

ECONOMIC IDEAS IN CONFUCIUS' WRITINGS

Sorinel COSMA¹
Simona COSMA²

¹Associate Professor, "Ovidius" University, Constanta

²Naval Academy, Constanta, Romania

Abstract: *One of Ancient China's most famous figures, though not an economist, Confucius had some remarkable and lasting contributions to the history of economic thought. Though not an economic theory, Confucianism has many-sided effects upon economic life, as it cares about the prosperity of the people and about moral leadership. For Confucius, there are three economic principles for managing a just society: administering wealth (economics), formulating rules (ethics), and preventing wrongdoing (politics). And there are two pillars for a good economic system: private property and markets with liberal governance. Therefore, he favored liberal economic governance based on competitive markets and proposed economic governance without or with less regulation. Also, for him, the economy does not benefit from the profit motive alone; it benefits from a society which values morality, since wealth flows from virtue, not virtue from wealth.*

Keywords: *private property, liberal market, just society, virtue, education, production*

1. Confucius and His Teachings

Better known in China as 'Master Kong', Confucius, one of Ancient China's most prominent figures, was a fifth-century BC (551 BC – 479 BC), Chinese thinker whose influence upon East Asian intellectual and social history is too great to be measured. As a culturally symbolic figure, he has been idealized, dismissed, and rehabilitated over time by both Asian and non-Asian thinkers and regimes.

China's most famous philosopher, Confucius was a government official, and during his lifetime he saw growing disorder and chaos in the system. Perhaps due to the turmoil and injustices he saw, he set himself to develop a new moral code based on respect, honesty, education, kindness and strong family bonds. Apparently, Confucius left no writings, although the "Five Classics" of Chinese literature are traditionally attributed to him as writer or editor. It has been established that the "Analects" is a collection of aphorisms put together by Confucius's students after his death. The "Record of Rites," also contains dialogs, discourses, anecdotes, and narratives about Confucius and his teachings.

Confucius did not regard himself as an innovator, but as the conservator of ancient truth and ceremonial propriety in dealing with moral and political conduct.

Confucius' basic idea was the renewal of antiquity. In the troubled times following the disintegration of the Empire, he was one of the many wandering philosophers who aspired to save the country with their counsels.

In terms of social philosophy, Confucius believed that people live their lives within parameters firmly established by a supreme being as well as nature and that men are responsible for their actions and especially for their treatment of others. They can do little or nothing to alter their fate but they can determine what they accomplish and what they are remembered for. According to Confucius, people should live their according to five virtues – benevolence and humanity; honesty and uprightness; knowledge; faithfulness and integrity; and correct behavior. These five virtues created a basis in which each individual had to try and live his/her lives accordingly, in order to live a healthy life in harmony.

Confucius' political philosophy is rooted in his belief that a ruler should learn self-discipline, should govern his subjects by his own example, and should treat them with love and concern. Confucius envisioned a society in which all lived in harmony, content with their place within the social hierarchy. He believed that if a ruler's moral character was exemplary, this would influence his people to behave morally as well.

2. Historical Economic Background for Confucius' Writings

But Confucius also offered many intriguing anticipations of contemporary libertarian ideas in his writings. The *Analects of Confucius*, a book that compiles the dialogues between Confucius and his disciples, contain a few pointers as to what his views on different economic concepts were.

To fully understand his economic assertions, we must first understand the main coordinates of the historical economic background of his life.

Confucius lived in a time when the established system could not meet the demand of development as the ruling classes of China experienced the transition from a slave to feudalist society. It was a time when the ethics and moralities of society were in decline. This is often regarded as the most exciting of times for Chinese intellectuals as no single doctrine dominated their lives.

Confucius lived in an agricultural society. In his lifetime, agriculture was, of course, the most important economic sector that engaged or employed most of the Chinese population. Land was the fundamental factor in the agricultural production and it was owned by the ruler, who disposed of it according to some well established rules and regulations.

In what is known as the *Spring and Autumn* Period in Chinese history, there existed a private-public joint venture system, according to which farming acreage was separated in nine equal parcels, the middle parcel being the part of the ruler, with 8 rural parcels being private parts distributed to 8 farmers. Every farmer got an own parcel and worked there for his own interests, but at the same time he had to provide labor to jointly carry out production in the middle parcel of the ruler, who would be entitled to the harvest of this parcel.

This agricultural production system was accompanied by a taxation system, according to which, for being given the land to produce food for their own interest, the farmer had to pay a percentage of his harvest as tax. This percentage, usually around 10 %, was discretionarily decided by the ruler. Another important aspect in the life of the farmer in those times was the fact that he did not have any freedom as far as his free time was concerned. Instead, when asked by the ruler, he was compelled to serve in the army and fight wars or to participate in public activities – large scale constructions, such as the construction of the well-known Great Wall in the Chin Imperial Dynasty, roads and city walls. Therefore, the common people suffered considerably. Confucius advocated the idea of sustainability in the use of the labor of the peasantry, meaning he considered their work should be required only in the slack season of the year, to allow them to plough and sow and thus increase the production of grain. Confucian writings are characterized by unrelenting hostility to governmental abuse of power.

