

NOTE

A Moralological Perspective on Economic Thought

The Origin and Relevance to Modern Times

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INTRODUCTION

Zi Gong said, 'Suppose the case of a man extensively conferring benefits on the people, and able to assist all, what would you say of him? Might he be called perfectly virtuous?' The Master said, 'Why speak only of virtue in connection with him? Must he not have the qualities of a sage? Even Yao and Shun were still solicitous about this. Now the man of perfect virtue, wishing to be established himself, seeks also to establish others; wishing to be enlarged himself, he seeks also to enlarge others. To be able to judge of others by what is nigh in ourselves - this may be called the art of virtue.'

The Analects of Confucius, Yong Ye 30¹⁾

Chikuro Hiroike, the founder of the Institute of Moralogy, lived in a Japan where econophobic voices were as loud as in our present, fraught with the repercussions of so-called *Great Recession*²⁾; what he saw was *Great* too, though it was a worse *Depres-*

1) Retrieved from *Chinese Text Project*: <http://ctext.org>

2) The financial crisis of 2008-2009, see Rampell, C. (2009, March 11).

sion. In the midst of claims that private enterprises should be owned by the government, he argued that economic activities in a free market are not fearful nor despicable by nature:

After all, the enterprises accused of their harmfulness, such as those of monopoly and of other forms, besides the whole economy suspected to be intrinsically immoral itself, were originally brought to existence by the pressure of national or social needs; it is possible, therefore, to say that these are actually moral entities. However, many of various businesses today, not to mention monopolies, came along with the vested interest, for the egoism of the stakeholders. Hence, it is natural that there are people who put economy at odds with morality³⁾.

The main reason for moral deterioration in business conduct, he diagnosed, can be found in western political philosophy after the Renaissance:

The reasons were, first of all, the change in thoughts of the general public; it is the modern ideas which had evolved since the fourteenth and fifteenth centuries - the false philosophical ideas such as *liberty, equality, and fraternity* - that wreaked havoc. The influence of erroneous economic theories popularized since Adam Smith was the second. And third, that the current education which has diverged from morality. These phenomena caused the economy to become, as being witnessed today, corrupted⁴⁾.

Although Adam Smith is called the *father of economics*, and accordingly criticised by Hiroike, economic analysis has a long history that can be traced back to the ancient world. For the West, it is well known, for instance, that Aristotle spent pages of his *Ethics* reasoning about economic issues such as the fact that exchange or trade is conducted only if yields advantages for both parties that would not be achievable otherwise, and that money helps such transactions rid the close-fitting bondage of barter, i.e. the search for *double coincidence of wants*. Also widely known is the fact that the word *economy* comes from Greek *oikonomia* or οἰκονομία which means *management of a household*; for *oikos* means *house* and *nomia* is derived from *nemein*, *to manage*. Jump ahead to the medieval universities of the thirteenth century and we will find the scholastics studying the market economy as an ethical issue and being preoccupied with determining *natural price*; they concluded that a *just price* is that which is realized only in fair competition. A half millennia later, European countries were dominated by absolutist rulers, and consequently the goal of their *oikonomia* or domestic management became promoting their military and economic supremacy over other countries; such attitudes and philosophies are called *mercantilism*. In Britain, that

3) Hiroike, C. (1976), Vol.3, p. 401.

4) Ibid., p. 403.

era saw several brilliant thinkers who left their marks on the history of economic thought: Thomas Hobbes (1588-1679), John Locke (1632-1704), David Hume (1711-76) to name a few. In France, there was a school of economic thought called the *physiocrats*, led by François Quesnay (1694-1774) who may be regarded as the *grandfather* of economics. The physiocrats thought of agriculture as the sole foundation of an economy, and claimed that the best economic system will be formed in free competition with free trade - something that had been insisted by the scholastics as necessary for natural price, assuming *free* means *fair*; they said these policies agree with the 'natural law of economy', hence the name of their idea *physiocracy*. Quesnay, a court physician who served highest ranking individuals including Madame de Pompadour, Louis XV's mistress, was an excellent scholar who contributed two entries⁵⁾ to Diderot's famous *Encyclopédie*, and published the *Tableau Économique* in 1758 to show the internal flows of an economic system. It was this current of thought that Adam Smith, the Scots moral scientist who visited the physiocrats in the 1760s, was heavily influenced by and succeeded to; in the year the United States of America won its independence he published the 'economist manifesto' - *An Inquiry into the Nature and Causes of the Wealth of Nations*⁶⁾.

To see what was wrong for Hiroike about what is known today as the *classical school* of economic theories, first we need to find out the criteria he used to reach his conclusion; this will be covered in the first part of the following. In the second part, based on these criteria, we will review Hiroike's argument on the economic thought of the West. Then, the classical economic thought of Ancient China will be introduced. After that, we will examine those two schools of thoughts in part four. The next section will be dedicated to show the connection between what we will have discussed and the economic issues of recent years. The concluding section deals with the prospects for future inquiries.

I HIROIKE'S IDEA OF ORTHODOX LEARNING

In his magnum opus *Towards Supreme Morality*, Dr. Chikuro Hiroike says that moralogy, a new moral science he established in 1920s, is *pure orthodox learning*. The meaning of *learning* is, or at least seems to be, clear to all while the epithet *pure orthodox* needs to be explained. Hiroike defines 'learning' by quoting Francis Bacon (1561-1626) and John Dewey (1859-1952)⁷⁾, and succinctly explains the rest of the term himself:

5) *Fermiers* (Farmers) and *Grains*.

6) Sandmo, A. (2011), Ch. 2; Fox-Genovese, E. (1976); Staley, C. E. (1989), Ch. 2-4.

7) Hiroike, C. (2002), Vol. 3, p. 185.

What is called orthodoxy in moralogy indicates the essential principles underlying the doctrines, teachings and practices of the sages of the world⁸⁾ concerning learning, wisdom, thought, morality and faith. It is called *pure* orthodoxy, because moralogy inherits the entirety of the true ortholinion⁹⁾ of the sages. These principles constitute one orthodox *learning*, because a characteristic of the sages' knowledge, thought, morality and faith is that their wisdom is at one with their practice, being different from those derived from human instinct alone; and their wisdom and practice have been studied and handed down to us in a systematic manner. It is considered most suitable, therefore, to refer to their wisdom and practice as an entity under the name of orthodox learning¹⁰⁾.

He explains that those 'essential principles' constitute *the first principle* of pure orthodox learning:

What is called orthodoxy in moralogy consists of the supreme principles which are essential throughout the doctrines, precepts and practices of all the sages of the world who inherited the spirit of God or Reality. It is, indeed, the principle for the existence, development, security and happiness of mankind. For the purpose of explanation, I will tentatively call it *the first principle*.¹¹⁾

Admitting that using the word *orthodoxy* might give an 'restrictive and conservative' impression, he shows the width of its coverage by raising multiple examples of such learnings:

One must remember that Ásvaghoa, Nāgārjuna, Asaṅga and Vasubandhu developed Mahayanism from Sakyamuni [the Buddha]'s teachings after his death, that Hōnen and Shinran developed the Sukhāvātī doctrine from Mahayana, that Kant developed a new philosophy [in the tradition initiated by Socrates], that Darwin discovered the law of evolution in the world of nature and that Comte, out of his love for mankind [introduced to the West by Jesus], founded sociology on historical and social investigations. Learning, thought or faith of pure orthodoxy might seem narrow in scope at first sight, but it includes all the truths that exist, since it is the right presentation of the universal law of nature - so it is, indeed, extensive and great.¹²⁾

The second principle of pure orthodox learning concerns what an *orthodox history*

8) The 'sages of the world' in moralogy refers chiefly to Jesus, Socrates, Buddha and Confucius.

9) "one line of succession that has inherited the spirit in a direct line from Reality and the sages," Ibid., p. 111.

10) Ibid., p. 185.

11) Ibid., p. 191.

12) Ibid.

should be:

Individuals, groups or nations develop better according as they possess more of what is closer to *the first principle*. If they possess little, even if they prosper for a while, they eventually decline or perish. This fact is to be correctly elucidated by orthodox history, so I will tentatively call it *the second principle*.¹³⁾

As mentioned above, he saw the motto *Liberty, Equality, Fraternity* (*Liberté, Égalité, Fraternité*) problematic as it contradicts, he says, the first principle of pure orthodox learning. These three words, the battle cry of the French revolutionaries in the late eighteenth century, vividly depict what they were fighting against: Christian dogma (restriction), strict hierarchy (inequality), and blind warship (slavishness). Though the resonance of these words in Paris then sounds remote for us, as Canadian Justice Charles D. Gonthier points out, the words still constitute the cornerstone of today's world-political value system, 'Article 1' of *the Universal Declaration of Human Rights*:

All human beings are born free [liberty] and equal in dignity and rights [equality]. They are endowed with reason and conscience and should act towards one another in a spirit of brotherhood ['esprit de *fraternité*' in French].¹⁴⁾

Hiroike appreciates the utility of the slogan as 'a dose of medicine' to cure the 'social darkness of Europe in the Middle Ages'. 'The other side of the picture, however,' he says, 'is utterly contrary to the natural and man-made laws' because the contour of these laws 'constitutes restriction and inequality', and 'man's rights to liberty and equality... are rewards he reaps proportionately for his preceding duties... when he has adapted himself to the great laws of restriction and inequality and made unselfish efforts in all matters'. 'The so-called fraternity of the modern ages is different from the doctrine of the sages':

[The sages] taught: first, to love God and thoroughly absorb his spirit; secondly to love one's sovereign or national ortholinon¹⁵⁾; thirdly, to love one's ancestors and parents; fourthly, to love one's quasi-ortholinons¹⁶⁾, and then to love people in general. The so-called fraternity of modern times, however, is a random catchphrase without a notion of ortholinons to whose benefaction one is fundamentally indebted for one's existence.¹⁷⁾

13) Ibid., p. 192.

