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TRC WORKING PAPER NO. 03/2026

OCTOBER 2026

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Working Paper Series

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TRC Working Paper no. 03/2026

Authors: Alexandre REICHART, Wenjie ZHANG

First Published: October 2026

Copyright: Author (s)

Cover Page: Transformatory Research Collaborative (TRC)

ISBN: 978-81-997199-0-3

Published by

Transformatory Research Collaborative (TRC)

Purna Kutir, Road no. 11-D, Rajendra Nagar, Patna-800016,

Email: trcindia2022@gmail.com

Website: www.trcindia.co.in

History of Chinese Economic Thought: The Birth of Political Economy

Abstract

This article presents the major Chinese schools of economic thought that emerged during the Spring and Autumn (*Chūnqiū*, ca. 770–476 B.C.) and Warring States (*Zhànguó*, ca. 475–221 B.C.) periods: Taoism, Confucianism, and Legalism. Although these schools were not, strictly speaking, schools of economic thought, economic ideas can nevertheless be identified within their respective theoretical frameworks.

This is particularly true of the Legalist school, whose ideas exerted a great deal of influence in the ancient states of Qi and Qin. The Legalist tradition in the state of Qi was that of Guan Zhong, a scholar and Prime Minister to Duke Huan of Qi. He developed a body of thought that addressed, among other things, monetary issues and economic policies to be implemented in a context of war. The Qin-Jin Legalist tradition was developed by Li Kui, Shang Yang, and Han Feizi. They developed an economic theory that emphasized the need to enact laws to ensure governance, a system of punishments and rewards designed to shape individual behaviour, and the fundamental importance of agriculture and the military, at the expense of craftsmanship and trade.

Finally, this article presents a fundamental debate in the History of Chinese economic thought: the Discourses on Salt and Iron which, during the Han Dynasty in 81 B.C., pitted Confucian scholars against Vice Premier Sang Hongyang and shed light on the economic ideas developed by the Legalists and Confucians on topics such as price controls, State monopolies, and fundamental economic activities.

Keywords: History of Chinese Economic Thought – Taoism – Confucianism – Legalism

1. Introduction: the birth of Chinese Economic Thought

It is very important to study the History of Chinese Economic Thought, given its richness and diversity. The richness of Chinese economic thought goes hand in hand with China's economic power: on the theoretical level as well as on the factual level, it is inconceivable to understand the world beyond Chinese civilisation.

With five thousand years of history, a unified political power since 221 BC, an economic and technical power at the origin of the creation of the compass, the printing press, gunpowder and paper, a demographic power, the cradle of philosophy, poetry and literature, the Chinese civilisation is very great, perhaps the greatest of all. Chinese civilisation has endured through the centuries and millennia and was, until the nineteenth century, the world's leading economic power, more advanced and more prosperous than the West before the latter industrialised. As the British historian and economist Angus Maddison (1926-2010) points out, in 1500, Míng China alone accounted for 25% of the world's GDP, 23% of the world's population and had a GDP per capita representing 106% of the world average. Even more impressive, in 1820, Qīng China alone accounted for 33% of the world's GDP and 37% of the world's population, even though its GDP per capita was now only 90% of the world average[3].

In his conversation with Johann Peter Eckermann, Johann Wolfgang von Goethe said on January 31, 1827, about Chinese novels: "*The Chinese have thousands of them of this kind, and even they already had them when our ancestors were still living in the woods*[4]."

The Chinese political economy texts are very old and very interesting. Without a doubt, they deserve, both because of their anteriority and their relevance, to

[3] Maddison Angus [2007], *Contours of the World Economy 1-2030 AD: Essays in Macro-Economic History*, Oxford, Oxford University Press, Table 3.25. China and the World Economy, 1500-2030 AD.
[4] Quoted by Jacques Gernet. See Gernet Jacques 2005 [1972], *Le monde chinois, 1. From the Bronze Age to the Middle Ages, 2100 B.C. – Xth century A.D.*, Paris, Armand Colin, p. 13.

be known by the academic community and to be exhibited in the works of History of Economic Thought, where their absence testifies to a form, conscious or not, of ethnocentrism among specialists in the discipline, coupled with ignorance, intellectual laziness and a flagrant lack of curiosity for economic ideas from other civilizations.

