

Part 8

Commerce



I. IMPORTANCE OF MERCHANTS



- The occupation of the group of merchants is commerce. This included what economists call “exchange”, but we will preserve the word “commerce”, because it is the usual designation of one of the “four groups of people”.



- Common misperception is that merchants belong to the worst class, because:
 - They do not produce anything and simply make a profit through the difference in prices.
 - They store up commodities and wait for appreciation in price.
- There was a time when Emperor Gao of the Han dynasty imposed heavy taxes on merchants.



- But anti-merchants policies are not according to the principle of Confucius.
- *“It is because the four groups of people all together contribute their usefulness to society, that civilisation can be advanced. To depress the secondary occupations (industry + commerce) and to promote the primary one (agriculture) is not a correct theory.” (夫四民交致其用而後治化兴，抑末厚本，非正论也。)*

--- General Research, Shi Di Kao



- But what explains the relative importance of agriculture and commerce?
 - The ancient sages understood the cyclical nature of society and civilisation. The relative importance of agriculture and commerce depends on the concurrent social development
 - Reading: *Excerpts from Record of Grand Historian, Book of open market operation* (平准書)



II. VALUE & PRICE

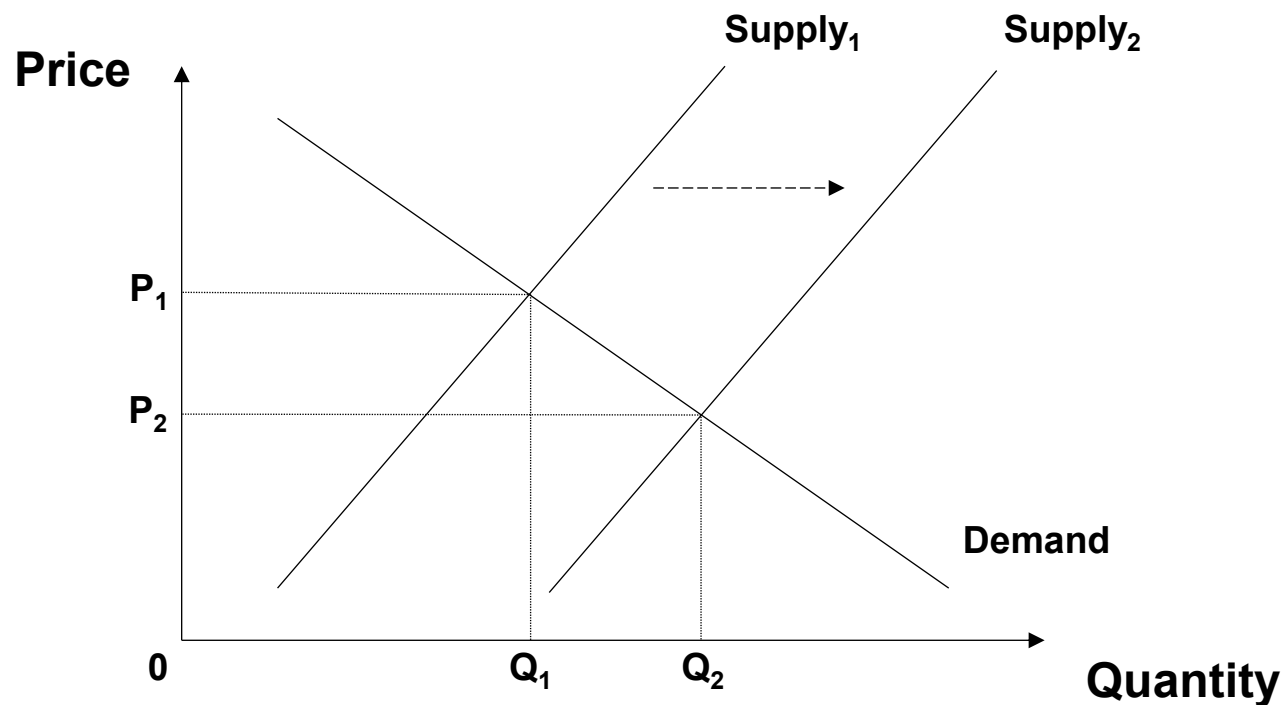


II.1 Principle of governance - provision of necessity

- Mencius points out that the value of a thing is not determined by its utility, but by scarcity.
 - For example, water and fire have utility as a necessity of life, but a very low price when easily obtained.
 - Grain has both utility and price, as it is limited in supply



- The purpose of this comparison is to make grain (any necessity of life) as abundant as water and fire.
 - Reading: *Excerpts from Mencius, Jin Xin i*



The multiplication of quantity of supply causes the lowering of value (price), given constant demand



- Abandonment of economic goods can assist people in cultivating virtue.
- The sages always see the improvement of human nature as the ultimate aim, while economic life is used as the medium to achieve it.



