Political economy of Han Feitzu

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I

Schumpeter regards Plato and Aristotle as proper starting points for the *History of economic analysis*.¹ The decision to disregard economic thoughts in other ancient civilizations has nothing to do with ethnocentrism; rather it is because elsewhere, e.g., Assyria, Babylonia, and Biblical Hebrews, "there is no trace of analytical effort," beyond common sense. Even "in ancient China, the home of the oldest literary culture of which we know . . . no piece of reasoning on strictly economic topics has come down to us that can be called scientific."

Schumpeter may be justified in drawing such a conclusion, which was arrived at by perusing a few works on Confucius and Mencius—the progenitors of Confucianism. For the nature of Confucian thinking is quite alien to economic thinking, if the latter is defined as the concern for making the best use of what resources we have, and not one for what we should do if the situation were different from what it actually is. Confucius was a moral philosopher, whose primary concern was the (moral) education of elites as a means of actualizing an ideal society in which the benevolent rule of elites brings social harmony and peace. Moreover, (unlike Plato) Confucius never ventured to specify explicitly what the ideal state should be. He was primarily concerned with moral character, whose ideal he attributed to mythical figures in antiquity. And Mencius is to Confucius what St. Paul is to Jesus Christ. There is no wonder, then, that Schumpeter found that Confucius and Mencius tended to touch upon economic problems "mainly from an ethical standpoint."

I do not believe, however, that Schumpeter is justified in speculating that Confucius and Mencius are typical examples of the level of development in economic thinking in ancient China.⁵ The purpose of this article is to point out that the ancient Chinese produced in Han Feitzu (?—233

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- 1. Schumpeter (1954, 54).
- 2. Ibid., 53.
- 3. Ibid.
- 4. Ibid.
- 5. Ibid.

B.C.) political economic thought that has a remarkable resemblance in its scope and approach to modern economics, especially the public choice variety. Han Feitzu is not only remarkable in his conception of human nature, which reminds us of the "economic man," but in its rather consistent application to a wide range of issues debated at the time. Moreover, with his insistence on the practical relevance (and empirical validity) of conclusions and on the separation of morality from positive analysis, Han Feitzu deserves recognition as a forerunner of modern social sciences.

П

Before we try to understand the nature of Han Feitzu's political economic thought, let us briefly introduce his background since he is largely unknown to students in the history of economic thought.⁷

Little is known about the person of Han Feitzu except for a brief biographical description in the *Historical record* (completed in 86 B.C.). Han Feitzu was born into the Royal House of the Kingdom of Han; he studied widely the then prevailing philosophies—Confucianism, Taoism, and Legalism, among others—with the aim of deriving sound methods of government; he recommended to the King of Han measures aimed at increasing the wealth of the Kingdom and strengthening its military capability; finding himself unable to persuade the King, however, Han Feitzu committed his thought to writing. After reading a few chapters of Han Feitzu's writing, the crown prince of Ch'in, who soon ascended to the throne and conquered all of China, was most anxious to meet Han Feitzu in person; a political intrigue induced the King of Han to send Han Feitzu to Ch'in as an envoy; Han Feitzu, however, was put to death by Li Ssu, the prime minister of Ch'in, a former fellow student who feared that Han Feitzu's brilliance might overshadow him.

The title of the book attributed to him also bears his name, *Han Feitzu*. 9 Out of the existing fifty-five chapters that have remained intact since the

- 6. There were other important thinkers such as Kuan Chung (d. 645 B.C.), Shang Yang (d. 338 B.C.), Shen Pu-hai (d. 337 B.C.), etc., who may be seen as anticipators or even originators of Han Feitzu's ideas. But the authenticity of the writings attributed to them is seriously questioned. Philologists seem to agree that the writings attributed to them can be dated, at best, as early as *Han Feitzu*, or even later.
- 7. A notable exception is J. Spengler (1980, 67–68). This brief account of Han Feitzu, based largely on Fung's synopsis (1952), ably captures some of the essence of Han Feitzu's thought on economic issues. But it is really too brief. I wish to thank an anonymous reader for reminding me that there is much written about Han Feitzu in Chinese. From J. Chang (1987), we also learn that there is much work on Han Feitzu in Japanese. Unfortunately the present writer can read neither Chinese nor Japanese. My article is the analysis of *Han Feitzu*, in translation.
 - 8. Han (1964, 1-15).
- 9. Actually the name of the author of *Han Feitzu* is Han Fei. Han Feitzu means "Master Han Fei." The Chinese custom is to add "tzu," for Master, after the last name of a classic thinker. So, for example, K'ung Ch'iu is referred to as K'ung tzu or K'ung Futzu, and

time of the *Historical record* (86 B.C.), only a few have been established as authentic; but, then again, only a few have been clearly established as inauthentic. The verdict on the remainder is inconclusive. The consensus among philologists seems to be that even if Han Feitzu may not have been the real author of many of the remaining chapters, his thoughts are faithfully conveyed in them. Therefore, in this article I treat *Han Feitzu* as if it were written by Han Feitzu himself (except of course for the chapters that have been clearly established as inauthentic).

Much more pertinent to our understanding of Han Feitzu's thought are the circumstances of his time. 10 Han Feitzu lived toward the end of the period of extended upheaval in ancient China known as the Ch'un Chiu (722–481 B.C.) and the Warring States (403–221 B.C.). The upheaval and transformation started when the feudal order under the authority of the House of Chou began to be questioned, and various feudal potentates contended to fill the vacuum, that is, to exert their own authority in the name of the Chou emperors. The contention and rivalry among feudal potentates, however, did irreparable damage to the feudal order that rested on the sanctity and immutability of stations in life determined by birth. For the period of extended rivalry and social upheaval produced a lasting impression that it was not (just) birth, but strength and ability that determined one's station in life. A brief respite was followed by another period of extended social chaos, viz., the Warring States period, marked by continuous and terrible wars, frequent regicides, plunder, and murders—a veritable Hobbesian State of Nature. But the period of chaos was also a period of great transformation. The pace of change in socio-economic formation quickened—the destruction of the feudal aristocracy, the emancipation of serfs, the emergence of wealthy merchants, and the rise of some commoners to prominence. This period of great social upheaval, rivalry, war, insecurity, and social mobility was formally brought to an end in 221 B.C. by the King of Ch'in, who admired Han Feitzu's ideas, and with the help of his prime minister Li Ssu, who plotted the death of his former classmate, Han Feitzu. The unification of China, in turn, firmly prepared the stage for a new political order—centralized bureaucracy—that lasted into the twentieth century.

