The energetic Emperor Wu (r. 141-87 BCE) greatly strengthened the power of the central government over the course of his long reign. Emperor Wu also mobilized huge armies in an effort to extend Han dominion over the non-Chinese nomadic peoples of the northern steppe, notably the Xiongnu. To generate revenues to pay for these military ventures, Emperor Wu confiscated the fiefdoms of the nobility, sold offices and titles, and increased taxes. Guided by his minister Sang Hongyang, he also created government monopolies over coinage and the production of iron, salt, and liquor, enterprises that previously had been sources of great profit for private entrepreneurs (as we see in Sima Qian’s “Biographies of the Money-makers). Long-distance trade also had been a profitable business, which the Han state now took over under the name of the “equitable marketing” system. These fiscal policies were supposed to eliminate speculation and maintain a constant level of prices as well as earning profits for the government.

From the outset these fiscal policies provoked heated controversy. Those steeped in Confucian principles questioned the morality of state interference in the economy and the effect it had on the livelihood of the people. They argued that farming was the primary or “root” occupation, but trade and crafts (the “branch” or secondary occupations) produced little of real value and thus the state ought to discourage people from pursuing these activities. Although the government claimed that it was protecting the people from exploitation by merchants, critics accused the state of promoting commercial activity and fleecing its subjects.

In the year 81 BCE, six years after Emperor Wu’s death, the legacy of Wu’s fiscal policies became the subject of a formal debate that the new emperor held at court. Sang Hongyang was still a senior statesman, and he was called upon to defend prevailing policies (he is identified as “The Minister” in the record of the debate). Arrayed against Sang were sixty “Learned Men” summoned to the court to present their grievances. The debate ranged far beyond the narrow theme of the salt and iron monopolies, but the selections chosen here are largely focused on economic policy. Huan Kuan’s record of the debate is noteworthy for its balanced and even-handed exposition of the arguments of both sides. But Huan himself was not impartial; he always allowed the “Learned Men” to have the last word.
Debates on Salt and Iron

people be improved.

Recently, salt and iron monopolies, a liquor excise tax, and a so-called “equitable marketing” system have been established throughout the realm which compete with the people for the profits of commerce. The native simplicity and magnanimity of the people has been dissipated, and instead they have become rude and greedy. For this reason few of the common folk stick to farming; rather, they flock to the secondary occupations. Now, when artifice flourishes, simplicity declines; when the secondary occupations prosper, farmers are impoverished. If the ruler devotes himself to the secondary occupations, the people become decadent; when he is devoted to the primary occupation, they remain simple. If the people are simple, their means will suffice for their needs; if they are extravagant, cold and hunger ensue.

We seek the abolition of the monopolies on salt, iron, and liquor and the system of equitable marketing so that the primary occupation will be encouraged and the people will be deterred from pursuing the secondary occupations. We benefit from increasing the rewards yielded by agriculture.

The Minister: The Xiongnu have violated the truce and refuse to recognize the imperial authority of Han, frequently raiding and pillaging frontier settlements. Defending the realm places a great strain on the armies of the Central Kingdom, but if we take no action these forays and depredations will never cease. The late Emperor (i.e., Emperor Wu) felt sympathy for the long-suffering frontier settlers who live in fear of capture by these dogs (i.e, the Xiongnu). Therefore he built forts and signal beacon stations to provide a bulwark against foreign incursions. Since the revenues obtained from the frontier territories fell short, the Emperor instituted the salt and iron monopolies, the liquor levy, and the equitable-marketing system. By accumulating stocks of goods and increasing revenues he defrayed the costs of frontier defense.

Now our critics wish to abolish these measures. They would deplete the treasuries and storehouses in the capital, and deprive our frontier troops of the funds they need to ensure our protection. The soldiers manning the forts and guarding the Great Wall would perish from hunger and cold, since there is no other way to supply them. What benefit would come from abolition of these measures?

The Learned Men: Confucius observed: “The ruler of a state or the head of a household fears not scarcity but inequity; he fears not poverty but discontent” (Analects XIII.16). For this reason the Son of Heaven does not speak of plenty and scarcity, the noble lords do not speak of profit and deficit, nor do the ministers of state speak of gain or loss. Instill benevolence and duty in order to transform the people through suasion rather than coercion, and expand moral conduct in order to express concern for their welfare. Then the neighboring peoples will meekly defer to the emperor’s authority and even distant kingdoms will gladly submit to his rule. Thus the skillful conqueror need not engage in battle; the skillful warrior has no need of soldiers; and the skillful general need not array his troops in battle formation.

If the ruler conducts himself properly in the ancestral temple and the court, he need only make a bold show of force and then bring home his troops. The king who practices benevolent government has no peer on earth. What need has he to expend funds?

The Minister: The Xiongnu are savage and cunning. They brazenly storm through the frontier passes and encroach upon the territory of the Central Kingdom, attacking and killing provincial officials and frontier officers. Their incorrigibly lawless and refractory behavior has long deserved
fitting punishment. Your Majesty graciously takes pity on the financial exigencies of the multitude and cannot bear to expose Your officers and soldiers on the field of battle. Still, we are dedicated to girding ourselves in battle-dress and taking up arms to drive the Xiongnu back beyond the northern border.

I again assert that doing away with the salt and iron monopolies and equitable marketing system would gravely diminish resources for defense and compromise military strategy. I cannot endorse a proposal that so sorely neglects frontier defense.

The Learned Men: The ancients honored government by virtue and discredited the use of arms. Confucius said, “When distant subjects are refuse to submit, then the ruler must attract them by enhancing his refinement and virtue, and once they have arrived he makes them content” (*Analects* XVI.1). At present, moral teachings have been discarded in favor of relying on military force. Troops are raised for campaigns and garrisons are manned for defense. The lengthy campaigns expose our soldiers on the frontier to privation and hardship, while the ceaseless transportation of provisions burdens our people at home. The establishment of the salt and iron monopolies was intended to be a temporary expediency, not a permanent policy. Thus it behooves us to abolish them.