Chinese Economic Thought[5] began to take shape during the Spring and Autumn period (*Chūnqiū*, roughly 770-476 BC) and developed during the following Warring States period (*Zhànguó*, roughly 475-221 BC). At that time, China was not unified but divided into many competing States. This situation ended with the final victory of the State of Qin and the establishment of the Qin dynasty in 221 BC, under Emperor Qín Shǐ Huáng.

Different schools of thought emerged during these periods, including:

- Taoism (*Dàojiā*), inspired by Lǎozǐ;
- Confucianism (*Rújiā*), inspired by Kǒngzǐ;
- Legalism (*Fǎjiā*), whose later traditions were associated with figures such as Guǎn Zhòng, Shāng Yāng, and Hán Fēizǐ, although these figures belonged to different historical and intellectual contexts.

Texts later associated with these traditions were gradually compiled, edited, and transmitted. Rather than economic treatises in the modern sense, they were primarily work of philosophy, political thought, and statecraft, but they include reflections on economic matters.

It was the same thing in Europe or in the Arab world in the Antiquity and in the Middle Age: there were no professional economists at that time, but great philosophers (like Aristotle, Thomas Aquinas, Ibn Khaldūn…) that developed political, scientific… but also economic ideas.

[5] The term "economic" is used throughout this article as a broad analytical category, not as a reference to economics as a modern academic discipline or to an autonomous sphere of "the economy" in the modern sense. It refers to reflections on statecraft, wealth, taxation, prices, markets, production, consumption, distribution, public finance, and the governance of material resources.

The German philosopher Karl Jaspers (1883-1969) introduced the concept of the "Axial Age" (*Achsenzeit*), claiming that all the world's great civilizations saw the emergence of their great pioneer thinkers between the eighth and second centuries BC.

Taoism, Confucianism, and Legalism thus developed a long time ago, during the ancient Spring and Autumn and Warring States periods. As stressed by French sinologist Michel Cartier (1934-2019) in 1988: "*China could rightly claim the honour of having invented economic thought*."

1.1. Taoism

Taoism is traditionally associated with two major figures: Lǎozǐ (traditionally dated to c. 571 – c. 470 BC) and Zhuāngzǐ (c. 369 - c. 286 B.C.). The *Dàodéjīng* (*The Book of the Way and of Virtue*), traditionally attributed to Lǎozǐ, contains ideas that may be interpreted as favouring restraint in government and warning against excessive intervention.

A central concept in the *Dàodéjīng* is the *wúwéi*, often translated as the art of governing through non-intervention[6]. The *wúwéi* is a concept of political philosophy and governance, but it also has important implications for political economy. For *Dàodéjīng*, the *wúwéi* is a fundamental political principle that should guide an ideal government: sometimes, not acting is more effective than acting: "*Governing a great State is like cooking small fish*." (*Dàodéjīng*, Chap. 60) If you handle the small fish too often, you will break it. It's the same with the management of a country.

[6] Liberal economists can only agree with this type of recommendation... This is how the French liberal economists of the eighteenth century, known as the physiocrats, admired China and immersed themselves in Taoist philosophy, taking up the concept of *wúwéi*. In 1767, their leader François Quesnay wrote the work *Despotism of China*, in which he praised Chinese fiscal moderation, stating that "the tax is not considerable because of the size of the country." He adds that "the emperor can increase the tax when the needs of the state require it; however, except in cases of pressing necessity, he seldom makes use of this power." The term "despotism" is not pejorative here: if the physiocrats are liberal on the economic level, they are not so on the political level and support a policy of "legal despotism". On Quesnay's work, see for example: Rodriguez, Pablo E. [2023], "Quesnay and The Despotism of China: Economics of Politics", Revue de philosophie économique, vol. 24, no. 1, pp. 215-240.

