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Abstract
The development of a market economy in the People’s Republic of China (PRC) has encouraged associated processes of Westernization. At the same time, however, concepts drawn from traditional Chinese thought are also applied in academic discussions of current social and economic changes. The concept of Wuwei (effortless action) and associated concepts drawn from Daoist thought have been applied in a growing number of studies appearing in social science and Party journals in the PRC to analyses of the market economy and state-economy relations. The paper discusses the use of these concepts in five articles published in social science journals in the PRC between 2000 and 2007.

Introduction
The post-1978 Deng Xiaoping economic reforms introduced many changes, including rehabilitation of traditional cultural forms, Confucianism and, less frequently noted, Daoism. Daoism, a complex political, intellectual and later devotional movement, emerged in early China as a critique of Confucian orthodoxy. The classic text of Daoism, the Daodejing, or Laozi as it is also known, after the text’s putative author, was written over 5,000 years ago to instruct aspirants for rulership. Its argument is naturalistic and anti-authoritarian, with emphasis on paradox, the interconnectedness of all things and a vision of the universe as dynamic and ever unfolding (Moeller 2006).
To explore the connections between market reforms and rehabilitation of traditional thought in China the discussion below examines the application to economic analysis of the Daoist concept *wuwei* in 5 papers published in academic and Party journals in the PRC from 2000 to 2007 (Kuang 2001; Li 2000; Liu 2006; Peng 2000; Wang and Cheng 2007). The 5 papers were selected from 17 articles published in journals in the PRC from 2000 to 2008 identified in a web search by a Chinese post-graduate student at the University of Western Sydney working as a part-time research assistant. She was asked to locate articles in which Daoist concepts were used in economic analysis. Of the 17 articles located in this search 12 were unsuitable for the present study: 3 were primarily concerned with family enterprises, 4 with ethical and philosophical aspects of management, 2 with religious Daoism and enterprise and 3 with management ideology. The 5 remaining papers, concerned with economic thought in *Daodejing* and its application or relevance to understanding market economy, were then sent to the Commercial Translation Centre (CTC) in Melbourne, Australia for translation into English. The translations were done in China.

The usual English rendition of *wuwei* as ‘non-action’ is misleading; ‘effortless action’ and ‘non-coercive action’ are preferred translations.

**Wuwei as non-interference**

In the application of *Laozi* to market relations the market is an arena of nature and the *wuwei* orientation of government is non-interference. Wang and Cheng (2007: 1) write that *Laozi* ‘discourages the interference of governments’ in economic issues, for ‘market competition drives the operation of the inherent mechanism of production’ (see also Li 2000: 2). Li (2000: 3) is not alone in believing that a market economy *is* a *wuwei* economy. This is the sense in which *wuwei* appears to come closest to meaning ‘non-action’. In making the point Li (2000: 3) quotes the *Laozi* chapters 3 and 2. The inference to be drawn from these passages is that least government regulation of the economy is best, and that the economy is self-regulating.

While Adam Smith’s ‘invisible hand’ is mentioned in these discussions (see Kuang 2001: 2-3), the historical context which animates these writers is more recent. Li (2000: 3) says that ‘During the Great Leap Forward the government was frenetic about the national economy ... Contrary to the economic philosophy of *wuwei* it is a suffocating planned economy ... [the] weakness of [which] ... is the excessive
centralization of authority’. Similarly Peng (2000: 3) argues that China’s ‘planned economic system was a system with too much “doing” ... over-governance violated the rules of economic development’. He immediately continues by saying that the ‘two decades of reform [since the 1980s] ... have broken the planned economy, endowed people with more autonomy, and inspired their motivation. This is a shift from “doing” to “undoing”’.

Neither Li nor Peng is saying, however, that a government orientation of *wuwei* is a withdrawal of involvement. Rather it is a form of involvement which accommodates, respects or pays due regard to the market’s positive capacity to allocate resources through the endeavours of market actors and therefore avoid the distortions and ‘failures in practice’ that these writers perceive in the ‘economic systems in former Soviet, East Europe and China’s “Great Cultural Revolution”’ (Li 2000: 3). Li (2000: 3) writes that ‘*wuwei* does not equal “no action”’, a proposition he supports with a passage from *Laozi* chapter 48: ‘One does things non-coercively and yet nothing goes undone’ (Ames and Hall 2003: 151). *Wuwei*, then, is ‘positive and dynamic’ (Li 2000: 3) precisely because it is non-coercive.