II.2 Determinant of prices

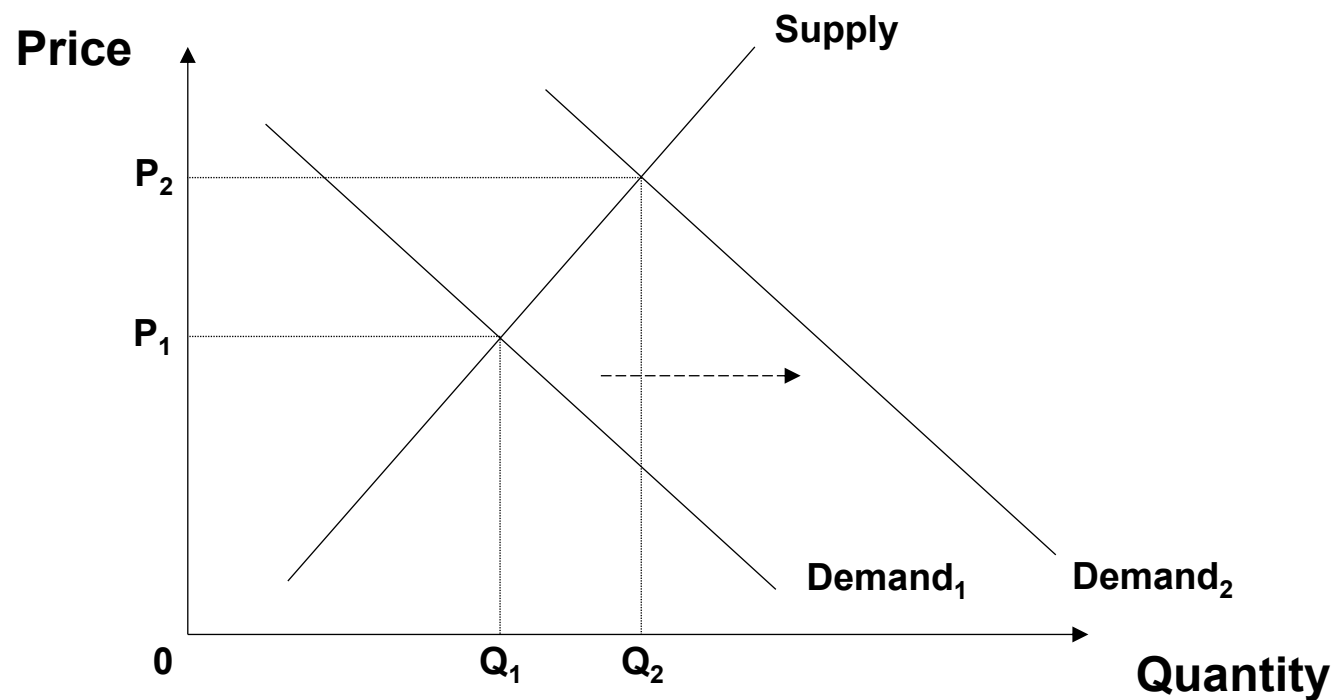
- *“Zi Gong said, ‘There is a beautiful jade here. Should I lay it up in a case and keep it? Or should I seek a good price and sell it?’ The Master said, ‘Sell it! Sell it! But I would wait for one to offer the price.’”*

--- Analects, Zi Han

- Zi Gong takes the jade as the representative of Confucius, asking why he wouldn't offer himself for official employment.



- What Confucius means in his answer is that, he does not bend himself for office seeking, while self-respect is more important.



