Global Financial Crisis and the contributions of Marx and Minsky for the study of Chinese economy.

Alexandre César Cunha Leite. Economist, Master degree in Economy and Politics from PUC/SP, Postgraduate in International Relations from PUC MINAS and PhD (in course) in Social Sciences from PUC/SP. Professor of Centro Universitário de Belo Horizonte UNIBH and Professor of Masters Professional Applied Economy at FEAD.

R. Silvio de Oliveira Martins 157, apto 302 – Bairro Buritis, Belo Horizonte – MG. CEP 30575-150. Tel.: 55 31 33771348 – 55 31 86447517. E-mail: cunha.bhz@terra.com.br – alexcleite@gmail.com.
Global Financial Crisis and the contributions of Marx and Minsky for the study of Chinese economy.

Alexandre César Cunha Leite.
Economist, Master degree in Economy and Politics from PUC/SP, Postgraduate in International Relations from PUC MINAS and PhD (in course) in Social Sciences from PUC/SP. Professor of Centro Universitário de Belo Horizonte UNIBH and Professor of Masters Professional Applied Economy at FEAD.

E-mail: cunha.bhz@terra.com.br – alexccleite@gmail.com.

ABSTRACT

International financial crises affected in many ways the national economies. It’s known that too many theses came out to explain the movement of financial global market. Analysts presumed that soon the crisis would be solving by the forces of market. Governs interfered but not successful. However, in 2010 one can observe that too many countries have suffered with structural and conjectural problems that are started in 2007. In other hand, some countries have created an environment that could protect their economy and would start a process of recovery. China is one of them. Here would be used the Marx and Minsky contribution in order to explain the crisis in its origins and then the China case will be analyzed.

KEYWORDS: Global Capitalism, Financial Crisis, China.
INTRODUCTION

In actual phase of capitalism, the financial crises have increased its frequency and its dimension. At this crisis, it can be observed a determined standard on its proliferation and its impacts on different national economies. However, this standard shouldn’t constitute a base for analyses, even less for a process of decisions take of formulations of economic policy on way to react and solve the problems caused by the crisis.

The financial crisis, as it characterized by Arrighi (1996) derives from specific periods of economies circle. And, therefore, it’s suitable to evaluate this particulars cause. The financial crisis are not exclusive from recession periods, on the contrary, can happen during periods of expansion economic activities, especially motivated by euphoria and opportunities of financial gains. These gains as Arrighi (1996) mentioned, might be a compensation form of reduction on gains get on production activities that lose its attractiveness or are not enough for an expansion process of capitalist activity.

Fact is that the concurrences suppose to disseminate its negative effect as much on financial side as on real side of economy. The global financial crisis that were devastating world-wide begun with the explosion on the north American Markets, but they weren’t the only ones to suffer the effects of it.

A variety of theories about the responsibility for the occurrence of the crisis have a specific subject on this article. It’s suitable to discuss the most exposed: Lowering on interest rates sustained from FED, a policy of elevation on expenses implemented from North American government after September 11th, the regulation fragility on financial system, and even more deeply, the incapably from the system to generate real resources, being necessarily to request for gains generated on process of growth, from valorization and speculative actives with less liquidness.

That crisis started in 2007 and, on my point of view, not solved yet. It had repercussions worldwide. Some countries have been hardly affected while other countries suffered less from these collateral effects of worldwide mistrusting. Between these cases we can cite Brazil 1 that builds a structure that allowed responding fast and agile to the crisis effect.

Another important case to observe is China. This country holds peculiarities that deserve notability at study of capitalism and comprehension of motives that, at the place where information of new crisis in domestics economies are recurring, the Chinese economy keeps its economy performance.

The Chinese economy data are admirable. Its economy shows a medium growth rate between 1978 and 2005 of 9, 5% an year. Since 2005 China decided to lower rhythm of its growing due to sign of an internal strangulation. The economy was affected by crisis but, anyways the growth rate is around 8%

---

1 Brazil is the subject of another article that is being made by the author. However, in this article, the focus will be directed to China due to its importance to the theme of this thesis from author.
an year. Its external commercial data are even more impressive: at the same time (1978/2005), their external commercial flows grew 30 times, information from FMI. Now days, China holds position of 3rd world economy and continue growing. Indicatives from 2009 shows that China is the second bigger exporter, accumulating the number of 2,000 billion dollars founds.

