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"Two Traditional Chinese Normative Models for Business Ethics"

by
Stephen B. Young,
Global Executive Director, The Caux Round Table

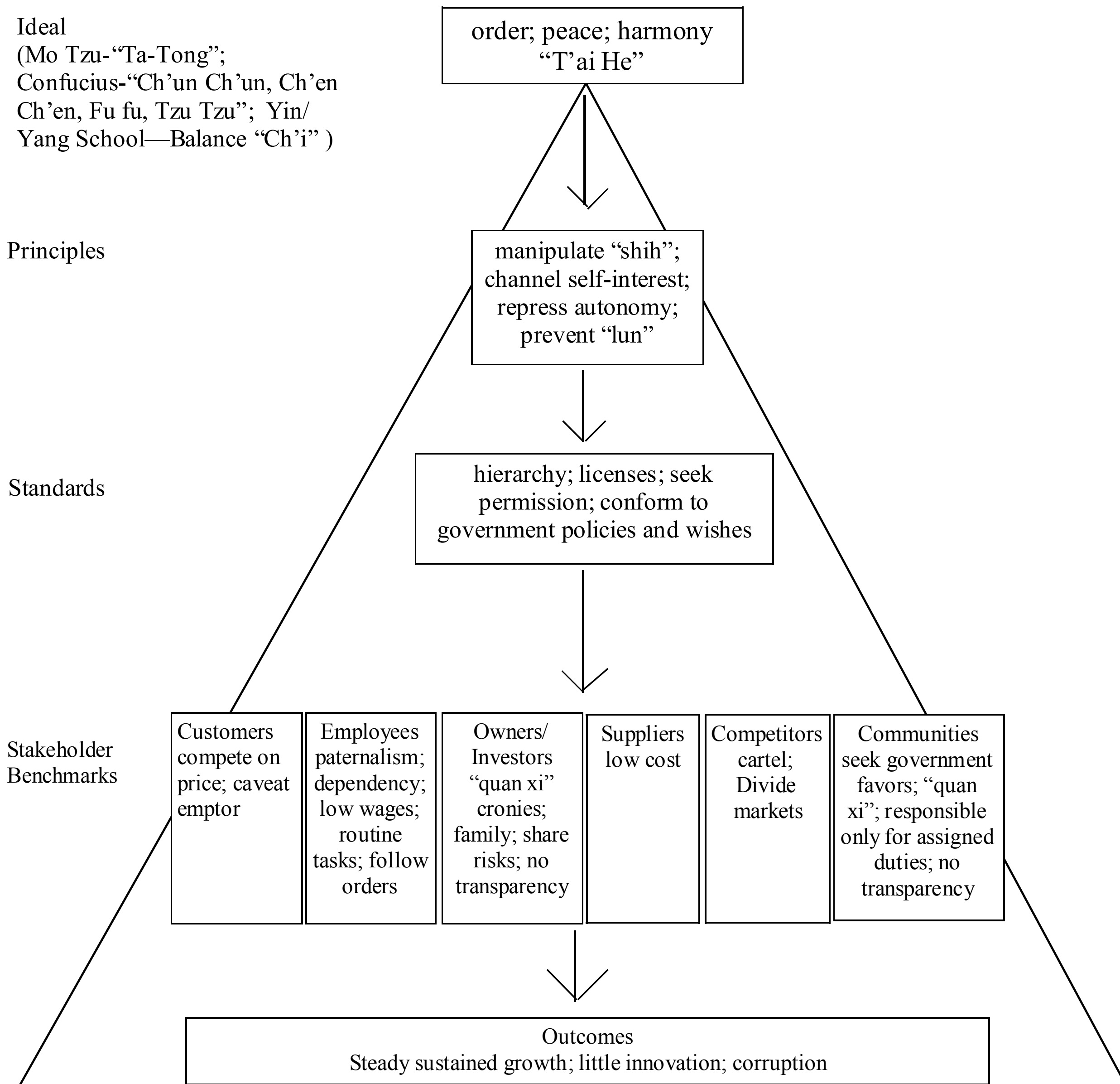
For several thousand years, there has been a tension within Chinese culture between two rival and inconsistent approaches to ethical conduct, each approach still having contemporary implications for expectations of business ethics in China.

The tension is between the role of virtue (*de*) and the compulsion of interest (*li*). In classical Confucian terms the tension is between reliance on the *jun zi* (a "lordly one") or dependence on the *xiao ren* (a "little" or "mean" person). The contrast between the two normative models can be seen by reading, on the one hand, the approach taken by Confucius in *The Analects* and, on the other hand, the alternate approach propounded by Mo Zi. Confucius built his ethical recommendations on an optimistic appraisal of the potential to be expected from the *jun zi* personality. Mo Zi to the contrary had no expectation that *jun zi* persons would be influential and persuasive and build his ethical ideal around the need to discipline the selfish inclinations of the *xiao ren*.

Each approach provides a path to order, a high cultural value for Chinese. See Richard Solomon's penetrating work on Chinese political culture.

The normative model that has prevailed over the course of Chinese history and state organization is the version offered by Mo Zi, the model based on enforced order manipulating and restraining self-interest. It is largely a normative model of compliance. It was culturally codified by *Qin Shi Huang Di*, the First Emperor, as an imperial order of centralized rule with cosmic legitimacy. The core value of this ethical system is "*Tai He*", or the great peace of all under Heaven. Under the premises of this system, the profit seeking mind essential for business enterprise presents a threat to order and so business must be controlled by the state through sophisticated systems of reward and punishment. Each business is allocated a place in society by the government and may prosper within that place. The system produced order but at the price of both stagnation and crony corruption. See Chart 1 following:

