MARKET RELATIONS AS WUWEI: TRADITIONAL CONCEPTS IN ANALYSIS OF CHINA’S POST-1978 ECONOMY.¹

Abstract.
It is shown how wuwei (effortless action) and associated concepts drawn from Daoist thought are applied in analyses of the Chinese market economy and state-economy relations published in social science and Party journals in the PRC. Such use of traditional concepts partially displaces Marxist terminology from ‘diagnostic economics’. In discussing the use of these concepts in 5 articles published between 2000 and 2008 the economic theory of Daodejing is also presented.

Key words.
Markets, action, Daodejing, Laozi, state-economy relations.

Introduction.
The policies of export promotion, the creation of export processing zones and the importation of foreign capital and technology were the driving forces of economic reforms intimated at the Third Plenum of the Eleventh Party Congress in December 1978 (Perkins 1986; Sen 2001). These and subsequent reforms, associated with the leadership of Deng Xiaoping, meant that for the first time since 1949 businesses were able to set their own market-led goals, retain profits and provide their workforces with material incentives such as performance bonuses. These reforms were not seen by Deng as an introduction of capitalism to China but, as formulated at the Twelfth National Party Congress in 1982, as ‘Socialism with Chinese Characteristics’. Nevertheless, these and associated changes constitute a fundamental departure from the policies and outlook of the preceding Mao era. Indeed, Deng described these reforms as leading China’s ‘second revolution’ affected by policies of ‘radical pragmatism’.

While the post-Mao ‘Four Modernizations’, of agriculture, industry, defense and technology, which underlie the Deng reforms, make no mention of culture, the economic transformations initiated in 1978 brought with them dramatic changes in culture and cultural policy, which have included not only the availability of Western cultural imports but arguably more significant, the reemergence of traditional cultural forms and practices, intellectual as well as performative (Link 1986: 87). A frequently noted associated phenomenon is the rehabilitation of Confucius, for instance, since the mid-1980s and the official promotion of New Confucianism (Song 2003; Tan 2008).

In place of Mao’s idea that progress comes through social and political struggle the Deng reforms, directed to developing a ‘well-off society’ (xiaokang), require not conflict but instead a ‘harmonious society’ (hexie shehui), a core Confucian concept vilified by Mao and elevated by President Hu Jintao as a ‘scientific development concept’. The appeal of New Confucianism has a number of sources (Link 1986: 83-6), but two in particular are relevant to the present discussion. New Confucianism unites ‘cultural China’ in a way that not only acknowledges a common heritage which brings the PRC together with Hong Kong, Taiwan, and Singapore but that also facilitates the necessary participation of overseas Chinese in the new Chinese economy: up to the mid-1990s overseas Chinese investors from
Hong Kong, Taiwan and Singapore contributed 75% of foreign capital to China, and if other overseas Chinese are included the figure goes up to 85% (Sen 2001: 3; Chin 2009: 80-1). New Confucianism is also thought to provide moral guidance and a model for community at a time when Marxist and Maoist certainties have eclipsed. But not only Confucianism may serve these purposes.

While China’s traditional cultural resources include Confucianism, they are not confined to it. Daoism, which emerged in early China as an alternative to and critique of Confucian orthodoxy, is a complex intellectual, political and later ritual or devotional movement that is central to the Chinese indigenous heritage (Creel 1977). The principal classic text of Daoism, Daodejing, has a function analogous to Machiavelli’s The Prince, namely to give instruction or direction to aspirants for political state rulership. Daodejing is a composite text cumulatively written over 3,000 years ago although it has earlier origins through oral transmission. The current form of Daodejing, or Laozi as it is also known, after the text’s putative author, contains 81 aphoristic chapters. Their argument is naturalistic and anti-authoritarian, with emphasis on paradox, the interconnectedness of all things and a vision of the universe as dynamic and ever unfolding (Moeller 2006).

The connection between China’s post-1978 economic and cultural reforms, mentioned above, is as salient in a reinstalled interest in Daoist reference points as much as it is in Confucian. Indeed, the Daoist rendition of the concept of wuwei, for instance, has a signal association with market analysis. In the 18th century François Quesnay developed his physiocratic theory of laissez-faire by borrowing the concept of wuwei to indicate the absence of state interference and regulation (Gerlach 2005; Hudson 1961: 322-6; Reichwein 1968: 99-110). Perhaps even more impressive of the continuity of market reforms and Daoist thought the great Han Dynasty historian, Sima Qian, anticipated Adam Smith by 1,850 years when he wrote:

There must be farmers to produce food, men to extract the wealth of mountains and marshes, artisans to produce these things and merchants to circulate them. There is no need to wait for government orders: each man will play his part, doing his best to get what he desires … When all work willingly at their trades, just as water flows ceaselessly downhill day and night, things will appear unsought and people will produce them without being asked. For clearly this accords with the Way and is in keeping with nature (Chien 1979: 411).

The conceptual root of laissez faire in wuwei is evident here not simply in the water metaphor, characteristic of Daodejing, but especially in the idea that non-interference is naturalistic. Sima Qian’s Daoist analysis of market relations is not anachronistic but continuous with 21st century discussion in China, as we shall see.