The Minister: The ancient founders of our realm laid the groundwork for both the primary and secondary occupations to facilitate exchange between producers and consumers, providing marketplaces so that all could obtain the goods they desired. Noble and commoner mingled together in the market, where every kind of commodity was gathered in one place. The farmer, the merchant, and the artisan could each satisfy his needs by exchanging what he had for what he wanted. The *Book of Changes* says, “Facilitate exchange so that the people will not be overworked.”¹ Thus, without artisans the farmers will lack tools, and without merchants neither luxuries nor staples will be available. If farmers lack tools, grain is not planted, and when luxuries and staples are unavailable, both the state and the people will be impoverished. Now, the salt and iron monopolies and the equitable marketing system are intended to circulate accumulations of wealth and adjust the supply of and demand for goods. Surely it would be unwise to abolish them.

The Learned Men: Guide the people with virtue, and they will be inspired by magnanimity; entice the people with profit, and they will sink into depravity.² Depraved habits will cause the people to turn their backs on duty in pursuit of self-interest. Soon the common folk will throng the thoroughfares and marketplaces. When Lao Zi said, “A poor country will appear to have a surplus,”³ he was not speaking of a surfeit of material wealth. When wants and desires multiply the people become restless. For this reason the true king promotes the primary occupation and

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¹ *Book of Changes*, “Xi Ci” commentary, II, 14.

² A paraphrase of *Analects* II.3. See selection #57.

³ This statement is not found in the *Dao De Jing*, but it closely corresponds to a quotation attributed to Lao Zi in the *Huai Nan Zi*, an anthology of philosophical writings compiled under the patronage of Liu An, the King of Huainan, in the second century B.C.
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discourages trade and crafts. He restrains the people through ritual and duty. Wishing to ensure a sufficiency of grain and goods, he makes certain that in the marketplaces merchants do not trade in worthless goods and artisans do not make shoddy tools.

The purpose of merchants is to circulate goods, and the purpose of artisans is to furnish tools. These matters are not the primary concern of government.

The Minister: Guan Zi\(^4\) is reported to have said, “If a country possesses fertile land and yet its people are underfed, the reason is that there are not enough tools. If a country possesses rich natural resources in its mountains and seas and yet the people remain poor, the reason is that there are not enough merchants and artisans.”

Crimson lacquer and pennant feathers from Sichuan and Shaanxi; leather goods, bone, and ivory from Hunan and Hubei; cedar, catalpa, bamboo, and thatch from south of the Yangzi River; fish, salt, felt, and furs from the northeast; silk yarn, linen, and hemp cloth from Shandong and Henan—all are necessary to nourish us in life or provide for us in death. We depend on artisans for their production and merchants for their distribution. Therefore the ancient sages built boats to cross rivers and domesticated cattle and horses to cross mountains and plains. By traveling to distant lands and exploring remote places they were able to trade a multitude of goods for the benefit of the people.

Thus, the late Emperor appointed Iron Commissioners to meet the needs of farmers, and initiated the equitable marketing system to assure an adequate supply of goods for the people. The bulk of the population looks to the salt and iron monopolies and the equitable marketing system as the sources for the goods they require. Abolishing them would cause hardship.

The Learned Men: If a country possesses fertile land and yet its people are underfed, the reason is that merchants and artisans prosper while agriculture has been neglected. If a country possesses rich natural resources in its mountains and seas and yet the people remain poor, the reason is that the ruler has not devoted himself to the people’s needs while frivolous and clever articles have multiplied. A spring cannot fill a leaking cup; the mountains and seas cannot satisfy unlimited desires. That is why (the Shang king) Pan Geng gathered the people in a new home,\(^5\) the sage-king Shun buried the gold,\(^6\) and the founder of the Han dynasty, Emperor Gaozu, prohibited merchants

\(^4\) I.e., Guan Zhong (d. 645 BCE), the prime minister credited with enabling Duke Huan of Qi to become the first hegemon (see Analects, selections #11-12). This passage does not appear in the Guan Zi, a collection of essays ascribed to Guan Zhong, though it is consistent with his ideas on political economy.

\(^5\) Apparently a reference to the relocation of the Shang people to the new capital at Anyang by Pan Geng (the 19th of the 30 recorded Shang kings), an event celebrated in Books 18-20 of the Book of Documents. In Book 20 we find the following statement attributed to Pan Geng: “I will not employ those who are fond of wealth; but those who firmly yet reverently labor for the livelihood and increase of the people, nourishing them and ensuring that they have a secure place to live, I will use and respect.”

\(^6\) According to Huai Nan Zi, chapter 20, Shun buried the gold of his realm in the hills to prevent
and shopkeepers from serving as officials. Their purpose was to deter greedy and vulgar habits and fortify the spirit of sincerity. Now, despite all of the restraints imposed on commerce to inhibit the pursuit of profit, still the people do evil. How much worse would it be if the ruler himself were to chase after profit!

The Chronicle says, “When the noble lords take delight in profit, the ministers of state stoop to vulgar habits; when the ministers of state stoop to vulgar habits, the officers become greedy; when the officers become greedy, the common people resort to stealing.” By opening the door to profit-making the ruler provides a ladder for the people to become criminals!

The Minister: Formerly, the noble households of the commanderies and fiefdoms submitted tribute to the court in the form of the products of their respective regions. Transport was troublesome and disorganized, and the goods often were of such poor quality as not to be worth the cost of delivering them. Therefore a Transport Officer was appointed in every commandery and fiefdom to assist in speeding the delivery of tribute and taxes from distant parts of the empire. This was known as the “Equitable Marketing” system. A Receiving Bureau was set up in the capital to stockpile commodities of all types. When market prices were low the government made purchases to raise them; when market prices were high it sold off its reserves to lower them. As a result the government incurred no losses and merchants could not profit from speculation. This was known as the “Balanced Standard” system.

