

## INFORMATION TO USERS

This material was produced from a microfilm copy of the original document. While the most advanced technological means to photograph and reproduce this document have been used, the quality is heavily dependent upon the quality of the original submitted.

The following explanation of techniques is provided to help you understand markings or patterns which may appear on this reproduction.

1. The sign or "target" for pages apparently lacking from the document photographed is "Missing Page(s)". If it was possible to obtain the missing page(s) or section, they are spliced into the film along with adjacent pages. This may have necessitated cutting thru an image and duplicating adjacent pages to insure you complete continuity.
2. When an image on the film is obliterated with a large round black mark, it is an indication that the photographer suspected that the copy may have moved during exposure and thus cause a blurred image. You will find a good image of the page in the adjacent frame.
3. When a map, drawing or chart, etc., was part of the material being photographed the photographer followed a definite method in "sectioning" the material. It is customary to begin photoing at the upper left hand corner of a large sheet and to continue photoing from left to right in equal sections with a small overlap. If necessary, sectioning is continued again -- beginning below the first row and continuing on until complete.
4. The majority of users indicate that the textual content is of greatest value, however, a somewhat higher quality reproduction could be made from "photographs" if essential to the understanding of the dissertation. Silver prints of "photographs" may be ordered at additional charge by writing the Order Department, giving the catalog number, title, author and specific pages you wish reproduced.
5. PLEASE NOTE: Some pages may have indistinct print. Filmed as received.

**Xerox University Microfilms**

300 North Zeeb Road  
Ann Arbor, Michigan 48106

378 O  
Y94

73-22499

Yuen, W. P.

Influence of Taoism and related  
philosophies on Chinese economic  
thought. 1930.

Thesis (Ph.D.)-New York university,  
Graduate school, 1930.

Xerox University Microfilms, Ann Arbor, Michigan 48106

The Influence of Taoism and Related Philosophies on Chinese Economic  
Thought

By  
W. P. Yuen

Submitted in partial fulfillment of the requirements for the  
degree of doctor of philosophy at New York University

To the Memory of

K. S. Kiang

father of modern engineering in  
Tientai, awarded scholarships from  
the City of Tientai and Chekiang  
Government School of Engineering,  
graduated from the latter as the  
youngest member with the highest  
honor

## PREFACE

The present study undertakes to systematise the Chinese economic thought of the schools of Laotse, Confucius, and Mohih with their effects on our economic life. As individual systems, Taoism, Confucianism, and Mohism, like Physiocracy or the Historical School, may emphasize any phases of economics from their individual viewpoints. It is therefore not necessary to follow the arrangement of the accepted form, to concede to the established truth, or to pay the slightest attention to the topics that are greatly emphasized by other schools but non-essential to the Taoistic, Confucian, and Mohist systems of economics.

A comparison of the present study with Dr. Chen's Economic Principles of Confucius and His School, the pioneering work of its kind, will probably make the nature and scope of our study more clear. Dr. Chen follows the arrangement of the generally accepted text-books on economics, dealing with all topics in equal length and with equal emphasis as they are treated by the authors of these text-books. As a result, Confucianism, being so magnified, almost loses its individuality, because it is compelled by the plan adopted to conform with the accepted theories in economics instead of viewing economics from the Confucian standpoint. The present study tries to show the individuality of these systems and emphasizes what is emphasized by them. We point out the center and the depth of these philosophers' economic beliefs, while Dr. Chen shows us the width and breath of the economic philosophy of Confucianism.

Of the many authors, teachers, and friends to whom I am heavily indebted, special mention must be made of the members of the Department of Economics at New York University, especially Professor, J. D. Magee under whose guidance the present study was done; of A. A. Friedrich of the same department and A. E. Christy of the Department of English for improving the thesis in general and my English expression in particular; of M. H. Tin, educator, forester, business executive, scientist, poet, mathematician, journalist, and author, who gave me the opportunity to have a portion of the present work translated and inserted in his periodicals; of S. T. Chang, from whose exhaustive study of present labor and economic conditions in China, I made free use; of P. C. Huang, English Editor-in-Chief of the Dialectic Soochow and Senatorial Instructor in English, who made suggestions for improving the style, expression, and grammatical construction; and of my brave youngest sister M. T. Yuen, whose sacrifice of better education in order to give me more adequate financial resources and peacefulness of mind made the completion of the present work possible.

W. P. Yuen

New York City, N. Y.

March 8, 1928

CONTENTS

PREFACE

CHAPTER I		Page
THE JUSTIFICATION OF THE STUDY		1-23
I. The Sacred Writings Claimed as the Chinese Bible . . . . .		2
A. The Place of the Bible in the History of Economics . . . . .		3
B. Reasons for the Similar Claim of the Sacred Writings . . . . .		3
II. The Relation between the East and the West . . . . .		6
A. Commercial Relations . . . . .		7
B. Intellectual Relations . . . . .		9
1. Influence on the Physiocrats . . . . .		11
2. Influence on the Classical Economists . . . . .		13
a. Adam Smith . . . . .		14
b. Smith's Followers . . . . .		17
III. Further Justification . . . . .		20

CHAPTER II

THE CHARACTERISTICS OF CONFUCIANISM AND TAOISM		24-61
I. The Historical Background . . . . .		24
II. The Geographical Influence . . . . .		28
III. The Confucian and the Constructor . . . . .		29
IV. Economic Doctrines of the Confucian School . . . . .		30
A. Confucianism and Interventionism . . . . .		31
B. The Superior Man or Virtue vs. the System . . . . .		32
C. Relations of the Superior Man to Production, Distribution, and Consumption . . . . .		34

	vi
	Page
V. Taoism -- the Taoist and <sup>the</sup> Destroyer . . . . .	43
VI. Economic Doctrines of the Taoistic School . . . . .	45
A. Taoism and Naturalism . . . . .	48
B. The Tao vs. the Superior Man . . . . .	51
C. Relations of the Tao with Production, Distribution, and Consumption . . . . .	53
VII. The Order of Importance of Production, Distribution, and Consumption in the Eastern and the Western Economics . . . . .	59

CHAPTER III

TAOISM

62-106

I. Laotse as the Founder of Taoism . . . . .	62
II. The Development of European Interest in Laotse . . . . .	63
III. The Authenticity of the <u>Tao Teh King</u> Disputed . . . . .	65
IV. The <u>Tao Teh King</u> . . . . .	70
V. The Economic Interpretation of Taoism . . . . .	72
A. Economic Motives . . . . .	73
B. The Control of Distribution . . . . .	77
1. Control of Causes vs. Control of Conditions or Control of Motives vs. Control of Institutions . . . . .	79
2. Economists' Opposition to the Control of Motives . . . . .	80
a. Lack of Personal Motives vs. Inefficiency in Production. . . . .	84
C. Objection to Efficiency in Production . . . . .	86
D. The Control of Consumption . . . . .	87
1. The Method of Control . . . . .	89



2. The Aim of the Control . . . . .	91
E. Utility and Consumption in Taoism vs. Value and Distribution in Economics . . . . .	93
VI. Laotse's Followers . . . . .	
A. Chwang Tse . . . . .	95
1. What Is Truth? . . . . .	96
2. Economic and Social Problems . . . . .	98
B. Lieh Tse . . . . .	100
1. Division of Labor . . . . .	101
2. Subjective Utility . . . . .	101
3. Theory of Fate . . . . .	103
C. Yang Tsu . . . . .	103
1. Self-interest or Egoism . . . . .	103

## CHAPTER IV

## MOHISM

107-117

I. Mohih as the Founder of Mohism . . . . .	108
A. Mohih's Utilitarianism, a Dispute with Yang Tsu (on Egoism) . . . . .	108
B. The Causes of the Wealth of Nations . . . . .	110
1. The Harmony of Interests through the Guidance of Reason, a Dispute with Lieh Tse (on the Theory of Fate) . . . . .	110
2. The Increase of Population . . . . .	112
3. The Increase of Capital . . . . .	114
C. Is Mohih a Socialist? . . . . .	115

## CHAPTER V

## CONFUCIANISM

118-184

I. Confucius as the Founder of Confucianism . . . . .	118
II. The Economic Interpretation of Confucianism -- Economic Basis	
on Virtue . . . . .	121
A. Production -- Productive Basis on Virtue . . . . .	125
1. The Productive Classes . . . . .	126
2. The Productive Occupations . . . . .	128
a. Virtue as the Occupation of the Student . . . . .	129
b. Agriculture . . . . .	130
c. Industry and Handicraft . . . . .	134
d. Commerce . . . . .	136
(1) Money . . . . .	140
B. Distribution -- Distributive Basis on Virtue . . . . .	144
1. Objection to the Productivity Theory . . . . .	145
2. The Importance of Need . . . . .	148
3. The Equalizing Function of Virtuous Institutions . . . . .	149
4. Rent, Wages, Interest, Profits . . . . .	154
C. Consumption -- Consumptive Basis on Virtue . . . . .	157
1. The Attack on Luxury . . . . .	158
2. The Necessity of Subsistence or a Comfortable Living . . . . .	159
3. The Institutional Control of Consumption . . . . .	161
a. The Repressive Control . . . . .	161
b. The Aesthetic and Ethical Control . . . . .	162
4. The Place of Consumption in the Confucian Economics . . . . .	164

D. The Influence of Confucianism — Consumption Goods vs. Production Goods . . . . .	167
III. Mencius . . . . .	172
A. The <u>Doctrine of the Mean</u> . . . . .	173
B. Democracy vs. Virtue . . . . .	173
C. Mencius' Welfare Economics vs. Confucius' Moral Economics.	174
1. Protection of Productive Forces . . . . .	176
2. Distributive Justice . . . . .	179
3. Universalism . . . . .	181
IV. Shun Tse . . . . .	183
A. The Importance of Higher Consumption Goods . . . . .	183

## CHAPTER VI

## DISPUTES ON ECONOMIC MOTIVES 185-198

I. Confucius . . . . .	185
II. The Tacists . . . . .	186
III. Mencius . . . . .	186
IV. Shun Tse . . . . .	190
V. Kau Tse . . . . .	193
VI. Han Yu, the Analyst . . . . .	193

## CHAPTER VII

## CONCLUSION 199-231

I. Source of Chinese Economic Beliefs . . . . .	199
II. Results of the Study . . . . .	201
A. Graphic Representation of Confucian Economics . . . . .	202

	Page
B. Moral Laws of Production, Distribution, and Consumption . . .	203
C. Criteria of Production, Distribution, and Consumption . . . .	204
D. The Taoists' Attack on Confucianism . . . . .	206
E. Paradoxes of Production, Distribution, and Consumption . . .	207
1. The Paradox of Free Goods in Production . . . . .	207
2. The Paradox of Self-sufficiency in Distribution . . . . .	207
3. The Paradox of Happiness in Consumption . . . . .	207
III. Effects of Confucian and Taoistic Philosophies on Chinese Economic Life . . . . .	208
A. Philosophical Obstacles in Economic Progress . . . . .	213
1. Moral Importance as an Obstacle . . . . .	215
2. Difficulty in our Intellectual Awakening (Ignorance of Economic Principles) as an Obstacle . . . . .	217
IV. Contrasts between the Eastern and the Western Economic Thought.	223
A. Virtue vs. Justice. . . . .	224
B. Ethical Interpretation of History vs. Economic Interpretation	227
C. Moral Laws vs. Economic Laws. . . . .	228
D. A New Socialism . . . . .	230
APPENDIX	
BIBLIOGRAPHY . . . . .	234

THE INFLUENCE OF TAOISM AND RELATED PHILOSOPHIES ON CHINESE ECONOMIC  
THOUGHT

CHAPTER I

THE JUSTIFICATION OF THE STUDY

While the aim of the present study is to make a systematic account of the economic maxims and moral teachings scattered, like those incidently appearing in the Bible or Shakespeare, here and there in the Sacred Writings of the great Chinese philosophers as well as in the subsequent works of their disciples, we may first state the reasons for the undertaking. Two objections are often raised, especially among the Western students, that these Sacred Writings of the East, like the Bible, mainly consist of religious and moral teachings but little economic principle. Second, while the Bible may claim its place in the history of economics by merit of its influence, though not by its theoretical contribution, the Sacred Writings of the Eastern sages can hardly be justified to claim an equal right, for they are supposed to have never exercised any influence upon the Western economists in the development and formation of their theories which constitute the science of economics. These protests are not entirely without ground. And, as the pioneers of the field which the present study covers, we must endeavor to offer satisfactory answers to the questions our opponents raise, to clear from our way the opposition which, if not checked in advance, may hinder the progress of our course, and finally to show that the neglected Sacred Writings of the Eastern sages are not unworthy of a special account such

as the present study, and likewise not unworthy of being considered by the economist as he considers the Bible.

The Sacred Writings Claimed as the Chinese Bible.<sup>1</sup>— The desire of the Confucian and the Taoist to maintain the Sacred Writings in the equal rank with the Bible has been very persistent, although they are different from the Bible in nature, being not, like the Bible, the work of God. The Sacred Writings have been universally known in China, Japan and Korea as the Kings, the products of the highest order of literature, philosophy and science, written in the Chinese language. Every word from the King, like every word from the Bible, was inviolable. While the word of a king was the law for the people, the word from the King was the law for even the king. The emperor, the Son of Heaven, might be criticised and asked to behave himself in a kingly manner, whenever he, being inattentive to the instruction of the King, would go astray. In the extreme case a revolution against the king could be justified. The people were more strictly held responsible to the inviolable decree from the King. A slight mistake or the omission of a single letter from the original Confucian text quoted was as a rule sufficient reason to reject the thesis for the degree of B.A., M.A., or Ph.D.<sup>2</sup> and to punish the author for misdemeanor; while the penalty for a grave mistake was death. The reason for regarding the works of the great sages as

---

<sup>1</sup>P. V. N. Myers, The Eastern Nations and Greece, p. 104.

<sup>2</sup>The equivalent to B.A., M.A., Ph.D. are "flowering talent," "promoted man," "entered scholar." Cf. P. Monroe, A Brief Course in the History of Education, p. 16.

medieval Europe looked upon the Holy Scriptures was absurd enough; but the fact was that the rank of the King was only comparable with that of the Bible. A number of Japanese, English, French, German, Dutch, and Latin translators, to avoid further dispute, give the title "Sacred Writings" in stead of classics to the Kings.

The Place of the Bible in the History of Economics. -- Be it taken for granted that the Sacred Writings consist of not many sound economic doctrines as the Bible does, still they may be justified, as we will immediately see the reason, to claim an equal privilege. First, we will examine and review the fact that the place of the Bible in economics has been firmly established and recognized by many, especially among the sympathizers and members of the Historical School. Roscher in his "Geschichte der National-ökonomik in Deutschland", Ashley in his Introduction to English Economic History and Theory, Ingram in his History of Political Economy, Seligman in his Principles of Economics -- all unanimously assign to the Bible its due place in the science or the history of economics, because economic matters were an important part in the Bible.

Reasons for the Similar Claim of the Sacred Writings. -- Yet the Sacred Writings are far from being exclusively theological, and are not so barren of economic doctrines as the Bible is. They are not concerned with the life after our death, but with our present life in its moral, social and economic aspects. They embody many principles and systems which Western economists believe to be ideal.<sup>1</sup> They exer-

<sup>1</sup>According to Dr. Chen, Quesnay, father of Physiocracy, declared in

cised a powerful influence over the great minds of the West. They were once hailed in Europe as "sensational" discovery when Résusat's incomplete translation of the Tao Teh King appeared in 1823.<sup>1</sup> Professor Seager also acknowledges that they constitute "a great economic... system" in China.<sup>2</sup>

Then can we justify ourselves in making an attempt to seek for, to discover, and to put into a systematically ordered form these obscure and scattered sayings of the Eastern sages as the authors on the history of economic thought have given us the systematic accounts of economic doctrines from the Bible and Canon Law in their works on the subject? Taoism and Confucianism really not only exercise more influence in the development of economic life and thought in the East than Christianity does in the West, but also modify the Western economic thought. Were the history of political economy cosmopolitan in character, Taoism and Confucianism should occupy more space than the Bible and the Canon Law do, for, as we <sup>have</sup> just pointed out, both Eastern and Western economists have been influenced by them. The claim of the Sacred Writings for an equal, if not more important, place in the Chinese economic thought may be justified by their contents which, as we <sup>have</sup> just pointed out, are far from being so theological, but concern our present life in its moral, social his Despotisme de la Chine that the political and economic systems in China were approaching the ideal of perfection.

<sup>1</sup> Legge, "The Tao Teh King," the British Quarterly Review, Vol. LXXVIII (1883), p. 77.

<sup>2</sup> Chen, The Economic Principles of Confucius and His School, preface.



and economic aspects. They embody many principles which the Physiocrats believed to be ideal,<sup>1</sup> Smith borrowed to illustrate his theories (as in his theory that agriculture is more productive<sup>2</sup> and his anticipation of the stationary society which J. S. Mill further emphasized),<sup>3</sup> and the Chinese so strictly follow that the development of modern economic principles and the progress of our economic life have been greatly checked.<sup>4</sup> The claim may be further justified by the paramount influence of the ideal of the Sacred Writings, which has finally found its expression in our social, political, and economic institutions by which our economic life is regulated. Christianity has never had so great an influence on the Western economic life. China has practically been ruled by Confucianism, and every body Confucianized.<sup>5</sup> On the other hand, Taoism has also succeeded to no small extent, in modifying the Confucian trait of the Chinese. And "the greatest fact of all, is the characteristic traits of Chinese nature, namely, passivity, submissiveness, and moral concern, all of which find an adequate cause and source in the teaching of Lao-tse,"<sup>6</sup> although the "Confucian philosophy has become," more predominantly, "the guiding star of the Chinese government."<sup>7</sup> Let us take some particular and

---

<sup>1</sup>Quesnay, op. cit.; Gide and Rist, History of Economic Doctrines, p. 36.

<sup>2</sup>Infra, p. 19

<sup>3</sup>Mill, Principles of Political Economy, edited by Ashley, pp. 476-451.

<sup>4</sup>Infra, pp. 213 ff.

<sup>5</sup>Monroe, op. cit., p. 13.

<sup>6</sup>D. Caddard and H. Borel, Lao-tsu's Tao and Wu Wei, p. 3.

<sup>7</sup>Carus, The Canon of Reason and Virtue, p. 6.

mere concrete examples. Dr. Ma attributes the cause of China's economic stagnation to the "erroneous theories of production and distribution" of the sages.<sup>1</sup> Even Dr. Sun, the founder of the Chinese Republic, agreed with Modih<sup>2</sup> that Malthus was wrong in his theory of population,<sup>3</sup> although Dr. Sun was anxious for our economic progress and the promotion of the welfare of the people, especially the laboring class. In short, our present systems of production (contempt for the merchant),<sup>4</sup> distribution (family as the small economic unit and "Five Relations" as the greater economic unit),<sup>5</sup> and consumption (the importance of consumption goods over production goods)<sup>6</sup> are still based on our sages' teachings, not on economic necessity.

The Relation between the East and the West. -- The basis of our first argument that Taoism and Confucianism like Christianity deserve a place in economics by merit of their influence on the economic life and thought in the East seems to be shaken by the second objection that the Western economic life and thought were hardly affected by the Eastern. Taoism and Confucianism, though influential in the East, are believed to have contributed nothing to the science of economics in its course of development. The East and the West are far apart and were far more so. The

---

<sup>1</sup>Infra., p. 38.

<sup>2</sup>Infra., p. 213.

<sup>3</sup>Y. S. Sun, Lectures on Three Peoplesm (~~the~~ *the* principles of the people), p. 13.

<sup>4</sup>Infra., p. 137.

<sup>5</sup>Infra., pp. 149 ff.

<sup>6</sup>Infra., pp. 167 ff.

science of economics was born in the West, cherished in the West, developed in the West, and matured in the West. The East can claim nothing, while Christianity contributes much to the development of the science of economics, which was only "a part of theology."<sup>1</sup> This, however, can not be too absolutely stated. When we begin to think of the comparatively late growth of the science of economics, we will scarcely fail to realize that in the time of <sup>Adam</sup> Smith (1723-1790) China was no longer a closed book to the European. The balance sheet would indicate that in the exchange of goods as well as that of thoughts, China was in the favorable position.

Commercial Relations. — Trade had been carried on between China and Europe extensively long before the time of Smith, and it greatly affected the spirit of the age and the mode of thought in Europe. The Eastern rarities were the pride in the imperial court,<sup>2</sup> and the aristocratic society, sung by poets, and delineated by artists. Those who could afford to taste the dear delight of the Eastern goods would hardly like to miss it. For instance, according to Macaulay, "the taste for the spices, the tissues, and the jewels of the East became stronger day by day. Tea,

---

<sup>1</sup>Seligman, Principles of Economics, p. 113.

<sup>2</sup>Kien Lung, the Chinese Emperor, and Louis XIV exchanged luxurious presents not unbecoming the dignity of the kings of kings in the East and the West. Louis' presents include the fine astronomical instruments which are still exhibited in the Chinese Government Observatory, Peking. The Chinese emperor's presents include silk. Cf. Kien Lung's decree and letter to George III where a brief account of the Chinese emperor's presents to several European Kings is given.

which...had been handed round to be stared at and just touched with the lips...was...a regular article of import, and was soon consumed in such quantities that financiers began to consider it as an important source of revenue."<sup>1</sup> In Paris, tea-drinking had long been a fashion in the aristocratic society before it was introduced into London; and the names of such famous French tea-drinkers as Cardinal Mazarin and Chancellor Segurier lived vividly in the memory of the fashionable society,<sup>2</sup> England, however, being more developed in commerce and industry, soon predominated in the foreign trade of China and became more concerned with China, especially in her economic life and development until recently.<sup>3</sup>

The commercial relations between China and Europe had even begun centuries before the birth of the science of economics when the Eastern influence on the West was already felt by many great thinkers<sup>4</sup> in Europe. In the Greek period, products were often brought from India and China.<sup>5</sup> Cosmas, a Greek merchant who became a monk in his later years, gave an account of the maritime trade with China in his Universal Christian Topography.<sup>6</sup>

---

<sup>1</sup>Macaulay, History of England, Vol. IV, p. 226.

<sup>2</sup>Ibid., p. 228.

<sup>3</sup>Since the Great War the position of the English has been lowered by the rapid increase of Japan's and America's foreign trade with China. Cf. "Foreign Trade of China," The Maritime Customs, Pt. II, Vol. I (1925), p. 3; Ibid., Vol. II, p. 3.

<sup>4</sup>Schopenhauer, Nietzsche, Samuel Johnson, Goldsmith, Adam Smith, etc.

<sup>5</sup>Herrick, A History of Commerce and Industry, p. 34.

<sup>6</sup>Williams, The Middle Kingdom, Vol. II, p. 412.

In the "Historical Researches" Professor Heeren, advances the theory that commercial relations were already in existence between the Chinese and the Babylonian.<sup>1</sup> Down to Pliny's time "Rome traded extensively to the East"<sup>2</sup> regardless of the great risk involved.<sup>3</sup>

Intellectual Relations. -- Aside from the commercial relations between China and Europe, which continued to flourish after the decay of Rome, "The Book of Ser Marco Polo," according to the historian Bassett, "fired the imagination of Europe, heightened the charm of the East, and stimulated the hope of reaching the East by sea."<sup>4</sup> The famous book was first written in 1298, followed by numerous editions and translations into almost every European language, and was widely read by great thinkers and general readers. Although the book is, to a great extent, not an accurate account, yet it was looked upon by scientists as a new source of data in support of their experiments, and by philosophers as a basis for modifying their social, political, and economic theories. Bassett believes that Marco Polo's book, which describes China as one of the greatest and richest nations in the world, was an inspiration which strengthened Columbus' aspiration to reach China and other Eastern nations by sea directly.<sup>5</sup> His discovery of America only happened as an accident in the search for a new route to the East which he believed he had discovered all his

---

<sup>1</sup>A. H. L. Heeren, Historical Researches, Vol. I, pp. 421-426.

<sup>2</sup>Herrick, op. cit.

<sup>3</sup>T. Frank, An Economic History of Rome, p. 254.

<sup>4</sup>Bassett, A Short History of the United States, p. 27.

<sup>5</sup>Ibid., p. 26. Columbus possessed a copy of Marco Polo's book by Pinpino.

life. Smith in his Wealth of Nations also made use of the book with reference to the economic conditions in China as described by Marco Polo. It is needless to add that the book has often been cited by many writers in various fields of study, although, with the increase of a large number of more accurate and adequate publications on China, it has become obsolete as a standard work for reference. The book is, however, not as fabulous as many thought it was, for Yule's careful investigation has confirmed several points which were hitherto doubtful and marked its inaccuracy.<sup>1</sup>

The influence of these publications on the Western mind can hardly be over-estimated. Even "...at the present time, the studious German scholars are reputed as very eager searchers of Chinese philosophy,"<sup>2</sup> not to mention that the Europeans were more thirsty after the information about China before her veil of mystery was lifted. Many, notably Schopenhauer and Nietzsche, were greatly affected by the Eastern influence after they became deeply interested in the Eastern philosophy and life. Columbus was by no means the only great mind that was influenced by Marco Polo's account. The book was instrumental in breaking down the medieval cosmography. Although there is no evidence which may betray the influence of Marco Polo on Roger Bacon,<sup>3</sup>

---

<sup>1</sup>H. Yule, Marco Polo, introduction.

<sup>2</sup>Y. S. Sun, Lectures on Three Peoples, p. 52.

<sup>3</sup>The conception of the earth of Roger Bacon, a famous geographer of the 13th century, was based on the medieval beliefs of dogma and saints' sayings. Vide H. Yule, Marco Polo, Vol. I, p. 127.

Marino Sanudo the Elder,<sup>1</sup> and Porlulano Mediceo,<sup>2</sup> yet it is recognized that the famous Catalan map of 1375<sup>3</sup> was made upon the basis of the account of Marco Polo with respect to the position of Cathay. H. Yule believes that "in this map, it seems to me that Marco Polo's influence, I will not say on geography, but on map-making, is seen to its greatest advantage."<sup>4</sup> With the numerous editions and translations of the book,<sup>5</sup> it may be reasonably expected that the early navigators would read it before they went to the East. Nor was the book unknown to the fathers of economics. We can occasionally find the Oriental trait in the writings of the Physiocrats, Smith, Malthus, of whom we will give a brief account with reference to the development of their economic doctrines as affected by the influence of Oriental facts and thought.

Influence on the Physiocrats. — The French, being indulged in all kinds of extravagance and luxury, including tea, silk, and spices from China, were equally delighted by the charm of Chinese philosophy. That

---

<sup>1</sup>He made a map between 1300-1320, which was more correct than Bacon's conception. Vide ibid., p. 129.

<sup>2</sup>He made the first world-map upon the basis of facts (in Laurentian Library). Vide ibid.

<sup>3</sup>The Catalan map is kept in the Library of Paris. Vide ibid., p. 129.

<sup>4</sup>Ibid.

<sup>5</sup>The Venetian edition in Italian dialects by friar Pipino, also translated into Latin, the old French edition by the Societe de Geographie, the various editions by Klaproth, Abel-Rémusat, D'Avezac, Reinaud, Julien, Geldemeister, Ritter, Schmidt, etc. Vide ibid., pp. xvi-xvii.

the Physiocrats were greatly influenced by Chinese thought can be inferred from their writings and their environment where Chinese rarities were looked upon as objects of taste. Dr. Quesnay lived in Europe's most beautiful court at Versailles where nothing marvellous was not present; and, no doubt, the royal presents from the Chinese emperor to Louis XIV were still there. Although we will not presume to know whether Dr. Quesnay's patroness Pompadour liked the beautiful Chinese silk or not; but those who portray her never fail <sup>showing</sup> her carrying a Chinese fan. Whether he would approve of her way of living or not might be inferred from their lifelong friendship. <sup>1</sup> Quesnay was described as "the Confucius of Europe."<sup>2</sup> Asked, what he would do if he were the king, he answered Tacistically, "nothing."<sup>3</sup> Turgot, while not entirely Physiocratic, is numbered among the ablest expounders of the school. His personal acquaintance with Chinese scholars resulted in a better understanding of Chinese philosophy. His An Essay on the Formation and Distribution of Wealth was written for two Chinese students who were about to leave him for China.<sup>4</sup> It is needless to add that a fuller knowledge of China was made possible by the rapid increase of French missionaries in China. They visited China as early as the 13th century, and by the 18th century when Physiocracy flourished, they

---

<sup>1</sup>Quesnay and Pompadour were very close friends. He saved her life twice and left the court of Versailles after Pompadour's departure.

Cf. Higgs, The Physiocrats, p. 56.

<sup>2</sup>Ibid., p. 47.

<sup>3</sup>Ibid., p. 45.

<sup>4</sup>Say, Turgot, p. 84.



spread over the important cities, established schools, translated Chinese books, and occupied many government posts of great honor, as, the President of the Board of Mathematics.<sup>1</sup> It is therefore not strange that Physiocracy is so harmonious with Chinese thought. On the one hand, Laotse's naturalism may be compared with the doctrine of "Natural Order,"<sup>2</sup> and, on the other, agriculture is favored by Physiocracy and Confucianism with special emphasis. Judging from the fact that the Chinese systems of despotism, self-government, and agriculture were looked upon with favor by the Physiocrats, we may safely assert that the Physiocratic theories were marked with Chinese traits. Granted, that the Physiocratic doctrines were formulated independently of Chinese inspiration, yet it can not be denied that the Physiocrats could find nowhere better data and theoretical support than the Chinese economic conditions and philosophy, as only the Chinese emperor could answer the description of the Physiocrats' ideal as well as their royal patron's wish that "L'Etat c'est moi,"<sup>3</sup> and the Chinese were decidedly against Mercantilism and in favor of agriculture.

Influence on the Classical Economists. -- The wide spread of the new knowledge from the East in the 18th century did not yield the same result

---

<sup>1</sup>Cf. "The Catholic Church," China Year Book (1925-1926).

<sup>2</sup>A comparison is given by K. W. Shaw in the introduction of his Democracy and Finance in China under the section of "The School of Laotse." The natural order of Physiocracy is constructive, while that of Laotse, destructive. The former wants a new social order, the latter wants no artificial order at all.

<sup>3</sup>Gide and Rist, History of Economic Doctrines, p. 36.

in critical England as in dogmatic France.<sup>1</sup> The French, as patrons to the Chinese, love Chinese philosophy too much to criticise it. They take pleasure in swallowing it as much as they can even before they find out whether it is poisonous or not. They defend it as if it <sup>was</sup> ~~is~~ their own. Such consideration on the part of the French can only be repaid by greater loyalty on the part of the Chinese. On the contrary, the English, cold and cautious, being afraid to accept too much, but sparing no effort to digest thoroughly what little accepted, are not such foolish but loyal followers. Instead, they never fail to make use of Chinese philosophy when it serves their purpose, and never fail to criticise and analyse it in order to avoid the mistake the French make. The challenge to the authenticity of the Tao Teh King was for the first time announced by an English author,<sup>2</sup> while the French take the side to defend it. To do them the justice, the valuable services of both the French and the English should be heartily appreciated. Without the French, the philosophy of the Eastern sages may not have been introduced into the West. Without the English, it lacks the critical test which is indispensable to modern research.

Smith. — While the dogmatism of the Physiocrats pays great respect to Chinese philosophy, Smith, though more critical, is none the less influenced by it. He would not acknowledge that the Chinese system could be the ideal standard for the European nations. But his ideal standard is

---

<sup>1</sup>For an account of the French dogmatism and the English criticism, cf. Cushman, A Beginner's History of Philosophy, Vol. II, p. 215.

<sup>2</sup>Infra, p. 66.

always like the Chinese system. In stead of recommending the Chinese system as the Physiocrats, he prefers to borrow Chinese cases to serve his purpose -- to illustrate his theories with Chinese cases, whenever his theories are in conflict with the actual conditions in Europe. Their difference of handling the sources of Chinese information -- i.e., the former dogmatically regard the Chinese institutions as most nearly approaching the human society of perfection, while the latter critically takes suitable data from the Chinese to support the theories which were independently formulated by himself, though the reservation must be made that such data might have exercised influence on him in developing his system -- having been indicated, we may now try to show that Smith is equally influenced by Chinese thought.

In the Wealth of Nations Smith leaves the clue which betrays the fact that he was a great reader of the literature on China, which, to some extent, exercised influence on him in formulating certain doctrines we are going to discuss. So eloquently speaking of the other two distributive shares, he was confronted with difficulty when he came to the theory of wages. Clearly he saw the logical defect in the subsistence theory, but finally he gave no hint that he was rather in favor of than against it. What was the cause of his hesitation in formulating the subsistence theory of wages? Why did the optimist and friend of the laboring class issue the cruel decree, or the "iron law," against the laborer in regard to his pessimistic destiny? Here we will see where the difficulty of refuting the "iron law" lies. The more he studied the economic conditions in China, the more were his data to confirm the sub-

sistence theory. At least, four or five times Smith relied on Chinese sources to support the theory. Here we may go into details.

Smith maintained that the wages of labor depended upon the wealth of a nation and the supply of labor, <sup>A more rapid increase of wealth would cause a greater demand on labor</sup> at higher wages. But he believed that this happy tendency could not continue indefinitely. For instance, China was "one of the richest nations in the world." She had abundant capital to develop her resources. Here Smith raised his voice to warn us that when a country, like China, was fully developed, wages could be only as low as just sufficient for subsistence; because, with the limited field for further development, labor and capital could not be utilized to the fullest advantage.

"In a country which had acquired that full complement of riches ...both the wages of labor and the profits of stock would probably be very low....China seems to have been long stationary and had probably long acquired that full complement of riches consistent with the nature of its law and institutions."<sup>1</sup>

Speaking of the necessity of the subsistence wages in a fully developed country, he tried to prove the theory by a comparison of the economic conditions in China during his time with those described in Marco Polo's book. He believed that any further change was difficult and wages had to stay just at the subsistence level. Although

"...China has long been one of the richest...countries in the world, it seems, however, to have been stationary....China..."

---

<sup>1</sup>Smith, Wealth of Nations, Vol. I, pp. 99, 100.

though it may stand still, does not go back....The same or nearly the same annual labor must therefore continue to be performed, and the fund destined for maintaining it must not, consequently, be sensibly diminished."<sup>1</sup>

In support of his theory that agriculture is more productive because "nature labors along with man," he again relied on Chinese sources. He believes that, since agriculture is more productive, "the policy of China favors agriculture more than other employments."<sup>2</sup> Farmers, while they were worse paid than artisans in Europe, were better paid than artisans in China because they were more productive.<sup>3</sup> The natural order was disturbed in Europe, while it was not in China. Not being able to free himself from the influence of the Physiocrats yet furthermore convinced by the actual cases from China, Smith was naturally led to believe that agriculture was more productive.

Smith's Followers. — Enough has been said of Smith. A brief survey of his followers, with reference to their writings where the Chinese influence is shown, will convince us that the Chinese influence extends to every classical economist besides Smith. In Ricardo's Principles of Political Economy where concrete example is scarcely given, we can, however, find that the author was familiar with the economic conditions in China.<sup>4</sup> In his An Essay on the Principles of Population, Malthus,

---

<sup>1</sup>Ibid., pp. 75, 76.

<sup>2</sup>Ibid., p. 265.

<sup>3</sup>Ibid., p. 134.

<sup>4</sup>Ricardo, Principles of Political Economy, p. 243. Although Ricardo

besides making many quotations of Chinese cases, devoted an entire chapter "On the Checks to Population in China and Japan."<sup>1</sup> Here he was conscious of the fact that agricultural conditions in China suggested the existence of the law of diminishing returns and the necessity of the positive check. Studying the relation between population and food supply in China, he dimly glimpsed what is virtually the law of diminishing returns, although he differed from Ricardo by maintaining that rent is due to the bounty instead the niggardliness of nature. According to him, the proportional increase of returns from land for the proportional increase of outlay would ultimately come to an end as in the case of China, whose "wealth has long been stationary and its soil cultivated nearly to the utmost."<sup>2</sup> And accordingly rent is high, and wages low; because the increase of labor prevents the land from yielding a proportional increase of returns.<sup>3</sup> Malthus's influence on Ricardo, especially in his formulation of the theory of rent, can not be denied. Ricardo frankly acknowledged it in the preface of his Principles.<sup>4</sup> Here we are clear that Malthus was influenced by the agricultural conditions in China and Ricardo was influenced indirectly through Malthus. Down to the time of J. S. Mill, Europe and scarcely borrowed data from the economic conditions in China, yet he was indirectly influenced through Smith, for he quoted from Smith throughout his Principles in almost every paragraph.

<sup>1</sup>Malthus, An Essay on the Principles of Population, Vol. I, pp. 206-230.

<sup>2</sup>Ibid., pp. 216, 217.

<sup>3</sup>Malthus, Principles of Political Economy, p. 125.

<sup>4</sup>Ingram, History of Political Economy, p. 123.

China entered into closer commercial relations. Every day he read correspondences on business conditions in the the East.<sup>1</sup> That period of looking upon the East "with blind admiration" was over, while that of "encroachment" and economic "exploitation" was inaugurated. The "Opium War" of 1841, which "inflicted a deep wound in the pride of China," was concluded by the "Treaty of Hanking,"<sup>2</sup> one year before the appearance of his System of Logic in 1843. The publication of the eighth edition of his Principles of Political Economy (three years after his death) was preceeded one year by the introduction of the Chinese Government bonds in London market of investment in 1873.<sup>3</sup> We may also mention that Mill was in the service of the East India Company in London for many years.<sup>4</sup>

One of the striking facts in the classical doctrines is the unanimous agreement among Smith, Ricardo, and Mill with regard to the "Stationary State" of society although they lived in a dynamic society. Smith never mentioned the "Stationary State" without making reference to China. Mill, in spite of the Industrial Revolution and economic progress in England, became more convinced of the coming of a static society, which is described specifically in his Principles of Political Economy in the

---

Mill was in the service of the East India Company for many years.

<sup>2</sup>Krausse, The Far East, p. 36; Boston Evening Transcript (Nov. 24, 1841); Mayers, Treaties between the Empire of China and Foreign Powers, p. 1.

<sup>3</sup>"A Chronology of China's Principal Events for the Past Fifty Years," The Past Fifty Years (Shanghai: Shun Pao, 1923), p. 3.

<sup>4</sup>Bain, John Stuart Mill, pp. 64-66.

chapter "Of the Stationary State,"<sup>1</sup> which is generally omitted in the text-books of political economy by modern economists. We are probably not without ground to presume that the source of inspiration for the classical conception of the stationary society may be traced either directly or indirectly to the static economic conditions in China, which, according to Smith, remained with little change from the time of Marco Polo to that when he wrote his *Wealth of Nations*,<sup>2</sup> because her natural resources were utilized to the full capacity.

Further Justification. — In addition to the commercial and intellectual relations between the East and the West, which may justify the present attempt, a third reason which is more concerned with the Chinese has been discovered by Professor Remer.<sup>3</sup> Chinese history is chronological but never analytical. Economic history and the history of economics are wrapped in the voluminous account of political events, where every important happening is recorded from day to day, but not classified according to its nature and scope. It will therefore be helpful to give an account of the great philosophical and economic systems in China from the standpoint of their doctrinal differences.

We may add a fourth reason for the justification of the study. These great systems are in themselves encyclopedic in scope. Economic as well as ethical, philosophical, political, and social doctrines are scattered

---

<sup>1</sup>Mill, *Principles of Political Economy*, Bk. IV, Ch. VI; Cf. W. J. Ashley's edition, pp. 746-751.

<sup>2</sup>Cf. *supra*, p. 16.

<sup>3</sup>Remer, *Economics for China*, pp. 102, 103.



here and there unorganized. We may be at a loss to find that the Sacred Writings contain so little economic principles; yet they are predominating in our economic life. They are unorganized, but they are not less influential. While their importance is justified by the influence they have exercised, the labor spent to find the basic factors behind the achievement of the Sacred Writings, to analyse them according to approved methods, and to present the results of the investigation in a more systematic manner is probably not entirely wasted. The comparative popularity of Dr. Chen's work on Confucianism indicates the fact that even in the West, the attempt to organize the economic concepts of the ancient sages of China has to some extent been met with approval.

With regard to the present and future economic changes in China, we may add a fifth reason. All economic changes, evolutionary or revolutionary, are related to the past events and remote causes. Taoism and Confucianism have, for more than two thousand years, dominated in the Chinese mind. They have been instrumental in the formation and development of the peculiar economic systems, social institutions, and methods of production of the nation. Will their influence not be instrumental in the modification of the modern economic system which has already won its foothold in conservative China? Dr. Y. C. Ma has pointed out that one of the greatest obstacles in the way of the expansion of insurance business is the Confucian teaching that to expect or prepare for the benefit from a dear one's death is immoral.<sup>1</sup> Professor P. S. Reinsch also points out thus: "The study of the economic life of China, both in its

---

<sup>1</sup>Vide infra, p. 38.

traditional organization under the old system and as affected by the transition to new forms and method, is of extreme interest....Banking was based entirely on the personal credit of individual merchants: their property was not dissociated from their personality and made a separate element in granting credit."<sup>1</sup> Dr. Y. P. Tsai has correctly anticipated that if socialism invades China it must be a socialism without the class war or the struggle between Labor and Capital. The prophecy has probably come true since the sensational success of the Nationalist Party. Where the Nationalists are in power, there is a great increase of wages but not any desperate struggle on the part of the capitalist who is facing bankruptcy.<sup>2</sup> We can hardly account for such radical but irrational changes,

---

<sup>1</sup>P. S. Reinsch, "The Chinese Political Science Association," The Chinese Social and Political Science Rev., Vol. I, No. I (Dec, 1915). As a rule a gentleman's promise is considered better than security. "A gentleman's promise is better than a contract written on the leather."

<sup>2</sup>"Current Events," The Bankers Weekly, No. 493 (April, 1927), pp. 4-6. The banks in Hangchow accepted on March 28, 1927 the demand (withdrawn after a few weeks on account of economic necessity) of the labor union to increase the salary of all clerks from \$10 per month to \$40 per month, to reduce the working hours from 10-12 to 6-7 per day, to give them \$29 per month for board and room and \$15 for their wives, to allow them 100 days per year for vacation and rest in addition to Sundays and holidays with right to receive their full pay in addition to the expenses for travel and medical service, to double their pay for the month of December, to give them at the end of every year a bonus not less than their salary for

unless we keep in mind that China, though conservative, has been ruled by the will rather than the mind, by virtue rather than wisdom, and according to the motive rather than the result. Nowhere can we find the psychological background of the social and economic changes in China except in the philosophy of the ancient sages, especially Confucius and Laotse, which, like the Bible in the Medieval Ages in the West, has dominated in the Chinese mind. As Ma, Reinsch, and Tsai agree, all the modern economic systems and institutions, when introduced into China, will be more or less modified by the Taoistic and Confucian influences as long as Taoism and Confucianism are there.

---

three months. This will indicate that how easily the class war (for instance, between capital and labor) can be avoided by government interference in China because of the peaceful and submissive character of the people.

## CHAPTER II

### THE CHARACTERISTICS OF CONFUCIANISM AND TAOISM<sup>1</sup>

The Historical Background.<sup>2</sup>— Towards the second half of the Chow Dynasty (1122 B.C. — 249 B.C.) the former united China was, like the map of Europe, divided into many countries, which continually engaged themselves in war against each other. As a result, a number of war-lords sprang up throughout the country until it was broken up into three hundred small states, which were gradually submerged into the "Big Seven" through a long series of wars. The "Big Seven" and later the "Big Six," until the beginning of the Tsin Dynasty, were independent of each other, maintaining their own armies, government finances, educational systems respectively, and being always ready to go into war without thinking it necessary to justify the cause of the war.