The age of great social transformation was also the age of philosophers,

Latinized as Confucius. Similarly Meng Ko is referred to as Mengtzu, and Latinized as Mencius. Han Fei used to be referred to as Han tzu, but later Confucians gave that designation to one of their favorites, Han Yu, and demoted Han Fei to Han Feitzu. It is also Chinese convention to use the respected name of a classical thinker for the writings by (or attributed to) him. For example, writings of Mencius is Mencius. Be that as it may, in this paper I will refer to the author of Han Feitzu as Han Feitzu, which seems to be consistent with the established practice.

^{10.} Fung (1952, 1:7-21).

who proffered their diagnoses of and prescriptions for the ills of the time. Widely known figures of Chinese philosophy emerged during this period: Confucius (551–478 B.C.), Laotzu (?), Chuang Tzu (—300 B.C.), and Han Feitzu (—233 B.C.), to name a few. Presumably, most of these philosophers were sincerely concerned with the plight of the people and social chaos. These philosophers, like many people at the time, must have longed for peace. But their prescriptions varied widely, reflecting differences in their perception of the situation. Some were idealistic—Confucian 'Utopianism' and Taoist 'Anarchism.' Some were religious—Moists' militant asceticism. Some were more concerned with practical questions of the management of the nation—the Legalists. Han Feitzu is known as the most outstanding theorist in Legalism.

Like so many philosophers at the time, Han Feitzu proposed measures that he believed would help the world, in ways which were substantially different from most others. That is why Han Feitzu is of interest to students of the history of economic thought, whereas Confucius may not be, as Schumpeter discovered.

Ш

The primary concern for Han Feitzu was building a strong nation, i.e., increasing national wealth and strengthening military capability: "in times of peace the state is rich, and in times of trouble its armies are strong. These are what are called the resources of the ruler. The ruler must store them up."¹² As a means of achieving this end, Han Feitzu proposed a system of the rule of law: "[W]hen governing the state [the Sage] rectifies laws clearly and establishes penalties severely in order to rescue all livings [sic] from chaos, [i.e., to] prohibit the strong from exploiting the weak and the many from oppressing the few, [and to] enable the old and infirm to die in peace and the young and the orphan to grow freely."¹³

But building a strong nation was only a means to higher ends—peace and prosperity. When questioned by a critic why he jeopardized his own life by proposing an unpopular reform, one aimed at nothing less than subjecting *everyone* to law, Han Feitzu replied: "[It is] because I believe that by setting up laws . . . I can benefit the people and ease their way. Therefore, I fear not the calamity of incurring the wrath of . . . [an] unenlightened superior, but must think of how to make wealth and profit adequate for the people." Understandably, after the ravages of centuries of turmoil, many philosophers shared the ends of peace and prosperity.

^{11.} Ancient Chinese had their equivalent of cynics of Rome.

^{12.} Han (1964, 111).

^{13.} Han (1939, 1:124).

^{14.} Fung (1952, 336).

Han Feitzu, however, was unique in regarding national strength as a means to peace. ¹⁵ Though the connection between the means and the goals is not clearly spelled out by Han Feitzu, one of his important considerations appears to be that no enemy can afford to wage a war against a well managed and prosperous, therefore strong, nation: "[The ruler instituting the rule of law and thereby making the nation prosperous] will see to it that the frontiers be not invaded . . . and that there be no worry about being killed in war or taken prisoner. Such is one of the greatest achievements." ¹⁶

IV

Han Feitzu, written with the aim of advising the sovereign on how to make a nation strong and prosperous by means of the rule of law, reveals that Han Feitzu took a realistic approach to his subject matter, society. He argued that measures designed to enrich the nation cannot be based on some fanciful or wishful thinking without regard to facts. Therefore, he insisted on separating the question of morality from the analysis of facts. ¹⁷ Han Feitzu repeatedly argued against Confucians (Moralists) and showed that proposals based on moral grounds, though eloquent, inevitably resulted in absurdity if not outright undesirability:

To be sure, children, when they play together, take soft earth as cooked rice, muddy water as soup, and wood shavings as slices of meat. However, at dusk they would go home for supper because dust rice and mud soup can be played with but cannot be eaten. Indeed, tributes to the legacy of remote antiquity are appreciative and eloquent but superficial; and admiration of the early Kings for their benevolence and righteousness cannot rectify the course of the state. Therefore, they can be played with but cannot be used as instruments of government, either.¹⁸

Han Feitzu further insisted that policy proposals (and their implied theories, if any) be practical and verifiable. The role of verification in a theory or a policy proposal was discussed as follows:

Once upon a time there was a traveler drawing for the King of Ch'i. "What is the hardest thing to draw?" asked the King. "Dogs and horses are the hardest." "Then what is the easiest?" "Devils and demons are the easiest." Indeed, dogs and horses are what people know and see at dawn and dusk in front of them. To draw them no distor-

^{15.} Han (1964, 111).

^{16.} Han (1939, 1:124).

^{17.} Han (1964, 118-121).

^{18.} Han (1939, 2:43).

tion is permissible. Therefore, they are the hardest. On the contrary, devils and demons have no shapes and are not seen in front of anybody, therefore it is easiest to draw them.¹⁹

Therefore, a proposal, and its expected results, that cannot be either confirmed or refuted by events is useless:

If the Lord of men, in listening to words, does not take function and utility as objective, dialecticians will present such absurd [arguments] as . . . [a] white horse [is not a horse]. . . . The Lord of men inclined towards [unverifiable] theories is always like the King of Yen attempting to learn the way to immortality. Therefore words that are too minute to be scrutinized and too difficult to be carried out are not the need of honor. . . . Theories, being roundabout, profound, magnificent and exaggerating, are not practical.²⁰

Han Feitzu recommends, in place of eloquent statements, practical and scientific approaches: "[The] enlightened ruler works with facts and discards useless theories."²¹ In another place, he summarized his approach as follows: "When the sage rules, he takes into consideration the quantity of things and deliberates on scarcity and plenty."²²

V

The starting point of Han Feitzu's political economy is his conception of human nature: "Men are calculating. Men in general seek security and gain and shun danger and deprivation."²³ Han Feitzu believed that the characterization of human beings as promoting their own welfare was a fair description of the springs of human behavior. He had no doubt that his conception of selfish man had a great explanatory power. For example, he repeatedly argued that what motivates people to pursue different activities is profit: "Eels are like snakes; silkworms like caterpillars. Men are frightened at the sight of snakes and get goose-bumps at the sight of caterpillars. Yet, fishermen hold eels with the hand and women gather silkworms with the hand. Where there is profit, then nothing can discourage them."²⁴ And how else can we understand the fact that people even pursue activities that might endanger their lives? "When the King of Yueh favored bravemen, many of his people came to regard death lightly; when the king of Ch'u fancied slender waists, many (women) in his domain went on a diet."²⁵

^{19.} Ibid., 2:40.