The “Balanced Standard” safeguards the people from unemployment; the “Equitable Marketing” system ensures that the tax burden is shared equally among the people. Both of these measures work to the advantage of the people by distributing goods widely and at fair prices. By no means do they “open the door to profit-making by providing a ladder for the people to become criminals.”

The Learned Men: The ancients, when levying taxes on the people, only requisitioned goods the people were skilled at producing and never demanded goods that the people knew not how to make. Farmers contributed their harvest, and women weavers the fruits of their skill. Now the government ignores what the people have and exacts what they lack. The common folk must sell their products cheaply to satisfy the demands of the ruler. Recently, some of the commanderies and fiefdoms ordered the people to produce linen and wool. Having imposed this burden on the people, the local officials then sold them the cloth they needed to submit as tax payments. The officials requisitioned not only the renowned fine silks of Qi and Tao and the broadcloth of Shu and Han, but even the ordinary cloth people make. These heinous officials then could sell these textiles at whatever price they dictated.7 The farmers suffered twice over and women weavers were doubly taxed. Where is the “equity” in this marketing system?

Government officials swarm into the marketplaces to corner the supply of goods. With the supply of goods cornered, prices soar and merchants profit from speculation. Buying on their own account, officials resort to all kinds of trickery and intimidation. Powerful officials and wealthy merchants are able to hoard commodities in expectation of future demand. Quick traders

his subjects from being aroused by feelings of greed and avarice.

7 In other words, having acquired a monopoly over the supply of these goods, the officials were in a position to demand a high price.
and unscrupulous officials buy low and sell high. Where is the “balance” in this standard? The equitable marketing system of antiquity aimed at facilitating the submission of tribute while ensuring that the tax burden is shared equally among the people. It surely was not intended to involve the government in the exchange of goods for the sake of profit.

Chapter Two
Hold Fast the Plough

The Minister spoke: The true king should monopolize natural resources, regulate custom barriers and marketplaces, ensure that the tasks appropriate to each season are fulfilled in a timely manner, and govern the people by controlling the ratios of exchange. In good years of bountiful harvests the ruler stores up goods to provide for times of scarcity and want. In bad years of meager harvests the ruler disburses money and goods, circulating the surplus in order to make up for shortfalls.

In antiquity, during the flood in the time of Yu the Great (founder of Xia) and the drought in the time of Tang (founder of Shang), the distress of the common folk drove them to sell their children in order to obtain the necessities of food and clothing. Yu coined money from the gold of Mount Li and Tang coined money from the copper of Mount Zhuang so that the people could redeem their children from bondage. All under Heaven praised them for their benevolence.

Some time ago, soldiers were unable to receive their pay because of a shortfall in revenues, and Qi and Zhao suffered from a great famine because of natural disasters in Shandong. But thanks to the reserves accumulated through the equitable marketing system and the stores in the state granaries the soldiers were provided for and the people were saved from starvation. Thus the goods obtained through the equitable marketing system and the wealth held in the capital’s treasuries and storehouses are not used to trade in commodities solely for the upkeep of the army. They also are for relieving the distress of the people and providing recourse against flood and drought.

The Learned Men: The rulers of antiquity taxed the people only a tithe of one-tenth, while allowing them to fish and gather firewood in the proper seasons. The black-haired masses all received grants of arable land and none neglected his duty. Therefore three years of cultivation yielded a store of one year’s surplus; nine years of cultivation yielded a store of three years’ surplus. This is how Yu and Tang prepared against flood and drought and brought security to the common folk. If the grasses and weeds are not cleared and the fields not cultivated, even if the ruler arrogates to himself the wealth of all the mountains and seas and avails himself of the hundred

8 “Ratios of exchange” refers to the relative values of goods (measured by price) and money (measured by purchasing power), which in turn are determined by the laws of supply and demand. The notion that the ruler can regulate the economy by manipulating the ratios of exchange is the central concept in the body of economic thought that traced back to Guan Zhong (this passage largely paraphrases a section from chapter 84 of the Guan Zi) and also guided Emperor Wu’s fiscal policies.

9 The text is ambiguous here; I have modified it following chapter 85 of the Guan Zi, which describes the origins of money exactly as portrayed here.
sources of profit, still he would not be able to provide for the welfare of the people. Hence the ancient sages honored manual labor and devoted themselves to the primary occupation to ensure that the people sowed and planted in abundance. The ruler himself went to plough the fields in the proper season so that the people would enjoy sufficient food and clothing. Even in the face of several years of dearth the people did not suffer. Thus food and clothing are the basic necessities of the people, and sowing and harvesting are their fundamental responsibilities. If these two requirements are met, the state will be rich and the people at peace. In the words of the Book of Odes: “The hundred houses full of grain, the wives and children fret no more.”

**The Minister:** Just as the ancient sages and worthies, in managing their households, did not restrict themselves to a single wife, so there is more than one way of enriching the state. In the past Guan Zhong made his prince hegemon through the shrewd use of power, while the Ji clan perished despite its agricultural wealth. If managing the household and earning a living depended solely on farming, then the sage-king Shun would not have fashioned pottery, nor would Yi Yin have become a cook. Thus the skillful ruler abides by the principle, “I honor what the whole world despises, and I value what the whole world slights.” He trades manufactured goods for food, and thus obtains real value at little cost. At present the wealth of the mountains and marshes and the reserves of the equitable marketing system enable the ruler to control the exchange values of money

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10 *Book of Odes*, Song 291 (a thanksgiving prayer for good harvests).