This state of affairs, while disastrous to the welfare of the people, was instrumental in the progress of civilization. Every state tried to improve the system of government, the means of transportation and communication, and to lavish imperial favors on the learned and scientific

---

<sup>1</sup>The order of Taoism and Confucianism is reversed in order to state, as in a debate, the positive side first. Taoism largely consists of attacks on Confucian doctrines. In order to know Taoism it is profitable to know what Taoism attacks.

<sup>2</sup>For a brief account of the period, cf. U. B. Li, Outline of Chinese History, pp. 20-42.

men. Roads were built, and canals digged, mines were extensively opened in order to obtain sufficient quantity of iron, copper, silver, gold to meet the increased demand for them to make fighting implements and to coin new currencies.<sup>1</sup> In agriculture the Tsing Tien system<sup>2</sup> gradually lost its force, while land was cultivated more economically. In manufacture methods were also improved. Silk was in vogue; beautiful palaces were erected by the new genius of engineering and provided with pompous decorations. The demand for better goods increased from the rich merchants, the aristocrats, the princes, and the princesses, who were increased in number with the increase of kingdoms. In commerce they began to learn the technics of foreign trade as a result of the breaking up of China into many countries. The two or three centuries prior to the founding of the Tsin Dynasty in 249 B.C. were, in the history of China, the period in which the progress of science, art, and philosophy was made by leaps and bounds.<sup>3</sup>

Among the great thinkers of the period, Lao-tse and Confucius occupy the foremost places<sup>4</sup> by virtue of their teachings and writings, which contribute much to the enlightenment of the Chinese thought. They were, in the eye of the European, respected by the Chinese with an exaggerated

---

<sup>1</sup>Morse, The Trade and Administration of China, p. 136; F. E. Lee, Currency, Banking, and Finance in China, pp. 3, 4.

<sup>2</sup>M. Lee, An Economic History of China, pp. 33, 34.

<sup>3</sup>K. C. Liang, History of Chinese Thought in Ancient Times, pp. 19-25.

<sup>4</sup>Ibid., pp. 26 ff.

honor which they did not deserve. In the eye of the Chinese, they were almost equal to God; and their words were obeyed by the king and his subjects. The final examination for the B. A. degree was entirely based on Confucius' "Four Books," and the degree was the only prerequisite for higher degrees or governmental appointments.<sup>1</sup> Whenever difficulty arose, the Chinese officials turned to the "Four Books" for a solution, as if the "Four Books" were the final authority to be appealed to. When they retired from public activity, they began to turn themselves to the Taoistic writings, which, contrary to Confucius' teachings, denounced public life, and placed emphasis on self-cultivation, concentration, and non-action as the essential means leading to the goal of well-being and happiness. The dividing line between the two great systems is, as we have just pointed out, so clear that it is not advisable to raise the question whether Taoism or Confucianism is more predominant, for each reigns in its respective field.

Yet the differences between the two great systems of the two contemporary authors, living in the same environment and aiming at the common end, call for an explanation. Confucius and Lao-tse both witnessed the same disastrous wars, the suffering of the people, the luxury of the

---

P. S. Reinsch, World Politics. Reinsch says that even the successful candidate is not assured of an official appointment without financial backing. As a rule, the government is only responsible for appointing a doctor of philosophy as magistrate. A bachelor of arts may also become magistrate; but no degreeless person may be appointed a magistrate. Also see Monroe, op. cit., pp. 16, 17.

competing aristocrats, the confusion of rites and laws in the different kingdoms, the degradation of the moral standard, the weakening in the force of the ancient sages' teachings.<sup>1</sup> They both were sympathetic with the people, anxious for peace, and looking for a plan for permanent peace and international brotherhood, on which the divided China was to be reconstructed. The differences only arose from the different standpoints they took. To Confucius, the present social tumult resulted from the rulers' departure from the strict observance of laws and rites prescribed by the ancient sages for coming generations;<sup>2</sup> while, to Laotse, the evil effects from the present social disorder were inherent in these laws and rites.<sup>3</sup> The former put all the blame on men, while the latter put all the blame on the system. The one called for moral reform and surrender to the ancient sages' command in order to return to peace and prosperity; while the other maintained that our present social chaos was the result of the ancient system, to return to which would mean another future chaos. It is therefore necessary that a new system which would infallibly guarantee us permanent peace and prosperity should be discovered.<sup>4</sup> Confucius would be more than satisfied if society could be always kept in order as it had been during the reign of Yao and Shun;<sup>5</sup> while Laotse looked forward to the

---

<sup>1</sup>K. C. Liang, An Essay on the New Nation, p. 218.

<sup>2</sup>K. S. Lieu, "The Origin of Taoism," The Monist, Vol. XXVII, No. 3 (July, 1917), p. 385.

<sup>3</sup>Laotse, Tao Teh King, Ch. III.

<sup>4</sup>Lieu, op. cit., p. 386.

<sup>5</sup>Confucian Analects, pp. 214, 215.

ideal form of government and society.<sup>1</sup> The former found the solution in the conscious, institutional, and moral restraints; while the latter found it in our emancipation from them. Like a pharmacist the Confucian would invent medicine to cure the disease. Like a surgeon the Taoist would cut at the root of disease with his sharp knife. A summary of the differences of the two great systems has been made by the distinguished Professor Liang. He contrasts them as follows:<sup>2</sup>—

Northern School	Southern School
(headed by Confucius)	(headed by Lao-tse)
Realistic	Idealistic
Action	Non-action
Worldly care	Care for future life
Politics and law	Philosophy
Class distinction	Equality
Empirical	Rationalistic
Conservative	Destructive
Intervention	Naturalism
God-feared	Freedom of fear
Nationalism	Internationalism
Aggressive	Self-restraint

The Geographical Influence. -- Professor Liang maintains that in the formation and development of the Northern and Southern systems, the

---

<sup>1</sup>Lieu, *op. cit.*, p. 387.

<sup>2</sup>Liang, *History of Chinese Thought in Ancient Times*, pp. 30.



geographical influence plays the most important part.<sup>1</sup> In the South, the climate and rainfall are adequate for farming and husbandry as well as for human habitation. There are also ever-green mountains and melodious streams in contrast with the vast tract of desert and the dangerous Yellow River in the North. Above all, there are the beautiful and slim Southern maids in contrast with their husky Northern sisters. Nature seems to have favored the son of pleasure in the South with fortune, and doomed his poor brother in the North to misfortune and hardship. As a consequence, the Southerner, being abundantly furnished with comforts and luxuries, develops a philosophy of non-action, naturalism, and non-struggle; while his unfortunate brother has to labor to live, and to struggle with nature to palliate his doomed misery.

The Confucian as the Constructor. — Now let us state the position taken by the positive side first. The Confucian, like the social reformer and the modern economist, is therefore the great constructor<sup>2</sup> in the sense that he would not trust his fate to the mercy of Providence. He is always the first to take measure to meet the arising situation, although he is conservative in the sense that he, in taking any measure toward reform or prevention of social evils, would follow the ancient sages' instructions, which, however, like the Monroe Doctrine,<sup>3</sup> may be interpreted in different ways as any specific issues may demand. Confucius himself, for instance, was a conservative but constructive worker; and his main object was to

---

<sup>1</sup>Ibid., pp. 27, 28.

<sup>2</sup>Ibid., p. 32.

<sup>3</sup>Cmd., 151; G. B. Davis, Elements of International Law, pp. 110-115.

promote social welfare and to elevate moral standards. He travelled throughout North China, presenting himself to all the kings for appointment. And at last he was employed by the king of Lu, Confucius' native country. He served Lu only three months, during which, he called a peace conference, proposed governmental reforms and vigilant enforcement of the Tsing Tien System, and raised the ethical standard of the people to the level where "no one would bother himself to close the doors of his house in the night; no one would take away anything others lost; nor are man and woman be seen walking together in the highway." We may mention some great constructors among his disciples, such as Tse Kung, the great financier, E. Z. Wong, the greatest state socialist of China, Shan Iang, the projector of agricultural, industrial, commercial, and legislative reforms in<sup>the</sup> Tsin Dynasty.

Economic Doctrines of the Confucian School. -- The kind of philosophy depends upon the kind of men the author is, the environment in which he lives, and the mode of thought of the period which affects his way of reasoning. We know that the founders of the Confucian school are conservative, but constructive, not too philosophical, but very practical,<sup>1</sup> born in the land of poverty, where a meagre living requires a desperate fight, witness the results of the wars, and hear the universal cry of the people for peace and social order. Now let us ask: Would they sit down to wait for the hands of Providence, or raise their own hands, surrender to the judgment of natural order, or rely on human effort, to carry out the social reconstruction and reform? Would they adopt the

---

<sup>1</sup>Lien, op. cit., p. 386.

policy of laissez faire or that of intervention in commerce and industry? Naturally they will rather depend upon themselves than upon the mercy of natural order to stop the wars, to restore the social order, and to make regulations for production, distribution, and consumption.<sup>2</sup> They were therefore to displace the natural order by human laws and rites, to rely on superior men<sup>3</sup> for carrying out the functions of the government, to equalize the distribution of wealth so that the poor may escape the penalty of natural selection through the humanity of legislature, and to limit consumption in order to discourage luxury and waste. In short, the disposal of wealth, in practice as well as in theory, is subject to strict regulations in the science of Confucian economics.<sup>4</sup>

Confucianism and Interventionism. — First of all, Confucians are interventionists. All social progress presupposes the existence of rites and laws, by which the individual is governed and the social order is maintained.<sup>5</sup> When these laws and rites are rendered ineffective by social chaos, the people will immediately face the grave danger of an economic calamity,

---

<sup>1</sup>S. Hu, The Logical History of Ancient China, p. 22.

<sup>2</sup>Cf. Chen, Principles, where the economic doctrines of Confucianism are arranged according to the classical division into production, distribution and consumption.

<sup>3</sup>Confucian Analists, passim. A superior man is the man with virtue. The superior man and virtue are inseparable.

<sup>4</sup>The Boards of Food and Commodity of the Central Government were created to supervise agriculture and industry.

<sup>5</sup>Liang, The Development of Chinese Laws and Rites, pp. 62-80

besides the social evils. First, during the war, for instance, the farmer is called to arms, and his field lies wasted. The economic loss thus incurred in an agricultural country under a feudal régime (China was feudalistic in Confucius' time<sup>1</sup>) is more than apparent. Confucius anticipated that the law should even go so far as to prohibit war during the harvest time.<sup>2</sup> Other minor social evils, as monopoly, luxury, large fortune, should also be rigidly modified by the law in order to palliate the evil of the inequality of distribution, which forms a more important part than production in the science of Confucian economics.<sup>3</sup>

The Superior Man vs. the System. -- The Confucians, being so confident of the power of laws and rites to modify those human activities which are directed by selfish ends against the well-being of society, must be great lawyers or law-givers! But, on the contrary, they are not. The Confucian interventionists are therefore quite different from their Western brethren who would begin to lay down certain systems and make minute regulations when the period of laissez faire is passed to that of intervention. After a system is definitely laid down with its minute regulations, it works almost automatically like the machine. In any division of organization in the West, business, governmental or educational, every department takes care of the work of a part of the whole system without knowing what the other departments are doing. But every thing will be well done, if the minute details of the system assigned to the individual

---

<sup>1</sup>Lee, op. cit., p. 3.

<sup>2</sup>Infra, p. 131.

<sup>3</sup>Liang, An Essay on Kwaen Tse, p. 87.

are strictly followed. This, however, does not interest the Confucians, whose emphasis is entirely laid upon the man rather than the system.<sup>1</sup> The Confucians are looking for the "superior man" or "man with virtue." Let the superior man, being not bound to laws or systems,<sup>2</sup> watch us and do for us anything he thinks fit. To rely on man alone without a system is certainly not recommendable; but it is the sweet dream of the ancient sages of the East as well as those of the West. Plato also preferred the superior man in his Republic, where, as he hoped, "either philosophers are rulers or rulers philosophize." Socrates died in the cause for exalting the man with virtue.

With all the defects of the superior man system, it, however, possesses certain advantages the other system lacks. While it is not so just, it is more humanistic; for, in any case, the finality rests on the superior man's judgment, which, being unbound by laws, may be varied to suit individual differences.<sup>3</sup> He is free to tolerate the existence of the illegal monopolistic organization which spends its earnings in promoting welfare works, free to exempt the famine district from tax or even to distribute foods and clothes at the expense of the increased tax in other districts, and free to behead one or two speculators or bankers whose hoarding of silver or rice causes the rise of prices. The superior man system is also credited with its efficiency in most cases.<sup>4</sup> For instance, as soon as there

---

<sup>1</sup>Williams, The Middle Kingdom, Vol. I, pp. 380-382.

<sup>2</sup>Ibid., p. 393.

<sup>3</sup>Penal Code, Introduction, p. xxviii; Williams, op. cit., p. 384.

<sup>4</sup>Edinburgh Review, Vol. XVI, 1810, quoted by Williams, pp. 391, 392. The

is any sign of labor unrest in the country, the superior man may, without waiting for the report of investigation, debate in Congress, or advice of expert, take immediate measure of compulsory settlement. The success of opium prohibition in China gave the world a thrill in the efficiency of the Chinese system. But there are grave dangers lurking in the system, when it is abused to serve selfish purposes or placed in the hands of irresponsible persons, who, being unable to grasp the arising situation, would not listen to expert advice. In the complex modern society, where a single question is linked with many problems, static and dynamic, the superior man can only be relied on as far as he is working with a sound system which is to be carried by a well organized body of specialists assigned to the appropriate functions under the system.

Relations of Superior Man to Production, Distribution, and Consumption. — The Confucian School, while it is in favor of intervention by the superior man, is not antagonistic to the much criticised theory of J. S. Mill that in production natural force predominates; while in distribution, human effort.<sup>1</sup> The Confucians pay comparatively little attention to the question of production and are blind to the possibility of increasing production in any other way than just following the natural order. It seems to him that nature has predetermined the process and fruit of production, or China has reached the stage of the "Stationary State" so that further human effort is of no avail in the increase of production. Confucius

---

Chinese law was credited by the Review with its "reasonableness, clearness...the business-like brevity and directness."

<sup>1</sup>Mill, op. cit., pp. 199-201

thinks that the only thing we can do, when we want to be more wealthy, is to increase the number of producers and decrease that of the consumers<sup>1</sup> (something like the labor theory of Smith). He had not the foresight of Smith, Malthus, and Ricardo, that the increase of labor would bring hard lot to labor; and therefore measures must be taken to control the supply of labor (Malthus) through human effort in order to palliate the approaching danger. Confucius thinks little of that. Even the hand of the superior man must be taken away from the activities in the field of production except to keep them from being disturbed.

Coming to the fields of distribution and consumption, the superior man is more encouraged to use all his effort to regulate them so as to bring about the best possible result for society. The ultimate goal of distribution and consumption is not the fulfillment of the law that the distributive shares are to be based on the service of the productive factors, which may dispose of their legitimate shares legally in any manner, but the fulfillment of the superior man's ideals, which, like the theory of the socialists, aim at a more equal distribution based on individual need<sup>2</sup> and a more equal consumption based on moral and social obligation,<sup>3</sup> a theory of consumption probably new and objectionable in the eye of the Western world. The Confucian theory of distribution is overshadowed by that of the modern socialist, although their purposes and aims are the same. But the theory of consumption, being too much neglected in the West, not only so vigorous-

---

<sup>1</sup>Confucius, The Great Learning, p. 243.

<sup>2</sup>Chen, The Economic Principles of Confucius and His School, p. 466.

<sup>3</sup>Confucius, Analects.

ly but also so differently expounded, will probably arouse interest, or, at least curiosity, among the students of modern economics. Luxurious consumption is considered not only a social and economic evil but also immoral. Waste is a sin. No matter how rich a man is, to throw away a single grain of rice, wheat, or corn, or to leave a drop of soup in his dish after meal, or not to pick up a broken cash, a piece of paper, not to mention a grain of rice, when he sees it in the ground, will practically ruin his reputation, and consequently make him ineligible for any capacity of social leadership.<sup>1</sup> To kill a cow or eat beef makes one liable to grave penalty by the law.<sup>2</sup> To put beautiful dress on a man or woman without academic degree or official title will eliminate one from the class of respectable people.<sup>3</sup> And even sages and kings have no right to waste anything.

There were, however, certain exceptions where comforts and luxuries were tolerated. On any holders of <sup>the</sup> degree of bachelor of arts was bestowed annually by the public authority a half pound of fresh beef, and on those of master of arts, one pound and a third.<sup>4</sup> While the common people should wear cotton clothes, on the bachelor of arts was conferred, besides the degree, the honor of wearing the silk cap, the blue-colored

---

<sup>1</sup>Tseutse, Domestic Maxims, p. 1.

<sup>2</sup>Cow and ox are used in farming rendering great service in an agricultural country. The killing of them was considered immoral, while that of the lazy pig, justified.

<sup>3</sup>Tseutse, op. cit., p. 1.

<sup>4</sup>Rules of Sacrifice in the Confucius Temple.



silk gown, and the black-colored boots, which, as the law requires, must be made at the expense of his father-in-law in recognition of the honor which his son-in-law brings to his daughter as well as to his family. The silk attire for master of arts is furnished by the government. The gown is purple. The doctor of philosophy of doctors of philosophy, the culmination of academic honors, conferred upon the first winner in the competitive examinations held once every three years at the imperial palace in Peking and partaken by all the qualified doctors of philosophy in China, is given by the Emperor the red gown. These dignitaries or superior men, who are entitled to such luxuries, are by no means extravagant in private life; for according to Confucius, superior men may be -- unfortunately are actually -- underpaid.<sup>1</sup> They should not even "exert to satisfy their hunger, nor to live with comforts."<sup>2</sup> But in the entertainment of friends and relatives, in weddings and funerals, in contributing to the erection of public buildings, bridges, pagodas, the memorials of sages, open-handedness becomes a virtue; and economy, niggardliness.

This is the outline of the Confucian teachings on production, distribution and consumption, which have led the people to misery and poverty with which we are taught to be content. While the capital thus saved, instead of being productively employed in the development of agriculture, industry and commerce, is wasted in the pomp of weddings, funerals and entertainments without the slightest regard to the real significance of the moral lesson on economical consumption and generous givings, the

---

<sup>1</sup>Chen, *op. cit.*, p. 484.

<sup>2</sup>Confucian Analects, pp. 7, 8.

people are becoming economically poorer and morally degenerate, for even the building of moral character can not be without its material basis.

The Confucian doctrine can therefore be assailed from all sides. From the necessity of meeting the Confucian moral standard, there result formalism and conservatism.<sup>1</sup> In politics corruption and bribes prevail,<sup>2</sup> because the official, being the superior man, is underpaid, but required by the Confucian standard to be generous. As a result, "the Chinese ethical ideal never emancipated itself from its ceremonial expression."<sup>3</sup>

To the economist, the Confucian doctrine is even more assailable. In his article on "Thought and Economics,"<sup>4</sup> Dr. Ma attributes the cause of the poverty of China to the misguidance of the moral doctrines of Confucius and his school, which discourage the safe and productive employment of capital. Dr. Ma first points out that the lack of capital and the high rates of interest in China are due to the absence of the desire to invest capital for the bigger return in the future.<sup>5</sup> In the second example, he points out that the Confucian doctrine on the immorality of the expectation of or preparation for the benefit from the dead is the main obstacle in the way of the life insurance business in China.<sup>6</sup> Dr. Ma mercilessly

---

<sup>1</sup>Reinsch, World Politics, p. 90.

<sup>2</sup>Ibid., p. 95.

<sup>3</sup>H. O. Taylor, Ancient Ideals, Vol. II, p. 378.

<sup>4</sup>Y. C. Ma, "Thought and Economics," The Commercial World Vol. II, No. 2 (Feb. 1927), pp. 1-4.

<sup>5</sup>Ibid., p. 3.

<sup>6</sup>Ibid., p. 4.

attacks even Yao and Shun, the ancient sage-emperors, admired and respected by Confucius. The new school with the militant Dr. Ma as its leader, having discredited the Confucian economics of frugal consumption, vigorously preaches the doctrine of efficient production.

The world seems to be ashamed of the failure of the Confucian economics of consumption but proud of the success of the Western economics, which emphasizes production or distribution, but not consumption. How many persons could have realized that the job of self-denial (economical consumption) is by no means easier, though less successful, than that of self-development. It seems to the author that they are both great achievements of mankind -- only in different directions. The East has fought to suppress desire by reducing consumption -- a victory over man; the West, to satisfy desire by increasing production -- a victory over nature.

In spite of the practical failure of the moral economics which has led the Chinese to poverty and formalism instead of prosperity and efficiency, the Confucians have rendered an inestimable service in throwing new light upon the solution of the theory on the harmony of private motives and social results as maintained by Smith and Mandeville. As Mandeville believes that the moral economics would fail, the Chinese have bravely made the experiment and proved that it is a failure. On the other hand, the Western economics is based on the motive of self-interest and proves that "greed, extravagance, envy, ambition, and rivalry are the roots of the acquisitive impulse, and contribute more to the public than benevolence and the control of desire."<sup>1</sup> The moral economics, as the critic of the new

---

<sup>1</sup>Falckenberg, History of Modern Philosophy, p. 202.

school correctly states, is a "suicide doctrine," which encourages the boy to help the weak until he is exhausted before he can reach the age of a man. It is really an economic suicide, that, while we have only "coarse food" and poor garments for ourselves, we should display "the utmost elegance" in our "sacrificial cap and gown."<sup>1</sup> No doubt, we were led by the moral economics of Confucius to poverty, as Mandeville, Smith, and Dr. Ma agree that morality and poverty are as inseparable as self-interest and prosperity. "A people among whom frugality, self-denial, and quietness of spirit were the rule would remain poor and ignorant."<sup>1</sup> Is it not so with the East?

The moral economics has also thrown new light upon Malthus' theory of population. To the Westerner, the evil inherent in the over-growth of population can only be checked by the control of the rapid growth of population, or, more correctly, by new discoveries, inventions, or improvements in transportation, industrial arts, and the economic system. In the moral economics, we find another key to the solution in the control of consumption. Let the ratios of the increase of population and food supply be geometrical and arithmetical. We have nothing to worry about, for, in that case, we could make the ratio of the decrease of consumption geometrical or arithmetical too. The West solved the difficulty, according to the science of wealth, in the increase of production. We also solved it, according to the science of poverty, in the decrease of consumption.

But, would not the subsistence theory of wages step in to interfere? Would not the normal course of reproduction be checked when parents subsist

---

<sup>1</sup>Falkenberg, op. cit., p. 203.

on bare necessities? China, however, has continued to be the first nation in the world as far as the size of population is concerned.<sup>1</sup> It is true that wages are low because of the abundant supply of labor<sup>2</sup> coupled with a number of other causes; but the normal course of reproduction is not checked by poor food and shelter.<sup>3</sup> Early marriage, even among the poor, is common,<sup>4</sup> and the old bachelors and old maids can scarcely be found. The death rates and mortality rates are without question higher; but all the Chinese families grow bigger and bigger in size from generation to generation, and practically no family is discontinued. What account for this continuous increase of population against the subsistence theory? To the Chinese, who are accustomed to hardship and self-denial, it seems that even the minimum amount of necessities for one person may be further divided for two or three. Not underconsumption prevents them from fulfilling the sacred duty of rearing children, which is the first of the three filial acts.<sup>5</sup> The validity of the subsistence theory is at least challenged by the increase of

---

<sup>1</sup>J. von Blech, "Die chinesische Frage," Zeitschrift für Social Wissenschaft, Vol. III (1900), pp. 615-619.

<sup>2</sup>Remer, Reading in Economics for China, p. 444.

<sup>3</sup>Bonar, Malthus and His Works, pp. 12, 13. Floods, famines, wars, were attributed by Malthus as the main checks in China.

<sup>4</sup>"Das Heiratsalter für asiatische Völker," Zeitschrift für Social Wissenschaft, Vol. III (1900), p. 671.

<sup>5</sup>Mencius, Bk. IV, Pt. I, Ch. XXVI, "There are three unfilial acts. The first is to discontinue the family."

population in China. This increase is to be rather affected by the filial motive or desire for posterity than by the fluctuation of wages from high to low.

Recapitulation. — Confucianism, as an economic system, may, therefore, be compared to socialism. It is in favor of institutional and governmental control of production, distribution and consumption. In production intervention is only limited to the prevention of the disturbance against the normal course of agriculture and free competition in industry. Little attention is given to the encouragement of production. In distribution intervention, regulation, benevolent institutions, and state aid, are to be relied on to make it more equal (upon the basis of need rather than service). Unequal distribution, according to Confucius, is worse than poverty of the whole nation.<sup>1</sup> Intervention becomes even more important in consumption to discourage luxury and waste. The Confucians, while favoring intervention, however, are strongly against the increase of minute systems and regulations.<sup>2</sup> Intervention, accordingly, should be effected whenever the superior man sees fit. It is rather an intervention by the will of the superior man than by a body of regulations.<sup>3</sup> Having discussed

---

<sup>1</sup>Liang, Kwaen Tse, p. 87.

<sup>2</sup>According to Wilhelm, Confucius was under the influence of Lao-tse's naturalism at this point. Cf. von R. Wilhelm, Lao-tse Und Der Taoismus, P. 56. Professor Pott also maintains in his Political Ideals of Chinese Philosophers that from the Western standpoint both Taoism and Confucianism are in favor of naturalism in stead of intervention.

<sup>3</sup>Williams, op. cit., pp. 380, 381.

the positive side, we may now turn to the negative side, namely, Taoism.

Taoism. — Taoism is to Confucianism what naturalism is to socialism. The former believes in laissez faire, while the latter believes in intervention; the former, in the force of natural laws, the latter, in that of human efforts; the former in the Tao, the latter in the superior man or virtue; the former in construction, the latter in destruction; and the former in non-action, the latter in action.<sup>1</sup>

The Taoist and <sup>the</sup> Destroyer. — That the existing social orders must be completely destroyed in order that a new harmonious society may come into existence is agreed upon among Taoists as the presupposition to all social reforms. Being led by this guiding principle, the Taoists can hardly be expected to make as many positive contributions to China as the Confucians have done. Laotse, the father of Taoism, whose hatred of public life was only equalled by Confucius' love of it, first quitted the government service with indignation, and finally tried to find a new land where no human beings, no laws, and no rites had ever existed. To him, laws, rites, governments, and institutions, while being devised by sages and legislators to keep society in order, were the very causes of war and social chaos, and therefore must be entirely abolished.<sup>2</sup> While jealousy, hatred, religion, boundary disputes, economic encroachments, and imperialism may become the immediate causes of war, the ultimate ground lies in the co-existence of nations in stead of a single nation or no nation at all in the world. Any improvement or em-

---

<sup>1</sup>Liang, History of Chinese Thought in Ancient Times, pp. 30-31.

<sup>2</sup>H. O. Taylor, Ancient Ideals, Vol. II, p. 55.

largement of law and system will defeat its own end, intensifying in stead of palliating social evils. Thus, marriage is the cause of prostitution, which could never have existed, were not the institution of marriage first created by the sages. Lawlessness presupposes the law. Robbery and theft are inherent in the institution of private property. The existence of the superior man raises the question of class distinction. In a word, intervention or force is injurious. Laws and institutions are the causes in stead of the remedies of social chaos. "Dass durch Zwang und Gewalt die Zustände gebessert würden, ist eine reine Unmöglichkeit."<sup>1</sup> If we could only go "back to the state of primitive simplicity," we would need "neither rulers nor laws."<sup>2</sup>

If the laws, institutions, and systems are the causes in stead of the checks, of social chaos, the Confucians would say let us improve them or return to what the ancient sages left for us, and let the superior man take the leadership. Then everything will be all right. On the contrary, the Taoists would say that the present disorder in society is the result from sages' laws. Can another new body of laws and superior men insure peace and social order? The Taoists, as the destroyers, discredit almost all parts of the constructive work which the Confucians have built.<sup>3</sup> In economies they both oppose each other, just as in other branches of knowledge, with the exception of their theories on consumption, where the opposition, though not entirely absent, is less violent.

---

<sup>1</sup>von R. Wilhelm, Laotse Und Der Taoismus, p. 64.

<sup>2</sup>Taylor, op. cit., Vol. II, p. 55.

<sup>3</sup>R. K. Douglas, Confucianism and Taoism, p. 174.



Economic Doctrines of the Taoistic School. — The destroyers of the law and system can reasonably be expected not to be so energetic and laborious as the Confucians in studying the chaotic social conditions and searching for the causes of chaos and the methods of remedy. While Confucius studied and travelled extensively, Laotse was inclined to abstract reasoning. He believed that the universal and eternal truth, which governs experience, could not be found in experience. "Thus the sage has knowledge without going out in quest of it, but he can identify things without seeing them."<sup>1</sup> In stead of going into actual details, he discovered, by means of abstract reasoning, not of experience or facts, the omnipotent, omnipresent, and omniscient law, the Tao,<sup>2</sup> which may be roughly compared to the physiocratic conception of the the natural order. The Tao is the law of all laws that govern the universe, including unquestionably the entire field of economics.

Society would grow from one stage to another harmoniously when the natural course of Tao is not disturbed by human elements, as laws and rites. Unfortunately, our distrust of nature and self-confidence bring misery, distress, and social chaos to mankind. "When Tao is lost in sight, its attributes [such as laws, rites, institutions] are shown,"<sup>3</sup> and social chaos arises.

The first attack is therefore on the superior man and sage, the maker of laws and rites as well as social disturbances. Nothing is more absurd,

---

<sup>1</sup>Laotse, The Tao Teh King, Ch. XLVII.

<sup>2</sup>Ibid., Ch. I.

<sup>3</sup>Ibid., Ch. XXXVII.

for instance, than the attempt by the superior man to improve the existing system of distribution and consumption. If the present distribution is unequal or if one class lives on luxury and another on bare subsistence, the causes lie in the institutions of private property and unequal taxation, of which the superior man is the author.<sup>1</sup> "The hunger of the people is due to the exorbitant taxation"<sup>2</sup> or private "possession."<sup>3</sup> Being anxious to promote the well-being of the individual in society, yet hesitating to relinquish the opposing elements in the way of well-being, the Confucian superior man, while trying to palliate, really intensifies the inequality of distribution and consumption. They are just trying to cure the social disease from every corner except the root of the disease — the system in which the inequality is inherent. The Taoists maintain that, contrary to the Confucian method, they cure the root of disease by just following the Tao.<sup>4</sup> If these social evils result from the existing system of distribution and consumption, the best remedy is the complete abolition of the present economic institutions.<sup>5</sup> Taoism as an economic system exceeds naturalism and physiocracy by far in opposition to the state interference with industry and commerce, and is often regarded as an anarchism<sup>6</sup> in spite

---

<sup>1</sup>Ibid., Ch. III.

<sup>2</sup>Ibid., Ch. LXXX.

<sup>3</sup>C. F. Liu, "The Vitality of Lao-tse's Philosophy," The Monist,

Vol. XXXV (July, 1925), p. 491.

<sup>4</sup>Liang, op. cit., p. 103.

<sup>5</sup>Cf. infra, pp. 77 ff.

<sup>6</sup>Faber is more inclined to compare Taoism with socialism and anarchism.

of the fact that it merely denounces the activity, but never the existence of the government. Lao-tse tells us that "the government which governs the least is the best."<sup>1</sup> "With a government doing the least the people will enjoy prosperity. When the government keeps a prying eye, poverty and misery will arise."<sup>2</sup> Society, like the water, will only be disturbed by any kind of outside force that tries to keep it in order. "How to make the turbid water clear?" The only way to make it clear is to "leave it alone to rest, and the mud will disappear."<sup>3</sup> In the existing society with its numerous institutions and legislations in the production, distribution, and consumption of wealth, the beneficent natural order is disturbed by the labor of the superior man. The ultimate causes of the existing social evils or economic inequalities among individuals do not lie in the existence of the institutions and the government but in their activities, although all institutions are evil, for they are the conditions, though not the ultimate causes, of social evils.<sup>4</sup> The more regulations ~~The more regulations~~ and institutions for economic activities there are, the better are the conditions for social chaos. The only safe guidance for us is to refrain from doing anything in stead of trying to do something so that the institutions may die a natural death without violence, struggle, and pains on our part.

If we recall ourselves to the geographical differences between the South,

---

<sup>1</sup>Lao-tse, op. cit., Ch. XVII.

<sup>2</sup>Ibid., Ch. LLIH.

<sup>3</sup>Ibid., Ch. XV.

<sup>4</sup>Cf. infra, p. 79.

the home of Taoism, and the North, the home of Confucianism, we will probably be convinced that the economic philosophy of the Taoistic School is to a large extent shaped by the geographical influence. In the civilized and fertile South where food is easy to procure, institutions and laws only help the large landowner grow larger and larger and the distribution more and more unequal. In the barbarian and sterile North where only hardship makes subsistence possible, institutions and laws could hardly benefit the propertied class as they benefit those in the South, but only help keep society in order and the people from starvation. In the South laws and institutions seem only to restrict individual initiative and freedom; for, they, due to the higher and more refined culture of the South, are not needed to keep social order, or at least the law for the barbarian North is not suitable for the refined South as the Chinese law, according to the Westerner, is not suitable for the Western residents in China.<sup>1</sup> In the South, everybody is a superior man himself, while in the North the superior man is needed to keep his barbarian brethren in order.

Taoism and Naturalism. — The Taoists' objection to intervention of any kind of system or superior man, as we have seen, is based on the ground that, contrary to the Confucian doctrine, state or institutional interference intended to put an end to social evils is, on the contrary, more likely to give rise to them. Examples of this kind have just been given above, as the laws and rites for marriage, equal distribution, economical consumption, and private property. These are the very con-

---

<sup>1</sup>Morse, Trade and Administration of China, p. 179.

ditions of prostitution, inequality in distribution, swindling, theft, robbery, and other evils. As long as these conditions or instruments for stealing and theft are there, the superior man, the one who is able to make use of them, is given the opportunity and temptation to take advantage of the people who lack the ability to use these instruments advantageously. They will be exploited by the superior man, who according to the Taoists, is their "thief." The increase of institutions and regulations will only mean a corresponding increase in the number of exploiters and thieves.<sup>1</sup>

This is probably not very much different from the doctrine expounded in Mandeville's The Fable of the Bees or Private Vices Public Benefits on the harmony of private interest and public welfare that selfish and public interests will spontaneously harmonize without any interference. In attacking state interference and the superior man, Lao-tse did not, however, tolerate any kind of indulgence in selfish pursuit as justified by Mandeville on the ground of beneficent social results automatically following it. His disciple Yang Tsu<sup>2</sup> ought to be credited with the contribution which brings Taoism near to Mandeville's viewpoint.

Yang Tsu anticipated that the gratification of ambitious desire and the achievement following it go together hand in hand. The struggle

---

<sup>1</sup>Lao-tse, op. cit., Ch. III. "If the superior men are so much benefited in society, the people will not so anxiously learn to be thieves."

<sup>2</sup>Yang Tsu is a Taoist who advocates the doctrine of the complete gratification of our sensuous desires.

among individuals for bettering their lot, instead of being at the expense of the weak, inevitably benefits the public with the achievement which they think they fight for themselves. Nature seems to have penalized the selfish by causing him to work and die for the success which is only to be enjoyed by others.<sup>1</sup> The great engineering feat, the exquisite painting, and the immortal literature are all the vicious products from the selfish motive for self-elevation and greatness. Even those who seek knowledge just for the sake of knowledge are attacked and indiscriminately included among the selfish.

However, the Oriental philosophy, Taoism or Confucianism, can never free itself from the conception of self-denial which characterizes the Eastern mind. Taoism, though analogous to naturalism, never recommends self-indulgence. Even Yang Tsu, while preaching sensualism, warns us to refrain from gratifying the ambitious desire for self-exaltation, which though beneficent to others, is self-destructive.<sup>2</sup> The Taoists do not seek for the promotion of public welfare by encouraging the selfish motives of self-development,<sup>3</sup> or by stimulating the moral impulses of

---

<sup>1</sup>Yang, Yang Tsu or The Garden of Pleasure, p. 36. "For fame's sake they endure all kinds of bodily hardship and mental pain. They dispose of their glory for the benefit of their clan, and even their fellow-citizens profit by it."

<sup>2</sup>Ibid., p. 31.

Laotse, op. cit., Ch. XLIV. "Which is more evil? Getting or losing." He answered that getting is more evil. This view is further expounded by his disciple Chwang Tse.

benevolence or sacrifice<sup>1</sup>, but will be satisfied with the abolition of the instruments of interference, i.e., laws, rites, governments, institutions, systems, and superior man. When these disturbing conditions are put to an end, the world is made safe for the peaceful reign of nature, under which all conflicts and disorders in society melt into social harmony.

The Tao vs. The Superior Man. -- Society, according to the Confucians, however, is kept in order and developed from the lower to the higher stage of culture and civilization by the teachings, laws, rites, and music of the superior man, which mark the dividing line between the civilized man and the barbarian or the animal.<sup>2</sup> On the contrary the Taoists raise the question whether these are really contributions or impediments to the natural course of progress of society; whether it is a service or a crime to create the distinction between man and animal; and whether mankind is more benefited by the superior man's energetic labor than it would be, if entirely left to the hand of Providence or the Tao. The poor superior man, with all his warm heart but blind eyes to deliver to mankind the message of social progress and well-being, actually pronounces the declaration of war, misery, and social chaos for mankind against nature's

---

<sup>1</sup>J. Legge, Kwang Tse, p. 52. "I have ceased to think of benevolence and righteousness."

<sup>2</sup>O. Z. Wong, An Essay on [Political and Social] Reforms, p. 1. On the civilizing influence exercised by rites and music, Confucius said: "It is by the Odes that the interest is aroused. It is by the Rules of Propriety that the character is established. It is from Music that

benevolence and tranquillity, which like the still water, would be disturbed by human efforts.<sup>1</sup>

The utter destruction of the instruments for interference is not enough; and their author, the superior man, must also not be permitted to stand in the way of the Tao. The omnipotent Tao does not call for help from any effort or system ever touched by the human hand. "Every thing natural is beneficent; every thing human is injurious."<sup>2</sup> Taoism, as an economic system, therefore, is the only doctrine of naturalism, which excludes absolutely any kind of human effort.<sup>3</sup> Physiocracy pays great respect to the superior man -- man like the Emperor of China<sup>4</sup> -- and relies on him to enforce the natural law. Smith was delighted to have his doctrines put into practice by the superior man, William Pitt.<sup>5</sup> Even anarchism

---

the finished is received." Cf. Confucian Analects, p. 75.

<sup>1</sup>Laotse, op. cit., Ch. XV.

<sup>2</sup>Chwang Tse, Ch. IX.

<sup>3</sup>According to Wilhelm's interpretation of The Tao Teh King, Laotse anticipated the modern era of machinery which lightens human effort by utilizing mechanical and natural forces. "So liesse sich durchaus im Geist des Laotse sogar une Maschinenkultur denken, fei der die Maschinen ebenso selbverstandlich gehandhabt werden wie in alten Zeiten die Ackergerate, und bei der die Menschen in Frieden und Sicherheit wohnen als ruhige Beherrscher der Maschinen und nicht als ihre Sklaven." Cf. Wilhelm, op. cit., pp. 68, 69.

<sup>4</sup>Gide and Rist, History of Economic Doctrines, p. 36.

<sup>5</sup>Ibid., p. 105.



depends upon the superior man -- revolutionist and general -- to throw out the existing institutions, and guarantee the individual liberty on a new social and political foundation. The superior man is unquestionably more needed by socialism and interventionism than by naturalism. But the naturalism of the Taoists, besides being hostile to intervention and the superior man, advocates that we must let the fool rule the world; for the fool knowing little or nothing of laws, rites, and social usages, the enemies of the Tao, is the only safe guardian of the Tao.<sup>1</sup>

But how can such an utter destruction of the instruments of interference be made possible? Taoism is not, however, revolutionary.<sup>2</sup> It just preaches to the superior man as well as the public on the futility of interference and the benefits of following the Tao, which will automatically prevail throughout the world when human activities are reduced to minimum and all institutions destroyed.

Relations of <sup>the</sup> Tao with Production, Distribution, and Consumption. -- While Confucianism advocates the adjustment of production, distribution, and consumption by the superior man, Taoism that by nature or the Tao. If there is any evil result from the existing economic system, the only remedy is to abolish the system. To improve the system or to trust the superior man to enforce it more rigidly is only to add another mistake to the mistakes already committed. The aim of Taoism is, therefore, the abolition of all human institutions; while that of the Western

---

<sup>1</sup> Infra, p. 97.

<sup>2</sup> Lactse, op. cit., Ch. XL. "The production of all things is by an evolution, not revolution or creation."

naturalism is to a large extent, constructive. Quite logically, the deduction from destructive naturalism is different from or even antagonistic to that from constructive naturalism of the West.

In production the Taoists advise not only against slavery,<sup>1</sup> monopoly, but also the Tsing Tien System which the Confucians cherish. When society is in its natural state back in the primitive period, everybody got neither more nor less than what they needed for maintenance of life without ~~its~~ being necessary to work hard or enslave others. As institutions grow more and more men are compelled to live on sweat, not because we are less productive but we are exploited by those whose job is to rob us by means of the institutions. The government, war, and superior men are supported by the people at the expense of their own sacrifice, which drives them to more and more wretched conditions, as slavery, undernourishment, and premature death. What good can the Confucians do by merely preaching or actually trying to maintain the social order so that production would not be disturbed, when these disturbing elements are in existence? Moreover, to keep the producing class in order without checking the exploitation of the fruit of their labor is by no means, as the Confucians claim, a service to the people. The Taoists anticipate the society where neither any assessment is levied on, nor any bounty is given to any of its member, as it is "back to the state of primitive simplicity" or the "age of idyllic ignorance."<sup>2</sup>

---

<sup>1</sup>Slaves are few in China. Cf. Williams, op. cit., Vol. I,

pp. 413 ff.

<sup>2</sup>Taylor, op. cit., p. 55.