The idea here is not that there is an anticipation of modern capitalism in classical Chinese sources but that a Chinese market economy as it is emerging in the 21st century will have distinctive characteristics that distinguish it from the capitalism that developed within the politically liberal and socially individualistic contexts of Europe and America. Market relations have a long history in China (Gates 1996; Hamilton 2006), and the popular and spontaneous assertion of market relations in the late 1970s and early 1980s, in the Household Responsibility System, indicate enduring organizational sources of market forms in Chinese society (Faure 2006: 73-80; Zhou 1996). But without the Party’s acceptance and eventual sponsorship the HRS would not have continued, let alone grow. The pattern of Western capitalism, in which market expansion is coterminous with the state’s contraction, and the sphere of private interest is clearly separate from that of state power, has never obtained in
China (Balazs 1964) and the trend today is in the opposite direction (Francis 2001: 280-7). It is shown in the present paper that the indigenous Chinese tradition of Daoist teaching articulates a theory of economic relations which is understood to address the distinctive qualities of market forces and market-state relations in post-1978 China.

Chinese economics has three distinct branches or forms, characterised by Robert Hsu (1991: 3-8) as diagnostic economics, functional economics and technical economics. To take them in reverse order, technical economics corresponds with academic economics in the Western sense, functional economics with policies and the management of planning, and diagnostic economics with ‘expounding the presumed characteristics of the socialist economic system and the “objective laws” of the system’s operation and development’ (Hsu 1991: 3). It goes without saying that Chinese diagnostic economics in this sense is dominated by Marxist concepts and analyses. It will be shown in what follows, however, that the treatment of markets from the perspective of Daodejing constitutes an intrusion into and a partial displacement of such Marxist domination through an application of traditional understandings of economic relationships and political concerns drawn from the classical text of philosophical Daoism. Indeed, such a treatment can be located in recent discussions in journals published in the PRC. As well as providing a summary of and commentary on a selection of such publications it is also the purpose of the following account to provide a statement of Daodejing’s economic argument and indicate its relevance to analysis of the Chinese economy, especially as indicated in some current Chinese publications.

Wuwei in the Deng economy.

In order to explore the connections between the market reforms and the rehabilitation – and reinterpretation – of traditional thought in China from the 1980s, and to consider the mutual support between them, the discussion below examines the application to economic analysis of wuwei and related concepts drawn from Daodejing in 5 papers published in academic and Party journals in the PRC from 2000 to 2008. Not only does this account indicate the acceptance among certain Chinese academics of the capacity of traditional Chinese concepts to explicate current economic developments and demonstrate the meaning of these concepts in market analysis, it also points to the possible application of indigenous concepts in the development of post-Western global social and economic theories (Connell 2007).

The discussion to follow does not claim that traditional meanings are recovered in the recent analyses of market relations which apply terminology from Daodejing. Indeed, scholarship reveals that the original meaning of wuwei is no longer available: “‘non-action’ is only a token representation of wuwei, which ... has no exact equivalent in ... modern Chinese’ (Liu 1998: 218). In any event, the politico-economic forms, social relations and technological level addressed by the original compilers of Daodejing are so far removed from early 21st century China as to present insurmountable problems of meaningful transliteration. What is provided in the following account, rather, is a statement of how this ancient text is regarded as relevant to an understanding of the present market economy of the PRC, and what this reveals of perceptions of the course of and concerns about the Chinese economy in the 5 papers which draw on the sanction of Daodejing in their accounts.

The 5 papers to be discussed below were selected from 17 articles published in journals in the PRC from 2000 to 2008 identified in a web search by a Chinese post-graduate student at the University of Western Sydney working as a part-time research assistant. She was asked to locate articles in which Daoist concepts were used in
Typical of Chinese academic papers the 5 articles discussed below (Kuang 2001; Li 2000; Liu 2006; Peng 2000; Wang and Cheng 2007) are brief – the shortest (Wang and Cheng 2007) translates to approximately 1,300 English words and the longest (Peng 2000) to approximately 4,500 words – and do not always provide the benefit of routine academic apparatus such as adequate citation of sources and full references. While the English translations provided by CTC are quoted in the discussion below the passages from Daodejing referred to in them have been taken from authoritative English-language translations. This has been done to ensure not only accuracy but also uniformity in discussion. The Ames and Hall (2003) translation of Daodejing is used in all but one instance below, in which Duyvendak’s (1954) translation of Daodejing chapter 57 was preferred because it captures the technological reference more clearly than the Ames and Hall translation. The translations of the 5 papers all refer to Laozi rather than Daodejing: either form is acceptable and in the discussion to follow the one adopted in the translations is adhered to.

The term wuwei is used throughout the discussion below rather than an English-language translation of it. It will be clear in this account that the precise meaning of wuwei in the relevant discussion is complex and context dependent. The usual English rendition, ‘non-action’, is generally more misleading than helpful. The translations prepared for the Commercial Translation Centre which are used below render wuwei as ‘undo’ which, while possessing a poetic charm and capturing a dynamic element of wuwei lost in ‘non-action’, fails to cover all of the relevant possibilities of wuwei. Slingerland’s (2007) understanding of wuwei as ‘effortless action’ and Ames and Hall’s (2003) translation of it as ‘non-coercive action’ are both to be preferred to ‘non-action’.

Nature and wuwei.
The idea that wuwei is a type of action which is effortless and non-coercive refers to the way in which it operates without imposing the actor’s will on its object in cognisance of the interdependence of things and the likelihood of mutual responsiveness between them. In implicit recognition of this approach each of the five papers considered here follows Laozi in grounding the concept of wuwei in the correlative concept of ‘nature’ or ‘naturalness’. As Liu (2006: 2) notes, these are two fundamental concepts of Laozi’s teaching. None of the papers, however, provides a detailed account of the concept of naturalness. This is not inappropriate as they are focussed on economic analysis rather than cosmological philosophy. But because these papers uniformly tend to regard market relations as ‘natural’ it is necessary to indicate what is meant by ‘nature’ and ‘naturalness’ in Laozi, and also how this understanding affects the notion of a market subjected to action as wuwei.

