

The Major Distinctions of Economic Outlook between China and the West under an Ancient Context

Guoqiang Cui

Lecturer of School of Foreign Languages, Jilin University of Finance and Economics, Changchun, Jilin Province, P.R.China, 130117

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Abstract: The distinction between China and the West in economic outlook has long been a hot issue. It originated from the very ancient times of each other's history. Pre-Qin and ancient Greece shared many similarities in economic outlook. Afterwards in Qin-Han dynasties and Roman period, the distinctions gradually became prominent. This paper attempts to explore the major distinctions and the causes for them.

1. Introduction

Ancient economic outlook (also referred to as “economic thought”) refers to the ideas from people before the Middle Ages. Economics in the classical age is defined in the modern analysis as a factor of ethics and politics, only becoming an object of study as a separate discipline during the 18th century. Some scholars assert economic thought similar to the modern understanding occurred during the 18th century or the Enlightenment, as early economic thought was based on metaphysical principles which are incommensurate with contemporary dominant economic theories such as neo-classical economics. [1]

2. A Historical Review: Pre-Qin and Ancient Greece

Several ancient Greek and Roman thinkers made various economic observations, especially Aristotle and Xenophon. Many other Greek writings show understanding of sophisticated economic concepts. For instance, a form of Gresham's Law is presented in Aristophanes' *Frogs*, and beyond Plato's application of sophisticated mathematical advances influenced by the Pythagoreans is his appreciation of fiat money in his *Laws* (742a–b) and in the pseudo-Platonic dialogue, *Eryxias*. [2] Bryson of Heraclea was a neo-platonic who is cited as having heavily influenced early Muslim economic scholarship. [3] Within the pre-Classical and Classical culture, horses and cattle were considered to be a measure of wealth. Early Greek and Judaic law follow a voluntaristic principle of just exchange; a party was only held to an agreement after the point of sale. Roman law developed the contract recognizing that planning and commitments over time are necessary for efficient production and trade.

In ancient China, Chinese scholar-officials would often debate about the role government should have in the economy, such as setting monopolies in lucrative industries and instating price controls. Confucian factions tended to oppose extensive government controls, while reform or legalist factions favored intervention. The Confucians' rationale for opposing government intervention was that the government should not compete for profit with the people as it would tend to exploit the population whenever it was involved in mercantile activity.

Although there were some differences between Chinese and western economic outlooks in ancient Greece and pre-Qin period, they shared some similarities, for example, both of the two showed scorn and contempt to industry and commerce; they both applied social ethics to conduct and constraint acquisition and distribution of wealth; they both pursue managing economic affairs via law. It was for this reason Y. Feng (2000) asserted that ancient western economic outlook were quite similar in

nature. The famous historian Q. Tang (1933) holds the same stand.

3. Distinctions of Economic Outlook between Qin-Han and Rome

Back to 1980s, J. Zhou and L. Chen published a short study on the distinction of economic outlook between China and the West. The writers summarized China's economic outlook from the perspective of historical development. Generally, the economic outlook of ancient China was to save the subject people. Chinese thinkers were focusing on issues like land, currency and taxation. Their starting point was all about achieving the goal of governing the country and seeing economic activity as a means to maintain political order. After accepting Marxism, Chinese traditional economic outlook moved forward in two aspects: adding production relations into research scope and putting forward promoting production to meet people's needs. The fundamental characteristic of western economic outlook is enterprising, because it lies in the pursuit of economic parties' interests. The starting point of Chinese traditional economic outlook was to maintain the existing political order instead of secular interest. In this sense, this outlook took on conservative characteristic.[4] In recent years, the policies of pursuing people's well-being and wealth, together with the pushing of economic reform, show that China's economic outlook has undergone fundamental transformation. Therefore, it is necessary to trace back the distinction in the early period.

Since Professor Walter Scheidel noted China and the West went forward to a varied direction after Qin-Han dynasties and Roman period and put forward "The First Great Divergence" theory, [5] he has been widely quoted to distinguish the "(secondary) Great divergence" proposed by Kenneth Pomeranz,[6] which was marked by the end of the 18th century industrial revolution.

Economic outlook is closely related to culture. In a bigger sense, culture plays a crucial role in economic development; in a smaller sense, culture influences individual economic behavior greatly. China has a quite different development path in the past and a varied culture from the West. They have different origins, theoretical basis, forms of expression and economic impact. Economic outlook is the stable belief and values formed in economic life, including economic morality, distribution culture, economic laws, economic rules and regulations. Although there is no simple and direct logical implication between economy and culture, institutions and ethics, the ethical dimensions of economic outlook and institutions are sharply different. On one hand, the concept of "economic man" affects the economic culture of the whole western world. They generally believe that human economic activities are led by rational thinking and always aim at maximizing personal economic benefits. On the other hand, Chinese culture attaches great importance to human ethics and morality, and advocates building outstanding morality and personality by following high standard noble image and value. The traditional Chinese culture advocates "morality first, then personal interests" philosophy, which forms a kind of economic culture that makes Chinese nation willing to sacrifice personal interests.[7]

