

Economics of Confucius: What do original sources say?¹

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I Historical Background: the Spring-Autumn (Chung-Chiu) Era

孔夫子 Confucius, names Con Chiu (551 – 479 BC), was born on 28th September 551 BC in Chi-Fu (in the now Shandong Province, China). In Taiwan the 28th September is officially declared as the day of teachers to ceremony Confucius as a great teacher in the Chinese history.

Confucius lived in the so called Chung-Chiu-Era [Spring-Autumn (SAE), a period of about 242 years] in China. This was a period in the late Chou Imperial Dynasty (CID) which probably began in 1122 BC and terminated in 249 BC.

The constructional structure of CID was an imperial federation system which consisted of a central authority and a satellite of imperial federal states (IFS). The imperial ruler of the central authority was called the Son of Heaven who directly decreed a territory of one thousand li, while princes were the rulers (governors) of the IFS with a territory of 100 li for every state (one tenth of the territory of the Son of Heaven). The princes were relatives and/or deserving servers of the imperial ruler. [Meng-tse, Chapter 6, second section, p.558]

The Son of Heaven was the ruler of the central authority, and therefore also of the whole IFS.

¹ Paper written for the CSI Symposium 2007 Innsbruck

The Son of Heaven had

- (1) To order the distribution of territory to IFS,
- (2) To give IFS instruction of the central authority,
- (3) To carry out expedition control visit and
- (4) To implement sanction against IFS.

All IFS had the following main commitments to the central authority:

- (1) They had to make an audience visit to the Son of the Heaven every five years;
- (2) They had to receive the expedition a control visit of the Son of Heaven every twelve years;
- (3) They had to execute the instruction of the Son of Heaven,
- (4) They had to provide resources to the central authority; and
- (5) They had to send military forces to support the sanction of the central authority against any IFS.

With restriction of the above obligations the princes of the IFS had been free to make their decision. Thus every IFS had got a “quasi sovereign power” to govern their realm.

This system was founded by Chou Kong who was a son of the founder of the CID, an imperial chancellor of the Son of Heaven and the prince of the IFS Lu, the birth place of Confucius. He also implemented an ancient private-public joint venture system of agriculture and taxation. This system had been praised by Confucius again and again in his speeches.

The imperial federal system had worked quite well immediately after its implementation. But over the years five powerful IFS undermined the authority of the Son of Heaven and the imperial federal system. They had carried out imperialistic policy, successfully expanded their territory and built their own satellite system, while the central authority had kept the same territory. The central authority had lost power on the one side, and the imperialistic expansion policy caused permanent military conflicts between the IFS.

With a weak central authority the IFS changed to a system of five poles with the five powerful IFS as centres supported by their satellites. This system may be comparable to the current global community with two differences as follows:

First, while the central authority of CID was weak, the current global community does not get a central authority; and

Second, without a functioning system to enforce interstate cooperation in the IFS the SA-Era was a period of permanent chaos and military conflicts between the IFS, while the current global community has got a system of international institutions and organizations to enforce international cooperation.

Confucius had been a very successful minister in the IFS Lu for only three months. He achieved excellent performance within a very short term of office and then went from one state to other to provide advices based on his humanitarian ethics to the rulers of IFS and to teach his ethics and morals. He had been always followed by a big team of students during his trips.

Confucius is not a religion. He was a philosopher and teacher, founder of an ethic system which has been taught in the eastern Asian countries, such as in China, Japan, South Korea, Taiwan, etc.

His ethic system is based on ancestor worship, devotion to family and friends, and the maintenance of justice and peace.

The SA Era was the boom period in the development of the Chinese philosophy. There were together with Confucian ten main philosophic schools.² The wide acceptance of Confucian ethics in China began in the Han Imperial Dynasty³.

The dominant influence of Confucius in old China could be seen in the fact that in the system of state examinations⁴ the four Confucian books were declared as standard readings. They should be learned by heart. Every Chinese scholar in this period had to be able to recite Confucian in debate and any other occasion.