14) Gonthier, C. D. (2000).

15) See 7.

16) "elders; superiors in learning, intellect, power or wealth; holders of higher ranks of honour," Ibid., p. 174.

17) Hiroike, C. (2002), Vol. 3, p. 193.

Hiroike was not the first to contrast 'fraternity' of the sages and that of others to denounce the latter. Mencius (372-289 BCE), according to Hiroike, rejected not only 'the egoism of Yang Zhu', but also 'the indiscriminate philanthropism of Mo Di'. Mencius 'regarded them as bestial moralities without the notion of indebtedness to ortholions', said Hiroike, and left detailed comments on this issue in a rigorous voice very characteristic to him.¹⁸⁾ Now it is clear how he arrived at the point where he found contemporary academics unsatisfactory: the learning from the eighteenth century onward 'is established on the idea of liberty, equality and fraternity which developed after the Renaissance movement', so that 'the greater part of its fundamental thought contains no orthodox element'. Added to this he laments that 'the struggle for existence has become more and more strenuous' and that 'the development of learning and every other branch of civilization stimulate the brains and irritate the minds' to the extent that most scholars 'have no peace of mind to ponder on the doctrines of the ancient sages or to study the depths of the law of nature'.¹⁹⁾

That being said, he acknowledges the existence of a few scholars whose learning conforms to his 'orthodoxy':

Among those few may be counted the founders of pure natural sciences and their unambitious students, whose studies mostly belong to orthodox learning. To offer a few further examples, Hugo Grotius (1583-1645) in jurisprudence, Immanuel Kant (1724-1804) in philosophy, Herbert Spencer (1820-1903), Auguste Comte (1798-1858) and Ralph Waldo Emerson (1803-1882); and, though less significant, most of the distinguished scholars quoted in this book [i.e. *Towards Supreme Morality*] are more or less in accord with the principle of human evolution, as regards the nature of their motives, their aims and their methods.²⁰⁾

Thus he concludes that these scholars' achievements 'may be regarded as belonging to orthodox learning, although they do not stand in the direct and explicit line of succession from God as the teachings of the sages do. Orthodox learning always respects orderly, gradual and constructive measures, and aims at the happiness of all mankind... As a rule, the distinction between orthodoxy and heterodoxy lies in whether the motive, aim and method of study agree with the law of nature or not; what matters, therefore, is not the kind of learning but the mental activity of the scholar'.²¹⁾

Now we see where his foothold was, we can decipher the structure of Hiroike's reasoning about economics.

18) *Ibid.*, p. 194.

19) *Ibid.*, p. 196.

20) *Ibid.*

21) *Ibid.*, p. 197.

II THE 'HETERODOX' THEORIES OF ECONOMICS

Mainstream economics is concerned with wealth creation, and that alone. This is obvious if we recall that economics is considered to have originated in *The Wealth of Nations* (1776) by Adam Smith, ignoring its predecessor *The Theory of Moral Sentiments* (1759), despite the revisions to which Smith took the trouble to make even after the former was published. Hiroike spelt out the alternative to this fallacious one-sided paradigm:

The principle of human spiritual life consists in morality, whereas the principle of human material life consists in economy. Morality and economy, then, constitute the fundamental motive power that governs actual human life.

Both the constituent elements of economy, and economics which is the leading principle of economy, must therefore necessarily be based on morality.²²⁾

Note that he says an economy must be based on morality, not the other way around. 'The ancient sages', he continues, 'taught the building up of human character, but rejected the building up of material forms based on human desire, allowing, however, those material forms which accompany the character of each individual'. But some ancient peoples 'disregarded this teaching of the sages, and nobles and rich men among them made great efforts to perfect material forms utilizing their good fortune', and various religious groups around the world followed suit to bewitch 'people by the outward splendour of magnificent temples or churches'; as a result, 'all the world received the erroneous idea that the ultimate object of human life lay in building splendid houses and living in them'. 'Essentially speaking', he expounds, 'the teachings of the sages respected each individual's freedom from care and danger and aimed at helping people obtain true peace and happiness'; and it is unfortunate that 'many peers, millionaires and religionists devised ideas and facilities entirely opposite to the doctrines of the sages, entertaining no thought of man's sense of security, safety, peace or happiness', but indulged themselves in pleasure 'arrogantly disregarding the pains, envies or grievances of the general public' which ignited the resentment of those who failed to obtain such luxuries, leading to recurrent rebellions or revolutions.²³⁾

It was in such climate, according to Hiroike, that 'modern democratic and materialistic scholars' equipped with theories agreeable to human selfishness established economics (his concern about being 'modern democratic' was discussed above). He then classifies those economic theories as follows:

1. Adam Smith (1723-1790) and his followers',

22) Ibid., p. 198.

23) Ibid., p. 199.

2. Friedrich List (1789-1846) and his followers',
3. Karl Marx (1818-1883) and his followers'.

This classification at the first glance would hardly seem to offer any insight for us, for Friedrich List's name is not heard so often today, and Marxism is, in most countries, too unpopular to be seriously taken by lawmakers; at least they would never acknowledge it even if they did so. A careful attention to the list, however, gives us a hint that the variety of international economic policies has not increased much: free trade in a free market or *laissez-faire*, protectionism or mercantilism, and communism or socialism; plus their amalgams.

Before proceeding to discuss the theory of Adam Smith, the head of the *classical school*, we should clarify Hiroike's position on the so-called *Adam Smith problem*²⁴⁾, the disputes about the obvious contradiction between *The Wealth of Nations*, which proclaims - purportedly - that the selfish activities of people help society as a whole prosper, and *The Theory of Moral Sentiments*, which contends that sympathy is needed for society to abound with benefits. Because Hiroike has openly labeled the modern economic theories of Adam Smith and his followers 'heterodox', some critics have argued that he was ignorant of the *problem* and yet ruthlessly criminalized Smith. That is wrong. While stating that Smith 'founded his economic system on human selfishness and its activities', Hiroike acknowledged the fact that Smith 'did not particularly try to venture upon a selfish theory of economy', noting that 'he was originally a moral philosopher and wrote his *Theory of Moral Sentiments* in 1759', which 'was an attempt to base moral judgement on the feeling of sympathy', so that it 'proves the moral nature of his thought'. Hence Hiroike recognizes that Smith's 'economic theory can therefore be said to originate in his ethics', and he gives credit to Smith for coming 'to propose an economic theory of liberalism, seeing that the economic system in Europe was so imperfect at the time and the national interference was so excessive that it prevented the development of industry'. Why, then, did Hiroike call his theory heterodox?

This economic theory of liberalism, however, was apt to give more benefit to the holders of large capital and was naturally fit to produce an economic theory and system of self-interest, so that in later years it produced evil effects *that [Smith] had not foreseen*.²⁵⁾

Here, it is obvious that Hiroike was far from ignorant of the *problem*, although it is still unclear if he knew the term and that it had been discussed in Europe. Another sentence of his conclusively precludes any sterile arguments entailed by such misunderstanding:

24) A term coined by German economist August Oncken (1844-1911).

25) *Ibid.*, p. 201.

The economics of Adam Smith was based on liberalism, and, heterodox as it is, intended to benefit nations: and while *the motive itself was excellent*, it brought about in the end great misfortune in the world of men, *only* because the theory [not Smith's entire philosophy] was lacking in moral element.²⁶⁾

In 1764, having resigned his professorship at Glasgow University, the middle-aged Adam Smith took a journey through France and met the country's leading intellectuals; among them was Voltaire (1694-1778), a philosopher he fervently admired. In Paris, Smith became acquainted with Quesnay, the leader of the physiocrats, and was introduced to the latter's colleagues, including Turgot (1727-81) whom Smith would come to know particularly well. In fact, it was during this trip in France that Smith began writing *The Wealth of Nations* which was published in London in 1776, a bestseller only second to, according to Joseph Schumpeter, Charles Darwin's *Origin of Species*.²⁷⁾

It is not the main purpose of this article to discuss Smith's entire economic theory; our interest is to find evidence for Hiroike's claim that it is 'an economic theory and system of self-interest'. To illustrate this, it will suffice to deal with no more than Smith's trademark: *the invisible hand*. To do so, we need to take a close look at Chapter II in Book IV of *The Wealth of Nations*, where the *hand* comes to light for the first and only time.

The chapter's title is *Of Restraints upon the Importation from foreign Countries of Such Goods as can be produced at Home*. Smith first lists the British industries which gained the advantage of monopoly secured 'either by high duties, or by absolute prohibitions' of 'the importation of such goods from foreign countries as can be produced at home'. Such items include live cattle, salt, corn, woolens, silk and etc.; and linen manufacture was 'making great strides towards' monopoly. He notes that although such monopolies will, undoubtedly, attract 'a greater share of both the labour and stock of the society' than it would in a free market economy (non-monopoly), it is uncertain whether 'this artificial direction is likely to be more advantageous to the society' because 'no regulation of commerce can increase the quantity of industry in any society beyond what its capital can maintain', a logic affinitive to environmental economics. He insists on the other hand, in too haphazardly optimistic a voice, that the pursuit of self-interest certainly benefits the society:

Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of the society, which he has in view. But the study of his own advantage naturally, or rather necessarily leads him to pre-

26) Ibid., p. 211.

27) Sandmo, A. (2011), Ch. 3; Staley, C. E. (1989), Ch. 5.

fer that employment which is most advantageous to the society.

What empirical observation or logic does he provide to scaffold this statement? Smith gives us only the latter, a reasoning generated from two 'axioms', so to speak:²⁸⁾

Axiom 1. In order to secure their profits (or avoid risks), 'every individual endeavours to employ his capital as near home as he can, and consequently as much as he can in the support of domestic industry'.

Axiom 2. These individuals then necessarily endeavor 'so to direct that industry, that its produce may be of the greatest possible value'.

