline to conduct separated analysis of the political, economic and social aspects of objective reality. The founders of the Annales School advocated a "comprehensive history" to expand the scope of historical research, and at the same time, connecting historiography with social sciences, attaching importance to analysis and synthesis, emphasizing vertical or horizontal research and preferring "problem-oriented history" or "comprehensive history" became the defining characteristics of the scholars of that School. The rise of traditional historiography and the Annales School reflects the change in western social culture and ideological structure, the root cause of which comes from changes in contemporary western society. As Iggers (2009) puts: at the end of the nineteenth century and the beginning of the twentieth century, the Lanke historiography model was widely rejected worldwide, or at least substantially revised. This was the reaction of the social reality: highly industrialized and politically separated people to the historical situation.

In this regard, an interpretation in the sociology of knowledge becomes more explicit. In the wake of a series of critical developments by scholars such as the Frankfurt School, Robert Merton, Thomas Kuhn and the Edinburgh School, knowledge sociology has become an important method for our empirical and critical research on various academic ideas and knowledge. Knowledge sociology emphasizes that people's imagination, thinking and spiritual communication are direct products of people's material actions. It is not consciousness that determines life, but life that determines consciousness (Marx and Engels, 2009). All thoughts and academic theories are formed in a specific historical environment. Therefore, the research on the generation and development an ideological theory should analyze its relationship with social groups, and explain what kind of idea they have and why it developed, no? (Scheler, 2000). From the structural or epistemological level, when and where the social structure begins to appear in the conclusion's structure shall be tested. Moreover, in what sense the former specifically determines the latter, and the ways in which social relations are investigated through the methods of depiction and structural analysis to affect the actual thinking will be as well (Mannheim, 2011).

From this perspective, economics, as a cultural superstructure, is closely related to the economic foundation and political, social and cultural environment of each country. It is a social product formed under specific historical and socioeconomic conditions. If we do not consider economic issues and the historical context in which they are analyzed, we cannot fully understand these issues and the corresponding analysis (Pribram, 1983), and this is precisely the major research purpose of economic history and economic thought.

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### 5.2 *The value of economic thinking transcending “that era”*

Smith became the symbol of the birth of the Era of the Economists because his thoughts responded to the demands of “that era.” However, some economists, such as G.J. Stigler (1965), have suggested that the nature of the economic system has not changed much in two-and-a-half centuries since Smith’s time. If the appropriate environmental conditions are the main determinants of the formation of economic theories, then the progress of major economic theories in recent centuries can be greatly advanced. Even Keynes’s *General Theory* can find a clear basis for practice in the Napoleonic Period, the 1870s, or the 1990s. Therefore, the environment at the time played only a minor or even stochastic role in the development of economic theory, although in some cases, the initial environmental factors have a significant incentive for specific theories, such as Ricardo’s theory of rent. Soon the professional re-presentation divorces them from the situation at the time, until the initial situation had no obvious relationship with the essence or application of the theory. The author has described these theories that have been professionally described and gradually moved away from the situation until they are not clearly related to the original situation as economic thoughts transcending that era.

Therefore, how do we understand the value of economic thinking beyond “that era”?

Nowadays, it has become common sense for us to understand “economic development being a process,” and the connotation and extension of economic growth and economic development. Especially, with the development of specialization, there is a clear and meticulous division of disciplines in the study of the economic development process. For example, some problems encountered in economic life are manifested as local and occasional short-term disturbances, which are usually the research objects of economic cycle theory; some are global and long-term trends that must occur according to certain laws, and become the research object of economic growth theory or economic history (Cai, 2016). But in fact, in retrospection, the proffering of the “economic development or economic growth as a process of historical change over time” is in itself epoch-making.

