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Part 6

Government Regulation and Laissez-faire Policy

Trawsnewid Addysg; Trawsnewid Bywydau
Transforming Education; Transforming Lives



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Learning outcomes

- Reasons for government intervention
- The debate between market mechanism and rightness

I. GOVERNMENT REGULATION

- According to the theory of laissez-faire economists, if competition is absolutely free, everyone will get just what he ought to get because everyone is careful with his own interest. Hence, these economists advocate competition as necessary to economic life and believe government interference should be reduced to a minimum.

- The Confucian doctrine opposes totally free competition and advocates reasonable government intervention.
- Let's first look at why competition should not be absolutely free, even if it could be so.

I.1 Reason of regulation - Natural selection

- The principle of natural selection
 - *“In its production of things, heaven is sure to give addition to them, according to their own qualities. Hence, when the things or men are flourishing, Heaven nourishes them; when they are ready to fall, it overthrows them.”*

--- *Book of Rites, Doctrine of the mean*

- *“When the good principle prevails over the world, men of little **virtue** are submissive to those of great, and those of little worth to those of great. When the good principle does not prevail over the world, men of small **power** are submissive to those of great, and the weak to the strong. Both these cases are the **rule of Heaven**. They who accord with Heaven are preserved, and they who rebel against Heaven perish.”*

--- Mencius, Li Lou i

- Heaven (nature) does not help anyone in competition.
- Those who can help themselves live and those who cannot are eliminated.
- According to the law of causality, power and wealth are awarded to those who plant the seed of good deeds in the past. Those who are weak and unfortunate suffer from their own deed from the past.
- But what can humans do about it?

- *“The cosmic processes give their stimulus to all things, but have not the same anxiety as the sage.”*

--- Book of Changes, Appendix i

- Heaven represents the cosmic process
- Sage represents the ethical process
- The nature and the law of causality is neutral and has no purpose.

- The problem with leaving the competition completely free is severe inequality, which eventually leads to social unrest and economic disruption.
- *“The (sage) sovereign fashions and completes (his regulations) after the courses of heaven and earth, and assists the application of the adaptations furnished by them, - in order to benefit the people.”*

--- Book of Changes, Tai

I.2 Reason of regulation - Human habit

- *“People at birth, are naturally good. Their natures are similar, but their habits make them widely different”*
 - *Three-character Classic, translated by Herbert Giles*
- This habit of man is one in which the strong are never satisfied unless they take all from the weak.

- *“As society becomes luxurious, the smart cheat the silly, the brave frighten the timid, the strong bully the weak, the many conquer the few.”*

--- Lun Heng (Discourses in the Balance), Qi Shi

- Therefore, with human habit as it is, competition should not be unlimited.
- Although the minority may profit by absolute freedom of competition, the majority have no free hand to take part in competition with the minority.

I.3 Aims and duties of the government

- Confucius does not abolish competition but proposes government regulation to control consumption, production, and distribution.

I.3.a Aims of the government

- *Canon of History, Great model:*
- Enjoy the Five blessings (五福):
 - ❑ Longevity, wealth, good health, love of virtue, a good ending.
- Escape the Six calamities (六極):
 - ❑ Early death, sickness, sorrow, poverty, wickedness, weak.

Moral and mental

- ✓ Love of virtue
- ✕ Sorrow
- ✕ Weakness
- ✕ Wickedness

Physical and material

- ✓ Wealth
- ✓ Longevity
- ✓ Good health
- ✓ A good ending
- ✕ Early death
- ✕ Sickness
- ✕ Poverty

- “The sovereign, having established (in himself) the highest degree and pattern of excellence, concentrates in his own person the five (sources of) happiness, and proceeds to diffuse them, and give them to the multitudes of the people.”

--- *Canon of History, Great model*

I.3.b Duties of the government

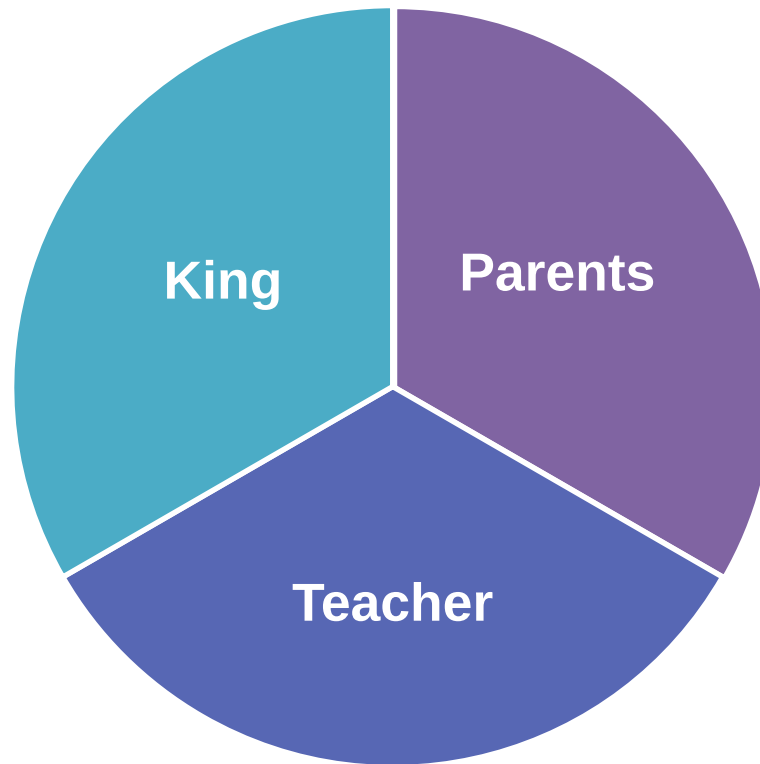
- The sovereign should also establish universal justice in order to make sure that the weak are reasonably protected while the strong do not abuse their position.
- *“Do not let him oppress the friendless and childless, nor let him fear the high and distinguished.”*