^{20.} Ibid., 295.

^{21.} Han (1964, 128).

^{22.} Ibid., 99.

^{23.} Han (1939, 2:295).

^{24.} Ibid., 1:245.

^{25.} Ibid., 50. Han Feitzu even explains social customs by the concept of selfish man: if parents congratulate each other when birth is given to a boy, and do not hesitate to undertake

Clearly, Han Feitzu's conception of selfish man was not mere casual empiricism. He recognized in it an underlying principle of human behavior. One of the most important conclusions Han Feitzu derived from his conception of selfish man is that human behavior is amenable to incentives. Furthermore, Han Feitzu exhibited a considerable fluency with his conception of selfish man, which closely resembles the modern concept of economic man, in settling some of the theoretical issues of the time.

For example, many thinkers during the time of social chaos complained that there had been a steady decline of morality—people became greedy and shameless. Social problems were diagnosed as problems of morality. Confucius and his followers represented this social mood. Confucius nostalgically looked back to antiquity when kings were wise and benevolent; and people, simple and upright. In idolizing wise kings in antiquity, Confucius almost single-handedly created a tradition of attributing one's own ideal to mythical figures in pre-historic times (thereby immunizing it from the possibility of falsification).²⁶ Within the tradition, if one wanted to argue against Confucians, the customary practices appear to have been to fashion another mythical figure who preceded Confucian heroes, and attribute one's own ideal to the fictitious figure. This process of course can go on ad infinitum.

Breaking away from the tradition, Han Feitzu did not follow the convention of discovering his own heroes in prehistoric time; nor did he try to dispute the factual validity of Confucian heroes, which, of course, could not be done. Rather, Han Feitzu granted Confucian mythologies as stated, and then proceeded to show that they were irrelevant in analyzing the issues of the time.

The pattern of Confucian argument proceeded as follows: Look at the corruption and immorality around us; and look at antiquity when kings did not think much about their offices, when kings did not live any better than commoners (and worked as hard), and when people were orderly and simple. Now, nations are ravaged by wars, internal strife, and corruption; then, the world was at peace. Imitate the wise kings of antiquity; we shall have peace.

Han Feitzu's criticisms of Confucians were as follows: The supposed difference between people's behavior in antiquity and in the present has nothing to do with the moral superiority of the ancient people; human nature does not change; men are selfish; what can possibly account for the differences in people's behavior now and then is the differences in economic conditions. Are people more greedy and quarrelsome now? Not

infanticide if it is a girl, the abhorrent custom can be accounted for by accepting the calculating mind even of parents.

^{26.} A comparable tradition in the West, initiated by stoics, is to define one's own ideal as the laws of nature.

necessarily! The greed is more likely due to greater competition now, reflecting greater scarcity brought about by a rapid increase in population: "nowadays no one regards five sons as a large number, and these five sons in turn have five sons each, so that before the grandfather died, he has twenty-five grandchildren. Hence, the number of people increases, goods grow scarce, and men have to struggle and slave for a meager living."²⁷ Han Feitzu rigorously reasoned from the economic man to refute the moralist views. Morality has fallen to the ground and government officials nowadays do anything, e.g., bribe and plot to grab and stay in their posts, whereas in antiquity even kings lightly relinquished their offices? No, this is more a reflection of differences in the benefits to be had:

Those men in ancient times who abdicated and relinquished the rule of the world were, in a manner of speaking, merely forsaking the life of a gate-keeper and escaping the toil of a slave. . . . Nowadays, however, the magistrate of a district dies and his sons and grandsons are able to go riding about in carriages for generations after. . . . When men lightly relinquish the kingship, it is not because they are high-minded, but because the advantages of the post are slight; when men strive for sinecures in the government, it is not because they are base, but because the power [and wealth] they will acquire is great.²⁸

The aim of Han Feitzu in this type of polemics against Confucians was not only to demonstrate the explanatory power of the theory of the selfish individual, but, more importantly for him, to point out that social institutions reflect the ways in which people adjust to circumstances they face, and that, therefore, it is futile to advocate a revival of ancient institutions (i.e., personal rule), when circumstances in which people find themselves radically differ from the old (i.e., larger population and greater territorial expansion). What was needed was a new set of institutions that could restore order and peace. Han Feitzu believed that he had something positive to contribute to end the long and painful process of groping for new institutions.

The conception of the selfish individual is not original with Han Feitzu. The renowned Confucian, Hsuntzu (300—? B.C.), under whom Han Feitzu studied, gave one of the most systematic expositions on the concept at the time. But, whereas Hsuntzu used the concept to justify the Confucian approach to education as the primary means of transforming the world, Han Feitzu further developed and applied the concept to the science of government.

^{27.} Han (1939, 2:276). This observation seems to presume a rudimentary growth model in which population grows faster than the productive capacity of society, resulting in lower per capita income. I thank an anonymous reader for pointing it out to me.

^{28.} Ibid., 277 (emphasis added).