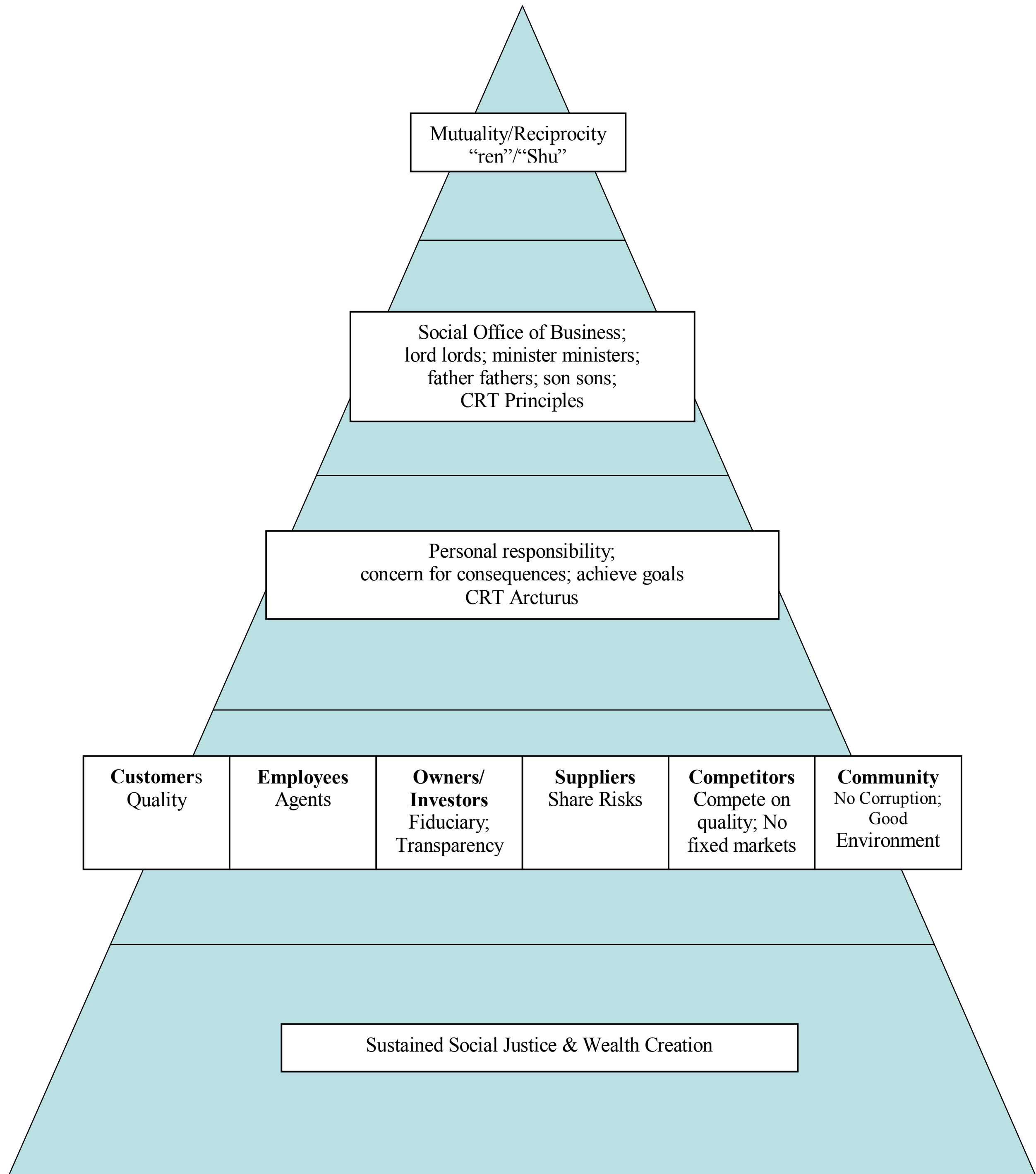
Chinese Business Value Pyramid



The second normative model, earlier in social invention, more conceptual, and less in use, harks back to Confucian optimism that some may be sufficiently motivated by feelings of concern for others – dispositions known as *ren* (humaneness) and *shu* (reciprocity: doing unto others what you would have them do unto you). People with such dispositions, the *jun zi*, may be trusted to spontaneously keep their appropriate social roles intact. Personal autonomy and individuation are thus possible within a scheme of social order and so private business enterprise is no necessary threat to the common weal. The noted statement of this social model is that of Confucius when he described government as happening when "the lord lords, the minister ministers, the father fathers, and the son sons." This normative model could be considered as placing more reliance on personal ethics than on legal compliance.

Essentially, this early Confucian normative model trusts personal charisma to work its social results, using for social cohesion the enlightened inner virtues and righteous powers of the individual to play properly and reciprocally his or her role in society. It is a model of individuals making way for others through proper conduct. This second model is more consistent with principles of business ethics and corporate social responsibility and less tolerant of government interference in markets. See Chart 2 following:

PROPOSED CHINESE BUSINESS VALUE PYRAMID



President Hu's recent suggestion of 8 Do's and Don't's reflects, in my opinion, a noteworthy effort to manage the tension between the two traditions. He seeks, I suggest, a way of finding order within the framework of decentralized individual virtue and self-interest.

The Foundational Chinese Normative Model

To me, the foundational normative model associated with the Chinese people that can be applied to business ethics is the construct of charismatic virtue ("*de*") associated with the aristocratic Chou Dynasty. We can learn how this ethical norm was to be applied in practice by reading the Poetry Classic and then the History Classic, which have come down to us from the second millennium BCE.

This ethical theory was quite likely developed to justify the rule of the Chou family after it seized power from the previously ruling Shang Dynasty. The Chou articulated a sophisticated theory of jurisprudence under which Heaven gave a mandate to rule to those who had sufficient ethical character to deserve holding powers of government. This was the so-called "Mandate of Heaven" theory of political legitimacy which had appeal for the Chinese people until the 20th century.

While the theory as propounded by the Chou rulers and their cadet branches focused on warrior overlords in an aristocratic feudal social structure, the ethical ideal of good character that they proposed as bringing upon one a mandate for secular power and prominent social position could easily be generalized as relevant to all individuals, regardless of their social status. In an Ode in the Poetry Classic we read that Heaven gave birth to all people and endowed them with destinies. But, while all are born with the potential to reach their Heavenly-endowed calling, at the end, few prove themselves worthy.[i]

So, the Chou argued that the last king of the Shang Dynasty, through his lack of good personal character, lost his mandate to rule what was then the heartland of the Chinese people. One Chou Ode says: "It is not Heaven that flushes your face with liquor, so that you follow what is evil and imitate it. You go wrong in all your conduct; you make no distinction between the light and the darkness."[ii] Another Ode instructs: "An outward demeanor, cautious and grave, is an indication of one's virtue (*de*)" and, "What is most powerful in being the man (r*en*)."[iii] This Ode enjoins: "O prince, let your practice of virtue be entirely good and admirable. Watch well over your behavior, and allow nothing wrong in your demeanor. Committing no excess, doing nothing injurious; there are few who will not in such a case take you for their model of conduct."[iv]

The personal quality that brought one to positions of leadership and legitimate power was virtue – *de*. The Poetry Classic sings of King Wen, progenitor of the Chou clan, that "His virtue was without deflection; and in consequence he received the allegiance of the states from all quarters.:[v] His son, King Wu, who led the coalition that overthrew the last Shang King and ended that Dynasty, was described as "Always striving to deserve Heaven's Mandate, he thus secured the confidence due to a king. He secured the confidence due to a king, and became the model of conduct for all below him."[vi]

