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# A CONCISE HISTORY OF CHINESE ECONOMIC THOUGHT

Hu Jichuang

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*by* Hu Jichuang

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# *PREFACE*

One generally accepted assumption of Western economists is that, so far as ancient economic theories are concerned, only the Greeks and Romans developed anything worthy of study. Some scholars go so far as to claim that the Eastern countries never achieved anything comparable to the economic analyses of the Western monks of the Middle Ages. This is a rather sweeping generalization. In particular, it makes Chinese history very hard to understand. For over three thousand years, except for relatively short periods of time when China was split into two or more political units, its vast territory was united into one kingdom. Furthermore, centuries before the beginning of the Christian era, its enduring prosperity gained the admiration of many nations in Asia Minor. Later, from the seventh century on, China's economic vitality attracted hundreds of thousands of Arabian and Persian merchants to her commercial cities. After the thirteenth century her economic achievements won the respect and praise of many European travelers. How could a country sustain such prosperity and advanced economic development over such a long period of time without any crystallized economic wisdom?

As a matter of fact, all along China had an abundance of economic doctrines and theories of various sorts. These bore a dialectical relationship to China's economic development, on the one hand resulting from the development, on the other hand guiding it and pushing it forward. However, because Chinese economists have not presented their research to the West in readily available form, Western scholars have remained ignorant of ancient China's accomplishments in this field. This book was prepared in the hope of remedying that ignorance. The author also hopes that after reading this book, or parts of it, Western economists will revise

their depreciation of China's economic thinking and appreciate that her ancient economic ideas were comparable in distinction to those of ancient Athens, and that some of her imperial economic policies are still practised throughout today's world.

This book, designed for English-speaking academic circles, is a much condensed version of the original Chinese edition published in three volumes in 1962, 1963 and 1981, respectively. Each of those volumes was more than five hundred pages in length, and the work as a whole won the approval of China's academic circles. Since those volumes were intended for Chinese readers, they included abundant quotations and supplementary materials of special interest to Chinese students of economics. But a book on such a scale would not suit English-speaking readers. In the English version the author has tried to include what foreign readers desire and need to know about the development of Chinese economic thought without burdening them with lengthy expositions and copious, though often interesting, quotations from original texts. Those who wish to dig deeper into the field can consult the original Chinese edition for fuller information and source references. For the benefit of Western readers, the English version also in many cases describes the socioeconomic background of the ideas discussed in the book. Hence it can also serve as an economic history of a sort.

The present volume covers a span of three thousand years, from the eleventh century B.C., when the Zhou Dynasty was founded, to the May Fourth Movement in 1919. Within that time the long period up to 1840 is known as the period of feudalism, or feudal economy, in China. In 1840, with the gunfire of the British imperialists, the semifeudal, semicolonial period commenced.

Within the long feudal period two distinct phases of development can be identified: that of feudal manorial economy and that of feudal landlord economy. The former phase coincided with the reign of the Western Zhou Dynasty (1066-770 B.C.). Its socioeconomic system closely resembled the classic feudal system of western Europe. The years 770 to 221 B.C., during the Spring and Autumn (770-476 B.C.) and Warring States (475-221 B.C.) periods — also known as the age of "contention among a hundred schools

of thought" — were years of transition. The old manorial economy broke down and the feudal landlord economy began to take shape.

When the Qin Dynasty founded the first united feudal empire in 221 B.C., the manors, serfdom and labour rent that marked the old manorial system no longer existed. Instead, land acquisition by landowners took the form of free trade, and feudal landlords extracted rents in kind directly from their tenant peasants, who were only slightly personally dependent on the landlords. For over two thousand years this sort of feudal economy dominated China. The phase of feudal landlord economy can be subdivided further into two parts: the early part, or rising period, from 221 B.C. to the ninth century, and the later part, or declining period, from the tenth century up to 1840, when the semifeudal, semicolonial period began.

Accordingly, the present work consists of three parts. Part One deals with the economic thought of the pre-Qin period, Part Two with the economic thought of the earlier feudal landlord economy, and Part Three with the economic thought of the later feudal landlord economy. An additional chapter treats the economic thought of the period of semicolonial economy, covering development up to May 1919. The present work concludes at that point because the May Fourth Movement marked the ultimate collapse of the ideology of the feudal system in China and ushered in entirely new ideological developments.

