

Part 4

Factors of Production and Labour



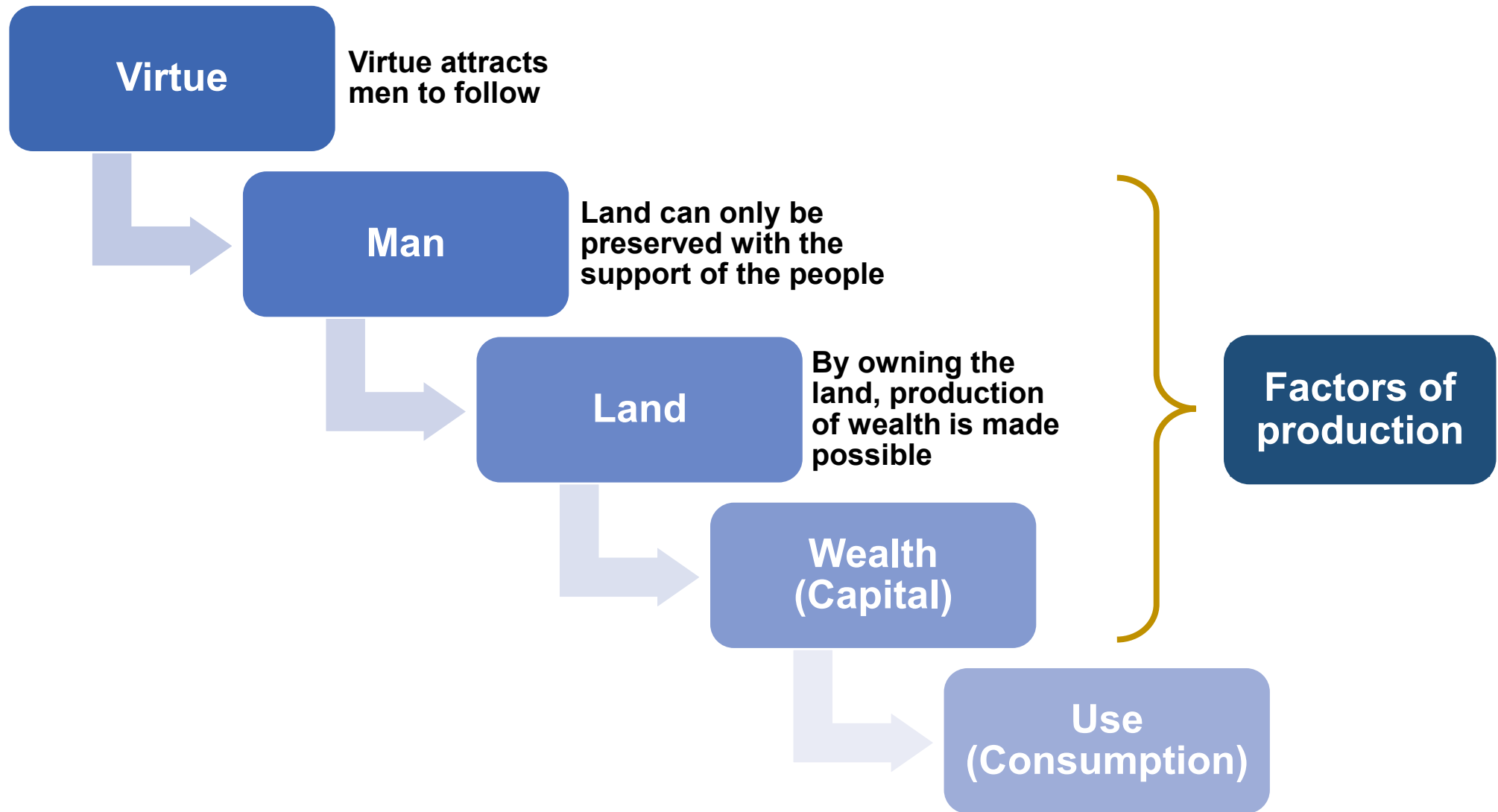
I. FACTORS OF PRODUCTION



- *“The superior man must be careful about his virtue first. Having virtue, there will be the man. Having the man, there will be the land. Having the land, there will be the wealth. Having the wealth, there will be its use. **Virtue is the root, and wealth is only its outcome.**”*

--- Book of Rites, the Great Learning





- This principle of dividing the productive factors into three is a general economic principle.
- This principle is applicable to a nation.
- Occupied land or non-physical space can never form a nation unless it is operated by men.



- It is originally applied to the ruler, but it can also be applied to a person.
- Economics is a human science, not a natural science.
We will discuss human capital.