The operational part of this jurisprudence is charisma – a power within the individual leader that attracts loyal followers. As in all cases of charisma, once the power (in this case, *de*) is lost, the followers depart and the prerogatives of leadership are lost. The Poetry Classic recounts: "When I see the lordly men (*jun zi*), their virtue (*de*) draws them close to my heart." We also read: "To be rejoiced in are ye, lordly men (*jun zi*), the foundations of the State. … To be rejoiced in are ye, lordly men, Parents of the people."[vii] Another Ode puts it that "Lordly men are the bonds of society."[viii]

A wife, in pointing that her husband had lost her respect and her obligation to take him any longer as a legitimate husband, noted that he was inconstant in his *de*.[ix]

Another Ode puts the need for a charismatic bond more eloquently: "Lamb's fur and leopard's cuffs, you use us with unkindness. Might we not find another chief? But we stay because of your forefathers. Lamb's fur and leopard's cuffs, you use us with cruel unkindness. Might we not find another chief? But we stay from our regard to you."[x]

In general for us all, an Ode teaches: "Let us first think of the duties of our position. Let us not be wild in our love of enjoyment. The good man is anxiously thoughtful."[xi]

The Confucian Normative Paradigm for Business Ethics and Corporate Social Responsibility

The views of Confucius himself on right relationships among people and his admonitions as to the moral life are contained only in the *Analects,* a collection of his teachings. Other texts contain occasional sayings of Confucius but do not purport to reflect the principal points of his personal teaching. For example, the *Filial Piety Classic*, though it puts words in the mouth of Confucius, is a text written long after his death in the state of *Qin*, which honored legalism more than Confucian morality. The famous philosophical texts of the Song and Ming Dynasties, widely studied in the West as part of the so-called Confucian corpus, are not the work of Confucius.

Additional explication of the original teachings of Confucius is provided, however, by the arguments of Mencius in the text under that name.

But the ideology later propounded by successive Chinese Imperial dynasties and which is commonly known as Confucianism was created by those imperial regimes to serve their purposes out of an amalgam of philosophical, ethical and political teachings. That imperial ideology of submission to the Emperor and his bureaucrats was not conducive to the autonomy of private enterprise presumed by the CRT Principles for Business. But the original teachings of Confucius have survived imperial distortion to remain as admired Chinese values. The old texts recording the thoughts of Confucius and Mencius still provide today guidance for our contemplation of the morally correct course of action in life.

To seek support in Chinese moral theory for principles of business ethics and corporate social responsibility, it is therefore very helpful to return to the un-adulterated teachings of Confucius in the *Analects* as supplemented by arguments from the *Mencius*. In this paper, I will take the Caux Round Table's suggested *Principles for Business* as a template for the normative structure of an acceptable global approach to business ethics and corporate social responsibility.

One preliminary matter requires attention before the main analysis of the CRT Principles should begin. Confucius, and especially Mencius, placed "profit seeking" or self-interest narrowly defined as the antithesis of moral behavior. Love of the notion of "profit" or "selfish advantage" (*li*) was singled out as the distinguishing characteristic of the "mean" or "small" person xi*ao ren*) in opposition to the ability of the truly good person, the "lordly one" or *jun zi* to follow the commands of virtue (*de*).

The Book of *Mencius* opens with Mencius refusing to provide counsels about how to "profit" a kingdom, emphatically stating that the only values he wished to teach were humaneness and righteousness. Mencius emphasizes humaneness (*ren*) as the sine-qua-non of human sociability.

The Chinese character for *ren* indicates two persons reciprocally engaged with one another. Confucius noted that a man possessing *ren* "wishing to establish himself, seeks also to establish others; wishing to be enlarged himself, he seeks also to enlarge others." *Analects*, Bk VI, Chpt XXVII, 2, James Legge Translation, Hong Kong University Press, 1960)

Previously, Confucius was recorded as saying that one word is enough to serve as a rule of practice for all one's life and that that word was "reciprocity" (*shu*). *Analects*, Bk XV, Chpt. XXIII. Confucius designed a normative model to elaborate the insight that each person is to find his or her destiny in reciprocal relationships. Mutuality, therefore, not isolated autonomy or some personal autocracy, provides the circumstances in which we are to flourish or to struggle against whatever opposes our will and self-interest. It is our context that must guide our use of power and position according to Confucius and Mencius. And central to that context was our humaneness (*ren*) and the advantages of reciprocity (*shu*).Confucius observed that the lordly man (*jun zi*) sought for success in that which was inside him – his character – and did not seek to exploit others. Inside the person is the power of virtue – *de*, the mind of humaneness – *ren*, and the ability to reciprocate – *shu*. On the other hand according to Confucius, the mean person – the *xiao ren* – sought one-sided relationships of personal profit.

Confucius believed that "The mind of the superior man is conversant with righteousness; the mind of the mean man is conversant with gain (*li*)." *Analects*, Bk IV, Chpt XVI. He added that "He who acts with a constant view to his own advantage (*li*) will be much murmured against." *Analects*, Bk IV, Chpt XII.

And later he commented "The superior man thinks of virtue; the small man thinks of comfort. The superior man thinks of the sanctions of the law; the small man thinks of favors he may receive." *Analects*, Bk IV, Chpt XI.

At the core of the Confucian normative model lies a profound optimism about people. Both Confucius and Mencius held out the strong possibility that individuals could act on the basis of *ren* and *shu*. Confucius accordingly drew a distinction between a regime of compliance, which we can say would be necessary to control those without virtue (*de*), humaneness (*ren*) and reciprocal capacity (*shu*), and a regime of ethics, which he preferred and which would be applicable to those possessing virtue (*de*), humaneness (*ren*) and reciprocal capacity (*shu*). He wrote: "If the people be led by laws, and uniformity sought to be given them by punishments, they will try to avoid the punishment but have no sense of shame. If they be led by virtue (*de*) [more literally "If their way (*dao*) is virtue (de)] and uniformity sought to be given them by the rules of propriety, they will have the sense of shame and moreover will become good. *Analects*, Bk II, Chpt III.

Confucian morality posits the relevance of virtuous self-mastery so that the ideal of the lordly one (*jun zi*) could become a social and cultural reality of consequence.

From this perspective, there has long been a deep Chinese cultural aversion to self-seeking people, and merchants and business people in particular. Neither Confucius nor Mencius had any conception of the modern business corporation about which to comment as it might involve the behaviors of "lordly ones" and "mean ones". Thus, to fit the CRT Principles into the rubric of original Confucian thinking about the moral life, we need to find an analogy between some aspect of Confucian thought and the modern social entity that we call the business corporation.

I propose that an acceptable analogy can be drawn between the requirements of good political leadership in Confucian thought and the socially responsible role of the modern corporation. To a great extent, the corporation is a small polity. It has agents who make decisions for the whole;

it has a constitution; it owns assets and supervises many individuals in their tasks; it rewards and punishes. Politics go into selection of its rulers and their subordinates, Human emotions – fear, greed, favoritism, personal ambition, friendships, idealism – play roles in corporate decision-making just as they do in politics. Thus, we may look to the teachings of Confucius and Mencius on leadership to see if their views find expression in the CRT Principles.

