

Part 5

Nature & Capital

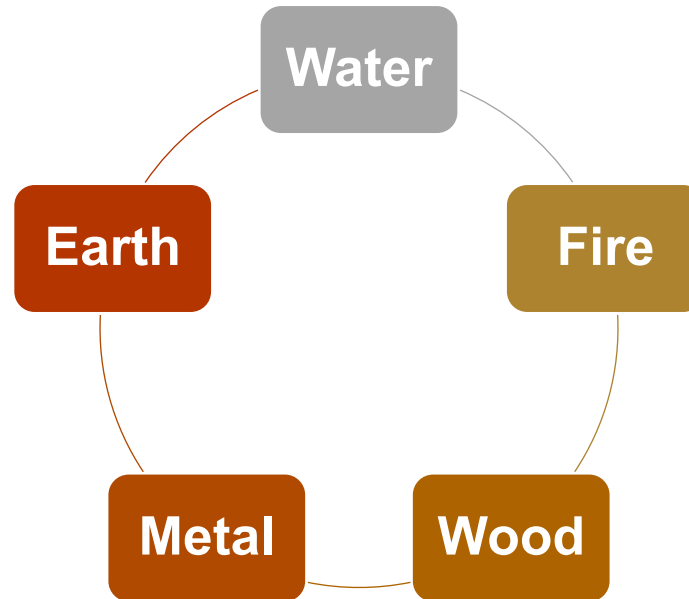


I. NATURE



I.1 The five elements

- The Chinese present the exhaustive classification of nature using the five elements.



- The “five elements” are the first of the nine divisions in “*the Great Plan*” of the “*Canon of history*”. “*The great plan*” is similar to the constitution of the modern legal system.
- Putting the five elements in the first division shows that it is important for the ruling body to understand the principle of nature, use them properly, in order to achieve the comfortable settlement of the people.
 - Reading: *Excerpts from the Canon of History, the Great Plan*



- The teaching of the “five elements” is closely related to Confucius’ governing principle – equality
- *“Heaven has produced the five elements which supply men's requirements, and the people use them all. Not one of them can be dispensed with.”*

--- Spring and Autumn, year 27 of Duke Xiang of Lu

- Reading: *Excerpts from the Great Commentary of the Canon of History*



I.2 Six treasuries, three businesses, nine services of government

- Six treasuries:
 - Five elements + “grain”
- These are all **produced by nature**.
- The six treasuries are recognised by the ancient as the sources of wealth, although produced by nature, must be greatly regulated by human power (*Canon of History, Da Yu Mo*)



- For example, during the reign of Shun (c. 2294 – c. 2184 BC), the chief duty of the prime minister was to regulate water and earth. Irrigation, navigation, and carrying off the flood are examples of regulating the water.
- Please see the reading material for some detailed regulations on the use of fire:
 - *Excerpts from Rites of Zhou, Xia Guan of Minister of Military*



- The three businesses:
 - Rectification of the people's virtue (正德)
 - Conveniences of life (利用)
 - Securing abundant means of sustenance (厚生)
- Nine services (九功) = six treasuries (六府) + three businesses (三事)