This article has an intention to evaluate how China respond and react to the international financial crisis. With more details, its try to understand the relation with particularly peculiars characteristics of Chinese economy and its respective conduction of an economical policy (inside and outside) on performance maintenance of its economy even facing an international crisis that affects hardly main national economies.

To reach its objective, this article is divided in four parts. On the first part make one synthetic description of main explanations for the occurrence and dissemination of global international crisis. It’s important to emphasize that from the explanations showed weren’t included the versions of Marx (1971) and Minsky (1982) which clearly translate deeply the crisis that can affect the capitalism and disseminate at national economies. These versions will be shown at the second part of this article. On the third part of this article shows the main characteristics of Chinese economy pointing some historic aspects and others events sequence. To finish it, it’s necessarily to make a characteristic association of Chinese economy and its economic decisions on the way to react to the crisis. After that, show the final considerations.

**OVERVIEW OF GLOBAL INTERNATIONAL CRISIS**

It’s the dominant point between international analysts and economists that the financial crisis - which rapidly becomes global - begun with a deep trusting crisis. The untrusting and uncertainness start when the creditors’ show incapably to honor the payments and mortgages approved in one uncontrolled and irresponsible way. Out of control, the financial agents felt free to create financial innovations with the intention to securitize the bad titles; irresponsibly, because weren’t wondering about the national regulation of financial systems (Bresser-Pereira, 2009) and (Farhi and Cintra, 2009).

Over the question of untrusting from economic agents, can be agglutinated the variety of contributions to improve the comprehension of crisis. It’s important to mention that not all of them are fully accepted and others have general accordance, but it’s important to mention it, with a descriptive intention. One point is that the actual crisis is a financial crisis and its origin was in the financial system. As Bresser-Pereira (2009) its known that the directly cause was a concession of mortgages loans in an irresponsible way, for creditors who couldn’t afford to pay or wouldn’t be able at the moment of raising on interest rates. And it’s known that this fact wouldn’t be so bad if the financial agents haven’t done irresponsible “financial innovations” to securitize the titles changing it to AAA titles (Bresser-Pereira, 2009:133).
This process was only possible because the national financial systems, pressing the organization and the structure of international financial system, created disorderly. Farhi and Cintra (2009)\textsuperscript{2} evaluated the “international financial architecture” and said that a mortgage crisis in North American market got so big proportions that soon was a notice of a Lehman Brothers bankrupt. That crisis “explains the limitations of basic principles of a system regulations, bank and financial supervision that have been used, and exposed the question of survival specific profile of financial institutions”.

At making evident the differences between a classical credit crisis and a financial bank crisis at the proportions taken by the actual crisis, Farhi and Cintra (2009), Hermann (2008) and Ferrari Filho and de Paula (2008), became clear that the contributions of Keynes, Marx and Minsky shouldn’t be forgetting when it’s necessarily not only to evaluate the conjuncture but especially structure to understand the origins of this crisis at capitalism ambit. The contributions of Marx and Minsky are the objective of next topic, being unnecessarily detail them now.

As Farhi and Cintra (2009) at the actual crisis, the configuration of financial systems, the derivates and the structured products blasting as mortgages credits given as a guarantee cause damages with global dimensions. Truly, the uncertain of effective situation balances from this institutions, create one deficit from markets interbank’s, expressed at elevated spreads. Despite of a large liquidness injection made from monetary authorities around the globe, the search for the liquidness wasn’t stopped, creating a big “liquidness flood” with word-wide dimension.

The contributions of Marx, described on next topic clearly explain this process. As Marx (1971) was a sale process and the result for that wasn’t real or didn’t exist. Consequently the circuit didn’t close.

We’ll see how this happen on the crisis. As the banks were transferring their risks, the operations weren’t reduced, were the opposite. It had one resizing of these financial products, based on the original, originating new actives in other financial institutions.

“As being attached to credit derivates, these actives originated a “synthetic actives”, that is, actives that reshape the risks and the returns from the original actives, without being necessarily have them. These virtual actives have this characteristic because deal with future responsibilities of buying and selling actives, with one sign payment that opens possibility to sale what we don’t have and/or buy what we don’t want to have. At balcony markets, grow a variety combination of “virtual” from securitized active credits with operations derivates of credits. At the building process of this big upside down triangle - that the base is made by original bank credits operations – initial risks were multiplied by a factor n and its attribution became an incognita” (Farhi and Cintra, 2009:137).