The *Dàodéjīng* states:
"I will do nothing (of purpose), and the people will be transformed of themselves; I will be fond of keeping still, and the people will of themselves become correct. I will take no trouble about it, and the people will of themselves become rich; I will manifest no ambition, and the people will of themselves attain to the primitive simplicity." (*Dàodéjīng*, Chap. 57)

The text condemned conspicuous consumption and the desire for luxury goods. The *Dàodéjīng* suggests that good government should encourage simplicity, sobriety, and moderation in consumption. When the king adorns himself with humility and practises non-action, the whole kingdom is well governed: "*There is no calamity greater than to be discontented with one's lot; no fault greater than the wish to be getting*." (*Dàodéjīng*, Chap. 46) The text also states: "*When gold and jade fill the hall, their possessor cannot keep them safe. When wealth and honours lead to arrogancy, this brings its evil on itself*" (*Dàodéjīng*, Chap. 9).

Although the *Dàodéjīng* does not present an economic policy in the modern sense, its principle of *wúwéi* can be interpreted as a warning against excessive State intervention and overregulation. The *Dàodéjīng* was particularly opposed to excessive regulation, stating: "*In the kingdom the multiplication of prohibitive enactments increases the poverty of the people*" (*Dàodéjīng*, Chap. 57).

The text also warns against excessive taxation and fiscal pressure on the people: "*The people suffer from famine because of the multitude of taxes consumed by their superiors. It is through this that they suffer famine*." (*Dàodéjīng*, Chap. 75)

The *Dàodéjīng* therefore contains "liberal" guidelines, and warns against excessive State intervention into the economy, which is the source of many ills, such as rising unemployment and increased crime.

The principle of *wúwéi* therefore includes the non-intervention of the State into the economy, both in fiscal and regulatory matters. Certain anti-interventionist tendencies can therefore be identified in Taoist political thought. Similar concerns about excessive taxation and misgovernment can also be found in Confucianism, although within a very different moral and political framework.

1.2. Confucianism

Confucianism was notably developed by Kǒngzǐ (or Confucius; c. 551 – c. 479 B.C.), Mèngzǐ (or Mencius; 372 - 289 B.C.) and Xúnzǐ (c. 316 – c. 235 B.C.). The *Lúnyǔ*, also known as the *Analects* or the *Sayings of Confucius*, is a compilation of sayings and dialogues attributed to Confucius and compiled by his disciples and later followers. It preserves several remarks relevant to economic and political life.

Like the *Dàodéjīng*, Kǒngzǐ warned against oppressive government and excessive taxation, but his economic views were embedded in a broader moral and political framework centerd on ritual order, righteousness, benevolent rule, and the cultivation of the people. Like the *Dàodéjīng*, Kǒngzǐ condemned conspicuous consumption. However, he did not reject frugality as such; rather, he criticized both extravagance and forms of excessive austerity that violated ritual propriety.

The core of Confucian economic thought lies in the relationship between righteousness (义) and profit (利). The *Analects* shows little esteem for those who pursue profit without regard for righteousness: "*The mind of the superior man is conversant with righteousness; the mind of the mean man is conversant with gain*." (*Lúnyǔ*, Chap. 4). In his mind, the pursuit of profit can cause conflict between people and disrupt society. The quest for profit has to respect an ideal of righteousness: "*Riches and honors acquired by unrighteousness, are to me as a floating cloud*." (*Lúnyǔ*, Chap. 7) On the contrary, a morally ordered distribution of wealth and status among members of society can stabilize minds and win people's support for leaders, thus maintaining a stable social order.

During the Spring and Autumn period, many social changes took place, and the social and economic status of many people changed, some becoming poor after having been rich, and *vice versa*. Sensitive to these social changes, Confucius expressed several opinions on poverty and wealth. His fundamental vision of a country's development was that people should first be enriched, then their cultural quality raised through education: "*When the Master went to Wei, Zan You acted as driver of his carriage. The Master observed, 'How numerous are the people!' You said, 'Since they are thus numerous, what more shall be done for them?' 'Enrich them', was the reply. 'And when they have been enriched, what more shall be done?' The Master said, 'Teach them'" (*Lúnyǔ*, Chap. 13).*

Enriching the people is presented as a general political objective. As for the individual pursuit of wealth, the text does not reject it in itself, but insists that it should be constrained by moral, ritual, and social norms. These limits may be summarized analytically through Confucian notions:

- destiny (*mìng* 命): wealth and rank cannot always be obtained by force and should be pursued with an awareness of the limits imposed by fate and circumstance;
- rites (*lǐ* 礼): the acquisition and use of wealth should conform to ritual norms and social expectations;
- righteousness (*yì* 义): profit should not be pursued at the expense of moral rightness;
- the proper Way (*dào* 道): wealth should be acquired through a legitimate and morally acceptable path;
- equitable balance (*jūn* 均): wealth and resources should be ordered in a way that avoids destabilizing imbalance and preserves social harmony.

