

Confucianism, Commerce, Capitalism

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Abstract

This paper discusses commerce in Early Confucianism. It argues that the virtuous Confucian agent engages with the world in different ways, including in commerce – it is another way of acting with virtue. This conception is compared with two roughly contemporary approaches in economics, the thought of Wilhelm Röpke and the *Humanomics* project by Vernon Smith. In both, virtue is constitutive to commerce. However, they differ substantially in the exact relationship between virtue and commerce. While in Early Confucianism commerce is a way for the agent to unfold and cultivate virtues, in Röpke, virtues are a corrective to the utilitarianism in commerce. In *Humanomics*, agents engaging in commercial relations find shared virtues.

Keywords

Confucius – Mencius – Xunzi – commerce – capitalism – Wilhelm Röpke – Adam Smith – Vernon Smith – *Humanomics*

1 Introduction

Can Confucianism and commerce go together? Is there anything resembling a “Confucian capitalism”? These two questions address two separate issues. Even if they could be posed together, separating them minimizes confusion. The first question is about Confucian philosophy. The second relates it to a different way of thinking: *prima facie*, it asks if it is possible to Confucianize capitalism, or vice-versa.

This paper, however, claims that only the first question is worth discussing. Examining how Confucianism and capitalism might relate does not enrich the

understanding of either. The second question is a dead-end, because the term capitalism itself is, in the best case, imprecise and in most cases used polemically. Instead, discussing how Confucianism accommodates commerce illustrates how a commercial society can “profit” from Confucian ethical thinking. It may be anecdotal, but the Sage King Shun, much venerated by Confucians, was a merchant before rising to power. Guan Zhong was also a merchant and praised as a great minister by Confucians.¹

The core argument of this paper is: Early Confucianism neither disavows commerce nor endorses unbridled capitalism. While accepting private property, private exchange, and even profit, the Confucian texts do not elevate any of them to a motive in themselves or to a utilitarian goal or process, let alone to an ideology. Rather, Early Confucianism sees commerce as an interaction in community of society – as much as there are other such interactions, for example festivals or public administration. Any exchange happens in the context of virtues, roles, and rites. While this might seem antithetical to capitalism as a label, it is consistent, for example, with the commercial thinking of the Scottish Enlightenment in the eighteenth and nineteenth centuries or the Roman-Catholic social teaching.² It is even consistent with roughly contemporary “Western” approaches to commerce and economics. In comparing Early Confucianism with two examples of the latter – Wilhelm Röpke (1899-1966)³ and Vernon Smith (b. 1927)⁴ – this paper engages in a dialogue.

Three sections organize the work: the first explores commerce in Early Confucianism going back to the original thinking of Confucius (551-479 BC) as recorded in the *Analects* and its interpretation or further development made by Mencius (372-289 BC or 385-303 or 302 BC) and Xunzi (c. 310-c. 235 BC, alt. c. 314-c. 217 BC). The second analyzes how commerce in Confucianism relates to present day capitalism by critically assessing the term capitalism and by establishing how commerce in Confucianism can relate to some types of thought usually brought in relationship with capitalism. The third summarizes and finishes by overviewing open questions.

1 Taisu Zhang, *The Laws and Economics of Confucianism: Kinship and Property in Preindustrial China and England* (Cambridge: Cambridge University Press, 2017), 64.

2 Compare Alexander Broadie and Craig Smith, eds., *The Cambridge Companion to the Scottish Enlightenment* (Cambridge: Cambridge University Press, 2019); Thomas Massaro, *Living justice: Catholic Social Teaching in Action* (Lanham: Rowman & Littlefield, 2015); and Dennis P. McCann “Business Ethics in the perspectives of Christian Social Teaching and Confucian Moral Philosophy: Two Ships Passing in the Night?,” *Journal of International Business Ethics* 3, no. 2 (2010): 16-28.

3 Wilhelm Röpke, *Civitas humana: A Humane Order of Society* (London: W. Hodge, 1948).

4 Vernon L. Smith and Bart J. Wilson, *Humanomics: Moral Sentiments and the Wealth of Nations for the Twenty-First Century* (Cambridge: Cambridge University Press, 2019).

2 Confucianism and Commerce

Confucianism is a way of thinking and a way of living (refer to the introduction of this volume). There is no concise and unitary understanding of Confucianism as a doctrine. This has several reasons, among which the following seem most important: first, Confucius did not leave – let alone write – a body of work. There are recollections of his teachings, however, they are not a systematic body, but rather short lessons applied to specific situations. Treating Confucian texts involves interpreting them. Second, the Confucian inspiration led to the establishment of different schools of thought, each understanding itself as directly following Confucius' teachings. While these schools shared many ideas, there was also substantial differentiation between them.

This paper relies on two of these schools as representative for Early Confucianism, the ones of Mencius and Xunzi. This is, however, a considerable simplification, because Confucius, Mencius and Xunzi are neither exhaustive for Early Confucianism (but they are reliable and representative sources) nor do they share a single doctrine (but they seem to have sufficiently similar views regarding commerce).

With all due caution regarding this background, the following understanding of Early Confucianism is advanced here:⁵ the Confucian way is, at the same time, moral, social, and political. Confucius and his early followers model human actions and behavior around an ethically ideal agent, the *junzi*. This agent is an example to emulate. Following its example is a process requiring constant self-cultivation in roles, virtues, and rites. Agents are bearers of roles depending on the social institution in which, or through which, they are interacting. Roles are reciprocal sets of obligations given by context (not chosen by the agents), for example, the relationship between father and son or ruler and subject.

A central social institution is the family (rather understood as a complex or multi-generational household). In the context of the family, typical roles are father, elder brother, younger brother, each with an associated set of obligations towards the other roles in the household. The *junzi* performs the role *virtuously*, i.e. the performance of the role comes out of the character cultivated by and in different virtues, for example filial piety and patience. Also, the

5 This understanding and many of its parts contain contentious issues among interpreters: while much (if not all) of early Confucianism does seem to adopt something like a (loosely) socially-constructed view of self – and the family is perhaps the most basic institution in Confucian society – it is not clear that the individual is merely reduced to a bearer of roles and relationships.

role-bearing agent has a set of ritual-duties, many of which are associated with the role. In the context of the family these ritual-duties entail treating parents with deference, sitting at a specific location, performing acts of worship, or wearing certain items. The Confucian agent acts in this conceptional triangle formed by roles, virtues, and rites while emulating the *junzi*.⁶

The Stanford Encyclopedia of Philosophy describes the relationship of virtues and roles as follows:

Many of the short passages from the *Analects* ... describe the development of set of ideal behaviors associated with the moral ideal of the 'way' (*dao*) of the *junzi*. Based on the analogy between the way of Confucius and character ethics systems deriving from Aristotle, these patterns of behavior are today often described using the Latinate term 'virtue'. In the second passage in the *Analects*, the disciple *You Ruo* says a person who behaves with filial piety to parents and siblings (*xiao* and *di*), and who avoids going against superiors, will rarely disorder society. It relates this correlation to a more general picture of how patterns of good behavior effectively open up the possibility of following the way of the [*junzi*]: 'The gentleman works at the roots. Once the roots are established, the way comes to life' (1.2). The way of the [*junzi*] is a distillation of the exemplary behaviors of the selfless culture heroes of the past, and is available to all who are willing to 'work at the roots'. In this way, the virtues that Confucius taught were not original to him, but represented his adaptations of existing cultural ideals, to which he continually returned in order to clarify their proper expressions in different situations. Five behaviors of the [*junzi*] most central to the *Analects* are benevolence (*ren*), righteousness (*yi*), ritual propriety (*li*), wisdom (*zhi*), and trustworthiness (*xin*).⁷

Commerce is the second large conception of this section and is the systematic exchange of goods (material goods, services, commodities, and the like) for the benefit of the exchanging agents. Systematic exchange involves the overproduction of one good that can be exchanged for sufficing any incurred

6 For a more detailed, but somewhat different, characterization refer to Philip J. Ivanhoe, *Confucian Reflections: Ancient Wisdom for Modern Times* (London: Routledge, 2013).

