

The Relationship Between Confucianism and Economic Development

Ladies and Gentlemen:

I am happy to have the opportunity to visit your beautiful country and meet with you on this special occasion. Today I would like to speak on the relationship between the Confucianism and economic development.

Nowadays, the word "economy" customarily denotes a thrifty use by people of material resources for the purpose of satisfying their requirements. This definition is limited as it is compared with the subject being studied by modern economists. Today, economics has become a science concerned with the study of the philosophy of life. More specifically, an economist cannot develop economic theories independently of human beings. Otherwise, such theories would have no basis or value.

Confucianism is the mainstream of Chinese traditional philosophy and Confucius is the leading figure of Confucianism. His philosophic ideas and teachings have been the main tenets of Confucianism. As a point of departure, Confucianism, studying the various problems of human life, is a philosophy that deals with humanity from the human point of view.

There were not many occasions in which Confucius touched on the subject of economic development. *The Analects of Confucius*, a book that compiles the dialogues between Confucius and his disciples, contain a few pointers as to what was in Confucius mind about economic development. A relevant dialogue reads as follows:

When Confucius visited the Kingdom of Wei, Jang Yiu drove for him. "What a teeming population," said Confucius. "What do you think that the government should do for such a teeming population?" asked Jang Yiu. "Enrich them," answered Confucius. "What then should be done after its people become rich?" asked Jang Yiu. "Give them education," replied Confucius. (*The Analects of Confucius*, Chapter 13).

Mencius, the most outstanding follower of Confucian thought, held high regard for Confucius. Mencius made significant contribution to the Confucian philosophy by propagating and glorifying Confucian ideas. The dialogues conducted by Mencius with his disciples appear in *Mencius*, also one of the Four Books.

The Golden Mean and *The Great Learning*, the other two of the Four Books, represent the orthodox school of Confucian thought. There is a vein of economic ideas running through these two books. From them, one can draw four conclusions about how economic ideas were conceived in the minds of Confucian scholars.

I. Virtue as the Essential Element of Economic Development

A country seeks economic development mainly for the purpose of bettering the life of its people and making both the society and the country become prosperous and progressive. The success of economic policy hinges on the effective application of manpower and natural resources. But manpower is not at the disposal of the ruling class unless the ruling class is virtuous itself, so that it is in a position to educate common people and win their support. Without the support of its people, the government would have nobody to defend its territorial confines, develop resources, and implement economic plans. Chapter X of *The Great Learning* reads in pertinent part as follows:

"Therefore the ruler will first be watchful over his own virtue. If he has virtue, he will have the people with him. If he has the people with him, he will have the territory. If he has the territory, he will have wealth. And if he has wealth, the country will become rich." (*The Great Learning*, Commentary, Chapter 10)

The Book of History, one of the Thirteen Classics, contains the same line of thought in the paragraph that reads:

"Only when the ruling class cultivates moral integrity can the function of natural resources be most efficiently exploited, the ruled become rich and the people live in peace and prosperity."

Both of the above citations clearly show that virtue is central to Confucian teachings, followed by the making of profit; with both virtue and profit, a peaceful and prosperous society can be attained. This means that virtue is the most essential element of economic development, and monetary benefits secondary. On the contrary, if the cart is put before the horse, i.e., if the government competes with its people for wealth, or, worse still, deprives its people of their property, its people will turn their back on the government. This is best elucidated in Chapter X of *The Great Learning* which states:

"Virtue is the most essential and wealth secondary. Emphasizing the importance of wealth over virtue would cause the ruler to fight with his people for wealth, which means robbery on the part the ruler. Therefore a ruler that deprives his people of wealth would most probably scare away his people and prompt them to rebel against him. By the same token, a ruler who shares wealth with his people would naturally attract his people to rally to its side."

The above clearly reveals the importance of virtue as the determining condition of an appropriate economic policy. People are the driving force behind economic development. When a state is thickly populated, people will prosper only if they are rich. When people get rich, they will have nothing to do if they are not educated. To leave people to live in comfort rather than educate them would be reducing them to animals. This is the reason why Confucius held that the common people must be educated and taught the significance of moral principles. If the entire population knows and practices virtue, Justice shall prevail, and economic development move on the right track.

II. Social Justice

As noted above, an appropriate economic policy must be mainly based on ethical values as the essential element and economic benefits as secondary. In other words, the benefit of economic development must accrue to the whole society, rather than to only a minority of the people. Pursuing economic benefits for the whole society is practicing virtue and seeking personal benefit for a minority of the people is making improper profits. *The Analects of Confucius* expound this point as follows:

"A man of decency takes pleasure in seeing public righteousness prevail, while a petty-minded man fixes his eyes on personal profits." (*The Analects of Confucius*, Chapter IV).

Chapter X of the *Book of Great Learning* further says:

"The head of state who seeks personal wealth will hire greedy persons to serve him because greedy persons are experts in collecting unjust profits. As soon as greedy persons are hired, abuse of power and economic disasters will become the order of the day. When such a day comes, the availability of capable and virtuous persons will not help it at all. This means that a government must act for the public good instead of collecting unjust profits."

Therefore it is significant that top-ranking government officials have public welfare in their minds in adopting economic policies. The common people would not have high regard for them if they implemented economic projects for the sole purpose of benefiting the national treasury without regard to the living conditions of the common people.