These were some of the main economic realities that Confucius referred to during his lectures and conversations. Preaching economic governance with little or no regulation at all, Confucius proposed a single low rate on agricultural harvest that would work as an incentive to encourage economic activity of the people. He was against any customer, transit or any other type of tax. For Confucius it

was of paramount importance that the governments refrain from imposing heavy taxes on its people.

Like Adam Smith, the Confucius insisted that the “wealth of nations” should be measured in terms of the wealth of the populace, not of the government. He favored the private ownership of goods and property. He believed that the wealth of the state is better owned by the people and not by the ruler, since permanent property also meant permanent confidence. No ruler can be poor if his people are rich, and no ruler is rich if his people are poor.

Also, 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. Moreover, people are willing to defend their own properties only if the property title is vested in them. Consequently, an even distribution of wealth will prevent fighting and chaos.

As far as the division of labor was concerned, Confucius considered it necessary for good economic performance, as an efficient resource allocation.

In his lifetime, Confucius delivered numerous speeches about government failures and criticized the lack of humanitarian assistance in case of hunger and famine due to military conflicts and natural catastrophes.

After his death, it was well-known to all the later rulers after Song Dynasty that with mastery of Confucian Analects, one could manage the country well.

3. Confucius' Views on Production, Market, Development, Management, Technology

Confucius recognized the importance of **production** as being the material base on which humans live. He supported an active participation in business and social activities in a sustainable manner, without the rulers' ruthless exploitation of the laboring people for warfare or grand public activities. Land, labor and capital are the **factors of production** in the western approach. Confucius names land, virtuous action and capital as factors of production. For him, action cannot be separated from virtue, which is the primary source of wealth. He believed that wealth flows from virtue, not virtue from wealth. The Confucian best way to create wealth was for more people to be employed in production and for less consumption. High speed production together with moderate use and consumption are the key to an affluent society.

Though not so developed and organized as nowadays, the **market**, as the place where people supply what they have in exchange of what they need but do not have, was seen by Confucius as a means for the strong to exploit the weak, which was an undermining of social virtue and personal ethics. In terms of the **demand-supply** relationship, Confucius believed that demand should adapt to supply, rather than supply adapt to demand. The key words in the market environment should be overall support and restraint, meaning that consumers should not seek to expand consumption and producers should not cheat and exploit buyers or compete to out-do each other. Confucius did not advocate regulations against competitive market, regulations against monopoly markets. The development of the national economy will enrich the people of the nation, none shall be unemployed, the number of producers shall be greater than that of consumers, those who work hard shall receive high compensations, and the government shall not be short of capital, business and industry shall prosper, and the living standards of people shall be improved. Confucius also showed concern for appropriate management and for technological advances that are efficient and labor-saving.

4. Confucius' Views on Population and Education

A hallmark of Confucius' thought is his emphasis on education and study. Though a member of the upper class Confucius believed education and knowledge belonged to

anyone who had the desire to learn. He opened a school in his home, and legend has it, some of his poorer students lived with him. He insisted on honesty, hard work, and teaching by example. He taught through conversation, by asking questions and expecting his pupils to find their own answers. He wanted to prepare his students for public service, to develop compassion and respect for others. And one of Confucius' main concerns was the link between education and economics. Confucius did not believe in economic miracles, but rather in a sound administration and good governance. For him, the quality of the population was even more important than the quality of a country's armament.

The people were of special importance in Confucius' view. Without the support of its people, the government would have nobody to defend its territory, develop resources, and implement economic plans.

Confucius' economic thought regarded a populous country as a successful country if and only if its people had sufficient food and military equipment, were educated and trusted their government. A numerically large, skilled, and well-off population is the insurance for a large market for the consumption of goods and services.

An appropriate economic policy had to 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.

The development of production, along with the prosperity and strength of the country, depend on its population. For Confucius it was not necessary to have a rich population, he strongly believed it was necessary for the population to be skilled and educated. A high level of culture of the common people would be mirrored in a raised level of productive force. And the development of education had to be materially based on the development of the economy.

Developing economic production and strengthening military capabilities were not enough for Confucius. These two pillars needed a third one – the improvement of the people's quality of being. Morality and justice were of utmost importance for Confucius, since the economy does not benefit from the profit motive alone, it benefits from a society which values morality. He felt that a cultivated person aims at truth, not at food. Confucius cautioned that excessive growth may reduce output per worker, repress levels of living for the masses and engender strife. He also made other observations concerning the population and the phenomena it engenders: mortality increases when food supply is insufficient; permanent marriage makes for high infantile mortality rates; war checks population growth.

5. Conclusions

Confucianism has been both lauded and condemned numerous times in the modern age. Although severely criticized during the Chinese ‘cultural revolution’ (1966-76) as a feudal ideology, Confucian philosophy is widely thought to be the most important basis of Chinese culture.

Confucius' teachings, which became well-known after his death, with the help of his disciples, have survived hundreds of years and have served many as a guide to moral living. Many of his concepts hold true even today.

It is beyond any doubt that Confucius' thought had a profound influence on the development of Chinese society, and particularly that of its education and moral science, at different times and under a variety of circumstances. It also left its mark on a great number of Eastern and Western countries, which it reached through a wide variety of channels. Confucius and his doctrine do not belong only to China; he is acknowledged throughout the world as a major figure of universal civilization and culture.

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