7 Mark Csikszentmihalyi, "Confucius", in *The Stanford Encyclopedia of Philosophy* (Summer 2020 Edition), ed. Edward N. Zalta, <https://plato.stanford.edu/archives/sum2020/entries/confucius/> (accessed August 31st, 2020). This quote has been slightly modified to fit the format of this publication; Chinese signs were omitted and the word *junzi* was used for the lack of a better translation.

underproduction in other goods. An agent can grow more wheat than needed to sell the surplus to other agents in need of wheat. A different agent can learn, building up “overcapacity” of knowledge and selling the service of portioned knowledge to others, for example as a teacher. Systematic exchange can but does not need to entail total specialization, just a planned and continuous exchange of surplus. Similarly, benefit can but does not necessarily entail monetary profit, but at least an improvement of the agent’s situation.⁸

What is the Early Confucians’ relationship to commerce? Polemically, one could suspect some adversity: Stereotypically, the *junzi* is immersed in self-cultivation. But commerce, as just defined, makes agents better off. What if being better off becomes the main motivator for an agent? What if the agent neglects cultivating their virtues, adhering to their roles and performing the rites for the sake of becoming better off? In Confucian language, an agent that only pursues self-interested actions is called a *xiaoren*, a petty person. Does commerce lead to becoming *xiaoren*? Or does commerce attract *xiaoren*?

In the *Analects*, Confucius states: “The sage works at the roots.⁹ Once the roots are established, the way comes to life.”¹⁰ The *junzi* and the person emulating the *junzi* engage in a continuous process of self-cultivation involving roles, virtues, and rites. They interact with others guided by a sense of what is good from the others’, or rather, the common good’s perspective. The *xiaoren* marks the contrary. The petty person does not grasp the value of virtues, roles, and rites seeking only immediate and personal gains. The petty person is egotistic and does not consider the consequences of their actions in the overall scheme of things. Even worse, often the *xiaoren* is not particularly good at means-end reasoning and maximizing their overall long-term self-interest, even in terms of what they think they should value.

In Kang’s interpretation, for example, the *junzi* cannot engage in commerce, because commerce presupposes utilitarian self-interest. Systematically participating market-processes in order to make profit is for *xiaoren*.¹¹ Confucius, however, neither demands a selfless *junzi* nor criticizes the petty person only

8 Israel Kirzner, *The Driving Force of the Market: Essays in Austrian Economics* (London: Routledge, 2000). What makes the agent better off is individually and subjectively judged by the agent.

9 There is considerable discussion among Confucians and among scholars studying Confucianism about what working the roots specifically means. In a generalized way, it could mean, strengthening one’s character, becoming virtuous, being virtuous, or cultivating one’s self. A more in-depth discussion is needed, but outside the scope of this paper.

10 Confucius, *Analects*, trans. Burton Watson (New York: Columbia University Press, 2007), 1.2.

11 Liu Kang, “Is There an Alternative to (Capitalist) Globalization? The Debate about Modernity in China,” *Boundary* 23, no. 3 (1996): 193–218.

because of their behavior. The *junzi* can act self-interested as long as it harmonizes their goals with the common good. Hall and Ames suggest that the *junzi*'s motivation involves forming moral judgments from a combined perspective of self and others.¹² Schneider argues that self-interest is an epistemic pre-condition for self-cultivation.¹³ The problem with the petty person, on the other hand, lies precisely in its – broadly understood – motivations, and not in what it does. Its motivations are self-centered and oblivious to the roles, virtues, and rites. The petty person is petty, because it does not work at its roots; it does nothing to strengthen its character or to cultivate its virtues. Its overall problematic behavior follows, in this account, from its flaw in only considering its immediate benefit. With regard to actions, including engaging in commerce, Early Confucianism envisages a balance between “the right outcomes” because of “the right motivations.” Neither can be dismissed.

Both, the *junzi* and the petty person, can engage in the activity of for-profit exchange; the *junzi* does so by aligning its perspective to the other's and the petty person by pursuing only its self-interest and doing so at the expense of others. Part of what becoming virtuous entails is coming to understand and strive for new sources of value. The *junzi* engages in commerce because it can make every part of the exchange better-off. The *junzi*, therefore pays attention to its own motivation as well as makes sure that the outcome of the commercial exchange actually benefits all participating parties. The petty person exchanges commercially, in order to improve its own position, even if it is at the expense of others.

Contemporary economic theory has models that explain both: mutual beneficiary commerce and unilaterally beneficiary commerce. At least a majority of the traditions of thought in economics theorize that there are commercial arrangements in which all sides to an exchange gain by exchanging; and there are such in which at least one agent is made better-off at the expense of at least another. Again, at least the majoritarian position sees a working market in the first type and a market failure in the second.¹⁴

12 David L. Hall and Roger T. Ames, *Thinking Through Confucius* (Albany: SUNY Press, 1987).

13 Henrique Schneider, “Virtues and the interested “self” in Confucius and Adam Smith,” *Humanities Bulletin* 2, no. 1 (2019): 91-104.

14 For example in: Gregory N. Mankiw, *Principles of Microeconomics* (Boston: Cengage Learning, 2020); Yew-Kwang Ng, *Markets and Morals* (Cambridge: Cambridge University Press, 2019); Gregory N. Mankiw, “Defending the One Percent,” *Journal of Economic Perspectives* 27, no. 3 (2013): 21-34; Jagdish Bhagwati and Arvind Panagariya, *Why Growth Matters: How Economic Growth in India Reduced Poverty and the Lessons for Other Developing Countries* (New York: Public Affairs, 2013).

But there is a deeper argument for commerce in Early Confucianism – it even relates the commercial activity with the framework of roles, virtues, and rites. The division of labor serves as the first steppingstone.¹⁵

At the Confucian level of analysis, the entities dividing labor are usually the family-household and, sometimes, political bodies. Early Confucianism reasons: if everyone were self-sustaining, there would be no exchange. If one specializes, however, one engages in an overproduction of the specialized good (so-called long) and, at the same time, accepts a shortage in all other goods (so-called short). Households, then, exchange the long goods for the short. A carpenter's household will produce many more chairs than it needs but will lack cloth. It uses market-processes to exchange chairs for cloth. When using means of exchange such as money, the carpenter sells chairs and buys cloth.