He suggests *Axiom 1*, for a merchant 'can know better the character and situation of the persons whom he trusts, and if he should happen to be deceived, he knows better the laws of the country from which he must seek redress'. 'A merchant... who is engaged in the foreign trade of consumption', he says, 'saves himself the risk and trouble of exportation, when, so far as he can, he thus converts his foreign trade of consumption into a home-trade... Upon equal, or only nearly equal profits, therefore, every individual naturally inclines to employ his capital in the manner in which it is likely to afford the greatest support to domestic industry, and to give revenue and employment to the greatest number of people of his own country'. For *Axiom 2*, he rationalizes that 'it is only for the sake of profit that any man employs a capital in the support of industry; and he will always, therefore, endeavour to employ it in the support of that industry of which the produce is likely to be of the greatest value'; for the sake of profit maximization, 'every individual necessarily labours to render the annual revenue of the society as great as he can'.

Thus has it become clear, for Smith, that merchants, given their risk aversion, prefer to conduct business at home, which will 'give revenue and employment to the greatest number of people of his own country' (*Axiom 1*); and to maximize their profits they will 'direct that industry that its produce may be of the greatest value' (*Axiom 2*). It is in this context that the *hand* appears:

He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, *he intends only his own security* [*Axiom 1*]; and by directing that industry in such a manner as its produce may be of the greatest value, *he intends only his own gain* [*Axiom 2*], and he is in this, as in many other cases, led by an *invisible hand* to promote an end which was no part of his intention [the public interest]. Nor is it always the worse for the society that it was no part of it [and that he is motivated purely by self-interest]. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. *I have never known*

28) In other words, he has no proof.

much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need to be employed in dissuading them from it.

In the paragraph referred to most frequently in *The Wealth of Nations*, the discussion that is supposed to synthesize social welfare and individual self-interest and gave rise to the immortal invisible hand, is undeniably arbitrary and in want of empirical evidence. Perhaps, it was mainly this axiomatic approach employed by Smith that decisively made Hiroike dismiss the 'economics of capitalism' as 'unscientific':

It is a matter of certainty that this theory is not an impartial one: it is the result of unscientific determination which ignores both the existence of moral instinct in man and also the moral history of mankind.²⁹⁾

On Friedrich List and his work, Hiroike's remark in *Towards Supreme Morality* is fairly short:

Since... the economics of Smith was thus established on the selfish mind of individual man and in principle aimed at free competition of industry, it became at length so harmful that economic systems based on this theory were seriously discordant with moral principles. For this reason, there arose in the nineteenth century the so-called protectionism which broadly speaking was based on roughly the same principle as the mercantilism of the seventeenth century. This protectionism in effect can be found in every country throughout all ages. It became powerful as a new economic theory when Friedrich List published his famous work *Das Nationale System der Politischen Oekonomie* in 1841, in which he described the relation between the development of mankind and economic systems and on the grounds of historical fact argued in opposition to liberalistic economics. His theory was, after all, also an economics of self-interest, as his aim was the national protection of all-German industry and the unity of all-German commercial administration based on the general idea of all-German unity which had spread among the German race.³⁰⁾

'Every theory that aims at the protection of the industry or commerce of one nation', he judges, 'should be called an economics of self-interest, whatever the nation and whatever its ideology'. The basis on which he arrived at this judgment, that a theory aimed to protect one nation's economy is that of self-interest, can be found in his sociological observation: it is still egoism, he says, that urges man to 'make efforts for the benefit of the organization to which they belong' regardless of possible harms to others and the general public; individual (a group of cells), family, town, corporation, club,

29) Hiroike, C. (2002), Vol. 3, p. 202.

30) Ibid., p. 201.

religion or nation, whatever scale and kind it might be.³¹⁾ This is such a crucial topic that provokes active discussions even today.³²⁾

List's notoriously poor understanding of Adam Smith's argument was so severe that he is even suspected of never having read Smith's work himself.³³⁾ To see this, let's examine the following sentences from the eleventh chapter on 'political and cosmopolitical economy' of his *Das Nationale System*:

Adam Smith concerned himself as little as Quesnay did with true political economy, i.e. that policy which each separate nation had to obey in order to make progress in its economical [sic] conditions. He entitles his work, 'The Nature and Causes of the Wealth of Nations' (i.e. of all nations of the whole human race). He speaks of the various systems of political economy in a separate part of his work solely for the purpose of demonstrating their non-efficiency, and of proving that 'political' or *national* economy must be replaced by 'cosmopolitical or world-wide economy'.³⁴⁾

First of all, Smith would have entitled his work 'The Wealth of *Mankind*' or similar if he really had in his mind 'all nations of the whole human race', as he is a man of rigor, a virtue vividly expressed in his choice of chapter titles. Should this be the case, in addition, it would be very unnatural, as he actually did, to refer to trade only between Amsterdam, Königsberg and Lisbon in exemplifying risks in the carrying trade; had 'all nations of the whole human race' been taken into account, he would have described how dangerous it was to carry merchandise from the West to Chinese or Indian ports and vice versa, and how costly to prepare against possible pirate attacks for the merchant. Second, and more importantly, it is inaccurate to say that Smith tried to prove that national economy must be replaced by cosmopolitical economy. Recall what we called *Axiom 1* of Smith's argument: that *every* individual chooses to invest on *domestic* industry as they seek ways to minimize risks. Smith's claim is not that cosmopolitical economy provides more wealth than national economy does; rather, given the risk aversion he assumed natural to man, every individual prefers to conduct their business *inside* their own nations, which consequently will increase the wealth of *their own* nations: a scheme diametrically opposite to that which List drew on Smith's canvas.

At any rate, 'all economic systems based on either one of those economic theories, of Smith or List, chiefly benefit the capitalist side of a nation', noted Hiroike, 'so that they sometimes go collectively under the name of the economics of capitalism'.

The word *capitalism* was first used by none other than Karl Marx in his *Das Kapital* (1867). He was the first to label the group of early British economists such as

31) *Ibid.*, p. 333.

32) See, for example, Greene, J. (2013).

33) See, for example, List, F. (1904), 'Introductory Essay' by J. Shield Nicholson.

34) List, F. (1904), p. 97-8.

Adam Smith and David Ricardo as *classical*; he also introduced the idea that technological evolution is the key to economic development. His name almost never appears in economics textbooks today, yet the ground frame work of the field, especially macroeconomics, has considerable affinity with his theory. But in general Marx is not thought to be an economic theorist; he studied law in Bonn, and then philosophy in Berlin. He did not enter on an academic career possibly for lack of qualifications and his leftist opinions, which in his day were not welcomed by the Prussian government. In fact, he was a journalist. In 1842 he became the editor of the liberal left newspaper *Rheinische Zeitung* which would be shut down the next year by government censorship. Moving to Paris, he met Friedrich Engels (1820-1895), who would later finish volumes 2 and 3 of *Das Kapital* after Marx died having completing only the first volume. In 1845, Marx and Engels together published *Manifest der Kommunistischen Partei* (1848) - *The Communist Manifesto* - to proclaim their message: 'Working men of all countries, unite!' The Prussian government reacted accordingly: Marx was expelled from France. He moved to Brussels and later Cologne to return to journalism, this time as editor of the *Neue Rheinische Zeitung*. Marx's persistence saw the government shut the newspaper down again, and the leftish German journalist was finally kicked out of his home country. He ended up in London, where he died leaving his disorganized dialectic material for *The Capital*.³⁵⁾

'The studies of Karl Marx are both scientifically incomplete and inconclusive', says Hiroike. It was merely 'indignation at the capitalists' arrogance' that made Marx construct his theories; they are 'thrilling' so that 'the young, the imprudent and the proletariat' were agitated and led to social revolution. To show the nature of Marx's theories, Hiroike quotes several sentences from the first volume of *The Capital* and *The Communist Manifesto*:³⁶⁾

Within the process of production, capital developed to take control over labor, that is, over the labor and laborer engaged in production. The personified capital, the capitalist, keeps a watch to ensure that the worker discharges his work properly and with the due amount of intensity.

Capital also developed to generate a relationship of forcing, a relationship that forces the working class to perform more work than is required within the narrow confines of its own necessities of life. And as the producer of third-party industriousness, as the exactor of surplus labor and the exploiter of manpower it exceeds in energy, immoderation, and efficiency all earlier systems of production based on direct forced labor. (*The Capital*, I, 274)³⁷⁾

35) Sandmo, A. (2011), Ch. 6; Staley, C. E. (1989), Ch. 11.

36) Hiroike, C. (2002), Vol. 2, p. 59.

37) Hamburg: Otto Meissners Verlag, 1922.

Exactly which role the direct plundering of the necessary consumer purchasing power of the worker plays in relation to the formation of added value - and, as such, for the capital accumulation funds - has been demonstrated by the so-called domestic work. (Ibid., 566)

What needs to be expropriated right now is not the self-employed worker, but the capitalist, who is exploiting innumerable workers...

There, it is the expropriation of the masses by a few usurpers... (Ibid., 728-729)

In one word, for exploitation, veiled by religious and political illusions, it [the bourgeoisie] has substituted naked, shameless, direct, brutal exploitation. (The Communist Manifesto, 4)³⁸⁾

'From the above quotations', concludes Hiroike, 'we can see that the only reason why Marx calls the capitalist a thief or exploiter' is:

[For Marx,] the entire value of goods is based on labour. The capitalist employs this labour that produces value at a wage small enough to enable the worker to make a bare living. The capitalist, however, as a matter of fact forces the worker to work many times harder than the wage requires and puts the surplus value into his own pocket. The theory emphasizes that the methods of exploitation by the capitalist are the most extreme and ruthless that have ever been carried out.