Li (2000: 1) indicates that the concept of nature in Laozi is not the same as the concept of nature ‘today’, that a key element of the former is spontaneousness and therefore that the concepts of nature and wuwei are essentially identical (see Lai
China’s “planned economic system was... is the excessive centralization of authority... is the one operating ‘today’, is fashioned by a scientific outlook in which nature is known by or consists of invariant and fixed laws discovered by treating elements of nature as discrete and separable variables. The notion of nature in Laozi, on the other hand, is effectively the opposite of this perspective. According to Laozi nature is never fixed or final but ever dynamic or unfolding and evolving, and its parts are not only interrelated but fundamentally interconnected. These qualities of unfolding dynamism and interconnectedness give rise to paradox in so far as growth and change, for instance, means that something is never the same at different times and that in another’s encounter with it the relations born of interconnectedness will be ever subject to contrastingly different vectors. Paradox, along with unfolding change and interconnectedness, also characterises Laozi’s understanding of nature, although these are not the only source of paradox in Laozi.

The differences between the notion of nature in Laozi and in modern scientific thought are continuous with differences in human relations with nature as an external phenomenon. In the West attempted domination or control of nature is typically regarded as an expression of human strength or power. According to Laozi, on the other hand, endeavours to control nature lead to debilitation and failure whereas accommodation with nature, which is not regarded as passive or weak, as it might be in mainstream Western perspectives, is in Laozi a source of power and efficacy. Indeed, accommodation as opposed to domination is very close to one meaning of wuwei. Kuang (2001: 1) says that wuwei is an absence of violation against or deviation from nature (see also Li 2000: 4), but insists that wuwei is not an absence of action: it is a particular type or rather types of action. The following discussion will locate the different types of action characterized as wuwei in the 5 papers.

Wuwei as non-interference.

In the most general terms the application of Laozi to market relations regards the market as an arena of nature and the wuwei orientation of government as non-interference. Wang and Cheng (2007: 1) write that Laozi ‘discourages the interference of governments’ in economic issues, for ‘market competition drives the operation of the inherent mechanism of production’ (see also Li 2000: 2). Indeed, Li (2000: 3) is not alone in believing that a market oriented economy is a wuwei economy. This is the sense in which wuwei appears to come closest to meaning ‘non-action’. In making the point Li (2000: 3) quotes Laozi chapters 3 and 2:

It is simply in doing things non-coercively
That everything is governed properly. [...]
In all that happens the sages do things but do not initiate them,
They act on behalf of things but do not lay claim to them,
They see things through to fruition but do not take credit for them
(Ames and Hall 2003: 82, 80).

The inference to be drawn from these passages is that government regulation of the economy is best which is least, that the economy is self-regulating.

While the image of Adam Smith’s ‘invisible hand’ appears in passing in these discussions (see Kuang 2001: 2-3), the historical context which animates these writers is much more recent. Li (2000: 3) says that ‘During the Great Leap Forward the government was frenetic about the national economy ... Contrary to the economic philosophy of wuwei it is a suffocating planned economy ... [the] weakness of [which] ... is the excessive centralization of authority’. Similarly Peng (2000: 3) argues that China’s ‘planned economic system was a system with too much “doing” ... over-
governance violated the rules of economic development”. He immediately continues by saying that the ‘two decades of reform [since the 1980s] ... have broken the planned economy, endowed people with more autonomy, and inspired their motivation. This is a shift from “doing” to “undoing”.

Neither Li nor Peng is saying, however, that a government orientation to the economy through wuwei is a withdrawal of involvement. Rather it is a form of involvement which accommodates to, respects or pays due regard to the market’s positive capacity to allocate resources through the endeavours of market actors and therefore avoid the distortions and ‘failures in practice’ that these writers perceive in the ‘economic systems in former Soviet, East Europe and China’s “Great Cultural Revolution”’ (Li 2000: 3), where the distorting weight of government interference was most evident. Li (2000: 3) writes that ‘wuwei does not equal “no action”’, a proposition he supports with a passage from Laozi chapter 48: ‘One does things non-coercively and yet nothing goes undone’ (Ames and Hall 2003: 151). Wuwei, then, is ‘positive and dynamic’ (Li 2000: 3) precisely because it is non-coercive.

One treatment of wuwei in the context of state-economy relations sees the connections between them as not mechanical but interactive, premised on mutual interdependence and development, as in the relations of Yin and Yang (Kuang 2001: 6-7). Kuang precedes this discussion with a quotation from Laozi chapter 42:

Way-making (dao) gives rise to continuity,
Continuity gives rise to difference,
Difference gives rise to plurality,
And plurality gives rise to the manifold of everything that is happening.
Everything carries yin on its shoulders and yang in its arms
And blends these vital energies (qi) together to make them harmonious (he)
(Ames and Hall 2003: 142-3).

In recounting the history of Western economic theory and policy Kuang (2001: 6) recounts the basis of Keynesian economic policy from the 1930s in which government intervention is designed to correct the market malfunction of inadequate effective demand, and he then turns to the stagflation of the 1970s in which ‘government malfunction’ was theorized by a number of emergent economic approaches in arguing for governmental restraint (Kuang 2001: 6-7). Kuang (2001: 6) holds that ‘As Yin and Yang are derived from each other, both government intervention and free operation [of the market] are integral, and there is a rational line between them’. He concludes that while the ‘core of a market-oriented economy is economic liberalism’ and therefore that ‘government intervention only works by following the law of economics’, nevertheless ‘economic freedom and government intervention are not irreconcilable’ (Kuang 2001: 7).