In Early Confucianism, dividing labor serves economic reasoning and informs statecraft. Mencius accepts or approves commerce, and even profit, making a case for specialization as beneficial in the arts and crafts, society, and government:

Does Xu cook his food in boilers and earthenware pans, and does he plough with an iron share? Does he make those articles himself? No. He gets them in exchange for grain. The getting those various articles in exchange for grain, is not oppressive to the potter and the founder, and the potter and the founder in their turn, in exchanging their various articles for grain, are not oppressive to the husbandman.... Hence, there is the saying, 'Some labour with their minds, and some labour with their strength. Those who labour with their minds govern others; those who labour with their strength are governed by others. Those who are governed by others support them; those who govern others are supported by them.' This is a principle universally recognised.¹⁶

15 As a blind-reviewer of this paper formulated: "I find this [framing] strange, especially given the early assumption that Confucian individuals are role-bearers: it would seem safe to assume, then, that at least some degree of division of labor would be part of the Confucian enterprise. Again, the mere tiering of individuals by moral ability, the notion of the five fundamental relationships, and the simple reality of needing society to function all suggest that the Confucians, quite obviously, would have some level of division of labor built into their moral-political theory. Indeed, Xunzi's standards of ritual and righteousness seem to do just this."

16 Mencius, "The Works of Mencius", trans. James Legge (Oxford: Clarendon – Oxford University Press, 1985), 3A4.

Mencius frames commercial exchange as productive for the people pursuing it as well as for the society as a whole. Dividing manual labor leads to establishing different professions. This differentiation ends in some agents specializing in running the state. Statecraft seems, here, to follow from dividing tasks. Another Early Confucian, Xunzi, sees dividing labor as a condition for the well-working of a society. Xunzi, here, sees this division as socially fundamental, coming before politics and other social stratification, which he calls “merit.”

Work and labor are what people dislike, and merit and profit are what they are fond of. But if there is no division of occupations, then people will face the catastrophe of trying to complete their work by themselves and the calamity of struggling over merit.¹⁷

Xunzi, however, does not allow for any division of labor. He argues that only certain specializations will work at achieving social harmony – those specializations based on rituals and *yì* that are themselves based on the underlying conception of virtue. Mencius and Xunzi also go further. For them, not all types of labor are equal. Mencius’ argument in 3B9 is subtle and threefold. First, he acknowledges commercial exchange as useful for society, then, he recognizes that craftsmen are bound to roles, virtues, and rites, just as much as scholars are but of course respecting the differences between them, which he sees as naturally given. Third, he evaluates goods related to their quality:

Peng Geng asked Mencius, saying, ‘Is it not an extravagant procedure to go from one prince to another and live upon them, followed by several tens of carriages, and attended by several hundred men?’ Mencius replied, ‘If there be not a proper ground for taking it, a single bamboo-cup of rice may not be received from a man. If there be such a proper ground, then Shun’s receiving the kingdom from Yao is not to be considered excessive. Do you think it was excessive?’ Geng said, ‘No. But for a scholar performing no service to receive his support notwithstanding is improper.’ Mencius answered, ‘If you do not have an intercommunication of the productions of labour, and an interchange of men’s services, so that one from his overplus may supply the deficiency of another, then husbandmen will have a superfluity of grain, and women will have a superfluity of cloth. If you have such an interchange, carpenters and carriage-wrights

17 Xunzi, *Xunzi: The Complete Text*, trans. Eric Hutton (Princeton: Princeton University Press, 2014), 10, 35–29.

may all get their food from you. Here now is a man, who, at home, is filial, and abroad, respectful to his elders; who watches over the principles of the ancient kings, awaiting the rise of future learners – and yet you will refuse to support him. How is it that you give honour to the carpenter and carriage-wright, and slight him who practises benevolence and righteousness?’ Peng Geng said, ‘The aim of the carpenter and carriage-wright is by their trades to seek for a living. Is it also the aim of the superior man in his practice of principles thereby to seek for a living?’ ‘What have you to do,’ returned Mencius, ‘with his purpose? He is of service to you. He deserves to be supported, and should be supported. And let me ask – Do you remunerate a man’s intention, or do you remunerate his service?’ To this Kang replied, ‘I remunerate his intention.’ Mencius said, ‘There is a man here, who breaks your tiles, and draws unsightly figures on your walls – his purpose may be thereby to seek for his living, but will you indeed remunerate him?’ ‘No,’ said Geng. Mencius then concluded, ‘That being the case, it is not the purpose which you remunerate, but the work done.’¹⁸

Foreshadowing much of economic analysis – private property, incentives, quality control – Mencius argues for remunerating results. Depending on the institutional arrangements under which exchange takes place, remuneration of past work incentivizes future exchange, especially the quality of goods. Because Mencius seems aware of intertemporality in commerce, he favors setting prices as a function of quality thus motivating people to work well. He also accepts price-fluctuations depending on quality and on demand. Arguing against his contemporary Xu, who advocated equality of prices and price-controls, Mencius states:

If Xu’s doctrines were followed, then there would not be two prices in the market, nor any deceit in the kingdom. If a boy of five cubits were sent to the market, no one would impose on him; linen and silk of the same length would be of the same price. So it would be with bundles of hemp and silk, being of the same weight; with the different kinds of grain, being the same in quantity; and with shoes which were of the same size. Mencius replied, ‘It is the nature of things to be of unequal quality. Some are twice, some five times, some ten times, some a hundred times, some a thousand times, some ten thousand times as valuable as others. If you reduce them all to the same standard, that must throw the kingdom into confusion. If large shoes and small shoes were of the same price,

¹⁸ *Mencius*, 3B9.

who would make them? For people to follow the doctrines of Xu, would be for them to lead one another on to practise deceit. How can they avail for the government of a State?"¹⁹

How to reconcile Early Confucians' differentiated economic thinking with their admiring selfless agents intending to benefit others rather than obtain material advantages? Confucians emphasize cultivating virtues and encourage agents to become morally worthy, not simply materially well off. However, Confucianism does not advocate reclusion. The *junzi* is an example to emulate because it belongs to society fulfilling a role, especially, a role in government. The Confucian *junzi* does not indulge in complete selflessness but aligns self-interest with the common good – this common good is a good in itself; it is part of the natural way of the world, *dao*, which is at the same time a physical and moral structure. The common good, in Confucianism, is never a utilitarian, consequentialist notion of goal.

Mencius, in discussing the particularly ascetic Zhong, praises his moral worth, "I must regard Zhong as the thumb among the fingers." However, he also criticizes him: "But still, where is the self-denying purity he pretends to? To carry out the principles that he holds, one must become an earthworm, for so only can it be done."²⁰ Confucius further explains that there is no need of self-denial; in fact, being wealthy while following the rites (i.e. the Confucian way) counts as morally excellent: "Ze Gong said 'Poor without being obsequious, wealthy without being arrogant. What do you think of this saying?' The Master said 'that will do, but better still: poor yet delighting in the Way, wealthy yet observant of the rites.'"²¹

Confucianism pictures commerce as governed by honor and concern for others, as any other social interaction. The cornerstone virtue of benevolence requires loving others.²² This is not a correction-principle; it cannot be understood as one not violating the other's position or rights. Instead, it is an affirmative principle requiring one to contribute to the other's well-being. The Confucian Way of doing commerce entails making all the parties of a transaction better off.

Early Confucians praise work and accept profit because of differentiating tasks and qualities. Mencius carefully distinguishes between profit and goodness, but this distinction works in favor of the agent working. According to

19 Ibid., 3A4.

20 Ibid., 3B15.

21 *Analects*, 1.15.