\textsuperscript{2} For more information about bibliographic, it’s valuable to tell that the text published at Magazine of Economical Politic it’s amended of its first publication available at website from Keynesian Brazilian Association named Crisis Dossier, available at following link: http://www.ppge.ufrgs.br/akb/dossie-crise.pdf.
What Farhi and Cintra (2009) are showing that it was a complete absence of national and global management on financial systems, blocking a creation of “financial innovations” and uncontrolled operations from increase of derivates spread in unpaid actives.

To these analyses of an actual financial crisis, plus some others more ideological its part of evaluations amount that, in any way should be ignored, but analyzed carefully because centralizes questions like the lawfully idea of neo liberalism that guides an economic theories. This ideological proposal sustain that the solutions for economic problems came from the market and rationalism of agents that compose the economic structure. The difference between national economies and its economic policy models of decisions are also strong source of explanations for actual crisis and its dissemination system. Together with that thesis, without criticizing about its veracity and usability, that sustain the weakness of North American hegemony post-2000, especially after September 11th: the crisis of twins deficits, the FED inertia on Lehman Brothers case, misconduct wars and especially not well financed and saving operations not well succeeded, not only in north American economy but including all countries that have being directly affected from the global financial crisis.

Considering the theorist marcs and rationalism involved in many explanations, have here preferences for the one associate conjecture to structural systemic characteristics. This way beyond the expositions about the regulation necessities on national and international bank financial systems, as it’s very well specified from Farhi and Cintra (2009), structural analyses like ones from Carcanholo and Nakatani (2006) are well accepted. They send us to Marx, Keynes and Minsky contributions to comprehend the motivation facts from this crisis and its dissemination form. Therefore, next section make a quick contributions exposition from Marx and Minsky, here selected as sustainable marcs of explanations for the occurrence of crisis similar as the one that bother global economics authorities.

**MARX AND MINSK CONTRIBUTIONS**

Marx contributions about the financial crisis send your understanding to economical circle. At economical circle its present good and adjusting periods of time. This last one is considered the hardest process of balance restore. For Marx (1971) financial speculation is founded together with an interest lowering and accumulation of inventory, being part of complex process where a capital accumulation tends to overcome the volume of consume and the amount created on intercessory relations.

The relevant variable to make such crisis grow its deleterious effects on economy is credit. Credit by Marx version is part of the evolution of its fundamental category: the market. Because when market sales (or process of exchanges) happen without payment and, for the circulation continue, develops one net of credit relations, substituting money for credits title. This process for Marx is contradictory once the
market has to be realized on the exchange process. This reach its goal when the market is sold and in exchange is made a money payment, in other words, the money confirm the value (use and exchange) from the market. With credits this circles doesn’t close. The sale is achieved with credit end up closes the only one part of the circle. Then the crisis tends to occur due to speculations, as the capital accumulation taken as fundamental to survive for business conduce the capitalism organization to modify its structure.

Soon observe an elevation on an organic composition of capital. This, when accompanied with an evolution on use of technology doesn’t conduce the system directly on the way to interest rates reduction. However, in certain periods of time when the technological dissemination advances happen on the way close to similar to a technological information and communication, and boards reductions — characteristic of globalization — observe a rate lowering of profits. The lowering rate of profits doesn’t correspond to a reduction on prices, especially on a scene where existence of credits enable as much as a commercialization of markets as maintenance inventory. The economical scene doesn’t show valuable information to the market that sees its company’s sales as a credit and showing its profitability when not growing at least stable. The indication showed from agents markets behavior, however, is sustained by an illusion of imaginary wealth, that’s on reality is only one right for a payment receive that doesn’t exist yet. (Carcanholo and Nakatani, 1999).

The formulation of Marx about fictional capital was revised recently from Carcanhoto e Nakatani (1999) when they modified the nomenclature to “speculative parasitic capital”. This is crisis generator, especially at scenes where can be observed a financial capital overlay in front of industrial capital (productive). The tendency is that this dominance makes an elevation on speed circulation, detachment of remunerations for the use of founds became variable decision for business and the financial speculative to be the first option for this process of capital accumulation.

Financial crisis are originated from periods when obstacles of financial capital gains became way too elevated. Migration to speculation is “natural” on capitalist decision process. At globalize capitalism environment, capital finds facilities to move to an orbital financial-speculative.

This same environment tends to elevate the magnitude of crisis making its effects to be disseminated on systemic form.