Interestingly Hiroike, to certain extent, shares Marx's accusation of the capitalists' greed which dwarfs that of ancient higher ranked individuals:

It was under these circumstances [after the revolutions in the eighteenth century] that the self-interested and capitalistic economics appeared, and rationalized selfishness and capitalism by giving them philosophical bases, and on the one hand helped the activities of those noblemen, millionaires and capitalists, and on the other worked as an incentive to their luxuriousness. In former ages, the nobility, millionaires and capitalists had been wary of their own luxuries, which they privately regarded as evils; but the self-interested economics admitted luxuries in the name of learning, and so the luxurious way of life among the upper class people became so extreme that it brought about moral deterioration in the spirit of man the world over, provoking at the same time great antipathy among the proletariat.³⁹⁾

Still, he rejects the Marx-Engels approach for five reasons:⁴⁰⁾

1. The theories are erroneous in their studies concerning the nature of capi-

38) 5th ed. London: William Reeves, 1888.

39) Hiroike, C. (2002), Vol. 3, p. 204.

40) Ibid., Vol. 2, p. 60.

tal and labour;⁴¹⁾

2. They prove inconclusive in the study of jurisprudence, not knowing about, for example, the principle of *the precedence of duty over rights*⁴²⁾ as set out in moralogy;
3. They commit the fault of overlooking the fundamental problem of the reformation of character and the improvement of individual capitalists, while mixing the problems of defects in economic and industrial systems with those of the characters of individual capitalists;
4. The theories imply the reckless attitude of only finding faults in so-called capitalism, not imagining any shortcomings of socialism or communism;
5. They imply emotional and reactionary elements, lacking a purely academic attitude, and therefore having a nature both revolutionary and destructive.

Acceding to the communist claim that 'the evil of the monopoly of profit by plutocrats and capitalists... originated ultimately in certain defects in their characters', he insists that 'it is idle to attack those people only'; chiefly to be blamed, according to him, are 'the errors of modern mental sciences, such as political science, jurisprudence, economics, the science of finance, ethics, etc., the errors of conventional morality, errors of religion', and as the applications of such, 'the errors of politics, laws, economics, finance, industry, religion and education'.

The new science of moralogy, therefore, aims at the enlightenment and salvation of all human beings in the light of the public highway of the universe by means of the orthodox form of learning conveying the genuine teachings of the sages and the orthodox education derived from the sages, at the proper guidance towards the improvement of all people on both sides of management and labour, thereupon at the gradual reform of industrial and economic systems, and thus at the gradual realization of the security, peace and happiness of all mankind.⁴³⁾

III CONFUCIAN ECONOMIC THEORIES AND ITS SIGNIFICANCE

In the previous section, we focused on Hiroike's view on the modern economic theories of Smith, List and Marx, the founders of capitalist and communist economics; and on how he, concluding that these theories contradicted the teachings of the sages,

41) For the nature of capital and labour rediscovered in moralogy, see *Ibid.*, Vol. 2, p. 61.

42) See *Ibid.*, Ch. 14, VI.

43) *Ibid.*, p. 62.

classified them as 'heterodox theories'. What, then, are the economic theories that comply with the teachings of the great teachers? How are those 'orthodox' theories different from their 'heterodox' counterparts?

'I should like to point out', he says, 'that in the ancient East the fundamental idea of economic systems was based on morality according to the teachings of the sages'. He quotes to give an example from 'Shi Huo Zhi' (Descriptions of Financial Circumstances) of the *Qian Han Shu* (*The Book of the Earlier Han Dynasty*):

Property is the means by which the emperor collects people, keeps his position and cultivates the multitude; it is the fundamental by which he respects heavenly virtue, governs the state and eases the people. Anxiety lies not in scarcity, therefore, but in inequality, not in poverty but in insecurity, because equality keeps out poverty, harmony keeps out scarcity and security keeps out ruin...

Of merchants, the great ones store and increase, the small ones sit and sell, and by good bargains daily pursue pleasures in the town... without the pains of peasantry, they obtain a lot of gain... The present laws despise the merchants.⁴⁴⁾

'We know from this', he explains, 'that in the days of the Han dynasty, the government was particularly severe to merchants, but that it was because the merchants' deeds were against the principles of the original idea of economy in the East'. This leads on to his claim that 'the present economic systems and economics' which do not restrain merchants' activities as that of Han China but rather encourage them to work out of their self-interest 'are reflections of those irrational ideas that contradict the principles of human development [*the first principle* of pure orthodox learning discussed earlier]'. Though this is no more than an abstract description of the sages' attitudes toward economic matters, later in his argument Hiroike generously quotes from *Li Ji* (*The Book of Ceremony*) to show 'some examples of economic and financial institutions as laid down by the ancient sages'.⁴⁵⁾

The prime minister decides on national finance always at the end of the year, after all the five cereals have been stored. He considers the extent of the land and the harvest of the year, and then fixes the expenditure according to the average of the past thirty years. He weighs the revenue and adjusts the expenditure.

He pays for festivals out of the surplus of the balance, but during the mourning period observes no festivals except those for heaven, earth and the ancestral gods of the State, the expenditure for which has priority over that for

44) Ibid., Vol. 3, p. 203.

45) Ibid., p. 211.

the mourning ropes [used for drawing a coffin along in a funeral procession]. Mourning expenses are paid out of the past three years' savings. If expenses for mournings and festivals are wanting, the rule is called *ravage*, and if they are more than sufficient, the rule is called *plenty*. Expenses for festivals are not increased in years of good harvest and are not economized in years of poor harvest. If the country has not enough store to meet nine years' living, it is called *wanting*, if it has not enough store to meet six years' living, it is called *urgent*, and if it has not enough store for three years' living, then it is called a *country undeserving the name of country*. Three years' cultivation always leaves one year's food, nine years' cultivation always leaves three years' food. Thus, if it is carried out according to a thirty years' average, then, come what drought there might, come what flood there might, the people will suffer from no hunger, and seeing it is done, the emperor daily dines with music...

Lords do not kill cows except on special occasions, ministers do not kill sheep except on special occasions, knights do not kill dogs and pigs except on special occasions, and people do not eat dainties except on special occasions. Dainty foods do not surpass the meat of the sacrifice, rich dresses do not surpass the ritual robes, and chambers do not surpass the ancestral shrines. Ministers do not borrow sacred utensils, and while sacred utensils are not available do not make vessels for feasts. In ancient days, public fields were tilled by people and were free of tax, the market taxes were laid on the shops but not on the goods, and at barriers passers-by were examined but not taxed, and hillsides and riversides were open to people free of tax during fixed seasons. The farms for sacred use go free of tax, and people are employed in labour only three days a year. There is no selling and buying of lands and graveyards, and officers of civil affairs use measures and measure the land and place the people, and considering the timely seasons of mountains, rivers, swamps and marshes and distances of places, begin the work and use the people. In using people, labour is made suitable to the old and food is made suitable to the young...

In populating people, as a rule, towns are situated by measuring the land and habitations are decided by measuring the land, and in both cases, three conditions are filled. There is to be no idle land, there is to be no idle man, and there is to be moderation of food and timeliness of affairs. All people attain to security of life, so that they may find pleasure in their businesses and make efforts in public service, respect their lords and love their superiors. When this is done, education is to be encouraged. Officers of education settle the manners of the six ceremonies and so correct the nature of the peo-

ple, elucidate the seven duties and encourage the virtue of the people, and set up the eight regulations and so prevent the extravagancies of the people, give one common standard of morality and so give the people the same way of life, support the old people's living and so realize filial piety, give aid to the lonely so that insufficiency be cared for, give office to the wise to show respect to virtue, dismiss the unworthy to ward off evil.

It might be very difficult - actually impossible - to imagine that we, living in a milieu marvelously metamorphosed in the last two millennia, can strictly follow the ancient sages' words verbatim. An example of adopting, if not thoroughly obeying, their teachings nevertheless can be found, however, without going very far in either time or space from today's epicenter of global economy.

During the 1930s, the United States was hit by one of the longest and hardest droughts on record. In 1930, the dry years started first on the East Coast. The situation kept worsening up to 1934 when about 80 percent of the country was suffering extremely dry conditions. Extreme drought returned in 1936, 1939 and 1940, which, together with the Great Depression, constituted what was called a 'double whammy'. Not only being unable to grow any crops, but the bare soil, without rain, caused dust storms; farmers left the Plains, schools shut down.⁴⁶⁾ On February 8, 1937, there was a gathering of farming leaders from around the country in Washington D.C. to discuss how to deal with the disaster. Next day, they passed a resolution which would in the fall of the year lead Congress to amend the Agricultural Adjustment Act, which was signed by President Franklin D. Roosevelt on February 16, 1938, about a year after the meeting. The person who convinced everyone at the gathering in Washington was then the Secretary of Agriculture Henry A. Wallace, later the 33rd Vice President of the United States.