22 Ibid., 12:22.

Mencius, who gets up early and works, gets profit and qualifies as morally good. On the other hand, who only tries to do good, but does not participate in society as its productive member, qualifies as a profit-seeker and a *xiaoren*:

Mencius said: 'Waking up with the call of the rooster and unstintingly applying oneself to the good – this is the way of the followers of Shun. Waking up with the call of the rooster and unstintingly applying oneself to profit – this is the way of the followers of Zhi. Do you want to know the difference between Shun and Zhi? It is nothing other than the difference between profit and goodness.'²³

The point of the passage is that the good agent participates in the world without reclusion. A *junzi* is a member of society contributing to the usual exchange. It follows from this line of thought that the *junzi* will work and make profit – but not for the profit's sake, but because it is part of the role-rite-virtue combination. Xunzi takes a similar stand. He approves of profits and sees problems for the social order when people are deprived of them. A ruler taking away people's profits to enrich himself troubles Xunzi:

He who can profit the people and not profiteer from them, show the people care and not work them, will win over all under Heaven. He who first profits the people and then profiteers from them, first shows them care and then works them, will preserve his altars of soil and grain. He who uses the people without profiting them, works them without showing them care, will endanger his state and clan.²⁴

Xunzi also warns the ruler who does not appreciate labor and does not reward people according to the results of their work:

In promoting and demoting people, ennobling and debasing them, one will elevate dark and dangerous men, men who are deceitful and act for ulterior motives. The way such a person interacts with the common people below is to be fond of using their dying efforts, but to be slow in recognizing their labors and merit. He is fond of using their tax revenues, but forgets about their fundamental works. Such a one will be destroyed.²⁵

²³ Mencius, 7A25.

²⁴ Xunzi, 10, 415-420.

²⁵ Ibid., 9, 569-576.

Together with Mencius and Xunzi, Confucius considers the fiscal aspect of statecraft. He calls the ruler to moderate expenditures as well as servitude and forced labor (which, by the way, also presupposes a division of labor). *Analects* 1.5 states: "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." This quote brings together two aspects of Confucianism: the concern about what agents do and why they do so. In the Confucian quote, moderation in statecraft goes together with the respect for people and for the fruits of their labor. Here again, modesty is not a *desideratum* per se, but a virtue of the ruler, who does the right thing for the right reasons. We see this again, when (keeping in mind, that in a Confucian ideal, the ruler, or "superior man" in the translation, is a *jūnzǐ*):

Confucius said, 'The superior man has nine things which are subjects with him of thoughtful consideration. In regard to the use of his eyes, he is anxious to see clearly. In regard to the use of his ears, he is anxious to hear distinctly. In regard to his countenance, he is anxious that it should be benign. In regard to his demeanor, he is anxious that it should be respectful. In regard to his speech, he is anxious that it should be sincere. In regard to his doing of business, he is anxious that it should be reverently careful. In regard to what he doubts about, he is anxious to question others. When he is angry, he thinks of the difficulties (his anger may involve him in). When he sees gain to be got, he thinks of righteousness.'²⁶

Private property also belongs to the Confucian worldview. According to Mencius, a government depriving people of private property lacks benevolence. This claim goes beyond protecting private property. Early Confucianism takes order seriously. Attempts to disrupt the order of society are repudiated. Since Mencius considers households as basic to ordering a society, he pictures their material basis, private property, equally fundamental. According to Mencius, private property stabilizes the household. Without stability, people would start seeking ever more problematic ways of making themselves better off, losing virtues, deviating from roles and rites. In other words, the absence of private property incentivizes people to behave in an unorderly fashion, or to lose their Way. Mencius says: "A government that deprives people of private property and then punishes them for trying to acquire it, entraps its citizens."²⁷

²⁶ *Analects* 14.10.

²⁷ *Mencius*, 3A3:3.

Along with the guarantee to private property go Confucian claims for lower taxation. Mencius calls governments to leave resources to families, so they may care for the welfare of their members.²⁸ Confucius opposes taxes surpassing 10% of the income.²⁹ Xunzi advocates limiting taxation, implying that low taxes allow people to flourish:

On the graduated taxation and governmental actions of a true king: He uses the myriad things as resources, and this is his means to nourish the people. He only takes one-tenth of the produce from the fields. The mountain passes and markets are overseen but no fees are collected. The exploitation of mountain forests and dammed marshes is not taxed, but is prohibited in certain seasons. He measures up the quality of the land and adjusts his government policies accordingly. He reckons upon the distance of the route and requires contributions accordingly. He causes resources, goods, and grain to circulate without delays and causes each to move to its appropriate place, so that the region within the four seas becomes like a single family. Thus, those nearby do not hide their abilities, and those far away are not troubled by the required labor. Among the isolated and remote states, all quickly send envoys and take comfort and delight in him. This is called being the teacher of the people.³⁰

Dividing labor, exchanging in market-processes, allowing profit, guaranteeing private property, and maintaining fiscal moderation through low taxation – they belong to the early Confucian way of thinking. These thinkers analyzed commercial institutions gaining a generally positive view of them. However, their treatment of commerce does not equal its full support, let alone its ideological affirmation. Early Confucianism endorses commerce in as far as it upholds the Way of Confucius, or, as long as it happens according to virtues, roles, and rites. While the passages quoted here show Confucianism's understanding of economic exchange and its role in a flourishing society, the same texts admonish people not to pursue enrichment for its own sake or at all cost. Early Confucianism inculcates morally cultivating the self (so to speak, it trumps everything else). Confucius separates: the gentleman is versed in righteousness, the small man in benefit.³¹ Mencius encourages the ruler to govern following

28 Ibid., 1A5.3.

29 *Analects*, 12.9.

30 *Xunzi*, 9, 246-260.

31 *Analects*, 4.16.

the moral virtues of benevolence and righteousness rather than concentrating on the skills of enriching the state and empowering the military.³²

The initial polemics of this section asking whether Confucianism is compatible with commerce could be dismissed. Early Confucianism was open towards commerce. The question is, rather, how Confucian commerce works. The distinctive features of Confucianism create a specific framework for commerce – guided by roles, virtues, and rites while emulating the *junzi*. Within this framework, motives and outcomes are important. Commercial exchange happens benefitting its participant, at the same time, advancing the common good.

In order for family-households and states to thrive, they need a material basis of welfare. Commerce provides and expands this basis. While Early Confucianism refutes the profit-motive, it accepts commerce within the limits discussed before. Commerce, never as a *desideratum* per se, is appreciated within the Confucian project of shaping a social order because it provides family-households with the material basis they need for living. Also, commerce, as a practice of social exchange, can prompt people to act virtuously, according to their roles and rites. In the Confucian project, interacting is the touchstone of benevolence and righteousness. When benefit or even profit is the outcome of processes led by these virtues, it is a welcome one because it strengthens the family-household.³³ Confucian commerce balances motivations and outcomes. Commercial agents interact motivated by their self-cultivation but also adjusting the outcomes of their exchanges in order to benefit all participating parties as well as to attain the common good.

As a matter of outlook, a similar thinking applies to the state. The Confucian state promotes peace and security and allows for families increasing their welfare, including economic welfare.³⁴ It does so not by attaining power, richness, or military might, but by focusing on benevolence and righteousness. But, for working, the state, too, needs a material basis. Early Confucianism accepts the state taxing its people, organizing an army, and going to war – as long as it remains within the Confucian framework. For the Confucians, material consequences matter. It is just that they are not all that matter. Commerce has a role

³² Mencius, 1A1.