To put it another way, the CRT Principles call for good governance in corporations while Confucius and Mencius called for good governance in the state. Are the two notions of good governance compatible one with the other? I very much think they are.

I also submit that the Confucian ideal of the *jun zi* or 'lordly one" has much in common with modern requirements of fiduciary obligations of loyalty and due care. Justice Cardozo wrote of fiduciary obligations that they are higher than the "morals of the marketplace". *Meinhardt v. Salmon*. Confucius and Mencius would have agreed with the judge.

For Confucius, "faithfulness and sincerity" were the first principles. *Analects*, Bk I, Chpt VIII, 2. and Bk IX, Chpt XXIV. Following this injunction, the CRT Principles calling for transparency in transactions - especially CRT Principle No. 3: "… businesses should recognize that sincerity, candor, truthfulness, the keeping of promises, and transparency contribute not only to their own credibility and stability, but also to smoothness and efficiency of business transactions, particularly on the international level." – would seem completely Confucian in their moral quality. Further, a person who is faithful and sincere as admonished by Confucius is not likely to break rules, which habit would encompass CRT Principle No. 4: "….businesses should respect international and domestic rules." Confucius noted that a Lordly One, in the world, does not set his mind either for anything or against anything; what is right he will follow." *Analects*, Bk IV, chpt X.

Respect for rules and avoidance of illicit operations, CRT Principle No. 7, would flow from the Confucian requirement to follow the dictates of propriety. Confucius said that "to subdue oneself and return to propriety is the perfect virtue of a human." *Analects*, Bk XII, Chpt I, 1. Confucius also cautioned that one should "Look not at what is contrary to propriety; listen not to what is contrary to propriety; speak not what is contrary to propriety; make no movement which is contrary to propriety." *Analects*, Bk XII, Chpt I, 2. To make his point about economic pursuits, Confucius said "Riches and honors are what men desire. If it cannot be obtained in the proper way, they should not be held." *Analects*, Bk IV, Chpt V, 1.

Now we may ask if the "lordly one" as described in the original Confucian ethic would be likely to behave if he were a corporate owner, CEO or board director as called for by the CRT Principles for Business. Many passages in the Analects describe the behavior to be expected from a "lordly one":

The Lordly One acts before he speaks and afterwards speaks according to his actions. Analects, Bk II, ChptXIII.

What the Lordly One seeks is in himself. What the mean man seeks is in others. *Analects*, Bk XV, ChptXX.

The Lordly One is dignified, but does not wrangle. He is sociable, but not a partisan. *Analects*, Bk XV, Chpt XXI.

The Lordly One does not promote a man simply on account of his words, nor does he put aside good words because of the man. Analects, Bk XV, Chpt XXII.

“The Lordly One has nine things which are subjects with him of thoughtful considerations. In regard to the use of his eyes, he is anxious to see clearly. In regard to the use of his ears, he is anxious to hear distinctly. In regard to his countenance, he is anxious that it should be benign. In regard to his demeanor, he is anxious that it should be respectful. In regard to his speech, he is anxious that it be sincere. In regard to his doing of business, he is anxious that it should be reverently careful. In regard to what de doubts about, he is anxious to question others. When he is angry, he thinks of the difficulties his anger may involve him in. when he sees gain to be got, he thinks of righteousness.” *Analects*, Bk XVI, Chpt X.

This kind of man or woman as corporate leaders would seek well disposed to implement the CRT Principles for Business, especially when such Principles define the substantive content of the “righteousness” which should be kept in mind when one “sees gain to be got.”

Confucius set forth as well the outlines of a responsible stance towards those dependent on leaders and rulers. This vision would later be developed by Mencius as a call for benevolent government of succor to the people. In this moral vision for the use of power we can find support for CRT Principles No. 1 and No. 2 which call upon businesses to improve the lives of their customers, employees and shareholders and to shape the future of the communities from which businesses draw resources.

Confucius advised that government should “enrich” the people. *Analects*, Bk XIII, Chpt IX, 3, noting that good government makes happy those nearby and attracts those who are far off. *Analects*, Bk XIII, Chpt XVI, 1. Confucius did not admire the official who collected more taxes for an already wealthy ruler, saying he was no disciple and that he should be assailed with drum beats. *Analects*, Bk XI, Chpt XVI, 1. Finally, Confucius in praising a minister of his time noted that he was kind in nourishing the people and just in ordering them. These were two of the four characteristics of the way of the Lordly Ones. *Analects*, Bk V, Chpt XV.

Mencius believed that the way to rulership was simple: “There is a way to get the kingdom: get the people and the kingdom is got. There is a way to get the people: get their hearts and the people are got. There is a way to get their hearts: it is simply to collect for them what they like, and not to lay on them what they dislike.” *The Mencius*, Bk IV, Pt I, Ch IX, 1. Transposing this advice to the modern corporation would have corporate managers and owners providing for the needs and comforts of those they would use and command.

Mencius admonished King Hui of the Liang territory: “In your kitchen there is fat meat; in your stables there are fat horses. But your people have the look of hunger and on the wilds there are those who have died of famine. This is leading on beasts to devour men. Beasts devour one another, and men hate them for doing so. When a prince being the parent of his people, administers his government so as to be chargeable with leading on beasts to devour men, where is his parental relation to the people?” *The Mencius*, Bk I, Pt I, Chpt IV, 4, 5.

Mencius defined for that ruler the essence of benevolent government, saying: “being sparing in the use of punishments and fines, and making the taxes and levies light, so causing that the fields shall be ploughed deep and the weeding of them be carefully attended to, and that the strong-bodied during their days of leisure, shall cultivate their filial piety, fraternal respectfulness, sincerity, and truthfulness, serving thereby at home their fathers and elder brothers, and abroad, their elders and superiors ..." *The Mencius*, Bk I, Pt. I, Chpt V, 3. Power, according to Mencius, is to be used to enrich ordinary people so that they may lead productive lives in moral rectitude.

Later King Hsuan of the Ch'i territory asked Mencius :What virtue must there be in order to attain to royal sway?" Mencius replied: "The love and protection of the people." *The Mencius*, Bk I, Pt. I, Chpt VII, 3.

Mencius also noted the saying of his time that "Virtue alone is not sufficient for the exercise of government; laws alone cannot carry themselves into practice." Benevolent government added a needed dimension to the formula for good rule. *The Mencius*, Bk IV, Pt. I, Chpt I, 3.