When everybody may only enjoy the fruit of his own labor, there is nothing left for sowing the seed of social evils. No nation can afford a war; the idle superior man must perish or become a laborer; and luxury and inequality in consumption and distribution are impossible. This is the normal state of economic life under the reign of Tao, which will keep society in its natural order unless it is disturbed by human activities even though directed purposefully towards helping or facilitating the operation of natural order but ultimately engendering social and economic maladjustments. Against the Confucians, the Taoists believe that superior man's effort should give its place to Tao in the production, as well as in distribution and consumption, of wealth. "The production of all things must be in accordance with the natural order."<sup>1</sup>

Coming to distribution, the Taoists advocate that it should be absolutely equal, but not merely more equal as the Confucians would ask for. Under the natural order, every one can produce as much as he consumes; and none, more. Under the existing system, it is always the producer, the laborer, who gets, in many cases, less than sufficient for subsistence from what ought to be abundant for himself. No one is more absurd than the Confucians, who, through the creation of institutions, justify the robbery from the laborer as contribution to the government, superior man, and capitalist for their services, and return a portion of the contribution to the most exploited as charity. This is just to make the robber a gentleman, and the gentleman a beggar. "He who gives is not philanthropic....He who displays love is not [f]or what he gives is just a part

---

<sup>1</sup>Lao-tse, op. cit., Ch. XL.

of his loots] benevolent."<sup>1</sup>

The Confucian basis of distribution upon need is also open to attack from Taoism. If the Confucian theory is true, the laborer should be regarded as a friend in need to the idle superior man and capitalist whose need the laborer supplies. But as soon as there are the institutions authorizing the idle class to live on luxuries exploited from the needs of the legitimate owner, the principle of the distributive basis upon need in its true sense or that of perfect justice is violated. The institutions that justify the superior man's claim on the social dividend are the fundamental evils in the inequality of distribution.<sup>2</sup>

Distribution, therefore, should be based on the principle of perfect justice free from interference of the artificial institutions or laws. This principle of perfect justice is that everybody gets what his service yields him, neither exploited nor favored by the governmental aid, bounty, patent or privilege of any kind. When society approaches the threshold of this stage, justice and need become homogeneous under the reign of Tao, in which every one gets his full reward for his services, and nobody is too idle or too busy or in need of help. The Taoists do not believe that, without the bondage of institutions, there

---

<sup>1</sup>Legge, Kwang Tse, pp. 37, 38.

<sup>2</sup>Laotse attacks the institutions of government and taxation as the causes of unequal distribution in chapter LXXV, attacks the existing social institutions that justify one's claim and right to what one earns in chapter III, attacks the accumulation of goods at the disposal of the owner who does not need it in chapter LXXXI.

could be any weak member in society incapable of making his own living,<sup>1</sup> as Darwin believes.<sup>2</sup>

If everybody may live on the full reward of his service, the Taoistic theory of consumption ought not to object to luxury and extravagance, which have not resulted from exploitation but from the rich reward of our own service performed with more pains, better skill, or longer hours. But it is not the case. Here the fact is again revealed that the conception of self-denial is deeply rooted in both Confucianism and Taoism, as well as in all branches of knowledge and everybody's mind in the East. While Confucianism, though against luxury and waste, tolerates a comfortable living — at least comfortable in the sense of the Chinese — for the people and luxury in some exceptional cases, Taoism preaches starvation. The Taoists are satisfied with the worst shelter, food, and clothing, and their ultimate aim is to get rid of them entirely, which, however, could be achieved practically by none with the exception of a few doubtful cases which have come to be known through rumors, traditions, superstitious beliefs, and mysterious books. When the ultimate goal is reached the highest plane of complete satisfaction, happiness, and well-being is achieved; for they do not have to toil for a living, nor bother themselves to struggle for their distributive share in the Taoistic utopia.<sup>3</sup>

---

<sup>1</sup>Lieh Tse, however, believes in fate. He says that the fittest may perish, while the unfit may survive. Cf. infra, p. 103.

<sup>2</sup>For comparison between Laotse and Darwin, cf. Legge, "The Tao Teh King," the British Quarterly Rev., Vol. LXXVIII (1883), p. 107.

<sup>3</sup>Yin Z Tse, Applied Quietism, preface.

While absolute self-denial is the ultimate but remoter goal, particular opposition is raised against the Confucian justification of luxury and waste in the expenditures on funerals, weddings, music, and the erection of public buildings, which are defrayed by the social dividend that would otherwise go directly towards the elevation of the standard of comfort among the people.<sup>1</sup> Still worse is that ceremony, entertainment, and music — not to mention that they are, in the Taoistic sense, not productive of utility<sup>2</sup> — will engender economic calamity as well as social disorder and moral degeneration. Until these elements for the encouragement of luxury and waste are disposed of, there will never be any chance for the coming of the kingdom of Tao or the utopia. Contrary to the Western philosophy that the well-being of the people will be promoted by the improvement in the methods of production and distribution, Taoism and Confucianism both find the solution entirely (Taoism) or partially (Confucianism) in the control of consumption.

Taoism, as an economic system, may therefore be compared to naturalism in its positive sense, i.e., follow nature in order to obtain the best results for oneself and society. In its negative sense, Taoism, however, is different from naturalism, for the former aims at the total destruction<sup>3</sup> of institutions, while the latter, though opposing all means created to limit the freedom of the individual, is in favor of the existence of institutions, laws, and regulations necessary for the maintenance of social order and the promotion of public welfare. The Physiocrats "were

---

<sup>1</sup>Modih, Chs. XXXII, XXXV.

<sup>2</sup>Ibid.

completely captivated by the ideas of orderliness, authority, sovereignty, and property."<sup>1</sup> Smith admitted that the natural order lies at the bottom of the existing institutions,<sup>2</sup> which ought to be upheld rather than to be destroyed.

The Order of Importance of Production, Distribution, and Consumption in the Eastern and the Western Economics. — Despite the different schools of thought in China, the unanimous concept of self-denial characterizes all the Eastern thinkers as that of self-interest, the Western. With this fundamental difference, the Eastern economist pays more attention to consumption, less to distribution, and still less to production. The order of importance is just the reverse in the West. The West seems to reason that the desire must be satisfied, and production must be adjusted to suit consumption. The East thinks that it is impossible to do anything against the natural order in production; but one can suppress one's own desire and adjust consumption to production. So the Western achievements in the field of production is far ahead of distribution.<sup>3</sup>

And so it is with the development of economic doctrines. Taoism and Confucianism are both in favor of the principle of self-denial and both emphasize the question of consumption. In the West, most economists

---

<sup>1</sup>Gide and Rist, op. cit., p. 7.

<sup>2</sup>Ibid., p. 87.

<sup>3</sup>A. W. Shaw, An Approach to Business Problems, p. 104; P. White and W. S. Hayward, Marketing Practice, p. 1. They mean the distribution of goods among the buying consumers.

probably agree that comparatively little attention has been given to consumption. The father of economics has done his best work in the theory of production rather than that of distribution<sup>1</sup>— not to mention consumption. Next comes the socialist who comes to the next problem, distribution. And now we may add that we are beginning to pay more attention to consumption in theory as well as in practice.<sup>2</sup> To Professor Liang's statement made more than ten years ago that "in the West, the obsolete economic policy emphasizing production has given way to that emphasizing distribution," we may here add that in the West attention is now given to consumption. The Chinese have paid their undivided attention to consumption and distribution for several thousand years,<sup>3</sup> although there was little for consumption and distribution.

---

<sup>1</sup>Gide and Rist, op. cit., p. 80.

<sup>2</sup>For instance, in the United States, various examples may be enumerated, such as the pure food laws, the heavy taxes on luxurious consumption goods as diamond, curio, high-priced show, and a la carte dinner over two and half dollars. But the taxes on necessaries as tea, salt are light or free.

<sup>3</sup>The influence of the old Chinese theory is still predominating among even the political and economic reformers in China. Dr. Y. S. Sun paid some attention to production in his International Development of China. But in his Lectures on Three Peoplism, the backbone of Dr. Sun's political and economic doctrines, he paid more attention to consumption under the topic "The People's Needs," thus subordinating production to consumption. The communist in China believes more one-



The West has found the fountain of wealth in production. The next problem is how to flow it equally into every house<sup>1</sup> in stead of overflowing into a few prominent houses where the precious water is wantonly wasted. The Chinese have not yet found the fountain. But they have learned the lesson of economical consumption and equal distribution. The next problem is not to connect more <sup>water</sup> pipes with every house, but to find the fountain of wealth in production.<sup>2</sup>

---

sidedly that the suffering of the people is due to the luxurious consumption of the rich and the unequal distribution of wealth. So their project of reform is based on distribution and consumption.

<sup>1</sup>Liang, An Essay on Kwaen Tse, p. 87.

<sup>2</sup>Economists of the modern school who base their project of economic reform in China on production are Y. C. Ma, K. Z. Lee, K. W. Shaw, and others. More profound than Dr. Sun are many of his followers who show some sympathy with the economists. Special mention should be made of K. D. Tai, one of the greatest economists among Dr. Sun's followers. Tai almost entirely agrees with economists. But as a partisan, he upholds Dr. Sun's doctrines.

### CHAPTER III

#### TAOISM

Laotse as the Founder of Taoism. -- There is no accurate account of Laotse's life in existence.<sup>1</sup> He was supposed to be the contemporary of the Greek philosopher Anaximander (611 B.C.--545?), surviving him about half a century. He was born in what is known as Honan, south of the Yellow River, which forms with the Yangtse River the natural dividing line between the North and the South of China. He served on the Board of Rites of which he was an authority. Confucius, when he was thirty five years old, went to Laotse for instruction on history and rites.

The minute details of rites and the strict observance of them required of all officials or superior men in the transaction of governmental, religious, and diplomatic affairs led him to think that the existing society rested on superficiality and formality rather than on sincerity. In an attempt to find the permanent and firm foundation for social reconstruction, he turned his attention to the study of philosophy, where he discovered the principle of Tao which he made the corner-stone of the universe as well as of science, art, society and government.

Whether he tried to found a new utopia in an unknown land, which was to be organized and administered according to the principle of Tao, or not, we do not know; but, having retired from the government service and discovered the Tao, he went northwest farther and farther until no man

---

<sup>1</sup>For Laotse's life, cf. Legge, Chalmers, Huc, Balfour, Carus, Giles.

know what happened to him.<sup>1</sup>

The Tao Teh King, his only work, was written at the request of the last man he saw in the extreme boundary, where, according to the law, no man was permitted to go farther. The author could hardly have dreamt that the influence of his little book would dominate the Eastern mind for more than 2000 years and rule the people longer and stronger than the most powerful king. The Tao Teh King has come to be regarded as the foundation of Taoism.

The Development of European Interest in Laotse. -- The Tao Teh King, like the Arabian Nights, has been raised to its proper place in the history of Eastern thought and introduced into Europe by the French scholars. In the thirteenth century, it was translated into Latin by an unknown author of the Roman Catholic Church in China.<sup>2</sup> The translator was probably one of the missionaries sent by the Pope to the Tartar Emperor of China and went there with Marco Polo. This copy is kept

---

<sup>1</sup>"De Guignes says he went to Ta Tsin, a country under the rule of the Romans...; some suppose Ta Tsin to be Judea." Cf. Williams, op. cit., Vol. II, p. 207. M. Huc advanced the theory that he might have gone to Greece where his teachings might have also exercised influence on Socrates and Plato. "We know by a creditable witness that he went to Bactria...penetrated as far as Judea, or even Greece....Though it can not be positively proved that our Chinese philosopher did really reach Greece, it is not improbable that there were Chinese there...." Cf. M. Huc, A Journey through the Chinese Empire, Vol. II, p. 176.

<sup>2</sup>Legge, Sacred Books of China, p. xii.

in the British Royal Society, to which it was brought from the Indian Office by Mathew Baper, fellow of the Society, on January 10, 1788,<sup>1</sup> when philosophy from the East, following the story of fabulous riches in the East, began to attract the European mind. Thirty four years later, the first Chinese-English dictionary bought from Morrison, a learned English missionary in China, by the East India Company at \$60,000, was published in 1822,<sup>2</sup> and five or six kinds of Chinese-English dictionaries were published by other printers immediately after the first publication.<sup>3</sup> The next year 1823, when the great economist Ricardo died,<sup>4</sup> A. Rémusat, the French author and professor of Chinese in the College of France, thrilled the Eastern and the Western world<sup>4</sup> with the "sensational" publication of his great work, Memoir on the Life and Opinions of Lao Tseu, which immediately aroused the European interest in Taoism.<sup>5</sup> The first complete translation of the Tao Teh King was, however, done by Rémusat's student, M. S. Julien, in 1842.<sup>6</sup> To Julien every sinologist is indebted for his immortal service, which greatly lightens the burden of the younger translators of the coming generations. The Tao Teh King was not only read by the French but also by the great

---

<sup>1</sup> Ibid., p. xiii.

<sup>2</sup> Lee, A New Chinese-English Dictionary, preface.

<sup>3</sup> Ibid., preface.

<sup>4</sup> Legge, "The Tao Teh King," The British Quarterly Review, Vol. LXXVIII (1883), p. 77.

<sup>5</sup> Legge, op. cit., p. xiii.

<sup>6</sup> Ibid., p. xiii.

scholars in Europe, among whom may be mentioned the great Schopenhauer, who occasionally made use of Julien's translation.<sup>1</sup> J. Chalmers was the first English translator. His work was begun in 1807 and published in 1864. Legge, one of the most distinguished and learned sinologists, published his translation in 1879. There are numerous translations published in Europe and America from time to time, as indicated in the bibliography. The Western interest in Taoism as well as in other branches of Chinese philosophy is continuing to grow among the scholars as well as in the great institutions of learning, such as California, Yale, Dartmouth (College), Columbia, Oxford, Cambridge, especially Berlin, Lyon, and Paris Universities.

The Authenticity of the Tao Teh King Disputed. — The authenticity of the Tao Teh King has never been challenged either by the Chinese or by the French pioneers of the subject. Indeed, there seems to be no ground for doubting its authenticity. The Tao Teh King is not a strange book expounding new doctrines fundamentally different from the main streams of thought in China, although many subsequent Taoistic works are superstitious and of doubtful origin. There are many Taoistic works branded with the same mark of negative philosophy which distinguish Taoism from the other schools as an independent system. From generation to generation, the Taoistic writings continue to increase; however, all are built on the fundamental doctrines from the Tao Teh King. Can there be any room for doubt? Even though the Tao Teh King might be forged,

---

<sup>1</sup>Schopenhauer, Die Welt als Wille und Vorstellung, Vol. II, p.

yet its doctrines, so systematically developed and so ardently adhered to for thousands of years by millions of people, have been turned into inviolable dogma. Can a forgery be expected to achieve what the Tao Teh King has achieved or to be regarded as the corner-stone of all Taoistic writings?

But this firm, deep-rooted confidence in the authenticity of the greatest Taoistic work was, at least, to some extent, shaken by an unexpected challenge from the critical English sinologist, H. A. Giles, in his article on the forgery of the Tao Teh King, where he advances (1) the negative proof, (2) the heterogeneous, (3) the etymological proof against its authenticity. In the first proof, he points out that "Confucius in the canonical record of his life and teachings never once alludes either to Lao Tzu or his book....Chang Tsu gives numerous conversational illustrations of Lao Tzu's teachings...but he never mentions a book."<sup>1</sup> Three centuries after the death of Laotse, the historian Ze Ma Chien mentioned the Tao Teh King but told us that he never saw it.<sup>2</sup> In the second proof, he points out that Chwang Tse made numerous quotations from Laotse; but these quotations are to a great measure different from the present text of Tao Teh King in the wording, and some of them can not be found in the Tao Teh King at all.<sup>3</sup> In the third proof, he points out that there are some characters in the Tao Teh King

---

<sup>1</sup>Giles, "The Remains of Lao Tzu," the China Review, Vol. XIV (1886), pp. 231-280, 355-356.

<sup>2</sup>Ibid., p. 232.

<sup>3</sup>Ibid., pp. 234-235.

which are not written according to the Shuo Wen,<sup>1</sup> the dictionary used in the time of Laotse.

The skepticism of Giles was immediately followed by a world-wide dispute on the subject in Asia, Europe, and America. The Chinese were the first to be shocked and for the first time to learn the lesson that even the sacred books should be subject to critical investigation. Public opinion was favorable to the challenger. And the first critical history of the ancient Chinese philosophy was consequently written by Dr. Wu Shih, who, inspired by the English skepticism, made a careful examination of all the ancient sacred books from the critical viewpoint, which triumphantly helps to raise Dr. Wu's book above all the histories of Chinese thought ever written and entitles him to be listed as one of the twelve greatest living Chinese.<sup>2</sup> It is, however, strange to say that the English skepticism, though it found favor in the Chinese mind, was mercilessly attacked by the Westerners with the exception of one or two sympathizers.<sup>3</sup> The French pioneers, Julien, firmly maintained the theory of the authenticity of the Tao Teh King.<sup>4</sup> Wylie declared that "the Tao Teh King is known to

---

<sup>1</sup>Ibid., p. 235.

<sup>2</sup>L. S. Ganett, "Young China," The Nation, Vol. CXXIV, No. 3218 (March, 1927), p. 265.

<sup>3</sup>H. J. Allen, "The Connection between Taoism, Confucianism and Buddhism in Early Days," Transactions of the Third International Congress for History and Religions, Vol. I, pp. 116-118.

<sup>4</sup>Legge, op. cit., p. xiii.

be truly the production of Laotse."<sup>1</sup> Faber added more emphatically that "there is little room left for doubts regarding the authenticity of our Canon."<sup>2</sup> Legge vigorously attacked Giles in the China Review,<sup>3</sup> and ~~referred to~~ the British Quarterly Review, where he had made an exhaustive study of the Tao Teh King to leave no doubt of its authenticity three years before Giles' challenge.<sup>4</sup> In the United States objections were raised by Liu and Carus.<sup>5</sup> All the objections were generally based on the arguments of Chalmers, the first English translator of the Tao Teh King and the first to answer Giles' challenge. Against the first proof that the name Tao Teh King was not mentioned in the ancient books, he argued that although this name was not in existence until later, yet the sayings of the book were well known among the people since Laotse's time. While the historian Ze Ma Chien mentioned that he never saw the book,

---

<sup>1</sup>Wylie, "Notes on Chinese Literature," the China Review, Vol. XIV (1885-1886), p. 173.

<sup>2</sup>Faber, "The ~~Historical Characteristics of Taoism~~," the China Review, Vol. XIII (1885-1886), p. 241.

<sup>3</sup>Legge, "A Critical Notice of 'The Remains of Laotse' Retranslated by Harbart A. Giles," the China Review, Vol. XVI (1887-1888), pp. 197-214.

<sup>4</sup>Legge, "The Tao Teh King," the British Quarterly Review, Vol. LXXVIII (July, 1883), pp. 95-107.

<sup>5</sup>K. S. Liu, "The Origin of Taoism," the Monist, Vol. XXVII (July, 1917), p. 377; Carus, "The Authenticity of Tao Teh King," the Monist, Vol. XI (1901), pp. 574-601.



he also told us that he liked better the doctrines of Laotse than those of Confucius.<sup>1</sup> Dr. Chalmers thought that by the time of Ze Ma Chien, probably the sayings of the Tao Teh King were on everybody's mouth so that it was not necessary to see the book. Against the second proof that the quotations from Laotse by different authors are different, and, in some cases, are even antagonistic, he argued that the inaccuracy of quotations was commonplace in the Chinese work. Even in the works of the modern sinologists, quotations from the Chinese sources are not — indeed can not be — as accurate and uniform as from those written in the European languages.<sup>2</sup> Against the third proof that some words in the Tao Teh King are not to be found in the Shuo Wen — they are 冲希宜拉 曜耶艾塗塵繁 whose equivalents in the Shuo Wen are 冲稀高竦耀 邪笑徐慶錄, Dr. Chalmers maintained that almost in every ancient Chinese book there were some words not written according to this standard dictionary<sup>3</sup> and the Tao Teh King was no exception. This etymological difference is due to the fact that all books were burned in 212 B.C. by Sie Wang Ti and some words of later origin were used in the new publication. Thus ended the dispute among the Western scholars in favor of the opponents until Dr. Wu opened the old question anew, arousing the dying interest in the subject for further investigation and postponing the time of the final judgment until it is more opportune.

<sup>1</sup>J. Chalmers, "The Tao Teh King Remains," the China Review, Vol. XIV. (1886), p. 324.

<sup>2</sup>Ibid., p. 323.

<sup>3</sup>Ibid.

The Tao Teh King. -- The Tao Teh King is probably the shortest book exercising so much influence over mankind. Although it only contains about 5000 words, it has been the basis of all Taoistic writings. The second greatest Taoistic work by Laotse's follower, though twenty times longer, is merely credited with the merit that its "brilliant pages... contain little more than his ingenious defence of his master's speculations."<sup>1</sup> All members of the Taoistic school regard the Tao Teh King as final, never trying to make any improvement on it, though numerous books have been written to interpret and propagate its doctrines with the result that "Taoism...has most profoundly influenced the Chinese mind."<sup>2</sup>

Tao and Teh, being the equivalent of the English word morality, are two technical terms in the Taoistic terminology. Tao means Nature or the fundamental law in the universe or the first cause of all subsequent causes. It was variously translated into English as the "way" by Giles,<sup>3</sup> the "reason" by Carus,<sup>4</sup> the "course" by Legge,<sup>5</sup> and the "Logos" by the Christian translators.<sup>6</sup> Williams, Borel, and Groot retain the word Tao in their translations.<sup>7</sup> The attribute, or virtue, or activity

---

<sup>1</sup>Legge, Sacred Books of the East, Introduction.

<sup>2</sup>Liu, op. cit., p. 376.

<sup>3</sup>Gaddard and Borel, Laotzu's Tao Teh and Wu Wei, p. 113.

<sup>4</sup>Ibid., p. 3.

<sup>5</sup>Ibid., p. 114.

<sup>6</sup>Ibid., p. 3.

<sup>7</sup>Ibid., p. 114.

of Tao is Teh. Tao is therefore theoretical, while Teh is practical. The former may be compared to the part of economic principles, the latter, to that of economic problems. Speaking more broadly, we may include all social phenomena in the realm of Teh, while the fundamental force working behind it is Tao.

The Tao is all-inclusive. It is the only law universally and permanently valid for all branches of knowledge, natural as well as human. The Taoists would not tolerate the existence of a second law, and accordingly they attack all the principles, laws, and teachings of the Confucians as well as those of the superior men of any school of thought. Hence all "the laws that can ever be discovered are not the eternal laws....The eternal law is unknowable."<sup>1</sup>

This fundamental unknowable law is, in its last analysis, nothing; and the best attribute from nothing is also nothing. The existing society with its laws and institutions is far from being built on the the foundation of Tao, and the existing social phenomena are not the normal attributes of it. All social reforms must start from discrediting the abnormal social institutions and the author of them, and must end in returning to nothing. Then, are Taoists anarchists?<sup>2</sup> Not at all. The first Taoistic code is "do nothing,"<sup>3</sup> which forbids partici-

---

<sup>1</sup>Laotse, The Tao Teh King, Ch. I.

<sup>2</sup>"The political theory of Huang Ti and Laotse is not different from anarchism. Leih Tse's utopia...is only to be spontaneously regulated by nature. Is this not anarchism?" Cf. Sun, Three Peoplism, p. 52.

<sup>3</sup>Laotse, op. cit., passim.

pation of any kind of violent action on the part of Taoists either to abolish the existing institutions or to project radical social reforms; for according to Taoism, every human effort made to reform tends to deform. The beneficent course for "the production of all things is evolution, but not revolution, reconstruction, or creation."<sup>1</sup>

The Economic Interpretation of Taoism. — There is a movement of this universal law from the stages of theological and metaphysical to that of social and economic importance. Even before Laotse, the doctrine of Tao was already in existence in a cruder manner, as is revealed from the Shu King,<sup>2</sup> the oldest book in China, being theological to a large extent. The first disciple of Laotse also believed that the law was known prior to Laotse's time.<sup>3</sup> Throughout the Nan Wah King, he, Chwang Tse, tried to correct the mistake that Taoism was a religion in stead of a philosophy. The founders of Taoism ought to be credited with having re-established the great law on the metaphysical foundation. Unfortunately, false disciples of the Tao in the later generations abused Taoism for material gains; and the great system was again lost in the shadow of the superstitious interpretation of pretenders. It was not until the present era when scholars of psychology and Taoism examined Taoism on<sup>a</sup> psychological basis that Taoism began to gain its scientific and social importance. Many prominent scholars, as the

---

<sup>1</sup>Ibid., Ch. XL.

<sup>2</sup>G. Reid, "Taoism, An Appreciation," The Open Court, Vol. XXXII (Oct., 1918), p. 613.

<sup>3</sup>Ibid., p. 616.

distinguished Murry Gilbert of England, are numbered among the Theosophists throughout the world, preaching the Indian philosophy, which in general agrees with Taoism. The Theosophists<sup>1</sup> in China naturally give more credit to Laotse. Of the scientists who spend <sup>their</sup> life in the experiment and research of Taoism is V. K. Chan, author of the Principles of Psychology. From the standpoint of the founders and the scientific interpreters, Taoism is fundamentally related to the science of economics, for they are searching for a new way and method through which the complete satisfaction of our desires, material or intellectual, may be attained with the minimum effort.

Taoism starts where economics starts and ends where it ends. They both start from our desire and end in the satisfaction of our desire — welfare. Their purpose and aim are the same. Only the methods of approach are different. The one is to suppress the desire,<sup>2</sup> while the other to gratify it. The former finds the solution to the satisfaction of desire within the desire, while the latter finds it without the desire (environment). Both of them want to reach the same end although the one may set out by sea and the other by land.

Economic Motives. — The desires to reach the end analysed and classified are known as economic motives. They are: (1) the desire

---

<sup>1</sup>A few famous Taoists and Theosophists in China are V. K. Chan, President of Southeastern University, Chan, Commander-in-Chief of the Nationalist Party, and Tan, ex-Premier.

Laotse, Ch. XXVIII. "He who conquers others may be powerful; but he who conquers himself is victorious....He who is content is rich."

or motive of self-maintenance, (2) of others' welfare, (3) of gaining esteem from others, (4) of power, (5) of activity, and (6) of religious and ethical duty.<sup>1</sup> They are, according to Smith, but one motive -- self-interest -- or, according to the Hedonist, the desire to get the most satisfaction with the least sacrifice. From Professor Ely's classification, the Confucian would single out the second and the sixth -- the desire for fellowship and the motive from ethical duty -- and recommend them to us, especially to the superior man; for, according to the Confucian standard, no virtue is complete without "accomplishing or helping others."<sup>2</sup> The third and the fourth -- desires for esteem and for power -- would be condemned.<sup>3</sup> The first and the fifth -- desires of self-maintenance and activity --, if not exaggerated, may not be condemned, for "self-accomplishment" is equally emphasized by Confucius.<sup>4</sup> We can easily discern that even Confucianism crushes the economic motives, which, if left to themselves, would probably be productive of the same fruit the West is reaping.

Taoism, always more destructive than Confucianism, aims to crush all these desires (with the exception of the motives for self-mainte-

<sup>1</sup>Ely, Outlines of Economics, pp. 103, 104.

<sup>2</sup>Confucius, The Doctrines of the Mean, pp. 282, 283.

<sup>3</sup>Confucius never approved of his faithful and brilliant disciples, Tse Kung, the financier, and Tse Tsang, the statesman, so highly as he praised the poor, powerless, and despised Ngai Wie, who distinguished himself in Confucius' eye by nothing but his virtue.

<sup>4</sup>Confucius, op. cit., p. 283.

nance and activity if interpreted in the Taoistic sense), for "the operation of the Tao is motiveless; it is neither self-seeking nor benevolent."<sup>1</sup> "Desire" of any kind, if not suppressed at its very beginning, may spread like the fire and "burn the body of the desirer."<sup>2</sup> One member of the Taoistic school, however, interprets the desires for self-maintenance and activity in the sense that one may do what one pleases to satisfy the demand of sense perception — eat what one wants, see what one wishes, sleep when one wants to, etc.<sup>3</sup> While the desires for esteem and power are equally condemned,<sup>4</sup> those arising from fellowship and from the ethical sense of duty, though virtuous from the Confucian standpoint, are the worst among all the economic motives.<sup>5</sup> Here the Taoist attacks with full vigor.<sup>6</sup> The desires "to be benevolent and righteous are not constituents of humanity...and are contrary to the nature of man."<sup>7</sup> They would only give rise to evils,<sup>8</sup> for they are against the principle of the Tao. The reason why virtue is more condemned than ambition is that both in the private motive and in the

---

<sup>1</sup>Taylor, Ancient Ideals, Vol. I, p. 54.

<sup>2</sup>Mon Don Tse Kwai, Ch. III.

<sup>3</sup>Yang Tsu's sensualism.

<sup>4</sup>Laotse, Ch. XX.

<sup>5</sup>Chwang Tse attacks virtue, benevolence, charity, etc. more violently than the other Taoists.

<sup>6</sup>Y. Y. Tsu, The Spirit of Chinese Philanthropy, p. 20.

<sup>7</sup>Legge, op. cit., p. 274.

<sup>8</sup>Laotse, Ch. III.

social effect, virtue exercises an influence more dangerous than ambition does. Ambition may give rise to success, power, and leadership, which in turn will give rise to class distinction and inequality of distribution. The ambitious persons who become powerful or rich through exploitation or theft of others and proud of their success, are but the "little robbers" or thieves. The sage, or the superior man, or the man with virtue is the "great robber." "Until the sage is dead, the great robber is there." The sage condemns the powerful and the famous, yet he acquires all the fame and power which he pretends to deny. The superior man claim to sacrifice himself to promote the public welfare and help the poor and the weak, yet he makes everybody a beggar, but himself a superior man. The motives of other's welfare and from the ethical sense of duty are therefore the most powerful and artificial disturbing elements in the existing society.<sup>1</sup> The motives of self-maintenance and activity, if properly interpreted in the Taoistic sense, are the only motives we may follow without evil effects.<sup>2</sup> Self-maintenance and activity, in the Taoistic -- positive -- sense, are the preservation of mental vitality and energy; or in the negative sense, the spontaneous development through non-activity. "Not to strive to act is heaven's way and it accomplishes" what strife fails to.<sup>3</sup> The Taoist claims that, contrary to the popular opinion that the theory of non-activity is negative and passive,<sup>4</sup> it is positive and aggressive on the ground that

---

<sup>1</sup>Y. Y. Tsu, The Spirit of Chinese Philanthropy, pp. 20, 21.

<sup>2</sup>Laotse, Ch. LXXXI.

<sup>3</sup>Ibid., Ch. LXXVIII.

<sup>4</sup>Cf. Yin Zin Tse, Principles of Quietism, Vol. II, p. 28.



the purpose of non-activity is to preserve vitality completely in order to reach the ultimate goal of immortality where the aim of the welfare economics as well as that of the Taoistic economics is to be fully realized.<sup>1</sup> "By a process of non-action...one is able to do the most. By striving one fails to reach the best results."<sup>2</sup> Desire and welfare for Taoism as well as for economics are the same points to start from and to end at. The West and the East, though pushed aside far and wide by the different methods of approach, aim to end hand in hand in the ideal state of utmost welfare.

The Control of Distribution. — The most effective and fundamental method for the control of distribution is, as we have just discussed, to crush the economic motives for gain, power, fame, virtue, etc. The inequality of distribution is fundamentally inherent in the economic motives. It is the motive for riches that transforms the greedy intention into reality, and creates the distinction between the poor and the rich.

The economic motives, however, can not be transformed into realities without the instruments through which the transformation is made possible. Such instruments are laws, rites, institutions, and their author, the superior man or the great robber. The question of equal distribution can not be solved unless these instruments are destroyed and taken away

---

<sup>1</sup>J. J. M. de Groot, "The Origin of the Taoist Church," Transactions of the Third International Congress for the History of Religion, Vol. 1, p. 141.

<sup>2</sup>K. S. Liu, op. cit., p. 622.

from us forever.<sup>1</sup> For example, the institution of private property, whose security is guaranteed by the government, stimulates and stirs up the economic motive to own more and more property, and consequently distribution is made more and more unequal. With such an impetus to the increase of private property before our eyes, there is no hope at all of preventing the uprising of the economic motives for gain. When institutions are abolished, economic motives will be quiet.<sup>2</sup> When the economic motives are quiet, distribution will be equal and every distributive share will be increased, for "Man hat Güter im Ueberfluss" when "Wider-Sinn aber ist notwendig bald zu Ende."<sup>3</sup>

Now then, how is the Taoist going to justify his own doctrine that everything, if it is natural, is good; and if it is not good, "there was sure to be the evil of being dealt with after the manner of men?"<sup>4</sup> Are the existing institutions not the spontaneous results of human labor? Smith answers, "Yes."<sup>5</sup> The Physiocrat thinks that the existing institutions in China were up to his much aspired standard of natural order.<sup>6</sup> But the Taoist, though more friendly to them both than to the socialist, definitely answers "No". The institution, far from being the spontaneous result of

---

<sup>1</sup>Ibid., p. 386. Laotse "demanded...a complete reversal of the existing order." Cf. Williams, op. cit., Vol. II, p.207.

<sup>2</sup>Legge, Kwang Tse, p. 274.

<sup>3</sup>Wilhelm, op. cit., p. 64.

<sup>4</sup>Legge, op. cit., p. 211.

<sup>5</sup>Gide and Rist, op. cit., pp. 87-89.

<sup>6</sup>Ibid., p. 36.

Human labor, is the product derived from the scheming mind of the great robber, the superior man.<sup>1</sup> It is the superior man and sage who makes the artificial laws and institutions that benefit the great robber and doom the small robber.

Nor is the economic motive of self-interest spontaneous. It is stirred up by the artificial institutions. As long as the inducements to self-interest are there, the job to suppress the motive is made almost impossible for us; and, even for the Taoist, much harder. After all, the institutions, which, on the one hand, serve as the inducements to stir up economic motives, and on the other hand, as the instruments to rob the weak and the poor, are not the fundamental causes of the inequality of distribution. The fundamental causes are the economic motives.<sup>2</sup>

Control of Causes vs. Control of Conditions or Control of Motives vs. Control of Institutions. -- The Taoist ought to be credited with having thrown light upon making (1) the distinction between the conditions or environment for, and the causes of, the inequality of distribution, and (2) having pointed out that the control of conditions will be unsuccessful, while that of causes will be effective. The Confucian blindly seeks for the remedy of the unequal distribution in the conditions or institutions or environment, <sup>what he believes, lies</sup> ~~and for~~ the possibility of the existence of the unequal distribution. So then he tries to equalize distribution by giving

---

<sup>1</sup>Legge, op. cit., pp. 70-73.

<sup>2</sup>Cf. Byng, The Garden of Pleasure, pp. 61, 62. Yang Tsu attributed the causes of social evils to four economic motives: longevity, reputation, rank, and riches.

to the poor and taking from the rich through legislation, taxation, governmental aids, encouragement of thrift, etc., as a doctor who tries to cure the disease by stopping it but not by taking out its root. Inequality of distribution takes place under the existing conditions (institutions). Yet the superior man tries to remedy it by creating more institutions,<sup>1</sup> thus piling up institutions on institutions and conditions on conditions, covering up the root or the real cause of inequality until it can not be seen. For instance, the institution of private property is one of the conditions for unequal distribution. No matter how it is modified by many subsequent conditions or institutions, the distinction of the propertied class will exist until the institution is abolished, leaving no inducement to our motives or desires for private property at all. Such motives, instead of the institutions, are the real causes of the unequal distribution. The institution is merely the condition for the inequality, as supply is the condition for the determination of value, but not the cause of value.

Therefore, according to Taoism, the solution to the unequal distribution lies in the control of causality, not in that of conditions; in the control of motives, not in that of institutions.

Economists' Opposition to the Control of Motives.<sup>2</sup>— Almost all the

---

<sup>1</sup>Mencius, The Works of Mencius, pp. 115-121. The Tseng Tien System advocated by Confucius and Mencius is one of the reform projects where a more equal distribution is to be effected by institutional changes.

While the relation of economic motive with distribution has never been more emphasized by economists than Taoists, economists, especially

Chinese as well as the Occidental economists would join the Confucian to attack the absurdity of the Taoistic theory of distribution that the remedy for the evils from the existing system of distribution may be effected without any governmental legislation or the modification of the present institutions. Confucians as well as the great statemen and economists in China hope to equalize distribution by encouraging the people to become farmers. At the beginning of the Han Dynasty (206 B.V.-221 A.D.), Kian Ti tried to equalize distribution by an imperial decree "forbidding the merchant to wear silk or ride in a carriage and disgracing him by an exorbitant tax."<sup>1</sup> Wong An Zah, a Confucian, made the greatest experiment of state socialism in the history of China. He included in the governmental functions the controls of prices, wages, interest, profits, and rent, so that "the distributive shares may duly fall into the legitimate hands more equally."<sup>2</sup> All of them unanimously agree that the causes of distributive defects are inherent in the institution, not in the motive, and that only the remedy may be effected by governmental legislation, control, or modification of the existing systems and institutions.

If we examine the proposals and projects by the Western economists with regard to reforms of the distributive system, we will also find out that those of the Psychological School do not overlook the relation between economic motive and economic life. Cf. F. A. Fetter, The Principles of Economics, (1904), pp. 9-14, being a chapter entirely devoted to the "Economic Motives."

<sup>1</sup>F. M. Ho, A Complete Course of Economics for China, Vol. IX, p. 2.

<sup>2</sup>Liang, An Essay on Wong An Zah, pp. 110 ff.

their methods of approach, though different from each other, are mainly in line with the Confucian and unanimously against the Taoistic method. The Physiocrats believe that the distributive defects lie in the existing institutions, which were not yet so modified as to be in harmony with the Physiocratic distributive formula.<sup>1</sup> To Smith it is the "stupidity of legislation" or the disturbance of spontaneous working of institutions that ought to take the blame. Sismondi sees the distributive defects in the divorce of land from labor, and St. Simon in the institution of private property. The Utopian blames the environment; Proudhon, the existing system of exchange; Marx, the exploitation of labor by capital; and the State Socialist, the lack of governmental guidance of economic activities. Among those who attack the existence of the institutions that justify the unearned increment are J. S. Mill, Henry George, and Walras. Even the Christian Socialist can not agree with the Taoist, though they have, in many aspects, more in common. Nor does the Anarchist anticipate the feasibility of the Taoistic project of distribution, where all institutions of society are to be disposed of through the control of economic motives. It is needless to add a long list of the modern economists who all agree that it is the institution, not the motive, that fundamentally effects distribution. Professor Ely treats the topic of the distribution of wealth in terms of Property and Contract, which, according to him, are the fundamental features of all the economic institutions in the existing society. Remer, an American student of Chinese economics, calls attention to the relation between distribution and institutions in China

---

<sup>1</sup>Quesnay's Economic Table.

particularly as follows:<sup>1</sup>

"The Chinese student will do well to note how powerful customs, laws, and traditions are over the distribution of wealth. The laws or customs governing inheritance, for instance, have made Chinese economic problems different from those of a country like England. The position of the official class in China affects the distribution of wealth profoundly and, again, gives China economic problems in many respects peculiar to herself....The student ought to give some time to the consideration of the customs and traditions of his own country, province, and city that affect the distribution of wealth."

Thus far all the economists find that, if distribution is unequal, its causes must be in the economic institutions, not in the economic motives. While the position of the Confucian is thus strengthened, we must not forget that the Taoistic theory, though objectionable, displays a remarkable degree of originality in attributing the fundamental causes of unequal distribution to motives rather than to institutions, which are merely conditions for or at most only secondary causes for the inequality.

There is another reason why so much emphasis is laid upon the question of suppressing motives in the Taoistic method of the control of distribution. The Confucian also stresses this question, because he believes that any effort made to suppress the desire for self-enrichment is a virtue, and the virtuous method ought to take place in precedence over all the other devices.<sup>2</sup> On the contrary the Taoist is against the Confucian con-

---

<sup>1</sup>Remer, Readings in Economics for China, p. 403.

<sup>2</sup>The central principle of Confucius is that of virtue. The modification

ception of virtue. He attacks anything and any person who is virtuous and moral. It is not for the sake of being virtuous that the Taoist advocates the control of motives in stead of that of institutions. It is because the code of Taoism forbids violent action,<sup>1</sup> which, if we try to abolish the existing institutions, is necessary for accomplishing our project. The abolition of institutions as the first step to clear up the conditions or obstacles in the way of the ideal distribution might be much wished for by the Taoist, were not violent action needed for the abolition. So then he must resort to the peaceful method of motive-control;<sup>2</sup> for the remoter but fundamental causes of unequal distribution are the motives for self-enrichment, not the conditions or institutions, which only make the road safe and smooth for reaching the end of self-enrichment, behind which the motive is pushing.

Lack of Personal Motives vs. Inefficiency in Production. — In a society where institutions serve not as inducements to the motive for gainful end, efficiency can hardly be found to be present in any kind of undertaking. Various social experiments have been made, where the motive of personal interest is to be modified or to be disposed of under the new conditions of a new environment. But, without exception, they

---

of the economic order must be based on virtue.

<sup>1</sup>Lactse, Ch. XXXVII. "Do nothing and everything will be done, change nothing, and everything will be changed of its own accord."

<sup>2</sup>Legge, Kwang Tse, pp. 306, 314. The Taoist should not be rebellious against the institutions, but he, when left alone to himself, should refrain from following them.



are all without success either for lack of adequate financial resources, or for lack of the efficiency which is generally present in private undertakings. The sympathizer with such social experiments is, however, more ~~ready to be~~ inclined to attribute the cause of the failures to the nature and scope of experiments, since they were not on sufficiently large a scale where efficiency could be effected in bringing about the result by co-ordinating all the functions necessary for the experiment. But several experiments on a large scale have proven to be equally unsuccessful, such as Russia in the early days under <sup>the</sup> Bolshevist régime, when the laborers and farmers, being without the incentive to do hard work, displayed to a marked degree the decrease of efficiency in their productive capacity.<sup>1</sup> Another proof may be found in the Chinese family system, the ideal of Le Play. Every cent, every member of the family earns, belongs to the father. Yet the prodigal son who has wasted almost all the fortune of the family is entitled to an equal share with his worthy brothers when the family is to be split up and its fortune divided. In the Chinese family where motives for personal savings are thus disposed of, no son, of course, is as industrious as his Occidental brother,<sup>2</sup> with the exception of the real superior man, whose golden rule is to work hard for the family and care little

---

<sup>1</sup>H. A. Jones, My Dear Wells, Being a Series of Letters to Mr. H. G. Wells upon Bolshevism, Collectivism, Internationalism, and the Distribution of Wealth (New York: E. P. Dutton and Company, 1921), pp. 21-24.

<sup>2</sup>Lee, "The Causes of the Poverty of China," The Commercial World, Vol. II, No. 2 (Feb., 1927), pp. 2 ff.

for himself.

Objection to Efficiency in Production. -- Now then the suppression of economic motives intended to bring about an equal distribution gives rise to the serious problem of the decrease of efficiency in production, lowering accordingly the returns of every distributive share and making China the successful experiment station of Henry George's theory of Progress and Poverty. How is the Taoist going to save us from starvation? One need not be astonished to hear the Taoistic message of salvation that inefficiency -- uselessness, still better -- in production is the greatest achievement mankind can expect.<sup>1</sup> If we can not escape the fate of starvation, it must be because of our system of production that is too efficient. He gives us illustrations as to the advantage of inefficiency and uselessness. For example, the most efficient horse or warrior is more liable to be killed in the battlefield, the utility of a cup or a boat lies in the empty spaces where we sit or our coffee is filled for drinking, the most efficient laborer dies of labor, etc. Alas! "All men strive to learn the advantage of efficiency but none that of uselessness."<sup>2</sup> The Taoistic conception of efficiency and inefficiency is undoubtedly an inference from Laotse's dogma, "do nothing, then every thing will be done," or "the highest Teh is non-activity."<sup>3</sup> The Taoist himself, despite the decrease of his distributive share resulted from inefficiency in

---

<sup>1</sup>Legge, op. cit., p. 222. "No one knows the advantage of being useless."

<sup>2</sup>Chwang Tse, Nan Hwa King, Ch. 4; Legge, Kwang Tse, p. 222.