³³ For present-day elaboration of this argument, i.e. the inherent link between commerce, filial piety, and Confucianism, see Seok-Choon Lew, Woo-Young Choi, and Hye Suk Wang, “Confucian Ethics and the Spirit of Capitalism in Korea: The Significance of Filial Piety,” *Journal of East Asian Studies* 11, no. 2 (2011): 171–196.

³⁴ *Analects*, 13.9.

to play, so long as that role is subservient to the larger goal of a fully virtuous social community.³⁵

3 Confucianism and Capitalism

East Asia's economic surge increased the interest in the relationship of Confucianism, (economic) development, and capitalism. The framing of this relationship, however, varied significantly.

In the 1980s, Confucianism was portrayed as an anathema to economic development and capitalism; in the 1990s the literature began acknowledging potential synergies between them.³⁶ Dirlik claims Confucianism began to reinvent itself due to exposure to capitalism.³⁷ After having lost its standing, even disappearing in China, Confucianism experienced a revival with the country's opening its markets. Still in the 1990s, and from a Marxian viewpoint, Gates' *China's Motor: A Thousand Years of Petty Capitalism* agrees. In her analysis, China's political economy has not changed in the last one hundred fifty years. China's business culture relies on a path-dependent development over the past one thousand years. She explains China's economic development but also established commercial practices by looking at the interaction of the tributary and the petty capitalist modes of production. As they persist, the

35 Expanding this outlook: The activities of the state are not a desideratum per se, they provide for the material basis that the state needs to promote benevolence and righteousness and they must be employed moderately, with virtues, roles, and. Also, it might be useful to think about the relationship between commerce and the ideal Confucian state in comparison to the relationship between rights and the ideal Confucian state. One of the problems that contemporary Confucian political philosophers deal with, is the question of whether rights are compatible with Confucianism. Possibly, the answer could be in parallel to the Confucian argument for commerce. That is, rights have no independent value for Confucians, much like private property or freedom to trade have no independent value for Confucians. Rather, individual rights are to be valued and supported insofar as they allow for or encourage the development of moral virtues and social harmony, in much the same way as private property, etc. are valuable insofar as they do this. This of course has a range of implications. Individual rights may be supported, but they would not be absolute, and the specific rights themselves may be quite different than the traditional Western liberal conception of rights, and they of course would not be absolute or susceptible only to the harm principle. Rather, they would be there to serve the greater Confucian social goal. I thank a reviewer for this useful note.

36 Christian Jochim, "Confucius and Capitalism: Views of Confucianism in Works on Confucianism and Economic Development," *Journal of Chinese Religions* 20, no. 1 (1992): 135-171.

37 Arif Dirlik, "Confucius in the Borderlands: Global Capitalism and the Reinvention of Confucianism," *Boundary* 22, no. 3 (1995): 229-273.

country does neither have capitalism nor socialism. Also, since both modes still operate, China has now no Confucianism – remaining petty.³⁸ Since the 2000s, with increasingly differentiated research, the picture becomes more diverse. Analyses range from *a priori* contrariety to structural (but not rhetorical) equivalence. Also, research has spread to other disciplines, each with different ways of portraying it: philosophy, sociology, political theory, economics, leadership, *inter alia*. In an edited volume, Hon and Stapleton provide overviews of these narratives.³⁹ There are, however, only few examples for analysis of Confucian commerce based on roles, virtues, and rites. There is even less comparison between a Confucian commerce and the role of role, virtue, and rite in “Western” economics.

Despite increased interest in relating Confucianism to economic development and capitalism, problems for establishing an analytical framework for this relationship persist. The following three challenges rank highest:

First, the previous section focused on Early Confucianism. In China, and East Asia, however, Confucianism is heterogenous. Indeed, Confucianism is not a normed school of thought. In Chinese philosophy, no normed schools of thought exist. Instead, different, at times opposed, groups trace their ways of thinking back to one figure. This applies to the thinking of Confucius, too. Even Early Confucians such as Mencius and Xunzi disagree on how to transmit their master’s doctrines. Inner differentiation expanded with time, for example, dialoguing with (the different shades of) Daoism, Legalism, Buddhism, Islam, Shinto, Christianity, or Communism. This process continues today; contemporary Confucian thoughts can be described as Confucianisms.⁴⁰ Therefore, relating Confucianism and capitalism needs to account for which Confucianism serves as the basis of the analysis.

Second, there is a strain of literature identifying all East Asian culture as Confucian. Equating them, however, does not do justice to East Asia’s diverse cultures, values, and systems of thought. As mentioned before, even in China, other ways of thinking flourished and influenced society. While East Asian regions embraced Confucianism, others modified it to fit local setups. South

38 Hill Gates, *China’s Motor: A Thousand Years of Petty Capitalism* (Ithaca: Cornell University Press, 1986).

39 Tze-Ki Hon and Kristin Stapleton, eds., *Confucianism for the Contemporary World: Global Order, Political Plurality, and Social Action* (Albany: SUNY Press, 2017).

40 Tony Swain, *Confucianism in China: An Introduction* (London: Bloomsbury Publishing, 2017).

Korea serves as an example of the former, Japan of the latter.⁴¹ In any case, Confucianisms maintain a constant dialogue with other philosophies and worldviews. And, more bluntly said, not everything East Asian is Confucian.

Third, popular and even academic literature search for “Confucian capitalism.”⁴² But capitalism, as a concept, is misleading. Initially, it was meant to describe an economic system in which agents accumulated capital – be it money, estate, machinery or human capital – reinvesting it in order to produce and exchange goods. The term then morphed, denoting a system of a mixed economy combining free-to-some-degree markets with to-some-degree-planned economy. It was transformed, again, to denote some socio-economic system, namely that of the “West” in contradiction to the “Communist,” “Soviet” and the like.⁴³

Contemporarily, instead of describing a specific way of organizing the economy or a discernable ideology, for several reasons, the term is employed polemically. Milton Friedman voices the difficulty with capitalism – ironically, his describing the polemic employs the same polemical tone it deplores:

The great achievement of capitalism has not been the accumulation of property, it has been the opportunities it has offered to men and women to extend and develop and improve their capacities. Yet the enemies of capitalism are fond of castigating it as materialist, and its friends all

41 There is a wide range of literature on the other philosophies and worldviews in Asia and their relationship with Confucianism. Any list of such literature is incomplete. Outstanding works are, for example: Yu-tzung Chang, Yun-han Chu, and Mark Weatherall. “Is there still an Asian way?,” in *Routledge Handbook of Politics in Asia*, ed. Shiping Hu (London: Routledge, 2018); Kiri Paramore, *Japanese Confucianism* (Cambridge: Cambridge University Press, 2016); Sungmoon Kim, *Confucianism, Law, and Democracy in Contemporary Korea* (Lanham: Rowman & Littlefield, 2015); and Chad Hansen, *A Daoist Theory of Chinese Thought: A Philosophical Interpretation* (Oxford: Oxford University Press, 2000).