Principle of price: price goes up as demand rises while supply stays constant



- On the surface, the above shows that price is determined by market forces.
- But how should we determine the proper price?
 - Imagine that there is a market where the silk and linen of the same length are sold at the same price.
 - Is “length” a good basis for pricing?
 - Reading: *Excerpts from Mencius, Teng Wen Gong i*



- According to him, the value of a thing is determined by its quality, not by its length, nor by its weight, nor by its quantity, nor by its size.
- Then, what is the determining factor of the quality of a thing?
 - Cost of production, research, etc.
 - This applies to manufactured goods, as well as natural resources, based on the difficulty of obtaining them.

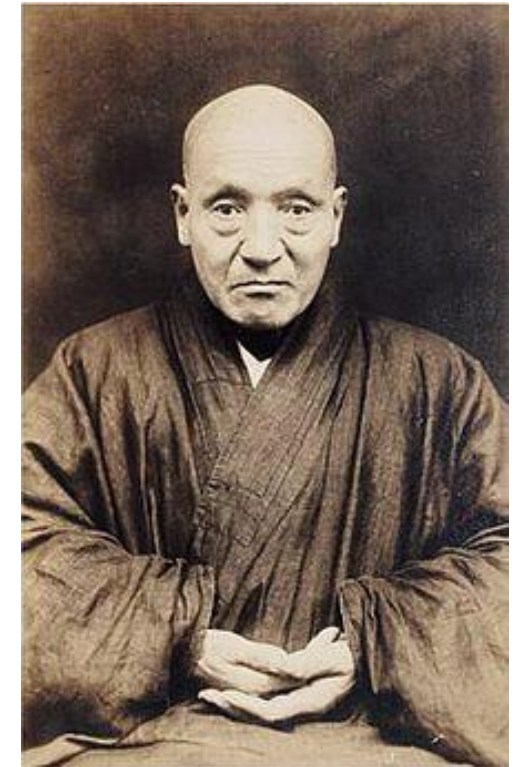


- There is a deeper meaning in Confucius' answer (*"I would wait for one to offer the price"*)
 - Respect is not for respect's sake
 - Respect is needed for the benefit of the learner and the employer
- *"I have heard that scholars coming to learn; I have never heard of the master going to teach."* (禮聞來學，不聞往教)

--- Book of Rites, Summary of the Rules of Propriety i



- A student who comes to learn is one with a full, respectful heart; the master (teacher) must fulfil his/her wish and give everything.
- Venerable Master Yin Guang (1862-1940), the thirteenth patriarch of the Pure Land school of Buddhism, said:
 - *“(When learning) Ten per cent of **sincerity** and **respect** will grant you ten per cent of **achievement**”*



III. COMMERCIAL REGULATION



- There are fourteen rules of the marketplace outlined in the royal regulation of the Book of Rites, where certain items are forbidden to be traded for the following reasons:

- Promote social order
- Promote standardisation
- Prevent extravagance and dissipation
- Preserve natural resources

--- *Book of Rites, Royal regulation*



On social order

- **Overly expensive items**
- **Items that represent ranks and honour**
- **Vessels of temple**
- **Animal for the sacrifice**
- **Weaponries**

On standardisation

- **Items that are not up to industry specification**
- **War vehicles that are not up to specification**
- **Clothes that are not up to material quality standard**
- **Clothes with incorrect colours**



On preventing extravagance

- Vessels made of jade and pearls, clothes decorated with figure
- Extravagant food and clothes

On preserving natural resources

- Fruits and grains that are unripe or not in season
- Wood from small trees
- Animals that are not fully grown



- There are six major commercial rules of the Zhou dynasty (*Rites of Zhou, Di Guan Minister of Internal Affairs*)
 - Shops are arranged based on types of goods and specialisation
 - Timing of market opening
 - Merchants (morning session), various shoppers (noon session), small sellers and buyers (evening session)
 - Merchandise quality control and inspection
 - Inspectors were employed to prevent fraud



- Pricing policy
 - More details later
- Use of bills (質劑) in sales and purchases to promote confidence in transactions
 - A bill is one piece of wood divided into two parts, each held by the buyer and the seller
 - Issued by the government
 - There are various time limits during which transaction litigation can be filed and dealt with in court
- Policy and market security system