11 Later commentators, apparently uncomfortable with this bald acknowledgement of polygamy among the sage-kings, amended “a single wife” to read as “a single method.” According to chapter one of Sima Qian’s *Records of the Grand Historian*, the sage-king Yao gave Shun his two daughters as wives as a test of Shun’s skill in managing a household. After passing the test, Shun was deemed worthy of succeeding Yao as ruler.

12 This passage echoes a dialogue in *Guan Zi*, chapter 91, where Guan Zhong invokes the example of the Ji clan to warn Duke Huan that careful management of agricultural resources does not suffice to enrich the state. According to the *Gongyang* commentary on the *Spring and Autumn Annals*, the Ji clan was exterminated by Duke Huan’s father as an act of revenge in a centuries-old feud between Ji and Qi.

13 According to legend, before Shun succeeded Yao as sage-ruler, he had taught farming, fishing, and pottery-making to his neighbors, who then recognized Shun as their leader (*Records of the Grand Historian*, chapter 1). The phrase “fashioning pottery” was a common metaphor for sagely government—the sage molds the people just as a potter shapes clay.

14 Yi Yin reputedly was chief minister under Tang, founder of the Shang dynasty. It was said that Yi Yin came to Tang’s attention through his skill at cooking, a claim repudiated by Mencius (*Mencius*, 5A.7).

15 Quoting *Guan Zi*, chapter 91.

16 This passage could be translated more colloquially as “getting something for nothing.”
and goods and to place a yoke over the noble families. Using the gold of the Ru and Han Rivers and other trifling items of tribute we can inveigle foreign countries and snare the treasure of the barbarians. A single bolt of plain Chinese silk can be exchanged with the Xiongnu for articles worth several pieces of gold, which also has the salutary effect of reducing the resources of our enemy. Caravans of mules, donkeys, and camels enter our realm in unbroken lines; bay and dappled horses and prancing mounts all come into our possession. The furs of sables, marmots, foxes, and badgers along with multi-hued woolens and embroidered felts fill the imperial storerooms, while jades, corals, and lapis lazuli all are added to the treasure of our realm. In this way the goods of foreign lands flow into China without any dispersal of our wealth abroad. When rare goods flow inward, the government has ample resources to meet its expenses; if none of our wealth is dispersed abroad, the needs of the people can be met. In the words of the Book of Odes: “The hundred houses full of grain, the wives and children fret no more.”

The Learned Men: In antiquity, merchants traded goods without anticipation of profit, and artisans got a fair return without resorting to cheating. Therefore, whether the gentleman farmed, hunted, or fished, the fruits of his labor were equal. Trade promotes dishonesty, and manufacture of goods provokes disputes. Merchants and artisans lie in wait for a chance to exploit others without any sense of remorse. Thus dishonest men cheat others, and honest men resort to dishonesty.

In ancient times, when Jie (the evil last ruler of Xia) filled his palaces with music and dancing girls dressed in elegantly-embroidered gowns, Yi Yin withdrew and journeyed to Hao, while the dancing girls in the end caused the downfall of the dynasty. Now, mules and donkeys cannot perform the tasks of oxen and horses. Neither sable and marmot furs nor felt and woolens add anything beyond the silks we already possess. Beautiful jades and corals come from Mount Kun (in the far west), while pearls, ivory, and rhinoceros horn come from Guilin (in the far south). These places are more than ten thousand leagues away from the Han domain. Measured against the labor invested in farming and silk-raising or the expense of material and capital, one article of foreign import costs more than a hundred times its actual value; for one handful of imports, ten thousand weight of grain must be paid.

If the ruler is fond of rare and precious things, his taste for ostentation will spread down to the people; if he prizes goods from far-off lands, then the wealth of his kingdom will vanish into foreign countries. For this reason the true king does not value useless things, and thus he sets an example of thrift for his subjects. Nor does he love exotic articles, and thus he preserves the wealth of his realm. The Way of ministering to one’s subjects lies simply in curbing expenditures and honoring agriculture, and in distributing lands according to the “well-field” system.

The Minister: Leaving the capital and going east, west, north, or south, across the mountains and

17 These various kinds of animals were acclaimed as the “marvelous beasts” of the Xiongnu.

18 The upright official who transferred his loyalty to Tang, founder of Shang; see note 14 above.

19 The (probably mythical) “well-field” system of equal division of landholdings was greatly celebrated by Confucians, notably Mencius. For a description of this system, see the passage from Mencius III.A (selection #7).
rivers and throughout the commanderies and fiefdoms, you will find that everywhere grand highways and boulevards extend in all directions, merchants gather in great numbers, and every imaginable commodity is displayed for sale. Thus the sage takes advantage of nature’s seasons, and the wise man takes advantage of the earth’s bounty. The superior man takes from others, while the mediocre man simply adds to his own burden. Chang Zhu and Jie Ni\(^{20}\) never accumulated a hundred pieces of gold, and the followers of Zhi and Qiao never obtained the wealth of Yi Dun.\(^{21}\) The merchants of Yuan, Zhou, Qi and Lu\(^{22}\) have spread out all over the world. The wealth of these merchants amounts to tens of thousands of pieces of gold, which they obtained by utilizing their capital and pursuing profit wherever they could find it. What need is there to depend on farming to enrich the realm? What need is there to resurrect the “well-field” system to ensure that the people’s needs are satisfied?

**The Learned Men:** When the Great Flood threatened to inundate Heaven, the labors of Yu staved off disaster. When the waters of the Yellow River overflowed, the building of the Xuanfang dike prevented calamity. When the evil King Chou of Shang ruled through brutal tyranny, King Wen of Zhou devised a strategy at Meng Ford to overthrow him. The world is beset with great troubles, yet you speak of becoming wealthy by utilizing one’s capital!