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VI

In the process of explaining behavior by means of benefits to individuals, Han Feitzu seems to have appreciated that scarcity determines the value attached to different goods:

Those who live in the mountains and must descend to the valley to fetch their water give each other gifts of water at festival time. Those who live in the swamps and are troubled by dampness actually hire laborers to dig ditches to drain off the water. In the spring following a famine year even the little boys of the family get no food; in the fall of a year of plenty even causal visitors are feasted. It is not that men are indifferent to their own flesh and blood and generous to passing visitors; it is because of the difference in the amount of food to be had.²⁹

The above statement is equivalent to the statement, in modern terminology, that given demand, price is determined by supply. In another place, an anecdote cited by Han Feitzu may be interpreted as saying that, given supply of a good, its price is determined by demand:

Duke Ching [asked]: "If your family is used to shopping at the market, do you know the prices of goods?" At the time Duke Ching was busy inflicting many punishments. Therefore, Yen Tzu replied: "The shoes of the footless men are dear; the ordinary shoes cheap." "Why?" asked the Duke. "Because there are many punishments of foot cutting," replied Yen Tzu. . . . [He] persuaded [the Duke] that the punishments were too many.³⁰

From the above, it may be inferred that Han Feitzu was generally aware of the fact that values (and prices) are determined by the interaction of supply and demand. But such an inference should be a guarded one especially in light of the fact that the explication of the market process was not the principal aim of his analysis. Anyway, it seems that, for Han Feitzu, human selfishness was not a mere casual observation; he used the concept of selfishness with considerable fluency in analyzing contemporary issues.

VII

In the sphere of economics Han Feitzu believed that, given the human propensity of promoting one's own welfare, a system of free competition would induce people to produce more and save (and invest) more, with the unintended result of the greatest possible production. The following passage reads almost like the oft-quoted passage of Adam Smith:

^{29.} Han (1964, 98) (emphasis added).

^{30.} Han (1939, 2:157–58).

When a man sells his services as a farm hand, the master will give him good food at the expense of his own family, and pay him money and cloth. This is not because he loves the farm hand, but he says: "in this way, his ploughing of the ground will go deeper and his sowing seeds will be more active." The farm hand, on the other hand, exerts his strength and works busily at tilling and weeding. This is not because he loves his master, but he says: "in this way, I shall have good soup, and money and cloth will come easily." Thus he extends his strength as if between them there were a bond of love such as that of father and son. Yet their hearts are centered on utility, and they both harbor the idea of serving themselves.³¹

This must be one of the earliest explicit statement of selfish individuals promoting the common welfare, without intending to do so.³²

Han Feitzu's statements about free competition are fragmented and at times contradictory. Even so, various passages of *Han Feitzu* rather clearly suggest that its author was in general favorably disposed to minimal government intervention in the economic spheres:³³

- [If], when frying small fish, you poke them around too often, you will ruin the cooking; and . . . if, when governing a big country, you
- 31. Fung (1952, 327) (emphasis added). For the same passage in Liao's translation, see Han (1939, 2:44-45).
- 32. For other early thoughts on the related issues, see Barry Gordon (1975). I thank an anonymous reader for this reference.
- 33. The statement that Han Feitzu in general favored minimal government intervention in economic spheres must be interpreted guardedly. For what Han Feitzu favored was a system of relying on selfish human nature within strict confines of law designed to maximize the production of basic goods. Han Feitzu, therefore, would make any activity that he regarded as counter-productive unrewarding, e.g., rent-seeking activity. (See section IX below.) He also censured merchants and artisians as unproductive. (Section X below.) But as I understand, Han Feitzu's way of dealing with what he regarded as unproductive activities did not prohibit them by law, but provided an institutional framework in which unproductive activities are unprofitable, and productive activities, such as farming, mining and fashioning basic tools, etc., profitable. There were other thinkers in the tradition of legalism who believed that trade and industry in general contributed to social production. But here we are dealing with one question—is or is not trade in general productive? If somehow Han Feitzu could be persuaded to believe that trade (in luxury goods that are consumed by the rich and powerful) is not unproductive, I am pretty sure, he would have classified it as one of the activities to be encouraged.

Han Feitzu, in keeping with other thinkers in the tradition of legalism, seems to have believed that the general population should be kept poor, but not so poor as to become desperados. The reason seems to be that wealthy people may not be amenable to the incentive schemes of government. And there is nothing more hateful for legalist thinkers than those who cannot be induced to add something to national wealth and power! Their analogy of government, I think, is falconry. People, like falcons, must be kept poor and wanting so that they do their utmost, out of their own interest, to further the interest of the ruler, as hungry falcons do in satisfying the interests of falconers. This seems to presume that man's material wants are satiable. I thank an anonymous reader for pointing out the need for qualification.

alter laws and decrees too often, the people will suffer from hardship. Therefore, the ruler who follows the proper course of government . . . values [non-intervention] and takes the alteration of the law seriously. Hence the saying: "Govern a big country as you would fry small fish."³⁴

One of the most important reasons for favoring non-intervention is that frequent government intervention upsets the people's expectations regarding advantages and disadvantages, and in the process of people trying to adjust their activities, much social output would have been lost.

One important additional consideration in favor of non-intervention is that intervention by government means using knowledge and information available only to one or few individuals, which is clearly inferior to using knowledge and information available to everyone: "As one man in physical strength cannot rival a multitude of people and in wisdom cannot comprehend everything, using one man's strength and wisdom cannot be compared with using the strength and wisdom of the whole [nation]. The inferior ruler exerts his own ability . . . and the superior ruler exerts people's wisdom." That is, the way of the superior ruler is to provide a framework in which people's wisdom and ability are utilized fully. Han Feitzu had little doubt that such a framework must be based on the understanding that men are selfish. Passages in *Han Feitzu* suggest that he finds the framework in competition within the bounds of law.

VIII

Philosophers at the time did not really object to the idea of free competition in the economy for at least two reasons: the ancient feudal order was completely undermined well before Han Feitzu's time; and, probably more importantly, the majority of thinkers at the time did not fully grasp the significance of economic order.

For example, Confucians saw no contradiction between their humanitarian concerns, e.g., relief of the poor and an egalitarian land reform, and their permissive attitude toward free competition. But Han Feitzu realized that they were manifestations of two conflicting goals, presumably because he appreciated the nature of market order far better than they. Han Feitzu argued against various welfare measures on the ground that, while they may be well-meaning, they would have the effect of encouraging idleness and extravagance, an obvious outcome of which would be an impoverished nation:

But suppose there is a man whose circumstances are similar to those of others, and there has been no profit from a prosperous year or from

^{34.} Han (1939, 1:185) (emphasis added).