A governmental management of markets that operates through wuwei facilitates rather than controls them. Peng (2000: 4) says that while government must avoid over-intervention it also ‘must invest efforts in building good social and economic order, fight against counterfeiting and infringing behaviours, and penalize monopolistic and dumping actions. It shall create a legal society, maintain social fairness and provide an excellent economic environment for the enterprises’. The reference here to social fairness is not an optional extra in Laozi’s understanding of naturalness and wuwei, as we shall see below. But more than anything the notion of wuwei as governmental non-interference in the market economy as characterized and qualified in these recent articles indicate two things; first, they acknowledge a Confucian as much as Daoist understanding of wuwei, and second, that the Chinese
state’s involvement in the economy will not atrophy with marketization, although the form of its involvement will change through it.

The Confucian ideal holds that when persons uphold their own moral relations with others and supervise those of family members, then order prevails and government is therefore required to do nothing, to *wuwei*. In more general terms, interpersonal role observance, ritualized behaviour, and organizational self-direction, all of which obviate external regulatory control, compliment inactive government, *wuwei zhengzhi* (Fei 1992: 113, see also 117, 144; Hamilton and Zheng 1992: 30). The market economy, as the obverse of a planned economy, in this sense requires governmental *wuwei*. But, as the papers under discussion here indicate, this is not a withdrawal of political management from the economy. The qualification in their arguments, that *wuwei* does not mean a withdrawal of government from the economy, corresponds with the fact that the growth of a market economy in China does not imply a differentiation from the political sphere (Szelényi 2010: 205-7), as Western observers frequently assume. Indeed, the Chinese state’s regulatory, monitoring, economic enterprise and planning roles have expanded as the private sector has grown (Francis 2001).

The idea that governments support but not control markets is reminiscent of Adam Smith’s (1981) argument, which is also premised on the idea of the ‘naturalness’ of markets. Smith acknowledges the state’s role in providing broad national infrastructure as ‘publick works’ (Smith 1981: 724) and mass public education (Smith 1981: 788), neither of which the market can fully supply, and accepts the limited capacity of markets to regulate themselves when he observes that the private interests of ‘prodigals’ and ‘projectors’, for instance, undermine market advancement (Smith 1981: 339-41) and that employers may form combinations to advance their interests at the expense of the market (Smith 1981: 84). But this concept of economic action in classical economics, while it corresponds with the notion of *wuwei* in the texts under consideration, does not exhaust the meaning of the term as they see it.

**Wuwei as contra to ‘wilful’ and ‘random’ action.**

It was mentioned above that the idea adapted from *Laozi* that constraint of governmental interference in the economy is connected with the idea of the naturalness of markets. But the idea of market ‘naturalness’ cannot be taken for granted. While Western economic theory may assume that markets and their mechanisms are natural, in the sense that they purportedly function as spontaneous or endogenous means of allocation, there is difference in the conception of nature between neo-classical theorists on the one hand and behavioural, evolutionary and institutional theorists on the other as to whether a physical or biological metaphor of nature is appropriate (see Bronk 2009: 119-48; Mirowski 1989). Neither metaphor adequately captures the notion of nature or naturalness in *Laozi*, however.

In classical Chinese there is no equivalent to the general and abstract concept that is referred to by the English term ‘nature’. *Laozi* has no conception of naturalness but only a process, associated with the idea of *dao*. *Dao* as ‘naturalness’ or, to use the term under caution, ‘nature’, while formless or ‘indefinite and vague’, as *Laozi* chapter 21 has it, is the source of authentic ‘images’ and ‘events’ (Ames and Hall 2003: 107). The continuity of *dao* and its inherent plurality, indicated in *Laozi* chapter 42, underlies the reality of experience – ‘everything that is happening’ (Ames and Hall 2003: 142). This is to say that experience derives from events that are continuously occurring and ever likely to be novel for, as *Laozi* chapter
34 indicates, while *dao* is an ‘easy flowing stream’, it may ‘run in any direction’ (Ames and Hall 2003: 130). The paradox of *dao*, as indicated in *Laozi* chapter 41, and experiences of it, as when its movement of ‘returning’ comes from ‘passing’ and ‘distancing’, as in *Laozi* chapters 25 and 40 (Ames and Hall 2003: 140-1, 115, 139), is rather like following a line on an Escher drawing, indicates order without recurrence.

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The market as natural, then, from the perspective of *Laozi*, means that it is an arena of ever changing events and experiences, more Schumpeterian ‘creative destruction’ (Schumpeter 1994: 81-6) than neoclassical ‘equilibrium’. Among other things the idea from *Laozi* that the market is natural implies that any action within the arena of the market must be appropriate to the market. Any endeavour to force the pace or outcome of market relations without paying regard to their flow, direction, capacities and limitations will not succeed but fail. This notion is expressed by a number of the authors considered here.

Liu (2006: 3) writes that with regard to ‘economic regulation’, which must follow the natural law of economic operations, *Laozi* does not advocate ‘doing nothing’; rather the focus of economic regulation is the correct preparation of macro-economic policies and laws, while incorrect interference should be avoided. What makes for incorrect interference, for inappropriate action, is an actor not paying attention to the nature of the market and instead operating from an extraneous position. As Kuang (2001: 1) puts it: ‘if people follow their will instead of the order of nature ... it will ultimately lead to failure’. The idea is also indicated by Li (2000: 2), that wilful action, in the sense that the action is over-determined by the particular needs, preferences, inclination or desire of the actor and under-determined by a cognisance of the character or qualities of the things against which the action is directed, is the opposite of *wuwei*: ‘If we impose our mind on society, it may lead to chaos. Similarly, in the modern market economy, the market is spontaneous and independent, a situation in which production elements flow freely’. Again, Li (2000: 3) writes that ‘national economic managers shall not act irrationally at will’. From the point of view of the market, such inappropriate actions are described by Peng (2000: 3) as ‘random’.