<sup>3</sup>Laotse, Ch. XXXVIII.

consumption, neither because luxury is immoral nor because the poor should be taken care of by the rich or the government.<sup>1</sup> Even when distribution is equal, the distinction between the poor and the rich is gone, and the distributive share to every body is more than abundant, still it is advisable to reduce consumption to that of minimum subsistence. "Though you can afford to have sufficient food and clothe...you ought to be satisfied with a single robe to cover the body;"<sup>2</sup> for the purpose of the Taoistic control of consumption is not to save enough for your own rainy day or the miserable day of others, nor is it to accumulate the amount of capital for the expansion of industry and commerce and for the productive endowment in promoting science, arts, philosophy, Taoism, etc., but to reach the ideal goal of the kingdom of Tao, where the aim of welfare economics as well as that of Taoism is to be fully realized in the complete satisfaction of desire; i. e., absolute absence of desire, supreme happiness, and immortality. Because of this remote aim hiding behind the negative philosophy that the decrease of consumption by no means increases any disutility, Buddhists and Taoists challenge us to explain the attack on them, that their doctrines are blindly "pessimistic" and "negative."<sup>3</sup> The aim of

---

<sup>1</sup>Y. Y. Tsu, op. cit., p. 2.

<sup>2</sup>Mon Don Tse Kwai, Ch. I.

<sup>3</sup>Yin Z. Tse, Applied Quietism, p. 28; Lao-tse, Ch. LXXVIII. Among the critics who regard Taoism as a negative philosophy are Gaddard and Borel. They maintain that the negative character of the Chinese people is due to the influence of the negative philosophy of Tao Teh King. "The characteristic traits of Chinese nature, namely, passivity, submissive-

production, can live on and "develop in the Tao."<sup>1</sup> But how about us? This brings us from production to consumption, where we are taught how to live on a minimum subsistence, and, if necessary, on nothing.

The Control of Consumption. — Consumption, as we have seen, is considered by the Taoist as well as by the Confucian as that part of economics, which is controlable by human effort as production is so successfully controlled in the West by scientific invention, governmental legislation, and industrial and economic arts. While the control of production in the West is largely positive, i.e., an aggressive fight against nature, as that against the law of diminishing returns through the discovery of new land and the lower transportation cost enabling the advanced nations to enjoy the cheaper products from the new land, or as that to expand the enterprise on a larger scale until we are enabled to reap the advantage of increasing returns; the control of consumption by the Chinese, especially the Taoist, is negative, i.e., a destructive fight to suppress our desire.<sup>2</sup> When consumption is subject to control without the evil effect of under-consumption, the whole question of applied economics is solved no matter how small is our distributive share or how inefficient is the existing system of production.<sup>3</sup>

While the Confucian thinks that consumption needs control, because luxury is immoral and the poor should be taken care of by governmental and institutional aids or charities, the Taoist advocates the minimum

---

<sup>1</sup>Chwang Tse, *op. cit.*, Ch. VI; Legge, *op. cit.*, p. 253.

<sup>2</sup>Laotse, Ch. VII

<sup>3</sup>*Infra*, p. 92.

consumption, neither because luxury is immoral nor because the poor should be taken care of by the rich or the government.<sup>1</sup> Even when distribution is equal, the distinction between the poor and the rich is gone, and the distributive share to every body is more than abundant, still it is advisable to reduce consumption to that of minimum subsistence. "Though you can afford to have sufficient food and clothe...you ought to be satisfied with a single robe to cover the body;"<sup>2</sup> for the purpose of the Taoistic control of consumption is not to save enough for your own rainy day or the miserable day of others, nor is it to accumulate the amount of capital for the expansion of industry and commerce and for the productive endowment in promoting science, arts, philosophy, Taoism, etc., but to reach the ideal goal of the kingdom of Tao, where the aim of welfare economics as well as that of Taoism is to be fully realized in the complete satisfaction of desire; i.e., absolute absence of desire, supreme happiness, and immortality. Because of this remote aim hiding behind the negative philosophy that the decrease of consumption by no means increases any disutility, Buddhists and Taoists challenge us to explain the attack on them, that their doctrines are blindly "pessimistic" and "negative."<sup>3</sup> The aim of

---

<sup>1</sup>Y. Y. Tsu, op. cit., p. 2.

<sup>2</sup>Mon Don Tse Kwai, Ch. I.

<sup>3</sup>Yin Z. Tse, Applied Quietism, p. 28; Laotse, Ch. LXXVIII. Among the critics who regard Taoism as a negative philosophy are Gaddard and Borel. They maintain that the negative character of the Chinese people is due to the influence of the negative philosophy of Tao Teh King. "The characteristic traits of Chinese nature, namely, passivity, submissive-

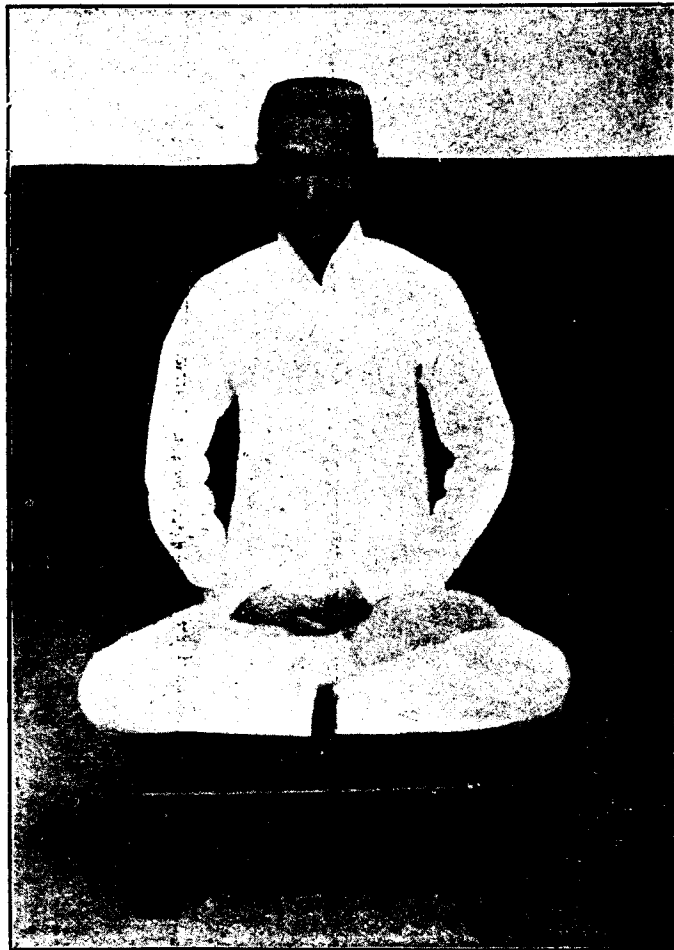
the control of consumption does not merely end in the decrease of diet, although the method of control must rest on the individual effort made to live on bare subsistence; and, for the professional Taoist, to decrease his diet systematically until, if possible, it is nil. But it must be remembered that the Taoistic control in its true sense neither preaches starvation nor encourages under-consumption; for under-consumption must cause disutility and physical suffering, while the Taoistic control promotes physical well-being as well as mental satisfaction. But how is this theory to be put into practice? This question prompts us to examine the method by which the control is effected.

The Method of Control.<sup>1</sup>— It is evident that for the amateur disciple of Tao, a new environment, where all inducements to the desire, as music, delicious food, women, books, even the Tao Teh King, and what not are disposed of, is necessary for the concentrated practice of the control. In the forest or the mountain are therefore founded the Taoistic Utopias, each occupied by one or two Taoists, scarcely more than ten. The best time for practice is in the early morning before the breakfast; but one may practice any time about two hours after the meal, which should be cooked

---

ness, and moral concern...find an adequate cause and source in the teachings of Laotzu.\* Cf. Gaddard and Borel, Laotzu's Tao and Wu Wei, p. 2.

<sup>1</sup>Vide Yin Z. Tse, op. cit. On the method of control, Yin Z. Tse wrote two books, one from the Taoistic standpoint and the other from the Buddhistic standpoint. Yin Z. Tse is the Taoistic name of President Chan who confesses to have cured his lung disease by applied quietism.



(膝 盤 雙) 式 坐 趺

from vegetables, not meat.<sup>1</sup> This is pointed out by the greatest psychological Taoist, Chan,<sup>2</sup> for giving a thorough digestion of the food before practice. The Taoists of the old school, though they are vegetarians too, give no consideration to the time for digestion. The practitioner's diet should tend to becoming lighter and lighter.

The practice merely consists of the lesson of sitting on the chair, the bed, or the ground in the same manner as shown in the picture (posed by Chan) and to refrain from thinking. President Chan omits the superstitious spell during the practice.

For the beginner, it, however, is very hard to refrain from thinking without first passing the preliminary steps, namely, concentration and meditation. An effort made to eliminate the other thoughts in order to give an undivided attention to the dominating thought is concentration. When no thought is able to dominate in the practitioner's mind, but he is able to dominate his mind, the higher stage of meditation is reached. The final stage will be reached when he is able to think of nothing -- just like a stone. The time for sleep may be decreased in proportion to the increase of the time for practice; or he may, if he is able to, substitute the practice for sleep all the year round.<sup>3</sup>

---

<sup>1</sup>Yin Z. Tse, op. cit., p. 1.

<sup>2</sup>Chan, whose Taoistic name is Yin Z. Tse, is the father of "scientific Taoism." He held many posts of distinction, such as Minister of Finance, President of National Southeastern University. His Principles of Psychology has become a classic in Chinese psychological literature.

<sup>3</sup>Yin Z. Tse, op. cit., p. 1.



The Aim of the Control.<sup>1</sup>— Having thus proceeded from the desire and motive, the starting point of the Western and the Taoistic economics, we will end here at the ultimate aim of both studies. The aim of the control of consumption is nothing but our welfare. Many have certainly overlooked the value of the Taoistic method. But let us see how much welfare is added, when even the control of diet is effectively worked out. Malthus' and Ricardo's problems may be solved here. To the preventive and the positive check of population is added the Taoistic check besides the Confucian check already mentioned. Let the food supply keep the mathematical ratio. But population will give up the geometrical ratio.<sup>2</sup> Let the land be limited. But the demand for it will decrease and we shall give up the less fertile land acre by acre so that returns from land will be increasing instead of diminishing.<sup>3</sup> When a practitioner is able to dominate his mind or refrain from thinking, he will freely dispose of his worry and sorrow enjoying the supreme happiness, which can

---

<sup>1</sup>Here we do not discuss the superstitious aims of immortality and supreme happiness which are not included in the Tao Teh King.

<sup>2</sup>Yin Z. Tse considers reproduction of human species as the first of the "Three Poisons." "The animal desire is the root of life and death. If the animal desire be not suppressed, men will hardly be able to transcend the immense sea of reproduction and mortality."

Cf. Yin Z. Tse, op. cit., p. 2.

<sup>3</sup>C. F. Liu, "The Vitality of Lao Tse's Philosophy," The Monist, Vol. XXXV (July, 1925), p. 491. Liu holds that Lao Tse believes that the decrease of production is due to the increase of private possession.

never be equalled by the satisfaction of desire effected by the best result from the ideal system of production and distribution.

Though this Taoistic method (to reach the highest state of well-being) is not practicable, yet, in theory, it is very logical. Desire, as every body agrees, has no limit. It can not be completely satisfied even by the ideal system of production and distribution. Desire, however, can be suppressed. If we can control consumption without pains, the Taoistic control is accomplished and all desires are satisfied. The difference between these two ways may be represented as follows:

The desire without a limit is never possible of complete satisfaction.

The desire with a limit is possible of complete satisfaction.

Secondly, welfare in the Taoistic sense is largely psychological, as it is claimed by the Taoist that the mental satisfaction is the fundamental condition of the physical well-being. To the economist, however, welfare is conditioned by the real income. It is therefore largely physical as the physical well-being will affect the mental satisfaction. The Taoist, however, holds that "satisfaction of desire consists in one's nature having abundance...in being contented with little."<sup>1</sup> Here the Taoist will find his Western sympathizer in Professor F. A. Fetter, whose theory of "psychic income" bears marked resemblance with the Taoistic theory. If gratification is the test of the psychic income,<sup>2</sup> and the psychic income that of value,<sup>3</sup> the poor Taoist is not so poor and miserable as we think,

---

<sup>1</sup>Laotse, Ch. LVI.

<sup>2</sup>Fetter, The Principles of Economics (1904), p. 43.

<sup>3</sup>Ibid., p. 45.

and the Taoistic economics is not an utter failure.

Utility and Consumption in Taoism vs. Value and Distribution in Economics

— The psychological income or utility is now the <sup>corner</sup>stone of the Taoistic economics, as value is that of economics in the Western world. The Taoist believes that the welfare economics based on value will inevitably defeat the purpose by its own end. Let the distributive share to every body be increased in value through a better system of production and distribution. What will be the result then? Luxury, indulgence, keener competition for fame, if not for gain!<sup>1</sup> The more physical well-being we enjoy by means of the increased real income, the more are we like "the victim-ox for the border sacrifice," which realizes only too late that its physical well-being is the cause of its death.<sup>2</sup> As long as value is there, the people will not cease to learn the "thievish arts."<sup>3</sup> Value therefore, as Bastiat anticipated, must be first sunk into the sea of free utility before welfare may prevail throughout the world when every thing for consumption is as abundant as water and air. Unlike Bastiat the Taoist tries to turn all economic goods into free goods by decreasing the demand for the former through the suppression of desire.<sup>4</sup>

---

<sup>1</sup>K. N. Kung, The Economics of Ancient China, p. 23.

<sup>2</sup>Legge, Kwang Tse, p. 38.

<sup>3</sup>Laotse, Ch. III.

<sup>4</sup>Kung, op. cit., p. 23; Chwang Tse, Ch. II. This chapter deals with "Adjusting Contraries." Beauty and ugliness are same if we suppress our desire to admire the former. So value and free goods are the same thing if we do not desire the former.

. Having found his sympathizer in the French -- always a friend to Chinese philosophy -- that the people's welfare rests on the increase of free utility rather than on that of value, the Taoist parts company with his friend to investigate the field where the transformation from value to free utility may be effected. They find the possibility of transformation in consumption, not in production and distribution, in the decrease of demand, not in the increase of supply. Value is therefore liable to become free utility through the control of consumption.

Here then we will see the distinction between the Taoistic and the modern economics. In the former utility and consumption are emphasized; in the latter, value and distribution. To the economist, Socialistic, Classical, Historical, Hedonistic, etc., the ultimate aim of welfare is to be approached by insuring a more equal and greater distributive share to every body; to the Taoist, by the decrease of consumption so as to make the economic goods become free goods. The true Taoist, according to Laotse, therefore "attach no value to things difficult of acquisition."<sup>1</sup> Nor should they "lay up store of valuable goods" so as to make them more scarce.<sup>2</sup>

Recapitulation. — Laotse's Tao Teh King is viewed by the Westerner as a book of the highest order in the history of Chinese thought; but its authenticity was first disputed by the Western scholars, and is still disputed by among the Chinese. The two fundamental principles of the Tao Teh King deal with the subjects on the first cause of all causes and

---

<sup>1</sup>Laotse Ch. LXV.

<sup>2</sup>Ibid., Ch. LXXXI.

on non-activity as the solution to all problems. Taoism, with the Tao Teh King as its foundation, is not mainly concerned with economics; but it is capable of economic interpretation. The Taoistic economics starts from the desire and the economic motives, which ought to be crushed in order that the violent action to abolish institutions may be avoided in equalizing the distribution of wealth. The suppression of the economic motive of personal interest, however, would give rise to inefficiency in production; but the Taoist would welcome inefficiency rather than efficiency. The difficulty resulting from inefficient production is solved by the control of consumption, where more serious effort than the mere suppression of motive is made to reduce consumption systematically until, if possible, the desire is nil, and consequently the mental state of complete satisfaction without consumption is reached. When consumption is thus reduced, the demand for economic goods is also decreased. The progress of reduction in consumption will tend to make economic goods, free; and value, free utility. Economics under the Taoistic system is therefore mainly concerned with utility and consumption in distinction from that with value and distribution under our present system.

Chwang Tse.<sup>1</sup>— Chwang Tse, the most prominent follower of Laotse, is known as the contemporary of King Liang Hui (370-335 B.C.). He was born Mong (Southwest of Shangtung Province) and served the king of Zhi Yuan. Like his master Laotse, he left the government service and devoted him-

---

<sup>1</sup>Cf. S. Wu, The Development of Logical Method in Ancient China, pp.

141 ff. Dr. Wu's critical but not traditional biographical account of Chinese philosophers may be consulted with advantage.

self to the study of philosophy, declining all subsequent offers from kings. In 742 A.D. he was conferred the posthumous title "The True Man of Nai Hwa," the second highest Taoistic honor ever conferred. Mong, his birth place, has therefore been known as Nai Hwa and his book as Nai Hwa King, the second Taoistic work numbered among the Kings.

The Nai Hwa King is twenty times as long as the Tao Teh King, but it is not original. It, however, helps to make Laotse's doctrines more clear by concrete illustrations, actual data, and imaginary stories written in the most beautiful style. His treatment of the deductive method and of human activity deserves our careful consideration.

What Is Truth?<sup>1</sup> — "I dreamt a butterfly, a butterfly flying about, feeling that it was enjoying itself. I did not know that it was Kau. Suddenly I awoke, I was myself again, the veritable Kau. I did not know whether it had formerly been Kau dreaming that he was a butterfly, or it was now a butterfly dreaming that it was Kau."<sup>2</sup> Experience can never be the reliable guidance. The sense organs inform not of the truth.<sup>3</sup> What has been considered as the truth by the superior man is only a false doctrine invented by the blind and accepted by the people who are more blind. Even a person's own experience can not be his reliable guidance. How can he take the superior man's words for granted? What he can expect from the study of facts gathered from experience is merely a "small

---

<sup>1</sup>Cf. C. W. Kua, "A study of Chwang Tse's Philosophy," Kwang Hua Quarterly, Kwang-Hua University, Vol. I, Nos. 3, 4 (June, 1926), pp. 37-39.

<sup>2</sup>Legge, op. cit., p. 197; Chwang Tse, Nai Hwa King, Ch. II.

Ibid., p. 224.

knowledge" which "is partial and restricted."<sup>1</sup>

The arguments of the unreliability of the empirical knowledge may be summed up as follows:

- A. Truth must be permanent and comprehensive, but experience is limited and temporal.<sup>2</sup>
- B. In experience a subject is looked from different points of view by different persons partial to the side from individual viewpoints, because of (1) the personal bias,<sup>3</sup> (2) the proper function of reasoning is disturbed by institutions and superior men,<sup>4</sup> and (3) the Tao ceases to function under such circumstances.<sup>5</sup>
- C. Truth is only known to the fool who knows nothing.<sup>6</sup> The experienced man is no longer able to see the truth.

With the exception of the third argument that the truth is only known to the fool, Chwang Tse's theory is not largely different from that of the modern critic of the deductive method. Had the Taoist been devoted to constructive work, far reaching results, as achieved by the Historical Economist, might have been accomplished by him. But it is rather discouraging to find that the ambitious Taoist is not satisfied with the partial and restricted truth to be discovered from experience, and gives up the

---

<sup>1</sup>Ibid., p. 178.

<sup>2</sup>Ibid.

<sup>3</sup>Ibid., p. 182.

<sup>4</sup>Ibid., p. 272.

<sup>5</sup>Ibid., passim.

<sup>6</sup>Ibid., pp. 252, 259.

study of facts from experience in order to discover the permanent and universal truth in "the dark night in which all cows are black," and to turn himself from a critic of induction to an exponent of deduction. Having done his splendid work of criticism, he destroys it entirely by returning to the Tao of Laotse which is virtually an empty analogy that everything is known because nothing is known or that the blind sees everything because he has nothing to see.

The search for the fundamental truth forms the theoretical part of Nai Hwa King, while the attack on the existing social system from the standpoint of this truth or the Tao, forms the practical part. The former deals with the principle, the latter the problem.

Economic and Social Problems. — While Chwang Tse, like Laotse, attacks all institutions in society, he gives us a more detailed account with special reference to the following problems:--

A. The Economic Classes:<sup>1</sup> Laborers are given more respect, while traders are underestimated, because they live on weight and measure, the instruments, which were intended to bring about honest dealings, but leading to dishonesty, mutual suspect, and exploitation. The superior man, being the highest according to Confucian order, is reduced to the class of parasite or robber.<sup>2</sup> The Taoist, who is supposed to be neither productive nor consumptive is placed at the top, because he is most productive of utility.

---

<sup>1</sup>The Taoistic order of the economic classes is just the reverse of the Confucian order with regard to the position of the student.

<sup>2</sup>Legge, pp. 270-274.



B. The Superior Man and His Achievements: The superior man and his achievements are most severely attacked. Since the ideal society must rest on the Tao, the superior man's achievements, as laws, rites, social systems, etc. would only mean achievements for himself — fame, position, etc. —; but, for society, they are the disturbing elements. He is most against the superior man's activity in the promotion of education, fine arts, philanthropy, law, rites, etc. In short he also attacks all human activities.

C. Obedience to Social Order:<sup>2</sup> This is the vital point which distinguishes Taoism from anarchism. While Laotse has dimly revealed to us that social progress should take place in its evolutionary rather than revolutionary manner,<sup>3</sup> Chwang Tse makes it clear that Taoists, though against the existence of the superior man's systems, should obey the social and political order. We should accept charity, position, title, honor, or disgrace that naturally comes to us.<sup>4</sup> We should bow before the king and maintain dignity before the inferior in appearance, although, in our mind, there should not exist the distinction between the king and the beggar. "They responded to ceremonies but did not conceal their opinion as to the troublesomeness of of them." They may prefer the laissez faire system, but do not strive for it; and they may dislike the institution, but do not dis-

---

<sup>1</sup>Ibid.

<sup>2</sup>Ibid., p. 306.

<sup>3</sup>Laotse, op. cit., Chs. LX, LXXVIII.

<sup>4</sup>Legge, op. cit., p. 314.

obey it.

Thus the platform of Taoism is clearly indicated. It is a peaceful Taoism. It would be in favor of anarchism if the latter could be carried out without any violence or force. But it is the greatest enemy of anarchism because the latter uses force.

Leih Tse.<sup>1</sup> — Leih Yu Kou is known to be a little older than his contemporary Chwang Tse. His book is also known as the Leih Tse. There is no proof yet to confirm the identity of his person and his book.

With the doctrine of Laotse elaborated by Chwang Tse the urgent mission left for Leih Tse was not to systematize, expound, or re-shape what had been done; but to plunge himself into the unexploited field, where he might discover something which would add new charm and strength to the Taoistic system. This great task required fearless courage and originality, but not recklessness and novelty.<sup>2</sup> It was evidently too great a task for Leih Tse alone. But he was to some extent successful in enlarging the Taoistic system. To Laotse's conviction that "gibt es keine verloenen Menschen"<sup>3</sup> or "all men are born equal," Leih Tse added an economic justification — division of labor. Against Chwang Tse's indiscriminate doubt of experience, he set a limit of knowledge — this topic will be discussed under "Subjective Utility."

---

<sup>1</sup>A critical account of Leih Tse's life is given in S. Wu's Outline of the History of Chinese Ancient Philosophy.

<sup>2</sup>Leih Tse is criticised as too fictitious, superstitious, and reckless. Cf. R. K. Douglas, Confucianism and Taoism, p. 225.

<sup>3</sup>Wilhelm, op. cit., p. 59.

Division of Labor. — Leih Tse is the first Taoist who advocates the advantage of the division of labor. In a state, he said, "some are skilled potters and carpenters, others are clever workers in metal and leather; there are good musicians, trained scribes and accountants, military experts, and men learned in the ritual of ancestor-worship.... Now, if there were no division of ranks and duties, mutual co-operation would be impossible. Those of higher social standing are lacking in technical knowledge. Those who are employed by them are lacking in capital. Only when there is a combination of technical knowledge and capital can co-operative service exist."<sup>1</sup> Now, we may infer from his exposition of the advantage of the division of labor, that the Taoistic attack on the institution and superior man is modified; for the superior is needed to maintain the co-operative service.

Subjective Utility. — While Chwang Tse emphasizes the unreliability of experience, Leih Tse supplements it with a theory on the reliability of the subjective state,<sup>2</sup> a theory similar to that of the psychological economist or to that of Schopenhauer, that "the world is my idea."<sup>3</sup> We can not know the real quality of any commodity unless it is represented in our perception and conception. We know nothing of coffee except all its qualities that are represented in us — subjective qualities. But the quality in coffee itself is not known to us. If the quality is objective or inherent in coffee, not in us, a man and a horse should agree

---

<sup>1</sup>L. Giles, Taoist Teachings from the Book of Leih Tzu, pp. 80-81.

<sup>2</sup>Ibid., pp. 21-24.

<sup>3</sup>Schopenhauer, op. cit., p. 23.

that its taste is the same. Leih Tse believes that the utility of any commodity is produced by us. "The genesis of sound lies in the sense of hearing, but that which causes the sound is never audible to the ear. The source of color is vision....The origin of taste lies in the palate."<sup>1</sup>

---

<sup>1</sup>Giles, op. cit., p. 22. H. J. Davenport, Economics of Enterprise, p. 87. "This fundamental principle of the relativity of all qualities has long been clear enough to the philosophers -- and to some poets. What we hear or what we see or what we feel is no test of what really is. We are in touch with the outside world only through the intermediary of our senses. Everything external comes to us as reported through our senses and interpreted by our perceptions. What is opaque to the light rays that we can see may afford no obstacle to other rays to which we are blind. Some heat rays affect us also as light rays; others do not; and all might equally well do both, or do neither, according to our apparatus of appreciation. What lies in our experience is no test of what is; on the other hand, it may be said with equal truth that experience is all there is for us. What, for example, does the insect hear? So far as we can be certain, it may see what we hear or hear what we see. The rose may send its articulate call to the humming bird, or the lily to the moth. To the vast regions of vibratory movement, from the few thousand aërial pulsations per second of the shrillest tone up to the millions per second which we first appreciate as light and heat, we are entirely insensible. In the psychological sense Niagara did not roar before there were ears; there is no drumming if the drumsticks vainly beat the air, never impinging upon any drumhead. Thus, for other ears than ours, or for ears such as ours

The quality in the commodity itself, if it exists, is unknowable to us.

Theory of Fate.<sup>1</sup> — The theory of fate is considered as an important topic because it is the most powerful obstacle in the way of economic motives. Since poverty or wealth, success or failure, etc. are predetermined by fate, we are further discouraged to let ourselves be pushed along by economic motives, but encouraged to do nothing and just to follow nature and fate. That is why Wilhelm said that "Dabei ist der Naturalismus noch starker und einseitiger herausgearbeitet als im Taoteking."<sup>2</sup>

Yang Tsu. — Yang Tsu is also known as the contemporary of Chwang Tse. He was born at Wei and lived there as a small but happy proprietor. His works were lost and only a portion was reproduced by a diligent scholar from his memory.

Self-interest. — Yang Tsu is the first Taoist to attribute all social progress to the motive of self-interest, which is, in the opinion of his

---

might be, the whole universe may be travailing in shriek and groan and varied uproar: or it may be musical with chant and choral and dulcet murmurings -- no star of it all but is 'quivering to the young-eyed cherubins' -- no rose of it anywhere but somehow, also, is a throat. It was, then, in no sheer poetic fantasy, but with a basis of strict scientific possibility, that Dryden declared the beams of nature to be laid every one in music; the spheres starting on their courses in a burst of melody, all beating time to 'the cadence of the whirling world that dances round the sun.'<sup>3</sup>

<sup>1</sup>Leih Tse devotes one chapter entirely to the theory of fate.

<sup>2</sup>R. Wilhelm, Lao Tse und der Taoismus, p. 105.

predecessors, the cause of social evils. Social progress and self-interest, like "disinterestedness and poverty" are not separable.<sup>1</sup> While human motive aims at the gratification of personal desire and ambition, the Tao, without interferring with the program of self-development, naturally directs the result to where the "fellow citizens will profit by it." The prosperity of society, the development of political, social, and economic institutions, and the promotion of science, arts, literature, and philosophy -- all rest on the motive of their author to win fame or power for himself.

Yang Tsu and Smith would have reached a complete agreement, had not he turned aside to Egoism, of which he is credited with being the founder in China. While he recognizes the beneficent results thus gained by society, he holds that they are outweighed by the evil effects. When society is growing more prosperous, the economic motives of long life, reputation, rank, and riches -- Yang Tsu's classification of the economic motives<sup>2</sup> -- are liable to become stronger and stronger until they are out of our control. As a result, the growing prosperity gives rise to a correspondingly growing social chaos. The distinction between the king and the subject, the rich and the poor, the exploitor and the exploited, the unequal distribution, the luxurious and the subsistential consumption are all the results of the four motives.

The attack on the selfish motives is followed by an advice, far more

---

<sup>1</sup>Byng, Yang Tsu or the Garden of Pleasure, p. 37.

<sup>2</sup>Ibid., p. 61.

selfish in scope and nature, which characterizes him as the first Egoist in China. "Though he might have benefited the whole empire by plucking out a single hair, he would not have done it."<sup>1</sup> Let the world be sunk, but do not try to help; for "if the world requires the ultimate self-sacrifice, the world is wrong."<sup>2</sup> We should enjoy our life to its fullest extent; for "life of itself is of no importance save to the liver."<sup>3</sup> See what the eyes like, eat what the mouth likes, and hear what the ears like. His Egoism is strengthened by a philosophy of sensualism.

But what enjoyment could one have for one's eyes, ears, nose, mouth, and feet in a Taoistic society where even mere subsistence is considered to be too luxurious? Here it must be a society where enjoyment is based on free utility rather than economic goods. Here is the Taoistic world where luxurious consumption of utility prevails. It is rather a happy than a prosperous world. "He that lives at ease requires no riches."<sup>4</sup> Even a poor farmer may proudly instruct the prince to get rid of his "palace and finery" to taste the dear delight from the "sunshine."<sup>5</sup>

Yang Tsu's Egoism is said to resemble Max Stirner's anarchism.<sup>6</sup> They both regard the individual as the sacred being who should not be subject to the restriction of laws, religions, customs, institutions, etc. Their

---

<sup>1</sup>Mencius, The Works of Mencius, p. 340.

<sup>2</sup>Byng, op. cit., p. 25.

<sup>3</sup>Ibid.

<sup>4</sup>Ibid., p. 42.

<sup>5</sup>Ibid., p. 63.

<sup>6</sup>Ibid., p. 12.

disregard of society is based on this individualism. Yang Tsu, however, can be distinguished from Stirner and the anarchists. The anarchist, while he is against the existing society, aims to reconstruct it on his basic ideal, where the maximum freedom of the individual and the advantages from the association of men are both to be realized according to natural and scientific laws.<sup>1</sup> Yang Tsu aims to go back to the primitive stage of life with complete disregard of arts and science and the advantages resulting from the association of men governed by the most scientific laws, which will assure us of freedom and well-being. Nor does Yang Tsu, like all Taoists, agree with the anarchists that the revolution is necessary for accomplishing the object. And finally the Chinese Egoist is an advocate of sensualism, while the anarchists are not.

---

<sup>1</sup>Gide and Rist., op. cit., pp. 322, 323.



## CHAPTER IV

### MOHISM

Mohism in its strict sense is neither akin to Confucianism nor to Taoism. While it attacks Confucianism, it does not agree with Taoism entirely. Because it is severely criticised by the Confucian, and its founder linked with Yang Tsu, a member of the Taoistic School, by Mencius, the second greatest Confucian, Mohism has come to be regarded as a doctrine which is more in common with Taoism in some respects.

It opposes Confucianism because the latter justifies waste and luxury in certain exceptional cases. It opposes Taoism because the latter is against the superior man. It would oppose the doctrine later developed by Smith on the ground<sup>that</sup> economic activities should be led by the farsighted economic reason -- economic principle -- not by the blind motive of self-interest. Yet it is also not Socialism. Mohism pays high respect to the superior man who is strictly guided by reason, but not by the laws, rites, and teachings of the ancient sages. In Mohism, therefore, no place is retained for motive and conservatism, for only reason is permitted to predominate.

The test of the validity of a reason is its consequence or its result. Whatsoever one's motive may be, it will be justified by the greater amount of advantages ~~yield~~ to society. An honest Taoist may be killed to keep an able Confucian administrator. A dishonest merchant, provided his management will result in the increase of net earnings, should be preferred to a faithful, but less able manager. This, as Dr. Wu points out, coincides with the

pragmatism of James and the instrumentalism of Dewey.

**Modih as the Founder of Mohism.**— He is known to have lived between 470-375 B.C. in the state of Lu, Confucius' native place. From an ardent follower of Confucianism, he, upon the discovery of its weaknesses, turned away from Confucianism and devoted to utilitarianism where<sup>1</sup> developed the altruistic side of Lao Tsu's teachings to the highest point.<sup>1</sup> He is therefore linked by the Confucian with the Taoist, especially with Yang Tsu's name, as an opponent of Confucianism.<sup>2</sup> His work has not yet been translated into English or French and his doctrines are not given so much consideration by the Western student of Chinese studies. Credit must, however, be given to A. Forke and Berlin University for publishing a complete<sup>3</sup> translation of Modih in 1922 as a result of Professor Forke's course in the seminar of Modih given at Berlin University. In Japan, Modih is widely studied, probably because he holds the superior man in high respect and advocates the doctrine of the subordination of individual interest to social and national welfare. In China, Mohism is mercilessly criticised by Mencius and the other Confucians as heresy, although there are a limited number of its followers.

Modih's Utilitarianism, a Dispute with Yang Tsu.<sup>3</sup>— The individualism of the Chinese Stirner, Yang Tsu, is opposed by the utilitarianism of the

---

<sup>1</sup> Bashford, China: an Interpretation, p. 187.

<sup>2</sup> D. T. Suzuki, A Brief History of <sup>Early</sup> Chinese Philosophy, pp. 93-100.

<sup>3</sup> For a brief account on the Chinese utilitarianism of Modih and the English utilitarianism, cf. T. K. Shu, "Motse," Kwang Hua Quarterly, Vol. I, Nos. 3, 4 (June, 1926), p. 60.

Chinese Bentham, Modih.<sup>1</sup> As we have seen, he holds that private interest should be subordinated to public welfare, when reason takes precedence of motive. Therefore, where there is public benefit there should be no personal interest. "If, by rubbing smooth his whole body from the crown to the heel, he could have benefited the empire, he would have done it."<sup>2</sup> This is just like "To cut off the finger to save the arm....The act of cutting off his finger is beneficial."<sup>3</sup> The utilitarian plank on "the greatest benefit to the largest number" was really first set forth in the platform of Mohism. Modih, however, should be distinguished from Bentham with reference to his doctrinal differences. While the latter admires the man with virtue -- the superior<sup>man</sup> -- and sees that this greatest benefit to the largest number is an automatic result from the harmonious operation of private interest and public welfare, the former could approve of the respect for the superior man but rejects the theory of the harmony of private and public interests, for our desire is blind and can not guide us towards public welfare.<sup>4</sup>

The economic obstacle in the way of his utilitarianism is poverty,<sup>5</sup> from which all social evils may be engendered. The approach to utilitarianism lies, therefore, in the discovery of the key to the formula of the wealth

---

<sup>1</sup>Ibid.

<sup>2</sup>Mencius, op. cit., p. 340.

<sup>3</sup>Modih, Ch. XLII.

<sup>4</sup>Ibid.

<sup>5</sup>Shu, op. cit., p. 59. "Thus the road to utilitarianism must first be paved by economy and struggle with poverty."

of nations, with which the problem of poverty is to be solved. We may quote his statement on the influence of poverty over the welfare of nations.<sup>1</sup>

"When the crops are good, the people are good. When the crops are bad, the people are bad....Therefore rebellion or revolution would break out, when the supply of goods and commodities is insufficient."<sup>2</sup>

The Causes of the Wealth of Nations. -- To clear off the obstacle in the way of utilitarianism, a project for the increase of wealth is laid down as follows:

- A. The guidance of economic reason and of the superior man<sup>2</sup>
- B. The increase of population<sup>3</sup>
- C. The increase of capital.<sup>4</sup>

The Harmony of Interests through the Guidance of Reason, a Dispute with Leih Tse. -- While Leih Tse's theory of fate and the Taoistic opposition to the development of the motive of self-interest retard the economic progress of China, Modih vigorously attacks the fallacy of determinism.<sup>5</sup> The human will is free. It must conquer in stead of being conquered by fate or Providence. Nor will the motive of self-interest lead the people

<sup>1</sup>Modih, Chs. VIII, IX, X, XLII. Compare with Marx's economic interpretation of history

<sup>2</sup>Ibid., Ch. XLII.

<sup>3</sup>Ibid., Ch. XX.

<sup>4</sup>Ibid.

<sup>5</sup>For an opposite view, cf. Shu, op. cit., p. 59. He maintains that Modih believes in natural law which governs us but can never be changed or modified by human activity and volition.

to welfare. All benefit is not the result of a blind chance or fate. There must be a cause which, if ascertained, can foretell the result before it will happen. The Confucian belief that "Life and death are predetermined, and wealth and honor are in the hands of Providence" is an utter fallacy in the eye of the Mohist; who, on the contrary, places all responsibility upon the man and the reason. Even though there may be a fate, we can change or re-shape the fate into any form we want. "Mo Ti leugnet nicht das Vorhandensein des Schicksals, sondern der Prädetermination. Jeder schafft sich durch seine Taten sein Schicksal selbst, der Himmel und die Geister sind nur Richter, Preisrichter, und Strafrichter, welche das Urteil Sprechen. Die gute Tat hat Glück, die böse Unglück in Gefolge, aber diese Resultate sind nicht vorherbestimmt."<sup>1</sup> We are not predetermined by fate, but we determine it. It is not the cause, but it is only the result.

With the refutation of the theory of fate, the theory of principle or reason is inaugurated by Mohism. Reason, which is neither blind nor can be predetermined by Providence, is the sole bearer of responsibility, because it alone can foresee the relation between cause and effect. The duty of reason is therefore to guard us from going astray, and to direct us to do what will reap the greatest benefit to the largest number from the wealth of nations, which, with reason as its guidance, ought to be kept in constant growth by the encouragement of the increase of population and capital. If anything goes wrong, nothing else is to blame except reason. "If a man desires to cut his finger and his reason does not fore-

---

<sup>1</sup>A. Forke, Mo Ti, p. 44.

see the harm, it is the fault of his reason."<sup>1</sup> The man who can see the reason more clearly is the superior man.

As Modih's utilitarianism compels the reason, first of all, to see into the greatest beneficent result, economic motive must give its place to economic result; and Mohism becomes pragmatism. Now, nothing should be done unless its result is first ascertained by reason as being most beneficent, for the only test of the validity of "theories, institutions, and policies" are the practical consequences which they tend to produce."<sup>2</sup> Now, there is no longer any place for fate or the blind chance in economics, where reason begins to conquer all the obstacles in order to get a clear view of what will produce the beneficent result in society. When human activities are thus guided, the increase of wealth and welfare is assured, not helplessly left to the hands of Providence or at the mercy of fate. We do not promote public welfare until our reason sees how it can be promoted. Nor do we try to get rid of poverty until our reason sees how it can be got rid of. The first step in Modih's welfare economics is, as we have discussed, to put the far-sighted reason in the place of the blind motive of self-interest and that of fate.

The Increase of Population. -- The increase of population and capital is the second step that can be easily effected under the reign of the superior man. Providence and fate have no power to prevent us from becoming richer or poorer, if we will act according to our own reason. The poverty of nations is due to the mismanagement of government by those who

---

<sup>1</sup>Modih, Ch. XLII.

<sup>2</sup>S. Hu, Development of the Logical Method in Ancient China, p. 64.

are either blind to reason or pushed aside from reason by other personal or selfish reasons contradictory to the utilitarian purpose. But "when a philosopher-king governs a country, the wealth of the country can be doubled, not at the expense of others, but by utilizing the country and by cutting off useless expenses....It is the population that is not easy to be doubled."<sup>1</sup> Contrary to the Malthusian doctrine, Mohism holds that the rate of the increase of wealth is quicker than that of population. As a result he would rather take off these checks, positive and preventive, from where Malthus puts them. The causes of the slow increase of population are (1) late marriage, (2) war, and mourning. In ancient times, according to him, men and women were married at twenty and fifteen years of age and gave birth to two or three children after ten years.<sup>2</sup> In his time, they were married between twenty and forty years of age. Population was further decreased by wars, which were continually taking place one after another in his time. It is still further checked by the system of mourning,<sup>3</sup> which is imposed on a son upon the death of his parents by Confucianism the duty of staying three years in solitude, absolutely separated from his wife. There are even some other causes, as the heavy taxes and the military training in peaceful time, which inevitably decrease the income and give rise to starvation and mortality. Professor Liang points out that the reason why Mohism encourages the more rapid growth of population is based

---

<sup>1</sup> Mohism, Ch. XX.

<sup>2</sup> Ibid.

<sup>3</sup> Confucian Analects, p. 5. The period of mourning has been reduced.

A Confucian would now mourn three or four months.

on the labor theory of value, which is hinted by Modih and not virtually different from Smith's theory.<sup>1</sup> China has been poor because of <sup>Liang</sup> overpopulated. Yet in the time of Modih, agriculture, industry, and commerce were subordinated to military importance, which gave rise to the insufficient supply of labor for industry. As a result, the increase of population was to be welcomed.

The Increase of Capital. -- Modih's theory of capital is inferred from his utilitarian conception that no smaller sacrifice should be spared to effect the greater benefit.<sup>2</sup> He numbers the modest capitalist, who invests his fortune in productive employment, spending nothing in luxury, among the best superior men. Capital, being the equivalent of the Chinese word "mother-wealth" "should not be employed where it promises not a greater return."<sup>3</sup> To spend the mother-wealth without any return of the baby-wealth is equal to letting the mother die without contributing to the growth of population. We should therefore save every penny in order to accumulate the quantity of capital. Following are his projects for the accumulation of capital:

- A. The abolition of war in order to cut the military expense
- B. Cutting down the expense of the funeral and tomb, for "the wealth that they had in the past was buried with the dead. The wealth that they would have in the future is impossible to be realized."<sup>4</sup>

---

<sup>1</sup>Liang, Essentials of Mohism, p. 36.

<sup>2</sup>Supra, p. 109.

<sup>3</sup>Liang, op. cit., p. 38.

<sup>4</sup>Modih, Ch., XXV.



C. Savings to be effected by the abolition of music and plays and by the simpler form of ceremonies and rites. The musician and the actor who "take the mother-wealth because they can waste it charmingly" are so mercilessly attacked by Mohist that he violates his own utilitarian principle.

Is Modih a Socialist? -- Having formulated these projects for bringing about the increase of the wealth of nations, he holds the utilitarian principle, which, in spite of the increase of wealth to be resulted from the social and economic reform, is against the rich<sup>1</sup> spending his income luxuriously, but in favor of the equal distribution of wealth. Is Mohism therefore not Socialism? Many critics say, "Yes." Cagnetti thinks so. Faber ranks Modih highly in his Grundgedanken des alten Chineschen Socialismus. Alerandra David agrees with Faber. But our Western authority Forke says, "No." He tells us that "Mo Ti ist jedenfalls kein Socialist...denn er will keineswegs die socialen Klassen beseitigen...denkt nicht an die Aufhebung oder Beschränkung des Privateigentums und tritt nicht für den Klasskampf ein."<sup>1</sup> Professor Liang holds that the belief of Mohism as Socialism is due to the fact that Modih, like Smith and the Socialist, emphasizes labor as the source of wealth and value, though, according to Modih, it is not the only source.<sup>2</sup> Mohism may also be distinguished from Socialism on the ground it does not omit capital in the factors of production nor despise and attack the modest capitalist. It never tells us that the means of production should not be left in private hand. Above

---

<sup>1</sup>Forke, op. cit., p. 73.