^{35.} Ibid., 2:259-60.

other sources, yet he alone is sustaining. This means that he must either have been industrious or economical. Now suppose there is a man whose circumstances are similar to those of others, and there has been no tribulation of famine, disease or calamity, yet he alone is poor. He must have been either wasteful or lazy. The wasteful and lazy person is poor, while the industrious and economic person is rich. Now for the superior to collect from the rich man so as to distribute to the poor home, is to take from the industrious and the economical and give to the wasteful and lazy. To wish thus to lead the people to increase activity and frugality is impossible.³⁶

Han Feitzu was not against relief measures in the event of calamity or disaster. In fact, he recognized relief as one of the legitimate functions of government. What he was opposed to was government intervention in the absence of natural disaster that might warrant it, that distorted incentives:

Indeed, to give alms to the poor and distribute is what the world calls a benevolent and righteous act; to take pity on [the people] and hesitate to inflict censure and punishment on culprits is what the world calls an act of favour and love. [But this is to reward those who do not deserve, and not to punish ruffians.] If men of no merit . . . are awarded, the people will neither face enemy . . . nor will they devote their strength to farming and working at home, but all will use articles and money as bribes to serve the rich and noble . . . in order that they may thereby get high posts, and big bounties.³⁷

For a similar reason, Han Feitzu was against a heavy taxation to finance extravagant consumption by the King: "If the ruler is fond of palatial decorations, raised kiosks, and embanked pools; is immersed in pleasures of having chariots, clothes, and curios, and thereby tires out [the people] and exhausts public wealth, then ruin is possible." Han Feitzu, who aimed at strengthening the military capability of the nation, was against heavy taxation even for the purpose of maintaining a large standing army. In his view, the real military capability of a nation rests not on a large standing army but on the wealth of the nation and the citizens' willingness to fight—both of which will increase in proportion to the citizens' stake in their own welfare. The following is Han Feitzu's idea of good government: "When a sage governs, he stores wealth among people, not in granaries and treasuries, and he works to train the people in their duty [or occupations], not to repair walls and battlements." So that an inspection of a well-managed state would reveal the following: "[Viscount Hsiang of Chao] inspected

^{36.} Fung (1952, 328).

^{37.} Han (1939, 1:127). See also 2:290-91.

^{38.} Ibid., 1:134.

^{39.} Han (1964, 58).

the inner and outer walls and storehouses of the five government bureaus, and found the walls in poor repair, the granaries empty of provisions, the treasury bare of money, the arsenals unstocked with weapons, and the city completely lacking in defense preparations."⁴⁰ What Han Feitzu counted on was the fact that a prosperous nation, unburdened by heavy taxation, would be able to mobilize quickly enormous manpower and material resources in the event of a war.

The philosophical justification for free competition, as compared to the utilitarian justifications seen above, seems to rest on the Taoist conceptions of the natural order (as opposed to an artificial) and non-interference. What Han Feitzu had done was to argue that the natural order is consistent with his conception of human nature, selfish man. But his interpretation of Taoist natural order contained an additional insight: while Taoists tended to be anarchistic or cynical, Han Feitzu realized that competition engendered different outcomes, depending upon the social institutions within which competition took place. Therefore, Han Feitzu picked up where Taoists left off.

IX

Han Feitzu did not believe that unrestrained freedom of human action would result in a desirable state. He was especially concerned with the wastefulness of rent-seeking activities (if we may borrow terminology of modern economics).

Han Feitzu clearly understands that scarcity begets competition; and competition will foster those practices that are profitable in a given environment. For example, if the competitive urge is channeled to the economic sphere, society will be populated by people who produce more and save (and invest) more. Such a society cannot be poor and weak.

But economic competition, the practice of offering something that others desire in order to obtain what one desires, is not the only kind of competition. There are other modes of competition, political and military. If people find it *easier* to gain wealth and an easy life by plundering than by working, society will be populated by bandits. If people find it easier to make a living by seeking favors from the King or his ministers (without rendering a service of comparable value) than by production, the society will be populated by those who seek privileges by specious and elegant speech and bribery. If the ability to converse on military strategy is more highly valued and rewarded than actual fighting, the society will be populated by experts in military strategy but no soldiers to fight the war. And so on. A society in which competition takes place in the political or military sphere cannot hope to be rich and strong: "[Nowadays] he who man-

ages to get clothing and food without working for them is called an able man and he who wins esteem without having achieved any merit in battle is called a worthy man. But the deeds of such able and worthy men actually weaken the army and bring waste to the land. If the ruler rejoices in [i.e., rewards] the deeds of such men . . . then private interests will prevail and public profit will come to naught."41

Han Feitzu was rather consistent in using the concept of selfish man in analyzing human behavior, even in the political process: "The ruler keeps the minister in service with a calculating mind. So does the minister with a calculating mind serve the ruler. . . . In short, the ruler and the minister work together, each with a calculating mind."⁴² But in the political process, the Invisible Hand Theorem a la Han Feitzu is not necessarily applicable. The economic process, which assumes a degree of respect for others' rights, consists in obtaining objects of one's desire by offering something for which others are willing to exchange them. As we saw above, Han Feitzu was aware that selfish men may promote the common welfare in the economic process. But the presumption that other people's rights are respected is less tenable in the political process. Political actors are in the position to make and unmake rights—by making, interpreting, and enforcing the law.

Han Feitzu devoted a chapter in discussing ways in which political actors can benefit themselves by abusing their offices:

The heavy-handed men would without any order act on their own will, benefit themselves by breaking the law, help their families by consuming state resources, and have enough power to manipulate their ruler.⁴³

or

Ministers distribute money out of public revenue to please the masses of people and bestow [on them] small favours to win [their] hearts . . . and thereby make everybody, whether in the court or in the market-place, praise them, and, by deluding the sovereign in this manner, get what they want.⁴⁴

Han Feitzu believed that when political actors take advantage of their special offices, the outcome would be ruinous. For when benefits from political offices and privileges are possible, there will be a host of people who abandon productive activities and seek benefits and privileges through bribery: "If posts and offices can be sought through influential personages and rank and bounties can be obtained by means of bribes, then ruin is

^{41.} Ibid., 104-105.

^{42.} Han (1939, 1:168).

^{43.} Ibid., 97.