In distinguishing *wuwei* from wilful or random action these authors draw upon various chapters of *Laozi*. Without referring to their particular statements it is possible to follow this line of reasoning throughout *Laozi*. Chapter 2, for instance states that: ‘The sages develop things but do not initiate them, they act on behalf of things but do not lay any claim to them, they see things through to fruition but do not take credit for them’ (Ames and Hall 2003: 80). As well as action that does not direct the market relations it facilitates, *wuwei*, according to *Laozi* chapter 63, is action that is timely and therefore understands the sequences of the events it nurtures:

- Take account of the difficult while it is still easy,
- And deal with the large while it is still tiny.
- The most difficult things in the world originate with the easy,
- And the largest issues originate with the tiny.
- Thus, it is because the sages never try to do great things
- That they are indeed able to be great (Ames and Hall 2003: 175).

The idea represented here, that any moment or event is part of a larger unfolding process, which is inherent in classical Chinese thought and not confined to *Laozi*, relies on the notion that energy flows, *qi*, animate movement between temporal phases.

This general theme is continued in *Laozi* chapter 64, although the perspective shifts from an understanding of the process to the correlative restraint of the actor:
"Those who would do things ruin them; those who would control things lose them ... because the sages do things noncoercively they do not ruin them, and because they do not try to control things they do not lose them" (Ames and Hall 2003: 178). In each of these chapters and others wuwei is action that is appropriate to the inherent dynamic of what is acted on, subordinating the actor’s extraneous and self-centred purposes in order to realize the full potential of events as they unfold under appropriate stewardship or husbandry. This type of relationship is ironically realized in the Chinese economy when ostensibly private organizations perform public functions, when private business associations, for instance, satisfy state purposes (Nevitt 1996), which incidentally they also did in Imperial China (Hamilton 2006: 63-7).

The idea of wuwei as being commensurate with the nature of the thing towards which the action is directed, as implicit in the discussion from Laozi above, means that if the nature of something is understood, then action towards it can be appropriate and timely – neither premature nor too late, as in Laozi chapter 64: ‘Deal with a situation before it happens; bring it under control before it gets out of hand’ (Ames and Hall 2003: 177). This acknowledgment of a dynamic dimension and unfolding of events, which means that things become other than they were and will become other than they are, is a source of paradox that Laozi addresses and exemplifies throughout. It is also a caution that while the political management of the economy may be unavoidable, as noted above, the extent and direction of that management must be governed by a respectful or appropriately informed understanding of market dynamics.

There is another source of paradox in Laozi, however. There is a constant paradox of strategy in Laozi which some of these papers have noted when finding a wuwei management style in Laozi, namely the paradox that strength comes from weakness.

Wuwei as a paradox of strategy.
Li (2000: 4) describes as a ‘scientific insight’ the idea of wuwei as action ‘without violation’, that ostensible strength is actually weakness and apparent weakness is the most reliable source of strength. This idea is taken up not only by Li but also by Liu (2006: 3) and Kuang (2001: 2). They find this idea expressed through different imagery in Laozi. In chapter 43 Laozi says:

The softest things in the world ride roughshod over the hardest things.
Only the least substantial thing can penetrate the seamless.
This is how we know that doing things non-coercively (wuwei) is beneficial

The same point is associated with a life-force motif in chapter 76: ‘Things that are hard and rigid are the companions of death; things that are subtle and soft are the companions of life’ (Ames and Hall 2003: 195). Chapter 78 pursues the paradox of power through the water metaphor:

Nothing in the world is as soft and weak as water
And yet in attacking what is hard and strong,
There is nothing that can surpass it.
… the soft prevails over the hard
And the weak prevails over the strong,
And yet none are able to act accordingly (Ames and Hall 2003: 197).

Li (2000: 4) takes this paradox to mean that successful economic management operates ‘progressively rather than radically’, that managers should ‘follow’ rather than ‘lead’, and compares China’s economic reforms with the radical and ‘shock’
tactics of the former Soviet Union and Eastern European countries. He invokes Laozi’s proposition concerning the efficacy of weakness and also refers to Laozi chapter 60 in which it is claimed that ‘Bringing proper order to a great state is like cooking a small fish … It is because … sages do no harm that their powers combine to promote order in the world’ (Ames and Hall 2003: 171). A small fish requires very little cooking.

The economic lesson these authors draw from Laozi is not simply that as unintended consequences follow any action then the best strategy to achieve a purpose is to do the opposite of directly attempting to reach a goal (Liu 1998: 219-20). Rather it seems that a more literal understanding of Laozi’s strategy of strength in weakness is taken to confirm that a gradualist approach is appropriate to achieving momentous transition, that the ‘shock therapy’ of Soviet transformation – supported at the time by international organizations and expert opinion in the West – could not achieve the sustained growth and economic change current Chinese gradualism is directed toward (see Arrighi 2008: 13-5; Whyte 2009). The basis of China’s gradualist approach to economic reform in expedient compromise required of intra-party factionalism (Guo 2010: 13-5) arguably demonstrates the important but unintended consequences of political wuwei in this sense.

Wuwei as example to others.
An aspect of economic management mentioned by a number of the papers under consideration is educational, but in different senses of the term. Peng (2000: 4) proposes that one way of eliminating wilful and random actions is to ‘promote the economic thoughts of “governing by wuwei” among line management in the countryside’. Pursuing a similar position, Liu (2006: 3) quotes Laozi chapters 2 and 43:

Determinacy and indeterminacy give rise to each other,
Difficult and easy complement each other ...
It is for this reason that sages keep to service that does not entail coercion
And disseminate teachings that go beyond what can be said. […]
Rare are those in the world who reach an understanding of the benefits of teaching that go beyond what can be said, and of doing things non-coercively (Ames and Hall 2003: 80, 145).