--- *Spring and Autumn, year 7 of Duke Wen of Lu*

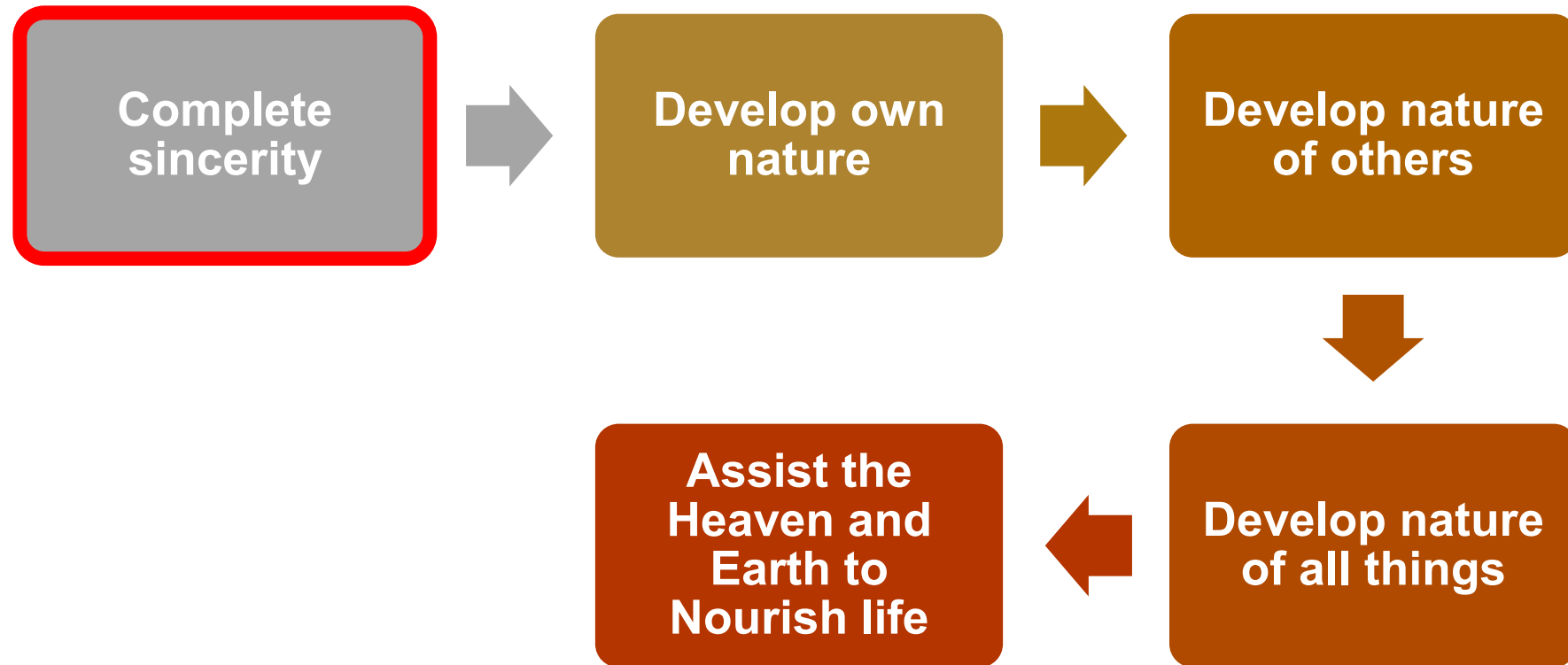


I.3 "Regulating" natural resources

- Mankind benefits from managing nature
- Some consider “regulating nature” as the core of human power
- We must think very carefully about how human beings acquire such “power”
 - Through **“the most complete sincerity”**
 - Reading: *Excerpts from Book of Rites, Doctrine of the Mean*



- Sincerity is the ultimate method in dealing with oneself, people, business, and nature.



- Sincerity means treating everything and everyone with complete equality.
 - Between oneself and other people
 - Between humans and animals
 - Between organic beings and inorganic things
- But, on what theoretical basis do we treat all things and all beings equally?



- According to *the Flower Ornament scripture*, all organic and inorganic beings have the same perfect knowledge and Buddhahood – the state of enlightenment (情與無情, 同圓種智)
- “*Water knows*”, an experiment by Dr. Masaru Emoto and Hua Yan Laboratory.
 - <https://www.youtube.com/watch?v=M13K6OI0sSE>



- “Sincerity and respect” is the way humans should interact with nature.
- Only after understanding the principle of sincerity and forming a basis of respect can we now talk about “regulating with nature.”
- According to Xun Zi, human beings should regulate nature for the convenience of economic life, but only if the natural principles are well followed.