Minsky (1982) and (1986) is a literature that contributes to systemic comprehension of crisis, especially financial crisis as it can be observed on this article. Based on the financial fragility, a lot can be aggregated to actual crisis comprehension. Its purpose was to go beyond Keynes, and not because incompleteness of Keynes theory, but for necessarily inclusion of new variables to be analyzed. With this subject Minsky built an endogenous boom generation model, crisis and deflations, introducing for both, finances and exam of institution financial balances around economy circles. Its analysis concentrates on speculative fundamental decision of one capitalist economy considering the behavior of cash flow,
wondering when this anticipated flow from normal operations, one business, family or financial institution reserve to pay the interests and the principal of its obligations. The speculations happen when the economic agent bets that on future the returns will be bigger than financial compromises that have been done. As well described from Hermann (2008) citing Minsky, it’s no financial crisis without indebtedness; “The inevitable relation between growth and debt, allied to possibilities, not always present, that this result in financial crisis is the essence of hypothesis of financial frangibility by Minsky”.

The financial fragibility finds moment that finances hedges, ones that the cash flow expected is more than enough to cover actual and future financial obligations from business and families open place to speculative finances. These, the cash flow tends to be smaller than the financial compromises at some point and, consequently, takes to a finances Ponzi, which main characteristic resides on fact that the cash flow expected is not enough to honor financial compromises assumed. The resulting terms are that macroeconomic dynamic it’s one that as the speculative finances grow and Ponzi, also grow the financial fragility on way to increase the uncertain triggered by unexpected happening can originate to systemic crisis where financial agents are vulnerable.

As can be observed at actual crisis, a period of financial euphoria promises continuing gain expansion that would be used to cover future financial agreements. Once this expectative didn’t observe the acceleration on debits that feeds a process of defaults, affecting credit offerings and devaluing the negotiated capital markets, that responds to a relevant part of expected returns issuers companies. “The situation is aggravated, however, if payment difficulty continues (absence of shocks) it’s explained by adoption of one macroeconomic restrictive policy or for a simple government no action in face of first signs of expectative frustrations” (Hermann, 2008:139).3

Considering a theory of financial fragility by Minsky, can be inferred that excessive trusting from financial agents, associated to financial innovations and the absence of regulations were essential elements for outbreak, dimension and dissemination of actual global financial crisis.

It’s suitable now, understand the reasons why some countries had been less affected with crisis. Some of them reunited last years long, conditions and resources to respond more agile to effects from mistrusting crises that circulate the globe. Another’s reserves some conjectural aspects that make them less susceptible to deleterious effects of the crisis. At the article in question the country selected for evaluation is China, subject of following topic.

3 Crisis Dossier KBA
China: Policy and development during the crisis

As well as other countries which actively participate in global economy, China also was affected from the global financial crisis. As much to formulators of public policy as for business, and Chinese international economic annalists were sure that the crisis had main origin and propagation on north-American economy, especially at their financial system and it’s uncontrolled creation of new financial modalities to maintain gains and valorization of actives derivates from Subprime market. This perception was clearly visible in texts from Chinese economists and people related to the government. All Chinese answer process is large related to its origin and its disseminating movement (Goldeinstein and Xie, 2009).

China is worldwide admired for its elevated economic growth in the last 20 years, this growth is supported by three big pillars: the volume of investments (independent of its source), from a position on world commercial flow and its economic development program lined on property and centralized conduction from this process by the state⁴. These are main points to be analyzed in this section.

China had taken some decisions before hatching of financial crisis on USA that served as a warning for the dissemination about world economy. With a temporal distance relative short, China had implemented a reform on its bank sector, ‘recapitalizing’ its larger and more relevant national banks. At the same time included on its objectives a new governance system at financial corporations associated with a regulation process from national financial system. This way, were created barriers and mechanisms of internal control to the financial system, closely supervised by public authority members, to assure that financial innovations similar as that decisively affected North American economy. As a result, Chinese banks weren’t vulnerable to immediate crisis effects. This point shows already a considerable advantage for the economy and Chinese decisions takers. It was the large wonder on a possibility to drop down an external demand for Chinese products. Currently, China represents relevant data to a world economy. It’s the third world large economy and one of a feel that is showing positive and continuous growth rates. And, represent in commercial flow terms, the third large importer and the second exporter in world economy. Ultimately, and with an unequal importance: have an approximately volume of US$ 2.000 billions as a resources (Leite, 2009). Obviously, these indicatives represent a lot for its economy and global development. It can be used as an example what do Zang (2009) and Jonquiere (2009) says, that China is at good position of the storm that affect contemporaneous capitalism and its principal economies.