A Grand temple in the birth place and grab of Confucius was constructed in memory of him.

In this short paper I will briefly present the main ideas of Confucius on the view point of an economist.

² Such as the Lao-tse (a philosopher and mystic founder of Taoism, 604-531 BC), the School of "Rule of Law", School of Pro-Agricultural in this period, Love to All of the Mo-tse School, Individualism of Yang-chu, etc.

³ Confucius was declared by the Emperor to be the ethic of the Han Imperial Dynasty.

⁴ which was used by the emperor to select administrators and civil servers of the dynasties in the long period of history

II The “Four Books“ (Shu-Shu) of the Confucian School:

The following four books have been the most important readings of the Confucian School:

- (1) 大學 Da-Chai: “Grand Study”, consists of ten chapters, in this book the idea of the approach self education as fundament for global governance is explored;
- (2) 中庸 Chung Yon (the philosophy of centre and mediocrity): consists of 33 chapters. Centre means no deviation to any extreme direction, while mediocrity means stability;
- (3) 論語 Lung Yu, Grand Speeches of Confucius, consists of 20 chapters, in this book the students of Confucius collected the most important speeches of Confucius during their conversation; and
- (4) 孟子 Meng-tse⁵, the main speeches of Meng-tse, consists of 7 chapters, in this book main contributions of Meng-tse to the Confucian School have been collected.

In this paper our original sources of Confucius are citations from these four books.

⁵ Meng-tse, 372 BC-289BC, was the most important philosopher of Confucian school since Confucius.

III Basic principles of Confucian Ethics:

The main basic principles of the Confucian ethics can be summarized as follows:

- (1) 人之初，性本善。Every human is born with the same good natural character. [Meng-tse, chapter 6, second section, p.526].
- (2) 性相近，習相遠。Education matters. The difference in education divides the character between people. [Lung Yu, chapter 17, p.273].
- (3) 民為貴，社稷次之，君為輕。Ranking about the importance between the people, the country and the ruler is people-country-ruler [Meng-tse, chapter 7, second section, p.604].
- (4) 天視自我民視，天聽自我民聽。Heaven sees what people see and hears what people hear. [Men-tse, chapter 5, first section, p.499]

The interpretation and implication of (3) and (4) is that

(5) 得天下有道，得其民斯得天下矣；得其民有道，得其心斯得民矣。A ruler gets his state, if he gets the people. He gets the people, if he wins the heart of the people [Meng-tse, chapter 4, second section, p.447]; and

(6) 聞誅一夫紂矣，未聞弑君也。A tyrant Son of Heaven who suppresses his people, let his people hungry as well as kills his people, is not to be treated as a ruler but a criminal. Everybody has the rights to remove and kill him. [Meng-tse, chapter 1, second section, p.343]

(7) 身修而後家齊，家齊而後國治，國治而後天下平。The basic principle of global governance is harmony of the community which begins with a good self education of every member: when everyone has got a good self education, the family would be in harmony, and when every family is in harmony, the state would also in harmony and perform good governance. And when every state has performed good governance, the global community would achieve peace and equality. [Da Chai, chapter 1, p.2]

(8) “君君、臣臣、父父、子子”；“吾日三省吾身，不忠、不信、不學”Reciprocal obligation to each other between the ruler and followers, between parents and children, between teacher and pupil, between elder and younger brother, between husband and wife, between friends; A functioning mutual responsibility of the members to each other in the society is the fundament of harmony of the society. [Lung Yu, especially chapter 10, p.62]

(9) 幼吾幼及人之幼，老吾老及人之老。 Differentiation in treating love to other persons: love at first his children and then to children of others; and love at first his parents and then to parents of others [Meng-tse, Chapter 1 first section, p.322]; and

(10) 無為而治 Principle of liberal governance: “Wu Wei Or Tse” [Lung-Yu, Chapter 15, p.248]

Confucius usually based his speech on the ancient history in China. For him the best governance was represented by the ancient Sons of Heaven such as Jau and Shun. Jau did not set up an imperial dynasty for his family but selected Shun as his follower. Shun, too, did not set up his imperial dynasty for his family, but selected Wu as his follower. Both Jau and Shun got wonderful performance in their governance. People were happy under Jau and Shun. This kind of public ownership of state was highly praised by Confucius in his speeches. Shun was a moral authority for Confucius. Shun carried out liberal governance and got excellent performance.