42 Compare, for example, Souchou Yao, *Confucian Capitalism: Discourse, Practice and the Myth of Chinese Enterprise* (London: Routledge, 2013); Dirlik, “Borderlands”; Baiyin Yang, “Confucianism, socialism, and capitalism: A comparison of cultural ideologies and implied managerial philosophies and practices in the P.R. China,” *Human Resource Management Review* 22, no. 3 (2012): 165-178. Roger L. Janelli and Dawnhee Yim “The Mutual Constitution of Confucianism and Capitalism in South Korea,” in *Culture and Economy: The Shaping of Capitalism in Eastern Asia*, eds. Timothy Brook and Hy V. Luong (Ann Arbor: The University of Michigan Press, 1997): 107-123.

43 Geoffrey M. Hodgson, *Conceptualizing Capitalism: Institutions, Evolution, Future* (Chicago: University of Chicago Press, 2015).

too often apologize for capitalism's materialism as a necessary cost of progress.⁴⁴

In *Economic Ideas you should Forget*, Daron Acemoglu concludes:

How could a notion [capitalism] that is so steeped in ideology be useful for academic discourse? For some, it is an economic system rooted in the crudest form of exploitation, always pregnant with injustice and inequality. For others, it is the unadulterated ideal of efficiency and dynamism, the best recipe for a fair society.⁴⁵

Economist Wilhelm Röpke dismissed the term capitalism as the contrary of free exchange or free market-processes. He states: "capitalism is a mix of markets, monopolies, and command-and-control economies."⁴⁶ According to him, markets-processes work differently, as a series of free, competitive, and cooperative practices empowering agents.⁴⁷ Empowerment arises from agents being free but also responsible for what they do; empowerment also comes out of the cooperative setting. These cooperative practices emerge in communities and societies. They enable agents to develop a common project in which each agent to the practice is equally responsible for the outcome, which is the common good. In Röpke's thought, commerce was one such practice.

Röpke's dismissal of the term capitalism and preference for commerce is the steppingstone for the remainder of this paper. Röpke, and later in this section, Vernon Smith together with Bart Wilson, does advance a theory of commerce that, similarly to Confucianism, links commerce with virtue (albeit only little to roles and not to rites). It is now the comparative task to find out if the similarities run deeper than the first glance.

Röpke dismisses utilitarianism as bearing what he considers the danger of moral relativism, elevating selfishness to a per se desideratum. His dislike extends to the utilitarian practice as well as to academic economics using the market as a purely abstract model and in a utilitarian way. Acknowledging that market models are just scientific tools, but because of their instrumental nature, Röpke is not willing to discuss markets independently from the social

44 Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1982), 140.

45 Daron Acemoglu, *Economic Ideas You Should Forget* (Cham: Springer, 2017), 3.

46 Wilhelm Röpke, *A Humane Economy: The Social Framework of the Free Market* (Chicago: Henry Regnery Company, 1960), 90.

47 Henrique Schneider, "Skepticism About Markets and Optimism About Culture," in *Wilhelm Röpke (1899-1966): A Liberal Political Economist and Conservative Social Philosopher*, eds. Patricia Commun and Stefan Kolev (Cham: Springer, 2018), 219-236.

institutions on which they rely, for example public discourse, ethics, or organizations. As he puts it: "The ultimate moral support of the market economy lies outside the market. Market and competition are far from generating their moral prerequisites autonomously."⁴⁸ This might also very well be a summary of his *Humane Economy*. The market, and the whole economy, necessarily rely not only on morals but also on the cooperative practices of the whole society. He continues:

The true role of ownership can be appreciated only if we look upon it as representative of something far beyond what is visible and measurable. Ownership illustrates the fact that the market economy is a form of economic order belonging to a particular philosophy of life and to a particular social and moral universe. This we now have to define, and in so doing the word 'bourgeois' imposes itself, however much mass public opinion (especially of the intellectual masses) may, after a century of deformation by Marxist propaganda, dislike this designation or find it ridiculous. In all honesty, we have to admit that the market economy has a bourgeois foundation.... The market economy, and with it social and political freedom, can thrive only as a part and under the protection of a bourgeois system. This implies the existence of a society in which certain fundamentals are respected and color the whole network of social relationships: individual effort and responsibility, absolute norms and values, independence based on ownership, prudence and daring, calculating and saving, responsibility for planning one's own life, proper coherence with the community, family feeling, a sense of tradition and the succession of generations combined with an open-minded view of the present and the future, proper tension between individual and community, firm moral discipline, respect for the value of money, the courage to grapple on one's own with life and its uncertainties, a sense of the natural order of things, and a firm scale of values.⁴⁹

Two aspects stand out in this (convoluted) argument. First, Röpke dismisses the term capitalism because it does not denote a free market. Second, and on the other hand, he does not think that free market mechanisms by themselves safeguard ethical behavior, and ultimately, outcomes that are compatible with the common good. He goes even one step further: free commercial exchanges, although empowering agents, cannot, by themselves, establish

⁴⁸ Röpke, *Humane Economy*, 126.

⁴⁹ *Ibid.*, 98.

their own normative foundations. They need embedding within a specific social system, which he calls “bourgeois” and understands as the common good.

Röpke envisages an economic system governed by free commercial exchange. But the social system he has before his eyes is not just an economic order, it is a social one. He recognizes that such an order needs a much broader embedding than economics or commerce can provide and sees agents that, while free, also consider the ethical implications of their actions and the common good as pivotal to this order.⁵⁰

This similarity between Röpke and Early Confucianism should not surprise. Marked by a constant state of war, Early Confucians attempted reconstructing society by emulating the *junzi*; writing after World War II, Röpke relies on bourgeois values to re-order Europe. The values he considers bourgeois resemble Confucian virtues and roles insofar as he speaks of virtues and the role that the agent plays in community and societies.⁵¹ Differently from Early Confucianism, Röpke has an outspoken sense of the individual agent and their liberties. However, he is clear in not allowing individuals to maximize their own benefit, or gain. He places them in a social environment, especially in the contexts of family and community, recognizing that everyone has a role to play. In order to play this role, people need to uphold some values, virtues, and commit to the common good.⁵²

These ideas distinguish Röpke among the so-called “Western” economists. In the post-World War II period, Röpke was one of few economists in Europe researching how commercial processes and the societal setups in which they operate depend on one another – an approach also called institutional economics.⁵³ He understood the economy not as something for its own sake, but pictured economic exchange as just one subset of cooperative practices in society. Normatively, he went further in dismissing capitalism and making clear that commerce – as empowering as it is – does not exist for its own sake. Its institutional role is increasing individuals’ welfare, strengthening societies, and helping to establish order and the common good. As in Early Confucianism, Röpke supports commerce – including division of labor, private property, and profit. As in Early Confucianism, Röpke sees the social function of commerce and its beneficial potential, but as in Early Confucianism, he embeds it in an ethical-social project.

⁵⁰ Ibid., 102.

⁵¹ Ibid., 3; 4; 8-12; 16-19; et al.

⁵² Ibid., 12.

⁵³ Schneider, “Röpke”.

Despite these similarities, considerable differences between Röpke and Early Confucianism remain. First, Röpke attaches importance to institutions such as family, commune, and state. But at the same time, individual agents are free to participate in these institutions in a manner that seems beneficiary. For example, Röpke believes that every individual agent should be free to choose their own trade. It is doubtful whether Confucianism, in accepting division of labor, also endorses individual agents determining their own labor; rather, the task in which one specializes is determined (or at least strongly influenced) by the role one has in society.