II. IMPORTANCE OF POPULATION



II.1 Sages' attitude towards population statistics

- *“To anyone bearing the tables of population, Confucius bowed forward to the cross-bar of his carriage.”*

--- Analects, Xiang Dang

- The table of population refers to population census data.



- “The Emperor kneels down to accept the map of population.”

--- *The Rites of Zhou*, Qiu Guan Minister of Justice

- The action of Confucius was due to the importance of the number of people. Man is the most intelligent of all the creatures, and the people are regarded as heaven for the emperor.
- Therefore, according to the *Rites of Zhou*, when the number of people was presented to the emperor, he accepted it kneeling. How could one whose position was lower than that of the emperor not give respect to the size of the population?



II.2 The work of national statistical department

- Data collection by categories:
 - Main category: geographical location
 - Urban, suburb, countryside.
 - Sub categories:
 - Gender ratio
 - Social class
 - Age
 - Health condition
 - Birth and mortality rates



- Data collection also includes accounts of inventory per province
 - Livestock
 - Carriages and vehicles
 - Data is collected on a quarterly basis, while a so-called “great comparison” across different states is carried out every three years.
 - Reading:
 - Excerpts from *Rites of Zhou*, Di Guan Minister of Internal affairs
 - Excerpts from *Rites of Zhou*, Qiu Guan Minister of Justice



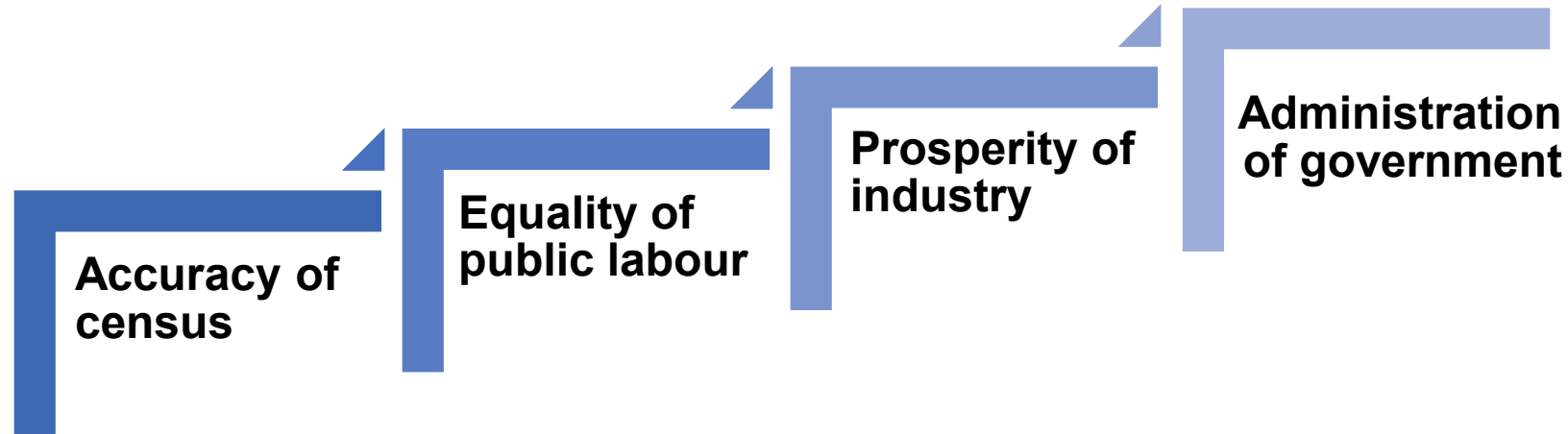
- An example of male female ratio across provinces in Zhou dynasty

Province	Male/female ratio
Yang Zhou	2/5
Jing Zhou	1/2
Yu Zhou	2/3
Qing Zhou	2/3
Yan Zhou	2/3
Yong Zhou	3/2
You Zhou	1/3
Ji Zhou	5/3
Bing Zhou	2/3