<sup>2</sup>Supra, p. 110.

all, Mohih is an ardent advocate of efficiency in production, placing the efficient manager or capitalist above the superior man in rank. In distribution Mohism is more akin to Socialism; for they both advocate a more equal distribution based on need rather than service. With reference to the economic motive of self-interest, they both maintained that the blind motive, which is said to be led by Providence to public welfare, should be displaced by the far-sighted reason. But, while Mohism prefers reason with the utilitarian end in view, Socialism prefers reason with a view to elevating the laboring class. The former seeks for the most efficient method in order to reap the greatest benefit at the minimum sacrifice. The latter seeks for justice in order to prevent the producing class from being exploited by the propertied class which controls the means of production, but not produce. Although there is a point in Mohism -- poverty as the cause of social evils -- which sounds like Marx's economic interpretation of history, yet Mohism is decidedly against determinism. The Mohist does not trace the historical development of society economically, but according to the discovery of principles and reasons that are put into practice by the superior man. In short, Mohism hopes only for: "(1) die Hebung des Volkswohlslands, (2) die Zunahme der Bevolkelung, (3) Rechtspflege und Verwaltung"<sup>1</sup> regardless what form of government is in existence.

Recapitulation. -- Mohism in its strict sense is neither akin to Confucianism nor akin to Taoism, although it is linked with Yang Tsu's doctrine as heresy by Mencius and the other Confucians. It advocates and practises the doctrine of the greatest benefit to the largest number.

---

<sup>1</sup>Forke, op. cit., p. 84.

But it can not be accomplished by the free play of self-interest or by the moral motive of virtue, but by the foresight of reason. With reason to take the place of motive or fate the utilitarian result may be assured; for if we are only listening to reason instead of fate or motive, we immediately turn ourselves from slaves to fate and motive into the master of them. The reasons for accomplishing the object are two: the increase of population and that of capital. But the growth of population is checked by war, late marriage, and mourning; that of capital, by wastes in music, funerals, and war. He is anxious to clear these obstacles from the way to utilitarianism. Mohism is regarded by many as Socialism; but, as Professor Forke maintains, it is not, for it upholds the capitalist (if he is a superior man), and anticipates no class war.

## CHAPTER V

### CONFUCIANISM

Confucius as the Founder of Confucianism. -- While Taoism was radical "and could be satisfied with nothing short of complete breach" of the existing social system, Confucianism "was conservative and sought to reconstruct in harmony with the past."<sup>1</sup> Confucius "was no mere theorist in any sense, but a practical reformer."<sup>2</sup> Confucianism is not doctrinal. It is simply a project of social reform largely based on the unfulfilled proposals of ancient sages and the popular conception of virtue.

Confucius frankly told us that he was only "to transmit but not to create."<sup>3</sup> His ideal superior man is Chow Kung,<sup>4</sup> who lived several hundred years before him. He numbered himself among Chow Kung's disciples. When once he was disappointed at the disturbance and corruption of the existing society, which was far behind that of Chow Kung's time, he cried, "Alas! I can not even once more see Chow Kung in my dream." Again he said, "Ah, such an enlightenment of Chow!"

---

<sup>1</sup>K. S. Lieu, "The Origin of Taoism," The Monist, Vol. XXII (July, 1917), p. 385.

<sup>2</sup>Ibid., p. 386.

<sup>3</sup>Confucian Analects, p. 59.

<sup>4</sup>Chow Kung was a brother of Wu Wong, the second king and first Emperor of Chow Dynasty, and is credited to have made great contribution to music, law, rite, currency, literature, and ethics.

A transmitter likes a transmitter. Among his 3000 students, from the prince to the statesman, from the financier to the merchant, and from the warrior to the general, he, while scolding these great men with indignation, befriends, respects, and loves a lucky student named Wie -- probably the poorest student of the great master, having hardly anything to keep his existence except the wealth of his own virtue and the food of the master's teachings, always appearing like a fool in the eye of everybody except that of Confucius, neither asking nor replying any question in the class room, and always being happy for reason only known to himself and probably to the master too. This is the model for Confucians. When the unkind Providence is taking his Wie away just in the prime of manhood at thirty, the master, who throws away the favor of the king "like a pair of broken shoes," enters the death-room, dirty, solitary, and contagious, where no other man would like even just to come for a visit, with a heart heavier than the world. Like a nurse, like a lover, and like a father, the master is comforting, nursing, weeping, praying, and hoping day and night that Providence may not issue the cruel decree for the sake of his or Chow Kung's Tao. When the inevitable hour comes, the master collapses, being too sorrowful and fatigued to weep but only murmuring, "Heaven is going to end this here," meaning that when Wie dies, his and Chow Kung's teaching or Tao is ended. He himself is too old now, and there is not a single man in the world fit for transmitting Chow Kung's teaching to the coming generation. But fortunately this great teaching was saved by Tseng Tse, Confucius' most filial, diligent, but also most stupid disciple.

The master was born in the State of Lu (now Shangtung Province) approximately between 551 -- 478 B.C., dying only ten years before Socrates' birth. Like Socrates, he died disappointed. And like Socrates, he becomes greater and greater with the increase of ages. But his influence has been greater, being only next to that of Christ.

Confucius' Works. -- As a transmitter, he was more engaged in revising, abridging, and editing the works of ancient sages. The following are his works:--

Canon of History	Edited by Confucius
Canon of Poetry	" " "
Canon of Rites	" " "
Canon of Changes	" " "
Canon of Music	" " "
Spring and Autumn	Written by Confucius
Confucian Analects	Written by his disciples
The Great Learning	upon the basis of Con-
The Doctrine of Mean	fucius' teachings

The European interest in Confucius, ~~fucius'~~ teachings, which is aroused by the profundity of the Tao Teh King, is probably due to the importance of Confucius as the greatest teacher of the Chinese. Translations of his works immediately followed, after Julien's Tao Teh King appeared in 1842. We can find in the bibliography various translations with the time and place of publication. The authenticity of Confucius' works has also been doubted,<sup>1</sup> but no serious arguments ever raised. We

---

<sup>1</sup>H. J. Allen, "The Connection between Taoism, Confucianism, and

may directly go to the Confucian doctrines, which, though less profound than the Tao Teh King, are remarkably practical.

The Economic Interpretation of Confucianism. -- The importance of Confucianism in the study of economic thought in China is due to the influence it has exercised upon the economic doctrines, policies, and activities of the people for many thousand years. Were the place in the history of economic thought given only upon the basis of the profundity and originality of an author's theory, Confucius, as the European critics agree, would not be so honored; for they, having gone over his work, "find it hard to solve the secret of the extraordinary veneration now paid to Confucius."<sup>1</sup> All the economic doctrines or projects of Confucius are either commonplace or based on the existing economic system or the ancient sages' teachings; for according to him "the study of strange doctrines is injurious" and therefore should be avoided by the superior man.<sup>2</sup> The influence of his teachings, is really greater than we conceive. For example, China's unwillingness to introduce the modern economic facilities, as machines, railways, and modern banking until she was defeated and humiliated by the European nations, was due to conservatism and the respect for the ancient sages' teachings. Her respect for the student and despising of the merchant<sup>3</sup> -- Confucius' teaching -- are the

---

Buddhism in Early Days," The Transactions of the Third International Congress for the History of Religion, Vol. I, p. 118.

<sup>1</sup> Ibid., p. 117.

<sup>2</sup> Confucian Analects, p. 14.

<sup>3</sup> Infra, pp. 126-128.

causes of the foreign trader's trouble<sup>1</sup> and Dewey's and Russell's welcome there. The paramount influence of a simple doctrine of the great sage is unfortunately always overlooked. All the struggle for shorter hours by labor unions, labor conventions, labor theories, propaganda, and legislation can never be more effective than a single sentence from the Bible, "Remember the Sabbath day to keep it holy..." Confucianism, though not a profound economic doctrine, is, therefore, as correctly stated by Professor <sup>Seager,</sup> "A great economic...system"<sup>2</sup> on the merit of its paramount influence.

The main problem of Confucianism is virtue. When Confucius was asked what he would choose if one of the three things, the army, food, and the virtue to be true, had to be taken off. "The army," was his prompt answer. "What next?" "Food," he replied. Even life is not as important as virtue. Now then, in addition to the Taoist's control of and the Mohist's reason for checking the economic motive of self-interest, a third barricade of virtue is placed in the way of the motive, thus distinguishing all the three great economic systems from Smith's doctrine on the harmony of private and public interests, and laying a dividing line between the Eastern and the Western thought. While Taoism and Mohism,

---

<sup>1</sup>Traders were despised. That is why the wealthy foreign traders were called "your barbarian merchants" in the imperial mandate to George III of England, while the learned missionaries were appointed to high offices at court

<sup>2</sup>H. C. Chen, The Economic Principles of Confucius and His School, preface by Seager.



though against the unchecked development of the motive of self-interest as an approach to the promotion of public welfare, firmly maintain that their ultimate aim is the welfare of the people; Confucianism, having displaced self-interest with virtue, declares that even the welfare of the people is below virtue in its order of importance. The Confucian virtue wipes out the motive of self-interest as well as the result of public welfare from economics. As a consequence, the question of the harmony of interests is changed by Confucianism to that of the harmony of interests with virtue.<sup>1</sup> Unless interest, private or public, is in harmony with virtue, no chance should be given to it for its development. All interests must be subject to virtue. But virtue is independent and free. It is not necessary to be in harmony with interest whose duty is to be in harmony with virtue.

Applying this supreme importance of virtue to production, distribution, and consumption, the Confucian unquestionably would develop a body of economic doctrines virtually different from that of Smith and even from that of Tacists and Mohists. Since a man is liable to neglect his virtue when he becomes too rich, monopoly and production on a large scale are discouraged even though they are more productive or beneficent to the public than when they are broken up into several units, each managed by a smaller enterpriser. In distribution "the superior man helps the distressed, but adds not to the wealth of the rich." The superior man is glad to see that the poor may some day take everything from the rich; but though he helps the poor, he would never tolerate such a measure,

---

<sup>1</sup> Confucius, The Great Learning, pp. 220-223.

because it is in violation of virtue. In consumption the principle of justice entitles him to a better living than that of the common people,<sup>1</sup> but virtue calls him to self-denial and a poorer living. The Confucian attacks luxury and waste mainly from the standpoint of virtue rather than from that of economics. Virtue, just like the Tao in Taoism, is the Confucian's fundamental concept, valid for all the divisions of economics as well as for all the branches of social science in its broad sense as Comte conceived it. Therefore, the Confucian economics is the science of wealth in terms of virtue.

This important word virtue as well as other technical terms, in the Confucian sense, was, however, not accurately defined by the master, who, being a practical reformer but not a theorist, only gave practical instruction according to the arising situation.<sup>2</sup> Once he said, "Virtue is more to man than either water or fire."<sup>3</sup> At another time, he told us that "self-accomplishment" and "accomplishing other men and things" are the qualities of virtue.<sup>4</sup> But he also said he could not find virtue in any living person. "Ah! probably *Wu* had it, but he is dead." But the superior man is supposed to possess virtue. "If a superior man abandons virtue, how can he fulfill the requirements of that name? The superior

---

<sup>1</sup>Because, according to Confucianism, the superior man is more productive than the farmer and the laborer.

<sup>2</sup>Y. Chow, "A Study of Confucius' Philosophy of Life," Kwang Hua Quarterly, Vol. I, Nos. 3, 4 (June, 1926), p. 33.

<sup>3</sup>Confucian Analects, p. 168.

<sup>4</sup>Confucius, The Doctrine of the Mean, p. 282.

man does not, even for the space of a single meal, act contrary to virtue."<sup>1</sup> "The superior man thinks of virtue; the small man thinks of comfort. The superior man thinks of the sanctions of law; the small man thinks of favors which he may receive."<sup>2</sup> While virtue is not systematically defined, all students are expected to be men with virtue and to understand what is virtue, the cornerstone of the Confucian economics. Even in production where natural force predominates, the Confucian should not forget virtue and the man with virtue.

Production. — "There is a course also for the production of wealth. Let the producers be many and the consumers be few. Let the production be rapid and the consumption be slow. Then wealth will always be sufficient."<sup>3</sup> In the first place, Confucius seems to welcome the increase of laboring population and to discourage that of idlers. In the second place, he seems to encourage us to work hard and to be economical in spending our income. As a practical reformer, he, however, sees not the remoter consequence of the increase of population, when the increase is out of proportion with the increase of capital or not accompanied by the improved methods of production. Confucius has not the foresight of Malthus, that the increase of laboring population will bring about the increase of poverty, not, as Confucius anticipates, that of wealth. But it must be remembered that Confucius always keeps the moral code of virtue in view. To be idle and to be not economical are against the decree of virtue. He

---

<sup>1</sup>Confucian Analects, p. 30.

<sup>2</sup>Ibid., p. 32.

<sup>3</sup>Confucius, The Great Learning, p. 243.

does not even anticipate that, with the rapid production on the one hand, and the slow consumption on the other, there must follow, if not an under-consumption, an overproduction. Although virtue prefers economy, economics demands that production and consumption ought to be proportional. We, however, ought to excuse him for the weakness of his theory, for this topic belongs not to the superior man whose main problem is not wealth but virtue. He immediately gives up the discussion of wealth, and reminds us that "in a state, gain of wealth is not to be considered as prosperity, but prosperity will be found in virtue."<sup>1</sup>

Although it is told in the definition that by the production of wealth is meant the increase of service and commodity,<sup>2</sup> Dr. Chen, an ardent advocate of Confucianism, is not without ground for claiming that production means, according to Confucius, the increase of utility. As we have just seen, the master tells us that a state abundant in wealth is less prosperous than a state abundant in virtue. Unless utility is taken for the measure of wealth, the latter can not be richer than the former. Virtue is more productive of utility, although the Taoists, especially Chwang Tse, maintain that virtue is the disturbing and exploiting element in society.

The Productive Classes.<sup>3</sup>— The economic classes in production are classified upon the basis of virtue, not according to the degree of productivity in the sense of the Physiocrat and Smith. The superior man or man

---

<sup>1</sup>Ibid., p. 245.

<sup>2</sup>More production, less consumption; more producers, fewer consumers.

<sup>3</sup>Bashford, China: an Interpretation, p. 43; Tyou, China Awakening, p. 1.

with virtue (represented by the student) is most productive.<sup>1</sup> He is the superior man who should not be mingled with the other classes without distinction. He is engaged in the practice of the most productive function, virtue. The Confucian would not join the economic class if it is taken in the sense that every body making a living in society is one of the members of the economic classes; for his only care is virtue, not livelihood.

What then is the function of this wonderfully productive man of virtue? This is like the work of St. Simonians' generals or universal men to whom the people should blindly and obediently adhere without asking why. Economically, the superior man must aid and guide the other classes so as to bring about the best result in production without violating the code of virtue. But he must not let the people know the "why" of any measure he takes. "The people may be made to follow a path of action, but they may not be made to understand it."<sup>2</sup> The student therefore is the only far-sighted leader, while the people are all "blind." When the other classes are made so intelligent as the student is, they, with the sharpened weapon of war, will fight more desperately, losing all virtue in the struggle for gain.

Below the student is the farmer who is also held in high respect. He produces the subsistence, necessities, but not the luxuries, contributes to the state a large portion of its revenue,<sup>3</sup> and scarcely does anything

---

<sup>1</sup>Chen, *op. cit.*, p. 385.

<sup>2</sup>*Confucian Analects*, p. 75.

<sup>3</sup>The revenue was largely derived from the land tax. Cf. U. Y. Hsu, "The

harmful to society. Next to the farmer is the artisan whose labor is also considered productive. The merchant, especially the rich and luxurious one, is not honored and is regarded as the least productive. While the importance of commerce is not denied, the evil of the inequality in distribution, intensified through the increased complexity of exchange, is emphatically denounced. All these are the productive classes with the exception that the student is super-productive. He should not degrade himself by learning agriculture or commerce.<sup>1</sup>

Those who belonged to the sterile class are entertainers, "smile-sellers," musicians, barbers, butchers, soldiers, attendants of the imperial family, actors, government employees whose job was to catch and kill the criminal, official messengers whose duty was to report the happy news of the successful candidate for B.A., M.A., or Ph.D. degree, or for a government appointment of high post. They are generally men without virtue, making a profitable and easy living by seeking favor from the great or by being unkind and cruel or even murderous to the distressed. Women were not considered in the productive classes. They depend first on their father, then on their husband, and then on their son as their supporters. The sterile classes and women were not eligible for an academic degree. Since the Republic, however, all the people have been declared equal.

The Productive Occupations or "Four Occupations." -- Having analysed Reform of Land Tax in China," the Chinese social and Political Science Review, Vol. I, No. 1 (April, 1916), p. 103.

<sup>1</sup>Chen, op. cit., p. 384.

the productive agent, labor, and divided it into the four productive classes, student, farmer, artisan and merchant, upon the basis of moral utility, the Confucian divides the productive agents, capital, labor and land into the productive occupations. The student can be productive without capital or land, <sup>but</sup> with his own virtue. The other productive occupations may be divided into agriculture, industry, and commerce. The student, however, should devote himself to education, administration, and the supervision of the other productive classes and occupations, obeying the sacred command of virtue and guarding ~~and guiding~~ them.

Virtue as the Occupation of the Student. — The occupation of the student is to see to the guidance of virtue as follows:

A. Administration and supervision of <sup>1</sup>(1) food, (2) commodity, (3) sacrifice, (4) public works, (5) education, (6) justice, (7) entertainment of diplomats, (8) the army — all based on virtue. Expenses incurred are only of minor importance.

B. Advocacy and encouragement of <sup>2</sup>(1) abolition of war, (2) technical invention, (3) Tseng Tien System, (4) control of nature, (5) free education, (6) election system, (7) great similarity, (8) change to perfect human nature — also based on virtue.

C. Measures to prevent <sup>3</sup>(1) premature death, (2) sickness, (3) sorrow, (4) poverty, (5) ugliness, (6) weakness — also based on virtue.

---

<sup>1</sup>Legge, The Chinese Classics, Vol. III, Pt. II, p. 327. The Chinese government consisted of these departments which were later reduced to six.

<sup>2</sup>Chen, op. cit., p. 134.

<sup>3</sup>Ibid., pp. 171 ff.

D. Measures to attain<sup>1</sup>(1) abundant wealth, (2) long life, (3) good health, (4) love of virtue, (5) good appearance -- also based on virtue.

The duty of the student should be performed with no economic end in view, while the farmer, the artisan, and the merchant are justified by Confucianism to carry on their business with the view of gain or emolument. The treatment of the other three productive occupations, based on the use of capital, land, and labor, but not virtue entirely, is not so different from the general conception of these occupations. In agriculture, land is more exclusively used; in industry, labor;<sup>2</sup> and in commerce, capital. In the occupation of the student, it is claimed that virtue must be given first consideration, and that labor, capital, and land should receive less attention. This seems ridiculous. But, after all, no modern economist may justly deny the truth that the student who is engaged in the work, as we have just described in detail, is more productive than the farmer, the artisan or the merchant. Nor can it be denied that virtue counts more than anything else in the man bearing the responsibility as a political, social, or religious leader. A virtuous ~~sanator~~ is productive of public benefit more than a farmer or a merchant.

Agriculture. -- The importance of agriculture among the productive occupations from the Confucian standpoint is well known and often ex-

---

<sup>1</sup>Ibid.

<sup>2</sup>In the stage of handicraft, manual labor is the essential factor in manufacture.



aggerated. Confucianism in its economic aspect is called the Chinese Physiocracy.<sup>1</sup> Z. C. Chwang, the Confucian and agricultural economist, is ardently advocating the return to agriculture in China, pointing out vividly that, "in an agricultural nation, virtue, self-denial, obedience to the sages' teachings, peace, and an absence of lawsuits predominate, while in an industrial nation the philosophy of "me first" rules, with the result of self-development, wealth, luxury, war, state supervision of industry and commerce."<sup>2</sup> While the Confucian is against luxury and war, he would naturally "pay honor to agricultural development," which, unlike the industrial development, "will be in harmony with the cultivation of virtue."<sup>3</sup>

With such respect paid to the cultivation of land which is only next to the cultivation of virtue, we may reasonably expect that Confucianism is more friendly and considerate to agriculture. Besides being more respected, it is protected from being disturbed, exploited, and handicapped in its development by any circumstances. The first duty of ~~the~~ government is to see that the annual farm products are sufficient to feed the people. When the farmer is engaged in sowing the seeds and harvesting the crops, the government must, as far as possible, refrain from any unimportant interference.<sup>4</sup> Even war should not be declared, nor

---




<sup>1</sup>Ho, A Complete Course in Economics for China, Vol. I, p. 10.

<sup>2</sup>D. D. Yui, "Chinese Economics in the Twenty Five Years," Twenty Fifth Anniversary, 1900-1924 (The Sincere Co., Shanghai, 1924), pp. 4, 5.

<sup>3</sup>Ho, op. cit., p. 14.

<sup>4</sup>Confucian Analects, p. 4.

should the farmer be called upon to render any service, military or civil, for the state during the period. The government must also be ready to help. Soldiers must be sent out to enforce order. The law should be more lenient in order that no time may be lost in lawsuits. When there happens to be drought, public officials should follow the example of the ancient sage-king Tang Wang, who set the example of praying for rain, saying, "If, in my person, I commit offences, they are not to be attributed to the people of the myriad regions. If the people of the myriad regions commit offences, these offences must rest on my person."<sup>1</sup>

Confucius, as a practical reformer, was more concerned, as we have seen, with the practical measures than with theories. His project of agricultural reform by the adoption of Tseng Tien System adds to him no credit of originality, for it was not Confucius' new idea. The Tseng Tien System<sup>2</sup> had been long in existence before Confucius' time when the system was gradually abandoned as the situation demanded. But Confucius strongly urged the rigid enforcement of the system, which we may explain here more in detail. Tseng means a well. Tien means a farm. So, there is a well in a farm called Tseng Tien. The Chinese equivalent of a well is # . The Tseng Tien also looks like the word # (a well or Tseng). Let us put the limit to the four sides of the # with four lines. Then we get the . This  exactly looks like a well-farm or Tseng Tien. In a , there are nine pieces of land, approximately one hundred Chinese

<sup>1</sup>Ibid., p. 214; Bashford, China; an Interpretation, p. 603.

<sup>2</sup>M. Lee, An Economic History of China, Pt. I; Mencius, op. cit., p.

acre<sup>1</sup> each. Eight farmers cultivate a well-farm. Each cultivates and reaps the crops from one piece of land in the well-farm: and the eight partners cultivate the central piece of land together for the state, thus paying off their rent to the landowner, the state. The nationalization of land under the Tseng Tien System, while it is not a measure taken against the unearned increment, is "the socialistic policy adopted to modify the inequality and the concentration of wealth."<sup>2</sup> Although this system was later reinstated by the Confucian rulers, but it was soon given up without success.<sup>3</sup> The main cause of these failures are rather economic -- namely, the limited available land for the larger population, and the lack of the impetus to the ownership of private property. We can not blame Confucius for his ignorance of the economic force working behind the economic conditions, where the enforcement of the Tseng Tien System by even a strong government was no longer possible; for, according to him, even the invincible economic force must be made to conform itself with the force of virtue.

After all, the effect of the favorable regard paid to agriculture is surprising. China has been so long agricultural that the limit of diminishing returns has continuously been pressed closer and closer to the worst land almost in every part within China Proper. Yet she remains

---

<sup>1</sup>One Chinese acre is equal to one-sixth English acre. The size of a well-farm was not uniform, being severally changed under different times and conditions.

<sup>2</sup>Ho, *op. cit.*, p. 23.

<sup>3</sup>*Ibid.*, p. 25.

loyal to agriculture in spite of the threatening misery such foolish loyalty would further intensify. It is the ambition of everybody -- even the student -- in China to own a piece of land, with little consideration as to the price of and return from it, except the professional agriculturist, whose business is to see that his investment in the farm will be not less profitable than in the fields of industry and business. To meet this universal anxiety for land among the Chinese, big farms are divided and subdivided until, as it is now, there are thirty or more enclosures within only one acre of land. A farm of the size of half an acre or one acre is looked upon as a princely estate; while the majority of farmers own less than an acre of land, each consisting of many small enclosures<sup>1</sup> scattered here and there several miles apart. Is it not a miserable triumph of virtue over the motive of self-interest? Strange is the coincidence, or there must be some connection between the Eastern Physiocracy and China and the Western Physiocracy and France, which, though surrounded by the commercial and industrial rivals, is mainly agricultural and characterized by the vast number of small farmers.

Industry and Handicraft. -- The next productive occupation, while it is not given so much consideration as that given to agriculture, is, however, so highly respected that it is rather helped than handicapped by the government. No government restraint of industrial activities is necessary, when the country is mainly agricultural and its industry is

---

<sup>1</sup>Remer, op. cit., p. 543. Quoted from F. H. King by Bailey, "Permanent Agriculture and Democracy," the American Museum Journal, Vol. 17, No. 8 (Dec., 1917).

only domestic in scope and nature. Naturally the master would be indignant at the industrial king or queen. With the small handicraftsman, however, he is very sympathetic. The Board of Commodity<sup>1</sup> stands right next to that of food in our list given above. The conservatism par excellence of Confucius does not stand in the way of invention and labor-saving machinery and labor-saving devices, while Laotse thinks little of them. "If the laborer wants to accomplish his work, he must utilize his tools."<sup>2</sup> While Laotse is against the institution that will make self-sufficiency more difficult, Confucius approves of the division of labor and the diversification of industries. Even the law of the territorial division of labor, according to the Li Ki or the Canon of Rites, one of the books he edited, is known to him as being correct. Thus, "in all settlements, the physical capacities of the people are sure to be according to the sky and earthy influences," which give rise to the different "fashion of their implements and weapons and...of their clothes...."<sup>3</sup>

All progress in industry as well as in agriculture through the improvement of method and tools in the natural course of development should not be handicapped by restraint or interference; for what we can do in production is to adjust ourselves to the predominating force of nature as Confucius and J. S. Mill conceive them. Even the much admired Tseng Tien System can not stand the natural force of economic changes. Industrial as well as agricultural freedom is therefore allowed by Confucianism, provided

---

<sup>1</sup>Supra, p. 129.

<sup>2</sup>Confucian Analects, p. 161.

<sup>3</sup>Li Ki, Bk. III, p. 228

it is not in conflict with virtue.

On the other hand, the discouragement of gigantic private industry<sup>1</sup> and the encouragement of government control of natural monopolies are<sup>2</sup> mainly based on the ethical theory that if attractive inducement to money and power is given us, we will surely forget what is virtue and degrade ourselves until we perish in the fire of greediness.

Turning from the industrial policy to the industrial classification, we find that it had been attempted before Confucius' time. The following is the classification which Confucius approved:<sup>3</sup> (1) land, (2) wood and forest, (3) water, (4) grass, (5) manufactured articles, and (6) mines.

Model factories<sup>4</sup> were operated by the government to specialize respectively in the manufacture of (1) earth, (2) metal, (3) stone, (4) wood, (5) skin, and (6) twig for supplying the needs of the imperial family, as well as to set the best standard and example for the private manufacturer.

Commerce. — The theory that in production nature should not be interfered with by man does not hold good for exchange as well as for distribution and consumption although exchange may be treated under the chapter of production on the ground that, while production is generally defined as the increase of utility, exchange does the same function of increasing utility. Confucius would certainly be glad to see the increase of utility so effected as to be not in violation of the sacred decree of virtue. As

---

<sup>1</sup>Chen, *op. cit.*, p. 537.

<sup>2</sup>*Ibid.*, p. 540.

<sup>3</sup>*Ibid.*, p. 399.

<sup>4</sup>*Ibid.*, p. 400.

long as the increased utility goes to the contracting parties of exchange (as it is in the stage of barter), Confucius would not raise any objection. But, with the development of commerce, a third party, the middleman between the exchangers, comes in and often makes more profits than the exchangers. Being the least productive, the merchant makes more profits than the most productive farmer, which can hardly be justified by virtue. Here then the restraint of immoral activities is necessary for the safeguarding of virtue and the public welfare. Measures taken to restrain commercial activities had been very oppressive until China was defeated by the European powers. In the Han Dynasty when Confucianism reigned throughout the country, merchants were humiliated by the levying of heavier taxes on them when the country was rich and prosperous; and, when it became poor and weak, merchants were deprived of the opportunity of running business by the increase of government monopolies.<sup>1</sup> The Confucian code of virtue seemed to justify such measures without its being necessary to take the vested right of the merchant so deprived of into consideration.

Besides the government intervention, some preventive measures should also be taken. First, commercial education has no place in the Confucian system;<sup>2</sup> for, while the object of the merchant is the pecuniary gain, that of education is virtue. Education is only allowed, when it teaches the merchant not only to render better service, but to get less reward. This

---

<sup>1</sup>Ho, *op. cit.*, Vol. IX, p. 2.

<sup>2</sup>In the primary education, only the "Four Books" was required; in the advanced, the "Thirteen Kings," the "Thirty Six Tses," and the history of China were added to the curriculum.

of course is not welcomed by the merchant. Secondly, when the merchant is better educated, he is better equipped to violate the command of virtue by making more money and giving up more virtue. Thirdly, the student is warned against partaking of any kind of commercial activity. As soon as he turns away from virtue to commerce, the world is threatened by, to borrow the Taoistic term, "the great robber."<sup>1</sup> He is supposed to know the "why" of everything, including that of wealth, to which the merchant, no matter how intelligent he is, is totally blind. This is probably an overestimate of the student's commercial ability. When we take the successful Occidental merchant into consideration, we find that the Confucian theory is short of truth. But all Confucians realize correctly that unless the degenerated superior man's service is utilized in commerce by the Westerner, it can not be what it is -- probably it might be as bad as that in China. No one will deny that the modern successful business in the West is entirely operated by the superior man, at least under his guidance, not by the stupid merchant as Confucius conceives. But Confucius' heart would be broken if he could learn that in China the superior man now would gladly join the band of merchants, or let his service be utilized by them.

With regard to foreign traders, Confucius, however, is more lenient on the ground that the superior man should always be sympathetic with the helpless stranger. The governments should, as the ancient superior-man-ruler did, maintain officials "to escort them on their departure and meet them on their coming, to commend the good among them, and to show compassion

---

<sup>1</sup>Chen, op. cit., p. 543.



to the incompetent." "The portals of the Kingdom were thrown wide open to all aliens, regardless of calling, profession, and creed. There was neither closing of markets, nor imposition of exotic faiths....The whole policy was one of complete toleration and genuine hospitality, of 'open door' in its truest sense of the term."<sup>1</sup> In the foreign commerce with China the foreign trader, as a rule, was motivated by the desire of reaping a rich reward for his enterprise, while the Chinese government had always the motive in mind to win friendship "by indulgent treatment of men from a distance" regardless of whether they were "guests or envoys, and travellers or travelling merchants."<sup>2</sup> In treating the "barbarian merchant," who was supposed to be ignorant of virtue and the high ideal of the Chinese law, the penalty that was to be imposed on the Chinese was scarcely imposed on the foreign trader for similar crimes. The government often paid the debt which the bankrupt Chinese owed to the foreign trader, and often disregarded the law, in the criminal cases, to extend sympathy to strangers.<sup>3</sup>

The rôle of the ethical motive in the opening of the country for foreign trade has also been recognized by foreign students of Chinese affairs.

---

<sup>1</sup>C. S. See, The Foreign Trade of China, p. 337.

<sup>2</sup>Confucius, The Doctrine of the Mean, p. 273.

Cf. Kia Lung's mandate to George III of England. Any person who receives mercy and sympathy from others is not fit for being a superior man. So the foreign traders in China were much despised by the government, though they were treated better than her own citizens who were supposed to follow virtue and be responsible for their crimes.

Foreign trade was not "a necessity for China; it was a great favor of the Chinese to foreigners... in order to show the benevolent consideration to others."<sup>1</sup> Such moral consideration is "due to the Confucian ...thought."<sup>2</sup> The Chinese government issued the decree that certain Chinese goods should not be checked from being exported, because if the foreigners did not eat them, "they would die of disease."<sup>3</sup> China's door was thrown open to foreigners from "Tang, Sung, Yuen, Ming Dynasties." It was not until she learned that "India, Cuba, and Philippines were annexed," that "the Spanish murdered the Chinese," that "the piracy of the Portugese and the Dutch along the Chinese coast became a menace" that "the barbarian foreigners...carried on the propaganda of Christianity against the teachings of the ancient Chinese sages, threatening with the utter destruction of the social structure which was built on the civilization of more than two thousand years old" that she began to adopt the closed door policy.<sup>4</sup>

Money. — The medium of exchange in commerce was also not overlooked by the Eastern sages, but their treatment of the subject was tinged with the same moral tone. The moralists noticed the evil of the unstable currency, and devised, like Professor Irving Fisher, some project to check the evil. As a result, the stabilized dollar was invented before Confucius' time, and it was approved of by him. The project not only consisted of

---

<sup>1</sup>Takeyanagi, Tariff System in China, p. 8.

<sup>2</sup>Ibid., p. 9.

<sup>3</sup>Ibid., p. 8.

<sup>4</sup>Ibid., pp. 6-9.

the control of the value of money (Fisher) but also that of the commodity. It may be represented as follows:--

Money side: When money was cheap, the government should coin dear money.

When money was dear and scarce, it should coin cheaper and and more money.<sup>1</sup>

Commodity side: When commodity was abundant, the government should buy and store up for the lean year.

When commodity was scarce and dear, it should lower the tax on the scare and dear commodity, thus stablizing the value of the dollar indirectly.<sup>2</sup>

The stabilized dollar was devised with the main purpose of controlling the prices of grains, the most important necessaries for subsistence.

The moral function of the money was followed by its moral shape. Here Confucius was disappointed, because he was compelled by circumstances not to adopt the best shaped money of Kiang Tai Kung,<sup>3</sup> a sage-statesman of Chow. We will here briefly give some space to the different kinds of money used by the time of Confucius. When the lack of authority on the part of the central government over the contending feudal princes and their kingdoms, broke the uniformity in currency as well as in laws, rites, and social and economic systems in the different states in China. An investigation by Professor Liang discloses the fact that the currencies generally used, not to mention the numerous articles used as exchange media,

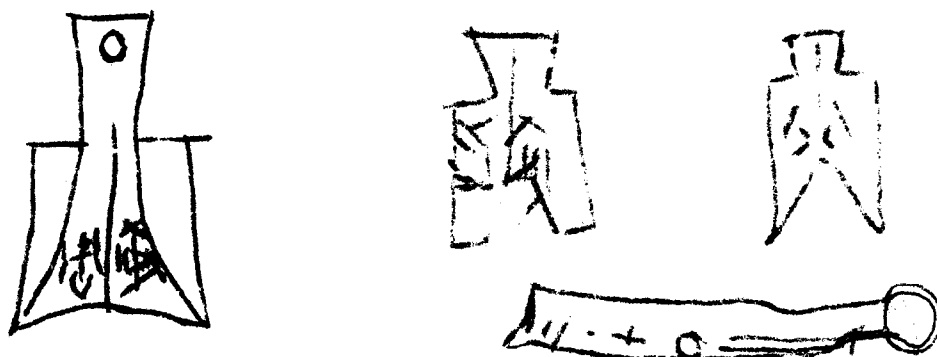
---

<sup>1</sup>General Research, Bk. III.

<sup>2</sup>Ibid., Ch. VIII.

<sup>3</sup>W. P. Wie, The Currency Problem in China, pp. 11, 12.

by that time were as follows:-- (1) the shell,<sup>1</sup>(2) the turtle shell which was more valuable than the ordinary shells,<sup>2</sup>(3) the leather,<sup>3</sup>(4) grains and cotton goods,<sup>4</sup>(5) animals,<sup>5</sup>(6) implements,<sup>6</sup>(7) pearls and jades.<sup>7</sup> Of all these the implement should be considered to some extent in detail, from which the widely used implement money was developed. Vast amounts of implement money have been unearthed. The different kinds of implement money are shown as follows:--



<sup>1</sup>Liang, An Inquiry into the Currencies in Ancient China, pp. 2 ff.

<sup>2</sup>Ibid., pp. 10 ff.

<sup>3</sup>Ibid., pp. 11, 12.

<sup>4</sup>Ibid., pp. 12 ff.

<sup>5</sup>Ibid., pp. 18, 19.

<sup>6</sup>Ibid., pp. 19 ff.

<sup>7</sup>Ibid., pp. 21 ff.

<sup>8</sup>Catalogue of Chinese Coins, pp. 4-17; Liang, op. cit., p. 20; Wei, op. cit., pp. 13 ff.

<sup>9</sup>Ibid., pp. 30-212; Wei, op. cit., p. 13.

<sup>10</sup>Ibid., pp. 213-298; Liang, op. cit., p. 19; Wei, op. cit., p. 14.

The most convenient round money is the one coined according to the specifications given by the central government and designed by Kiang Tai Kung, who was highly respected by Wen Wong and Chow Kung. It looks like an American quarter with a hole in it for the sake of convenience. We may put many of them on a string as we string the pearls of a necklace.

But why is the hole square instead of round like that in the pearls of a necklace? Here again, the Confucian force of virtue predominates. Money, being used in the cursed exchange, is an immoral product, at least not a virtuous product. It is therefore not square but round, for roundness in Chinese means changeable, flexible, irresponsible, outwardly polite, but not sincere -- all these are the characteristics of a merchant. While money is used for such immoral purposes, the central pillar must, however, be the virtue of squareness.<sup>1</sup> Confucius naturally liked the round money, but his native state Lu, being rebellious against the central government, was not favorable to it.

In conclusion, we may look back to agriculture and industry where moral interference is less prominent, for the character and nature of them are not so much liable to violate the requirements of virtue. In exchange the moral interference becomes more necessary. When we come to distribution and consumption, we are more rigidly held responsible to virtue.

The great importance of virtue, though it is made eminent by Confucianism, is really also emphasized in our science of economics, though not so

---

<sup>1</sup>The square hole is a warning against the round and irresponsible character of the merchant and the banker.

emphatically pointed out, especially in the field of production. No doubt, the prohibition of the liquor traffic and the failure to tax salt in the United States are motivated by virtue rather than economy and efficiency. Although virtue is less emphasized than efficiency in production in the Occidental nations, the socialist as well as the modern economist would unanimously like to put the virtuous socialistic projects into practice, provided the same degree of efficiency in production can be maintained. Efficiency in Confucianism as well as Taoism -- with the exception of Mohism -- is, however, not so emphasized.

Distribution. -- From production to distribution, the importance of efficiency gives way to that of justice in the socialistic economics, or that of nature to that of man as J. S. Mill believes. Different as the different theories are, it is certain that in distribution the moral force is playing an important rôle, whereas in production efficiency is in its way. If Virtue raises her voice, Production would say: "If I am efficient, the public will be benefited with the increased distributive shares. So leave me alone to do what I want." Now in case the distributive shares are not benefited at all, while the increased efficiency in production reaps the rich reward for the controllers of the productive means, the Moral Force would not keep quiet any longer; and the socialist would be the first to raise his voice. Even Smith would do something in case private and public interests could not harmonize. The Mohist would say, "This might not have happened, had reason taken the place of self-interest." The Taoist thinks that, as soon as efficiency plays its rôle, the root of social calamity is already too deep to be dug out. We should not even

think of efficiency. The Confucian would not object to efficient production in case it is in harmony with virtue. The inequality in distribution is rather due to that kind of efficient production where virtue is absent. To emphasize virtue even in production as the Confucians do is to take one of the measures as a precaution against the evil result in distribution. For instance, the drastic measures against the large producer and merchant and the encouragement of agriculture on a small scale for the small farmer are projects devised to enable the people to be sure of their distributive shares rather than to run the risk for richer rewards from efficient production on a large scale. Since precaution in production, where human effort is less effective, is not a sure way to prevent the inequality in distribution and the motive of self-interest, the Confucian guards, with greater carefulness, the sacred virtue in distribution where the inequality may be melted away by the force of virtuous laws.

Objection to the Productivity Theory. -- The productivity theory that what one produces one gets is not approved by Confucius, though welcomed by Taoism: for the sacred duty of virtue calls for not only "self-development" but also accomplishing other men.<sup>1</sup> In its negative significance; i.e., one must not get more than one produces provided that one is already able to live on one's income comfortably, the theory can be accepted by him, for greediness and discontentment are condemned by Confucius. One of the superior man's duties is to help the poor, incompetent, and the distressed.<sup>2</sup> He should also preach against the productivity theory to the

<sup>1</sup>Confucius, The Doctrine of the Mean, p. 282; cf. supra, pp. 122 ff.

<sup>2</sup>Confucian Analects, p. 42. Four duties of the superior man are recom-

powerful and the rich to be modest, generous, and benevolent. "The superior man helps the distressed and adds not to the wealth of the rich."

The cause that prompts the Confucian to help the poor and detest the rich is also rather ethical than economic. Riches and insolence as well as poverty and cringing are as inseparable as water and paste. The rich would violate the law of virtue because they are too insolent to obey; whereas the poor, being compelled by hunger and misery, would have no consideration for self-respect, thus losing virtue by fawning upon the rich or by becoming the easy victims of favor until their character is totally wrecked in the sea of misfortune where the life boat or salvation message could never reach.<sup>1</sup> The former, the rich and powerful, can be best represented by the warring feudal princes who would not even listen to the Son of God, the Emperor. The latter, the poor, are represented by the sterile class that we have mentioned in connection with the topic of production.<sup>2</sup> Unless the superior man takes the step to prevent the rich from growing richer and the poor poorer, society will be hopelessly divided between aristocracy and slavery as the case is among the ancient Greeks. As soon as the aristocrat may leave all the drudgery to the slave, they, being idle and free from economic worry and physical suffering, would plunge themselves into luxury, symposium, as well as science, rhetoric, refinement, culture, and fine arts, which "were planted like exquisite exotic mended by Confucius: (1) humility, (2) respect of the superior, (3) benevolence to the people, (4) righteousness in the employment of the people.

<sup>1</sup> Liang, Essay on Kwaen Tse, p. 87.

<sup>2</sup> Supra, p. 128.



flowers, upon the black, rank soil of slavery."<sup>1</sup> Upon the economic foundation of the slave labor was built the Greek memorial of beautiful imagination expressed in philosophy, literature, arts, and military supremacy. As a result, the economic and social problems, being more concerned with the slave, were neglected.<sup>2</sup> Thanks to Confucius' preaching of virtue, consideration for the poor, and warning against the rich, slavery on such a large scale or in its Western sense has never been in existence in China, although customs and traditions still justify the immoral practice of selling little girls, scarcely ever boys, to the rich to become personal attendants or house maids. With the absence of the extreme rich and the extreme poor in China, especially before the modern period, social and economic problems were therefore concerned with all the people. By the time of Mencius (372 — 288 B.C.) almost every type of economic theory and policy was outlined.<sup>3</sup> The Chinese economics, unlike the neglected slave economics in Greece, was a national problem of the people, by the people, and for the people.<sup>4</sup> The people were carefully guarded against being exploited or exploiting, against degrading themselves from the poor to slavery by the help of virtue, or climbing from the rich to the richer aristocracy by the check of virtue as well as by some other measures proposed by the economists outside of the Confucian School for the same purpose of preventing the unequal distri-

---

<sup>1</sup>Meyers, The Eastern Nations and Greece, p. 347.