Second, and related to the situation of the individual, Röpke sees society and family as constituents of any social order, but explicitly acknowledges the individual in tension with them. Such a tension is antithetical to Early Confucianism; rather Confucius' way instigates the cultivation of the self-aligning it with the common good. A continuous tension would, in fact, be a marker for *xiaoren*.

This leads the way to the third and most important difference between both: Early Confucians conceive virtues, together with roles and rights, as a transformational force allowing agents to flourish. They may prompt or constrain commercial exchange, but only because they, by transforming agents, also transform these exchanges into vehicles to flourishing. Röpke, on the other hand, does not abandon the utilitarianism associated with commerce; instead, he embeds it in a larger framework. He complements commerce with virtue, but he is never clear on which level these virtues work or how the agent attains virtue. Instead, virtue seems more a corrective or a constraint to individual liberty than a strength of the agent's character. There is no mention of the transformative power of virtues in Röpke's work.

Similar is Röpke's treatment of institutions and the role agents play therein. Individuals empower themselves and even prosper in commerce. Institutions direct commerce towards the common good because otherwise pure self-interest, maybe at the expense of others, and moral relativism could fully materialize. Commerce, therefore, is a tool that can be directed in any sense. In order to serve the common good, it needs to be directed by institutions – virtues and rules. In Early Confucianism the picture is different: virtues, roles, and rites transform people; engaging in social exchange, including commercial exchange, is part of the transformational process.

Röpke is an outlier in "Western" economic thought.⁵⁴ But his is not the only project relating virtues, and possibly roles (via institutions), to commerce.

54 Patrick M. Boarman, "Wilhelm Röpke: Apostle of a Humane Economy," *Society* 37, no. 6 (2000): 57-65.

Vernon Smith and Bart Wilson launched an approach they call *Humanomics* to robustly deal with the character traits of agents engaged in commerce.⁵⁵ In addition to being skeptical of the term capitalism, Vernon Smith and Bart Wilson are also wary about academic economics. Their problem lies not in its implicit utilitarianism, but in its explicit technicity. Incorporating abstract methods, economics lost track of its core, human decision-making as a process of discovery, including the discovery of the self and its relationships to others.

Before Vernon Smith and Bart Wilson, Deirdre McCloskey has used the term “humanomics.”⁵⁶ While she emphasizes the study of language and meaning, and how the human dimension enters economics through speech and persuasion in commercial practices, Smith and Wilson’s *Humanomics*, has a different core preoccupation. They define it as “the study of the very problem of simultaneously living in ... two worlds, the personal social and the impersonal economic.”⁵⁷ The problem, thus, is how to understand the modern world of the extended order of markets without losing sight of the human-to-human relationships and social interactions that comprise the everyday business of life and that enable such order to emerge from the bottom up. Smith and Wilson’s rationale becomes clearer in the following passage:

To contend with the capriciousness of the human primate, rules of conduct arose in the small band or tribe, by the experience and tradition, to regularize and order human interaction. In the face of an unknowable future, we rely on rules of conduct to guide us as the momentaneous present is revealed. Human beings do not simply express behavior; i.e., act under specific conditions like amoral molecules in a flask. Rather, we conduct ourselves accordingly in relation to the circumstances in which we suddenly find ourselves. If by creating laboratory experiments our goal is to understand human conduct against this hurly-burly background of human action, then including that which is essentially human – the stories we tell ourselves to make meaning of our experience – is as much

55 Vernon L. Smith and Bart J. Wilson, *Humanomics*; Vernon L. Smith, “Reconnecting Modern Economics with Its Classical Origins: Discovering Adam Smith,” in *A Life of Experimental Economics, Volume II*, ed. Vernon L. Smith (Cham: Palgrave Macmillan, 2018), 189–215.

56 Deirdre N. McCloskey, “Max U versus Humanomics: a critique of neo-institutionalism,” *Journal of Institutional Economics* 12, no. 1 (2016): 1–27. Deirdre N. McCloskey, *Bourgeois Dignity: Why Economics can’t Explain the Modern World* (Chicago: University of Chicago Press, 2010).

57 Smith and Wilson, *Humanomics*, 2.

a part of economics as the science of pecuniary interests that currently pervades the discipline.⁵⁸

Putting human decision-making in the center of economics takes Vernon Smith and Bart Wilson back to Adam Smith (1723-1790), one of the discipline's founding figures. In *Humanomics* they explain how Adam Smith has been wrongly read and interpreted. Adam Smith does not champion egoism or selfishness but analyzes self-interest. Acting in one's own interest need not entail putting one's own interest above another's. Instead, asserting that each agent pursues their self-interest entails the equality of all self-interested agents. This unconditional commitment to the equality and dignity of all agents was something innovative in Adam Smith's time. Equality, in this account, goes beyond having the same rights. Equality takes agents – be them philosophers or street porters, to take Adam Smith's mannerism – as having the same degree of responsibility, the same capability and even the same “moral sentiments.”⁵⁹

Self-interest, in this view, entails an interest in others. It is rather the tool by which agents discern what interest and matters to them and to others. While Adam Smith uses the figure of the impartial spectator to explain how they self-assess the perspective of the others, Vernon Smith and Bart Wilson describe the process somewhat differently: when agents exchange, they mediate between their own interests and the interests of others. The more they exchange, the more they put themselves in the other's shoes. Exchanging, commercially or otherwise, becomes a way of integrating oneself in society through bonding with other agents via comparisons and alignments of interest. Through continuous exchange, the self-interested agent becomes benevolent, i.e. willing to accept and share interests with the others.⁶⁰ Vernon Smith and Wilson further explain:

[Adam] Smith's first and lesser known work [A Theory of Moral] Sentiments is a deep and insightful study in disinterested commerce that creates human social betterment and also explains the origin of justice. In [The] Wealth [of Nations] we learn that the pursuit of private benefit, under the governing rules of justice, is what enables specialization and wealth creation for human economic betterment. Smith sees these two forms of human betterment as the result of gradual socioeconomic development. In Smith's model, we feel good about ‘mutual sympathy,’

58 Ibid., 195-196.

59 Ibid., 23.

60 Ibid., 182.

which is being in a harmonious or resonant relationship with others. Smith's relationship involves what the modern reader would call 'mutual empathy' although the word empathy would not enter English for another 150 years. Empathy involves a capacity to comprehend by your imagination what you would feel if you were in another person's situation. But Smith's use of 'fellow feeling' is especially self-evident in conveying the meaning we want to capture, and we will use his phrase. Here is a modern translation of the opening sentence that draws on explanations as we see them subsequently developed in *Sentiments*: However selfish we assume people to be, our capacity for mutual fellow feeling guides us in learning context-dependent rules of conduct that enable us to live in harmony with others.⁶¹

In Vernon Smith's and Bart Wilson's *Humanomics*, behavior is about conduct and its propriety in society. Success, economic and moral, depends on the agent's capacity for discovering what is important to others. After all, commerce is servicing the others' needs. Also, self-command in controlling what others might consider the excesses of self-love or a violation of fair play is another conditionality for successful commercial enterprise.⁶²

In a more formal treatment, Vernon Smith and Bart Wilson identify two aspects as necessary for commerce to take place. In the language of economics, they call these aspects "institutions" and they are private property and an epistemic (but also social, and moral) discovery process.

