

Analysis of Lao Tzu's Financial Thinking from "When I Forebear, the People Will Prosper"

Zheng Tianyi^{1,a,*}

¹School of Public Finance & Taxation, Shandong University of Finance and Economics, Jinan, Shandong, 250014, China

a. zhengtianyi2000@126.com

**corresponding author*

Abstract: Lao Tzu's fiscal thinking runs through the Tao Te Ching and is a concentrated expression of Huang-Lao Taoism's economic thought. Lao Tzu's political outlook and financial outlook are in the same vein and rely on each other, and the finance of Lao Tzu's era is not comparable with modern finance, but the financial concept embodied in Lao Tzu's idea of "When I forbear, the people will prosper" is worthy of our deep consideration. This article mainly uses literature analysis, empirical analysis, and comparative analysis, and the research concludes that Lao Tzu's idea of "self-prosperity" has produced different effects in different contexts, but in general, under the premise of combining the background of the times, the reform of "ruling without doing anything" can indeed play a great role in the country's economic development.

Keywords: public finance, Lao Tzu, the people will prosper, inaction

1. Introduction

As early as 2002, scholar Wang Yanrong published an article "On Lao Tzu's Fiscal Thought" [1]. Since then, many scholars have studied the free economic thought of the pre-Qin princes and hundreds of schools, but there is very little research on Laozi's fiscal thought.

For the explanation of the sentence "I have nothing to do, and the people will prosper" in Lao Tzu's "Tao Te Ching" [2], after Lao Tzu, many economists and political scientists at home and abroad have proposed similar laissez-faire economic policies and analyzed their economic ideas and Lao Tzu's economic ideas by example and comparative argumentation, and found commonalities.

Then Lao Tzu's fiscal thinking of "I do nothing and the people will prosper" will be integrated with the times to provide new feasibility for China's economic development.

2. Explanation of the Thought of "People Are Naturally Rich"

The fifty-seventh chapter of the "Tao Te Ching" writes, "Govern the realm by the right, and battles by stratagem. The world is won by refraining. How do I know this is so? By this: As taboos increase, people grow poorer; When weapons abound, the state grows chaotic; Where skills multiply, novelties flourish; As statutes increase, more criminals start. As I refrain, the people will reform; Since I like quiet, they will keep order; When I forbear, the people will prosper; When I want nothing, they will be honest." [2].

In chapter 57, Tao Te Ching puts forward the financial proposition that “When I forebear, the people will prosper.” Lao Tzu from the perspective of a gentleman, “I”, refers to a gentleman; “Nothing” does not mean inaction, or nothing in the absolute sense, as can be seen from the phrase “take the world by nothing” in this chapter. From a certain point of view, “nothing” is the economic epitome of “letting things take their own course”, in contemporary popular parlance, “When I forebear, the people will prosper” is equivalent to the modern “upper beam is right and lower beam is right”. The real meaning of “nothing” that Lao Tzu wants to express here is that the monarch curbs his own greed, does not use his own personal interests as a drive, and excessively occupies the people’s labor power and productive forces. The financial goals at that time were fairness and prosperity, and in Lao Tzu’s view, only the ruler “has nothing to do” to achieve. Everything has its “order” of development, and economic life is no exception. Just as the moon in nature is cloudy and clear, economic prosperity and decline are also natural. Finance is also part of the economic “order,” so rulers should not interfere in it.

Lao Tzu said: Isn’t the law of nature very similar to drawing a bow and shooting arrows? When the string is pulled high, it is lowered, and when it is too full, it is relaxed. The law of nature is to cut too much and replenish insufficiently. But the law of society is not like this, to reduce the inadequate, to give to those who have more than enough.

In other words, the way of heaven strives for balance, and all things seek balance on their own. Humanity, on the other hand, imposes human will on all things, leading to inequality. The ruler’s pursuit of so-called fairness and prosperity will inevitably interfere with the natural functioning of all things and cause damage to the economic “order.”

3. The Proposal of Small Territory and Population

Self-prosperity is a simple affluence policy advocated by living and working in peace and contentment. Lao Tzu’s idea of self-prosperity is actually an inevitable product of historical development, because, in the historical context at that time, Lao Tzu advocated “small country and few people”. Chapter 80 of the Tao Te Ching: “The country can be smaller, and the people can be less. Although there are various tools and equipment, they do not need to be used, so people value death without leaving the migrants.” Chapter 57 of the Tao Te Ching: “The sharper weapons the people have, the easier it is for the country to fall into chaos; The more skills people learn, the more new and quirky things will continue to be made.” Chapter 9 of the Tao Te Ching: “Gold and Jade Filling the Hall” shows that the emergence of skilled craftsmen has been accompanied by an increase in rare treasures, proving that the handicraft industry has developed to a high level; Under the thinking of the widows of small countries, Lao Tzu attributed the cause of thieves to the well-made handicrafts; A series of erroneous ideas, such as blaming social unrest on the development of handicrafts, have made it inevitable that the self-prosperity of small countries and widows is national prosperity.