The idea of teachings ‘that go beyond what can be said’ suggests teaching by example; that managers demonstrate by example of their own conduct rather than by explicit instruction.

Another aspect of managerial dissemination of wuwei is raised by Kuang (2001: 4) when he says that managerial wuwei means that people manage themselves and refers to Laozi chapter 57: ‘We do things non-coercively (wuwei) and the common people develop along their own lines’ (Ames and Hall 2003: 166). This is the Daoist idea of rulership, namely that government provides a context for spontaneity. But Kuang provides a Confucian gloss to this idea when he goes on to say that this does not mean that ‘Laozi’s philosophy of wuwei … equals complete freedom’, rather it ‘requires that the manager shall constantly grasp the other invisible hand, that is “moral” education’ (Kuang 2001: 4). Kuang explains that such light-touch management is not withdrawal from intervention but that management intervenes ‘in a timely manner’ (Kuang 2001:4) and quotes Laozi chapter 64: ‘Deal with a situation before it happens; bring it under control before it gets out of hand’ (Ames and Hall 2003: 177).
The educative role of *wuwei*, action that is effective in the example it provides to another, can be shown to have efficacy in at least two senses. First, action as example is conduct of one that animates another; secondly, action as example means that the different positions or roles in any given situation participate together in the realization of an outcome. The necessity of interconnectedness in the world and in agency through *wuwei* is thus realised in the ‘waterly’ infusion of action as demonstration to inspire and be followed by others.

The preceding account, in which four forms of action as *wuwei* are discussed, can be summarized by noting that a number of elements of action are identified in *Laozi* and highlighted in the 5 articles under consideration here which sharply contrast with the conception of action in mainstream Western economic and social theories. Three themes in particular emerge in *Laozi*’s conception of action. First, the thing or event acted upon is never regarded as inert, passive or without its own agentic capacity; second, no actor is independent of other actors and non-actors but interconnected with them in various ways; third, things are subordinate to the processes through which they have manifestation and these processes are dynamic and things in them are ever becoming different. These background ideas inform the notion of *wuwei* as non-interfering action which accommodates to, say, market processes, as non-wilful action directed to realizing the potential of events and others, and as action that animates others to act on their own behalf. In all of these *wuwei* is not self-assertive but self-effacing or ‘weak’. Not only does this remove action from a simplex concept of power and domination, as in Western social theory, but also from understanding of economic action as maximization of self interest. Indeed, *Laozi* has explicit strictures against the latter.

**Wuwei as the obverse of excess.**

Given the characterization of *wuwei* as action that is neither wilful nor random but appropriate to the nature of the material it is directed toward in order to realize that nature or potential, then *Laozi*’s critique of economic excess is integral to the concept of *wuwei*. Three forms of excess are identified in the texts under review: extravagance, taxation and warfare. Extravagance in economy is connected with economic inequality and consumption: as these are to be treated in the next section extravagance shall also be treated there.

Liu (2006: 2) notes that *Laozi* holds that excessive taxation damages the ‘foundations of the economy’ and Peng (2000: 2) says that numerous taxes are ‘random actions, which cause starvation’. Both authors quote *Laozi* chapter 75: ‘The people’s hunger is because those above are eating too much in taxes ... The people’s lack of order is because those above manipulate them’ (Ames and Hall 2003: 194). The fundamental fiscal problem these authors refer to, which *Laozi* implies, is the insight generally attributed to Joseph Schumpeter (1991), namely that beyond some point increasing tax rates lead to decreasing tax collections. A fiscal *wuwei*, in which a level and form of taxation that does not debilitate production but stimulates economic well being, occurs through an accurate anticipation of the nature of fiscal subjects, of their needs and the effects of different tax levels on their activities.

A random action even more destructive of economy than excessive taxation, according to *Laozi*, is warfare, as noted by Wang and Cheng (2007: 2), Liu (2006: 2) and Peng (2000: 2). The economic consequences of war are clear in chapter 30 of *Laozi*: ‘Wherever armies bivouac brambles and thistles grow. In the wake of great armies lean years are sure to follow’ (Ames and Hall 2003: 123). *Laozi* was written...
during the Warring States period of Chinese history, when war was more or less continuous. War signifies a collapse of order, including economic order, rather than being a basis for economic development, as in European history (Ertman 1997; Glete 2002), as indicated in Laozi chapter 46, which holds that when order prevails ‘The finest racing steeds .. provide manure for the fields’, but when order ceases to prevail then ‘Warhorses are bred just outside the city walls’ (Ames and Hall 2003: 149). Again, unlike the heroic approach to warfare, in wuwei as war-making victory is won by avoiding military engagement and by exhausting not actively defeating the enemy, as indicated in Laozi chapter 69 (Ames and Hall 2003: 186). But if there is recourse to arms then victorious triumphalism is discouraged, for ‘when the war is won’, it is advised in chapter 31, ‘treat it as you would a funeral’ (Ames and Hall 2003: 125).