Private property is the foundation enabling and incentivizing agents to follow their self-interest while at the same time aligning theirs with the others' and respecting fair play. Property rights are preconditions for building up stocks of capital, including knowledge and social capital, markets to support knowledge specialization and wealth creation. Private property also allows and explains social differentiation while harmonizing it with equality. Every agent is fundamentally equal; but as a result of individual decision making, agents distinguish themselves leading to a merit-based differentiation between them. The rich are the custodians of wealth who preserved the seed corn against current consumption, thereby assuring those capital improvements that would create a better future even for the poorest. Those who specialize in, say, needle-making, have a specific stock of capital, knowledge and know-how that they can become better at what they do⁶³ – it is not (only) about them becoming

61 Ibid., 52-53.

62 Ibid., 74-80.

63 Ibid., 98.

more efficient or effective, but also identifying one's job as an important part of one's life.

The epistemic institution for finding shared values and fair play is exchange. For example, Adam Smith's personal opposition to mercantilism, colonization, empire, and slavery was more than a personal disgust of many things popular at his time; they came to be from the discovery process of exchange, including commercial exchange. Adam Smith, influenced by Isaac Newton's "discovery" of natural laws, proposed moral sentiments to be discovered by the processes of exchange. In *Humanomics*, exchange is a communal way of establishing common moral sentiments of a society.⁶⁴

In this account, virtues are traits of character that allow agents to engage in this communal discovery process. Agents engaging in the common discovery process work on their virtues, strengthening their character, and ultimately flourishing. This process has an individual as well as a communal aspect. Individually, agents develop their character, but communally, in engaging in a process of mutual discovery, the community of exchangers attains a common good.⁶⁵

Humanomics seems to relate to Early Confucianism in different ways. The most prominent is conceiving commercial exchange as a series of processes in which agents flourish by interacting with each other, especially by aligning their interested selves with the common good. Unlike in Röpke, the commercial process does not need to be constrained, but has in itself mechanisms to develop communal values. Virtuous agents are marked by their strength of character in all social interactions, including commerce. But more than that, the communal endeavor of virtuous agents enables them to flourish.

Despite these similarities, *Humanomics* and Early Confucianism diverge in several ways. First, *Humanomics* presupposes a fundamental equality of all agents that allows them to find or discover the common good together. In Confucianism, the indications for this equality are much scarcer, rather, Early Confucians accepted inequalities as givens, whether naturally or socially. Second, in *Humanomics*, common good is found by a cooperative practice of exchange. This is a discovery process, i.e. there seems to be a natural set of moral sentiments that in *Humanomics* equate with the common good, but their discovery seems to depend on the agent or the community agents. In Confucianism, the common good as well as the epistemic process for establishing it are already given. More than that, they are part of a natural system formed by the *dao*. Exchange is not a discovery process for virtues, roles, and

64 Ibid., 130.

65 Ibid., 152.

rites, because they are already established and clear. The *junzi* does not become *junzi* in the market, but because the *junzi* is such, the *junzi* will act benevolently in commercial matters, too, or will show how to act in such a way. Third, in Early Confucianism, agents constantly self-cultivate virtues, roles and rites. Virtuous agents performing their roles in accordance with the rites will do so also in the commercial realm. *Humanomics*, however, not only lacks the concept of rites (Adam Smith was interested in etiquette, but Vernon Smith drops it altogether) and of roles, but remains opaque about what it means to develop virtues. Fourth and finally, Early Confucianism is preoccupied by the motivation and outcome of the commercial exchange. *Humanomics* focuses on the motivation and process seemingly taking for granted that if these are given, the outcome of commerce will be beneficial to its participants and the common good. However, while Early Confucianism obligates agents to, as a last resort, remedy unfavorable outcomes, *Humanomics* lacks such a discussion.

4 Conclusion: Comparing Commerce

This paper does philosophy comparatively.⁶⁶ It explores a little-studied aspect of Early Confucianism and compares it with two contemporary exponents of economic thought. While the three share a positive view on economic exchange in market transactions grounded in or guided by some sort of moral *desideratum*, each does so for different reasons. Also, the three systems of thought examined here share the goal of establishing or describing some sort of moral social order. In each, commerce can play a beneficial role in establishing and maintaining this order, but in each, it plays a different role with different ways in which it can contribute.

In Early Confucianism, commerce and its institutions are part of the social order in which family-households flourish. Emulating the *junzi* in acting according to the virtues, roles, and rites, agents align their self-interest with the common good. Agents are required to cultivate themselves, whereby exchanging with other agents is an important facet of this cultivation. The person striving to be a *junzi* will show their merits in commercial exchange, and through this will set an example to others while doing good for their own standing. Wilhelm Röpke sees the market as a mechanism for empowering the individual. Markets as processes for the continuous exchange incentivize people to work, which also means working on one's own character and striving to excel. Commerce shows people how to act responsibly. On the other hand, Röpke

66 Tim Connolly, *Doing Philosophy Comparatively* (London: Bloomsbury Publishing, 2015).

also acknowledges the risks of commercial exchanges becoming means for or even instigating utilitarianism of agents. For Röpke, virtues and other institutional arrangements serve as constraints to commerce. Virtues and commerce trade-off in a social order. *Humanomics*, as advanced by Vernon Smith and Bart Wilson, conceives social interaction, especially commercial exchange, as the mechanism through which agents find common ground and common moral sentiments. By learning what their respective partners' interests are in commerce, agents are instigated to fulfill their partners' interest by at the same time adapting all sides' needs to a common cause. Commercial exchange is a process for finding out common moral sentiments. Commercial and other exchanges make societies flourish. Since exchange aligns interests, it needs institutions to happen. Private property is the root of institutions that facilitate this fair play and pave the way for exchanges to happen.

By comparing these three ways of thinking with each other and contrasting their conceptions of commerce with capitalism, this paper corrects some stereotypes about Confucianism and commerce as well as about contemporary economic thought. Whatever capitalism might be, not all economic thought, not even all decidedly "free-market" thought, is capitalist. In fact, this paper makes an additional point: capitalism is an elusive term, even – or especially – to describe contemporary economic thinking, let alone to be used in a comparative approach. This point has two elements.

First, commerce and capitalism are different concepts. And second, capitalism is an unclear, often polemic, term. If capitalism is used as a term for the current economic order, it denotes a mixed economy that has been thoroughly politicized. On the other hand, if capitalism is to denote free market exchange, even proponents of free markets dislike the term for material reasons. More often than not, the term is unspecified or just polemical.

One common feature of the three ways of thought explored in this paper is their dismissal of economic activity as an end in itself. The three also do disapprove of building stock of capital, let alone exploiting other agents, as goals. On the contrary, they accept commercial exchange as beneficial for the social order, and at least in Early Confucianism and in *Humanomics*, as related to moral advancement. This does not mean that they are not aware of the potential for corruptibility of commercial exchange. Early Confucians make it clear that the *xiaoren* will engage in commerce and Röpke directly addresses the risks of a utilitarian system if left unconstrained. *Humanomics* examines the failure of exchange to produce beneficial outcomes to society as a failure of the institutions in which the exchange takes place. This potential for corruptibility is one of the reasons for disqualifying markets from being ends in themselves. The three ways of thinking focus on the agents' morality, responsibility, and

accountability. They envisage equipping agents to be “fair dealers” in pursuing their legitimate economic interests. They even aim to make them more moral by way of letting them exchange or cooperate.

Biography

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