Still considering its external sector, strategically, the volume of Chinese exportations interested more to the government as an important jobs generator then income generator. China is seen in many international places as a country of low quality products and utilization of low quality labor. As Jonquiere

⁴ It is in this respect consult Li (2009), Huang (2009) e He, et al (2009).
(2009) the exportation in politic terms has a function to ease the unemployment problem. Even if the opportunities created are called low-skilled-jobs, these works as an instrument to fight against unemployment. We have to reserve a space in this information to an international insertion process done by China as shown in Leite and Marques (2007) and Pinto (2005), the process of international Chinese insertion change to a stabilization regional function, in which the Chinese economy was a kind of traction force for the others countries at the region. The Chinese project not only involved a search to a hegemonic position destabilizing of policy ambiences and economic in the world. Ultimately, there are some internal objectives, directly associated with an internal consumption elevation with a reduction on numbers of people at poorer level and miserably and reduction of social inequality – all of this still present in China- these are considered by state apparatus as a larger objective in face of world hegemony policy and economy.

Back to economic criteria, it can be observed that the China’s wonder is not act like a global locomotive. Despite of its performance at some moments gave an impression that this is their role, China wonder a lot with its economic performance considering the real side of its economy.

Considering that preoccupation, China adopt a three dimensional sustained strategies (Zang, et al, 2009)⁵. First strategy was to make possible that the multiply crisis effect does not hardly affect its economy intended to maintain its economic performance, especially its exportations. Second, was to use reasonable its reserves as an instrument of power for international buying, once many economies that sale their products to China was facing serious liquidity problems. Third one was not permit that the domestic demand wouldn’t be affected, deteriorating the power of buying and consuming of Chinese.

To reach this objectives, China begun its protection plan with an incentive on domestic demand of 4 trillion Yuan⁶ from government founds. By itself this move wouldn’t have notorious effect. Then, associated with this injection of liquidity on the economy, was reduced the basic rates on products with an intention to keep technologic creation process, sustain a creative scientific and technological tendency and guarantee to Chinese products the right to intellectual property of its new products. All these actions intended to maintain activity and attractiveness to the economy productive sector and maintain the performance of real side.

About monetary and fiscal, the actions had similar directions: maintain the economic activity level without fragile the financial side of economy. Monetary policy was conducted as a maintenance

---

⁵ The Chinese government launched large package to stimulate growth and employment. The package would spend 4 trillion Yuan (estimated US$586 billion) by 2010 on infrastructure and social welfare projects, including constructing housing, rural infrastructure, railways, highways, airports, and rebuilding communities devastated by the earthquake in southwest China in May. At the same time, the government promised to reform the VAT system and the central bank was to promote bank lending to support growth, with priority being given to key projects of national importance. Also, the government formally changed the fiscal stance from “prudent” to “proactive” and the monetary policy stance from “moderately tight” to “moderately easy.”

⁶ The medium quotation is the 6, 85 Yuan to 1, 0 American Dollar.
instrument of economic growth as planned by the government. And at the top moment of crisis, frightened by inflation possibility, the interest rates were elevated 5 times. This was the purpose of the 4 trillion of Yuan injected to economy: maintain investments in infrastructure and sustain the projects for the biennium 2009/2010. It can be observed facing the descriptions above that even that China realized a large monetary injection to economy, its criteria referring to monetary stabilization wasn’t left out. Despite of elevation offer on economy liquidness, Chinese Central Bank control, not to have inflation pressure, remained tight.

The fiscal incentive was directed to a hierarchical distribution of Chinese projects. The sectors that was ‘prized’ by fiscal package was: transportations with 1,8 billions Yuan, rural infrastructure sector with 370 millions Yuan, environmental projects (clean energy production) with 350 millions Yuan, habitation with 280 millions Yuan, researches and development received amount of 160 millions Yuan and education and health received amount of 40 million Yuan.

About credit, Chinese Central Bank made a cut on interest rate charged at loans and the restrictions to commercial banks to operate at this segment were abolished.

What needs to be clear for us to understand the Chinese position during the crisis outbreak and its dissemination is that over the cited actions, China still have a large capacity of growth due to an elevated public and private investment, its territorial allocation that didn’t reach its limit, a considerable part of the population continue low remunerated lowering their potential consume and another part of the population is facing an unemployment problems. Chinese government is seeking through actions packages, maintain its growth rates stabilized as goal (approximately 8,0% an year ) without compromising its goal of monetary stability.