The worst Sons of Heaven were the tyrant dictator Ja and Diu. They were the last Son of Heaven in their respective imperial dynasty Shia and San. For Confucius they were not Son of Heaven but criminal. The revolution of the first Son of Heaven in the Shan and Chow Imperial Dynasty against Ja and Diu, respectively, was a humanitarian action to remove a criminal.

IV Economics of Confucius:

In this section we will interpret the citations from the four grand books of Confucian School with respect to economic issues.

At first we have to point out that Confucius lived in ancient agricultural society. Agriculture was the most important economic sector in his life time. Most people were engaged or employed in agriculture. The ruler of the IFD disposed the land which is the fundamental factor in the agricultural production. In the SA-Era the following two ancient agricultural systems in the CID were discussed several times by Confucius and Meng-tse:

First, 井田制度 An ancient private-public joint venture system: According to this system, farming acreage was separated in nine equal parcels. The middle parcel was the part of the ruler, while the 8 rand parcels were private parts and distributed to 8 farmers. Every farmer got an own parcel and worked there for his own interests. But every farmer had to provide labour to jointly carry out production in the parcel of the ruler. The harvest of this parcel owned to the ruler of the state (prince); and

Second, 什一，去關市之征。 An agricultural production and taxation system: According to this system the ruler of an IFS gave farmers land to produce foods for their own interests, but the farmer had to pay 10 % of the harvest from their acreages as tax. The tax rate was discretionarily decided by the ruler.

In this era people did not get freedom to spend their own time. Instead of, they had to follow the instruction of their ruler, such as to serve in the armies or other public activities like the construction of the Great Wall in the Chin Imperial Dynasty.

These backgrounds can help to understand the economic ideas of Confucius.

Confucius was not an economist. In his conversation with his students and the princes he proposed some ideas on economic issues. In the SA-Era markets had already prevailed in the life of the people. In his conversation Confucius favoured liberal economic governance based on competitive markets. Confucius proposed economic governance without or with less regulation: 無為而治 (wu wai or tsu)

He proposed a single tax on agricultural harvest with low tax rate to encourage economic activity of the people. He was against double taxation as well as against customer tax and transit tax.

Between the two ancient agricultural systems he favoured the private-public-joint venture system, as he believed that according to this system farmers had only to provide their labour for the production on the parcel of the ruler. This means they had to pay a single tax in kind of labour with a tax rate of about 10 percent according to the relationship between the parcel of the ruler and the total acreages. He favoured also a private ownership of good and property as he mentioned the wealth of a state should be better owned by the people and not be necessarily owned by the ruler.

The main Confucian economic principles can be briefly summarized as follows:

- (1) 民之為道也,有恆產者有恆心,無恆產者無恆心。 People who have permanent property have also permanent confidence; people who do not have permanent property have also no permanent confidence. [Meng-tse, chapter3, first section, p.400]
- (2) 百姓足,君孰與不足?百姓不足,君孰與足? When his people are rich, no ruler can be poor. There is no rich ruler, when his people are poor [Lung Yu, chapter 2, p.203];
- (3) 分業其事,共享其功,所謂通功易事。 Division of labour: Confucius saw the necessity of division of labour for good economic performance, or in terminology of modern economics, efficient resource allocation. He clearly argued against the followers of (Hsu Hsing) who maintained the agriculture as the sole productive activity so that everybody had to engage in agricultural activity, independent of his position and ability [Meng-tse, chapter 3 first section, p. 405 and second section, p. 422].
- (4) 工欲善其事,必先利其器 A worker who wants to achieve good performance has at first to provide good tools [Lung Yu, chapter 15, p.250];