When perfect government prevailed in high antiquity, the people were simple and valued the essentials; peaceful and happy, their wants were few. At that time few travelers were seen on the roads, and weeds sprouted in the marketplaces. If farmers do not work hard there will be nothing to fill their empty stomachs. If weavers do not work hard there will be nothing to cover their bodies. Even in a grand metropolis men like Lord Zhu of Tao or Kong of Yuan would have no opportunity to apply their skills at making money.\(^{23}\) From ancient times to the present, never has there been reward without effort, or success without labor.

\(^{20}\) The hermits who ridiculed Confucius for what they saw as his misguided dedication to improving humanity; they themselves remained content to till their fields in obscurity. See *Analects* XVIII.6 (selection #25).

\(^{21}\) Zhi and Qiao were famous bandits celebrated in Taoist writings as anarchists. Yi Dun was a successful salt merchant mentioned by Sima Qian in “The Biographies of the Money-makers,” p. 439.

\(^{22}\) All of these places were associated with ancient Zhou traditions and the Confucian school. Sang Hongyang is underscoring the irony that now these places are famous for their merchants rather than their moral philosophers. See, for example, Sima Qian’s accounts of the Kong family of Yuan and the Bing family of Lu, both of whom became rich in the iron industry, and the salt merchants Yi Dun of Lu and Diao Xian of Qi, in “The Biographies of the Money-makers,” pp. 451, 439.

\(^{23}\) For the story of Fan Li, later ennobled as Lord Zhu of Tao (the Midas of China), see “The Biographies of the Money-makers,” pp. 437-38. For the iron-monger Kong, see note 22.
Chapter Four
Competing Currencies

The Minister spoke: If money and goods circulate without hindrance and yet the needs of the people are not met, the reason must be that commodities are being monopolized. If government expenditures are balanced in equal measure with revenues and yet the people suffer hunger, the reason must be that grain is being hoarded. Clever men control the labor of a hundred others; but a simple-minded person can scarcely earn his own living. If the sovereign does not intervene to ensure equity among them, the rich will become richer, and the poor poorer. This is the reason why some accumulate stockpiles that will last a hundred years, while others are obliged to subsist on husks and chaff. If some of the people obtain great wealth, the ruler can no longer restrain them with office and emoluments; if they are too powerful, they no longer are intimidated by imperial authority or the threat of punishment. Only by equalizing profit through the collection and distribution of wealth can the ruler eradicate such inequities. Therefore the sovereign accumulates stocks of foodstuffs to conserve consumption, controlling the surplus in order to alleviate any deficits that may occur. Only by prohibiting excessive gain and sealing up the sources of profit can he ensure that the common folk will be able to provide for their families and every individual’s needs will be satisfied.

The Learned Men: The ancients honored virtue and deprecated profit; they valued moral obligations while regarding riches with contempt. Since the time of the Three Kings (i.e., the founders of the Xia, Shang, and Zhou dynasties) periods of prosperity have alternated with periods of decline, but the sovereigns were able to arrest decline and forestall collapse. Thus it is said that the Xia was based upon loyalty; the Shang was based upon reverence; and the Zhou was based upon culture. The excellence of their ritual codes and the instruction in their schools is readily apparent. But in later times ritual and moral obligations lapsed; proper customs and civilized habits disappeared. Thus, ever since the rulers of states arrogated rank and tribute to themselves (rather than receiving them from the Zhou kings) they have strayed far from moral duty in their intense struggle for ever-greater riches. The large states swallowed up the small, each attacking and overthrowing another by turns. It is for this reason that some have accumulated stockpiles to last a hundred years, while others have nothing to fill their bellies or cover their skins. Those who held office in ancient times did not farm; those who worked the fields did not fish; the gatekeepers and night watchmen all had their proper station and none tried to monopolize profit or corner the market for goods. In this way both the clever and the simple-minded labored together without one ruining the other. The Book of Odes says:

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24 In other words, if they are independently wealthy and no longer dependent on official salaries or grants, they are beyond the ruler’s control.

25 The critics here invoke Sima Qian’s famous characterization of the unique virtues of each of the Three Dynasties of antiquity (Records of the Grand Historian, chapter 8). The idea that each age has its own unique quality is the basis of the “dynastic cycle” theory of historical change.
Handfuls of grain are left upon the ground,
And here ears of millet lie untouched,
For the benefit of orphans and widows.26

From these words we can see that there was no monopoly of goods in those days.

The Minister: King Tang of Shang and King Wen of Zhou inherited the Mandate of Heaven after periods of decline; and the Han Dynasty arose during an era of gross misrule. Nature alternates with culture, a pattern that cannot be easily altered.27 To change institutions when customs decay does not mean that one seeks to depart from the Way of the ancients; rather, by doing so the decline can be arrested and the people rescued from error. Thus instruction must change with the change in customs; the currency system, too, must change with the changing times. The Xia rulers used black cowry shells as money, while the people of Zhou used purple cowries. In later ages metallic currency in the shape of knives and spades was used.

When something reaches its farthest point of development it begins to decline; thus beginning and end alternate in cycles. If the ruler does not impose a levy on the natural resources of the mountains and marshes, he must share their bounty with his vassals. If the ruler does not monopolize the manufacture of currency, then counterfeit coin will circulate with the genuine. If the vassals attain great wealth they will seek to exceed each other in their display of opulence. If ordinary subjects monopolize the sources of wealth they will seek to undermine one another.

The Learned Men: The ancients had marketplaces but no coinage. Everyone exchanged what they had for what they lacked, such as the weaver who brought finished cloth to trade for yarn. In later ages tortoise shells, cowries, and metallic money emerged as the media of exchange. Each time the currency system changed the people became more and more dishonest. Now, dishonesty can be rectified by returning to native simplicity; errors can be prevented by reverting to codes of ritual duty.

King Tang of Shang and King Wen of Zhou inherited the Mandate of Heaven after periods of decline. By reforming the laws and reviving moral instruction the Shang and Zhou restored the Way.