As for macro distribution of economic production, here we can quote the sketch from the Third Ancient History Forum of Central China Normal University; Mr. Ma compared the taxation system of Roman Empire with the Han Empire in the themed speech. Rome and the Han dynasty both lasted for a long history, remained large scale and achieved high political stability. They established a prototype for the western polity and eastern polity respectively. The two great powers shared some economic similarities: size, population and even GDP in estimation. From the perspective of public revenues, Mr. Ma came to the following conclusions based on data analysis: first, the taxation rate for direct taxes of the Han Empire was higher than that of the Roman Empire. Second, the Roman Empire made more tax revenues from business taxes and mining taxes. Third, in order to guarantee public revenues, the Han Empire went deeper into local communities than the Roman Empire. This helps the empire a lot in establishing a closer relationship with locals.[8] The central government's public spending covered a wider social scope, especially more social elites benefit from the tendency; therefore, the Han empire had a stronger social foundation for taxation, and the taxation system or the imperial order is more likely to be restored. Regarding fiscal spending, Mr. Ma held that the spending of the Roman Empire embodies a higher geographic concentration rate, which means more than 90%

of its spending was exhausted on the capital city and military frontier fortress. These areas covered about only 3% of the total population.[8] As a contrast, the Han Empire's public spending in this aspect was much lower, and the larger part of its expenditure occurred outside of the capital and military frontiers. Besides, the Roman Empire was more active in redistributing financial revenues, because Roman political tradition stressed the privileges of a minority of the social elites, also many local projects in the Mediterranean world were funded by the autonomous city-states.

The difference of economic thinking mode between Rome and Qin-Han dynasties is mainly reflected in their discussion on price. Later generations mistook Romans lack of economic analysis, but the ancient Roman law writers often based the analysis on a one-on-one and bargaining game process, which has displayed the characteristic of "individual multi-round talk". For example, Paulus clearly pointed out that in buying and selling, natural law allows one party to buy an item at a possibly lower price, even lower than its real value; meanwhile, the other side tries his or her best to sell the same item at a possibly higher price, allowing each side to outwit the other;[9] therefore, the traditional western economic thinking mode was individual, static and relatively precise. This feature precisely helped to define the right, so it was consistent with the Romans' claim of "individual rights". As for Qin and Han dynasties, the ancient Chinese writers uncovered a means of thinking featured by "general equilibrium analysis". They normally started from an overall perspective, and pursued a relative equilibrium in the dynamic process, which was not a precise judgment over a specific case in a specific point in time. In light of this, the traditional eastern economic thinking mode was unitary, dynamic and relatively vague logic.[10] Because of this, the main concentration in ancient China was put on how to maintain price stability, thus failing to uncover the real value behind price. However, compared with the Roman Emperor Diocletian's market pricing intervention, this kind of thinking mode works better in dealing with macro problems.

Land was another focal point of China's economic outlook during Qin and Han dynasties. To resolve problems caused by land annexation and social inequality, the ruling class was striving for numerous land reforms. The trend remained evident throughout the whole period. On the other hand, land was not always the concentration of Roman economic outlook, because relevant reforms only took place several times by the end of the Roman Republic period. In addition, the Romans advocated natural law, private property and contract spirit; although these ideas were not directly related to economic outlook, they affect people's economic activities in the form of law, and even formed a solid basis for economic norms of later generations. [10]

4. The Causes for the Distinctions

The ancient China formed a relatively closed state. The geographical environment formed an agricultural civilization featured by self-sufficient small-holder economy, and also formed a means of living featured by groups in villages, thus people's thinking mode was narrowed and curvy; their social conduct was strictly restrained by certain ethics. This makes the Chinese people owe and worship only real people. Feudal China was mainly a farming society, labor force was extremely important, in addition to the underdeveloped productive forces and production tools, people had to rely on the collective strength to resist the natural disasters. Western culture originated from Greek civilization. Due to the limitation of its external environment, winding coastlines, dotted islands, narrow inland plains, hilly landscape, the people there had to turn to maritime trade in order to survive. In the civilized commercial society, communications among people became more and more frequent, leading to an open mind and a greater emphasis on individual freedom. [11]

The varied social governance models caused by varied economic foundations between Rome and Qin-Han dynasties can also serve as an important clue to understand the distinction of economic outlook. The business of ancient Rome gradually rose from the late Republic, and the development of commodity economy went beyond the blood clan, forming a more general social governance mode by the law. In contrast, due to China's typical agricultural economy and underdeveloped commodity economy, the social cooperation based on consanguinity and clan had even become a more effective and economical means of social governance. This was well represented in the Confucian culture.

Confucianism advocates ethics and morality, but could also weaken the public spirit while maintaining social stability effectively. [10]

5. Conclusion

It seems to be widely accepted that the economic outlooks in ancient Greece and pre-Qin period shared great similarities. While during Qin-Han dynasties and Roman period, the distinctions of economic outlook took on deeper variety, not only in economic value orientation, economic thinking mode, revenue distribution, land outlook and the formation of natural law. The distinctions were caused mainly by varied geographical conditions, means of living and production, ethical guidelines and governance mode. Finally, the First Great Divergence of economic outlook came into being during that historical period, leading the two great powers develop onto different paths.

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