- *“Strongly clinging to the primary industry and saving expenditure, heaven cannot make you poor; when the subsistence is complete, and working at a due time, heaven cannot make you sick ... if the primary industry is neglected, and the expenditure is extravagant, heaven cannot make you rich; if the subsistence is insufficient, and the working time is contrary to the natural law, heaven cannot make you healthy.”*

--- Xun Zi, Essay on heaven



I.4 Conservation of Natural Resources

- In Confucianism, the conservation of natural resources is directly related to the principle of sincerity and equality. In other words, treat nature with respect, as we like to be treated.
- Three aspects of resource conservation:
 - Living creatures
 - Forests
 - Mines



I.4.a Living creatures

- *“To hunt without observing the rules (for hunting) was deemed cruelty to the creatures of Heaven.”*

--- *Book of Rites, Royal regulation*

- Confucius lays down rules about hunting:
 - What time of year is hunting allowed
 - What kind of animals should not be hunted
 - Reading: *Excerpts from Book of Rites, Royal regulation*



- Example of Confucius himself

- *“The Master angled, but did not use a net. He shot, but not at birds perching.”*

--- *Analects, Shu Er*

- From the ethical point of view, these rules are designed to foster kindness and sympathy, but from the economic point of view, they are for the conservation of natural resources.

- *“If close nets are not allowed to enter the pools and ponds, the fish and turtles will be more than can be consumed.”*

--- *Mencius, King Hui of Liang i*



I.4.b Forests

- The general rule is that (again), people must not take it all at once.
- “If the axes and bills enter the hills and forests only at the proper time, the wood will be more than can be used.”

--- *Mencius, King Hui of Liang i*



- The “proper time” is given in the “Royal regulation”:
 - *“When the plants and trees drop their leaves, in the tenth month, the people enter the hills and forests with the axes.”*
--- *Book of Rites, Royal regulation*
- Please see the reading material for more details on forestry conservation in the Zhou dynasty:
 - *Excerpts from Rites of Zhou, Di Guan Minister of Internal Affairs*



I.4.c Mines

- *“The famous hills and great meres were not included in the investitures.”*

--- *Book of Rites, Royal regulation*

- The natural resource is under the control of the ruling body.
- On the distributive side, Confucius does not approve of monopoly (more details next year).



- According to the Rites of Chou, all the lands which produce gold, jade, tin, and precious stones are controlled by the miner, an official. He makes severe prohibitions and orders the people of their neighbourhood to guard them. If any mine is opened at a proper time, he draws a map of it and gives it to those who dig the mine. Around those lands, he looks after the prohibitions and orders (*Rites of Zhou, Di Guan Minister of Internal Affairs*)



II. CAPITAL & SAVING



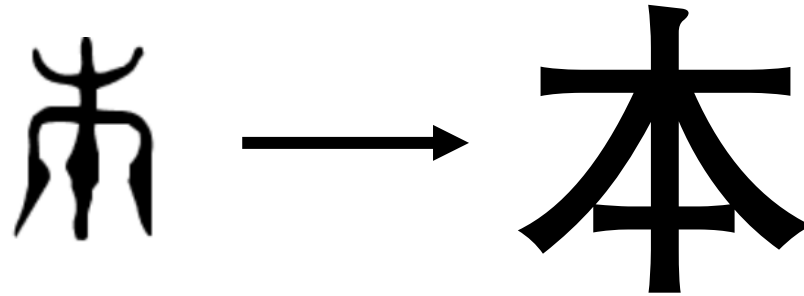
II.1 Capital and wealth

- We investigate how the ancient Chinese defined capital and wealth



II.1.a Origin of the word "capital"

- The word capital first appears in *Guan Zi* as “ben”



Original sense means
the root of a tree, it is
the basis

- *If the ruler cannot govern properly, businesses will come in and out of the market, take advantage of the people and make a profit in the hundreds of multiples of their “ben” (**capital**).*

(然而人君不能治，故使蓄賈游市，乘民之不給，百倍其**本**。)

--- *Guan Zi*, Guo Xu



- Confucius uses the word “zi”