^{44.} Ibid., 64.

possible."⁴⁵ The following anecdote was cited, however, to illustrate the difficulty of eliminating political corruption and rent seeking:

Duke Huan asked Kuan Chung what . . . the greatest menace to the government of a state [was]. "The greatest menace is the shrine rats," was the reply. "Why should we worry so much about the shrine rats?" asked the Duke. Then Kuan Chung replied: "Your highness must have seen people building a shrine. They set up the beams and then plaster them. Yet rats gnaw holes through the plaster and shelter themselves inside. Then if you smoke them out, you are afraid you might burn the wood; if you pour water over them, you are afraid the plaster might crumble. This is the reason why the shrine rats cannot be caught. Now the courtiers of the ruler of men, when out, are influential in position and thereby exploit the people; when in, they join one another in hiding their faults from the ruler. From inside they spy out the ruler's secrets and report them to foreign authorities, till they become influential both at home and abroad and all ministers and magistrates regard them as helpful. If the authorities do not censure them, they will continue disturbing laws; if they censure them, then the ruler will shield them from blame . . . and still keep them around. They are the shrine rats in the state."46

The central theme of Han Feitzu's political economy is the search for a means of minimizing the political actor's discretion with respect to the law. It seems that Han Feitzu's vision of ideal society is a strict meritocracy both in politics and in economics (as well as in the military). The following anecdote of Kuan Chung cited by Han Feitzu well illustrates the vision:

Once Duke Huan said to Kuan Chung: "official Posts are few, but office-hunters are many. Over this I am worried." "If your Highness grants the attendants no request but award men with emoluments only in accordance with their abilities and gives men official posts only in correspondence to their merits, then nobody will dare to hunt any office. What will your Highness be worried about then?"⁴⁷

The central theme of *Han Feitzu* is to analyze the rent-seeking activity and expose its undesirability for the common welfare, and suggest the rule of law as the remedy.

X

Before we examine Han Feitzu's argument for the rule of law, a clarification is needed. There are passages that indicate that Han Feitzu condemned not only political corruption and rent-seeking activities, but also

^{45.} Ibid., 135.

^{46.} Ibid., 2:105-106.

^{47.} Ibid., 77.

artisans and merchants, as well as scholars. But earlier I suggested that Han Feitzu was in general opposed to government intervention in economic activities. How are we to understand the apparent contradiction?

The condemnation of merchants had little to do with ethical values or morality; Han Feitzu insisted that they be left out of consideration. Han Feitzu, a prince of the Han Kingdom, may not have cared much about trade as an occupation. But he was not against trade per se. In Han Feitzu's conception of a well-managed state the price disparity of commodities between the points of production and consumption is minimal, a feat that cannot be attained without intense economic competition and trading: "[In a well managed state] woods at the market place are not more expensive than in mountains."⁴⁸

His condemnation of merchants rested, rather, on the perceived connection between the activities of merchants and artisans on the one hand and political privileges on the other, which he regarded as counterproductive to the national wealth. What kind of connection? It is not too difficult to imagine that, given the high costs of transaction at the time, the articles produced and traded by artisans and merchants, the ones condemned by Han Feitzu, must have been of very high value—luxury goods. 49 Han Feitzu reasoned that the consumers of luxury goods were mostly the politically privileged, who secured their high incomes by seeking the King's favor, taking bribes, and squeezing and plundering the common people. Merchants and artisans who cater to the privileged will prosper. What is the harm? While the exchange may be mutually beneficial for the privileged and for those who cater to them, it has the effect of channeling the competitive urge of people to those activities, i.e., rent-seeking and sharing in the spoils, whose payoffs are higher than farming and other productive activities. The end results of such modes of competition are poverty, disorder, and a weak nation constantly threatened by a stronger, more prosperous nation. A prospect most dreaded by Han Feitzu:

Nowadays . . . if a man enlists the private pleading of someone at court, he can buy offices and titles. When offices and titles can be bought, you may be sure that merchants and artisans will not remain despised for long; and when wealth and money, no matter how dishonestly gotten, can buy what is in the market, you may be sure that the number of merchants will not remain small for long. When a man who sits back and collects taxes makes twice as much as the farmer

^{48.} Ibid., 90.

^{49.} Keep in mind that it was not long after Chinese began to use iron. A passage in *Han Feitzu* indicates that common swords were still made of zinc. Moreover, given the geographical location of ancient Chinese civilization, much of transportation and communication must have been overland. Exaction of tax by highway men and princes might have added to transportation costs. National coins were being evolved.

and enjoys greater honor than the plowman or soldier, then public spirited-men will grow few and merchants and tradesmen will increase in number.⁵⁰

His condemnation of scholars, which has infuriated Confucians since then, was similarly motivated. Han Feitzu was especially hostile to the large number of travelling literati who were maintained at royal courts. These literati aimed at the moral education of the elite, especially kings. But what actually happened often was that kings maintained a large number of literati in their entourages as a token of their wisdom and benevolence. (It is not difficult to imagine that the literati whose livelihood depended on the generosity of the host might have offered profuse adulations.) Moreover, Confucian literati encouraged kings to show tokens of benevolence and wisdom by personal intervention to relieve the poor, to exempt a conscript, and so on. All these must have greatly infuriated Han Feitzu. The maintenance of a large number of literati introduces much distortion into the economy: (i) taxes must be raised to support them, while they produce nothing of value as far as Han Feitzu could tell; (ii) since talking flattery in court is easier than toiling in the field, people will aspire to be literati, and the productive population will decline; moreover, (iii) intermittent intervention in society, encouraged by literati in the name of mercy, merely introduces a great deal of uncertainty to society, further distorting the incentive scheme without really helping the poor.⁵¹

It is clear from the above considerations that Han Feitzu believed that the national wealth would be maximized only in a meritocracy, realized through competition within the bounds of law. For only then could human nature be relied upon to encourage people to produce more (and better) and be frugal.

ΧI

Given the fact that there had been no extant morality or social convention that was strong enough to discourage the rent-seeking activity, Han Feitzu proposed the rule of law as a means of limiting the permissible forms of behavior and competition.

The concept of selfish man assumed an added significance in his system of political economy concerned, as it were, with the creation of new institutions. Law built on the assumption that men are benevolent or moral will be hopelessly inadequate: "The bond of mother and child is love, the relationship of ruler and minister is expediency. If the mother cannot preserve the family by virtue of love, how can the ruler maintain order in the

^{50.} Han (1964, 116).