At the same time, the ruler only knows how to enjoy, and does not vigorously produce goods, so the ruler taxes the inhabitants heavily. Because the rulers paid too many taxes, people often went hungry. The people despised death because the rulers lived in luxury. Under this objective situation, Lao Tzu put forward the idea of “self-prosperity”, from the standard of wealth, only required to be fed, clothed, warm, and happy, and did not advocate luxury and gorgeousness, which is still worthy of recognition in the social relations and social background at that time.

4. Confucius’s “Make It Rich” and Lao Tzu’s “Self-Prosperity”

Confucius’s idea of enriching the people is mainly embodied in the book “Analects”, while in books such as “Shiji”, “Book of Han” and so on, it is relatively scattered and unsystematic. However,

Confucius's idea of enriching the people clearly shows the relationship between the prosperity of the people and the strength of the country, and its philosophical foundation is still "benevolence".

First of all, Confucius believed that the prosperity of the people is the foundation of national strength. Chapter 53 of the *Analects* reads: Confucius went to defend the country, and Ran You drove for him. Confucius said, "What a large population!" Ran You said: "The population is already enough, what else should we do?" Confucius said, "Make them rich." Ran You said, "What will you do when you are rich?" Confucius said, "Indoctrinate them" [3].

"Make people rich" and "the people will prosper" are obviously different from the language expression, "make them rich", that is, the ruler needs to establish a policy system to help the people become rich, which is dominated by the ruler [4]. And Lao Tzu's idea of "the people will prosper" reflects the initiative of the people. In contrast, Kong Meng's idea of "Fuzhi" has a clear class connotation. Compared with Lao Tzu's thought, successive monarchs relied more on Kong Meng's economic thought, and this economic proposition containing gifts made successive monarchs in our country develop the arbitrary idea of centralized power [5]. Exaggerating the role of the monarch and attempting to realize some of their unpractical measures in the capacity of the parents of the people and the leader of the country seriously discourages the initiative and enthusiasm of the people to work and become rich, which will cause the cessation and delay of production [6].

5. The Idea of "The People Will Prosper" in Wen-Jing

Compared with Confucius's economic proposition, the economic proposition of "When I forebear, the people will prosper" in the *Tao Te Ching* shows its unique superiority. Lao Tzu advocated that the development of the common people should have a certain subjective initiative, and the rulers should not interfere excessively. Throughout its historical development, in the Han Dynasty, the Han Emperor Liu Heng used this idea: during the Han Emperor's reign, the tax rate on land rent was further reduced—the state-imposed one-thirtieth of the land output as a field tax. This was the period when the land tax rate was lowest in China's feudal society, and it has remained unchanged ever since. His son Emperor Jing of Han also followed his ideas, and finally, after the efforts of two generations of emperors, the Han Dynasty reached national prosperity and people's content [7]. Since then, in the early years of each dynasty, in order to restore the economy destroyed by war, the economic policies adopted by the first rulers are similar to Lao Tzu's leading ideas, and the achievements have been recorded in history. It can be seen that we should affirm the uniqueness of Lao Tzu's "When I forebear, the people will prosper", which is worthy of affirmation and study.

However, this idea has flaws, and if it is overused in practice, its drawbacks should not be underestimated. In Wen-Jing, the ruler puts emphasis on ruling by 'not ruling'. On the one hand, it improves the quality of life of residents, on the other hand, it creates a large number of "Rich-men", which caused the widening gap between the rich and the poor among the people. In the long run, the rise of aristocratic forces in various places, and finally led to the Rebellion of the Seven Kingdoms [8]. Lao Tzu believed that "heaviness is the root of rashness, and stillness is the master of restlessness." "Silence is the foundation of all things, and only by keeping quiet can great things be accomplished. As the guardian of the overall economic situation of the world, finance should have long-term considerations, should not overreact to short-term economic phenomena, and exhaust itself in various policy options, so that limited national financial resources are spent in volatile policies, resulting in long-term hidden dangers.