資

- *“Ruin and disorder are destroying the zi (**capital**) and do not show any kindness to our multitudes”*
 - 相亂蔑**資**，魯莫惠我師

--- Park of Narratives, Principle of governance



- In the above quote, Confucius condemns the danger of extravagance without saving.
- Therefore, the word zi (資) in Chinese has the same meaning as capital in English.
- The word “wealth” is sometimes the same as the word “capital”
 - *“Having virtue, there will be the man. Having the man, there will be the land. Having the land, there will be the wealth...Virtue is the root, and wealth is only its outcome.”*

--- *Book of Rites, the Great Learning*



- Sometimes the term “capital” is expressed by combining the words “wealth” and “commodity”.

- *“It is not the cultivable land not being extended, and **commodities** and **wealth** not being accumulated, which occasions the ruin of a State”*

--- Mencius, Li Lou i

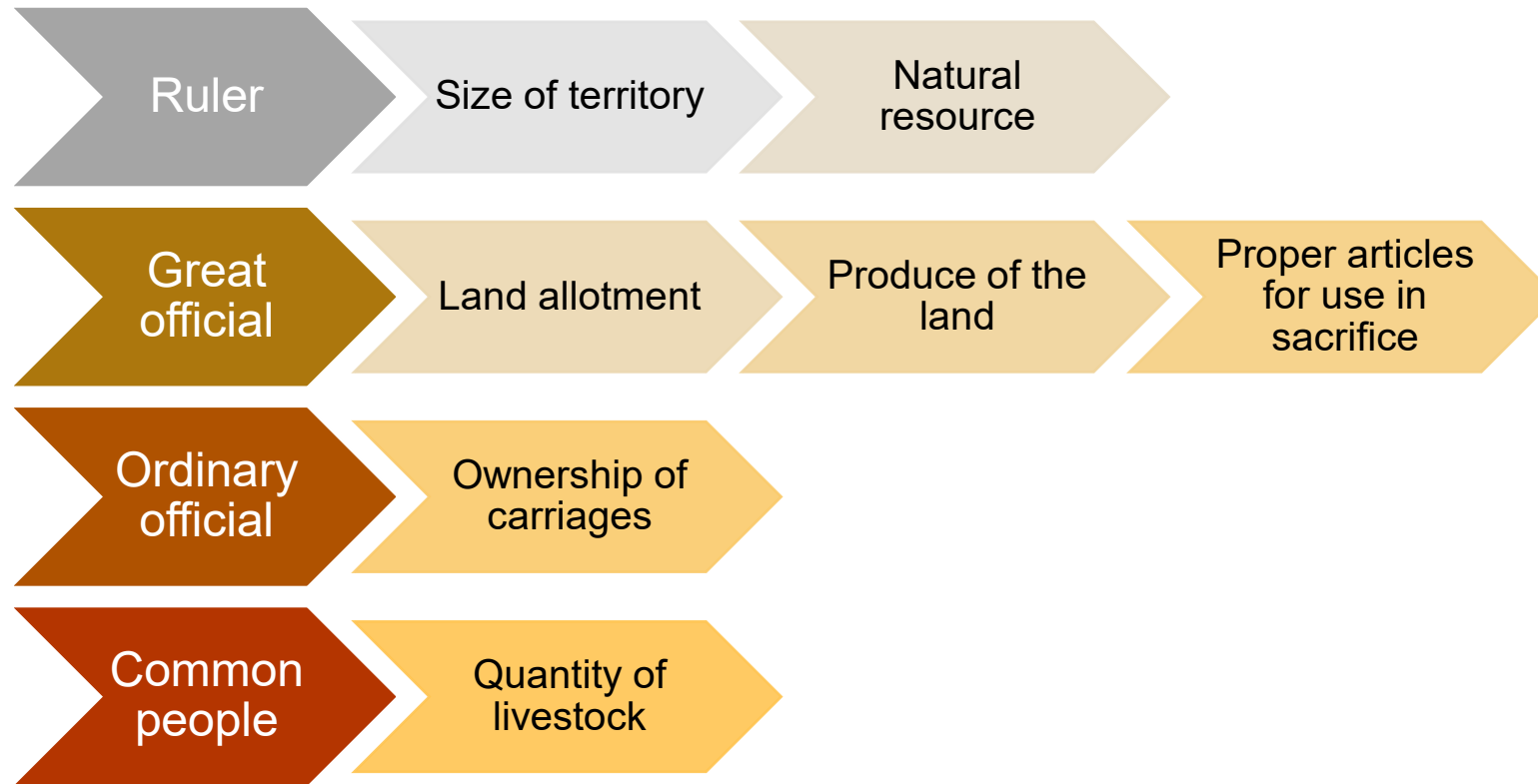


II.1.b The meaning of the word "wealth"