Mencius, one might also note, was a believer in free trade. He advocated low taxes on private economic activity and no import restrictions. "Let it be seen that their fields of grain and help are well cultivated, and make the taxes on them light – so the people may be made rich." *The Mencius*, Bk VII. Pt I, Chpt XXIII, 1. Mencius praised the way of old kings whereby "at the passes and in the markets, strangers were inspected, but goods were not taxed." *The Mencius*, Bk I, Pt.II, Chpt V, 3. He also advised that: The "If in the market-place of his capital, he [a ruler] levy a ground-rent on the shops but do not tax the goods, or enforce the proper regulations without levying a ground-rent; then all the traders of the kingdom will be pleased and wish to store their goods in his market-place." *The Mencius*, Bk II, Pt. I, ChptV, 2.   This carries forward into CRT Principle No. 5, which values liberalization of trade and relaxed domestic measures to promote commerce.

Mencius valued trade, business and market exchange. He understood that markets produced social benefits.

"It is the nature of things to be of unequal quality," Mencius said. "Some are twice, some five times, some ten times, some a hundred times, some a thousand times, some ten thousand times as valuable as others. If you reduce them all to the same standard, that must throw the kingdom into confusion. If large shoes and small shoes were of the same price, who would make them?" *The Mencius*, Bk III, Pt. 1, Chpt IV, 18.   Here Mencius argues for individual value choices in goods and services and for incentives to have people invest labor and capital in economic activity, points very consistent with the CRT's view of a just social order.

Mencius also argued for trade as follows: "If you do not have an intercommunication of the productions of labor, and an interchange of men's services, so that one from his overplus may supply the deficiency of another, then husbandmen will have a superfluity of grain and women will have a superfluity of cloth." *The Mencius*, Bk III, Pt II, Chpt IV, 3.

A third argument for commerce was stated by Mencius thus: "the getting those various articles in exchange for grain is not oppressive to the potter and the founder, and the potter and the founder in their turn, in exchanging their various articles for grain are not oppressive to the husbandman." *The Mencius*, Bk III, Pt I, Chpt IV, 5.

Mencius' astute moral sense gave him a concern for wasteful use of the environment, consistent with CRT Principle No. 6 on sustainable development and prevention of wasteful use of natural resources. Mencius advised King Hui that "If the seasons of husbandry be not interfered with, the grain will be more than can be eaten. If close nets are not allowed to enter the pools and ponds, then fishes and turtles will be more than can be consumed. If the axes and bills enter the hills and forests only at the proper time, the wood will be more than can be used." *The Mencius*, Bk I, Pt I, Chpt III, 3.

This same concern for reasonable use of the natural environment can also be inferred from one short comment about Confucius: "The Master angled (fished) – but did not use a net. He shot – but not at birds perching." *Analects*, Bk VII. Chpt XXVI

The normative model advocated by Confucius in *The Analects* and by Mencius in his teachings rests on a supposition that enhancing one's *de* can be a commonplace for a socially significant number of people. Social order can emerge without state coercion because sufficient individuals will master their emotions, live by standards of propriety, and improve their character. In short, for Confucius and Mencius, ethics is possible because each of us possesses a moral sense. We can therefore be held to standards of moral excellence in all our interactions.

The Normative Model of Enforced Control

The aristocratic order of the early Chou Dynasty decayed. The power of the Chou monarch was challenged by cadet houses. Feudal principalities grew into independent sovereign kingdoms of their own. Non-aristocratic families usurped power. Force rather than virtue became the arbiter of affairs at all levels of Chou society. The process of such decay was already well under way by the time of Confucius. In part, his advocacy of *de* appears to have been an attempt to prevent further social and political disintegration by bringing the thinking of Chinese leaders back to core values of responsible moral conduct at the personal level. But another thinker, Mo Zi, in looking for a remedy with which to "save the present age" took a very different intellectual road than that recommended by Confucius. He rejected all reliance on *de* and the constructive role to be played by lordly men (*jun zi*) in society and politics. His influence with the Chinese would turn out to be profound. Mo Zi lived shortly after Confucius when the foundational ideals of the Chou system were increasingly irrelevant.

Rather, Mo Zi turned to how people respond to calculations of self-interest (*li*). For Mo Zi, the building of social order was more like carpentry where the builder had to understand the nature and properties of the materials to be used and applied a set of tools to bend and shape the wood in planned ways. Mo Zi's approach was a kind of social engineering using game theory-like calculations of individual interest to align people properly with their assigned roles.

Where Confucius envisioned the autonomous actions of many *jun zi*, Mo Zi saw all around him only the self-regarding passions of "little" people or *xiao ren*. Kings, princes, aristocrats, did not live by the *jun zi* ideal. Their indulgences and their petty passions created disorder, oppression, and war. Therefore, Mo Zi designed a normative model around the nature of such people – around the negative ideal of the *xiao ren*. He advocated using rewards and punishments to keep such people subordinate to their superiors.

In a famous passage Mo Zi wrote:

> "In the beginning of human life, when there was yet no law and government, the custom was "everybody according to his own idea". Accordingly, each man had his own idea, two men had two different ideas and ten men had ten different ideas – the more people the more different notions. And everybody approved of his own view and disapproved the views of others, and so arose mutual disapproval among men. … Everybody worked for the disadvantage of the others with water, fire and poison. Surplus energy was not spent on mutual aid; surplus goods were allowed to rot without sharing; …The disorder in the human world could be compared to that among birds and beasts. Yet all this disorder was due to the want of a ruler."[xii]

Under these conditions, Mo Zi advised that subordination of self to a superior should be encouraged. – "what the superior thinks to be right, all shall think to be right; what the superior thinks to be wrong, all shall think to be wrong."[xiii] The leader of the village or clan should tall all under him to identify with the head of the district. The head of the district should pattern his thinking on the lord ruling the feudal state. The lord in turn should pattern his thinking on the emperor's choices of right and wrong. And, the emperor, now called the "Son of Heaven", will organize the purposes in the empire and identify them with the Will of Heaven. This was Mo Zi's adaptation of the Mandate of Heaven theory to the circumstances of his time.

Mo Zi warned: "He who obeys the will of heaven, loving universally and benefiting others, will obtain rewards. He who opposes the will of heaven, by being partial and unfriendly and harming others, will incur punishment."[xiv] And, "when the emperor practices virtue, Heaven rewards. When the emperor does evil, Heaven punishes."[xv]

To enforce this structure of subordination, the Emperor would use the tools of administrative power – the coercive powers of the state in laws and mandates – to reward those who behaved as instructed and to punish those who strayed from the path of loyal subordination.