This discussion of poverty and wealth is closely connected with the Confucian distinction between righteousness and profit. The central point is not that profit is illegitimate, but that the pursuit of profit must be subordinated to righteousness, ritual order, and social harmony. His views on poverty and wealth are primarily political and moral rather than narrowly economic: he

emphasized the role of good government, social order, and moral norms in shaping the distribution of wealth.

Wide gaps between rich and poor inevitably aggravate social conflict, and Confucius was well aware of this. Poor people who are dissatisfied with their condition can become turbulent. Both Taoist and Confucian texts criticized oppressive taxation and misgovernment, but they did so for different reasons and within different political visions. Taoism emphasized non-coercive rule, while Confucianism emphasized benevolent government, ritual order, and moral cultivation.

Taoism and Confucianism claimed that the State and the people should act in a very moral way, supporting sobriety and moderation in the consumption (*Dàodéjīng*) or the respect for rites and righteousness in the quest for profit (*Lúnyǔ*). We will now study a totally different school of thought: Chinese Legalism.

1.3. Legalism

Legalist thought is associated with several different traditions and figures. The Qi tradition was later linked to Guǎn Zhòng (c. 720–645 BC) and to the *Guǎnzǐ*[7],

[7] The relationship between Guǎn Zhòng, the *Guǎnzǐ*, and the label "Qi Legalist tradition" requires some qualification. Guǎn Zhòng was a historical statesman of Qi, while the *Guǎnzǐ*, though traditionally ascribed to him, is widely regarded in modern scholarship as a composite corpus compiled, edited, and reworked over a long period, from the Warring States to the Western Han. Its chapters differ significantly in date, intellectual orientation, and editorial strata. Although certain chapters contain material that later scholars would classify as Legalist, the work as a whole also incorporates Huang-Lao Daoist, Confucian, Yin-Yang, military, and agricultural elements. Its overriding concern with statecraft, economic policy, and administrative practice is, however, a defining characteristic of the corpus as a whole. Within this tradition, multiple authors and redactors collected, interpreted, and integrated diverse materials, drawing on and developing statecraft traditions genuinely associated with, or retrospectively associated with, Guǎn Zhòng, while also invoking his name as a paradigmatic symbol of Qi governance.

The category of "Legalism" is itself a retrospective scholarly classification, largely codified by Han dynasty bibliographers, rather than a school with which Guǎn Zhòng or the compilers of the *Guǎnzǐ* explicitly identified. The so-called "Qi Legalist tradition" and the related concept of the "Guanzi school" should therefore be understood as heuristic scholarly designations, designating a Qi-oriented tradition of policy thought and scholarly practice, rather than a tightly unified doctrinal system. Despite the complex formation of the corpus, its intellectual programme nonetheless displays a certain degree of internal coherence. In this article, we therefore treat the *Guǎnzǐ* as an integrated textual corpus and use these labels as heuristic designations, rather than as strict historical categories.

while the Qin-Jin tradition is more directly represented by figures such as Shāng Yāng (c. 390–338 BC) and Hán Fēizǐ (c. 280–233 BC). Many Legalist thinkers treated human behaviour as strongly driven by interests, fear, ambition, and the search for advantage. Political institutions, in their view, should therefore rely less on moral exhortation and more on laws, rewards, punishments, administrative techniques, and the ruler's authority.

In many Legalist texts, social order is understood as depending less on moral cultivation than on effective institutions, clear laws, administrative techniques, rewards and punishments, and the ruler's authority. The Legalists therefore supported a system of laws that prescribed punishments and rewards, as well as a strong and powerful State, and a strong intervention of the State into the economy.