Imbalances still exist in Chinese economy. The future results, especially on climate and environmental task, tend to concern the country. The population level is causing premature illness at the

---

8 The People’s Bank said that, effective on 27 October 2008, the allowable range for the downward floating of the rate of lending to personal housing on commercial terms to be expanded to 0.7 times of the base lending rate (meaning the floor for interest rates was lowered to 70 percent of the central bank's base rate). Meanwhile, the mortgage down payment was lowered from 20% to 30% for first-time buyers of residential houses smaller than 90 square meters. The lending rate of personal mortgage provided by the Public Housing Fund was accordingly cut by 0.27 percentage point. The Chinese central bank decided to change the rates. For one year deposit rate, it was cut by 1.08 percentage points, downed from 3.60% to 2.52%. The one year lending rate dropped from 6.66% to 5.58%, also downed by 1.08 percentage points. Other tiers of lending and savings interest rates were subject to changes accordingly. The lending rate of five-year personal mortgage provided by Public Housing Fund was cut by 0.54 percentage points to reach 3.51%. For such loans whose maturity is 5 years or longer, the rate was cut back by 0.54 percentage points to 4.05%. In the meantime, the central bank’s lending rates to financial institutions were reduced. Of these rates, the deposit rate for required reserves dropped from 1.89% to 1.62%, downed by 0.27 percentage points. The re-discount rate was downed from 4.32% to 2.97%. Source: Chinese Central Bank and China Journal, 2008/2009. These attitudes were implanted in the months of October and November of 2008.
population and pressuring the growth of public expenses with heath system (still precarious) and with new attitudes to generate clean power. Ultimately, is a country that because of its growth structure sustained during the last twenty years, remain conditions to grow. It’s very dependable from exportation and growth of internal demand to go through this actual global financial crisis, that how is seen on previous topics, keep no doubts that is financial crisis with contemporaneous capitalism characteristics. China finds out on its policy-economic structure some points that allows sustaining the economical activity level on the real side of economy. Associated to this structure, adopted conjectural attitude that sustained this sector and guaranteed safety and regulatory framework on financial/monetary side. This way China succeeded, despite of another countries, after an apprehension period, go through this period of crisis without suffering disorders that, for example, are affecting some European countries and United States of America.

Conclusions

Global financial crisis had its epicenter in North American economy, especially at its financial system. It can be told that in this crisis many factors contribute to its magnitude and dissemination. An agents uncertain in front of a scene that governors lost control, inefficacies of initial rescue programs (except the Lehman Brothers case) and an inexistence of one regulation at the financial system. Here we choose to bring out the contributions from Marx and Minsky about the financial crisis possibilities (or credits) at capitalism, associating to actual crisis. It’s clear that Minsky had a lot to contribute at the moment that we observe that crisis is a product of extreme situation of hypotheses from financial fragility (and yes, It can happen again!). But Marx, brought us to characteristic inherent to capitalism. The circles are part of capitalism, no matter which period or evolution phase. As it was showed by Carcanholo and Nakatami (2006) the actual phase observe a financial capital transmutation to parasitic speculative, that tends to overlap industrial capital (productive) causing a severe paralyses to real economy side.

China had an advantage in front of this scene exactly by being sustained in a grow model that is directly attached to real side and, therefore productive from economy. When the govern decide to rescue the financial system to keep its liquidness and capacity to respond to crisis effect, the objective was to maintain the productive activity and not to save banks that was “in danger” due to the operations volume without ballast. At associate its historic 20 years growth, the monetary policy and fiscal with an intent to sustain the economic activity and protect key sectors of economy, China gave to national and international agents necessarily safety to maintain itself less dominated by the crisis – China was more actor then subject – had more control of its fundamental variables to keep its economy going.
The crisis came, as alerted from contemporaneous economists as well as alerted economists like Marx, Keynes, Minsky and some others. Some countries were more affected while others met better conditions to respond more agile to its effect. It’s clearly a typical capitalism crisis. However, the countries have ways to protect themselves from deleterious effects from these crises. China is not immune to crisis, just met conditions more effective, these are structural, and its capability of effective answer, especially turned to productive side of economy that allows China to suffer less the destabilizing and harmful effects from the crisis.

Bibliographical References


HE, Dong, ZHANG, Z., ZHANG, W. How large will be the effect of China’s fiscal stimulus package on output and employment? Working Paper 05/2009, Hong Kong Monetary Authority, 2009.


NOGUEIRA, ISABELA. China’s place at Wallerstein world capitalist economy. 2007. (mimeo).(in Portuguese)