The author would like to express his gratitude to the friends who helped in the preparation of the English edition. Foremost thanks are due Dr. Wu Qiyu, formerly Dean of Yanjing University, now a research fellow of the Minority Research Institute of the People's Republic of China. Dr. Wu went over the manuscript carefully and revised and corrected the English text whenever necessary. However, the author is solely responsible for whatever defects and errors remain in the text.

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# Part One

# ECONOMIC THOUGHT OF THE PRE-QIN PERIOD — BEFORE THE FOUNDING OF THE QIN DYNASTY IN 221 B.C.

In Chinese history the whole historical era preceding the founding of the first unified empire, the Qin Dynasty, in 221 B.C. has generally been known as the pre-Qin period. However, the term is also used in a narrow sense to refer to the two historical periods immediately prior to that dynasty, namely, the Spring and Autumn Period (772-476 B.C.) and the Warring States Period (475-221 B.C.).

## Chapter One

## ECONOMIC THOUGHT OF THE WESTERN ZHOU DYNASTY (1066-771 B.C.)

The works of ancient writers recount many legends concerning economic activities in China's remote antiquity that can be traced back thousands of years before the Christian Era. For example, one of the so-called six Chinese canonical books, the *Book of History,* contains many chapters relating the history of several ancient dynasties, covering a period of about twelve centuries. Here and there certain economic activities and opinions are described. Ancient works other than the so-called canonical books are by no means lacking, but since modern Chinese historians doubt the authenticity of the works, or at least parts of the works, the economic legends these other books contain cannot be accepted as reliable evidence about the past. There are, of course, some other ancient works

that bear on the economic activities of the period under discussion and appear genuine, but the facts they relate are much too simple. There is not enough detail to suit our present purpose.

This study therefore begins with the Western Zhou Dynasty, the eleventh century B.C., because the historical records from that time on have been found to be comparatively reliable and the economic ideas reflected therein clear and relatively plentiful.

The economic ideas of the Western Zhou Dynasty may be dealt with under the following headings: (I) Wealth, (2) Agricultural Production, (3) Handicrafts and Trade, (4) Markets, (5) Prices and Usury and (6) Fiscal Policy.

## Section I
## WEALTH

During the Western Zhou Dynasty the relationship between labour and wealth seems to have been recognized. As the motto of the "Inscription on the Coronation Shoes" put it: "Be serious in work, for through work one will become rich."[1] This is a rudimentary expression of the modern theory that labour creates wealth. Since human life at every stage of development requires labour to produce material wealth, it is only natural that the common people realized the significance of the relationship between labour and riches.

The ruling group of course often preached the virtue and necessity of hard work, but actually they detested it. However, there is a story that the virtual founder of the Zhou Dynasty, King Wen, paid much attention to manual labour, particularly to agricultural labour, and even participated personally in farmwork from early morning till noon without taking a break.[2]

Also, there is an injunction in the *Book of History* entitled "On Abstinence from Comfort" that was issued by a prince regent named

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[1] *The Decorum Ritual,* "The Coronation of King Wu."

[2] *Book of History,* Documents of the Zhou Dynasty, "Wu Yi" (or "On Abstinence from Comfort").

Ji Dan in an early period of the dynasty, with a view to enjoining the noblemen of the ruling family to appreciate the difficulties of agricultural work and not to indulge in comfortable and riotous living. This may be a ruse to deceive the common people. Nevertheless, it shows that the dynasty's ruling group understood that it was the hard labour of the masses that created the material wealth necessary for the maintenance of their way of life.

The idea of riches, or wealth, in those days was based on material goods rather than money. It referred chiefly to the natural property of the society or its value in use. But in a society with a strict caste system, the content of wealth varied in accordance with the social caste of its possessor. For example, the riches of a feudal lord were expressed by the amount of land he possessed, of a low-ranking official by the number of his carts and horses and of a peasant by the number of his domestic animals.[3] Strictly speaking, however, not even feudal lords could own land, for the prevailing principle of the dynasty was "Under Heaven, every spot is the sovereign's ground." The King granted land to the feudal lords to enable them to acquire a certain income through taxing the people who lived on the land. It should be noted that metalic money existed long before the rise of the Zhou Dynasty, yet cattle, sheep, silk and corn were more frequently used as a medium of exchange. Hence the existence of metallic money does not contradict the thesis that at that time an individual's wealth was fundamentally represented in a natural form.