A governmental management of markets that operates through *wuwei* facilitates rather than controls the market. Peng (2000: 4) says that while government must avoid over-intervention it also ‘must invest efforts in building good social and economic order, fight against counterfeiting and infringing behaviours, and penalize monopolistic and dumping actions. It shall create a legal society, maintain social fairness and provide an excellent economic environment for the enterprises’. Social fairness is not an optional extra in *Laozi’s* understanding of naturalness and *wuwei*, as we shall see below.

**Wuwei as contra to ‘wilful’ and ‘random’ action**

In *Laozi* constraint of government interference is connected with the market’s ‘naturalness’, an idea that cannot be taken for granted. While Western economic theory holds that markets and their mechanisms are natural, in the sense that they purportedly function as spontaneous means of allocation, there is difference in the conception of nature between neo-classical theorists on the one hand and behavioural, evolutionary and institutional theorists on the other as to whether a physical or biological metaphor of nature is appropriate. Neither metaphor adequately captures the notion of nature or naturalness in *Laozi*, however.
Laozi has no conception of a substance of naturalness but only a process, associated with the idea of dao. Dao as ‘naturalness’ or, to use the term under caution, ‘nature’, while formless or ‘indefinite and vague’, as Laozi chapter 21 has it, is the source of authentic ‘images’ and ‘events’ (Ames and Hall 2003: 107). The continuity of dao and its inherent plurality, indicated in Laozi chapter 42, underlies the reality of experience – ‘everything that is happening’ (Ames and Hall 2003: 142). This is to say that experience derives from events that are continuously occurring and ever likely to be novel for, as Laozi chapter 34 indicates, while dao is an ‘easy flowing stream’, it may ‘run in any direction’ (Ames and Hall 2003: 130). The paradox of dao, as indicated in Laozi chapter 41, and experiences of it, as when its movement of ‘returning’ comes from ‘passing’ and ‘distancing’, as in Laozi chapters 25 and 40 (Ames and Hall 2003: 140-1, 115, 139), rather like following a line on an Escher drawing, indicates order without recurrence.

The market as natural, then, from the perspective of Laozi, means that it is an arena of ever changing events and experiences, more Schumpeterian ‘creative destruction’ than neoclassical ‘equilibrium’. The idea from Laozi that the market is natural implies that any action within the arena of the market must be appropriate to it. Any endeavour to force the pace or outcome of market relations without paying regard to their flow, direction, capacities and limitations will not succeed but fail. This notion is expressed by a number of the authors considered here.

Liu (2006: 3) writes that with regard to ‘economic regulation’, which must ‘follow the natural law of economic operations’, Laozi does not advocate ‘doing nothing’; rather ‘the focus of economic regulation is the correct preparation of macro-economic policies and laws, while incorrect interference should be avoided’. What makes for incorrect interference, for inappropriate action, is an actor not paying attention to the nature of the market and instead operating from an extraneous position. As Kuang (2001: 1) puts it: ‘if people follow their will instead of the order of nature ... it will ultimately lead to failure’. The idea is repeated by Li (2000: 2), that wilful action, in the sense that the action is over-determined by the particular needs, preferences, inclination or desire of the actor and under-determined by a cognisance of the character or qualities of the things against which the action is directed, is the opposite of wuwei: ‘If we impose our mind on society, it may lead to chaos. Similarly, in the modern market economy, the market is spontaneous and independent, a situation in which production elements flow freely’. Again, Li (2000: 3) writes that
‘national economic managers shall not act irrationally at will’. From the point of view of the market, such inappropriate actions are described by Peng (2000: 3) as ‘random’.

In distinguishing wuwei from wilful or random action these authors draw upon various chapters of Laozi, including 2, 63, 64. In each of these chapters and others wuwei is action that is appropriate to the inherent dynamic of what is acted on, subordinating the actor’s extraneous and self-centred purposes in order to realize the full potential of events as they unfold under appropriate stewardship or husbandry.