Mo Zi even wrote an essay on ghosts, arguing that there would be less chaos in the world if more people believed that ghosts and spirits actually rewarded good behavior and punished bad behavior. (Book 8, Chpt 31)

To further support an order of systematic subordination, Mo Zi argued against self-love and for subordination of self to the concerns of others (*jien ai*). Intuitively, he saw that a psychology of self-denial would be more compatible with subordination to superiors than a psychology of self-assertion and robust individualism. He asserted: "It seems to me that the only trouble is that there is no superior who encourages it. If there is a superior who encourages it, promoting it with rewards and commendations, threatening its reverse with punishments, I feel people will tend towards *jien ai* and mutual aid like fire tending upward and water downwards – it will be un-preventable in the world."[xvi]

The standards that a ruler would use to enforce a compliant social order were called *fa*. The metaphor chosen to describe these rules of conduct was taken from carpentry – they were like the inked string used to mark a line on the wood for the carpenter to follow in his sawing. Mo Zi wrote: "The will of heaven to me is like the compasses to the wheelwright and the square to the carpenter."[xvii] And the criterion of truth supporting a ruler's choice of *fa* to promulgate and enforce were very practical as well. *Fa* was not deduced from *de*, a moral power of the individual, but rather from natural circumstances of what would work or not work in the world.[xviii] Mo Zi argued: 'Now, in governing the country and ruling the people, if rewards cannot encourage the people to do good and punishments cannot restrain them from doing evil, is this not just the same as in the beginning of human life when there were no rulers?"[xix]

To assist rulers in their task of creating and maintaining order, Mo Zi suggested recruitment and promotion of technically skilled assistants to positions of government authority. His definition of leadership excellence in people was not Confucian. Mo Zi valued those who had *hsien* over those who had *de*. He argued: "Supposing it is desired to multiply good archers and good drivers in the country, it will be only natural to enrich them, honor them, respect them, and comment them; then good archers and good drivers can be expected to abound in the country. How much more should this be done in the case of the *hsien* who are firm in morality, versed in rhetoric and experienced in statecraft – since these are the treasures of the nation and props of the state?"[xx]

The normative model for Mo Zi is manipulation of individual conduct through rewards and punishments, not through any appeal to self-regulating powers of an internal moral sense. This authorizes a business ethics and a sense of corporate responsibility within the regulatory framework of what is permitted and not permitted and not beyond. Technical competence, not a capacity for social responsibility, is rewarded. Compliance, not ethics, becomes the operative norm for behavior.

There is direct intellectual descent from the arguments and insights of Mo Zi to the pattern of imperial rule in China that began in 225 BCE and saw its influence last until the present day,

Three famous thinkers expanded on Mo Zi's recommendation that rulers use laws and regulations – *fa* – as the basis for social order. They bridged the gap between Mo Zi's rather simple recommendations and the later imposition of a sophisticated system of imperial rule.

Lord Shang of Yang, Shen Bu Hai, and Han Fei Zi comprise what is called the legalist school of Chinese philosophy. Lord Shang was prime minister of the state of *Qin*. He used rewards and punishments to build a disciplined army for aggressive war and to accumulate agricultural surpluses with which to feed his soldiers. Shen Bu Hai wrote of the tact and skill that brought about success in bureaucratic maneuverings and kept ministers from manipulating royal decision-making. Han Fei Zi then offered an important addition to the writings of both Lord Shang and Shen Bu Hai in calling for rulers to possess a Daoist mind of non-attachment in order to avoid selfish bias in their use of law and bureaucratic technique. Han Fei Zi provides us with many other keen insights and valuable advice as well.

Mo Zi's doctrines of identification with the superior and use of rewards and punishments flourished in the state of *Qin*, though with an important modification. As stipulated by Lord Shang, the ruler of *Qin* was relieved of subordination to the will of heaven. He was now free of the burdens of both *de* and obedience to a higher normative standard. He could decide on right and wrong for his kingdom and need not seek the approval of any higher authority. The state policy of *Qin* quickly evolved into the conquest of all the other Chinese feudal domains. This objective was accomplished by 225 BCE when the ruler of *Qin* established the first Chinese imperial order to reign as a *huang di*, or Celestial Son of Heaven, a quasi-deity who would bring the pattern of Heaven to all below.

As *Qin* neared the apex of its military power over the remaining feudal states, one Lu Bu Wei became its Prime Minister. In 239 BCE he had published a set of teachings composed by scholars he had retained. Called the *Lu Shi Chun Qiu*, or "The Annals of Lu Bu Wei", this collection of essays augments the vision of Mo Zi and his legalist followers by drawing into a syncretic whole the teachings of other thinkers such as Confucius and the Daoists.[xxi] But the framework of the *Lu Shi Chun Qiu* is fundamentally Mohist in that it takes the Will of Heaven and the need for a ruler as the basic pattern for the success of human civilization.

According to the *Lu Shi Chun Qiu*, Heaven carries out its work through the two forces of *yin* and *yang*. Heaven creates the nature of all things. Knowing the nature, working with the nature as a carpenter conforms his tools to the wood in his hands, following the flows of nature as one would follow a mountain stream, enables men and women to thrive. Here the thinking of the five element school of *yin/yang* cosmology and of Daoist writers is expressly incorporated into the Mohist scheme. What Heaven creates is *shi* or "circumstances". Relying on the power and tendencies of circumstances leads on to fortune; going against circumstances leads to failure.

Confucian *de* is only one part of the *shi* that surrounds us. It has its place, but according to the *Lu Shi Chun Qiu*, that place is not as central as it was for Confucius. [xxii]

The *Lu Shi Chun Qiu* reformulates the Confucian emphasis on personal moral character and proper demeanor into a scheme of subordination suitable for a Mohist social code. The *Lu Shi Chun Qiu* highly recommends filial piety, which will become the official cult of the Chinese Empire until modern times. "If the ruler is filial, his name will be illustrious, those below will obey him, and the world will sing his praises. If a minister is filial, he will serve his lord loyally, manage his official duties honestly, and confront difficulties event though they might lead to his death. If knight-scholars and commoners are filial, they will tend to agriculture diligently, be stalwart in defending and doing battle, and never run from defeat."[xxiii] The *Lu Shi Chun Qiu* contains the first known reference to the Classic on Filial Piety, the *Xiao Ching*.[xxiv] That work tells us that "To serve one's elders reverently paves the way for civic obedience."[xxv] Filiality, the subordination of the individual to his or her relatives, is presented in this little classic as the "first principle of Heaven."[xxvi] The Classic on Filial Piety, interestingly, references the Mohist notion of love (*ai*) or total selflessness in the context of submission to family obligations.[xxvii]