The consumption principle in wuwei.
A perspective which recognises the fundamental significance of interconnectedness between all things is likely to regard the extravagance of one section of the population as connected with the exploitation of another section of it. Liu (2006: 4) and Peng (2000: 6-7) both refer to this understanding in Laozi. Indeed, Peng notes that Laozi regards inequality as a destabilizing social force. He quotes chapter 53 of Laozi, which castigates lordly wealth next to agricultural want as ‘robbery’ (Ames and Hall 2003: 160) and chapters 9 and 46, which hold that arrogance of position and wealth ultimately invite calamity (Ames and Hall 2003: 88, 149). Laozi’s consumption principle of ‘avoid extravagance’ is noted by Wang and Cheng (2007: 2), Liu (2006: 4) and Peng (2000: 8). The underpinning analyses in Laozi which support this principle, quoted by these authors, is the tension between desire, which is endless, and contentment, which can be maintained only by an orientation towards equal distribution. Contentment and ‘even wealth’ are themselves supported by frugality, economy and avoidance of waste. Extravaganza, according to Laozi, produces waste. Each of these issues noted in the articles under consideration will be related in turn to the chapters in Laozi in order to provide a more complete statement of the underlying doctrine informing these precepts.

Laozi is not necessarily opposed to desire. Human experience entails desire and Laozi acknowledges that it is through desire that persons can perceive and learn about the world. The first chapter of Laozi states that ‘to be really objectless in one’s desires is how one observes the mysteries [secrets] of all things, while really having desires is how one observes their boundaries’ (Ames and Hall 2003: 77). But untempered desire, Laozi says, is self defeating. In chapter 3, for instance, is the idea that a leader who practices wuwei avoids encouraging desire, enthusiasms and aspirations in the people at the expense of food and good health (Ames and Hall 2003: 81-2); chapter 12 makes a distinction between a world apprehended through the senses – ‘The five colours blind the eye’ – and through need – ‘the abdomen rather than the eye’ (Ames and Hall 2003: 92). An excessive attention to desire led by sensation distracts from satisfaction of human needs.

A perspective of the wider world rather than the individual is taken in chapter 29: Laozi says that the world of human affairs is complex: ‘Some move ahead while others follow behind; some breathe to warm themselves while others breathe to cool themselves down’ (Ames and Hall 2003: 82). Desire that inclines one in a singular direction, then, which attempts to impose uniformity on complexity will lead to failure: ‘It is for this reason that the sages eschew the excessive, the superlative, and the extravagant’ (Ames and Hall 2003: 82). Chapter 37 makes a similar point and
concludes: ‘in not desiring, they would achieve equilibrium, and all the world would be properly ordered of its own accord’ (Ames and Hall 2003: 134).

A means of tempering or restraining desires is through cultivation of contentment. Laozi’s chapter 44 holds that the antidote to the interminable quest for fame and fortune – ‘reputation’ and ‘property’ – is contentment: ‘those who know contentment avoid disgrace, And those who know where to stop avoid danger. They will be long-enduring’ (Ames and Hall 2003: 146). The same point is made in chapter 80, which is normally read as advocating a utopian desire for ‘a small state with a minimal population’. But the point of achieving a small state is not primarily the military advantage the chapter also refers to but principally to provide a geo-political context for contentment: that the application of traditional technologies, ‘keeping ... records with knotted string’, tends to be associated with people ‘enjoying their customs’ and ‘finding security in their homes’ (Ames and Hall 2003: 201-2).

Contentment is accomplished, according to Laozi, through valuing frugality, economy and modest living. Chapter 67 indicates that frugality or economy makes generosity possible, but generosity without frugality courts disaster. In this chapter Laozi describes frugality as one of ‘three prized possessions that I cling to and treasure’, the others being compassion and avoiding pre-eminence (Ames and Hall 2003: 183). These qualities, from a more global perspective, are the subject of chapter 81. This chapter, typical for Laozi, emphasises the mutuality and inseparability of opposites. We saw in discussion above that other chapters of Laozi hold that wealth and aggrandisement produce poverty whereas in this chapter it is indicated that frugality, economy and modesty produce abundance:

The sages do not accumulate things.
Yet the more they have done for others,
The more they have gained for themselves;
The more they have given to others,
The more they have gotten themselves (Ames and Hall 2003: 204).

The curtailing or containment of desire, the promotion of contentment and the notion that frugality generates riches, together point in the direction of an equalitarian rather than an unequal economy. The Laozi is realistic about the difficulty of achieving an evenness of wealth but at the same time insists that in the absence of a tendency in that direction there will be waste, unrealizable ambition, social disorder and warfare. Chapter 77 holds that the way of nature, which is ‘to let some go where there is excess And to augment where there is not enough’, contrasts with the ‘way of human beings’ in which the tendency ‘is instead to take away from those who do not have enough In order to give more to those who already have too much’ (Ames and Hall 2003: 196).

The exegesis above, accepted in the papers under consideration, indicates a normative caution against, even a critique of market developments in terms of their consequences for unequal income distribution and psychological orientations toward self-aggrandisement and personal pursuit of profit and consumer goods. This speaks directly to the problem of growing economic inequality in China through marketization and also to the participation in entrepreneurial activity of institutions, including the military and the police (Bickford 1994; Ding 1996), which functionally have no place in an exchange economy but which nevertheless now operate as market actors.

Technology and progress: going beyond the text to its method.
While *Laozi* advocates contentment through frugality, economy and modesty the animus of market relations, on the other hand, is to expand opportunities and chances for money making and consumption. These latter produce rising expectations which actively undermine the propriety of frugality, economy and modesty associated with *Laozi*’s teachings. The question arises, then, of the value of *Laozi* for economic analysis which the authors under consideration take for granted. If the text’s normative position is unrealizable in a world nearly 3,000 years after it was written in what way is *Laozi* applicable today?