- According to the *Shuo Wen dictionary*, wealth is “what man regards as valuable”.
- In ancient China, wealth included both money and grain.
- In short, **wealth** is the general term covering **all production and consumption** goods. At the same time, **capital** is the particular term covering **only production** goods and those consumption goods which are used for productive purposes.



- Definition of wealth from the standpoint of different social classes.



--- *Book of Rites, Summary of the rules of propriety ii*



- The above definition of wealth is revealing, as it does not mention the term “money” or “currency”, and is not confined to any particular thing.
- Again, wealth includes both production and consumption goods.

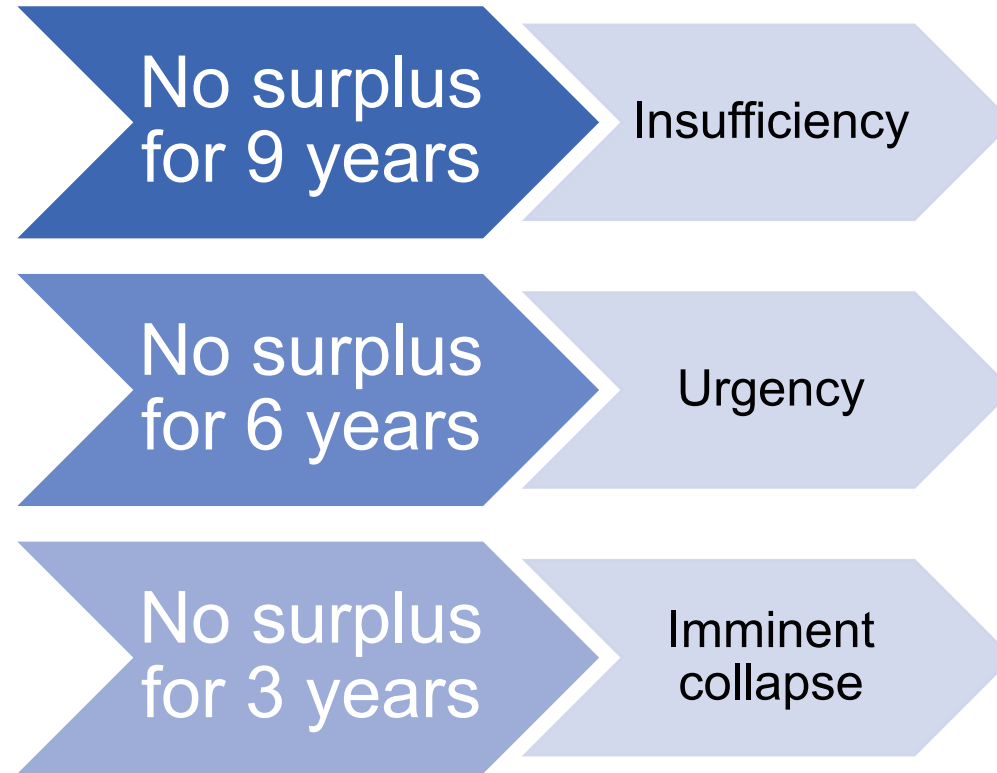


II.2 Grain as capital in consumption smoothing

- Confucius regards grain as a very important capital good.
- He illustrates the principle of grain accumulation.
- Reading: *Excerpts from Book of Rites, Royal regulation*