As did Mo Zi, the *Lu Shi Chun Qiu* asserts that society needs order and order demands having a ruler, advising us that "No disorder is worse than lacking a Son of Heaven, for when there is no Son of Heaven, there is no end to the strong conquering the weak, the many tyrannizing the few, and armies destroying people."[xxviii] And another essay says "An army must have a general, for he is what unifies it; a state must have a ruler, for he is what unifies it, and the world must have a Son of Heaven for he is what unifies it. The Son of Heaven must hold fast to the One, for that is what makes him unique."[xxix] We also read: "Where there is unity, order results; where there are differences, chaos ensues; where there is unity, security results; and where there are differences, danger arises."[xxx]

Other Daoist teachings also are incorporated by the *Lu Shi Chun Qiu* into its grand scheme of seeking order. The Son of Heaven is admonished by the text to rid his mind of passion, prejudice, lust, avarice, all desires and longings, the better to discern and follow correctly the way of Heaven. The ruler is told to emulate the sage and serve the needs of establishing proper order under Heaven. "To hold in one's hands the fate of a people is a heavy responsibility, and so he [the ruler] cannot permit himself to do as he pleases."[xxxi] In line with Daoist insights, the *Lu Shi Chun Qiu* recognizes that firm legalism using only rewards and punishments has its limits noting that "Now there are innumerable rewards and punishments, but the people quarrel over profit and refuse to submit. It is with this that *de* begins its decline, that the search for profit arises, and that the chaos of later ages begins."[xxxii] The notion here is one of balance – any method taken to excess losses its efficacy. The methods and tactics used must comply with the dynamic of *shi* at work in the world if order is to be achieved. The method is not so much having a correct ethical stance, as it would be for Confucius, but rather being in alignment with natural forces.

As the self-interest of individuals is such a natural force, individuals can be led, induced, persuaded, coerced into predetermined behaviors as a natural process by manipulation of their self-interest. And, the manipulation can be either crass or astute.

And so, the *Lu Shi Chun Qiu* authors adopt the perspective of Xun Zi as well, another very famous syncretic thinker of the late Chou period, advising that "It is a general rule that one uses different means in getting the worthy and the unworthy to act. You can induce the unworthy to do something with rewards and punishments, but you must use moral principles to induce the worthy."[xxxiii]

When King Zheng of *Qin*, who had been tutored by Lu Bu Wei from infancy, unified all Chinese under his rule, he proclaimed himself a semi-divine ruling personage, a Son of Heaven, with

responsibility for establishing order for all under heaven. Known to history as the First Emperor of *Qin* (*Qin Shi Huang Di*), he standardized weights and measures, began work on the great wall, sent his armies to the south to conquer the Viet peoples, and ruled tyrannically through harsh punishments. Upon his death, his son lack ability and revolts broke out. A descendant of the ruling family of the *Han* state won power and established the Han Dynasty as a new Son of Heaven with the mandate to maintain order for all under Heaven. The basic framework of the *Qin* imperial administration was taken over by the Han, but modified cautiously in ways consistent with the syncretic thinking of the *Lu Shi Chun Qiu*, particularly with reference to some Daoist principles and the adoption of principles of filial submission and of subordinating ritual observances from the aristocratic tradition, both of which were associated with the teachings of Confucius.

But under the imperial scheme as practiced down through the *Qing* Dynasty until 1911, the core value - the axial principle – of the Chinese state was order in intentional replication of Heaven's pattern. The state of perfect order, reached in conformance with the will of Heaven, was called *Tai He*, or the "great peace." In a state of *Tai He*, self-seeking is repressed, either through self-control on the part of those with good character, or through social conventions such as filial piety, or in submission to state mandates and regulations.

After the introduction of Buddhism and its widespread popularity, the imperial state under the Song and Ming Dynasties co-opted a version of Confucian thinking that gave new cosmic legitimacy to subordination of self to superior. This was the school of Neo-Confucianism which added a cosmic naturalism tied to *yin/yang* principles to the social obligations of filial piety and loyalty to the emperor. This Neo-Confucianism has become widely accepted as the official version of Confucian thinking. But, upon examination it comports better with the Mohist insistence on submission to the Will of Heaven as expressed by a Son of Heaven than it does with the moral individualism of the *Analects* and the *Mencius*.

In such conditions of enforced imperial conformity, private business activity beyond a certain scale had to be frowned upon as destabilizing established patterns of rule and social superiority. Thriving markets and commercial success breed self-seeking, profit-mindedness, which in turn undermine beliefs and habits of subordination and conformity as a high cultural idea. Thus, the Chinese state has had a long and creative tradition of successfully subordinating business activity to the state, particularly through systems of licenses and cronyism. Independently wealthy persons, able to resist the preferences of those in power and so not subject to proper subordination, were a threat to the system of desired order. Thus, their success was not encouraged in China over the centuries.

The normative pattern of business ethics under such conditions was rudimentary. Ethics in general for the commonalty was considered to be merely a matter of following orders and patterns set by elders and superiors. Individual self-assertion was sanctioned and undermined. Business activity was contained within guilds, villages, and clans under terms of monopoly franchises and cartels, and under regulations given legitimacy by the mandarinate. The well-known relationship patterns of interpersonal influence called *quan xi* have also served to subordinate Chinese business activity to the needs and preferences of officials and commercial superiors.

Social responsibility was not expected of business, just subordination to the state. It was not up to the business but to the state instead to set the terms of trade with respect to customers, employees, creditors, the environment, the community and other stakeholders. Within the limits of law, businesses could do largely as they please without fear of the consequences.

Bridging the Two Traditions

Promoting business ethics in the new China, now moving to center stage in power and importance as the world globalizes, cannot, in my opinion, overlook Chinese tradition. Effective business ethics and realistic corporate social responsibility must build upon core Chinese values if they are to deeply inform the actions of Chinese business leaders.

The Chinese most likely will continue to seek some form of order, of *Tai He*, as they have for centuries. And yet, they will want to do so under conditions of freedom and respect for individual initiative. Thus, the normative model for business ethics in China will no doubt incorporate respect for the moral sense, for the potential of *de*, into a structure of regulation through rewards and punishments where the moral norm is external to the individual.

The Confucian/Mencian normative model argues for open markets, less government regulation, robust entrepreneurialism, and social responsibility internalized within the business. The Mohist normative alternative is more concerned with governing the market in line with political needs.

Something to this effect seems to have evolved among overseas Chinese doing business in Southeast Asia. Under the name of the 12 Business Principles of *Tao Zhu-gong*, traditional overseas Chinese businesses set forth a code of business success.[xxxiv] These principles combine both a virtuous respect for others with a shrewd practicality, taking advantage of natural circumstances (*shi*) as recommended by the *Lu Shi Chun Qiu*.