The position of these authors is that *Laozi* is not simply an anachronistic text but of continuing relevance as a source of principles and method. The case of technology, as discussed by Peng (2000: 4), makes this position explicit when he notes that *Laozi* holds that ‘advanced technologies used to improve productivity … lead to social concerns and chaos, and damages the peace’. Indeed, chapter 57 of *Laozi* is full of apprehension concerning social or administrative technologies and not only material technologies:

> The more useful implements the people have, the more state and dynasty will be in confusion.
> The more cunning craftsmen there are, the more bizarre contrivances will spring up.
> The more laws and ordinances are promulgated, the more thieves and robbers will there be (Duyvendak 1954: 124). It should be noted that Peng’s technological interpretation misses the more obvious understanding of the last line at least of the above quotation, namely that government regulation of the economy generates opportunities for rent-seeking, patronage and corruption: hence *Laozi*’s rejection of interventionist government. *Laozi*’s response to the negative consequences of technology in general, consistent with this, is to spurn technological development itself. Peng (2000: 5) regards the latter as representing a ‘negative and reactive’ outlook, which he finds in *Laozi* chapter 19: ‘Cut off sagacity and get rid of wisdom and the benefit to the common people will be a hundredfold […] Cut off cleverness [abolish skill] and get rid of personal profit and there will be no more brigands and thieves’ (Ames and Hall 2003: 104). Peng (2000: 5), on the other hand, sees technological development as the source of many positive changes and the foundation of national advancement. At the same time however, technological advancement introduces ‘costs and hazards’ including environmental degradation (Peng 2000: 5), and he goes on to concede that a rational appraisal of technology requires that both its benefits and its costs be considered, and that this perspective ‘is the essence of *Laozi*’s philosophy’ (Peng 2000: 6).

**Conclusion.**

*Laozi* is an ancient text, characteristically Chinese although without a hegemonic presence in Chinese culture given its place alongside Confucianism and Buddhism as competing traditional teachings. While typically regarded in the West as a guide for self-cultivation in China *Laozi*’s political focus is primary, an orientation emphasized in Wang Bi’s presentation of the text which has been standard in China since the 3rd century (Lynn 1999). *Laozi*’s association with economic analysis and commentary is also historically established through its use by Sima Qian, mentioned above. Since the Deng Xiaoping reforms certain Chinese analysts, as indicated here, have returned to *Laozi* in order to understand the market economy, its development and direction.

The consumption principle in *Laozi*, in which frugality is valued above growth, has neither the explanatory purpose nor direction of Weber’s Protestant ethic
thesis, to which it bears superficial resemblance. It is arguably closer to the reactionary primitivism of European Romantic or Utopian rejections of industrial capitalism. The 5 authors discussed here, however, see Laozi’s consumption principle as placing the economy in a wider context of relationships, including those of ecological and psychological wellbeing. When its explicit position cannot be readily accepted Laozi is seen by these authors to raise questions rather than provide answers.

It is commonplace to acknowledge that Laozi does not provide a theory of the economy so much as a particular way of thinking about market relations, say, through various analogies and metaphors. What has been seen in the discussion of the 5 papers above, however, is that Laozi provides a set of concepts that go beyond mere suggestive meaning. There is in Laozi a method of analysis which produces concrete findings in its focus on paradox and the non-contradictory combination of opposites, on the fundamental interconnectedness of things and on the dynamic unfolding of events which generate novel experiences and uncertainty. Aspects of these elements correspond to conceptualizations in institutional, evolutionary and ecological economics, although they are uniquely unified in Laozi.

The concept of wuwei, in particular, implies an approach to action that is not only quite different than standard mainstream treatments but which offers a broader grasp of the issues raised by action, by endeavours to intervene in events with a view to affecting their outcome and direction, as shown in the 5 papers discussed above. Wuwei as effortless or non-coercive action is action which is not exhaustively described by the intentions and capacities of the actor but which includes the actor’s cognition of the relationships which make up the market, say, and an orientation to those relationships which is accommodating of rather than in tension with them. The idea in wuwei, that ‘poorer or weaker contenders often gain from conflict, at the expense of richer or stronger opponents’, as one economist put it in his independent exposition of the notion (Hirshleifer 2001), is more than a counter-intuitive insight, it is the basis of an understanding of agency and engagement which has implications for a reformulation of standard theories of action.

The 5 papers discussed here, and others of their type, have a particular place in economic writing in the PRC. It was mentioned in the Introduction above that the concepts and analysis of Laozi make a particular contribution to Chinese diagnostic economics in so far as they supplement and possibly displace the Marxist concepts and analyses that have hitherto dominated it. A Daoist contribution to diagnostic economics is particularly appropriate and more apposite than other elements of traditional Chinese thought, including Confucianism and Buddhism, for two reasons. First, since 1949 Daoism has enjoyed a more secure even though minor role in philosophical discussion in the PRC because of its perceived dialectical nature, exemplified in its emphasis of polarity or contradiction (Gao and Gong 1995: 14-8), and in that sense at least might be seen as continuous with Marxism, providing it a legitimate place in diagnostic economics. Second, philosophical Daoism and especially the concept of wuwei as it is understood in Laozi have traditionally been regarded as expressive of and perceptive about market relations, as noted in the Introduction above. It was shown that this understanding was shared with early contributors to Western political economy, a sensibility that persists still (Dorn 1998). This is a further dimension of the appropriateness of Daoist concepts for analysis of emergent market relations in the PRC that the other major elements of traditional Chinese thought cannot claim.

The application of Laozi and especially the concept of wuwei to analyses of market developments in China since the 1980s not only therefore contributes to a
legitimation of the conception of market reforms as ‘socialism with Chinese characteristics’, but also permits both a congratulatory appraisal and a critical evaluation of different aspects of those reforms, as indicated in discussion above of the 5 papers under consideration.

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