--- *Rites of Zhou, Xia Guan Minister of Military*



- The benefit of the study of the population

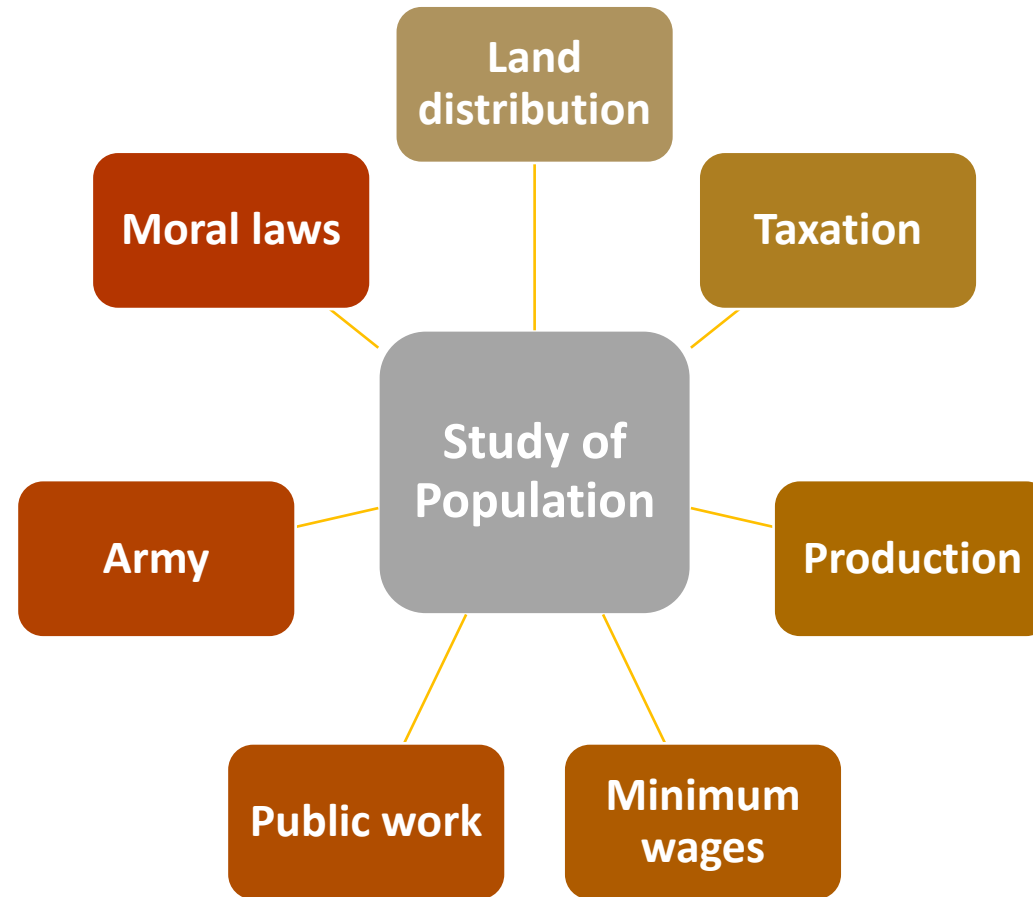


--- General research on literature and authorities

- In order to build a good government, it is fundamental to understand the people.
- *“The people are the most important element; the state is the next; and the ruler is the least. Therefore, to gain the mass of people is the way to become emperor”*

--- Mencius, Jin Xin ii





--- *General research on literature and authorities*



III. POPULATION AND LAND



- In the policy of dealing with population, we will focus on the relationship between population and land, divided into two aspects:
 - Principle of government population management of Ancient China
 - Migration flow and land utility



III.1 Government population management

- Principle 1: The settlement of people according to the natural environment
- The ancient Chinese government actively encouraged people to relocate based on the natural environment.
 - *“The minister of Works with his (various) instruments measured the ground for the settlements of the people. About the hills and rivers, the oozy ground and the meres, he determined the periods of the four seasons.”*

--- *Book of Rites, Royal regulation*



- Principle 2: agreeing population density with land size
 - *“In settling the people, the ground was measured for the formation of towns, and then measured again in smaller portions for the allotments of the people. When the division of the ground, the cities, and the allotments were thus fixed in adaptation to one another, so that there was no ground unoccupied, and none of the people left to wander about idle”*
- *Book of Rites, Royal regulation*



- Note that it is the minister of Work who distributes the people in accordance with the natural environment and the land, not the people themselves.
- The key is to follow the middle way
 - The government take active measures in the distribution of the people.
 - The government must also be in harmony with the real interests of the people, and should not change its adaptation to the environment.



- *“The sage kings showed their sense of this state of harmony in the following way: They did not make the occupants of the hills (remove and) live by the streams, nor the occupants of the islands (remove and live) in the plains; and thus the (people) complained of no hardship.”*

--- Book of Rites, Evolution of rites



- The “harmony” is achieved through the understanding of the natural environment, people’s customs and interests
- The target is “no hardship”
 - Comfortable in their settlement and contented with their occupation



III.2 Internal migration flow and land utility

- First, let's understand the theoretical rationale
- The common idea of the Chinese is one of “**removing the poor people who cannot have their own occupation to those places where the land is plentiful.**”
 - Please refer to reading material by Cui Shi (? -170 BC):
Excerpts from General Research, Tian Fu Kao



- Ye Shi (1150-1223 BC), a Confucian of the Song dynasty, emphasised the importance of people having proper occupation, so that national wealth is sufficient through production and tax income.
 - Reading: *Excerpts from General Research, Hu Kou Kao ii*
- But the key is the fit between the population and the size of the land. Population alone does not produce wealth.