The Wallaces, a Presbyterian family from Ireland, had emigrated to reside in Pennsylvania. Henry's grandfather, who moved to Iowa, was an innovative man, promoted 'scientific agriculture' and established a farmers' union. His son, Henry Sr. was also an excellent farmer, and eventually became chair of U.S. Department of Agriculture. Our Henry Jr., as adept at agriculture as former generations, showed his talent in statistical analysis: with the University of Iowa professor and statistician George Snedecor he wrote an influential paper on regression analysis; in *Wallaces' Farmer*, edited by himself, he published articles that would be categorized as econometrics today. On top of all this, the polymath embarked on a spiritual journey, studied the different religions of both the West and East, ancient and modern. This mystic-genius-farmer was also known for sophistication of manner and etiquette; not surprisingly he invited attention. The Wallaces, including Henry Jr., had supported the GOP

46) Ganzel, B. (2003), Drought!.

for generations, but President Roosevelt appointed him Secretary of Agriculture, the post his father once occupied.⁴⁷⁾

One of the key features of the Act was planning the *Ever-Normal Granary*. According to the Department of Agriculture at the time:

The Ever-Normal Granary program, in a broad sense, includes the various activities concerned with the supply of agricultural products. It is designed to provide abundance from year to year and in the future with reserves in the store-houses and reserves in the soil. It is concerned with efficiency of production, adjustment of production, conservation, balancing the flow of market supplies, and insuring crop yields.⁴⁸⁾

Storing food in granaries in times of abundance for 'balancing the flow of market supplies' over years, meant that the price of crops is always kept 'normal' - hence 'Ever-Normal Granary' program. The Amendment of the Act, legislation initiated by Wallace, remains the basis for all farming programs to this day.⁴⁹⁾

The idea of Ever-Normal Granary might sound familiar to the reader, as this practice can be traced back to *Li Ji*, which stated, as we have just seen: 'If it is carried out according to a thirty years' average, then, come what drought there might, come what flood there might, the people will suffer from no hunger, and seeing it is done, the emperor daily dines with music'. In a reply of August 24, 1945 - right at the end of WWII - to Derk Bodde at University of Pennsylvania, Wallace wrote as follows:

I first learned about the Ever-Normal Granary by reading a doctor's degree thesis written by Chen Huan-chang, a Chinese scholar at Columbia University. The title of his thesis was 'The Economic Principles of Confucius and His School [published in 1911]'. As a result I wrote several editorials for *Wallaces' Farmer* during the decade of the twenties entitled 'The Ever-Normal Granary'.⁵⁰⁾

Chen Huan-chang was a pupil of the Qing dynasty's famous reformer Kang Yu-wei (1858-1927) who wished to strengthen China, devastated from within by not only the government's rejection of modernization and imported opium, but also by Taiping Rebellion led by a purported younger brother of Jesus Christ; Kang tried to do so by refurbishing China as a constitutional monarchy like Japan, then an empire.⁵¹⁾ After receiving his Ph.D. from Columbia, Chen moved back to China and opened a college and several schools and in 1930 founded the National Confucian Association in Hong-Kong. He struggled to transform Confucianism from a system of ethics into a close-

47) Culver, J. C., & Hyde, J. (2000), Schlesinger, J. A. (2000, March 12).

48) Bodde, D. (1946).

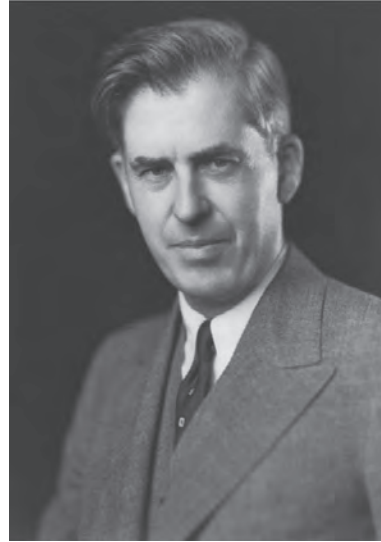
49) Ganzel, B. (2003), AAA, Agricultural Adjustment Act.

50) Bodde, D. (1946).

51) Yu-wei, K. (1958).

Figure 1. Chen Huan-chang and Henry A. Wallace

Chen Huan-chang
1881-1933
Founder of National Confucian Association



Henry Agard Wallace
1888-1965
32nd Degree Freemason

knit religious organization with the national support in order to push back Christianity and other western thoughts away from China.⁵²⁾ Written by such a spirit, therefore, his dissertation contains propagandistic nature:

Under one centralized government, one uniform language, one highly-developed religion, one national idea, China will, without doubt, become a strong nation, but the world need not be afraid of the so-called yellow peril. China will indeed adopt both militarism and industrialism. But China will not injure anyone not Chinese as the western nations take advantage of other people. After China shall be strong, the Great Similarity of Confucius will come, and the world-state will appear. Then the brotherhood of nations will be established, and there will be no war, but perpetual peace.⁵³⁾

Chen's work treats a very interesting topic, worth careful examination despite his political agenda - how can economics really be consideration isolated from politics? -, and therefore definitely deserves thorough consideration. Rather than do thus, though, let us instead reproduce a lucid remark by Morgen Witzel of the University of Exeter in the introduction to a reprint version, which dexterously exposes the *raison d'être* of Confucian economic theories composed by Chen:

52) Website of National Confucian Association (in Chinese): http://www.confucianacademy.com/load.php?link_id=27613

53) Chen, H. (2002), Vol. 2, p. 730.

In order to remain virtuous, economic activity must be managed and controlled. Doing this is the task of sages and kings, whom Confucius advises to remain above or outside the economic system and act as external agents; hence his often repeated call for those in positions of power to avoid personal enrichment. Most notably, whereas Western economic theory often focuses on increasing supply in order to match demand, Confucius favours curbing demand so as to meet supply. He proposes not only economic controls (such as sumptuary laws to inhibit demand for luxuries) but also the curbing of human wants through moral and social education.⁵⁴⁾

Postponing the discussion of the details of Chen's work to another occasion, here we just stress that in the last century there was a case of adoption by an American scholar-farmer, through a dissertation of a Chinese student published from a leading university, of the economic theories of the ancient sages in China, which actually benefited the people of both his and future generations within and outside the United States. The global signification of this event can be felt when one recalls how much grain from the U.S. was consumed worldwide through the Marshall Plan after WWII.⁵⁵⁾

Here arises a question though. Criticizing western economic thought and theories as 'heterodox' on one hand, Hiroike introduces those of China as 'of the sages' on the other. This apparent inclination toward the East might create a doubt in the reader: is there *Asiacentrism*, so to speak, in Hiroike's thought? Is the economic theory of moralogy, after all, merely another example of counter-Eurocentrism, and is this true of moralogy itself? Dispelling such a suspicion is a crucial matter. To prove that the answer is in the negative, now let us divert to the sixteenth century China.

IV THE EASTERN ORIGIN OF WESTERN POLITICAL ECONOMY

In 1583, Matteo Ricci (1552-1610), the first Jesuit member to master the Chinese language and her classics, set foot in China. No less zealous than the Franciscans in his ambition to Christianise the Ming empire top-down, he was savvy enough not to repeat their mistake of taking aggressive step for evangelism in areas outside European domination, a rollercoaster to failure. Like his colleagues in Japan who lived in the same way as ordinary people, he assimilated Chinese customs and managed to make some high-ranking scholars his friends. While he was struggling to convert the Chinese by studying the classics of the nation diligently, Ricci discovered that Confucius is 'the equal of the pagan philosophers and superior to most of them.'⁵⁶⁾ By 1601, he

54) *Ibid.*, Vol. 1, Introduction, x.

55) Hogan, M. J. (Ed.). (1987).

56) Liu, Y. (2008), p. 470.

was accepted by the Chinese government, ostensibly as a scientist, mathematician or mechanic: he was allowed to establish a mission inside the imperial court in Beijing. Under Ricci's leadership, Nicolas Trigault (1577-1628), a Belgian Jesuit, served the camp until the death of the former in 1610. Five years after his master passed away and now back in Europe, Trigault published *De Christiana expeditione apud Sinas suscepta ab Societate Jesu*. In this book, he says:

The greatest philosopher of all the Chinese is called Confucius. He incited (the people) to the study of virtue, not less by his example than by his writings and conferences, and through his manner of living he acquired such a reputation with the Chinese that they believed he excelled in sanctity of living all other mortals.

The book was translated in a number of languages and widely read. After the middle of the century, more works on Confucianism were published and canonical Chinese texts translated. In 1669, a compilation of three famous sacred books of Confucianism, *Ta Hsueh (The Great Learning)*, *Lun Yu (The Analects of Confucius)* and *Chung Yung (The Doctrine of Mean)*, accompanied by a short description of the life of Confucius, was published under the title *Sinarum Scientia Politico-Moralis*. The editors suggested that, just as Saint Paul had made use of the Greek philosophers, so could Christian moralists use Confucius. In 1687, Philippe Couplet (1623-1693) and others revised this text and then published *Confucius Sinarum Philosophus*, a seminal work allegedly more appetizing to all readers, the 'clerics and laymen, catholics and heretics'. It immediately proved successful and caught the attention of the intelligentsia; it also remained for nearly a century the basic reference work on Confucian wisdom. Praising the work, a reviewer in the *Journal des Savant* said: 'I do not see that the charity of the Chinese is different from that of Christians, so true it is that God has put even into the minds of Infidels enlightenment leading them to virtues which, as far as exterior acts are concerned, are in no wise different from Christian virtues.'⁵⁷⁾

Concerning this century-long dynamism of the reception of Confucianism in the West, it is ironic that Ricci, a devout Jesuit, went to China 'as a foot soldier of the Christian deity', but unwittingly came back to provide 'ammunition for those European philosophical thinkers most bent on subverting the Church-centered old establishment'.⁵⁸⁾ The thinkers who loaded their literary weaponry with Ricci's ammunition included Montaigne, Malebranche, Leibniz, Voltaire and Wolff, to name just a few. They triggered three dramatic movements:

1. The increasing spirit of criticism directed at Christian fundamentals;
2. The awakening interest in the problems of the relation of the individual to

57) Rowbotham, A. H. (1945).