--- Canon of History, Great model

- The distribution of wealth should be just:
 - “Without deflection, without unevenness, Pursue the royal righteousness. Without selfish likings, Pursue the royal way. Without selfish disliking, Pursue the royal path. Avoid deflection, avoid partiality; the royal way is broad and long. Avoid partiality, avoid deflection; Level and easy is the royal way. Avoid perversity, avoid one-sidedness; The royal way is correct and straight. (Ever) seek for this perfect excellence, (Ever) turn to this perfect excellence.”

--- *Canon of History, Great model*

- The roles of the government from people's perspective:



- The guiding principle of the government is to act as the parents of the people:

- *“The Son of Heaven is the parent of the people, and so becomes the sovereign of all under the sky.”*

--- Canon of History, Great model

- Much of the misconduct of the people is due to the lack of education.
 - The responsibility of instruction falls upon the leader. However, the leader must first act as a role model.

- *“The rulers have failed in their duties, and the people consequently have been disorganized, for a long time. When you have found out the truth of any accusation, be grieved for and pity them, and do not feel joy at your own ability.”*

--- Analects, Zi Zhang

I.4 Government economic intervention

- *“Guan Zi said, ‘as granaries occupy the warehouse, the people come to understand rites; when wealth is sufficient, the people understand honour. Granary is what make the state prosperous, men and women beautiful, morality prevailing, and the mind satisfied.’ The Canon of History lists wealth as the first of the five blessings. While Zi Gong asked Confucius about governance, Confucius replied, ‘enrich the people, then educate them. This is the foundation of governance.’”*

--- Park of Narratives, Jian Ben

- *“The mothers can give life to the people and can feed them; the fathers can instruct and can teach them; but the sage king includes the two functions of father and mother together with all the details ... He makes the city walls for their settlement; builds the houses for their dwelling; establishes different schools for their education; and divides the lands the and fixes the number of acres for their nourishment. The emperor is the parent of the people, to whom the people of the world will go.”*

--- The Great Commentary of the Canon of History

- The general concept in Confucianism is that, to establish a sovereign is for the shepherding of the people. When people work to produce wealth, the sovereign should assist and help them.
 - In fact, all past sages all wished to help the people in establishing their living
 - *“(Shun said) I wish to help and support my people”*
- Canon of History, Yi and Ji

- In the *Book of Han, volume of record of trade*, Ban Gu illustrates the dire consequence of uncontrolled consumption habits:
 - Social disorder
 - Wastage
 - Society-wide risk-taking
 - Defiance of law
- Reading: *Excerpts from Book of Han, vol 91, Record of trade*

II. LAISSEZ-FAIRE POLICY UNDER CONFUCIANISM

II.1 Theory and origin

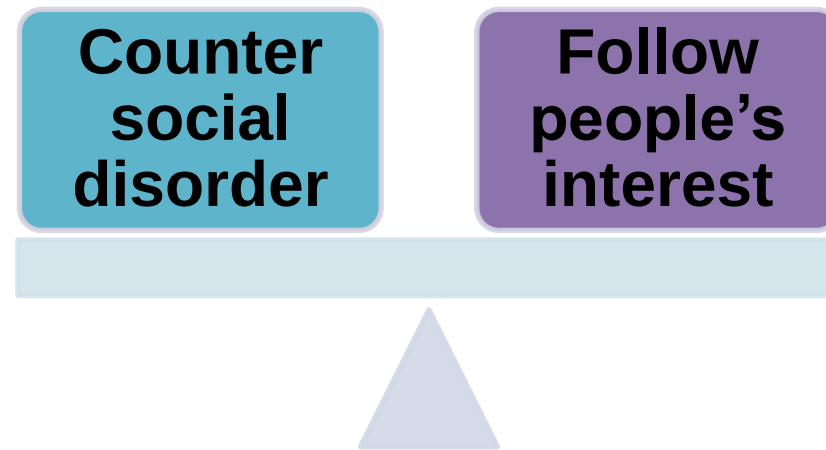
- Regulation $\neq$ completely artificial force
- Laissez-faire $\neq$ unregulated
- Human nature can be developed to perfection by giving people full chance of natural development
- The key is **HOW**, and that is the ultimate purpose of this course
 - ❑ In a word, it is eventually achieved through social moral legislation rather than governmental law