- Cui Shi and Ye Shi propose giving people free land so that they can establish their own occupation.
- How do you propose to apply the above “land-->development-->tax” policy to today’s industrial economy?



- Example of population migration and infrastructure design in ancient China
 - Reading: *Excerpts from Book of Han, Biography of Yuan Ang and Chao Cuo*
- Discussion :
 - The historical evidence seems to lend support to government intervention, rather than laissez-faire policy
 - Why?
 - Can you think of any modern evidence of the benefit of a proactive population management policy



IV. MIGRATION OF POPULATION



IV.1 Freedom of movement

- According to the principles of the Spring and Autumn, there is a division of territory, but there is no division of people.
- Historical backdrop:
 - Winning the population leads to power
 - No restriction on migration



- During the Spring and Autumn period, immigration and emigration were the direct result of governance.
- The status of population movement is an index of government merit and economic condition.
 - *“The duke of She asked about government. The Master said, ‘Good government obtains, when those who are near are made happy, and those who are far off are attracted.’”*

--- Analects, Zi Lu



- One of the chief causes of emigration is economic.
- Confucius said that an oppressive government can drive away people more than natural hardship.
 - Reading: *Excerpts from Book of Rites, Tan Gong ii*
 - By “oppressive government”, Confucian meant economic burden and the lack of morality.



- The contrary will attract people and immigration
 - *“Such government is welcomed by all the people, they will admire the virtue of the government, respect them like their parents, and follow it anywhere like water.”*
 - *Book of Han, Biography of Yuan Ang and Chao Cuo*
 - With the mobility of population being like water, both emigration and immigration depend upon economic principles.
- Now we must discuss further: what is the essence of economic attractiveness that drives immigration?



IV.2 Essence of Immigration

- *“If a superior man loves **propriety**, the people will not dare not to be **reverent**. If he loves **righteousness**, the people will not dare not to submit to his example. If he loves **good faith**, the people will not dare not to be **sincere**. Now, when these things obtain, the people from all quarters will come to him, bearing their children on their backs.”*

--- Analects, Zi Lu



- According to Confucius, the reason of immigration is the benevolence and virtue of the government.
- *“If remoter people are not submissive, all the influences of **civil culture** and **virtue** are to be cultivated to attract them to be so; and when they have been so attracted, they must be made **contented** and **tranquil**.”*

--- Analects, Ji Shi



- With such a benevolent government, economic prosperity is a natural outcome.
- Therefore, to put it in a finance and accounting context, the effort to improve the morality of government is not simply a “charitable” act, which is usually a cost centre item with uncertain financial benefit, but it has a real monetary return.
 - Reading: *Excerpts from Mencius, King Hui of Liang i*



- “Conquering” the world is NOT through military force, but benevolence, making the state the centre of immigration.
- This is the real meaning of “ruler” or “royal” in the Confucian sense.
- This principle should work on all levels, namely, state, company, family, and person.



IV.3 Encouragement of Immigration of Artisans and Merchants

- Confucius gives the nine standard rules of government or ruling body, two of which are related to inducing all artisans to immigrate, and the indulgent treatment of foreigners.
- Reading: Excerpts from *Book of Rites*, *Doctrine of the Mean*



**1. Cultivation
of their own
characters**

**2. Honouring of
men of virtue
and talents**

**3. Affection
towards their
relatives**

**4. Respect
towards the
great ministers**

**5. Kind
treatment of all
officers**

**6. Dealing with
the mass of the
people as
children**

**7. Encouraging
the resort of all
classes of
artisans**

**8. Indulgent
treatment of
men from a
distance**

**9. Kindly
cherishing of
the princes of
the states**



- Rules one to six are related to domestic governing.
- Rules seven to nine are related to international relations
 - Rules seven and eight are economic doctrines
 - Rule nine is a diplomatic principle



- Confucius gives special places to foreign artisans and merchants in the rule of governing with the following benefits
 - *“By encouraging the resort of all classes of artisans, his resources for expenditure are rendered ample. By indulgent treatment of men from a distance, they are brought to resort to him from all quarters.”*
- *Book of Rites, Doctrine of the Mean*



- Confucius also give details of practising
 - *“By daily examinations and monthly trials, and by making their rations in accordance with their labours: this is the way to encourage the classes of artisans. To escort them on their departure and meet them on their coming; to commend the good among them, and show compassion to the incompetent: this is the way to treat indulgently men from a distance.”*

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



- The underlying principle behind the nine standard rules is “love” and “reciprocity”. In particular, love and reciprocity attract people to settle in the country and result in diplomatic benefits.