- (5) 古之為市,以其所有易其所無者。 Market is a place where people supply what they have in exchange of what they need but do not have [Meng-tse, chapter 2 second section,p.389];
- (6) 有司者治之耳，有賤丈夫焉，必求壟斷而登之，以左右望而罔市利。人皆以為賤，故從而征之。征商，自此賤丈夫始矣。 No regulation against competitive market, but regulation against monopoly markets [Meng-tse, chapter 2 second section, p.495];
- (7) 什一，去關市之征。 Taxation only of harvest in agriculture with a 10% tax rate; against double taxation, and against custom taxation and against taxation on transit of goods and persons [Meng-tse, chapter 3 first section p. 400 and second section, p. 429];
- (8) 生財有大道，生之者眾，食之者寡，為之者疾，用之者舒，則財恒足矣！ The best way to create wealth is employing more people in production and using less in consumption, high speed in producing and convenience in using. The society will always be affluent [Da Chai, chapter 10, p.15];
- (9) 爭地以戰，殺人盈野；爭城以戰，殺人盈城，此所謂率土地而食人肉，罪不容於死。 Government failure: Confucius as well as Meng-tse gave a lot of speeches about government failures, such as high tax rate which removes the fundament of economic life for the people; they condemned imperialistic expansion politics of the five powers among the IFS which killed several thousand people; Meng-tse criticized the failing humanitarian assistance in case of hunger and famine due to military conflicts and natural catastrophes, etc. [Meng-tse, chapter 4 first section, p.452];
- (10) 仁者無敵 Humanitarian politics was proposed to solve government failure. Humanitarian ruler wins always against any challenger. [Meng-tse, Chapter 1 first section, p.319]

- (11) 王如施仁政於民，省刑罰，薄稅斂...，可使制梃以撻秦...，仁者無敵 Competition of system: Confucius and Meng-tse gave advice to several princes of the CID, while he was asked how to get more immigration of people and thus more resource and more power into their state. Humanitarian politic was the answer of Confucian School. A competition of system between the FIS would attract more people to the state with low tax rate, better humanitarian assistance system, more liberal politic with respect to economic activity of the people [Meng-tse, chapter 1 first section, p.312 & p.315]

The picture of Confucian economic system is supposed to consist of the following two pillars: (a) private property and (b) markets with liberal governance. I will use some citations from the economic ideas of Confucius presented in this Section to explain my argument:

First, Confucius proposed to store goods at the people: He argued that a ruler cannot be poor if his people are rich, and a rule cannot be rich if his people are poor;

Second, the need of people to own their private permanent property: He argued that people who have got permanent property have got permanent confidence and people who do not get permanent property, do not have permanent confidence. Thus, private property has taken a very crucial role in the picture of Confucian economic system; and

Third, Confucius argued that division of labour can improve efficiency of an economy, and market is the place for people to exchange goods which one has against those which one needs but does not have. Thus, market has played a crucial role in the picture of Confucian economic system.

The picture of Confucian economic governance is liberal 無為而治 (wu wei or tsu) with the following main elements:

First, he proposed a tax system with taxation only on harvest of agriculture and against double taxation as well as against custom and transit tax; and

Second, Confucius supported competitive market and proposed regulation against monopoly market.

V Confucian Approach of State and Global Governance:

The Confucian approach of global governance consists of two main pillars as follows:

First, good education of oneself as the basis of harmony in the society;

Second, reciprocal (mutual) responsibility of members to each other in a society is the fundamental principle of Confucian ethics. [Da Chai]

According to the ethics of Confucius global governance begins with good education of everybody in the society. A family will live in harmony, if every member is well educated. When every family lives in harmony, a country will be in excellent governance. And when every country has got excellent governance, the global community will be in peace and equality. Thus harmony is a main content of good governance.