58) Liu, Y. (2008), p. 476.

the State;

3. The position of the scholar in the social structure.

The Renaissance injected into European minds the Greek and Roman Classics, aided by the contributions of Arabic scholars of the Middle Ages.⁵⁹⁾ Still, enlightened minds in the West could have found no moral system comparable to Christianity, for the spectacular Greco-Roman wisdom was but history, until their encounter with China; in Confucian China they saw the actuality of the Platonic ideal: the 'philosopher king' with the gift of choosing *philosophes* as his ministers; while 'Plato had preached the moral law' but 'was theoretical and metaphysical', they discovered that 'Confucius was practical and - what is more important - successful'.⁶⁰⁾ Among the revolutionary thinkers of the eighteenth century was the French scholar François Quesnay, the court physician and leader of the physiocrats already mentioned. A good question to ask here is: How widely known is the fact that Quesnay was also known in his circle as the *Confucius of Europe*.⁶¹⁾

'Most probably', said Hiroike, the birth of physiocracy 'was the beginning of modern economics'⁶²⁾, and this judgment is one that which will be accepted by economic historians today. Eighteenth century France badly needed to renovate its financial system. In 1719, the country suffered a fatal financial crisis caused by John Law (1671-1729), a Scottish criminal who barely escaped execution to make a fortune gambling in the stock market on the Dutch East India Company, and then became the Controller General of Finances in France. At the apex of his career, it was as if he was 'simultaneously running all five hundred of the top US corporations, the US Treasury and the Federal Reserve System'.⁶³⁾ His creation, *le Système*, a conglomerate of treasury, banking and trading monopolies, at the beginning appeared to successfully solve the fiscal problem i.e. the mountainous public debt created by the wars Louis XIV had waged. Its maker's lack of prudence meant, however, that the System wreaked financial havoc and made Frenchmen averse to paper money; France, once on the road to prosperity, gave way to England, a country that also experienced the bursting of a bubble later, but much less harmful one. For Quesnay, a doctor by profession, it was a serious disease for his *mère patrie*. This could have been a cause of his strong interest in Confucianism as a remedy.

Quesnay's predilection for China is obvious in his statement that *The Analects of Confucius* 'is full of principles and moral sentences, which surpass those of the Seven Sages of Greece'.⁶⁴⁾ As a young man, he ardently read Nicolas Malebranche's (1638-

59) Ito, S. (2010-12), Vol. 12, A Framework for Comparative Study of Civilizations.

60) Rowbotham, A. H. (1945).

61) Fox-Genovese, E. (1976), p. 74.

62) Hiroike, C. (2002), Vol. 3, p. 201.

63) Ferguson, N. (2008), p. 143.

1715) *Entretien d'un philosophe chrétien et d'un philosophe chinois sur l'existence et la nature de Dieu* (1707), an instructional book published to better equip missionaries to convert intelligent mandarins, which inadvertently - and rather comically - made young Quesnay such a fervent Sinophile that he later attracted European intellectuals to China. He was also influenced by Jean-Baptiste Du Halde (1674-1743), a man of letters whose work on China was of great significance. Though Du Halde never saw the Middle Empire himself, some of his works, especially his *Description de l'empire de la Chine* (1736), were the chief information source on the subject at the time. Not only did the French public learn about China from reading the book, it deeply intrigued Rousselot de Surgy (1697-1763), whose *Mélanges intéressans et curieux ou abrégé d'histoire naturelle, morale, civile et politique de l'Asie, l'Afrique, l'Amérique et des terres polaires* (1763) Quesnay boldly and largely plagiarised in his *Despotisme de la Chine* (1767).⁶⁵⁾ It was from de Surgy's work that Quesnay borrowed the economic tenet of Confucianism that agriculture is the fundamental source of wealth and that commercial success can be achieved only under the rule of 'enlightened monarchy': *wu-wei* in Chinese, or in French, *laissez-faire* (*leave it be*, literally).⁶⁶⁾ Quesnay strengthened his belief in a *wu-wei* agricultural economy reading copies of the lectures by Pierre Poivre (1719-1786), a retired French ambassador to China and president of the Royal Society of Agriculture at Lyons, according to whom China 'unites under the shade of agriculture, founded on liberty and reason, all the advantages possessed by whatever nation, civilized or savage'.⁶⁷⁾

The idea of *wu-wei* is old. Liu An (179-122 BC), for example, said as follows about *wu-wei* in *Huai Nan Tzu*:

What is meant... in my view, by *wu-wei* is that no personal prejudice interferes with the universal Tao (the laws of things), and that no desires and obsessions lead the true course of techniques astray. Reason must guide action in order that power may be exercised according to the intrinsic properties and natural trends of things.⁶⁸⁾

The process of prosperity based on wealth created through interactions between industries, free from any kind of arbitrary intervention but centred on agriculture - this is what Quesnay tried to express in his *Tableau Économique* (next page). In 1765, Nicolas-Gabriel Clerc (1726-1798) published *Yu le Grand et Confucius* in which he urged Europeans to follow China if they were to realize economic progress.

The *wu-wei* proponents in France influenced a visitor from England; two years af-

64) Gerlach, C. (2005), p. 17.

65) Maveric, L. A. (1946), Ch. 2.

66) Hobson, J. M. (2004), p. 196.

67) Gerlach, C. (2005), p. 20.

68) Hobson, J. M. (2004), p. 190.

Figure 2. François Quesnay (1758), *Tableau Économique*

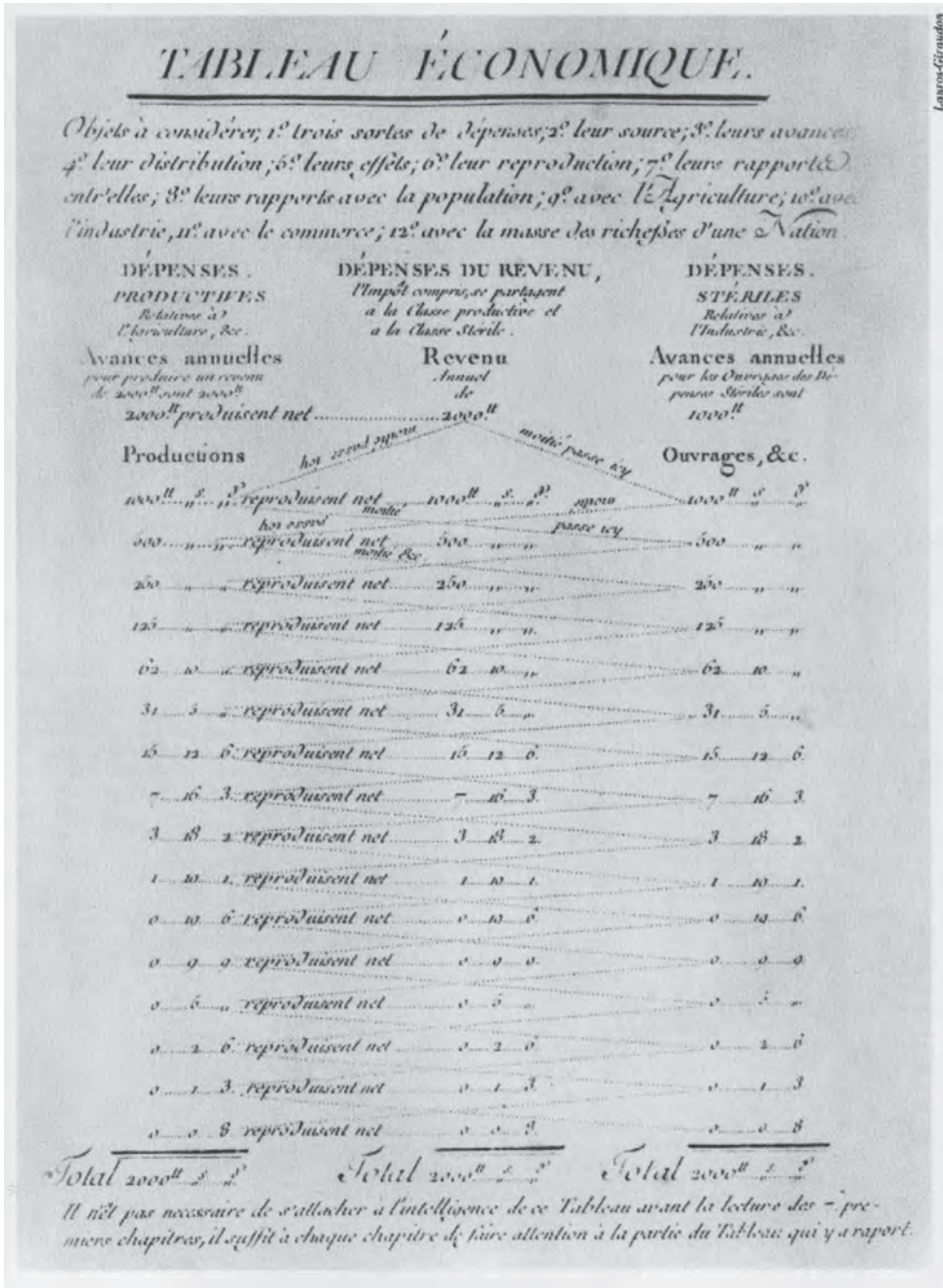
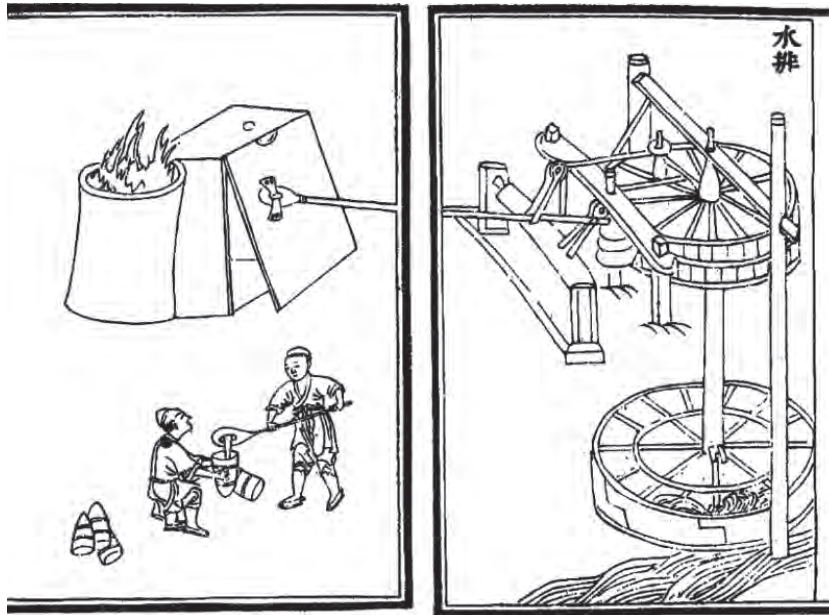