<sup>2</sup>Liang, History of Chinese Thought in Ancient Times, pp. 73 ff.

<sup>3</sup>Ibid., p. 54.

<sup>4</sup>Liang, Essay on Kwaen Tse, p. 75.

bution.

The Importance of Need. -- The Confucian theory of distribution, that, if one's income is not sufficient for maintaining a respectable but modest living, it should be increased through some legitimate devices until it is sufficient, is harmonious with the socialistic theory that distribution should be based on the individual need.<sup>1</sup> But practically, this is a difficult problem even the socialist has not yet solved satisfactorily. Can we make the rich, the man without virtue, help the poor? Or how can we make everybody get what he needs? Or granted, there is no obstacle in the way of the readjustment of distribution upon the basis of need, can the social dividend be sufficient for the purpose under the new system of distribution? To the last question Confucius would answer in the affirmative. He told us that we do not have to worry about poverty if we have an equal distribution, where no poverty could ever exist.<sup>2</sup> Confucius believed that the co-existence of equal distribution and poverty is impossible. As to the first or second question where obstacles of private interest are still in the way of the readjustment of the distributive system, Confucius answers that, if the superior-man-ruler, like the philosopher-king in Mohism, is reigning, all obstacles and private interests will be melted harmoniously in his powerful virtue without it being necessary to shake the existing institutions.<sup>3</sup> As a rule, he is not rebellious against the ancient institutions, although they may

---

<sup>1</sup>Chen, *op. cit.*, p. 466.

<sup>2</sup>Liang, *op. cit.*, p. 87.

<sup>3</sup>*Confucian Analects*, p. 9.

be modified where virtue demands.

The Equalizing Function of Virtuous Institutions. -- Although no radical attempt has been made by the Confucian, -- with the exception of the self-styled Confucian A. Z. Wang, who is regarded as a heretic by the conservative Confucian, and of many modern Confucians as Kang Yew Wei, Yeun Fu, and Dr. Chen, who, though comparatively more conservative, are, however, conscious of the necessity of political, economic and social reforms in China --, yet the ancient institutions, though fundamentally not changed, have been modified and modified so as to make China a society where institutions are not against the principle of the distributive basis upon need; whereas in the Occidental society the institutions that encourage efficiency, productiveness, individual initiative, and acquisitive motive, are most firmly established. For instance, the Confucian code of the economic status of women (a woman is entitled to economic dependence on (1) her father, (2) her husband, and (3) her son) and of a father's duty to support the whole family, which in some, but not rare, cases, consists of twenty or more than one hundred members, would naturally help to equalize the distribution of income but crush the individual initiative, and decrease efficiency to the utmost.<sup>†</sup> Thus, according to Professor Liang's estimate in 1916 when woman and child labor had long been in existence since the introduction of the Western factory system into China, those who were employed in productive occupations were less

---

<sup>†</sup>D. K. Lieu, "The Social Transformation of China," the Chinese Social and Political Review (Sept., 1917). He maintains that the economic unit in China is the family while the economic unit in the West is the individual.

than half of the population.<sup>1</sup> Liang's estimate is, however, very liberal. He puts all the idlers and those who are employed in gainful occupations as preachers, soldiers, actors, and musicians as unproductive. In terms of his interpretation, all together at 210,000,000 persons. As considered to be productive, there are 190,000,000 persons, of whom one third approximately earn less than they need and depend on the family to defray the expenditure in excess of their earnings. A more conservative, and probably more accurate estimate was made by Chang.<sup>2</sup> All the men, women, and children employed in modern industries are 2,000,000 in number, while those in the old type of productive occupations are approximately 180,000,000. The present writer's experience would place it at a considerably lower figure. For example, in his own family, an average Chinese family, which consists of twelve members, only one man is engaged in a gainful occupation. The family system is not the only institution in China that fosters virtue and equalizes distribution. Broader in scope is what Confucius termed the "Five Relations"<sup>3</sup> which are graded according to the order of importance as follows: the relation of (1) the king and his officials, (2) father and son, (3) elder and younger brothers, (4) husband and wife, (5) friends. The purse must be placed at the disposal of those whose distributive shares are not sufficient for procuring a necessary subsistence. They should also be equally generous to their relatives. Even to

---

<sup>1</sup>Liang, The New Nation, p. 157.

<sup>2</sup>S. C. Chang, The Present Labor Conditions in China, an unpublished paper.

<sup>3</sup>Cf. Y. Chow, "Confucius' Philosophy of Life," Kwang Hua Quarterly, Vol. I, No. 3 (1926), p. 35.

a stranger, provided he is virtuous, we ought to share concern of his need as that of our own. No matter who and what we are, we will surely be treated as outcasts, if we do not fulfill the demands of the Five Relations without any virtuous cause, which alone could justify the neglect of any duty required of us by the Five Relations or the failure to observe the order of importance of the relations as listed above. We may desert the king, reject his appointment, and refuse to help him with our service and purse in case a war is declared without moral justification, or our sick and old parents need us at home to bring happiness and sunshine to their darkened declining years. We may also turn against the king or the father in case our brother, wife, friend, and even the virtuous stranger are grossly mistreated by them. The father can not be justified to take our money for our wives' or sisters' food for his own drink or tobacco. Mencius, though a disciple of Confucius but a greater lover than the master, adds to the Five Relations a new category of "Four Citizens,"<sup>1</sup> namely, the widower, the widow, the solitary, and the orphan — all must be taken care of by the public if they are not within the category of the Five Relations. There are many institutions which resemble the family system and the Five Relations in character as far as they are concerned with distribution (equality) as well as production (inefficiency). Professor Remer has called our attention to these peculiar institutions in China that shape the distributive system in China.<sup>2</sup>

---

<sup>1</sup>Cf. Y. Y. Tsu, op. cit., pp. 43-91.

<sup>2</sup>Remer, Reading in Economics for China, p. 403; Cf. supra, p. 83.

The existence of such self-suppression institutions could never have been possible, had it not been for the supreme influence of the self-denial philosophy of virtue. If self-interest is planted by God in our nature, Confucianism is largely responsible for displacing it by self-denial in the Chinese mind.

We may probably mention a few more of these moral but economically disastrous institutions in relation to distribution. The inheritance system in China<sup>1</sup> is like a dead iron law which entitles the owner of property no right to reward the deserved with a larger share of inheritance and to cut off the prodigal son from the will entirely. As a rule when the property is to be divided, it is divided equally among the sons; and the father can do nothing for his wife or his daughter, not to mention his friends. Every son can count on his share. Until the family is divided, the sons are generally idle; for, if they work, they work for the family, and if they are idle and enjoying, they will get their shares in the future just the same. Another phase of the moral system is the discouragement of the student to enter business. Still worse is the sacred command of Confucius that student may be underpaid, for their main purpose of life is the cultivation of virtue. The bachelors of arts are the most miserable creatures in the world. With the social status higher than that of the richest merchant, and an academic honor prouder than a million-dollar fortune, they could hardly keep a bare subsistence, depending on the tuition from the students, which scarcely exceeds a half dollar

---

<sup>1</sup>Cf. K. T. Chi, "The Problem of Inheritance in China," The Tenth Year Anniversary (Shanghai: Cheking Students Club, Fuh Tan University, 1920).

per year per student, although those unsuccessful candidates for the B.A. degree, not being able to obtain the honor as a superior man, can afford to turn from being poor students to become prominent lawyers or business leaders. As soon as the superior man gets his appointment from the government, naturally, he, with the maximum freedom granted him to discharge his duties, will do his best to exact money from the people and put all of it into his own pocket<sup>1</sup> so that after his retirement, he can really live like a superior man, always helping the incompetent and the distressed. An even worse case can be mentioned; i.e., the encouragement of beggary.<sup>2</sup> While the sterile musicians, actors, imperial attendants, and their sons are barred from the academic honor, the beggar is, however, in a better position — probably this is due to the moral command to show sympathy with the distressed. His son is allowed to enter the competitive examination for a degree, while the son of the sterile class is barred from it. All the churches are open at the free disposal of the beggar. All the people are accustomed to give food and money willingly to him. The respectable poor men may suffer from hunger. But the beggar always has plenty to eat. In the new year, every family, poor or rich, is required by tradition to make a large quantity of special delicacies for distribution among the beggars who will just ask for them. To work for a living there, is hard, but to beg for it is really much easier there than in the Western world. Every home you see you may go to for food. Every church you see you may go to for shelter. There is no question to ask, no man


---

<sup>1</sup>P. S. Reinsch, World Politics, p. 95.

<sup>2</sup>Liang, The New Nation, p. 142.

to look after, no official to bother you. Are these surprising results not in harmony with the distributive system based on need? Are they not the results from virtue? Of course, they are. No bookkeeper is able to figure out what the influence of virtue has cost China just to make the meagre distributive shares more equal. But the price for moral victory is high. The European philosophers, such as Mandeville, Smith, Hutcheson, and Kant, have pointed out to us -- unfortunately not to Confucius. Kant told us that if we gave the place of self-interest to virtue, a "life in complete harmony, contentment, and mutual love" would be the result. On the other hand, "thanks be then to nature for this unsociality, for this envious jealousy, and for this insatiable desire for possession and for power...in order that man may be impelled to a new exertion of his powers, and to the further development of his natural capacities,"<sup>1</sup> and to the achievement of the increased efficiency in production with the corresponding increase in distributive shares.

While the Confucian system of distribution is based on need and the institutions that would serve the purpose of this distributive system are most firmly established, Confucianism, however, is not in favor of the confiscation of any distributive shares. It justifies profits and especially interest. The Confucian theories of the distributive shares may be represented as follows:--

A. Rent: One-ninth of the yield based on the  Tseng Tien System and paid to the Emperor on the ground that the gift of Heaven should

---

<sup>1</sup>W. Durant, The Story of Philosophy, pp. 307, 308. Quoted from Kant, Eternal Peace and Other Essays (Boston: 1914); cf. supra, pp. 103 ff.



belong to the Son of Heaven, the Emperor.

B. Wages: (1) To the laboring class, wages must not be underpaid; (2) to the superior man, it may be underpaid. But he should be paid.

C. Interest: The child of capital. The mother is justified in having her child.

D. Profits: (1) Warning against everybody taking profits with the exception of the merchant who may however take them; (2) the superior man, when profits come to him, can not be justified remaining silent. He must reject them.

The point of special interest in the Confucian theory of distribution is the justification of interest and the strong opposition to profits, while the view as to the reward for superior man's service is already confirmed, for instance, in the United States, where school teachers are paid less than lawyers and bricklayers. Labor is not exploited by capital but by the enormous profits seized by the capitalist. When labor is underpaid, capital will not be benefited by the exploitation; for the value of the exploited labor will not enrich or increase the interest of capital but go to the enterpriser or capitalist or the merchant in the Confucian terminology. The fact that a millionaire may become a multi-millionaire in a few years is not due to the accumulation and multiplication of the interest from the capital deposited in the bank but due to the exploitation, promotion, and speculation. The capital which rapidly multiplies itself through the realization of the enormous profits resulting from these processes, according to the Confucian, is only the medium for exploiting labor and making profits. The productive function of capital is

lost in the immoral use of it as an acquisitive medium. In the most civilized nations where the interest rate is becoming lower and lower the number of large fortunes are becoming more and more, the fact is undeniable that the interest of the investor's capital is exploited by these large fortune-makers either in the direct form of profits or in the masked forms of it, as common stocks, and almost all kinds of intangible assets.<sup>1</sup> Confucius would be satisfied to see that in his own country, capital is better rewarded and his people are not so busily engaged in seeking for profits. Nor would he be sorry that there is no able enterpriser, the profit-maker or labor-exploiter, in China. We are not mistaken in agreeing with Confucius that the rich merchants, or the industrial magnates and kings in the modern terminology, do not make their fortune as the men who furnish the capital but as the enterprisers who make profits or exploit labor by means of it.

In conclusion, we may briefly sum up the differences between Taoism and Confucianism on the theory of distribution. While Taoism is in favor of the productivity theory, Confucianism is against it, and inclined to the socialistic theory that distribution should be based on need rather than service. To Taoism, institutions are in the way of a more equal distribution; Confucianism, on the contrary, would borrow the influence of institutions to equalize distribution, provided the institutions in question will not encourage the motive of self-interest as the Occidental institutions do. Taoism, though against the existing institutions, is negative, trying not to abolish them, but going back to the ultimate cause

---

<sup>1</sup>Davenport, op. cit., pp. 519-528.

of unequal distribution behind institutions and crushing it — the motive of self-interest — entirely as an approach to equal distribution. Confucianism is positive. It would fight against the institutions objectionable to the Confucian ideal, and uphold the institutions handed down from ancient sages. Although they may be modified to harmonize with the change of social conditions or the demand of the arising situations, they should not be fundamentally changed. Besides the influence of these institutions, virtue must take the place of the economic motive of self-interest to watch that everybody, rich or poor, productive or unproductive, should be given a distributive share sufficient for subsistence. While Laotse's aim is the absolute equality in distribution, that of Confucius is merely a sufficient share for subsistence for those who are not able to get it without help. Though he is not so friendly to the rich as to the poor, he assumes no socialistic tone to confiscate the property of the rich for the sake of the poor. Laotse's hope for equal distribution is motivated by the conception of the importance of Tao, that of Confucius by that of virtue.

Consumption. — Consumption, as we have seen, is more emphasized in China than in the West by the economists of the Taoistic and the Confucian school from different viewpoints. The Taoist strives to decrease consumption on the ground that the material consumption would endanger the mental and spiritual vitality and divert the mind from the Tao. Confucianism, on the other hand, maintains that, while the Taoistic doctrine of consumption is by no means practicable, certain measures must be taken to put consumption upon the moral basis which condemns luxury not as an

economic evil but as a sin against virtue, and advocates that everybody has a right to the means of subsistence regardless whether or not he can earn it.

This advocacy, like the first Solidarist thesis,<sup>1</sup> forms the pillar of all the Confucian theories on consumption. All the attacks on luxury, all the eulogies for economy, and all the state interventions and supervisions of consumption must, according to Confucianism, be based on the central principle of virtue. It is for the sake of being virtuous that luxury should be given up for economy. The contribution from those who live in luxury to those who are in need should rather be prompted by virtue than be forced by legislation, just "as an act of liberality arising out of goodness of heart...of the rich good man."<sup>2</sup> Luxury must pay its moral debt where subsistence demands it.

The Attack on Luxury. — With such a moral basis of consumption, we may surely expect that the Confucian will attack luxury to the utmost and at the same time will point out the moral danger of underconsumption. Confucius left the king when he found that the latter forgot to discharge his duties on account of his indulgence in pleasure. While he recognized Kwaen Tse as one of the greatest statesmen, he was not hesitant about criticising his luxury, although Kwaen Tse was considered to be modest and economical.<sup>3</sup> On the other hand, he was never tired of saying, "Admirable indeed was the virtue of Wie! With a single bamboo dish of rice,

---

<sup>1</sup>Gide and Rist, op. cit., p. 599.

<sup>2</sup>Ibid., p. 596.

<sup>3</sup>Confucian Analects, p. 26.

a single gourd dish of drink, and living in his mean narrow lane...he did not allow his joy to be affected by it."<sup>1</sup> "He, who aims to be a man of complete virtue, in his food does not seek to gratify his appetite, nor in his dwelling-place does he seek the appliances of ease."<sup>2</sup> "A scholar, whose mind is set on truth, and who is ashamed of bad clothes and bad food, is not fit to be discoursed with."<sup>3</sup> Confucius himself is always satisfied "with coarse rice to eat, with water to drink."<sup>4</sup> Even in the ceremony, in the sacrifice and entertainment of guests where luxury is allowed, economy is preferred.<sup>5</sup> Economy in Confucianism is a virtue, while luxury is an enemy of virtue and ought to be discouraged.

The Necessity of Subsistence or a Comfortable Living. — Although Confucianism is against luxury, it, unlike Taoism, recognizes the social evils inherent in underconsumption and is not against the elevation of the standard of living, where moral elevation can be accomplished without physical emancipation from suffering, hardship, and worry for food and shelter.<sup>6</sup> Robbery and theft are the results from despairing to make a legitimate living, because it is too hard to make. "No man would care

---

<sup>1</sup> Ibid., p. 52.

<sup>2</sup> Ibid., pp. 7 ff.

<sup>3</sup> Ibid., p. 32.

<sup>4</sup> Ibid., p. 64.

<sup>5</sup> Ibid., pp. 19, 81.

to know the difference between pride and disgrace unless he has his decent clothes and food." Even the superior man must be paid so that he can have "coarse rice" to eat. The close relation between the maintenance of the physical body and the maintenance of virtue is undeniable,<sup>1</sup> being true in China as well as in the rest of the world. In Europe and America, as Liang believes, there are the most evident proofs in support of the Confucian theory. "The German, the English, and the American, whose standard of living is not surpassed by any other people in the world, are credited with maintaining the highest moral standard. The Spaniard and the Portuguese, who were brave, active, upright, and dignified a few centuries ago, are now just what they were not, having degenerated with the progress of poverty, where the question of living takes precedence of that of moral elevation."<sup>2</sup> The economic and moral relation can be further illustrated from a vast number of worthy examples in the history of the Western world as well as that of the Eastern. For instance, during the French Revolution, almost all the unfortunate nobles lost their heads without losing the virtue of self-respect, largely because the comfortable living during the past had given them the leisure for the cultivation of high ideals. If Confucianism aims not at the public welfare, it must be for the sake of virtue that it will welcome the ele-

---

<sup>1</sup>While the relation between body and mind is generally recognized, those philosophical opponents to dualists maintain that the functions of body and mind can not affect each other. Cf. O. Kùple, Introduction to Philosophy, p. 135.

<sup>2</sup>Liang, The New Nation, p. 211.

vation of the standard of living, provided that the leisure thus gained will be spent in moral lessons rather than in the insatiable pursuit of a personal whim that skips beyond the bound of virtue.

The Institutional Control of Consumption. -- As in distribution where virtue is to be supplemented by institutions to accomplish the purpose of securing for everybody a distributive share sufficient for his need, institutions as well as virtue are certainly more needed to help virtue to dispose of the distributive share in consumption in case economic progress in society has increased the distributive share to the size of a princely income which requires something more than mere common sense to spend for some worthy purpose that will be justified by its own result in "self-development and accomplishing others." The institutions favored and cherished by Confucianism as the moral guards besides virtue against the disorder and irregularity in consumption must be those which (1) will prevent the responsible party, as the father of a family, from spending all the income on himself, -- the institutions against luxury --, and (2) will promote culture and virtue.

The Repressive Control. -- The first question may be solved by the discouragement of the production of the immoral and luxurious consumption goods, such as prostitution, theatres, immoral literature and pictures, and fancy and expensive articles, which, according to Confucianism, are productive of immorality but not utility. With such inducements, the responsible party, as the father of a family, is liable to spend his income in the theatre and drinking before it can reach the family, unless there are certain rigid measures besides the moral force of virtue to pre-

vent the dangerous step of luxury and license, into which men, though not the superior man, are liable to fall any moment. So we must be guarded by good institutions besides virtue against our falling victims of licentious consumption, violating the moral command of economy, and even giving rise to more unequal distribution. The increase of the consumption goods in modern society has accomplished much in what is warned against by our first question as well as in what is recommended by the second question which immediately follows.

The Aesthetic and Ethical Control. — When our income is more than sufficient for the physical well-being, it may be spent in "self-development" as well as in "accomplishing others" (distribution). The road to self-development is an education of the "Six Arts":<sup>1</sup> viz., (1) rules of propriety, (2) music, (3) shooting, (4) riding, (5) writing and penmanship, and (6) mathematics. An explanation may probably be needed to answer the anxious inquirer why music and shooting are given the great honor entitling each of them a place in the Six Arts, while musicians and shooters are mercilessly attacked. The reason is simply this: while musicians and shooters are smile-sellers and man-killers playing the licentious tune, killing honest men, and both making out of the arts their immoral businesses, we employ them as higher consumption goods for self-development, being only productive of intellectual and moral utility.<sup>2</sup> When Confucius was hunting, he would not shoot the distressed game nor would he kill the prey when it was sleeping in the night. In displaying

---

<sup>1</sup>Cf. Liang, History of Chinese Thought in Ancient Times, pp. 78-84.

<sup>2</sup>Confucian Analects, pp. 19, 21, 101.



the skill, the competing shooters must bow to each other before and after the game. Confucius was also a patron of music,<sup>1</sup> by which he once saved his life. Being surrounded by the mob and threatened with death on account of the likeness of appearance between him and a traitor of the mob, whom they intended to kill, Confucius took out his musical instruments and played a tragical song, which immediately melted away their rage like magic. When Tse Yew, one of his students, became the magistrate of Wuzien and taught the people music, Confucius cried with joy, saying, "It is not necessary to cut a chicken with the knife that will kill a cow!" He meant that a small place like Wuzien was not worthy of the high education in music. But even in aesthetics, we should not lose sight of moral importance. When Confucius heard anybody weeping, he would refrain from playing music during the day.

Another point of special interest to the Western reader is that painting, sculpture, and architecture are given no place in the Six Arts. Painting and sculpture were superseded by writing and character-chiselling which represent the highest arts of painting and sculpture and which are often mastered by none but the student. No matter how poor or rich, noble or humble one is, it is always considered a good taste to decorate the interior and exterior of the house, to use them as wedding or funeral presents, or as media in the promotion of advertising campaign, or to endow a learning institution with the writing of chiselled characters of such writings by a great scholar that can not be measured in terms of any prices. To supply the big demand for the writings, there

---

<sup>1</sup>Taylor, *op. cit.*, p. 51.

come to exist a number of commercial penmen whose writing may be obtained at prices ranging from one dollar per hundred words to one dollar per one letter. But it is never a good taste and never highly appreciated to use commercial writing.<sup>1</sup>

Besides the "Six Arts" (<sup>physical and</sup>intellectual), the "Four Disciplines" (moral and intellectual) must be observed in developing oneself. They are benevolence, righteousness, propriety, knowledge (Mencius).<sup>2</sup> A fifth one is added by Han Yu, namely, truthfulness.<sup>3</sup>

We may sum up the Confucian theory of the control of consumption as follows: (1) by the influence of virtue, (2) by the help from the institutions that (a) will check the production of the luxurious consumption goods, and (b) will affect the <sup>physical,</sup>intellectual, and moral advancement.

The Place of Consumption in the Confucian Economics. -- In the Confucian as well as in the Taoistic economics, consumption takes the place where production is in the Western economics. Economists in the West always try to find the remedy for the evils of distribution and consumption in production; while those in the East, that in consumption. In Confucianism, the question of distribution is controllable by the elasticity of consumption; in Socialism, by the control of the means of

---

<sup>1</sup>"China, the Home of the Fan (Illustrated)," the Chinese Economic Monthly, Vol. II, No. I (Oct., 1924), p. 4. Attention may be called to ex-President Y. N. Li's writing presented to Columbia University in appreciation of its service rendered to Chinese students.

<sup>2</sup>Infra, p.189.

<sup>3</sup>Infra, p.194.

production; in Hedonism, by the marginal productivity of the productive factors; and in Taoism, also by the control of consumption. When consumption is reduced to nil or a little above it, the question of production and distribution will automatically disappear, for everybody can produce much more than the economical Taoistic appetite needs. Confucianism also emphasizes economy in consumption and discourages luxury so that we are guarded against spending all the distributive shares on ourselves. The Eastern economics, as a rule, gives little consideration to production which is so emphasized in the Western economics. The improvement in the production methods and implements gave rise to the Industrial Revolution which, in turn, changed the total structures of the social and economic system in the West. On the contrary, if there are any changes of the social and economic system in China, such changes are due to the demand of consumption, not that of production. "The main factor in the industrial revolution in the West has been the change in the methods of production, while in China the conspicuous feature of the revolution is the change in the nature of consumption."<sup>1</sup> The production of any new commodity never takes place until there is a growing need for it. The first railway built in China by the foreigners was bought by the government and destroyed.<sup>2</sup> While "paper money has been in use in China longer than in any other country in the world," the government would only resort to the step of issuing the paper currency when the treasury was empty and discontinue it when

---

<sup>1</sup>Chin Chu, The Tariff Problem in China, p. 132.

<sup>2</sup>Chang, op. cit.

the treasury was replenished.<sup>1</sup> There were labor-saving machines invented by the Chinese; but they passed into oblivion, because the people were hesitant to accept anything new to them.<sup>2</sup> In short, all changes in the system of production take place when the demand of consumption makes such changes necessary.

Let us take a more concrete example to illustrate the Western and Eastern differences in the importance of consumption and production. Let us consider the question of emigration. The Europeans have emigrated to all parts of the world; mainly because they want to be more productive in the new land although there are certain exceptions; such as, the early Quakers in the United States, or the English criminals sent to Australia. China is twice as large as China Proper where almost all the people live. Regardless of the operation of the law of diminishing returns and the high price of land in China Proper, we do not like to move, because we can still keep mouth and hands together there through hardship, leaving behind the opportunity in Mongolia, Manchuria, Sinkiang, etc., where land is almost free, to others. Even before the exclusion law was enforced in the United States the Chinese, who came here for gold, were almost without food and clothes in China. Those who are able to procure a subsistence at home would scarcely think of making their labor more productive in a distant land. Of course, the causes that foster the love

---

<sup>1</sup>A. W. Ferrin, Chinese Currency and Finance, pp. 15, 16.

<sup>2</sup>K. L. Tseu was credited, according to the History of Three Kingdoms, as the inventor of "wooden automobile." But no authentic record of its design and construction has been kept. Although the "Bead Arithmetic"

of home lie in the peculiar institutions and social relations of the people. But the influence of the economic system that gives consumption the foremost place must have modified the mode of thought with the question: Is it necessary or moral to make oneself more productive through emigration, discovery, and invention, when one can make a bare living with which one is taught by sages to be satisfied? On the other hand, the Westerner always keeps in mind a different question: Is it necessary or moral to make oneself more productive through emigration, discovery, and invention, when one can make a bare living with which one is taught by economists not to be satisfied? When a person is satisfied with a bare subsistence, he does not have to go further. When he is not satisfied he must go further to find the key to the solution in production, where lie the unlimited possibilities giving him what he seeks and inducing him to sweeter dreams which will also be answered in the course of economic progress. Until he is completely satisfied, economic progress will not stop; and the mode of consumption will always follow the change of the mode in production, whereas in China the course is just the reverse.

The Influence of Confucianism -- Consumption Goods vs. Production Goods.

-- With the paramount importance of consumption in Confucianism as well as in Taoism, consumption goods are more to be desired than production goods. Since we are inclined to solve economic problems by the control of consumption rather than that of production, we must be ready with a 

---

is used throughout China, yet the originator of the method and inventor of the frame has not been known. Cf. Me-Hai Tin, Bead Arithmetic, p. 1.

large store of consumption goods in order to keep ourselves from being endangered by the economic calamities which might happen any time<sup>1</sup> under such conditions where production is almost entirely left to the mercy of Providence. It is therefore the duty of the government<sup>2</sup> as well as of the people to save food, rain-coats, rubber-shoes, and umbrellas for the rainy day. China is distinguished from the West by the different methods employed to dispose of her production and consumption goods. There are numerous government ware-houses<sup>3</sup> as well as those in the well-to-do Chinese homes where grains are stored up against any unexpected emergency. In the West such a foolish step is more to be avoided than to be taken, for it will be more beneficial and logical to invest what one saves for further production in stead of laying idle in the store house. Even Jesus Christ would throw out the Chinese into the land of misery and darkness, when he finds out that we hoard the thousand dollars in the ground, being too lazy and too timid to put the money in the bank where interest will be paid. To Confucius, however, we are not to blame, because to save or, more correctly to say, to hoard up the fruit from the motive of economy to insure our subsistence, which is only next to virtue in importance, is

---

<sup>1</sup>Ho, op. cit., Vol. I, pp. 31-45.

<sup>2</sup>Y. S. Sun, Principles of National Economy, p. 63. In discussing the problem of "the distribution of food supply," Dr. Sun says that "the export of the surplus food stuff for sale in foreign countries should only be allowed until after we have stored up three years' supply of food for all the people." He, however, would justify the export on ethical ground.

<sup>3</sup>Ho, op. cit., pp. 34-42.

commended by sages and superior men.

Even among the capitalists in China, their property largely consists of the stored-up consumption goods. The reason is clear. Production is largely confined to the field of necessaries for subsistence, while that of luxuries — hardly luxuries in the Western sense — is discouraged. The country is in the stage of agriculture and domestic industry. There is only a limited field for the large amount of investment. Even the dollars which are hoarded in the ground become consumption goods, from which there may only derive the same psychological income of pleasure or utility as is derived from gold or silver ornaments. Professor Remer has called attention to the fact that China is rich in natural resources and consumption goods which can be turned into capital. He makes a comparison between a rich Chinese and an American industrial magnate noted as a great collector of consumption goods in the field of arts as follows:<sup>1</sup>

"Ho Shen was the owner of a vast collection of consumer's goods of great gorgeousness and splendor. Mr. Carnegie owned but few such goods though he is reputed to have been a lover of art. Mr. Carnegie owned producer's goods. The contrast is important for the student of economics in China."

The stored-up policy can not even be entirely changed where the field

---

<sup>1</sup> Remer, op. cit., p. 207; cf. *ibid.*, pp. 223-235. For an account of the wealth of Ho Shen, cf. Backhouse and Bland, Annals and Memoirs of the Court of Peking (London: William Heinmann, 1913), Ch. XIV where they describe how Ho Shen spent almost all his fortune in consumption goods.

of investment is open for capital. For instance, in Shanghai there are many reputable investment and banking houses, as the International Banking Corporation, a constituent member of the National City Bank of New York<sup>1</sup> and the Equitable Eastern Banking Corporation, a branch of the Equitable Trust Co. of New York.<sup>2</sup> It is needless to add a long list of banking or investment houses of international reputation in China. They command "absolute confidence" in the mind of every Chinese.<sup>3</sup> But strange is the case that most Chinese are wasting their capital as consumption goods, thinking little of investing it for productive purposes. We may illustrate the fact with the real estate situation in Shanghai. By 1919, land located at the business center in Shanghai was sold at 187,500 pounds per acre, while a property at Hatton Garden in London sold approximately at 64,080 pounds per acre "was described in the Estates Gazette as excellent."<sup>4</sup> One of the two important causes of the high value is "the disinclination of the average Chinese owner to part with his property," preferring the pleasure of being its owner to the handsome income derived if it is sold or used for productive purposes. He would rather build a house in his valuable estate, renting it, when necessary, at not more than the interest for the value of the land alone.<sup>5</sup>

---

<sup>1</sup>F. E. Lee, Currency, Banking, and Finance in China, p. 94.

<sup>2</sup>Ibid., p. 96.

<sup>3</sup>Y. S. Sun, Lectures on Nationalism, p. 23.

<sup>4</sup>"Some Notes on the Local Property Market," British Chamber of Commerce Journal (July, 1919), p. 74.

<sup>5</sup>Ibid.; Remer, op. cit., p. 433.



The fundamental and general cause, however, lies in the conservative character of the people fostered under the influence of the Confucian teachings on reverence for ancestors and ancient sages.<sup>1</sup> In addition, the historical value of the family lot, where beautiful romances or valiant acts of our great grand fathers and mothers took place, has made it dearer than money can buy. No doubt, the filial and virtuous owners would rather leave it as a consumption good, laying it wasted from the standpoint of production, but enjoying a luxuriant psychological income of incomparable satisfaction from just owning without using it.

Here the antagonistic schools of Taoism and Confucianism seem to be reconciled, although Confucianism never goes to the extreme where Taoism is -- that we can live on a psychological income without material consumption at all.

Let us put Confucius' moral theory of consumption in a few words. When consumption is controlled by the virtuous and institutional forces, in order to adjust itself to production and to help equalize distribution, it is raised to the high place where production is in the Western economics, on account of the heavy responsibility it shares in the Confucian economics. As a result, consumption goods must be stored up as much as possible in order to answer the emergency call upon their responsibility by certain unexpected economic calamities, as, famine, flood, or unemployment. With the consumption goods stored up, production goods are kept down to their minimum -- one of the main causes of the lack of capital in China. Still further, the high importance of virtue

---

<sup>1</sup>P. S. Reinsch, World Politics, p. 90.

and economy in consumption has turned some productive goods unproductive, although it is claimed that they are productive of moral utility. The Confucian basis of economics is therefore rather utility<sup>1</sup> than value.

Mencius. — Mencius, a contemporary of Plato, is known to have lived between 372-288 B.C. Like Confucius and Laotse, Mencius and Chwang Tse were the Northern and Southern leaders succeeding the founders of Confucianism and Taoism and declaring a new war against each other that was more desperately fought by the young brave disciples than by the masters.<sup>2</sup>

Had Confucius lived to see the great Mencius, who was not unworthy of the place and the task which Wie had left behind, Confucius' broken heart might have been mended. As we have seen, the transmitter of the master was Tseng Tse, whose stupidity was only equalled by his supreme virtue which qualified him for the great task. The transmitter of Tseng Tse was Tse Sze, the worthy son of Confucius' unworthy son and compiler of the Doctrine of the Mean, which was given to the great transmitter Mencius.<sup>3</sup> No doubt, Mencius' mode of thought, though fundamentally Confucian, was

---

<sup>1</sup>Utility is the basis of both the Confucian and the Taoistic economics. But utility in its Confucian sense is different from that in its Taoistic sense. To the Confucian, utility means the satisfaction derived from using consumption goods according to the moral standard of Confucian ethics. To the Taoist, however, utility means any kind of satisfaction derived from the using of the minimum amount (or if it were possible, no effort and goods) of effort and consumption goods.

<sup>2</sup>Allen, op. cit., p. 116.

<sup>3</sup>Confucian Analects, p. 246.

greatly modified by the influence of the Doctrine of the Mean.

The Doctrine of the Mean. -- The Doctrine consists in two principles:<sup>1</sup> first, the principle of objectivity "being without inclination to either side"; second, the principle of substantiality "admitting of no change."<sup>2</sup> The first is distinguished by the attribute of universality, while the second, by that of permanency.

Democracy vs. Virtue. -- While the importance of virtue is by no means ignored by Mencius, the spirit of democracy, so vividly displayed in his writings, eventually distinguishes him from Confucius. To Confucius virtue took precedence of everything; to Mencius it was the people who should be first considered,<sup>2</sup> as the first principle of the Doctrine of the Mean prescribes. Confucius' ideal superior-man-ruler, who is allowed to do everything with maximum freedom and to keep the people in ignorance in order that he can quietly follow the path of virtue in discharging his duties, is not approved of by Mencius, who, on the contrary, would give full support to the President of the United States and be delighted by the eloquent speeches and debates in Congress. He anticipated a government of the people, for the people, and by the people. When he was asked if the criminal should be killed or not, after the virtuous emperor, upon careful investigation and deliberative consideration free from bad motive, prejudice, or injustice, reached the conclusion that the criminal deserved his death, he immediately answered, "No." Then "should he be killed when all the officials declare that he deserves his death?" "No, not yet,"

---

<sup>1</sup>Ibid.

<sup>2</sup>Mencius, The Works of Mencius, p. 233. "Heaven sees according as my

answered he. "Only when the investigation made after he is sentenced by the people to die confirms the verdict, that he may be killed," was his last answer.<sup>1</sup> In another place, he told us that in a society the people are the first, the territory the second, and the king the last in their order of importance. This will sufficiently illustrate the fact that, from Confucius to Mencius, the central principle of their philosophy was turned from personal virtue to the public welfare and from despotism to democracy.

Mencius' Welfare Economics vs. Confucius' Moral Economics. -- Welfare, when it is in harmony with virtue, is welcome by Confucius; to Mencius it is always in harmony with virtue,<sup>2</sup> each being inseparable from the other like personal and public interests in the opinion of Smith and Mandeville. We are, therefore, relieved from the heavy burden of virtue. If the old question concerning the order of importance among "food, the army, and virtue" is given to Mencius for an answer, he would surely emphasize virtue; but he would, unlike Confucius, also say, "Let us have food first, so that we will be enabled to learn the lesson of virtue before we die."<sup>3</sup> Once he was asked that if the judge's father committed the crime of manslaughter, what should the judge do. Always keeping in mind the importance of virtue as well as that of other's welfare, he concluded that the best way for the judge<sup>to do</sup> was to run away with his father to the people see; Heaven hears according as my people hear."

<sup>1</sup>Mencius, p. 42.

<sup>2</sup>Infra, p. 222.

<sup>3</sup>Mencius, pp. 24, 25.

end of the world where the force of the law ~~could~~ never reach, thus violating neither the law of the state nor that of virtue. This is only the welfare of the father. When the public welfare demands, even the Son of Heaven may be overthrown to make room for the superior-man-ruler, whose sacred duty is the consideration of the people's welfare.<sup>1</sup>

With such a preponderant regard to the public welfare on the one hand, and his inalienable loyalty to the Confucian canon of virtue on the other, Mencius, in order to bring about a conciliation between them, is compelled to reshape the meaning of virtue and that of the duties of superior men. The preéminent attributes of virtue as well as the duties of a superior man are, according to Mencius, as follows:<sup>2</sup> (1) benevolence, (2) righteousness, (3) propriety, and (4) knowledge. He contrasts benevolence with private interest which he calls "profit."<sup>3</sup> Benevolence means for him, the welfare of the people or the public interest, which is the first duty of a superior man. The subjective Confucian virtue is hereby objectified according to the first principle from the Doctrine of the Mean. The mere moral joy must be supplemented by the social well-being derived from the economic foundation of abundant wealth, where the rigorous rules of economy are substituted by the new policy of tolerance, provided we will not go to excess, indulging ourselves in the personal whim and forgetting the welfare of others. The doctrine of Mencius has been therefore compared to a mother's kind heart tolerating the children to take, besides the

---

<sup>1</sup>Mencius, p. 343.

<sup>2</sup>Ibid., p. 336.

<sup>3</sup>Ibid., pp. 1-3.

regular meal of virtue, cake and candy to which the stern Confucian father would object, not because he loves them less, but because their appetite for virtue will be spoiled.<sup>1</sup> As a consequence, the superior man or ruler, like the mother, is permitted to go astray without being punished by the law of virtue, in case he will promote the people's welfare. He would even justify indulgence in money-making and in woman in case the people are "able to gratify the same feeling."<sup>2</sup>

Having laid down the corner-stone upon which is to be built an edifice of welfare economics, he is going to outline the constructive program which we will examine. The materials which he uses for the promotion of welfare are, unlike the abstract utility which is used by Taoism almost entirely and by Confucius to a large extent, concrete objects that satisfy our wants readily. The following are his reform projects: (1) protection and conservation of productive forces, (2) distributive justice, and (3) universalism or the ideal state.

Protection of Productive Forces. -- The question whether the public welfare may be best effected by leaving the control of production to the private hand where a richer and more beneficial harvest may result from efficiency or not, has been for centuries in dispute; but the solution ever found by the modern economists as well as by Mencius, is to take the middle course between Naturalism and Socialism. Mencius recognizes the efficiency of production without intervention. But he is not blind to the waste of

---

<sup>1</sup>Cf. Hwa Lih, "The Economic Thought of Confucius and Mencius," Nanyang Quarterly Vol. I, No. 3 (July, 1926), p. 364.

<sup>2</sup>Mencius, p. 40.

production where intervention is not present, as, for instance, the devastation of forests and the idle farms. While Malthus proposes the checks to the increase of population on account of the slower growth of the the means of subsistence, Mencius, like President Van Hise, takes up what Malthus has not solved, proposing the checks to the increase of waste in production as an efficient way to promote the people's welfare. When wastes in productive forces are checked by the government, the people are no longer to be interfered with in their productive occupations. The protection extends from natural resources to labor and capital. The increase of the productive power of the productive factors will result in the increase of the public welfare.

The protection of the productive power of natural resources must be extended to (1) farms, (2) fisheries, and (3) forests.<sup>1</sup> On the protection of the productive power of farms, he says, "If the seasons of husbandry be not interfered with, the grain will be more than can be eaten (following Confucius' theory); on that of fisheries, "If close nets are not allowed to enter the pools and ponds, the fishes and turtles will be more than can be consumed; on that of forests, "If the axes and bills enter the hills and forests only at the proper time, the wood will be more than can be used." This is his policy of the protection of natural resources. He is scarcely conscious of the importance of mines and irrigation, which were not in the highly developed state and to which attention of the public was not paid during the time of Mencius. On the protection of the

---

<sup>1</sup>Mencius, pp. 5-8. He also emphasizes the propagation of live-stock in order to increase the means of subsistence. See *ibid.*, p. 25.

productive power of labor he advocates (1) the abolition of war so that the laborer is not to be diverted from his productive occupation;<sup>1</sup>(2) the maintenance of the laborer in easy and comfortable circumstances so that he will use his full capacity willingly;<sup>2</sup>(3) the division of labor.<sup>3</sup> On the protection of the productive power of capital, he maintains that (1) the ownership of private property,<sup>4</sup>(2) the decrease of taxation,<sup>5</sup>(3) investments and savings should be encouraged.<sup>6</sup>

Now, what a vital change takes place in Confucianism! For instance, the topics on war and savings as well as all the others are treated from the moral standpoint by the master, but from the standpoint of welfare by the disciple. Aside from the moral condemnation of war, Mencius gives a detailed exposition on its economic effects. Investments and savings are no longer merely the stored wealth for the distressed, or they are made just for the sake of being virtuous or economical; but economic for further production. Labor, for instance, is elevated<sup>7</sup>and entitled to a higher standard of comfort by merit of its own productivity; whereas, according to Confucius, only "the superior man is not a commodity."<sup>8</sup> Mencius'

---

<sup>1</sup>Mencius, pp. 10-12.

<sup>2</sup>Ibid., p. 330.

<sup>3</sup>Vide Hwa Lih, op. cit., pp. 369 ff.

<sup>4</sup>Ibid., p. 366.

<sup>5</sup>Ibid., pp. 366 ff.

<sup>6</sup>Ibid., p. 369.

<sup>7</sup>Mencius, pp. 359, 360.

<sup>8</sup>Confucian Analects, p. 14.



doctrine has contributed not only to the promotion of the general economic welfare through the encouragement of the better utilization of productive forces, but also to the elevation of the productive classes by justifying the due rewards for them as the legitimate results of their services, not as prices for commodities or charities from the superior man who sacrifices himself for the distressed laborer.

Distributive Justice. — As we have seen, the productive classes are justified in reaping the fruit of their labor in the handsome distributive shares sufficient to maintain them in easy and comfortable circumstances as a result of their own merit. This seems to be a productivity theory. But it is not the case; for Mencius, like the master, is rather solidaristic or socialistic, so far as their common ground for the distributive basis on need is concerned. But Mencius goes a step further, which even the Christian Socialist can hardly approve. He is so good to the distressed and the aged that he thinks "persons of fifty years may be clothed with silk...and persons of seventy may eat flesh."<sup>1</sup> Having justified the distributive shares for all the productive classes, he begins to turn attention to the distressed and the poor who can not work, or have no one to depend upon, or have not saved enough for the declining years. They are justified by need in having a share of the social dividend for the maintenance of life. His theory of the distributive justice may be summed up as follows:

A. The productive classes are given the full reward for their service, but not allowed to spend all on themselves.<sup>2</sup>

---

<sup>1</sup>Mencius, p. 25; *Ibid.*, p. 338.