Reciprocal responsibility of members in a society to each other is according to Confucius a fundamental factor of a humanitarian politics which is in turn the foundation of good governance in a country and global community.

Carrying out 王道 (humanitarian politics) to its people, saving punishment and sanction, low tax rate, give them enough time for carrying out production, giving them free time to study moral and ethic. Then good governance can be expected. [Lung Yu, Chapter 12, p.203; Meng-tse, Chapter 7 first section, p.581].

Confucius condemned 霸道 (imperialistic politics) of the five powerful imperial federal states. The imperialistic politics has induced wars and killed lots of people and caused famines. He proposed a humanitarian politics to princes of IFS. He believed this approach of good governance was the best way to give people a happy life and thus the best way to attract immigration of people and to get more resource.

VI the Role of Taoism: Tao means way or approach.

Taoism is the most popular religion in China. But Taoism has got neither a holy scripture nor a standard reading for giving instruction to its followers.

Lao-tse is believed to deliver the theoretical foundation for the Taoism. In countries like China and Taiwan Taoism may provide a complement to Confucius. As not a religion Confucius has not provided a system of instructions for pray and celebration. But there is a need of people in these countries to make ceremony for birth, death, wedding, etc. Taoism is a religion and has provided a system of celebration and pray for its followers and thus a complement for Confucius. Taoism is a religion whose followers have not been organized in any way. In China and Taiwan most people are believed to be Taoism. But there is no ceremony like baptism. Nobody who believes to be a Taoist is registered in any Taoism temple. Thus a follower of Taoism is everybody who says he is a follower of Taoism. They go to a temple to pray. They make Taoism ceremony either in a temple or at home.

Taoism has been taught neither in the school, in the temple or in family. Very few people who believe to be a follower of Taoism might really understand Taoism.

There is no separation of Buddhism and Taoism temples. Most temples are both Buddhism as well as Taoism.

The source from which people in China and Taiwan have got some information on Taoism is a noble names “Journey to Western” by Wu Cheng-En (a translation of the noble in English names “Monkey” by Arthur Waley).

The Cosmos of Taoism is organized as a three level system. The first level is the heaven in which immortal beings are staying. In the second (middle world) level is a place for the living beings. The souls of living beings come to the third level, after they died. The third (under world) level of the Taoism Cosmos is a place for the souls to wait on the next life as living being.

All three levels of the Taoism cosmos are organized in an empire with a ruling emperor and a government for every affair of our life. The Emperor of the Heaven is the Pearl Emperor who is the ruler of the Taoism Cosmos.

According to Taoism the souls of all living beings are standing in a life cycle system between the second and the third level. The soul of a living being comes to the third level after he died and then will be transformed to next life. All immortal beings stand outside of the life cycle system of the living beings.

A Taoist makes ceremony to an immortal being or to the soul of his related in the third level. Summarizing this section we believe that Taoism does not play any important influence on the behaviour of the people in the Confucian culture circle.

VII Summary:

There is a similarity between the SA-Era of the life time of Confucius and the current global community, i.e. the failing of an effective central authority. The Son of Heaven in the CID was weak and not effective to implement its instruction, in the current global community a central authority does not exist.

For “global governance” in the political construction of the IFS Confucius proposed his idea of humanitarian politics to the rulers. But he was not successful. The IFS had been confronted with persistent chaos and military conflicts.

In the current global community the approach of international cooperation with international institutions as a rule-based system has been much more successful. The world has been able to overcome several conflicts, such as the cold war, and keeping peace even in existence of some regional and local military conflicts for about six decades since the end of the World War 2.

Confucius and his scholars had not got any idea of democracy with no idea of periodic election to legitimate the ruler by the people Confucius had to proposed war and revolt as tool to remove a tyrant dictator.