We can underline a difference between two Legalist traditions:

- the Legalist Economic Thought of the State of Qi;
- the Legalist Economic Thought of the States of Qin-Jin, associated with Qin and the intellectual-political legacy of the Three Jin States.

1.3.1. The Qi Legalist Tradition

Guǎn Zhòng was the Prime Minister of the State of Qi under Duke Huan of Qi (d. 643 BC), who is considered as one of the Five Hegemons of the Spring and Autumn period. In early historical and textual traditions, Guǎn Zhòng appears as a statesman who strengthened Qi by asserting the authority of the State, especially over merchants, and by promoting strong central power and State-directed economic management.

- On the domestic front, Guǎn Zhòng is traditionally credited with policies that strengthened State control over strategic resources and commercial activities. These policies were intended to reduce the influence of private merchants while increasing the fiscal resources available to public authorities.

- On the external front, the *Guănzǐ* represents Guǎn Zhòng as recommending forms of "economic warfare" operations aimed at destabilizing neighbouring states[8]. These strategies involved State intervention in demand, prices, and trade flows, producing deliberate rises or falls in the prices of important commodities.

- The *Guănzǐ*, a composite text traditionally associated with Guǎn Zhòng, develops these concerns in a more systematic form through the theory of "light and heavy" (*qīngzhòng*), one of the earliest known Chinese reflections on money, prices, and State regulation. The starting point is a simple principle: what is rare is expensive, what is in abundance has a low value. Thus, in the *Guănzǐ*, when a good is in abundance, it is "light" and its price falls. Conversely, when a good is relatively scarce, it is "heavy" and its price rises. As a result, goods move from areas where they are "light" to regions where they are "heavy", as merchants seek to sell at the highest price.

The metaphor of "light and heavy" also applies to money. When money is plentiful, it is "light": its value falls and the prices of goods rise, in line with the inverse relationship between the value of money and prices. Conversely, when money is in less abundant supply, it is "heavy": its value increases and the prices of goods decrease.

The *Guănzǐ* derives economic policies from this reasoning:

- when the currency is 'heavy' and goods prices fall, the government must buy goods to support their prices;
- when the currency is 'light' and goods prices rise, the government must sell goods to lower their prices, which not only regulates inflation, but also recovers tax revenues.

[8] The legalist framework, which develops strategies to be implemented in the context of an economic war, is thus close to mercantilism. Influential in various European countries between the sixteenth and eighteenth centuries, the mercantilists were protectionist and interventionist economists, who therefore recommended strong State intervention in the economic sphere, in particular with a view to obtaining a trade surplus, *i.e.* exporting more than the country imported in order to have a net flow of precious metals into the country. This surplus can be achieved through industrial policy, with the state controlling and helping to develop a large export sector, or by applying tariffs to restrain importers. In the minds of mercantilists, economics is a zero-sum game, where the gains of the winners are simply equal to the losses of the losers, and all countries are part of a vast economic war in which trade is not seen as mutually beneficial.

The *Guǎnzǐ* also contains a proposal that may, with caution, be compared to later counter-cyclical public works policies: in times of crisis, the ruler may increase public spending through large-scale construction in order to provide employment and stabilize society.

"If there is a year of severe droughts or floods and the people lose their primary source of income, he builds palaces and pavilions, thereby providing employment for those households so poor that they have neither a dog in front nor a pig behind. Thus, his building of palaces and pavilions is not to gratify his pleasure, but to maintain equilibrium in the economic policies of the State" (*Guanzi* 2001, 365).

1.3.2. The Qin-Jin Legalist Tradition

Among the seven major States of the Warring States period, the three kingdoms of Han, Wei and Zhao (the so-called Three Jin, formed after the partition of Jin) were geographically disadvantaged, surrounded by powerful States, yet needing to survive and thrive amidst fierce competition. Many figures associated with Legalist statecraft came from or were connected to the political world of the Three Jin, while their ideas found especially consequential institutional application in Qin, hence it is also known as the Qin-Jin Legalist school. The main representatives of the Qin-Jin Legalist school were Li Kui, Shāng Yāng, and Han Feizi.