The twelve principles leading to business success attributed to *Tao Zhu-gong* are:

1. Diligence is needed in managing the business. Laziness will destroy everything. (Confucian)
2. People must be handled cordially; an irritable temper and bad attitude will diminish sales greatly. (Confucian)
3. Prices of products must be clearly stated; ambiguity will lead to many arguments and disputes. (Mohist and Legalist)
4. Accounts must be vigilantly checked and monitored; sloppiness and oversight will lead to stagnated capital. (Mohist and Legalist)
5. Goods must be well organized and displayed; sloppiness will cause obsolescence and waste. (Confucian)
6. Prudence and care are needed to grant credit and disburse funds; carelessness will lead to many errors and loopholes. (Confucian)
7. Payment must be made within the agreed time; delays will lead to the loss of credibility. (Confucian)
8. Unexpected events must be tackled responsibly; neglecting them will lead to greater harm. (Mohist)
9. Resources must be used frugally; extravagance will lead to the depletion of wealth. (Mohist)
10. Sales must be conducted at any time; procrastination and delay lead to lost opportunities. (Mohist)
11. Debtors must be well scrutinized; indiscriminate lending will lead to severe erosion of capital. (Mohist)
12. The good and the bad must be clearly distinguished; negligence will led to confusion and chaos. (Mohist and Legalist but also compatible with Confucian “Rectification of Names”)

Earlier this year China's President, Mr. Hu Jintao, published a list of 8 "Do's and Don't's" as a suggested moral code for Chinese citizens. As might be inferred from the above analysis of Chinese normative models, these 8 moral guidelines draw mostly from the Mohist tradition but make room for some reliance on *de*.

President Hu's 8 moral guidelines are:

1) Love, do not harm, the Motherland.

   This guideline draws on Mo Zi's concept of concern for others (*ai*) and his recommendation that the national government should be the highest moral construct under Heaven in choosing between right and wrong.

2) Serve, don't disserve, the people.

   This guideline fully reflects both Mo Zi's concern for universal love and mutual aid and the Confucian requirement that to govern is to serve.

3) Uphold Science; don't be ignorant and unenlightened.

   This guideline reflects Mo Zi's respect for natural reality, for the operations of the seasons, as well as his emphasis on technical ability and practical accomplishment. And, it resonates with the Confucian call for study and the application of one's mind to know one's best course of action.

4) Work hard; don't be lazy and hate work.

   This guideline draws both on Mo Zi's disdain for the frivolous and the Confucian emphasis on diligence in behavior and application of one's will to the obligations at hand.

5) Be united and help each other; don't gain benefits at the expense of others.

   This guideline nicely encapsulates Mo Zi's call for order and mutual aid and Mencius's aversion to the "profit seeking mind".

6) Be honest and trustworthy, not profit-mongering at the expense of your values.

   This guideline would appear to be completely consistent with Confucian emphasis on trust and reciprocity and on choosing the path of *de* over self-interest.

7) Be disciplined and law-abiding instead of chaotic and lawless.

   This guideline goes to the heart of the Mohist scheme, especially as articulated by the Legalists who followed his lead. It also comports, however, with Confucian

emphasis on following the rules of propriety as a barrier against personal indiscipline.

8) Know plain living and hard struggle; do not wallow in luxuries and pleasures.

This guideline does not seem drawn from either the Mohist or the Confucian normative paradigm, but seems in tune with Mo Zi's rejection of fancy music and expensive funerals. And, of course, neither Confucius nor Mencius looked upon life as designed for pleasure seeking at the expense of virtue.

President Hu's moral guidelines do provide a generic platform for business conduct and corporate social responsibility. Guideline #1 on loving, not harming the Motherland, would require business to consider the consequences of their actions on the community at large. They should therefore internalize certain costs associated with their activities. Guideline #2 on serving the people has a similar import for business conduct. Guideline #3 on science and education comports with CRT Principles 1 and 2 on the obligation of business to be innovative. Guideline #4 on hard work would seem to apply most to employees, but from a company perspective it would call for attention to detail and quality. Guideline #5 on refraining from gaining benefits at the expense of others would have businesses be responsible towards customers, employees, investors and creditors. Guideline #6 supports CRT Principle for Business No. 4 on trust and transparency. Guideline #7 reflects the CRT admonition that businesses should avoid illegal and corrupt activities. And, finally, Guideline #8 would seem to restrict owners and senior managers in the amount of money that they should take from a business for their own personal use.

Conclusion

From this cursory survey of two venerable normative models deeply attached to Chinese culture, it would appear that standards of business ethics and corporate social responsibility can be quickly and easily rooted in fundamental Chinese values.

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[i] The Poetry Classic, Part III, Bk III, Ode 1.
[ii] The Poetry Classic, Part III, Bk III, Ode 1.
[iii] The Poetry Classic, Part III, Bk III, Ode 2
[iv] ibid.
[v] The Poetry Classic, Part III, Bk I, Ode 2.
[vi] The Poetry Classic, Part III, Bk I, Ode 9.
[vii] The Poetry Classic, Part II, Bk 2, Ode 7.
[viii] The Poetry Classic, Part III, Bk III, Ode 3.
[ix] The Poetry Classic, Part I, Bk V, Ode 4.
[x] The Poetry Classic, Part I, Bk X, Ode 7.
[xi] The Poetry Classic, Part 1, Bk X, Ode 1.
[xii] Mei, Yi-Pao, *The Ethical and Political Works of Motse*, (London: Probsthain 1927) p. 55 Book III, Chpt 11.
[xiii] Op cit, p. 56
[xiv] Op. cit., p. 137
[xv] Op cit., p. 141
[xvi] Op. cit., p. 97
[xvii] Op. cit., p. 140
[xviii] Op cit., p. 183
[xix] Op. cit., p. 67
[xx] Op Cit., pp. 30, 31
[xxi] Knoblock, John and Riegel, Jeffrery, The Annals of Lu Bu Wei, ((Stanford; Stanford University Press, 2000)
[xxii] Op. cit., Bk 14, Chpt 1, p. 302
[xxiii] op cit, Bk 14, Chpt 1, p. 302. see also Bk 25, Chpt 5, p. 637
[xxiv] Op. Cit., Bk 16, Chpt 6, p. 395
[xxv] The Hsiao Ching, Chapter 5 (St John's University Press, New York, 1961)
[xxvi] Op. Cit., Chpt 7

[xxvii] Op. Cit., Chpt 9
[xxviii] Lu Shi Chun Qiu, Bk 13, Chpt 5, p. 294
[xxix] ibid, Bk17, Chpt 8, p. 434
[xxx] ibid, Bk 17, Chpt 7, p. 434
[xxxi] ibid, Bk 20, Chpt 6
[xxxii] ibid, Bk 20, Chpt 2, p. 515
[xxxiii] ibid, Bk 20, Chpt 3, p. 522
[xxxiv] Wee, Chow Hou, *The Inspirations of Tao Zhu-gong*, (Singapore, Prentice Hall, 2001)