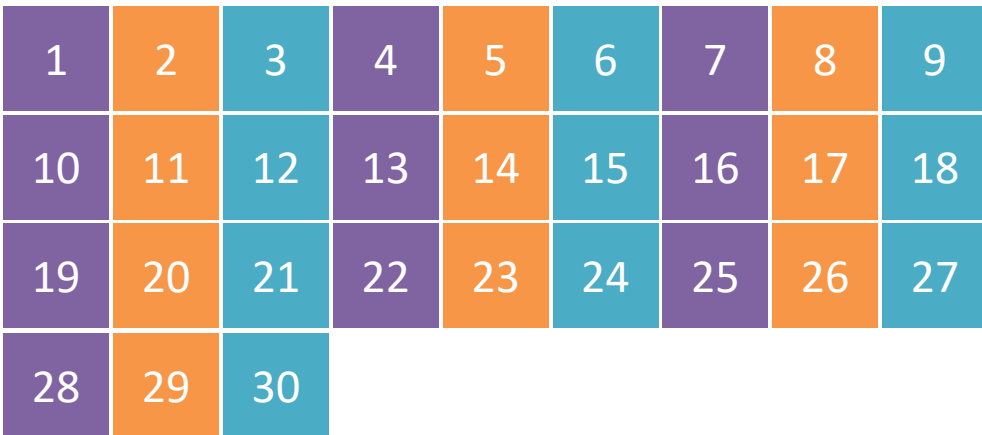


- Different status of grain accumulation and level of threat of famine (*Book of Rites*)

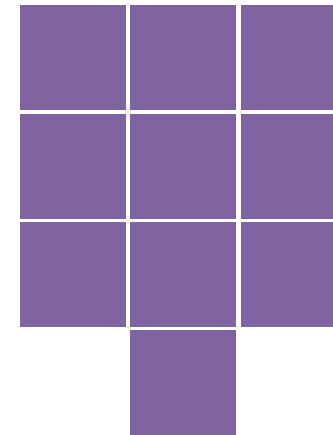


□ Ideal grain (capital) accumulation (*Book of Rites*)

Years of agricultural production



Number of years overplus accumulated



- This principle of grain accumulation is at both the family level and state level, and it is the key to smoothening consumption between the good years and the bad years with devastating drought and flood.
- In the Han dynasty, the theory of accumulating grain was put into full effect
 - Reading: the policies proposed by Jia Yi (200 - 168 BC) and Chao Cuo (200 - 154 BC)
 - *Excerpts from Book of Han, Treatise on Food and Money*



II.3 Importance of saving and abstinence

- Saving is the precondition of capital accumulation.
- Confucius speaks of saving, not only for the private family, but also for the state.
- *“The Master said, ‘**To rule a country of a thousand chariots, there must be** reverent attention to business, and sincerity; **economy in expenditure**, and love for men; and the employment of the people at the proper seasons.’”*

--- Analects, Xue Er



- Reading: *Excerpts from Xunzi, Honour and Disgrace*
 - The Canon of Changes has a chapter on abstinence (節)
 - The word 節 can also mean control, restraint, economy, and saving.
 - “*Abstinence intimates that (under its conditions) there will be **progress and attainment**. (But) If the regulations (which it prescribes) be severe and difficult, they cannot be permanent.*”
- Canon of Changes, Abstinence (Jie)



- The middle way is an important principle of Confucius' teaching.
- The principle of saving is not cruel parsimony but reasonable abstinence.
- *“Based on the principle of abstinence for the making of regulations, **it will not injure the wealth, nor hurt the people.**”*

--- Canon of Changes, Abstinence (Jie)



- If you were the ruling body, how would you apply the principle of abstinence to financial regulation in order to improve people's lives?
 - Presumably, laissez-faire policy is unlikely to be an option, in light of the recent episode of financial crisis.