In the preface to the Japanese version of Schumpeter’s *Theory of Economic Development*, he mentioned that Marx is different from contemporary and former economists, precisely because of his perspective that the specific process of economic development is generated by the economic system itself. In any other respect, Marx simply adopts or modifies the concepts and propositions of Ricardo’s economics, but he holds the concept of economic development placed in the secondary Hegelian context as entirely his own creative idea. It may be exactly because of this fact that generation after generation of economists have converted and returned to Marx, although they may find that he says a lot that may be criticized. In his *History of Economic Analysis* manuscript, Schumpeter proposed, in his (Marx’s) general schema of thought, development was not what it was with all other economists of that period, an appendix to economic statics, but the central theme. And he concentrated his analytic powers on the task of showing how the economic process, changing itself by virtue of its own inherent logic, incessantly changes the social framework – the whole of society in fact (He tried to put forward that) “Marx’s theory is evolutionary in a sense in which no other economic theory was: it tries to uncover the mechanism that, by its mere working and without the aid of external factors, turns any state of society into another.”

The statement is a purely economic theory that economic change is not only determined by various external factors that promote the equilibrium of the economic system from one equilibrium to another[2]. It can be seen that Schumpeter canonizes Marx’s views on the process of economic development and believes that this facet reveals his greatness. On that point, they are birds of a feather flocking together.

So why then did Schumpeter return to the concept of economic development that Marx explored more than half a century ago? In fact, this is directly related to Schumpeter’s era. Through stable policies and elastic markets, industrialized developed countries had

overcome the severe over-capacity of the economic depression during the 1930s, and learned how to obtain higher productivity that, anew, became the focus of attention. Therefore, after the Second World War, academic achievements abounded in studying economic growth and development. In the 1950s, the first generation of economic growth theories, such as the Solow model, focused on capital accumulation and exogenous technological progress changes as a major growth factor. In the 1980s, a group of economists, represented by Romer and Lucas, proposed the endogenous growth theory, that is, the new growth theory, based on rethinking neoclassical growth theory. Endogenous growth theory emphasizes that economic growth is primarily an outcome of endogenous forces of the economic system (such as endogenous technological changes) rather than external forces (such as exogenous technological changes), and attaches importance to the study of knowledge spillovers and human capital accumulation, etc.

The new growth theory, which was built on the basis of theoretical models after the 1930s, triggered something in the thinking of western history scholars that led them to re-examine the history before the Industrial Revolution through the end of the twentieth century to the beginning of the twenty-first century. These models are likely to shed new light on the long-term causes leading to the Industrial Revolution. Van Zanden (2009) linked the theory of new growth with economic history and studied the development patterns of human capital formation and knowledge accumulation in the centuries preceding the nineteenth century. The study found that the growth of knowledge accumulation and the increase of human capital investment through education preceded the emergence of modern economic growth.

It can be said that the new growth theory that transcended “that era” has brought about a breakthrough in the study of economic history, only in that it seems to have returned to “that era.” Furthermore, we will have to wait and see whether the breakthrough in economic history will continue to incubate new theories of economic growth that go beyond the development of this era.

The above analysis of economic research on growth theory and its momentum on economic history studies show that, there is no right or wrong in the thoughts of “that era” and those transcended it. The only difference lies in that, some theories are clearly and directly generated from the major events of the time, while others are derived from the incessant exploration of knowledge (Bruce, 2000) which is, seemingly, totally detached from the scenarios at the time as historical scenes continue to drift away.

For human society, both explorations have their rationality. The dual exploration of theory and practice is the cornerstone of the advancement of human society. The study of economic history in the twentieth century and the practice of China's socialist market economy have shown that there is no inevitable one-to-one correspondence between market economy and capitalism (Guan and Zhang 2017). For the mystery of China's growth and whether it is sustainable in the future, on the one hand, it is necessary to “go to China” and understand China's long-term economic development in its long history. On the other hand, under the tide of economic globalization, it is necessary to “sail into the new era” in order to effectively recognize the characteristics corresponding to the thoughts of “that era,” fully absorb the essence of economic thoughts that transcend it, and thus completely getting rid of the shackles of “that era” in economic thought. Only then will scholars enter into the “Chinese scenario,” and actively set “new agendas for the new era.”

## Notes

1. Available at: <http://nse.pku.edu.cn/articles/content.aspxnodeid=49&page=ContentPage&contentid=661.22>, May 2017
2. Schumpeter, J. (2017), *Ten Great Economists: From Marx to Keynes*, The Commercial Press, Beijing.

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