The Han Dynasty arose during a period of gross misrule but did not reform the laws or revive moral instruction. Instead, the government repeatedly changed the currency system to extract profits. Trying to restore the essentials in this way is like using frying fat to put out a fire, or using a burning torch to quench a boiling pot. If the ruler abides by ritual constraints, the people will abhor ostentatious display. If the ruler takes delight in material wealth, his subjects will risk their lives in pursuit of profit.

26 Book of Odes, Song 212.

27 Sang Hongyang here refers to the dynastic transition from Shang, characterized by “native simplicity,” to Zhou, characterized by “culture”—the advance of civilization through human creativity (see note 25 above). He rejects the idea that every age should imitate ancient ways and primitive social institutions. Instead, just as Zhou marked the advance of cultural (and material) progress from Shang times, so too the Han should seek to advance the course of progress.
The Minister: In the time of Emperor Wen (ruled 180-157 BCE) the people were allowed to freely mint coin, smelt iron, and extract salt. The Prince of Wu (a cousin of Emperor Wen) arrogated the salt marshes of Shandong for his own use, and Deng Tong (another of the emperor’s favorites) was given exclusive rights to mining in the Western Hills. Every rogue and scoundrel in Shandong flocked to the Prince of Wu’s fiefdom, while the commanderies of Shaanxi and Sichuan fell under the thrall of Deng Tong. Coins minted by Wu and Deng prevailed throughout the realm. Consequently, the government was forced to prohibit the private minting of coin. Deceit and chicanery will cease only if laws are enacted that strictly prohibit such license. Once deceit and chicanery cease the people will no longer aspire to gain by wrongful means, and everyone will devote themselves to their proper tasks. Is this not to restore the essentials? Therefore, if the currency system is unified under the emperor’s control the people will not serve two masters. If coin issues from the ruler, the people will have no doubts about whether it is genuine or not.

The Learned Men: In high antiquity, numerous forms of currency existed, wealth circulated, and the people were happy. Later, as the old types of currency were replaced with silver coins inscribed with tortoises and dragons, the people became deeply suspicious of the new coins. The more often the currency system is changed, the more suspicious the people become. Subsequently, all the old currencies circulating throughout the realm were demonetized and sole authority to mint coin was vested in the Three Officers of the Intendancy of Natural Resources. The officials and artisans alike steal from the profits of the mint. Moreover, they fail to ensure that coins are made to exact standards; some coins are too thin or too thick, too heavy or too light. Farmers are not expert at perceiving the qualitative differences between different coins. When comparing one coin to another, they trust the old coins but harbor suspicions about the new ones, without really knowing which is genuine and which is false. Merchants and shopkeepers pass off bad coins in exchange for good, taking in coins worth double their face value while fobbing off debased ones. If the farmer accepts the debased coins as payment, he suffers a loss; if he uses them to make purchases, he violates his conscience. In either case, he only becomes more and more suspicious. If there were proper laws against counterfeiting coin, then the quality of coins, whether government or private issues, would be uniform. If people must discriminate between different types of coin, then trade will be harmed, and consumers in particular will suffer. The Spring and Autumn Annals states, “A plan that does not take into consideration the barbarians will surely fail.” Therefore, the sovereign provides for the people’s welfare by not restricting the use of the natural resources of the mountains and the seas; he facilitates the use of currency by not prohibiting people from freely minting coin.

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28 Emperor Wu introduced these coins, actually alloys of silver and tin, in three denominations. Those bearing a likeness of a dragon were worth 3,000 cash; with a horse, 500 cash; and with a tortoise, 300 cash.

29 This passage is not found in the existing version of this text.
Chapter Eight
Chao Cuo

The Minister spoke: According to the guiding principles of the *Spring and Autumn Annals*, “A subject must not harbor even the intention of wrong-doing; if he has even the intention of wrong-doing he must be punished.” A subject can commit no greater crime than murdering his prince; a son can commit no greater crime than murdering his father. Not long ago the kings of Huainan and Hengshan patronized men of letters, summoning wandering statesmen from the four corners of the empire. The Confucians and Mohists of Shandong all congregated between the Yangtze and Huai Rivers (where the two kingdoms were located), expounding on policy and venting their opinions. Their pronouncements were published in dozens of books. And yet all this philosophical activity culminated in sedition and treason. Incited by these learned men, the kings plotted rebellion against the emperor, and the death penalties eventually meted out to them extended to all of their kith and kin. Chao Cuo changed the laws and broke with precedent, setting aside the institutions of the dynastic founder to apply pressure on the imperial princes and expropriate the fiefdoms of the noble lords. Our vassals among the nomads refused allegiance, while imperial flesh and blood renounced their ties of kinship. Enmity grew between the kings of Wu and Chu and the emperor, who was forced to behead Chao Cuo in the Eastern Market to placate the officers of the Three Armies and appease the noble lords. Now, tell me, who really murdered Chao Cuo?

The Learned Men: Confucius would not drink from the “Robber Spring,” nor would (his disciple) Zeng Zi deign to enter the village named “Mother Vanquished.” These mere names they detested; how much more they would hold in contempt disloyal subjects and unfilial sons! Thus Confucius

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30 Chao Cuo served as chief minister under Emperor Jing (r. 157-141 BCE). Primarily a disciple of Legalist teachings, he advocated rescinding the fiefdoms awarded to the noble lords. In response, the princes of Wu and Chu rose up in insurrection in what became known as the Rebellion of the Seven Kingdoms (see “The Biographies of the Kings of Huainan and Hengshan,” p. 328). The rebellion was suppressed, but Chao Cuo became the scapegoat blamed for inciting the rebellion, and the emperor was persuaded to execute him. In contrast to the focus on economic policy in other chapters, this session of the debate was devoted to the question of bureaucratic vs. patrimonial forms of government.