Democratic political system has prevailed in the current world with some exceptions. This political system is able to provide a periodic peaceful transformation of government. Revolution or revolt is not a necessary instrument to change the government.

We believe that Confucius would prefer a democratic political system against an imperial one, since he and his followers condemned war. A revolution against a tyrant was for him the better evil to remove a tyrant than tolerating him to kill his people. It is clear that a tyrant would not be accepted by Confucius. His condemnation as well as appeal for a revolution against a tyrant is a clear warning which should be understood by every tyrant. But due to the historical backgrounds in the SA-Era Confucius did not reject the imperial dynasty as a political system.

Confucius underlined the acceptance of a son of heaven (a ruler) by the people as the fundamental principle of the humanitarian politics. Therefore a dictator who carries out humanitarian politics would be accepted by Confucius but not a tyrant who suppresses and kills his

people. He believed a dictator who carries out humanitarian politics can be accepted by the people, but not a tyrant. In his conversation with his students he praised Sun and Wu, both were Son of Heaven selected by their forerunner Jau and Sun, respectively. After death of their forerunner Sun and Wu were accepted by the people. Wu had also selected Yi to be his follower as son of heaven. But people instead of Yi accepted the son of Wu as follower and terminated the selection system of the son of heaven. Wu was not successful to select a follower who was accepted by the people. With his son as follower Wu started the Shia Imperial Dynasty as the first imperial dynasty in China. This system represented the political structure in the long history of China. A periodical chaos and wars during the change of imperial dynasty was characteristic for the development of China.

Confucius hoped to restore the powerful ruling position of the central authority for the governance in the CID. He had got no idea of international cooperation and international institutions for governance in the IFS.

The current global community does not get a central authority and may not need any one. International cooperation and international institutions have provided a useful approach for the current global governance.

The role of religion in economic development has been discussed since the German sociology Max Weber. The dominance of the industrialized countries in the world economy has been seen by some scholars as empirical evidence for the contribution of Christian religion to economic development. This “empirical” evidence seems to be overhasty.

200 years ago China produced about one third of global economic performance. But from the begin of the last century China’s economy stagnated and during the Era of Mao Zedong China was one of the poorest countries world wide. Some people believed Confucius would be responsible for this bad economic performance. But it was obviously not the case, since Mao rejected Confucius and had tried to remove Confucian influence. The economic performance Chinas of the last three decades has been praised as a miracle just after the PRC said Goodbye to Marx, and Hello to Confucius. It is obviously that this ideological paradigm change class warfare Marxism to the

Confucian economic liberalism has enabled the excellent economic performance.

Since the economic transition Chinese people have been allowed to learn Confucian ethics. Confucian speeches have been used as arguments in discussion. Chinese people have also gone to temples since begin of transition.

The mode of rule of law has been prevailed as governance approach in the industrialized world. According to this approach the rights and commitments as well as the rules of the game for activities of every member in these societies are defined in diverse laws. The attitude of people in a society of a welfare state can in general be expressed with the slogan:

Ask what my country can do for me.

In the circle of Confucian culture the ethics of reciprocal responsibility of members to each other prevails, the attitude of people in this society may able be described by the slogan:

Ask what can I do for my country.

In a country in which every thing is ruled by law a very complex system of laws has to be made and also a big jurisdiction board are needed for the “state governance”. For arranging a transaction a comprehensive contract has to be concluded. For enforcing a contract both parties have to call the board of jurisdiction. This means that the transaction cost of governance can be substantial.

A complement of a reciprocal responsibility to each other of the members in this society can achieve the called “Handschlag Qualitaet” in concluding contract. In this way the transaction cost can be crucially reduced.

The Confucian ethics of reciprocal responsibility in a society can therefore contribute to build this kind of so called the social capital to increase efficiency of economy.

In such a society governance will be excellent. The attitude of people may be described by the slogan:

Do not only ask what can my country do for me but also what I can do for my country?

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