<sup>2</sup>*Ibid.*, p. 25.

B. The aged, the young, and the women must be supported by the strong of the family.<sup>1</sup>

C. The public must support the aged, and the young who have lost their dependence. They are divided into four classes as follows:<sup>2</sup>(1) "the old and wifeless, or widowers"; (2) "the old and husbandless, or widows"; (3) "the old and childless, or solitaries"; (4) "the young and fatherless, or orphan" -- Mencius calls them the "Four Citizens."

A distributive system like this, being so kind to the aged and the distressed, is, however, not founded on Confucian virtue but on benevolence in its broadest sense; i.e., the public welfare and filial duty. Instead of by the help of the superior man or the influence of virtue and good institutions, which Mencius does not overlook, everybody is entitled to his share of the social dividend by justice. No man now needs to be ashamed of the source of his distributive share approved by justice, no matter where it comes from. The distributive system of Mencius, therefore, tends to equalize the distributive shares on the one hand, and to palliate to a certain degree the class distinction, leaving the superior man where Confucius wants him to stay, but bringing up the other classes to the higher plane where welfare, freedom, individuality, equality, etc. are placed at their disposal. Is this not a utopia where distribution is more equalized and class distinction vanished?

---

<sup>1</sup>Vide Remer, op. cit., p. 475. Quoted from W. W. Rockhill, Annual Report of the Board of Regents of the Smithsonian Institution for the Year of 1904 (1905).

<sup>2</sup>Mencius, p. 38.

Universalism.<sup>1</sup>— In such a high plane of civilization, where further progress is still forthcoming, what will be the ultimate goal for us? Will it be a Plato's Republic? This question, remote as it is, scarcely attracts the attention of the great thinkers of all generations, among whom are many of our proud fathers of economics. Members of the Historical School recognize the dynamic force in operation, though they are too cautious to tell in advance what will happen. Those who made the forecasting of the future society are the daring Classical economists, especially John Stuart Mill, who wrote a chapter on the "Stationary State"<sup>2</sup> of the future society. The radical Socialist is so sure of it that he is too anxious to wait, willing to pay the prices of innovation, revolution, and bloodshed just for the earlier coming of the future kingdom. The moderate, while not able to see the real Utopia so soon, have been delighted by an unsuccessful imitation, the experimental Utopia. Taoists even believe that they have found in the control of consumption the key to the door of the future society, the Kingdom of Tao; while Confucius believes that virtue will lead us to the "Great Smilarity," the future society.

The ideal society of Mencius is much nearer to us than those mentioned above. His ideal is only a re-shaped copy from that of Modih, whom he violently attacks and by whom he never realizes he is so greatly influenced. While Modih advocates the doctrine of universal love and self-sacrifice, Mencius takes everything concerning the first part of this doc-

---

<sup>1</sup>K. C. Liang, An Interpretation of Mencius, pp. 2 ff.

<sup>2</sup>Mill, Principles of Political Economy, Ashely's edition, pp. 746 ff.

trine and rejects all of the second (self-sacrifice) on the ground that to give oneself up to society entirely without any preferential consideration for the elders of the family as well as the immediate superiors, relatives, etc. is not filial.<sup>1</sup> With only this modification Mencius' doctrine of benevolence in its broad sense is harmonious with Modih's doctrine of universal love. They both agree that the greatest benefit to the largest number should be first considered, and it may be effected by the increased efficiency in production, equal distribution and abolition of class distinction. While Mencius prefers democracy, he would not object to the philosopher-king of Modih approved of even by his master Confucius. They both attack war vigorously, which is the gravest obstacle in the way of internationalism.

While Mencius is not a self-confessed advocate of Universalism, the reasons why he should be so honored is found in the doctrines for which he stands. Professor Liang finds five distinguished points in Mencius which compels him to accept the membership of the School of Universalism. They are:<sup>2</sup>(1) his opposition to war; (2) his approval of the Tseng Tien System as an approach to the equal distribution of wealth; (3) his theory of the perfect human nature supports the anticipation that the elimination of conflicts among nations and peoples are possible, and that the international society, where only mutual love exists, is but the inevitable manifestation of our nature; (4) that the ancient Emperors Yao and Shun are the typical rulers acting according to the principle of

---

<sup>1</sup>Mencius, pp. 158-160.

<sup>2</sup>Liang, op. cit., pp. 3-5.

Universalism, for they rule as if they never rule at all; (5) his opposition to power on the ground that it can never govern the world and the heart, signifies that it must be virtue which will ultimately rule the world and bring about Universalism.

Shun Tse. — Shun Tse is known to have lived between 235 — 165 B.C. He was equally distinguished as an expounder of Confucius' teachings as Mencius. He, however, had a larger number of distinguished students who became great statesmen.<sup>1</sup> His influence was greater than that Mencius until the Sung Dynasty (960 — 1277 A.D.), when the current of thought turned its regard to Mencius who has ever since taken and kept Shun Tse's place.<sup>2</sup>

While Mencius interprets the Confucian virtue in terms of the welfare of the people, Shun Tse views it in the light of formalism. The former emphasizes the actual results of economic well-being to society, the latter the formal observance of laws, rites, and ceremonies in the personal conduct. As a great instructor of the statesmen, Shun Tse must make a study of Confucius with reference to the polite manners, social usages, and all kinds of formalities in politics. As a welfare worker, Mencius must study applied economics and sociology. Thus the one masters the Confucian courses in law, rite, ceremony, and music, while the other, those in social sciences.

The Importance of the Higher Consumption Goods. — With Mencius' warm consideration for the material welfare of the people, Modih's prag-

---

<sup>1</sup>Liang, History of Chinese Thought in Ancient Times, p. 80.

<sup>2</sup>Liang, An Interpretation of Mencius, p. 7.

matism against the higher consumption goods (especially rites and music), Laotse's primitive naturalism, and Confucius' scanty attention paid to music and arts which were almost entirely neglected by his disciples, the urgent mission left for Shun Tse was to show the importance of the higher consumption goods (arts, rites, and music) in the Confucian system. This he faithfully fulfilled.<sup>1</sup> Although arts and music have never been so emphasized as in the West, yet we are saved by Chow Kung, Confucius, and Shun Tse from going to the extreme simplicity where there is no higher consumption goods to mark the higher level of civilization which is largely characterized by beautiful literature, architecture, music, refined culture, etc. Here we can see how one-sided are the other systems which lack the all-inclusive nature Confucianism possesses.

---

<sup>1</sup>Shun Tse, Chs. XIV, XX.

## CHAPTER VI

### DISPUTES ON ECONOMIC MOTIVES

Shun Tse, contrary to Confucius and especially Mencius, believes that our motive is always selfish. Even the child, when he is prevented from reaching the interested object, will cry and display his manner or gesture of dissatisfaction. He also knows how to respond to an angry or a smiling face and is interested in the promotion of his physical comfort and welfare. Is this selfish motive born with us or learned by practice? Some say, "Yes," and some say, "No." But this simple question has scarcely been satisfactorily solved even by the Western students. The result of the disputes among Chinese philosophers will surely throw new light upon the subject. If Han's theory is once accepted, the foundation of the Hedonistic economics will be utterly shaken.<sup>1</sup> We will proceed from the master.

No definite answer from Confucius to Shun Tse can be found, although many inferences have been made. Dr. Bashford maintains that Confucius "holds to the inherent good of human nature."<sup>2</sup> Professor Liang advances the theory that "Confucius holds that it is bad in the chaotic time, good in some cases and bad in some other cases in the ordinary time, and perfect in the most peaceful time."<sup>3</sup> Mencius emphatically states that at

---

<sup>1</sup> *Infra*, pp. 196 ff.

<sup>2</sup> Bashford, *op. cit.*, p. 215.

<sup>3</sup> Liang, *op. cit.*, p. 4.

least all the sages are "born good."<sup>1</sup> In <sup>the</sup> Shan Z King, a distinguished Confucian product, we are told that "at the beginning of our life, the human nature is good."<sup>2</sup> It is the bad habit and environment that implant the evil in our nature. We are therefore advised to follow Confucius and other ancient sages whose personality is not altered by evil influence. These inferences are probably based on the fact that, when Confucius was studying the Canon of Poetry where a passage on the goodness of nature struck him, he cried, "The maker of this ode knows indeed the principle of our nature."<sup>3</sup>

The Taoists. — The Taoists also believe in a different sense that our nature is good. The nature of all civilized men is spoiled by institutions, laws, rites, etc.; whereas the fool represents the type of perfect nature. The theory places the importance of environmental influence in the transformation of our nature from the good to the selfish and bad state where our motive is no longer good.

Mencius. — Mencius represents the Confucian School as the ablest advocate of the theory of perfect nature.<sup>4</sup> He refutes the environmental theory of the Taoists, and elevates the nature to the responsible position above the environment, which is blameless and powerless in reshaping the human nature. We are ruled by our nature instead of by the environment; for we are only motivated by the desire to satisfy it, while

---

<sup>1</sup> Mencius, Bk. VI, passim.

<sup>2</sup> Shan Z King, p. 1.

<sup>3</sup> Op. cit., p. 279.

<sup>4</sup> Liang, History of Chinese Thought in Ancient Times, p. 77.



the environment only serves as the field of exploitation where we may find the objects desired, not the objects causing the desire. For instance, fame and power, food and shelter. Is an attractive house the cause of the desire for it or the result of the desire? Do we love fame, because fame is lovable; or is fame lovable, because we love it? Is the environment created for the desire, or the desire created for it? Mencius would answer that the external lovable, attractiveness, and environment can not alter the course of our nature, though some abnormal attributes of nature may be temporarily caused by them. He tells us that the desire or nature of water is to flow downwards. The nature can never be altered though the water may be made by artificial forces to flow upwards or eastwards.<sup>1</sup> He gives another illustration which is less convincing. The taste of meat is the same, whether it is cooked by one man or another, provided they cook it exactly in the same way. Thus the nature of meat can not be altered though it can be artificially made in different environments — as better chef, seasoning, kitchen, etc.<sup>2</sup> One may ask him how about the taste of the same meat which his dear mother or wife cooks for him. Human nature, therefore, is not affected by the environment, though it may be changed, stimulated, or induced by artificial means to display its abnormality.

Now then, let us take it for granted that we have a nature unalterable by the environmental influence. What is the unalterable quality of the

---

<sup>1</sup>Mencius, pp. 271, 272. Of course, Mencius was ignorant of the law of gravitation.

<sup>2</sup>Ibid., p. 275.

nature? Is it good or evil? As we have seen the first and second important qualities are benevolence and righteousness, which are inherent in the nature of men, especially in that of the superior man. They are, contrary to what the Taoist thinks, not artificial products of men, but endowed in us by God before we are born.<sup>1</sup>

Since benevolence is our predominating nature, how can there be any conflict of interests, if we let our nature take its course? Here we find the only Chinese economist in Taoistic and Confucian schools who agrees with Smith on the harmony of interests or of private and public interests. If we let our benevolent nature take its course, public welfare will be the inevitable result.

We may also mention the difference between Smith and Mencius on the harmony of interests. Smith believes that the private and public interests are heterogeneous in the beginning; to Mencius they are homogeneous all the time. The one holds that our motive is always self-interested; the other that our motive is benevolent or beneficent to society as well as to the individual. To the former, self-interest leads to public welfare; to the latter self-benevolence leads to it. They part company in the beginning but join hands at<sup>u</sup> end.

Benevolence as well as the other three minor qualities of virtue in human nature (righteousness, propriety, and knowledge) is therefore (1) within ourselves a priori, and (2) good and beneficent in its character. To illustrate the first problem he says:<sup>2</sup>--

---

<sup>1</sup>Ibid., p. 278; cf. supra, p. 175.

<sup>2</sup>Ibid., pp. 278, 279.

"The feeling of commiseration belongs to all men; so does that of shame and dislike; that of reverence and respect; and that of approving and disapproving. The feeling of commiseration implies the principle of benevolence; that of shame and dislike, the principle of righteousness; that of reverence and respect, the principle of propriety; and that of approving and disapproving, the principle of knowledge. Benevolence, righteousness, propriety, and knowledge are not infused into us from without. We are certainly furnished with them."

To illustrate the second problem that our nature is good he says:<sup>1</sup>--

"If men do what is not good, the blame can not be imputed to their natural powers." "The way in which a man loves his proper goodness of mind is like the way in which the trees are denuded by axes and bills."

If we go further we will find that Mencius, having developed a better theory on human nature than that of his master, is at last held back by the Confucian sway, from which he could never free himself although he has, with his own effort, paved the road to freedom which is denied to him by his loyalty to the master. While he tells us that our own motive will guide us to welfare, he advises us, when there are many good desires, to choose according to the Confucian code of virtue, i.e., the painful self-denial. "So," said he "I like life and I also like righteousness. If I can not keep the two together, I will let life go and choose righteousness."<sup>2</sup> Thus, he forgets his own theory that to ful-

---

<sup>1</sup>Ibid., pp. 278, 284.

<sup>2</sup>Ibid., p. 287.

fill the desire to live is equal to fulfilling the virtue of benevolence and righteousness. Had he advised us to choose between self-interest and self-denial according to the code like that of Smith or even that of his own, China might not have been so poor.

Mencius, in spite of his loyalty to the master, is violently attacked by one of his Confucian brethren who bravely parts company with the master in regard to the theory of human nature. He agrees with Smith where Smith and Mencius disagree, and disagrees, where they agree. He, from the standpoint of modern economics, starts right but ends wrong -- due to the command of the Confucian virtue of self-denial, the crusher of economic motives, the obstacle in the way of efficient production, and the best guide to poverty, misery, hardship, but moral happiness, if any.

Shun Tse. -- In his An Essay on the Wealth of Nations, he immediately starts with the topic on desire which is characterized by its selfish character eagerly looking around for the key to where it may gratify its wants, thus increasing the demand which the supply can not meet without difficulty. As a result, all the aggressive and selfish desires send their demands to the limited supply just as the contending feudal princes imposed their demands upon the territory, a limited supply. As soon as one's demand is not met, he will challenge the others to fight and to compete -- competition, a competition that tends to become keener and keener. All right, this is just what the West regards as prosperous now -- more demand than supply. A keener competition on account of the increase of the demand are welcome in the advanced nations. But partly due to the different economic stages between China then and the West now,

and largely due to the powerful influence of the intellectual emperor's teachings on virtue and self-denial, Shun Tse concludes that measures must be taken to guard against the ever keener and keener competition, which, when it reaches its highest degree, means destruction.<sup>1</sup> Since competition is prompted by the insatiable desire, we must control this selfish, greedy, and immoral desire in order to promote the individual as well as the public welfare. Against the harmony of the private and public interests of Smith, he shows us the conflict of interests and preaches the moral control -- the same self-denial.

The nature of this insatiable desire is without question an evil.<sup>2</sup> Should we follow the nature and evil? He answers, "No." In order to be good we must become an artificial man, not a natural man, but a man-made man, a man we can be proud of for having everything that can be called his own and for being made by himself. Thus, the desire of the eyes for beauty, that of the ears for music, that of the nose for fragrance, etc. should be entirely taken out of our mind,<sup>3</sup> where the new moral seeds are to be sown so that we will only see what is moral, smell what is moral and hear what is moral.

Where does this good moral seed come from, if we deny Mencius' doctrine

---

<sup>1</sup>It sounds like Marx's ultimate collapse of the capitalistic system of production, although Shun Tse did not entertain the optimistic Marxian hope after the collapse.

<sup>2</sup>Shun Tse, The Complete Works of Shun Tse, Bk. XVII, Pt. XXIII, p. 1.

<sup>3</sup>Ibid.

that our nature is good? Shun Tse answers that there is no moral seed in the barn where our mind and desires are stored. It is produced by the sages only, who leave it to us as a generous gift.<sup>1</sup> But no sooner is the first question answered than the second question is raised. Unless the nature of the sages is good, how can they produce the good moral seed? The answer is that even among the sages nature is equally evil. They can not produce the good moral, but the natural seed, a seed made by human effort, but not a seed sown and reaped. The seed may be compared to a watch, which, not being produced by sowing the watch-seed in the soil and reaping the ripened watches after a certain period of time, is invented by the sage-watch-maker, whose designs enable us to make a watch as good as he makes it, although we can never know how to make a watch without him.<sup>2</sup>

The result of Shun Tse's theory is accordingly just what Mencius tries to avoid. The superior man, the maker of laws, rites, and ceremonies who puts a check to the evil of our nature, is raised again to the place which Confucius approves. Despotism takes the place of democracy. Obedience to law and ceremony, virtuous living, and individualism are considered more important than freedom, welfare, and universalism. Even the antagonistic theory of the Taoistic School that benevolence, righteousness, etc. are unnatural is confirmed by his conclusion. What distinguishes him from the Taoist is that, to him, benevolence and righteousness, though unnatural, are good and beneficent instead of evil as the

---

<sup>1</sup>Ibid., pp. 4-6.

<sup>2</sup>Ibid., pp. 9-16.

the Taoist believes. On the practical side, his disciples were pre-eminently influential in politics, government, and legislature, where he is distinguished as the founder of the "Historical School," being a branch of the Chinese Grotian system of Confucius.<sup>1</sup>

Kau Tse. — Another disputer is Kau Tse who has not been given any important place in the history of Chinese thought. He acts as a conciliator between these great men, Mencius and Shun Tse; but no one would listen to him. He suggests a compromise that "man's nature may be made to practice good, and it may be made to practice evil."<sup>2</sup> But it "is neither good nor bad" in itself.<sup>3</sup> It is just like a piece of white paper or the willow, which can be changed according to our will by making it red or blue, cutting it into a cup or a bowl.<sup>4</sup>

Han Yu, the Analyst. — So far the Taoists, Confucius and his followers are all the disputers, but not the analysts. Although they are not the propagandists whose interest is always something more substantial than the mere intellectual joy, their method employed is not far from that of the propagandists. They draw the conclusion first that nature is

---

<sup>1</sup>Liang, The Development of Legal Thought in China, pp. 41-43.

Gratius is the founder of International Law which is divided into two branches by two groups of his followers, the Nature School and the Historical School. Cf. A. S. Hershey, Essentials of Public International Law (New York: Macmillan Co., 1914) pp. 56-62.

<sup>2</sup>Mencius, p. 277.

<sup>3</sup>Ibid.

<sup>4</sup>Ibid., pp. 270-272.

good or bad, but never analyse it; pile up with arguments and facts in support of their theories, but never go beneath the surface.

The analyst Han divides our nature into the a priori or the innate and the a posteriori or the empirical. For convenience let us use two popular terms of our own, the subjective and the objective. "The subjective is born with us," while "the objective arises from the meeting of an object with our sense and mind."<sup>1</sup> The former is a spontaneous action, while the latter a reaction. They both can be "good," "fair," or "bad."

The subjective is subdivided into (1) benevolence, (2) propriety, (3) righteousness, (4) knowledge (similar to Mencius' four qualities of virtue), (5) truthfulness.<sup>2</sup>

The objective is subdivided into (1) joy, (2) anger, (3) sorrow, (4) fear, (5) love, (6) hatred, (7) desire.<sup>3</sup> How little is the role desire plays? Smith is not attackable when he limited it to the personal and the public interests. The war is waged upon the Hedonist who extends it to all human actions and interprets love, joy, truthfulness, benevolence, etc. in terms of desire, which, according to the latter, are motivated by the expectation of the psychological income of satisfaction in the performance of benevolence and love. The Hedonist concludes that a scholar, a robber, a lover, and a beggar are all invariably engaged in obtaining the maximum amount of satisfaction at the minimum amount of

---

<sup>1</sup>Han Yu, An Essay on the Human Nature, p. 1.

<sup>2</sup>Ibid., p. 2.

<sup>3</sup>Ibid.



sacrifice. The teacher works for a clerk's salary but feels prouder than a manager, because she receives in addition a psychological income from the prestige inherent in the profession and from the personal pride and joy in doing service to society. Her combined incomes are therefore greater than that of the manager she considers as her inferior. Again, the robber is also working according to the same principle -- just like the teacher and the manager who work for what they think is most productive of utility or psychological income.

But Han raises his objection to Hedonism that those who are engaged, for example, to tell the truth or to seek for knowledge should not be included in or confounded with the objective field of activity where desire belongs; for any action in the subjective field, as to tell the truth or to seek for knowledge, is innate, a priori, motiveless, purposeless, and not stimulated or induced by an outside object, or a psychological income, or pride, or prestige, etc.<sup>1</sup> The teller of the truth and the seeker of knowledge (scholar), being motiveless, can not be considered as those who seek for knowledge because it will give them a psychological income. Nor it is the duty of a scholar to tell the truth. He simply can not do otherwise, and he has to tell it because of no reason at all, no motive at all; but simply because he is born so or God makes him so.

These five innate functions, being motiveless and not affected by outside objects, as fame, power, prestige, pride, etc., lie in our mind, where they are always ready for the opportunity calling for their action.

---

<sup>1</sup>Ibid., p. 3.

But they never fail to catch and grasp the opportunity before it can affect them. Although the fulfillment of the function of knowledge as well as that of the other is always rewarded by supreme happiness, maximum joy, and boundless pleasure, yet these princely incomes of satisfaction are merely the results, not the causes or the inducements, as Hedonists believe.

The Hedonistic law is therefore only applicable to the second class of our nature, including joy, anger, sorrow, fear, love, hatred, and desire. For instance, love is justified by Han to be interpreted in terms of psychological income. The lovers are motivated by a larger psychological income than that derived from their salaries to give up their jobs for a honeymoon, while a scholar is motivated to study by nothing. The machine operator can be also motivated by a larger psychological income from the less dangerous job to give up his remunerative occupation to become a door-keeper. In this case, fear is capable of Hedonistic interpretation; for the absence of the fear of the dangerous machine is considered as a psychological income. But the scholar or the moralist is not tempted by fear, love, or power, to turn himself to virtue and books.

Thanks to Han Yu those who are engaged in the performance of the subjective or innate nature of benevolence (as philanthropists), righteousness (as heroes or faithful persons), propriety (as those who obey the law, rite, and moral teachings), knowledge (as scholars who seek for knowledge for the sake of knowledge), and truthfulness (as the scholars or moralists who are interested in telling the truth or those who keep

promise) are all elevated by him from where the Hedonists drag them down as a mere laborer for the psychological income. While the reward of love and joy (objective nature) may be interpreted in terms of psychological income because love and joy come from the attainment of the desired object, benevolence and truthfulness can never be so interpreted because they are the spontaneous yearnings of the soul with neither object nor purpose. They never anticipate any income.

Han's theory may even throw light on the new discovery in psychology by the Behaviorist who discredits all the previous theories on human nature. What we call instinct or nature is nothing but the habit formed or acquired, but not endowed or innate. Such habits are formed through the repeated "response" to the "stimulus." Hence there is no innate economic motive (as self-interest) but there are many habits (economic motives), which may be increased or decreased in number, intensified or mitigated in degree, and directed towards gain or sacrifice, the evil or the good, and the study of law or medicine.

Of those who apply this new psychological theory to the study of economic motive and maintain that there is no innate economic motive, are Z. C. Dickinson and Z. Y. Kou. There are as many economic motives (economic habits) as there are stimuli. Those who try to find what is the nature of the motive (Smith, Mencius, Shun Tse) or to classify a certain number of motives (Han Yu) according to their qualities are all wrong, because they start from presupposition to actual facts. How the habits of acting in the good or evil direction can only be explained by how, or under what conditions (stimuli), they are formed.

Here we will notice that what the Behaviorist is talking about is exactly what Han calls the "objective nature" which is formed through our contact with an "outside object" or a stimulus. But can the objective nature be analysed and classified? The Behaviorist answers, "No"; while Han answers, "Yes." Whether the Behaviorist or Han is more correct depends upon the validity of Han's analysis and classification of what the latter calls the objective nature. If the classification is all-inclusive and exhaustive, if it furnishes proper categories for all kinds of habits, if there is no habit which can not be correctly placed under Han's analytical table, there will be no reason why Han should not deserve more credit.

But the classification and analysis of our "habits" or "objective nature" is not Han's main problem. His contribution lies in dividing the "subjective" or innate nature (where Smith, Mencius, Shun Tse try to find the key to solution) from the "objective nature" or "habits" (where the Behaviorist try to find the key). The Behaviorist is right if he confines his theory to the "objective" field to which the Hedonistic theory <sup>should also</sup> belong. Smith, Mencius, Shun Tse and Laotse are right only as far as they maintain that we are endowed with the inalienable nature, which evil or good, always remains the same under any conditions.

## CHAPTER VII

### CONCLUSION

At the very beginning of our study, we raised the question: Whether or not it could be justified to make a systematic account of the economic concepts of the great Chinese philosophers, whose influence upon Chinese economic thought is not less dominant than the influence of Western economists upon the Western economic thought. There, however, seems to be no adequate reasons for treating the subject of the development of economic beliefs from the standpoint of moralists and philosophers in stead of economists. Confucius and Laotse can hardly be honored with the proud title, economist, which they would be ashamed of. They despised the economist. They were indignant over economic discussions because their task was nobler than the investigation of how to make a living.

Source of Chinese Economic Beliefs. — It appears then that our attempt could not be justified unless it is assumed that we could find no true type of economists in the course of Chinese events — an assumption, we must acknowledge, which is contrary to the fact. China has produced many a great economist,<sup>1</sup> who, though not comparable with the founders of modern economics, may fairly be ranked among the greatest pioneers of the subject in any civilized nation of the world. There were economists, who applied

---

<sup>1</sup>For a brief account of the economists in China, cf. Huc, A Journey through the Chinese Empire, Vol. II, pp. 61-73.

economic principles to agriculture,<sup>1</sup> taxation,<sup>2</sup> and war-finance,<sup>3</sup> and wrote more exclusively on economics and public finance<sup>4</sup> in a remarkably well-ordered and systematic manner which marks a striking contrast with the fragmentary economic teachings scattered over the sacred writings of greater philosophers.

It seems to be a puzzle that the source of Chinese economic beliefs is from these philosophers instead of those economists. But we are certainly justified in maintaining the position we have taken, not because the philosophers' economic doctrines are more sound, but because their influence has over-swept that of the unfortunate economists, and reflected itself in our economic beliefs, systems, and institutions, by which the economic life of the Chinese people is regulated.<sup>5</sup> China might not be what she is today, were the philosophers' influence superseded by the economists' less metaphysical but more practical advice. For instance, Laotse's system of non-action and Confucius' ethics are responsible for the passive, peaceful, self-contented, unprogressive, and moral character of the Chinese, as well as the lack of economic motives, ignorance of principles and laws, blind faithfulness in personal relations, disregard of public interests, the importance of private virtue, and the productive, distributive, and consumptive basis on virtue. The moral

---

<sup>1</sup>K. W. Shaw, Democracy and Finance in China, pp. 22-25.

<sup>2</sup>Ibid., pp. 25, 189.

<sup>3</sup>Motse, Ch. XVIII.

<sup>4</sup>Shaw, op. cit., pp. 25-37

<sup>5</sup>Ibid., pp. 43, 45.

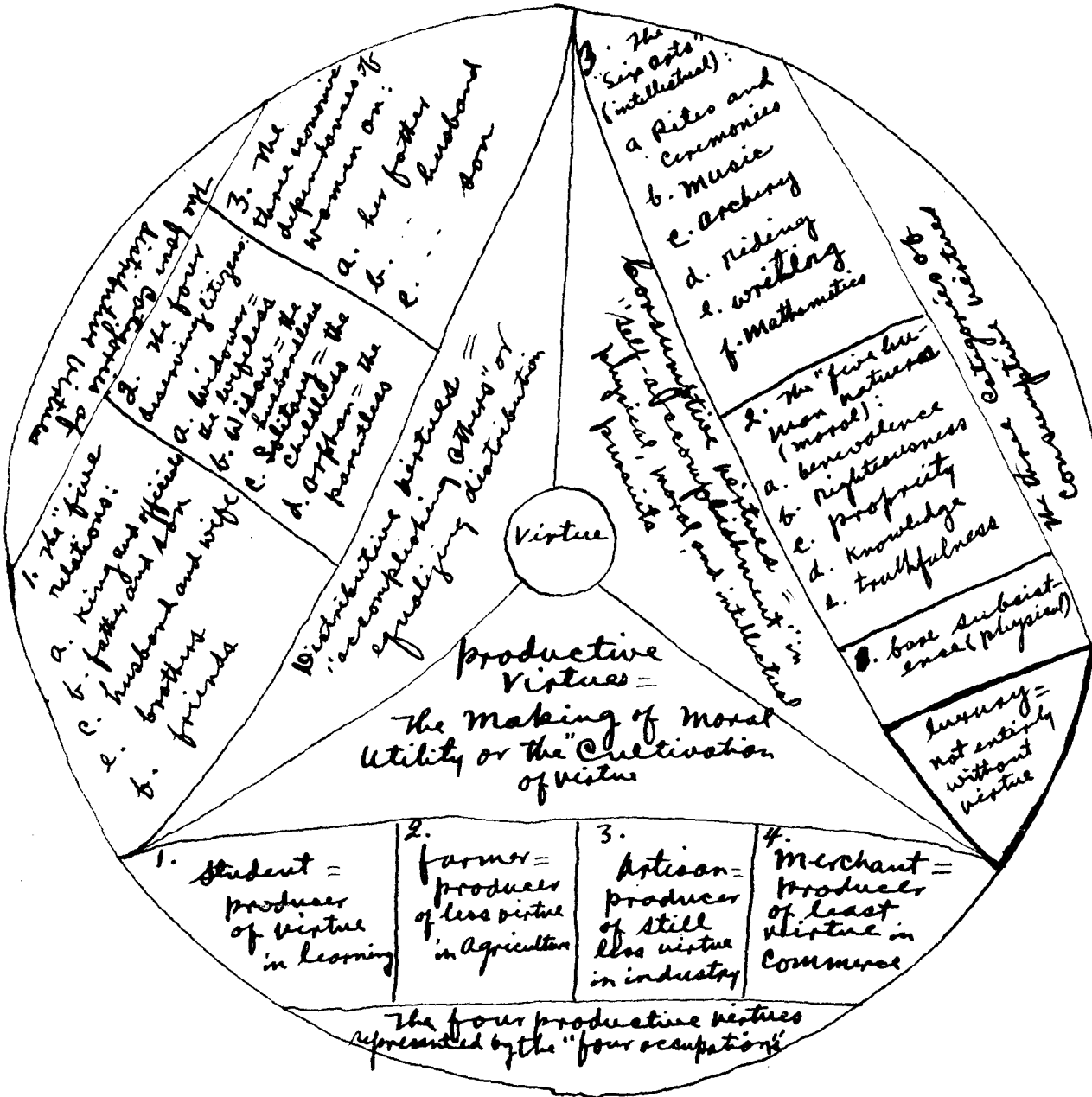
philosophies have, for several thousand years, ruled the Chinese. We have tried hard to follow our moral philosophers to live on Tao and virtue at the expense of economic stagnation, throwing aside the economic advices of our economists and accusing them of prostituting the noble task of the student by taking up economic topics that lie beyond the province of virtue.<sup>1</sup> As a result the economists' influence has been superseded by the influence of moral philosophers and accordingly the source of our economic beliefs comes from the latter instead of the former.<sup>2</sup>

Results of the Study. — Among these philosophers, the Confucians are most influential in the constructive side which rests on the foundation of virtue. Their system of economics, therefore, like the doctrine of the Christian Socialist, is largely confined to the moral side of economic life as well as the ethical approach to the solution of economic problems. It is within the field of ethical-economic problems that the Confucian economics is more fully developed. On the theoretical side, it has hardly made any contribution. These ethical-economic problems in production, distribution, and consumption may be represented as follows:—

---

<sup>1</sup>Shaw, *op. cit.*, pp. 45.

<sup>2</sup>It must, however, be understood that these economists, as Kwan Tse, Shan Yang, Shaw Ho, Wang An Zah, etc. exercised great influence during their life time although it quickly decreased after their death either for the lack of followers or for the growth of their political opponents' influence.



Outside of this circle is the sterile class which is absolutely not productive of virtue



The sterile, namely, the priest, the soldier, the butcher, the barber, the musician, the actor, the imperial household attendant, the official messenger, the police-man, etc., were not expected to do anything required by all these categories of productive, distributive, and consumptive virtues, which are strictly required of the student and less strictly of those who are less productive of virtue.

Moral Laws of Production, Distribution, and Consumption. -- Corresponding to the three categories of productive, distributive, and consumptive virtues, there are three moral laws of production, distribution, and consumption. No action is virtuous where the moral laws are violated. The thesis, as a true Confucian would say, should be thrown away if these moral laws were not added. The productive, distributive, and consumptive virtues which we have so carefully examined are not virtues in themselves. A merchant may be more virtuous than a student. There may be more distributive virtue in giving little than giving generously, and more consumptive virtue in taking an amateurish interest in music than carrying it along to "play coquetry with the world." All human doings which can be considered virtuous must therefore be confirmed by the laws of virtue.

All productive virtues must be confirmed by the moral law of production which runs as follows: "The employment of the superior man is virtue; while that of small man, profitable gains."<sup>1</sup> Merely being a student by profession is not a proof for the highest productive virtue. No student by name, but the gain or profit-seeker by employment, can be accepted as the qualification for the admission into the exclusive circle of learned

---

<sup>1</sup>Confucian Analects, p. 34.

society. The main point is whether one's actual employment is totally, more, or less productive of virtue.

All distributive virtues must be confirmed by the moral law of distribution which runs as follows: "What you do not want done to you, do not do to others."<sup>1</sup> Otherwise, even though we follow the three categories of distributive virtues carefully, they may be spoiled by selfish motives and by the unsympathetic manner or haughty spirit in which the virtuous acts are performed. All distributive virtues must therefore be done in such a spirit, namely, we should treat our beneficiaries in the manner which we would expect of them in case our position is reversed.

All consumptive virtues must be confirmed by the moral law of consumption which runs as follows: "The superior man does not seek to gratify his appetite, nor does he seek the appliances of ease in his dwelling-place."<sup>2</sup> "He should take every opportunity to devote himself to cultural development."<sup>3</sup> Economy is a virtue; but if one goes to the extreme, and, like the Taoist, neglect one's bare subsistence or the "Six Arts," consumptive virtues are lost in abuse.

Criteria of Production, Distribution, and Consumption. — The three moral Confucian laws of production, distribution, and consumption, though they all seem to have the moral tone, may, however, be distinguished from

---

<sup>1</sup>Ibid., p. 165

<sup>2</sup>Ibid., pp. 7-9.

<sup>3</sup>On what constitute cultural development, Confucius says, "...to be alert and fond of learning, to be not ashamed to ask even the inferior."

Cf. ibid., p. 42.

each other by their distinctive criteria, namely, time, motive, and result. The part-time or total time employment in virtue or gain forms the standard by which the economic classes and occupations are distinguished according to the law of production. Thus the merchant may approach the student by devoting more time to the employment of virtue and less to that of gain -- though the profit may still be very large. What lowers the standing of a merchant is not the size of his fortune but the duration of his time devoted to making it. The criterion of the law of distribution is the motive which determines what gives rise to distributive virtues. Whether we spend a part-time or the total-time in helping others is not the main question in distribution. The main question is only what is the motive of our giving. In consumption, nothing is to be looked at from the standpoint of time or motive. We may devote all our time to arts with the motive to commercialize them. But if we change the aim from commercial to cultural after we become the accomplished artists, our consumptive virtue is no less than that of those whose interest in arts is non-commercial from the very beginning of their study. A further distinction lies in the result of the amount of happiness obtained, regardless of whether it is resulted from rich or poor, lower or higher consumption goods. If the poor and lower consumption goods bring the result of a greater amount of happiness, more consumptive virtue is produced from the scanty amount of poor consumption goods than from the greater amount of better consumption goods from which the amount of happiness resulted to the user is less. In distribution, no virtue can be confirmed by the result -- even the beneficent result. He who tries to help a friend but wrecks his friend's life has distri-

butive virtue. He who studies arts for arts' sake but is finally induced to commercialize arts has no consumptive virtue. He who uses little but gets more psychological income out of it has more consumptive virtue than he who gets less.

Taoist's' Attack on Confucianism. — In opposition to the Confucian economic system is the naturalism of the Taoist who discredits the moral system of economics summarily on the ground that it is unnatural or un-Taoistic. All laws disturb the beneficent cosmic order except one law, the only Taoistic law of "doing nothing." Let production be taken care of by nature; let us take what is coming to us and consume it as it comes along. The Confucian comes to disturb the benevolent operation of this great law, sows the social evils, and makes distribution unequal and production inadequate, thus paving for himself the way towards the shrines of the great social reformers and public benefactors. The ultimate solution of our economic problems could never be found unless the Confucian laws of production, distribution, and consumption are utterly disregarded or disposed of. The ideal economic society of mankind, which the Taoist aspires to, is like the economic society of ants and bees except that men ~~are~~ not going to work so hard as these plundering ants and busy bees.

The Taoistic theory, though it is formulated upon a logical and scientific rather than a moral basis, is paradoxical. If "doing nothing" is prescribed by the natural law as the key to economic optimism, why does not Nature make us like stones instead of giving us the best acting instruments -- hands, feet, brain, etc. -- the organs possessed by living beings? Being provided with these acting instruments, yet forbidden to

use them, we could hardly see the reason that the naturalism of the Taoist is not artificial -- probably more artificial than the moral system of Confucius. Accordingly, what the Taoist means by "doing nothing" is, in reality, doing something, namely, self-control.

Paradoxes of Production, Distribution, and Consumption. -- Instead of the laws of production, distribution and consumption, the Taoist gives us three paradoxes as follows:--

The Paradox of Free Goods in Production:<sup>1</sup> Let the demand for economic goods be decreased and ceased. Everything would therefore be available to us like water and air; because, as the demand is decreasing and decreasing, the object in question is becoming cheaper and cheaper until it becomes valueless.

The Paradox of Self-sufficiency in Distribution:<sup>2</sup> If the natural order is preserved, no one will not be able to supply his own needs. If the Taoist needs only what is coming along to him or needs nothing at all, how can he be not self-sufficient when the natural order is disturbed? How can he be not self-sufficient when his five relations come to help him, if he can be self-sufficient without their help?

The Paradox of Happiness in Consumption:<sup>3</sup> "He who is satisfied is rich

---

<sup>1</sup>In the Taoistic words, the paradox runs as follows: The sage... attaches no value to things difficult of acquisition. Laotse, Ch. LXV.

<sup>2</sup>"He that lives at ease requires no riches." H. C. Byng, The Garden of Pleasure, Ch. VI, p. 42.

<sup>3</sup>In the Taoistic words it runs as follows: Perfect joy consists in one's nature having abundance, or being fully satisfied, ...in being con-

of course, in happiness. If the Taoist could be satisfied with a bare subsistence, why should he not be satisfied with comfort and luxury, provided the means of comfort and luxury could be acquired as easily as the means of subsistence by the Taoist? If being satisfied with subsistence is the guarantee of happiness and non-struggle, why being satisfied with comfort and luxury can it not be an equally effective guarantee? The main problem here is that of self-control or the suppression of desire as an approach to happiness. So the solution lies in the question whether desire could be so easily suppressed or not. If we can suppress it in one stage (subsistence), we should be able to suppress it in another and vice versa.

The first paradox lays an attack on our ceaseless productive effort which necessarily involves struggle, competition, success, failure, etc.; the second, on the social institutions which condition distribution; and the third lays emphasis on the suppression of desire as the ultimate solution to all economic and social problems.

Effects of Confucian and Taoistic Philosophies on Chinese Economic Life. -- With regard to the effects of the Taoistic and the Confucian philosophy on Chinese economic life, both are influential; but Confucianism is more so, especially in the province of distribution. The moral teachings on the distributive virtues, such as, "the five relations," the "three economic dependences," and the "four deserving citizens," have been so deep-rooted in the Chinese mind that even the virtuous are contented with little. F. H. Balfour, Taoist Text, Ethical, Political, and Speculative, p. 56.

Chinese, the daring robber or the dangerous criminal, the corrupt official or the heartless militarist, are as tender as a little sheep in the presence of their elders, always ready to obey and help even at the expense of his own career and character. It is no self-sacrifice -- not even a favor -- to lie or to serve as a false witness for the benefit of those who are within the quota of every one's five relations. When one is successful, every one, as a matter of course, comes to share it with him; and, unfortunately, some one wants a job from him as one wants his money back from a debtor. A governor has several thousand followers. Even a principal of a primary or a high school lets none but his own friends teach, his uneducated and inexperienced uncle, father-in-law or cousin keep doors, wash dishes, or wipe black boards. No matter what you do, they stand by you, lie for you, and protect you. It is almost impossible for an outsider to make any investigation or to find any evidence against you. Although modern institutions have gradually changed the social structure of the Chinese, yet we are not prepared to admire the modern spirit of independence and justice. It takes centuries to teach the Chinese the Confucian ideal of virtue. It may also take scores of years to supplant it with the modern ideal of independence and justice.

Coming from distribution to production and consumption, we will find that the effect of Tsoistic and Confucian economic philosophies is equally striking in the latter two provinces. The fact that we are easily self-content -- even with a miserable life -- is due to the common source of teachings of both schools, for most Chinese except the student never aspire to lead a student's life and care little for arts or enjoyment.

Those people are almost useless but use little as the Taoist would expect of them. With such a miserable life and little or no care for any means of life beyond a bare subsistence, they are, however, not unwilling to make efforts to remain within the circle of producers and consumers of, at least, some virtue, even at the expense of making further sacrifice out of their meagre resources for the maintenance of life and productive equipment. As a result, we are sinking deeper and deeper into misfortune, poverty, inefficiency, etc., which may all be traced back to the influence of the philosophy of self-contentment, non-struggle, care for the unfit, and the undue weight of virtue and personality scrupulously over-emphasized and maliciously misconstrued by the "advertiser and seller of Confucianism and Taoism" as we have just pointed out under distribution, i.e., the prevailing spoilsman system in China.

Inasmuch as Taoism and Confucianism have exercised such a paramount influence on the economic life of the Chinese, the much more important question in the present and future economic development in China -- a difficult but serious question confronting the economist, international trader and investor, etc. -- can not be answered more correctly from any other standpoint than that of the evolution of the Confucian and Taoistic systems with special reference to their potential force which confronts the rapidly advancing force of Western civilization.<sup>1</sup>

---

<sup>1</sup>T. Veblen, *The Vested Interests* (New York, 1919), p. 34.

"Since the underlying principles of the established order...are built up out of the range of conceptions that have habitually been doing duty as the substance of knowledge and belief in the past, it follows



Many have pointed out the old philosophical obstacles against the new economic forces in various fields. Professor Reinsch points to the peculiar system of banking in China where loans are often made on moral asset or personality rather than on the security of property in case the owner is a man without virtue<sup>1</sup> (Confucian influence). Professor Ma discovers the moral obstacle in the development of life insurance enterprises, saying that the Chinese of the old school of ethics would not be so virtueless as to expect benefit from the death of their dear ones.<sup>2</sup> Professor Remer maintains that the cause of the slow growth of foreign trade is due to the passive resistance and self-content and self-sufficiency of the people<sup>3</sup> (Taoistic influence). Professor Shaw urges that China should now begin to pay more attention to production,<sup>4</sup> because our economic stagnation has been due to over-due weight given to distribution and consumption. Professor Lee attributes the cause for the lack of capital in China to its institutions, especially the family system.<sup>5</sup> These views on in the nature of the case that any reconstruction of institutions will be made only tardily, reluctantly, and sparingly; inasmuch as settled habits of thought are given up tardily, reluctantly and sparingly....And this will particularly be true when the reconstruction "runs counter to settled and honorable code of ancient principles...."