Figure 3. Waterwheels powering the bellows of a blast furnace in creating cast iron, illustrated in Wang Zhen (1313), *Nong Shu (Book of Agriculture)*.



ter Quesnay's death, without including either '*wu-wei*' or '*laissez-faire*', nor mentioning any vestige of Eastern philosophy, Adam Smith managed to establish a brand new social science, publishing the first textbook in the field: *The Wealth of Nations*.⁶⁹⁾

Since about 1780 China's glittering contribution to European *Enlightenment* in general began to be underestimated and even ignored by its beneficiaries, foreshadowing the Eurocentrism of the following century and after. A remark of Oliver Goldsmith (1730-1774), for example, well represents this climate: 'Those arts which might have had their invention among other races of mankind (e.g. China) have come to their perfection there (in Europe)'. In the eye of James Bruce (1811-1863), the 8th Earl of Elgin and 12th Earl of Kincardine who ordered the looting and destruction of the world heritage would-have-been Yuan Ming Yuan (Old Summer Palace) in Beijing during the Second Opium War, publishing editions of *Confucius* showed how the Chinese had 'stagnated' the art of printing. The fact that 'Cathay' was the nation that invented gunpowder, the compass, paper and printing vanished from the history in the West. But what was later called the *Agricultural Revolution* and the *Industrial Revolution* were, indeed, copies of China's superior technologies. To show this, we can take the fact that the mechanism of 'modern' machinery, including the steam-engine, the iconic invention now associated with James Watt (1736-1819) and John Wilkinson

69) Ibid., p. 196-7.

(1728-1808), had been proposed by a inventive Chinese farmer called Wang Chen in his *Book of Agriculture* published in 1313: four and a half centuries before the Agricultural and Industrial Revolutions; this is but merely a tip of the golden iceberg of Chinese engineering.⁷⁰⁾ This in no sense is to devalue or deny the ingenious creativity of the European entrepreneurs and the benefits that would be received by people around the globe, though.

Reflecting on all this, it is natural that the link between *wu-wei* of the East and *laissez-faire* of the West has so far remained obscure, and that the credit for the creation of economics has not been given to Confucian wisdom. Nor is it strange, therefore, that the dichotomy between the orthodox East and the heterodox West, as described by Hiroike, should exist.

V LAISSEZ FAIRE: WU-WEI WITHOUT ENLIGHTENMENT

For all that he is commonly known as the 'father' of *laissez-faire* modern economics, which underlies capitalist economies in the form of unfettered competition in free market, Smith expressed in evocative terms his strong belief in social justice:

Servants, labourers and workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, cloath and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, cloathed and lodged.⁷¹⁾

It is clear from this that he was concerned about the distribution of wealth, too, along with its creation; also obvious is his foresight that the violation of social justice would never cease to exist easily:

People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices. It is impossible indeed to prevent such meetings, by any law which either could be executed, or would be consistent with liberty and justice. But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies; much less to render them necessary.⁷²⁾

70) Ibid., Ch. 9.

71) Smith, A. (1963), Vol. 2, p. 119.

72) Ibid., p. 200.

He even argued that joint-stock companies or corporations are unfavorable for the disassociation of proprietor and manager tends to make the latter reckless in his attitude to risk and the health of the company.⁷³⁾

Being very optimistic about human nature, unlike Smith, later economists in the West, in cooperation with politicians, the mass-media and other organizations, incessantly promoted the free-market economy until the Great Depression, an economic cataclysm created by 'laissez-faire', struck at their arrogance. After 1945, having fewer obstacles to rapid economic 'growth', they resumed their campaign for a free-market economy, blasting any form of collectivist activity as 'socialism'.⁷⁴⁾ Unleashed from the *invisible hand* of their master, the *moral sentiments*, the self-interest of the commercialized mind of people, some of them putting themselves forward as the *masters of the universe*, created yet another financial chimera called the Great Recession, in laboratories on Wall Street well described by a fictional but realistic movie protagonist who infamously said 'greed is good'. Bankers made money but neglected their duty to analyze a borrower's credit risk; politicians won elections but neglected their duty by working with vested interests; and the general public took out loans to consume or even invest, neglecting their duty to work and save. To borrow from Alan Greenspan, the latest financial crisis arose from the *irrational exuberance*: firstly of bankers who created and sold financial instruments woven with hidden risks, such as CDO, CDS and the like, thrusting unrealistic assumptions into their financial engineering models; secondly of policymakers of both governments and central banks who deregulated the financial markets and set interest rates extremely low, being unable to do otherwise because of their indebtedness to their financiers;⁷⁵⁾ and thirdly of borrowers who populated the sub-prime loan market in search of big houses without means to pay back the money, counting on house prices rising forever to avoid going bankrupt. Still a gigantic flock of 'black swans'⁷⁶⁾ hit and crashed *Planet Finance*.⁷⁷⁾

When the Great Recession took place, the monetary policymakers of the world persistently claimed 'no one saw this coming', narrowly referring to the 'mainstream' economists who excluded the economic fundamentals from their models only to miscalculate risks. However, there were many economists who did forecast it and raised warning signs years before the impact of the bust. Wynne Godley, a Distinguished Scholar at the Levy Economics Institute of Bard College, for example, said in 2006 'the small slowdown in the rate at which US household debt levels are rising resulting from the house price decline, will immediately lead to a sustained growth recession before

73) Smith, A. (1963), Vol. 4, p. 72.

74) Henry, J. F. (2008).

75) Kroll, A. (2012, July 19).

76) Statistically impossible events.

77) Ferguson, N. (2009, January 14).

2010'⁷⁸⁾; in the same year Michael Hudson at University of Missouri warned that 'debt deflation will shrink the "real" economy, drive down real wages, and push our debt-ridden economy into Japan-style stagnation or worse'.⁷⁹⁾ It must have been lamented by deceived investors that *The Ascent of Money: A Financial History of the World* by Niall Ferguson, one of the most renowned economic historians in our time, had been yet to be published until 2008, the very year Lehman Brothers was shoved over the edge of solvency.

After the first shock of the Recession, the evil of *laissez-faire* surfaced in the Middle East. Arab Spring, the endemic concurrence of revolutions in Arab regions beginning on December 17, 2010, the day a Tunisian vegetable seller Mohamed Bouazizi, whose vending cart had been confiscated by the municipal government for lack of a vending license, burnt himself in front of the local government building. Bouazizi was followed by not only other self-immolators but also the mass of general public who violently protested, demanding a) that the authorities respect their civil rights; b) a life of dignity rather than subjection to oppressive authorities; c) equality in access to resources and opportunities; d) the rule of law in place of absolute power; and e) the right to participate in the progressive trends of globalization.⁸⁰⁾ Bellemare (2011) shows that this political uprising was accelerated by economics: his statistical analysis confirmed the causal relationship between food prices and the incidence of riots.⁸¹⁾ This causality is clear in Figure 4, where the world food price is represented by the grey curve and the riots in Arab region by the black dots. In the aftermath of the Great Recession, food prices stayed, albeit high in volatility, much lower than pre-housing-bubble-bust period. From August 2008 to September 2010, there was no major riot in the region, and it is easy to see that the beginning and end of the 2-year-peace are fraught with political unrest. There were several political leaders who remarked on what is to blame for causing the disastrous Spring. In January 2011, Michel Barnier, the European Commissioner for the Internal Market, asserted that 'speculation in basic foodstuffs is a scandal when there are a billion starving people in the world' at a hearing of Committee on the Internal Market and Consumer Protection, and declared war on market factors hindering sustainable growth;⁸²⁾ 'If we do nothing, we risk having food riots in the poorest countries and also an unfavourable

78) Bezemer, D. (2009, September 7).

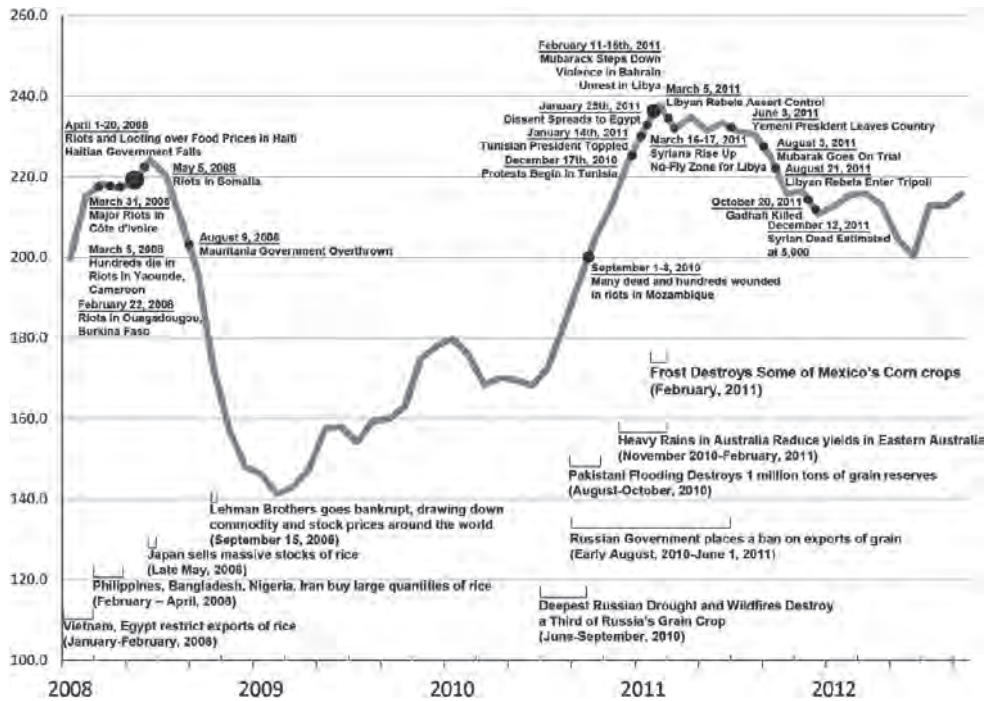
79) Bezemer, D. (2009).