31 Quoting the *Gongyang* commentary to the *Spring and Autumn Annals*. The same words are used by the minister Liu Duan in arguing that the King of Huainan be harshly punished for plotting rebellion: see “The Biographies of the Kings of Huainan and Hengshan,” p. 345.

32 Many of these works were collected in the *Huai Nan Zi*, the anthology of writings on philosophy and government named after their patron Liu An, the King of Huainan. The eclectic documents found in the *Huai Nan Zi* defy ready categorization; they represent an effort to synthesize Legalist, Daoist, and Confucian doctrines.

33 These anecdotes about the offense Confucians took at evil-sounding names appear in the *Huai Nan Zi*, chapter 16.
“after bathing and dressing ceremonially went to court and complained to Duke Ai.”

“Chen Wen Zi, who owned ten teams of four horses each, abandoned them and left the state” (when his ruler was assassinated by a usurper; quoting Analects V.18). The Book of Rites says: “The gentleman may be exalted or humbled; he may suffer punishment or execution; but he can never be forced to commit treason.” Now if a man feigns loyalty yet lacks sincerity; if his words mimic virtue but his conduct veers away from principle; then surely he is a knave among knaves and will not be tolerated in the company of gentlemen. The Spring and Autumn Annals never countenanced the minority’s opposition to the majority. Moreover, there are limits to the principle of executing seditious subjects and extinguishing rebellious fiefdoms— it must not be turned into revenge for the sake of revenge. Thus Shun, though he used capital punishment, executed only Gun, and in choosing a successor he made (Gun’s son) Yu his heir. If one casts away all unpolished gems upon finding a flaw in the crown jewels, or implicated everyone in the crime of a single individual, then there would be no precious stones, nor any trustworthy officials, in the empire.

Master Chao claimed that the wealth of the noble lords and the size of their domains made them arrogant and extravagant; in a time of crisis, he reasoned, they might ally with one another. Thus, for the faults of Wu the neighboring domain of Guiji also was destroyed; for the crimes of Chu the sovereignty of Donghai was revoked. Chao Cuo, devoted to ensuring that the Han dynasty would last ten thousand generations, leveled the power of the noble lords and divided their strength. Just as Xian Gao lied to Qin but remained true to Zheng, Master Chao remained loyal to the Han but made enemies among the noble lords. Every subject must be prepared to give up his life for his ruler in service to his country. This is why Xie Yang was praised in Jin but reviled in Chu.

Chapter Seventeen

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34 Quoting Analects XIV.21, wherein Confucius asks the duke to punish Chen Huan, who had killed his lord, Prince Jian of Qi.

35 Yu’s father Gun was executed for failing to carry out the task of curbing the waters of the Great Flood. See Birrell, Chinese Mythology, pp. 146-47.

36 The Learned Men here argue that only those who truly committed treasonous acts should have been punished; the Han should not have abandoned the principles of the patrimonial state by abolishing all of the fiefdoms.

37 Xian Gao, a merchant from Zheng, delivered crucial intelligence of Qin plans for a sneak attack on Zheng when he returned to his native state. See Chronicles of Zuo, 33rd year of Duke Xi (627 BCE).

38 Xie Yang, an envoy from Jin, was taken prisoner by Chu and after repeated refusals finally agreed to the king of Chu’s demand that he betray Jin and not carry out his mission. However, upon his release Xie Yang completed his mission as planned. Accused by the king of Chu of breaking his promise, Xie replied that a subject owes good faith only to one ruler, and the ruler of Chu showed he failed to understand the principle of loyalty when he tried to convince Xie to betray his prince. See Chronicles of Zuo, 15th year of Duke Xuan (594 BCE).
Poverty and Wealth

The Minister spoke: For more than sixty years I have been the recipient of imperial emolument and favor. At the age of thirteen, I first bound my hair and girded myself with the sash, having the good fortune to be selected an imperial page, and served in the Emperor’s retinue, eventually rising to the rank of minister of state. In drawing up budgets for carriages, horses, garments, and regalia as well as the expenditures for my wife, children, servants, and other dependents, I balanced expenses against income, holding strictly to principles of thrift and economy. I recorded all of my salary, and every emolument and gift, in my account-books. My wealth gradually accrued until I had acquired a considerable estate. Thus when making an equal division of lands among heirs the worthy man will still be able to maintain his property; when making an equal division of his wealth the wise man is able to account for all he owns. Now, when Bai Gui made use of things rejected by others, and when Zigong thrice acquired a fortune of a thousand pieces of gold, what need had they to rely on the resources of the people? Instead, they exercised their own intelligence in buying and selling, shipping goods to wherever they brought the greatest return, and profiting from the differences in prices from one place to another.

The Learned Men: In antiquity, because men did not pursue two callings, nor engage in trade while receiving an official salary, there was no disparity between the various occupations, and no extremes of wealth and poverty. Those who abide in humility when receiving official rank and salary are praised beyond all measure. Yet those who take advantage of their position and power to seek profit for themselves obtain an income beyond all reckoning. As for he who draws sustenance from the lakes and waterways and controls the resources of the mountains and seas, woodcutters and shepherds will not be able to compete for remuneration, nor will merchants and shopkeepers be able to compete with him for profit. Zigong became rich while a mere commoner, yet Confucius did not approve. How much more critical would Confucius have been of a person of station and influence who sought to become wealthy! Thus, in antiquity ministers of state devoted themselves to benevolence and duty in order to fulfill the responsibilities of their office, never exploiting their power to satisfy their own self-interest.

The Minister: Only if the resources of the mountains and hills are abundant can the common folk begin to enjoy plenty; only if the riches of the rivers and seas overflow can the people begin to obtain satisfaction of their needs. Waste water cannot be used to irrigate rice paddies, nor can timber from a small stand of trees be used to construct palace halls. The small cannot encompass the large, nor can the few satisfy the needs of the many. Never has there been a case where someone who is unable to provide for his own needs can provide for the needs of others; nor can someone who is unable to govern himself govern others. Therefore, he who can take care of

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39 For the successful investment strategies of Bai Gui and Confucius’s disciple Zigong, see Sima Qian’s “Biographies of the Money-makers,” pp. 438-39. However, in Sima Qian’s account it is Lord Zhu of Tao (see footnote 23), not Zigong, who is said to have “thrice acquired a fortune of a thousand pieces of gold.” See ibid., p. 438.