The idea of wuwei as being commensurate with the nature of the thing towards which the action is directed, implicit in Laozi, means that if the nature of something is understood, then action towards it can be appropriate and timely – neither premature nor too late, as in Laozi chapter 64: ‘Deal with a situation before it happens; Bring it under control before it gets out of hand’ (Ames and Hall 2003: 177). This acknowledgment of a dynamic dimension and unfolding of events, is a source of paradox that Laozi addresses and exemplifies throughout. There is another source of paradox in Laozi, however. There is a constant paradox of strategy in Laozi which some of these papers note when finding a wuwei management style in Laozi, namely the paradox that strength comes from weakness.

Wuwei as a paradox of power

Li (2000: 4) describes the idea of wuwei as action ‘without violation’ as a ‘scientific insight’. The paradox that constitutes this scientific insight holds that ostensible strength is actually weakness and apparent weakness is the most reliable source of strength. This idea is taken up not only by Li but also by Liu (2006: 3) and Kuang (2001: 2). They find this idea expressed through different imagery in Laozi, in chapters 43, 76 and in 78, where the paradox of power is represented with the water metaphor: ‘Nothing in the world is as soft and weak as water And yet in attacking what is hard and strong, There is nothing that can surpass it (Ames and Hall 2003: 197).

Li (2000: 4) takes this paradox to mean that successful economic management operates ‘progressively rather than radically’, that managers should ‘follow’ rather than ‘lead’, and compares China’s economic reforms with the radical and ‘shock’ tactics of the former Soviet Union and Eastern European countries. He invokes Laozi’s proposition concerning the efficacy of weakness and also refers to Laozi
chapter 60 in which it is claimed that ‘Bringing proper order to a great state is like cooking a small fish ... It is because ... sages do no harm that their powers combine to promote order in the world’ (Ames and Hall 2003: 171). Small fish require little cooking.

Wuwei as example to others
An aspect of economic management mentioned by a number of the papers is educational, but in different senses. Peng (2000: 4) proposes that one way of eliminating wilful and random actions is to ‘promote the economic thoughts of “governing by wuwei” among line management in the countryside’. Pursuing a similar position, Liu (2006: 3) quotes Laozi chapters 2 and 43 which refer to ‘teachings that go beyond what can be said’ (Ames and Hall 2003: 80, 145). This suggests teaching by example; that managers demonstrate by example of their own conduct rather than by explicit instruction.

Another aspect of managerial dissemination of wuwei is raised by Kuang (2001: 4) when he says that managerial wuwei means that people manage themselves and refers to Laozi chapter 57: ‘We do things non-coercively (wuwei) And the common people develop along their own lines’ (Ames and Hall 2003: 166). But this does not mean that ‘Laozi’s philosophy of wuwei … equals complete freedom’, rather it ‘requires that the manager shall constantly grasp the other invisible hand, that is “moral” education’ (Kuang 2001: 4). Kuang explains that such light-touch management is not withdrawal from intervention but that management intervenes ‘in a timely manner’ (Kuang 2001:4) and quotes Laozi chapter 64: ‘Deal with a situation before it happens; Bring it under control before it gets out of hand’ (Ames and Hall 2003: 177).

The educative role of wuwei, action that is effective in the example it provides to another, has efficacy in at least two senses. First, action as example is conduct of one that animates another; secondly, action as example means that the different positions or roles in any given situation participate together in the realization of an outcome. The necessity of interconnectedness in the world and in agency in the world through wuwei is thus realised in the ‘waterly’ infusion of action as demonstration to inspire and be followed by others.

In the preceding account in which four forms of action as wuwei are discussed, a number of elements of action are identified which sharply contrast with the
conception of action in Western economic and social theories. Three themes in particular emerge in Laozi’s conception of action. First, the thing or event acted upon is never regarded as inert, passive or without its own agentic capacity; second, no actor is independent of other actors and non-actors but interconnected with them in various ways; third, things are subordinate to the processes through which they have manifestation and these processes are dynamic and things in them are ever becoming different. These background ideas inform the notion of wuwei as non-interfering action which accommodates to, say, market processes, as non-wilful action directed to realizing the potential of events and others, and as action that animates others to act on their own behalf. In all of these wuwei is not self-assertive but self-effacing or ‘weak’. Not only does this remove action from the concept of power and domination, as in Western social theory, but also from the Western understanding of economic action as maximization of self interest. Indeed, Laozi has explicit strictures on the latter.