- When Zi Zhang asked Confucius about the way a person in authority should act in order to conduct government properly, the Master listed “five excellent things”. The first item is that “***the person in authority is beneficent without great expenditure***”. When Zi Zhang asked for further explanation, Confucius replied, “***when the person in authority makes more beneficial to the people the things from which they naturally derive benefit;-- is not this being beneficent without great expenditure?*** ”

--- Analects, Yao Yue

- Dong Zhong Shu explains the principle of laissez-faire policy as follows:
 - *“If a sage governs a state, he must follow the nature of heaven and earth, and the personal interest of the senses of man.”*
 - *The Many Dewdrops of the Spring and Autumn*
- So why does Confucius advocate for both government regulation and laissez-faire policy?

- Confucius' way is the doctrine of the mean, never extreme. What fits the time or condition is the best.



- The big question is how do we define interest? We will come back to this point.

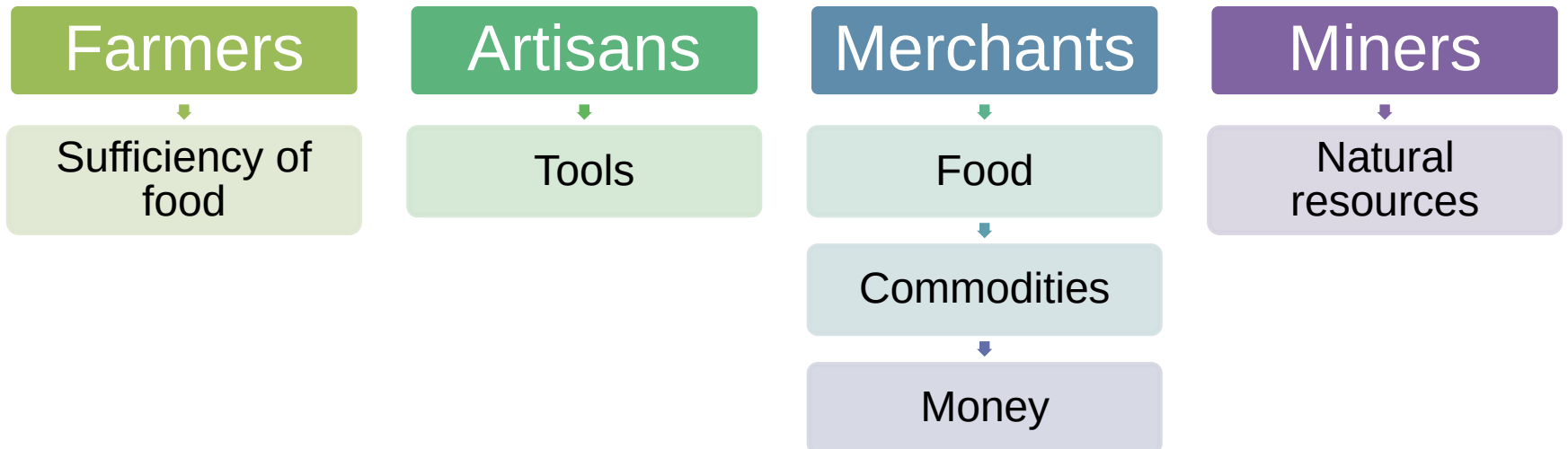
II.2 From observing natural production

- Similar to modern economics, the ancient Chinese recognised that economic want was the foundation of production.
- Si Ma Qian (135 - 86 BC), the author of the *Records of Grand Historian*, **seems to** support laissez-faire policy from the view of human wants (**does he?**)
 - Reading: Excerpts from *Records of the Grand Historian, Commodities and Trade*. (A)

Human wants



Four branches of market-led production



- Si Ma Qian argues that an interrupted economic process can lead to insufficiency of wealth.
- *“These four branches of production are the sources of the economic life of the people. When the sources are great, the people are rich; and when the sources are small, they are poor. Such sources are the causes for the enrichment, both of the state and of private families”*

--- Records of the Grand Historian, Commodities and trade (B)

II.3 Distributive inequality caused by free competition

- *“The reason why there are the rich and the poor is not by reason of taking something from the one and giving it to the other. It is simply that the clever get more than sufficient, and the less-clever get less than they need.”*

--- *Records of the Grand Historian, Commodities and trade (C)*

- Reading: *Excerpts from Records of the Grand Historian, Commodities and trade (D).*

- Si Ma Qian admits that there is an inequality of wealth on account of free competition
- The question is, how should we deal with this inequality?
 - From the government's perspective
 - Intervention and governance
 - From an individual's perspective
 - Understand the Law of causality ("*Liaofan's four lessons*")
 - Understand the principle of happiness (later lecture)