■ Pricing policy

- The superintendent of the shop (肆長) arranges goods in a certain way
 - Those which have the same name but different quality are separated.
 - Those which have similar quality are arranged together
- The master of merchant (賈師)
 - Fix the price based on quality.
 - When there are natural disasters, prices are prevented from being inflated.
 - Prices of seasonal products are also regulated



□ The auditor of price (質人)

- Oversees the transaction of certain valuable goods and services, such as livestock, housekeeping professionals, weapons, and certain rare products etc.
- Issue trading receipts based on transaction size.
- Standardise all measurement metrics.
- This is to prevent major market disruption

□ The monetary authority (泉府)

- Utilise trading taxes to purchase necessities at the market price when the demand is temporarily low.
- Supply the market with previously stocked-up inventory when demand recovers



IV. INTERNATIONAL TRADE



IV.1 Policies to attract foreigners

- The eighth of the nine standard rules of governance – “Indulgent treatment of foreigners” (*Doctrine of the mean*).
- Why bother?
 - According to the principle of Confucius, a state should not only open the door to foreigners for foreign trade, but should also give them special favour because they live a long distance away



- *“To escort them on their departure and meet them on their coming; to commend the good among them, and show compassion to the incompetent.”*

--- Book of Rites, Doctrine of the Mean

- In the Zhou dynasty, there is a commissioner of immigration (懷方氏), whose main responsibility is to welcome foreigners, issue travel documents, take care of their provisions and accommodations, in order to stimulate trade and immigration.



IV.2 Benefit of international trade

- The principle of international trade is based on the geographical differences in economic conditions.
 - Reading: *Excerpts from Book of Rites, Royal regulation*
- Foreign trade is simply to supply the reciprocal demand of each other, and there are **mutual gains**.



- However, within Zhou's empire, the essence of between-state trade was also international trade.

Chinese plain in the late Spring and Autumn period (5th century BC)



- During Confucius' time, the Chinese Empire was divided into different nations during the later part of the Zhou dynasty.
- The territorial size of the Zhou dynasty was 1.31 million km^2
 - It is equal to the total area of France, Spain, Sweden, Germany, Finland, Poland, Italy, the UK, Ireland, Austria, Denmark, and the Netherlands.
- International trade became an important issue during that time.



- Evidence on economic advancement through trade.
 - *“Duke Wen of Wei wore clothes and hat made of rough material, he worked hard in production, taught the farmer on farming skills, **promoted international trade for businesses** and all kinds of artisans, he promoted education and encourage scholarly activities. He taught the officers and ministers on the best practice of administration, employed people with skills and superior ability. **During the first year, there were only thirty war carriages, and by the end of year two, there were already three hundred of them.**”*

--- Spring and Autumn, year 2 of Duke Min of Lu



- Evidence on commercial treaties that made crucial supplies and skills an internationally traded good without restriction.
 - 651 BC, a conference was held in *Kui Qiu* by the princes of seven states
 - *“At the assembly of the princes in Kui Qiu ... The fifth injunction in their agreement was: ‘Impose no restrictions on the sale of grain.’”*

--- Mencius, Gao Zi ii



- 562 BC, covenant made by the princes of thirteen states, in order to promote trade and eliminate monopoly
- *“The princes from the thirteen states gathered and drew a treaty: ‘All we who covenant together agree not to hoard up the produce of good years, and not to shut one another out from advantages we possess.’”*

--- Spring and Autumn, year 11 of Duke Xiang of Lu



IV.3 Principle of free trade

- The Confucian theory of international trade is an extreme doctrine of free trade
- Confucius disagrees with the import tax
 - *“Formerly, wise kings inspected travellers at the custom-houses, but did not levy duty upon commodities.”*

--- *Da Dai Book of Rites, Zhu Yan*



- The concept of “no import tax” has been advocated by Mencius, Xun Zi, and Guan Zi on several occasions.
- Mencius argues that charging an import tax is like stealing from your neighbour. Abolishing the import tax will encourage foreign merchants to travel to the country.
 - Reading: *Excerpts from Mencius, Gong Sun Chou i, Jin Xin ii, and Teng Wen Gong ii*



- Confucians are cosmopolitan, and their object is to equalise the world, taking free trade to an extreme.
 - *“Transport the money, commodities and grain without any delay or stopping, in order to satisfy the reciprocal demand: it makes the whole world like a single family.”*
- Xun Zi, Royal regulation