The consumption principle in wuwei
A perspective which recognises the fundamental significance of interconnectedness between all things is likely to regard the extravagance of one section of the population as connected with the exploitation of another. Liu (2006: 4) and Peng (2000: 6-7) both refer to this in Laozi. Peng notes that Laozi regards inequality as a destabilizing social force, quoting Laozi chapter 53 castigating lordly wealth next to agricultural want as ‘robbery’ (Ames and Hall 2003: 160) and chapters 9 and 46, which hold that arrogance of position and wealth ultimately invite calamity (Ames and Hall 2003: 88, 149).

Laozi’s consumption principle of ‘avoid extravagance’ is noted by Wang and Cheng (2007: 2), Liu (2006: 4) and Peng (2000: 8). The underpinning analyses in Laozi which support this principle, quoted by these authors, is the tension between desire, which is endless, and contentment, which can be maintained only by an orientation towards equal distribution. Contentment and ‘even wealth’ are themselves supported by frugality, economy and avoidance of waste. Extravagance, according to Laozi, produces waste. Containment of desire, promotion of contentment, and the notion that frugality generates riches all point in the direction of an equalitarian rather than an unequal economy. Laozi chapter 77 is realistic about the difficulty of achieving an evenness of wealth but is also realistic in holding that in the absence of a
tendency in that direction there will be waste, unrealizable ambition, social disorder and warfare.

Technology and progress: going beyond the text to its method
While Laozi advocates contentment through frugality, economy and modesty the animus of market relations, on the other hand, is to expand opportunities and chances for money making and consumption. These latter produce rising expectations which actively undermine the propriety of frugality, economy and modesty associated with Laozi’s teachings.

The question whether Laozi is anachronistic is indicated in the case of technology, discussed by Peng. Peng (2000: 4), notes that Laozi holds that ‘advanced technologies used to improve productivity … lead to social concerns and chaos, and damages the peace’. Laozi chapter 57 is full of apprehension concerning social or administrative technologies as well as material technologies. Laozi’s response to the negative consequences of technology is to spurn technological development, which Peng (2000: 5) sees as representation of a ‘negative and reactive’ outlook, as in Laozi chapter 19. Peng (2000: 5), on the other hand, sees technological development as the source of many positive changes and the foundation of national advancement. At the same time however, technological advancement introduces ‘costs and hazards’ including environmental degradation (Peng 2000: 5), and he goes on to concede that a rational appraisal of technology requires that both its benefits and its costs be considered, and that this perspective ‘is the essence of Laozi’s philosophy’ (Peng 2000: 6).

Conclusion
Laozi is an ancient text, characteristically Chinese although without a hegemonic presence in Chinese culture given its place alongside Confucianism and Buddhism as parallel traditional teachings. Since the Deng Xiaoping reforms Chinese analysts have returned to the Laozi in order to understand the market economy, its development and direction, as shown above. Laozi provides a method of analysis which produces concrete findings in its focus on paradox and the non-contradictory combination of opposites, on the fundamental interconnectedness of things and on the dynamic unfolding of events which generate novel experiences and uncertainty. Aspects of these elements correspond to conceptualizations in institutional, evolutionary and
ecological economics, although they are uniquely unified in *Laozi*. The concept of *wuwei*, in particular, implies an approach to action that is not only quite different than Western treatments but which offers a broader grasp of the issues raised by action, by endeavours to intervene in events with a view to affecting their outcome and direction, as shown in the 5 papers discussed above. *Wuwei* as effortless or non-coercive action is action which is not exhaustively described by the intentions and capacities of the actor but which includes the actor’s cognition of the relationships which make up the market, say, and an orientation to those relationships which is accommodating of rather than in tension with them. Exploration of recent Chinese discussion of *Laozi*’s value in understanding market relations therefore has relevance beyond China, because it highlights accommodating rather than dominating economic practices that correspond with ecologically-sound market engagements.

References