^{51.} Han (1939, 1:135).

state by means of love?"52 Law built on the assumption that men are self-ish, however, will be effective if the assumption is valid:

[The] sage in governing the state pursues the policy of making the people inevitably do him good but never relies on their doing him good with love. For to rely on the people's doing him good with love is dangerous, but to rely on their inevitability to do him good is safe. . . . Knowing [that man's behavior is amenable to incentives] the intelligent sovereign simply establishes the system of advantages and disadvantages and thereby shows the world what is right and what is wrong.⁵³

The necessity of assuming selfish man in discussing public policy is expressed in the following emphatic passage: "[With] the ruler well versed in the practice of *inhumanity* and the minister in that of *disloyalty*, it is possible to rule over [the world]."⁵⁴ Therefore, Han Feitzu's system of political economy makes no demand on the provision of love, humanity, or loyalty. The rule of law is proposed: "The best laws are those which are uniform and inflexible, so that people can understand them. . . . If praise accompanies the reward, and censure follows on the heels of punishment, then worthy and unworthy men alike will put forth their best effort."⁵⁵ The merit of the rule of law is that first of all it removes uncertainty from people regarding the nature of competition:

Men make no fuss about balance and weight. This is not because they are upright and would ward off profit, but because the weight cannot change the quantities of things according to human wants, nor can the balance make things lighter or heavier according to human wishes. Acquiescing in the inability to get what they want, people make no fuss. In the state of an intelligent sovereign, officials dare not bend the law, magistrates do not practice selfishness, and bribery does not prevail. It is because all tasks within the boundary work like weight and balance, wherefore any wicked minister is always found out and anybody known for wickedness is always censured.⁵⁶

Also, the goal of using ability and knowledge in society as fully as possible is compatible only with the rule of law. For, the enormous problem of social coordination can be solved by letting people monitor themselves. That is, by allowing them to do things within the bounds of law according

^{52.} Ibid., 2:254.

^{53.} Ibid., 1:121. Brennan and Buchanan argue in somewhat similar manner (1985, 48-66)

^{54.} Han (1939, 2:117) (emphasis added).

^{55.} Han (1964, 104).

^{56.} Han (1939, 2:253) (emphasis added).

to their predilections and knowledge, society can manage itself well, without having to have a philosopher king. The *efficacy* of the rule of law is especially noticeable when it is compared to the rule of man, often advocated by Confucians:

Disregarding laws . . . and relying upon his own mind for government, even Yao could not put one state in order. . . . If it were seen too that the ruler of ordinary ability kept his laws . . . among ten thousand things there would be no error. If the ruler can avoid that which even talented and clever people cannot accomplish, and continues in that in which even stupid persons can make no error amid ten thousand things, human strength will be expended to the utmost for him and his reputation for merit will be established.⁵⁷

In arguing for the rule of law, Han Feitzu demonstrates that he seems to have appreciated the enormity of the problem of coordinating social production.⁵⁸

A modern reader may find it interesting that in Han Feitzu's scheme of the rule of law, there is nothing the King should do: "When a state is governed by law, things will simply be done in their regular course." Here, Han Feitzu is reiterating his belief in the benefit of a minimal government intervention in the economy.

As for the content of law, Han Feitzu never stated this clearly. One can infer that he was in favor of a strict enforcement of contracts—written or verbal—but not much else can be inferred. It is perhaps for a good reason since the discussion of the rule of law, that purports to do nothing more nor less than restrict competition within the bound of law, must be general by its nature. At times, it appears that Han Feitzu did not make a sufficiently clear distinction between law and decree. It is understandable in the sense that the concept of law, above which no one stands, was in the process of being invented by Han Feitzu. His intentions come out clearly despite the conflation: Han Feitzu repeatedly emphasized that no one should be exempted from the rule of law, not even the King himself: "When ruler and minister, superior and inferior, noble and humble all obey the law, this is called having Great Good Government." The aim of the rule of law, for Han Feitzu, was to fix permanently the rules of competition. Much common good would follow from it. 100.

^{57.} Fung (1952, 321-322).

^{58.} In some ways, Han Feitzu's arguments for the rule of law reminds us of Hayek's argument against central planning. See Hayek (1945).

^{59.} Fung (1952, 321).

^{60.} Ibid., 322.

^{61.} Confucians have shown much hostility to Han Feitzu. The feeling was mutual. We saw earlier how Han Feitzu criticized travelling literati, most of whom were Confucians. It

XII

Han Feitzu, however, anticipated two kinds of problems for the realization of the rule of law—the unpopularity of the proposition and the problem of enforcement. In this article only the analysis of the first problem will be examined. (Han Feitzu's analysis of the second problem is relegated to a separate paper that will follow.)

Han Feitzu was not at all surprised, not to say not disappointed, by the unpopularity of his proposal for the rule of law; it was entirely consistent with his view of human nature—selfish and myopic. Given human nature, people will favor those measures that they find are in their interest, and oppose those not in their interest. Unfortunately, individuals' private interests do not necessarily coincide with their public (or common) interest. They are often at variance with each other. We already saw how the Invisible Hand Theorem a la Han Feitzu did not apply to political processes.

According to Han Feitzu, an etymological analysis of the Chinese character for public reveals that the incompatibility of public and private interests was clearly understood by people in antiquity:

In ancient times when Ts'ang Chieh created the system of writing, he used the character for 'private' to express the idea of selfcenteredness, and combined the elements for 'private' and 'opposed to' to form the character for 'public.' The fact that public and private are mutually opposed was already well understood at the time of Ts'ang Chieh. To regard the two as being identical in interest is a disaster which comes from lack of consideration. 62

Surely, the rule of law, according to Han Feitzu, is a public good that will make a nation prosperous and powerful (and ultimately peace and order may be secured on that basis.) History showed that nations that adopted measures similar to his proposal, the rule of law, soon became rich and powerful, e.g., Ch'u and Ch'in. Yet when their patron kings died, Wu Ch'i and Lord Shang, who advised Ch'u and Ch'in kings respectively, were put to death and the rule of law they installed was undone. Many powerful private interests had been hurt by the rule of law that eliminated the possibility of obtaining privileges, i.e., of gaining something for nothing, and forced people into the sphere of economic competition.⁶³

If the ruler follows set policies, then the high ministers will be unable to make arbitrary decisions, and those who are close to him will not

seems that what irritated Han Feitzu most was Confucian literati had *no respect for law:* Han Feitzu urges that even Kings obey law; Confucian literati applaud law breaking in the name of mercy and compassion.