40 In Analects XI.19 Confucius criticizes Zigong for “indulging in money-making.”
himself is the one who can do the most for others; he who can govern himself is the one who can best govern others. If the learned scholars cannot manage their own households, how can they be entrusted with the task of establishing order in the realm?

**The Learned Men:** He who undertakes a long journey must employ a carriage, and he who wishes to cross the rivers and seas must rely on a boat. Therefore to achieve success and acquire fame the worthy official must avail himself of material and financial resources. (The master carpenter) Gongshuzi was able to build palace halls, towers, and galleries by using the timber supplied by his royal patron. Yet he could not make even a small cottage for his own use, because he lacked the necessary wood. (The master blacksmith) Ou Ye was able to cast giant cauldrons and bells with the copper and iron supplied by his prince, yet he could not make ritual pitchers and tripods, or even a washbasin, for his own use, because he lacked the necessary materials. The gentleman, by availing himself of the sovereign authority of the ruler, is able to bring peace to the common folk and ensure prosperity for the masses, but he cannot enrich his own family, because to do so would not be appropriate to his station.

Thus, when Shun tilled the fields at Mount Li, his largess did not reach beyond the boundaries of his village; when Tai Gong worked as a butcher at the Shang capital, his income did not even suffice to feed his wife and children. But when their talents were properly employed as officials, their munificence flowed to the farthest reaches of the civilized world, and their virtue filled to the brim the Four Seas. Yet Shun was dependent on Yao, and Tai Gong on Zhou, to recognize their talents. The gentleman can cultivate his person by relying upon the Way; but he does not warp the Way by relying upon wealth.

**The Minister:** The Way is suspended in Heaven above, but the necessities of life lie scattered upon the face of the earth. The wise man knows how to increase them and attain wealth; the simple man does not, and thus he remains poor. Zigong achieved renown among the noble lords for his aggregation of wealth. Lord Zhu of Tao earned the respect of his contemporaries by making a fortune. The rich sought their friendship, while the poor beseeched them for their favor. Thus, from the ruler of men above down to men of common breeding below, everyone esteemed their virtue and praised their benevolence. But (the disciples of Confucius) Yuan Xian and Kong Ji spent their lives suffering from hunger and cold. Yan Hui (Confucius’ favorite disciple) lived in chronic poverty in a beggar’s alley. In these straightened circumstances they took refuge in caves and hovels, wrapped in coarse hemp to fend off the cold. Even if they wished to resort to crime and deceit to attain wealth it would have been impossible for them to do so.

**The Learned Men:** Confucius said, “If wealth were a permissible pursuit I would be willing even to serve as a guard holding a whip outside the marketplace; as it is not, I shall follow my own preferences” (*Analects* VII.12). The gentleman pursues his duty. He abjures wealth obtained by

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41 On Shun teaching farming to his fellow villagers, see note 13.

42 Tai Gong fled from the misrule of Shang and assisted King Wen of Zhou in planning the overthrow of Shang; he later was enfeoffed as the first Duke of Qi. The story of his working as a butcher (indicating that the Shang failed to appreciate his talents) is found in *Huai Nan Zi*, chapter 2.
illicit means. Thus Zigong was criticized because he was not content with what destiny had allotted him and instead concentrated on making money. A gentleman accepts wealth and rank if the times are favorable to him; but if they are not, he withdraws and takes pleasure in the Way. Not burdened by considerations of profit, he does not transgress his moral obligations in quest of ill-gotten gain. Practicing frugality, aloof from the vulgar world, not wishing to compromise his standards of conduct, the gentleman never dishonors his name by pursuing power and influence. Though he be blessed with the fortunes of the houses of Han and Wei he would not do anything contrary to his beliefs. Wealth and rank cannot augment his honor; neither can slander and calumny damage his reputation.

Thus the coarse hemp robe of Yuan Xian was nobler than the fox and badger furs of Ji Sun; the meager fish soup of Zhao Dun was more delicious than the meat and fowl of Zhi Bo; Kong Ji’s stone amulet was more beautiful than the Chuiji jades of the Duke of Yu. When the Marquis of Wei, upon passing the home of Duan Ganmu, stopped his carriage to make a respectful bow, it was not because Duan possessed high office. When Duke Wen of Jin, upon seeing Han Qing, alighted from his chariot and hastened forward to greet him, it was not because Han possessed great wealth. Rather, the riches of these men were measured in benevolence and the perfection of their virtue. Therefore, to attain noble rank, what need is there to depend on wealth? Benevolence and moral duty will suffice!

43 An allusion to *Mencius* 7A.11: “He who looks upon himself as deficient even though the fortunes of the houses of Han and Wei be added to his own surpasses others by a great margin.”

44 I.e., Ji Kang Zi, the powerful head of the Ji clan of Lu; see *Analects*, selection #60.

45 Zhao Dun was a minister of Jin wrongly accused of regicide; his virtue was revealed in the simple food he ate (*Spring and Autumn Annals*, Gongyang commentary). Zhi Bo, in contrast, was a minister of Jin whose scheming made Jin the most powerful state of the mid-5th century BCE; but in 453 BCE he was killed by his erstwhile allies Han, Wei, and Zhao (*Records of the Grand Historian*, chapter 39).

46 Duan Ganmu refused all of the Marquis of Wei’s entreaties to serve as an official; on one occasion he jumped over the rear wall of his house to evade a visit by the marquis: *Records of the Grand Historian*, chapter 44.