III. Collecting No Unjust Profits

Confucius considered it most obnoxious if a government makes tireless efforts to impose heavy taxes on its people. The dialogue quoted below from *The Analects of Confucius* describes Confucius' opinion in this regard:

"Chi Shih, one of the high officials of the Kingdom of Loo, was richer than the Duke of Chou. As one of the ministers to Chi Shih, Jang Chiu assisted Chi Shih in collecting wealth by unjustifiable means, in order that Chi Shih might become richer. Jang Chiu does not seem to be like a disciple of mine. You may denounce him." (*The Analects of Confucius*, Chapter II).

Concerning this matter, Mencius opined as follows:

"Confucius felt repugnance towards a state ruler who, instead of executing decent public policies, tried in every way possible to dig for private profit." (*Mencius*, Chapter IV-A)

Mencius, who also abhorred the extortion of unjust profits, further opined:

"Nowadays it is generally believed that a servant to a king will be deemed an excellent servant so long as he can help expand the territorial confines of his state or amass a greater fortune for the national treasury. In fact, servants of this kind were held as public embezzlers in the old days. Anyone who conceives ways and means to collect wealth for a king who has neither public interests nor sensible public policies in mind is actually pursuing personal wealth for a tyrannical ruler." (*Mencius*, Chapter VI-B)

Based on the foregoing, it is of paramount importance that a government refrain from imposing heavy taxes on its people. Heavy taxes constitute a burden and a poison to the people. There are instances in which a nation promotes its national economic development through tax reductions instead of tax increases.

IV. Equal Wealth and Exploration of Natural Resources

China has been an agriculturally-based economy since it was founded thousands of years ago. To develop his national economy, a state ruler has to help his people acquire property, so that his people shall live in peace and shall not fight with one another. The harvest reaped by farmers from crops will suffice for their needs to support their families. The harvests would be plentiful enough to enable farmers to survive in years of famine. People are willing to defend their own properties only if the title in the property is vested in them. They will support government policies only if the policies are intended to enhance public interest.

On the contrary, in a country in which those having no property constitutes a majority of the people, property owners will make all-out efforts to seize and collect additional property, thus threatening the poor to the brink of famine. When such a day comes, the country will be in chaos, and unrest will prevail in the society. To a country like that, economic development will become a wishful thinking. In this connection, Mencius was most articulate when he was quoted as saying:

"Only an educated man will not commit a crime even though he owns no real property. Unlike the educated, however, the common people will dissipate almost compulsively. To punish the common people after they have committed a crime would be like setting a trap to catch the common people. How can a king with social justice in mind set up a trap to catch his own people? A capable and decent king will help his subjects to acquire real property so that they can support their families, and so that the harvests reaped from crops will be sufficient to survive years of both the bountiful and poor crops. Only then can the subjects become decent and receive a good education more easily." (*Mencius*, Chapter 1-4)

Mencius' idea about "helping people to acquire real properties" can be interpreted to mean that all the people are property owners individually. This represents Confucius' concept of "equal wealth" contained in the following paragraph:

"I strongly feel that a king does not have to worry about the poverty of his subjects. Rather, he has to care whether or not there is an uneven distribution of wealth among his subjects. Thin population should not bother him as much as social unrest. This is because with an even distribution of wealth, poverty will vanish. Good relations between the ruling class and the ruled class are more significant than scarcity of population, and as long as the people live in peace the country will be free of danger." (*The Analects of Confucius*, Chapter 16)

It therefore can be concluded that fighting and chaos will never predominate in a state in which there is an even distribution of wealth, i.e., people will surely live in peace and happiness.

In addition to helping people acquire their own real properties, a government can create a society of even distribution of wealth by providing its people with employment opportunities, developing natural resources and the economy, and bettering the life of its people. In the paragraph cited below, *the Great Learning* clearly conveys this message:

"Wealth can be produced according to the following principles: the numbers of producers are larger than that of consumers; crops are timely planted and harvested; and public spending is thrifty. Only then can the nation abound with capital."

Chapter XXVI of *the Golden Mean* says:

"A mountain is made of stones, each as big as the size of a man's fist. When the day comes that the pile of stones is large enough, grass will grow over the mountain and various beasts will gather, and its treasures can be exploited. Likewise, a stream is made of spoonfuls of water. And when the water is too deep to fathom, marine products will abound and wealth will be produced."

The Book of Rites, another of the so-called Thirteen Classics, also comments as follows:

"Don't leave vast resources untapped, nor keep such for your own use. While loathing those unwilling to do their best, you yourself should not pursue private interests."

The foregoing quotations suggest that a national economy is developed for the purpose of enriching the people of a nation, so that none shall be unemployed, and the number of producers should be larger than that of consumers. In a nation in which people work hard and receive high compensation, it is only natural that the government will not be short of capital, nor will it matter that revenues will not be sufficient

to meet spending. Moreover, if both mountains and rivers are rich with splendid natural resources and such resources can be fully exploited for the benefit of the people, business and industry will prosper, thereby improving the living standards of the people. Nothing can more clearly demonstrate the close relationship between this and economic development.

The above analysis helps us to gain a clear understanding of how certain of Confucian thoughts are closely related to economic development. In a word, Confucian thoughts about economic development are ideas based on improving the livelihood of the common people, a tenet that has guided the ruling class since ancient times in having successfully won the favor of the people and in having been given a place in history. Confucianism and the economic teachings contained therein deserve our recognition at a time when the global economy is moving towards an increasingly complicated stage and when both humanity and economic ethical values are falling into a decline.

I present my personal thoughts above for your comments. Thanks for your attention and I wish you health and success throughout the year.