In a society with a largely natural economy, it was easy to fall prey to the illusion that wealth was produced solely by nature, instead of realizing that labour creates wealth. This illusion, which we may call the natural view of wealth, existed at that time. One expression of this view was: "The earth being possessed of mountains and rivers, so goods come into existence, and the plains being fertile, so food and clothing are produced."[4] In other words, the production of material wealth is the work of natural power. Rui Liangfu, in his

[3] *Book of Rites*, "Qü Li."

[4] *Discourses on the States*, "Discourses of Zhou."

advice to King Li, who reigned 878-862 B.C., put forth a similar view when he protested the government policy of monopolizing mountain and water resources for state profits. His argument ran as follows:

> "With regard to material benefits, a myriad things produce them, and nature contains them. Once they are monopolized, there will be no end to the resulting harm. To the myriad things in the universe, everyone has a claim. How can anybody monopolize them? A king's duty is to bring about material benefits and distribute them fairly among the people (upper and lower classes) so that the gods, human beings, and other forms of life will benefit to fullest extent. A plebeian is called a thief if he appropriates things for himself. For a king to do so will certainly erode the people's support for him."[5]

Rui Liangfu laid great stress on the work of nature in creating wealth but neglected entirely the important role played by human labour. His view is therefore incomplete, but it was quite influential historically. Passages like the above were cited frequently in later generations to buttress other arguments in economic controversies. Even now, the concept's incompleteness does not negate its noteworthiness in the history of Chinese economic thought.

## Section II
## AGRICULTURAL PRODUCTION

Ancient civilized peoples all over the world — Hindus, Egyptians, Hebrews, Greeks, Romans, Chinese and others — placed special emphasis on agriculture. China's Western Zhou Dynasty was no exception. The tribe of Zhou boasted that its first traceable ancestor held a post with the glorious title of Hou Ji, i.e. Lord of Agriculture, during the reign of the sage emperor Yao around 2290 B.C. The function of this official was to supervise farmwork and to teach people the art of farming. Whether this Hou Ji ever existed is of little interest; the existence of the legend shows that

[5] Ibid.

the founders of the Zhou Dynasty took agriculture as a matter of foremost importance.

Among the old Chinese classics, such as the *Book of History*, the *Book of Odes, Rites of the Zhou Dynasty* and *Book of Rites*, are numerous passages bearing on agricultural affairs.

From *Rites of the Zhou Dynasty* we know that the common people of the kingdom were divided into nine professions.[6] This gives us some idea of the prevailing social division of labour. Among these professions the first four fall within the scope of agriculture in the broad sense: farmers, gardeners, foresters and fishermen, and animal breeders and fanciers. As we shall see later, the order of occupations often changed in China in significant and striking ways. What is interesting here is that the farmer was placed at the head of the list.

Another thing we know from the classics is that an annual ceremony of "Ji Tian" (farm ploughing) on the first day of spring (i.e., sun in Aquarius) had existed since the rise of the Zhou Dynasty. Nine days before the ceremony the king was supposed to eat only vegetarian and bathe himself in order to show the solemnity of the occasion. On the day of the ceremony the king was to go to the royal farm and turn up some clods in order to show that he had personally attended to farmwork. In the middle of the ninth century B.C. this ceremony was suspended, but at the end of that century it was restored on Duke Guo Wen's advice to the then king. Although the ceremony of "Ji Tian" is nothing more than a farce, the argument put forward by Duke Guo Wen is worth mentioning. Put in modern words, it runs: Agriculture is a matter of prime importance for the people, because it produces the material for sacrifices to the gods and allows for the multiplication of population, the supply of commodities, the harmony of human relationships and the prosperity and strength of the state.[7] This theory of the function and significance of agriculture is fairly clear and thorough.

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[6] *Rites of the Zhou Dynasty*, "Officials of Heaven."

[7] *Discourses on the States*, "Discourses of Zhou."