<sup>1</sup> Supra, p. 22.

<sup>2</sup> Ma, op. cit., p. 4.

<sup>3</sup> Remer, The Foreign Trade of China (1926), pp. 34-37 and conclusion.

<sup>4</sup> Shaw, op. cit., p. 174.

<sup>5</sup> Lee, op. cit., pp. 1-4.

the old bar against the new force are probably all correctly presented or at least defensible from the authors' standpoints. But none seems to deny the opposing force of Taoism and Confucianism against the new force of the modern economic institutions.

There are also many who fail to see the significance of Taoism and Confucianism fully. We may briefly examine some projects of economic reform proposed by Dr. Sun because of the great influence and weight of his words. As a statesman Dr. Sun was the George Washington of the Chinese Republic; and as a student, he was the Chinese Benjamin Franklin. He, like Franklin, touched everything but never touched deeply in anything he studied. In his International Development of China he maintained that with the ~~with the~~ genius of the vast number of European and American engineers, who had the experience of the Great European War, and by utilizing the arms factories, -- both would be of little use after the Great War --, China could be scientifically reconstructed as the most modern new nation in the world.<sup>1</sup> Not to mention the difficulty of a gigantic scheme of finance and of the supply of immense materials for reconstructing the biggest nation just after the resources of the world was almost exhausted, we may raise the question: How shall we dispose of our institutional and moral obstacles in the way of the sudden reconstruction?<sup>2</sup> Can the old bag stand the new wine? As Dr. Sun had his

---

<sup>1</sup>Sun, The International Development of China, pp. 1-3. There is an English edition which was published before the appearance of the Chinese edition.

<sup>2</sup>Professor Reinsch, in reply to Dr. Sun, points out (1) economic change



production develop at its full speed when the Taoistic and Confucian prejudice is in the way of efficiency and capitalism? Moreover, the Chinese has little to save and what little he saves is entirely, though insufficiently, destined for the maintenance of the more unfortunate ones dear to him. Under the prevailing spoilsman system, reward and promotion are largely based on faithfulness instead of efficiency, foresight, ability and experience just as the honor of being the "transmitter" was conferred upon Confucius' most stupid, but most filial and faithful disciple Tsen Tse, or as the highest Taoistic tribute is paid to the "fool" who is as stupid as a stone. How, then, could we expect an efficient service from the employees of a Chinese economic organization? How could a Chinese organizer of a gigantic economic undertaking refuse the request of his father-in-law and his uncle and their "five relations" to place them in the positions which they would like, but for which they are not fit? Granted that he, being well educated in the West, can refuse them their request, would his employees be satisfied with the new treatment that they are paid for their labor, while their proud virtue does not count for anything? Of course these difficult problems for the Chinese can be easily solved by the new force of modern capitalism and the efficiency of our friendly neighbors in the West. For instance, they have furnished us with capital and the service of experts in modernizing successfully and profitably our government enterprises, notably in railway, telegraph, mining, and postal and customs services. The Chinese can not but admire and appreciate the wonderful works of the modern system. They have more confidence in the Western organizers. They pay the highest tribute to them. But, even so, the old bar against the

new system can not be removed. Why do the Chinese ask for tariff autonomy and Chinese administration for Chinese enterprises? At the bottom, it is all a moral issue.<sup>1</sup> Every far-sighted Chinese can see that the restoration of government enterprises to Chinese administration means inefficiency, economic loss, public evil, etc. in contrast with the benefits derived under the efficient foreign control;<sup>2</sup> but every one is in favor of the movement sincerely. Nothing can account for such folly except the Confucian teaching that the superior man is only helping and giving, not to be given and helped, and to the Taoistic teaching that every man ought to be self-sufficient, but not necessarily efficient.

Moral Importance: <sup>as an Obstacle</sup> — Now then let us ask: Will the Chinese be so hopeless as the pessimistic economists anticipate? When will they listen to reason that moral elevation may presuppose economic prosperity? The answer is that they will never listen to reason; because we are rather like the sentimental French or Spaniard whose temperamental heart is rich in emotion, love and hatred, braveness and cowardice, etc., but is far inferior to the cold English or American mind with its sense of disinterestedness, justice, truth, etc. The former is blind; the latter is far-sighted. The former is guided by the heart; the latter by the mind. The former follows the humanistic impulse (French Socialist); the latter, cold and pitiless truth (English economist). Thus, the hope for China lies in the appeal to the heart rather than the eyes, to the motive rather than the result, to the moral awakening rather than the intellectual

---

<sup>1</sup>T. W. Overlach, Foreign Financial Control in China, pp. 222-224.

<sup>2</sup>Ibid., p. 269.

awakening. And fortunately, our moral awakening is beginning. Let us refer back to Dr. Sun's project. Is it a moral or an economic issue?<sup>1</sup> From the standpoint of economics, industrial revolution is not to be welcome where it is possible for industrial evolution. Dr. Shaw concludes his Democracy and Finance in China by recommending fourteen "shoulds" instead of the "is." The anti-foreign movement believes that the administration of governmental enterprises "should" be restored to the Chinese, but neglects the question whether we "are" prepared to handle the enterprises in question or not.<sup>2</sup> It is also interesting to note that almost all Chinese students in this country are taking what they think they should study instead of where their interest lies. Probably only a few doctors of philosophy, who have gone too far into their studies to remain faithful to the moral decision, take a genuine interest in study instead of making a sacrifice for their country. The moral awakening is coming! China is not hopeless.

---

<sup>1</sup>Secretary W. C. Redfield's Letter to Dr. Sun, May 12, 1919. As an economic issue, Redfield frankly says it will be impossible, because no loan can be made without the guarantee of interest payment.

<sup>2</sup>From the standpoint of efficiency, many foreign powers have sincerely answered the Chinese that they would relinquish the "control" as soon as "Yowhouse is put in order." From the moral standpoint the Chinese demand that no matter how disordered is the Chinese house, it is the Chinese house. Whether the Chinese want foreign help or not is the Chinese business. Now how can they agree unless the Chinese can compel the Westerners by force, philosophy, or the inspiring Confucian

However, we must not overlook the dangers inherent in the moral awakening.<sup>1</sup> It only listens to sentimental appeal instead of reason and fact; and there are, unfortunately, too many sentimental appeals in China, such as, those of the Mercantilist, the follower of <sup>R</sup>Max, the Russian Propagandist, etc. With our kind heart but blind eyes, we are liable to follow any one at any moment, thinking sincerely we are doing good for our country, but really killing our equally virtuous brothers and wrecking our homes. To trust our economic development to the moral awakening is to trust our future to chance. China is now just in the whirl of moral awakening. She is changing from moment to moment as the moral conviction is changed. She may become rich as she expects if she will listen to reason and facts, or she may become even more miserable if she is always pushed along by sentimental appeals as a child. Under the stable influence of Taoism and Confucianism, we will never be rich and will never be in danger.

Difficulty in China's Intellectual Awakening<sup>as on Model</sup> -- The ultimate solution of the economic problem in China lies, therefore, only in the gradual opening of our eyes, for there is no royal road to economic optimism for any nation in the world. The supreme moral value of Confucianism has its high place in the Chinese ethics; but in economics, the advice of Modih, the Chinese Bentham, is probably more in harmony with the sound principle of the English, although his doctrine is notably marked with an economic optimism where, according to his English opponent (Malthus), there ought personality to take the opposite view or to come to a compromise, or vice versa.

<sup>1</sup>Z. Y. Kou, "Is Marxism Scientific?," the Nationalist Bi-weekly, Nos. V, VI (Sept., 1927), pp. 51, 52.

to be an economic pessimism. We must agree with him to listen to "reason" and open our eyes to it. If we want to raise ourselves to an equal level of economic prosperity with our Western neighbors, the advices of economists must be seriously considered, not sentimentally swept off by the Tsoistic and Confucian prejudices, which must concede though not concede too completely or too suddenly. China has tried -- tried hard -- to listen. China has sent her sons and daughters all over the world to have their eyes opened, to learn the modern methods of efficiency, and to find ways and means of reconstructing the old country upon the basis of more stable and firm reason and truth, instead of that of the changeable conviction, feeling, and emotion. Following the moral awakening there must be an intellectual awakening which is actually begun.

Many of China's best friends are, however, disappointed at the painful result and pessimistic prospect of their aged friend's attempt to rejuvenate herself like her young and beautiful Occidental sisters. "The young Chinese students,"<sup>1</sup> to use Professor Seligman's words, "that throng the halls" of the Western institutions of learning, prove, it is said, to be nothing but bookish worms.<sup>2</sup> Their eyes, instead of being opened in the West, are now covered by a pair of Western glass which takes the place of the Taoistic and Confucian glass they wore before they went to the West. As we were slavish followers of Confucius and Laotse, so we are the same slavish followers of new leaders, namely "Western sages,"<sup>3</sup>

---

<sup>1</sup>Shaw, *op. cit.*, pp. 7 ff.

<sup>2</sup>Z. Y. Kou, *op. cit.*, p. 52.

<sup>3</sup>*Ibid.*, pp. 52, 53.



comprising Western philosophers, scientists, statesmen, professors, etc. There seems to be no sign of an intellectual awakening yet.

We may now try to draw our conclusion whether our eyes can be opened, whether we can guide ourselves with reason and truth instead of following blindly the Eastern and Western "sages." If the affirmative can be maintained, we are not incapable of undertaking the task of the economic reconstruction or the development of our country and vice versa.<sup>1</sup> If our slavishness or blind obedience is a habit formed as a result of the influence of passive philosophy, we are able, as the same distinguished psychologist, Dr. Kou (who just points to the slavish trait of us) tells us, to shake it off, though this may take a long time and serious effort.<sup>1</sup> If slavishness is our nature endowed by the order of Providence,<sup>2</sup> we will be hopeless and incapable of undertaking the task of economic reform. Thanks be to the modern psychologist, the behaviorist, who has spoken the final word on human nature, that it is nothing but a number of habits which are formed by us but not endowed by Providence.<sup>3</sup>

Since slavishness and blind obedience is not our nature, but our habit, we may open the eyes of Confucian and Taoistic scholars, break their old

---

<sup>1</sup>Ibid., p. 6. A more complete study of the subject is given in Dr. Kou's Psychology and Heredity.

<sup>2</sup>A tribute is, however, paid to the Chinese by B. L. P. Weale, who says, "No matter in what walk he may be, the Chinaman, man to man, can rate himself the equal of all other men." Cf. Weale, The Truce in the East and Its Aftermath, p. 337.

<sup>3</sup>J. H. Randall, Jr., The Making of the Modern Mind, pp. 496-505. He

habits, and give them the new light of reason and truth instead of the sacred canons. If reason and truth reveal a better solution of the problems of virtue and Tao, there is no reason why Taoism and Confucianism should remain stubbornly as an obstacle in its way. If the economic prosperity brings well-being to society (Mohist goal), elevates the standard of morality (Confucian goal), lightens the labor and shortens its hours (Taoistic goal), such a prosperity ought to be welcomed, — by these philosophers themselves --, for it helps them reach their goals. A better solution has already been revealed and worked out with gratifying results in the West. Smith tells us not to take virtue and Tao too seriously, but let self-interest guide us to social well-being, which, as the English and the American standard of morality proves, would help to raise the moral standard instead of, as the Confucian and the Taoist believe, lowering it. If selfishness — perhaps not very selfish — would bring us well-being, the material basis of higher virtue, the Confucian should not hold the erroneous view that no poison should be used, even though the poison is the only most efficient means for curing his disease and restoring his health, so that he, instead of premature death, can devote his remaining years to producing and cultivating virtue. We may therefore safely presume that we will listen to reason and truth as soon as we learn that a little poison or a little selfishness may be used for bringing <sup>about</sup> well-being and promoting virtue instead of sowing the seed of evils. Here one can see that we are hesitant to open our eyes, because

---

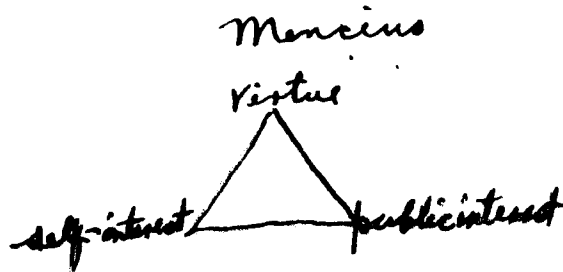
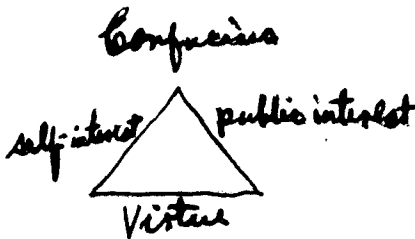
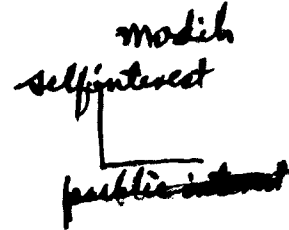
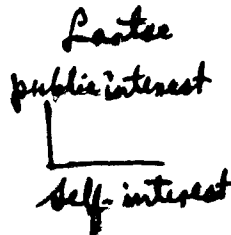
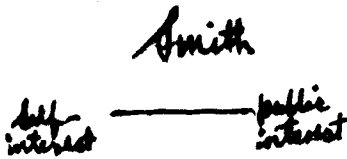
gives a short non-technical account of the antagonistic psychological schools with the conclusion which favors behaviorism.

we see through the Confucian and the Taoistic glass, that material prosperity is a hindrance to moral advancement instead of an economic base on which character and personality may be built more firmly. When it becomes clear to us that prosperity and virtue are not in conflict, economic progress in China is assured. Unfortunately the road is not yet clear for modern methods of efficiency; for, with the exception of a few, the majority of the people can not see,<sup>1</sup> but listen -- unfortunately listen to the moral-sounding sentimental appeals that material progress or modern capitalism is in conflict with virtue. It may take, sooner or later, years of education to open their eyes and lay the firm foundation for the economic development in China. More important than anything else is the wide spread of the elementary principles of economics as a preventive measure against the sentimental appeals and as a preliminary step towards economic progress in the near future.<sup>2</sup> In the meantime the economic-motive-killing Tao and virtue, the dangerous enemies to economic progress, may give way to the modified moral economics, namely, Mencius' welfare economics, if we are not going to follow Smith completely. The advices of the wise men in the East and the West on the road to an economic optimism may be summarized as follows:

---

<sup>1</sup>Tien Ih, "China's Revolution," the Nationalist Bi-weekly, Nos. V, VI (Sept., 1927), p. 8.

<sup>2</sup>With the Confucian trait of the Chinese, they, like Confucius, are more anxious to think of the practical measure and pay little respect or attention to abstract theory. There are numerous periodicals on economic problems and information published by the Chinese Government and



Note: To Smith, both interests, like two sides of the same pole, move harmoniously, though in different directions, without conflict. To Mencius they move harmoniously when they alone are playing. But if a third one, virtue, demands, either one interest or both interests should concede. To Confucius, both interests should obey virtue, for they are in conflict and never meet without the interference of virtue. To Laotse, public interest must give way to private; and, to Modih, vice versa and they can never harmonize spontaneously.

The advices of Confucius and Laotse have been locked in our heart so deeply and so long that even if they could be won over by sentimental and private institutions. But there is not yet a single periodical devoted to economic theories.

"coquettish appeals" for a while, their imprint can never be erased by anything except a sincere effort to make a thorough understanding of their nature and introduce new amendments from time to time in a harmonious manner.<sup>1</sup> Now we have found that if we follow the advices of Smith or Mencius, the course of the Tao and virtue will not be seriously disturbed, but a hopeful economic optimism, instead of the Confucian and Taoistic bankruptcy, can be assured. Why will the Chinese not concede, if we can have their eyes opened? Why will we be hopeless? Why can we not have our economic conditions improved, our capital accumulated, and efficiency increased? What a far-sighted Chinese should really worry about is that our old morals and institutions will give way completely under the approaching sway of interest-philosophy.

Contrasts between the Western and the Eastern Economic Thought. -- So far we have discussed the economic philosophies of Taoism and Confucianism as well as their influence and effects on our economic life. We may here further summarize the results of our investigation which mark a striking contrast with Western economic thought. This is, indeed, a long-felt need that has not been yet supplied. There are only two systematic *English* treatises on some phases of the Chinese economic thought, and they make no attempt to take the question into consideration. Dr. Chen, the first pioneer, bases his book on the arrangement of a general text-book on eco-

---

<sup>1</sup>Kau, op. cit., pp. 6-8. "If the social habits acquired from and formed by the influence of the old social system, education, and culture are not gradually changed in advance of the approaching radical economic reconstruction and social transformation, our failure is certain."

nomics. So there is no reason for him to contrast with the accepted theories; for his aim is to show that Confucians have made some anticipations that are virtually in harmony with the accepted modern theories in substance. Dr. K. W. Shaw's Democracy and Finance in China takes the same attitude, though in freer manner in its arrangement. His work, to use the words of Seligman "shows us that there is nothing new under the sun and that many of the ideas which we have considered as original with Western thinkers and statesmen are to be found in more or less developed form in their Eastern predecessors." Probably there is also nothing new in the Chinese economic thought, but there are some striking contrasts between the East and the West which we will immediately examine. They are:

- A. Virtue vs. Justice.
- B. Ethical Interpretation of History vs. Economic Interpretation.
- C. Moral Laws vs. Economic Laws.
- D. A New Socialism.

Virtue vs. Justice. -- When liberty or freedom is stamped under foot, property recklessly plundered, life mercilessly destroyed, and "dogs eat the flesh of men," there always rise from the mass the new leaders like Buddha, Confucius, and Christ in the East, and those like Montesquieu, Lincoln, and Napoleon in the West. The former appeal to virtue, the latter to justice. The former are peaceful and obedient, the latter warlike and rebellious. The former teach us how to bear the oppressor's yoke, the latter to shake it off. The former patiently wait for the coming of the Utopia, the latter energetically pave the way and build the bridge

towards it.

When China suffered severely from the disastrous wars incessantly carried on among the feudal princes and the Jews were under the Roman oppression, no Napoleon or Montesquieu would raise the foolish question that our salvation might be found somewhere beyond war or revolution. The men who preached how to bear the sufferings and to love the enemy will certainly have been regarded either as a betrayer or as a slave by nature, were they born in the West instead of the East. Throughout the history of economics there is probably not a single economist -- nay, not a single passage -- that instructs us to be satisfied with the exploitation of our distributive shares and to love those who exploit us. Still more absurd to them is the thought that such foolish and slavish self-denial would lead us to salvation instead of a miserable suicide.

On the contrary, it is a happy suicide -- a suicide where salvation is realized. One who has read the Chinese history knows the truth. It is really more important than interesting to note that China, with a population a hundred times bigger, wealth a thousand times larger, and a civilization miles higher than that of her poor barbarian neighbors, was conquered and ruled by them for several hundred years. Of course, no Western nation can stand such a disgrace. But one by one as they came into China with arms, they went out with a tender heart and the Chinese virtue which subdues them to the Chinese forever. Without the Chinese, we can hardly tell what a menace to the world could be the Tartars, who conquered China, crushed Russia and plundered into the heart of Europe

like horrible lions.<sup>1</sup> Even more undefeatable are the Jews, who, with passive resistance, have survived all kinds of oppression and remained as Jews throughout the world, except in China where the magic of virtue has won the persistent Jewish hearts which force and oppression have failed to subdue.<sup>2</sup> Although the Chinese have made the Jews poor and miserable like themselves, yet they love each other and are united in one family. In comparison with the descendants of the Tartars and the Jews in the prosperous Western world, the Mongolians and the Jews of China may seem to have committed an economic and intellectual suicide -- only it is a happy suicide.

A study of the social structure of the Chinese will tell that almost every Chinese is subdued by virtue instead of being ruled by the law or guided by justice.<sup>3</sup> China had no police force in its modern sense. We had no legal study and little legal knowledge. There was not a single government official -- not even a lawyer -- in the villages and towns with the exception of a few places of peculiar importance. What guides us in social intercourse and economic dealings is our vague conception of virtue, which is itself better and stronger than law, contract, and justice.<sup>4</sup> The

---

<sup>1</sup>J. H. Robinson and C. A. Beard, Outlines of European History, Pt. II (1916), pp. 73, 74.

<sup>2</sup>In Kaifeng, the Jewish colony in China, the Jews have long lost their identity as the Jews.

<sup>3</sup>Morrison, "The Spirit of the Chinese Laws," The Chinese Repository (1831-1847), Vol. III, pp. 421-423.

<sup>4</sup>H. O. Taylor, Ancient Ideals, Vol. II, p. 49.



early foreign traders in China made a serious mistake in trying to negotiate with the Chinese government for protection of life and property and commerce by the definitely stipulated treaty, which, according to the Chinese, was not necessary for the man with virtue. The Chinese were scornful to contract ~~at~~ treaties of whatever nature, which would bind them to fulfill the promise. They would break anything except their verbal promise, which is "more binding than the contract written on the leather." Now such a society without the law and public authority and a definite standard to enforce justice and to protect property and life can hardly be kept in order unless virtue is the ruling force.

Ethical Interpretation of History vs. Economic Interpretation. — China is a society ruled by virtue, with economic dealings, social intercourse, political system, and educational institutions all based on virtue. What a shock to Karl Marx! How would he dispense with the ethical hindrance to the Scientific Socialism? If the evolution of society can only be explained by the economic interpretation, what, then, explains the historical development of a society resting on the ethical base. What will give rise to capitalism, if the Chinese society remains separated from the rest of the world, untouched by modern civilization and devoted to Confucian and Taoistic ideals? Will there be any class war, conflict between labor and capital, concentration of production, etc.? Would the Confucian and the Taoist patiently wait for the ultimate collapse of the capitalistic system of production or immediately take steps to check the progress of capitalism? How could Scientific Socialism come true if the Taoistic advice of self-sufficiency and the Confucian advice

on the "five relations," not to mention other obstacles, were strictly observed? What can be exploited from the poor but self-sufficient Taoist? The Confucian, if he is rich or if he is poor, sticks to the same principle and is not to be changed by the change of his economic conditions. He is cautioned against seeking for more profitable employment in any manner, if it is in conflict with his more important ethical duty, such as the "five relations," the Confucian command that "one should not travel far while one's parents are living,"<sup>1</sup> etc. Can a Confucian leave his five relations or his living parents as freely as Marx thinks, although the industrial centers offer him more opportunity? Can a Confucian sell his farm (a disgrace to the family and an unfilial act on the part of the seller) or desert or lay it waste (a sin and sometimes a crime) as freely as Marx thinks?

The conflict of the economic and ethical interpretations make it possible for us to draw the following conclusion. Granted, that the economic interpretation is valid, there is an equally -- probably more -- valid ethical interpretation. It shows that there is at least more than one interpretation of history. The ethical interpretation adds a new proof against the economic interpretation.

Moral Laws vs. Economic Laws. -- The third striking contrast between the Western and the Eastern economic life is that, since the Easterner is blind to economic laws, he would find the solution of economic problems in moral instead of economic laws. Economic laws as well as any other laws in social sciences were "never scientifically studied" in China.

---

<sup>1</sup>Confucian Analects, p. 35.

The only effort made was to find an ethical solution -- or ethical law.<sup>1</sup> The superior man as well as "a strong emperor may assert his own will, and, given a suitable opportunity and a justifying emergency, may override the constitution as Abraham Lincoln did under similar circumstances..<sup>2</sup> The law may be violated for the sake of mercy and benevolence."<sup>3</sup> Thus when economic laws require us to do this, we on the contrary, do what is against it even with the result of economic loss and disadvantage.

Many a Westerner -- of course not the Western economist -- is greatly puzzled with the "economic China" and is, unfortunately, led by false impression to conclude that China is hopeless, because what has made the West prosperous only gives China more trouble. "The present economic China," according to him, is "an exception to...economic law."<sup>4</sup> But the true question here is that the force of economic laws is mitigated by the predominating moral force, not that China is "an exception to economic law." It is not that economic laws would cease their operation in China, but it is that we disobey them. The striking fact that, for such disobedience to economic laws, we are duly punished with economic calamity, misery, and poverty, will sufficiently explain that they are equally effective in China. We may here give a few examples to illustrate the

---

<sup>1</sup>Yen Fuh, "A Historical Account of Ancient Political Society in China," The Chinese Social and Political Science Review, Vol. I, No. 4 (Dec., 1916), p. 18.

<sup>2</sup>H. B. Morse, Trade and Administration of the Chinese Empire, p. 51.

<sup>3</sup>Williams, op. cit., Vol. I, p. 373.

<sup>4</sup>Lee, Economic History of China, p. 22.

conflict of moral and economic laws, such as, the "chop-head" policy's conflict with the quantity theory and the law of demand and supply. If excessive inflation makes it impossible for the paper money to maintain its face value, the trouble-makers, namely, the virtuous banders and money-exchangers, are to blame. With utter disregard *to* the amount of money needed for circulation, the moral law would raise her hand to interfere with the economic law by "killing one to threaten one hundred" persons, thus getting rid of the virtuous trouble-makers with no other justification than giving the public immediate relief. If rice is scarce and its price high, the trouble-maker is the rice-merchant. The authority, with the public benefit in mind, would adopt the same efficient "chop-head" policy of killing the most virtuous and fixing the official prices with no regard to whether the merchant has to sell below cost or not. With such moral measures, a little financial difficulty may engender a serious panic or crisis extending wider and wider to the fields of commerce and industry with the increase of more and more moral measures. It is needless to point out numerous instances where the force of economic laws is rendered inconceivable for a while by the more predominating moral laws, ultimately bursting forth in a more dangerous manner rendering us more incapable of finding its cause which lies deep in a long series of moral and economic conflicts.

A New Socialism. -- With the habitual sentimental heart of the Chinese who seem to be more thoroughly prepared for the moral-sounding appeals than for the disinterested, cold, and passionless economic principles, the sentimental socialist or propagandist seems favored with a more genu-

ine welcome in China. The Chinese, especially the Confucian, are more or less Socialistic if we take Socialism as a doctrine which favors re-appropriation of the means of production and the distributive shares against the existing social order. To take from one's distributive share to help the other, or to confiscate one's property, which is immorally, though loyally, used, is justified by common consent. The "chop-head" policy is strikingly Socialistic. Socialism, though it is welcome, may lose all its economic and "scientific" significance in the shadow of "virtue" in China. Even Marx is regarded as an ethical instead of a scientific Socialist from the Chinese viewpoint.<sup>1</sup>

Inasmuch as the Chinese give more attention to moral than economic laws or principles in economic theory, we shall not overlook the marked contrast between the Eastern and the Western Socialism. With the exception of the Scientific Socialism, all kinds of Socialism in the West, like that in China, are more warm-hearted and sentimental than the abstract and cold and disinterested economic theory. But both can still be distinguished. While the Western Socialists approach the problem of social reform from the standpoint of production, exchange, and distribution; the Chinese, more in common with the Communist, approach it from that of consumption. We pay little attention to who controls the means of production, but we will require of him to distribute his consumption goods to those who have not sufficient for a bare subsistence. We do not touch his farm or factory, but we will dispose of the product of his farm or factory

---

The main purpose of Dr. Kou's article on "Is Marxism Scientific?"

is to point out that it is not scientific but ethical.

according to our peculiar moral system. This is the Chinese Socialism before it is mixed with the maliciously and blindly misconstrued Socialism, Communism, Bolshevism, etc.

A few words to describe the merits of the Chinese Socialistic system may not be entirely wasted. The menace of the capitalist to society lies less in his control of the means of production or his exploitation of labor than in the reckless consumption of his wife and children and their indulgence in idleness and luxuries, such as, the canary rollers, choppers, and pekinese of society women, which are housed in beautiful cages and gorgeous bed-rooms and attended by more intelligent maids and valets than the regular domestics. What will the capitalist do with the income from his capital if he is not required by Confucianism to help others and to store up for future consumption, or not compelled by Western institutions to spend lavishly on his wife and household? Most likely he, especially the Western capitalist, would invest it, thus increasing the capital or "wage-fund" that would otherwise be destroyed in reckless consumption. We may here agree with Modih that the capitalist may benefit society more than the Confucian or the Taoist, provided he is economical in consumption. The Socialism of the Chinese -- a Socialism not so much in conflict with the present economic order, individual initiative, and modern efficiency in production, -- is probably the most feasible Socialistic project ever proposed. The West has searched for social amelioration through production and distribution, and the logical unexploited field left is consumption; while the East, through distribution and consumption, and that left unexploited is production. Probably the Western Socialism, hardly rec-

ognized in the West as very feasible, has much to learn from the Chinese Socialism, while the Western economic theory will ultimately open the closed eyes of the Chinese and lead them to economic progress.

With the advance of modern economic theory, the enemy of our moral system, the foundation of our economic philosophies that are based on our sages' teachings will be shaken. The faithful labor of many thousand years' blind obedience to the suicidal economic philosophies will ultimately give way to the Western philosophy of economic optimism. We are, like the unfilial sons, going to tear down our father's house, which took him many efforts to build for us, with the hope that we would live in it with pride and affectionate memory from generation to generation. This cup is too sad for us to take unless we will be compensated for the great sacrifice with an equally great reward. Thanks be to the Western economists, we are so richly rewarded for our sacrifice of moral economics with the handsome gift of economic science, which the Physiocrats and Smith systematically began to build, and which has been enlarged, improved, and refined by the faithful and intelligent labor of thousands of economists, and is finally left to the world as a common gift without any distinction of color, race, and nationality, although we have no right to claim as the legitimate heir -- not even the adopted son -- to this great fortune.

THE END

BIBLIOGRAPHY

I. Kings

- The Canon of Change (Yi King).
- The Canon of History (Shoo King).
- The Canon of Music.
- The Canon of Poetry (She King), translated by:  
Byng, L. C. London, 1909.  
Legge, J. London, 1875.
- The Canon of Rites (Li Ki), translated by:  
Legge, J. Oxford, 1885.
- The Confucian Analects, translated by:  
Giles, L. London, 1907.  
Legge, J. London, New York, 1875.  
Soothill, W. E. Yokohama, 1910.  
Wilhelm, R. Jena, 1921.
- The Doctrine of the Mean, translated by:  
Ku, H. M. London, 1908.  
Legge, J. London, New York, 1875.
- The Great Learning, translated by:  
Legge, J. London, New York, 1875.
- The Nan Hua King, translated by:  
Giles, H. A. Shanghai, 1926.  
Legge, J. Oxford, 1891.  
Wilhelm, R. Jena, 1912.
- The Spring and Autum.



The Tao Teh King, translated by:

Balfour, F. H. London, Tientsin, 1884.

Carus, P. Chicago, 1906.

Chalmers, J. London, Shanghai, 1868.

Grill, J. Tübingen, 1910.

Harlez, C. J. de. Paris, 1891.

Heysinger, I. W. Philadelphia, 1903.

Julien, S. Paris, 1842.

Legge, J. London, 1879.

Ular, A. Leipzig, 1903.

Wilhelm, R. Jena, 1911.

The Works of Mencius, translated by:

Legge, J. London, New York, 1875.

## II. Tses

Kwaen Tse.

Leih Tse, translated by:

Giles, L. London, 1912.

Modih, translated by:

Forke, A. Berlin University, 1922.

Shun Tse.

Yang Tsu, translated by:

Byng, H. C. London,

## III. General Works on Taoism, Confucianism, and Mohism

Allen, H. J. The Connexion between Taoism, Confucianism, and Buddhism in Early Days. Oxford, 1908.

- Armstrong, R. C. The Light from the East. University of Toronto, 1914.
- Bettany, G. T. Primitive Religions. London, 1891.
- Borel, H. and Goddard, D. Laotzu's Tao and Wu Wei. New York, 1919.
- Brandt, M. A. S. Die chinesische Philosophie und der Staats-Confucianismus.  
Stuttgart, 1898.
- Chen, H. C. The Economic Principles of Confucius and His School. Columbia  
University, 1911.
- Dawsan, M. M. The Ethics of Confucius. New York, 1915.
- Douglas, R. K. Confucianism and Taoism. London, 1879, 1889.
- DuBose, H. C. The Dragon, Image, and Demon. New York, 1887.
- Eucken, R. C. Das Lebensproblem in China und in Europa. Leipzig, 1922.
- Faber, E. A Systematic Digest of the Doctrines of Confucius. Shanghai,  
1902.
- Groot, J. J. M. de. Universism: a Key to the Study of Taoism and Confu-  
cianism. New York, 1912.
- Grube, W. Der Confucianismus und das Chinesethum. Berlin, 1900.
- Haas, H. Lao-tsze und Konfuzius. Leipzig, 1920.
- Hartmann, S. Confucius. Los Angeles, 1923.
- Hsu, C. Y. The Philosophy of Confucius. London, 1926.
- Hu, S. (Wu Si). The Development of the Logical Method in Ancient China.  
Shanghai, 1922.
- Intorcetta, P. and others. The Morals of Confucius. London, 1691; New  
York, 1835.
- Kudo, T. The Ethics of Confucius. Tokyo, 1904.
- Legge, J. The Life and Teaching of Confucius. London, 1875.

- m'Clatchie, T. Confucian Cosmogony. Shanghai, 1874.
- Miller, L. The Planless or Intuitional Life. Washington, D.C., 1902.
- Mueller, F. M. The Religions of China. London, 1900.
- Okakura, K. The Book of Tea. New York, 1912.
- Parker, E. H. Studies in Chinese Religion. London, 1910.
- Pott, W. S. A. Chinese Political Philosophy. New York, 1925.
- Wihelm, R. Kung Tse, Leben und Werk. Stuttgart, 1925.
- Yamada, K. Two Lectures on Confucius. Shanghai: Tung Wen College, 1926.

#### IV. Books Cited

- Bain, A. John Stuart Mill. London, 1882.
- Backhouse, E. and Bland, J. O. P. Annals and Memoirs of the Court of Peking. London, 1914.
- Balfour, F. H. Taoist Texts; Ethical, Political, and Speculative. London, 1884.
- Bashford, J. W. China; an Interpretation. New York, 1919.
- Bassett, J. S. A Short History of the United States. New York, 1922.
- Bonar, J. Malthus and His Work. New York, 1924.
- Borel, H. and Goddard, D. Laotzu's Tao and Wu Wei. New York, 1919.
- Carus, P. The Canon or Reason and Virtue. Chicago, 1913.
- Chen, H. C. The Economic Principles of Confucius and His School. Columbia University, 1911.
- Chin Chu. The Tariff Problem in China. Columbia University, 1916.
- Confucius. Confucian Analects. Commercial Press, Shanghai.
- Cushman, H. E. A Beginner's History of Philosophy. Vols. I and II. Boston, New York, 1919.
- Davenport, H. J. Economics of Enterprise. New York, 1922.

- Davis, G. B. Elements of International Law. London, New York, 1908.
- Dickinson, Z. C. Economic Motives. Harvard University, 1922.
- Doctrine of the Mean, The. Commercial Press, Shanghai.
- Ely, R. T. Outlines of Economics. 3rd ed. New York, 1920.
- Falckenberg, R. History of Modern Philosophy. New York, 1893.
- Ferrin, A. W. Chinese Currency and Finance. Washington, D.C., 1919.
- Fetter, F. A. The Principles of Economics. New York, 1904.
- Forke, A. Mo Ti. Berlin University, 1922.
- Frank, T. An Economic History of Rome. Johns Hopkins University, 1920.
- General Research. Peking.
- Gide, C. and Rist, C. History of Economic Doctrines. London, New York, 1914.
- Giles, H.A. Chwang Tse, Mystic, Moralist, and Social Reformer. Shanghai, 1926.
- Giles, L. Tacitist Teachings from the Book of Leih Tsu. London, 1912.
- Great Learning, The. Commercial Press, Shanghai.
- Han Yu. An Essay on the Human Nature. Peking.
- Heeren, A. H. L. Historical Researches. Vol. II. London, 1846.
- Herrick, C. A. A History of Commerce and Industry. New York, 1917.
- Hershey, S. A. Essentials of Public International Law. New York, 1914.
- Higgs, H. The Physiocrats. London, 1897.
- Ho, F. M. A Complete Course in Economics for China. Vol. IX. Hupeh.
- Hu (Wu), S. The Development of the Logical Method in Ancient China.  
Shanghai, 1922.
- Huc, M. A Journey through the Chinese Empire. Vols. I and II. New  
York, 1855.
- Ingram, J. K. History of Political Economy. London, 1915.

- Jones, H. A. My Dear Wells. New York, 1921.
- Krausse, A. The Far East. London, 1900.
- Kou, Z. Y. Is Marxism Scientific? Shanghai, 1927.
- \_\_\_\_\_ Psychology and Heredity. Shanghai, 1928.
- Kung, K. N. The Economic Thought of Ancient China. Shanghai, 1927.
- Küple, O. Introduction to Philosophy. London, New York, 1897.
- Laotse. The Tao Teh King.
- Lee, F. E. Currency, Banking, and Finance in China. Washington, D.C.,  
1926.
- Lee, M. P. An Economic History of China. Columbia University, 1921.
- Li, U. B. Outline of Chinese History. Shanghai, 1914.
- Liang, K. C. An Essay on Kwaen Tse. Shanghai, 1911.
- \_\_\_\_\_ An Essay on the New Nation. Shanghai, 1911.
- \_\_\_\_\_ An Essay on Wang An Zah. Shanghai, 1911.
- \_\_\_\_\_ An Inquiry into the Currencies in Ancient China. Shanghai,  
1911.
- \_\_\_\_\_ Essentials of Mohism. Shanghai, 1911.
- \_\_\_\_\_ History of Chinese Thought in Ancient Times. Shanghai, 1911.
- \_\_\_\_\_ The Development of Chinese Laws and Rites. Shanghai, 1911.
- \_\_\_\_\_ The Development of Legal Thought in China. Shanghai, 1911.
- Macaulay, T. B. History of England. The. New York, Boston, 1901.
- Malthus, T. R. An Essay on the Principles of Population. Boston, 1821.
- Mill, J. S. Principles of Political Economy. Ashley's ed., London, 1923.
- Mon Don Tse Kwai. Nanking, Tientsin.
- Monroe, P. A Brief Course in the History of Education. London, 1910.

- Morse, H. B. The Trade and Administration of China. London, New York, 1908.
- Myers, P. V. N. The Eastern Nations and Greece. New York, 1904.
- Nys, E. Researches in the History of Economics. London, 1899.
- Overlach, T. W. Foreign Financial Control in China. New York, 1919.
- Pott, W. S. A. Chinese Political Philosophy. New York, 1925.
- Randall, J. H. The Making of the Modern Mind. New York, 1927.
- Reinsch, P. S. World Politics. New York, London, 1900.
- Remer, C. F. Economics for China. Shanghai, 1922.
- \_\_\_\_\_ The Foreign Trade of China. Shanghai, 1926.
- Ricardo, D. Principles of Political Economy. Georgetown, D.C., 1819.
- Robinson, J. H. and Beard, C. A. Outlines of European History. 2 vols. 1916.
- Ross, E. A. The Changing Chinese. New York, 1911.
- Say, L. Turgot. Chicago, 1883.
- Schopenhauer, A. Schopenhauers sämtliche Werke. Leipzig, 1922.
- See, C. S. The Foreign Trade of China. Columbia University, 1919.
- Seligman, E. R. A. Principles of Economics. New York, 1905.
- Shan Z King. Translated by H. A. Giles. Shanghai, 1900.
- Shaw, A. W. An Approach to Business Problems. Harvard University, 1916.
- Shaw, K. W. Democracy and Finance in China. Columbia University, 1927.
- Smith, A. Wealth of Nations. Edited by J. E. T. Rogers. Oxford, 1869.
- Sun, Y. S. Lectures on Nationalism. Shanghai, 1927.
- \_\_\_\_\_ Lectures on National Economy. Shanghai, 1927.
- \_\_\_\_\_ Lectures on Three Peoplism. Shanghai, 1927.

- Sun, Y. S. The International Development of China. Shanghai, 1927.
- Suzuki, D. T. A Brief History of Early Chinese Philosophy. London, 1914.
- Takayanagi, Tariff System in China. Commercial Press, Shanghai, 1922.
- Taylor, H. O. Ancient Ideals. Vols. I and II. London, New York, 1896.
- The Works of Mencius. Commercial Press, Shanghai.
- Tin, M. H. Bead Arithmetic. Manila, 1922.
- Tseutse. Domestic Maxims. Peking.
- Tsu, Y. Y. The Spirit of Chinese Philanthropy. Columbia University, 1912.
- Veblen, T. The Vested Interests. New York, 1919.
- Weale, B. L. P. The Truce in the East and Its Aftermath. London, New York, 1907.
- Wei, W. P. The Currency Problem in China. Columbia University, 1914.
- White, P. and Hayward, W. S. Marketing Practice. Garden City, N.Y., 1924.
- Wilhelm, R. Laotse und der Taoismus. Jena, 1911.
- Williams, S. W. The Middle Kingdom. 2 vols. New York, 1883.
- Yin, Z. T. Applied Quietism. Commercial Press, Shanghai, 1923.
- Yule, H. Marco Polo. 2nd ed. 2 vols. London, 1875.

V. Periodicals, Reports, and Letters Cited

- Boston Evening Transcript. Nov. 24, 1841.
- British Chamber of Commerce Journal. Shanghai, July, 1919.
- British Quarterly Review. Vol. LXXVIII. 1883.
- China Review. Vols. XIII, XIV, XVI. 1885-1887.
- Edingburg Review. Vol. XVI. 1819.
- Kwang Hwa Quarterly. Vol. I, Nos. 3,4. June, 1926.
- Redfield, W. C. Letter to Y. S. Sun. May 12, 1919.

- Reinsch, P. S. Letter to Y. S. Sun. March 7, 1919.
- Rockhill, W. W. Annual Report of the Board of Regents of the Smithsonian Institution for the Year of 1904. 1905.
- Rules of Sacrifice in the Confucian Temple in Tientai. Tientai.
- The American Museum Journal. Vol. 17, No. 8. Dec., 1917.
- The Banker Weekly. No. 493. Shanghai, April, 1927.
- The Chinese Economic Monthly. Vol. II, No. 1. Oct., 1924.
- The Chinese Repository. 1831-1847.
- The Chinese Social and Political Science Review. Vols. I and II. 1916, 1917.
- The China Year Book. 1925-1926.
- The Commercial World. Vol. 2, No. 2. Feb., 1927.
- The Monist. Vols. XI, XXVII, XXXIV. 1901, 1917, 1925.
- The Nation. Vol. CXXIV, No. 3218. March, 1927.
- The Nationalist Bi-weekly. Nos. 5 and 6. 1927.
- The Open Court. Vol. XXXII. Oct., 1918.
- The Past Fifty Years. Shun Pao. Shanghai, 1923.
- The Tenth Anniversary. Chekiang Student Club, Fuh Tan University. 1920.
- Transactions of the Third International Congress for History and Religions. Oxford, 1908.
- Twenty-fifth Anniversary, 1900-1924. The Sincere Co. Shanghai, 1924.
- Zeitschrift für Social Wissenschaft. Vol. 3. 1900.