As the *Tao Te Ching* says: "Standing on tiptoe is not firm; It is not far to move forward." A short period of tiptoeing and crossing may stand higher and walk faster, but it cannot last, and will only lead to "unstable" and "not lasting". The same is true for the development of things, and all-natural and social phenomena have certain foundations and conditions. If some measures are temporarily implemented to change the status quo, in the long run, it will only exhaust energy and lose the

potential for subsequent development. Therefore, in the period of Emperor Wudi of Han, in order to stifle this opportunity in the cradle, Emperor Wudi of Han once again encouraged Confucius's idea of "make people wealth". Indeed, in the early days of policy implementation, the Han Dynasty reached an unprecedented peak, but in the late Han Wudi period, the country's financial resources were declining [9].

Assuming that Emperor Han Wen and Emperor Han Jing could make appropriate adjustments and restrictions on the basis of "rule by doing nothing" and "self-enrichment", then it is no exaggeration to say that the glory of the Han Dynasty could last for decades or even hundreds of years [10]. Similarly, if Emperor Wudi of Han also adhered to the policy of "self-enrichment" under the situation of "rule by doing something", the situation of the people being rich and the country being strong would certainly continue, and it would not greatly increase the burden on the people.

6. The Coincidence Between Adam Smith and Lao Tzu

In the West, the famous economist Adam Smith's idea of a "laissez-faire" government also coincided with Lao Tzu's thinking. In economic policy, Smith was an advocate of economic liberalism. Expecting a self-regulating socio-economic order, he advocated a "natural, simple and clear system of freedom." In it, the government only needs to maintain peace, establish and maintain a tight law enforcement system, and provide education and other minimum public works; The government does not need to interfere in ordinary economic affairs, and can safely give each individual the freedom to act in his own way, and he will naturally make the greatest contribution to the public good. In other words, a free socio-economic system is a basic condition for the smooth operation of the market economy and economic growth.

It is speculated that Lao Tzu's was written in 516 BC. Although this is more than 2,000 years apart from the 17th century in which Adam Smith lived, there is no evidence that China's economic and political ideas during the Spring and Autumn period were introduced to Western countries. Therefore, this can show that although the cultural background is different, the political system is different, and the economic model is different, Chinese and Western political scientists have proposed that the ruler should not interfere too much in the people's life and economic market, but should adopt a laissez-faire attitude and let them develop freely.

7. Conclusions

Lao Tzu's economic proposition that "When I forebear, the people will prosper" is actually the epitome of the entire Taoist thought: Taoism advocates that it is necessary to conform to its development law, respect the natural attributes of all living things in nature, and let their nature develop, without artificial transformation and interference [11]. In today's society, copying Lao Tzu's ideas will certainly not work, but Lao Tzu's economic ideas can be combined into the context of the times, and the government can guide the market instead of intervening in the market.

References

- [1] Chen Yi. *Lectures on "Tao Te Ching"*[M]. Nanjing Southeast University Press:, 201702.251.
- [2] Wang Yanrong. *On Lao Tzu's Fiscal Thought*[J]. *Journal of Shanxi University of Finance and Economics (Higher Education Edition)*, 2002, (S1): 141.
- [3] Roberts Moss. *The Analects: Conclusions and Conversations of Confucius*[M].University of California Press:2020-10-30.
- [4] Confucius, C. C. Tsai,Brian Bruya,Michael Puett. *The Analects: An Illustrated Edition*[M].Princeton University Press:2018-01-01.
- [5] Estate The Arthur Waley, Waley Arthur. *The Analects of Confucius*[M]. Taylor and Francis:2012-11-12.
- [6] Zhang Xiujiao. *On the Thought of Economic Freedom of the Pre-Qin Dynasty*[J]. *Shandong Economics*,2007,(02):39-42.

- [7] *High continuation. A Prosperous Society Arrived by Chance: The Reign of Wenjing and Its End*[J]. *The Banker*, 2004, (06): 135-137.
- [8] Zhao Menghan. *On Financial Policy and Governance of Cultural Scenery in the Early Western Han Dynasty*[J]. *Journal of University of Petroleum (Social Science Edition)*, 2002, (02): 61-64.
- [9] Zhao Mairu. *Ecological interpretation of pre-Qin Zhuzi economic thought*[D]. Northwest University, 2007.
- [10] *Can China's economic reform escape the law of rise and fall of history?* *National New Bibliography*, 2013, (11): 60-62.
- [11] Guo Yanqing. *Understanding the optimal fiscal revenue scale by drawing on pre-Qin fiscal thought*[J]. *Finance and Accounting Monthly*, 2009, (06): 84-86.