80) Rosiny, S. (2012).

81) Bellemare, M. F. (2011). The data shows, he says, the causality between high food prices with political unrests, but also that high food price volatility is negatively correlated with the occurring of such events. It is possible, as indicated in Figure 4, that the lower prices are apt to coincide with the higher volatility, and therefore with the lower incidence of riots.

82) See the European Parliament website (accessed on July 19, 2013): <http://www.europarl.europa.eu/sides/getDoc.do?language=nl&type=IM-PRESS&reference=20100112IPR67166>

Figure 4. World Food Prices (2008-2012, the grey line)
UN Food and Agriculture Administration, World Food Price Index (2004=100)



impact on global growth', said then the President of France Nicolas Sarkozy in the same month at a press briefing in Paris. 'We want regulation of the financial markets for commodities.'⁸³⁾

These scenes have hardly any resemblance to the pictures drawn by Quesnay and Smith, especially the former who strove to preserve the French monarchy of the Bourbon family by establishing *enlightened despotism*, the Confucian-style absolute rule for the benefit of the people as a whole; what must be kept in mind is that only in this scheme did he advocate *laissez-faire*. The world chose another form of society under *Liberty, Equality and Fraternity*, and shedding Quesnay's ground framework for *laissez-faire* divorced it from *wu-wei*, the eastern inspiration of the western enlighteners; in China, the government placed restrictions upon the development of private trade, while encouraging that of the 'primary' source of *wealth of nations*: agriculture.⁸⁴⁾

Wu-wei is often misinterpreted as mere 'inaction' and therefore thought as being analogous to *laissez-faire*; for the famous words of Lao Tzu:

83) Ruitenberg, R. (2011, January 25).

84) Bodde, D. (2005), 'Political and Economic Theories'.

The best of all rulers is but a shadowy presence to his subjects... When his task is accomplished and his work done, the people all say, 'It happened to us naturally.'⁸⁵⁾

But it is not. *Wu-wei* is rather 'enlightened despotism', as understood by Quesnay: the governance which not only allows the people to follow their nature, but also enlightens them, the ruler himself being virtuous and their model. This had been elucidated by Taoist Kuo Hsiang (? -312):

A good driver must let the horse exercise the full of his ability. The way to do so is to give him freedom... Hearing that horses should be set free, some people think that they should be left wild. Hearing the theory of non-action, some people think that lying is better than walking. These people go too far, and misunderstand Chuang Tzu's philosophy.⁸⁶⁾

Hiroike, too, describes *wu-wei* as something more than just resting:

If once a person has mastered supreme morality and has come to endeavour in his daily life to enlighten or bring the human mind and spirit to salvation by means of the spirit of true benevolence, then in the place where he lives the air itself will be peaceful and warm and all who enter that place will immediately feel an indescribable sense of comfort, and their minds will be at rest. He needs no sweet words or courtesies to ease their minds; for whether or not we have true benevolence on our part will make itself felt by other people, and it does not require much knowledge for a man of ordinary understanding to recognize it. To expatiate upon this in greater detail, man's mental activity will exert its influence directly or indirectly on the minds of other people. That is to say, the mental activity of a person will work as a cause to bear a result in the mental activity of another. Thus, the first mental activity will be gradually disseminated widely throughout society according to the pattern of social inheritance - hence the existence of the fact that mental activity based on the great benevolence of a man will come to dominate the public mind in society. Accordingly, it was no accident that the great benevolence of the ancient sages inspired and influenced the public, and thus governed them without exertion [i.e. *wu-wei*].⁸⁷⁾

VI NEW ENLIGHTENMENT IN THE ERA OF GLOBALIZATION

We have seen how there is the idea of 'pure orthodoxy' in moralogy and its princi-

85) Tao Te Ching, Ch. 17, quoted in McCormick, K. (1999).

86) Fung, Y. (1991), p. 125.

87) Hiroike, C. (2002), Vol. 3, p. 348.

ples; why Hiroike despised traditional economic theories as 'heterodox'; why, on the contrary, he acclaimed the economic theories of the Chinese Classics; how western economics originated in physiocracy, a *de facto* epigone of Confucianism; and how *laissez-faire* ideology, a falsified version of *wu-wei*, is still wrecking people's security today.

Of course, we are not going back to despotism. Nor can we, at the same time, afford to let the markets float to catastrophes if we are to improve the health of societies. Reflecting on how global-scale *laissez-faire* economy started, we certainly have adequate reason to reconsider the principles of political economy; and in so doing, we should perhaps start with Confucian wisdom again, as did the great European scholars in Age of Enlightenment in their quest for Utopia. Given its contribution to the formation of the modern world, it can now be said that Confucianism is the cultural heritage not only of China but the entire human race.

On June 3, 2012, Mr. Kung Tsui-chang, the Senior Advisor to the President of the Republic of China in Taiwan, and the 79th-generation main-line-descendant of Confucius, visited the Institute of Moralogy to give a ceremonial lecture to listeners who convened to commemorate their ortholinons⁸⁸⁾ (i.e. their own parents, sovereigns, moral teachers including Chikuro Hiroike, and others they feel specifically obligated to). His admirable status and career notwithstanding, Mr. Kung, talking very little about himself, described the episodes that exemplify the moral and scholastic virtues of his revered grandfather, Kung Te-cheng. Right before his closing remarks that emphasized Confucianism's potentiality to contribute to the betterment of this day, he quoted the first verse in Li Yun of *Li Ji*:⁸⁹⁾

Men did not love their parents only, nor treat as children only their own sons.

A competent provision was secured for the aged till their death, employment for the able-bodied, and the means of growing up to the young. They showed kindness and compassion to widows, orphans, childless men, and those who were disabled by disease, so that they were all sufficiently maintained.⁹⁰⁾

Hiroike acknowledged that it was 'the idea of respecting ortholinons' in the learning of the Confucian Zhu Zi that 'refined the traditions of *bushido* (the way of the warrior)', resulting in two and a half centuries of peace in Tokugawa Japan. But he points out that this tradition alone cannot be adequate for our world of globalization:

Even the learning of Zhu Zi, however, was, after all, one part of the ortholinon of the Chinese sages, and therefore it is by no means one with the pure orthodox learning inheriting all the ortholinons of the world sages. Thus it

88) See 7.

89) Kung, T. (2012, August).

90) Retrieved from *Chinese Text Project*: <http://ctext.org>

is not capable of setting a standard for, and unifying the thoughts of, the world in the future.⁹¹⁾

Haruo Naniwada (1906-1991), a legendary young economist at Tokyo Imperial University in prewar Japan, made tremendous progress in the journey initiated by the sages, although he was not Hiroike's student and worked independently. In his best-selling series of *States and Economies*, he proclaimed that economics must be an interdisciplinary trunk linked to and communicating with a vast variety of academic branches, while the existing economic theories can only explain the economic thought and practice of the period the German economist Werner Sombart (1863-1941) called *the economic era* or *das ökonomische Zeitalter* - the period from the end of the eighteenth century onwards - where economic activity released from the shackles of Mind has unfolded in a manner specific to the period, and the detached, inhuman capitalist economy has been exposed to voices calling for alternatives to its inherent tendency toward social injustice. Thus economics, he says, must talk about the 'holistic' alternation of economies by Mind. In the second volume of the series - published a month after Hiroike's passing in June 1938 - Naniwada, basing himself on Auguste Comte's *law of three states* (*loi des trois états*) which categorizes human thought into the *theological and fictional* (*theologique ou fictiv*), the *metaphysical and abstract* (*metaphysique ou abstrait*) and the *scientific and positive* (*scientifique ou positif*), argues that economics as a science, an intellectual activity in Comte's *third state*, can be humanized when treated also as belonging to the *second state*, the human intelligence formed as the 'teachings' of figures such as Socrates-Plato, Confucius, Jesus and Buddha. Whether their teachings, which originated in introspection on mythology - the *first state* - with restriction to ancient settings, have direct applicability to the world today is surely dubious, he admits. Nonetheless he suggests that, having been a force that fostered cultures, there must be 'something eternal' in those teachings, which sounds reminiscent of Hiroike's *first principle*.⁹²⁾ All we have to do, concludes Naniwada, is extract and implement such elements carefully, taking into account the idiosyncrasy of each cultural domain. His train of thought very closely approaches Hiroike's, yet they were moving in opposite directions: Naniwada tried to extend economics as science to the realm of the teachings of the sages, whereas Hiroike brought such teachings to the table of science.

Yukimasa Nagayasu (1941-2007), one of Naniwada's most prodigious students who once chaired the Research Center for Moralogy, joined these two in the context of social systems theory, environmental economics and business ethics. He produced voluminous works on this in a lamentably short life.

91) Hiroike, C. (2002), Vol. 3, p. 228.

92) Discussed in the first part of the article.

To make further progress in the journey, it is necessary to probe microscopically the flow of Confucian wisdom from Matteo Ricci to François Quesnay and others in the Age of Enlightenment: the art epitomized by Lewis Adams Maverick's work (1949). Also indispensable is detailed examination of the dynamics in the weaving of Chinese intelligence into the western academic tradition stretching from Plato and fitting to it the aftermath of the Reformation; the path of Elizabeth Fox-Genovese (1976) and Emma Rothschild (2001) can be followed here. Then, the intimacy between the western and eastern threads of wisdom jostling over the centuries in the realm of economics will be unveiled to our view. Being precisely informed about what material Modernity is made of, we will be ready to redesign it for the better.

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