^{62.} Han (1964, 106). See also, Han (1939, 2:309-10).

^{63.} Han (1964, 80-83).

dare to try to sell their influence. If the magistrates enforce the laws, then vagabonds will have to return to their farm work and wandering knights will be sent to the battlefield where they belong to face the dangers of their profession. In effect, then, laws . . . are actually inimical to the private interests of the officials and common people.⁶⁴

The sought-after goal of the rule of law, in modern parlance, was the elimination of political privileges and rent-seeking activities. It is no wonder that interest groups were furious: "Though both men spoke what was apt and true, why was it that Wu Ch'i was torn limb from limb, and Lord Shang was pulled apart by chariots? Because the high ministers resented their laws and the common people hated orderly government." Han Feitzu acknowledged the possibility that there may have been an additional factor—ignorance. 66 But as far as he was concerned, the outcome was the same: the unpopularity of the rule of law.

If the rule of law is so unpopular among powerful interest groups, is there any hope for it? A spontaneous development of the rule of law was not deemed possible. He did not believe that a popular appeal would work. It is probable that Han Feitzu would have doubted the wisdom of partial persuasion and partial bribery, the sort of scheme that modern-day neoclassical political economists advocate; that is, he may have doubted a bootstrap scheme in introducing the rule of law.⁶⁷ Han Feitzu was a radical in that a little coercion, initially, is justified if the end sought is the supreme public good, the law:

Nowadays, those who do not understand how to govern invariably say, 'you must win the hearts of the people!' If you could assure good government by merely winning the hearts of the people . . . you could simply listen to what the people say. The reason you cannot rely upon the wisdom of the people is that they have the minds of little children. If the child's head is not shaved, its sore will spread; and if its boil is not lanced, it will become sicker than ever. But when it is having its head shaved or its boil lanced, someone must hold it while the loving mother performs the operation, and it yells and screams incessantly, for it does not understand that the little pain it suffers now will bring greater benefit later.⁶⁸

^{64.} Ibid., 81.

^{65.} Ibid., 83.

^{66.} Ibid., 128-29.

^{67.} See Brennan and Buchanan (1985). Of course, modern-day neoclassical political economists have imposed an additional constraint on themselves, that the solution must be found in a democratic framework, or more precisely, in Wicksellian unamity rule on the choice of rules, behind the "veil of ignorance." Han Feitzu, of course, observed no such constraint.

^{68.} Han (1964, 128).

Han Feitzu looked to the King, the seat of political power. In modern parlance, he was advocating a constitutional revolution from above. It was not because he harbored any illusion about the superior intelligence or benevolence of the King; it was rather that it would be easier to persuade one than to persuade all, and, more importantly, that he believed that a king's (true) interest was consistent with the expected outcome of the rule of law, a prosperous and powerful nation. The idea that a king's interest is (or should be) the public interest was being developed. The underlying reasoning is not very clear. It may be partially a Confucian influence. But judging from Han Feitzu's mode of reasoning, the King might have been viewed as a residual claimant. Be that as it may, many chapters of *Han Feitzu* were written to persuade the ruler.

XIII

In Han Feitzu is revealed an impressive system of political economy. True, the above portrayal of Han Feitzu's thought is a result of a considerable reconstruction; however, it was not to distort his intent or meaning, but to convey them faithfully to modern (and Western) readers. Han Feitzu's system of political economy is truly impressive in its scientific approach, its scope, and the rigor of reasoning: Based on the concept of selfish man, he constructed the ideal scheme of government, viz., the rule of law, in which rent-seeking is discouraged and productive activities are given incentive. Though Han Feitzu did not state them explicitly, modern economic principles are implied by his analysis. Of all ancient writers that I am aware, which is admittedly nowhere nearly exhaustive, Han Feitzu resembles modern (micro-) economists most, in analytical concepts and the areas of application (not to mention in methodology). He even resembles modern economists in his exclusive focus on efficiency, without any regard to the question of (equal) income distribution.

From these considerations, it appears that Schumpeter is unjustified in speculating that the level of economic reasoning in ancient China is typified by Confucius or Mencius. It would be like judging the level of modern economic reasoning by Gandhi. (There are people who talk about the economics of Gandhi, however.)

Han Feitzu deserves a distinguished place in the history of economic thought. Unfortunately, scholarship on Han Feitzu is a rarity, especially in the Western world. What scholarship exists on Han Feitzu has been undertaken by sinologists and political philosophers. The language barrier may be blamed for this in a large part, but the relevance of his thought is no less, if not more, important for students of the history of economics than for students of political philosophy. The little, if any, influence that he exerted on posterity may be cited as another reason for the paucity of

scholarship on Han Feitzu. But the history of economics is not solely a sociology of knowledge; I believe the quality of ideas and reasoning counts also. Besides, a student of the sociology of knowledge would be stimulated by curiosity as to why such high quality ideas did not exert a great influence on posterity. That Han Feitzu lived in ancient China, far removed in time and place from potential scholars, may be an additional reason for the paucity of scholarship on Han Feitzu. Still, there is a clear benefit to be had from studying the thought of a man (of a high intellectual stature) far removed in time and place; it is the realization that, at the level of abstraction, human minds are alike and the economic problem is perennial. This realization is crucial in dispelling various myths regarding different minds of different people: Something is either A or not A, but not both, whether this something is in the east or the west, in modern times or in antiquity. I believe that much can be gained by studying Han Feitzu, whether for its own sake or not.

The following four areas seem to be of interest for future studies: (1) a more in-depth analysis of Han Feitzu's thought, which will require not only a familiarity with his time (during which nations emerged in the midst of the ashes of the destruction of the feudal order), but also a familiarity with the contemporary thought of which Han Feitzu may be regarded as a synthesizer; (2) a clear estimation of the extent of Han Feitzu's influence on posterity, which was in part preserved in form, in the centralized bureaucracy, but minimized by the emergence of Confucian orthodoxy; (3) a comparative study of Han Feitzu's thought with Western thinkers who expressed similar concerns, e.g., Machiavelli, Hobbes, Bentham, and A. Smith; and (4) deriving lessons, if any, from Han Feitzu for modern readers.

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