Legalist scholar Shāng Yāng was Prime Minister of Qin under Duke Xiao of Qin (381–338 BC). His strong and radical reforms have been considered instrumental in the reinforcement of the Qin kingdom, one century before the final victory of Qin over other warring kingdoms. Han Feizi came to the Qin court under King Zheng of Qin, the future emperor Qin Shi Huang. Although he did not hold a major official position there, his writings became central to later understandings of Legalist political thought and have often been associated with Qin-style statecraft.

They advocated for establishing clear, specific, and public written laws, "*taking law as the foundation*", "*ruling the country by law*" (*Han Feizi* 2015, 51, 136 & 180-181), and relying on rewards and punishments, as well as power and influence, to ensure the implementation of laws. Especially in the Shāng Yāng tradition, their primary approach was to encourage "agriculture and warfare", with the ultimate goal of enriching the State and strengthening the army.

Many Legalist texts warned rulers against the growing power of merchants, who were often seen as a potential threat to agrarian and military priorities[9]. They therefore advocated policies that limited commercial profits and redirected resources toward agriculture and war. In Legalism, the two most important activities are agriculture and warfare, as claimed by Shāng Yāng: *"Insignificant individuals will occupy themselves with trade and will practise arts and crafts, all in order to avoid agriculture and war, thus preparing a dangerous condition for the State. Where the people are given to such teachings, it is certain that such a country will be dismembered"* (*Shangjunshu* 1928, Chapter 3).

The system of punishments and rewards is one of the cornerstones of the Chinese legalist framework. Good behaviours should be encouraged by rewards and bad behaviours should be discouraged through punishments. Legalist scholar Han Feizi then sets out the core of the legalist doctrine: "*Govern by penalties; wage war by rewards; and enlarge the bounties so as to put the principles of statecraft into practice*." (*Han Feizi* 1959, 323)

While advocating increased agricultural production to enrich the State, the Qin-Jin Legalists prioritized State accumulation of grain over private reserves, aiming to maximize resources for warfare, as reflected in the sentence "*families not accumulating grain, but storing it above (in the government)*." (*Shangjunshu* 2011, 52) Shāng Yāng even positioned the State and the people in stark opposition, believing that "*when the people are weak, the State is strong; when the State is strong, the people are weak. Therefore, a State with the Way focuses*

[9] On this point, Chinese legalists differ radically from mercantilists, who defend merchants and emphasize their importance in the economic development of different countries.

on weakening the people." (*Shangjunshu* 2011, 148) The method of weakening the people was to make them "*use grain to obtain official ranks*" or consume it through warfare when "*the people have surplus grain*" (*Shangjunshu* 2011, 148). Han Feizi explicitly proposed to keep the people poor for the sake of governance, believing that "*satisfying the people for governance*" was merely a fallacy of statecraft. (*Han Feizi* 2015, 663)

2. A debate: Confucian Literati, State Officials, and Economic Policy

The *Yán Tiě Lùn* – the *Discourses on Salt and Iron* – is a collection of historical texts recounting a famous debate held in 81 BC. One of the greatest emperors in Chinese History is certainly Hàn Wǔdì (156 – 87 BC), who ruled the empire between 141 and 87 BC, *i.e.* for fifty-four years. His exceptionally long reign was marked by major territorial conquests: Hàn Wǔdì waged war against the Xiōngnú in the North, to the Mǐnyuè, Nányuè and Diān kingdoms in the South, to the Dàyuān kingdom in the West and to the Korean Gojoseon kingdom in the East. In order to finance the war effort, the Vice-Minister of Agriculture, Sāng Hóngyáng, implemented salt and iron monopolies in 119 BC.

In 81 BC, six years after Hàn Wǔdì's death and when the new emperor Hàn Zhāodì (94 – 74 BC) was very young, the regent Huò Guāng invited the country's leading intellectuals to the capital Cháng'ān to discuss economic policy issues and to define the best economic policy to pursue.This debate brought two groups into opposition:

- Confucian scholars, who called for the abolition of State monopolies and criticized excessive government involvement in profit-seeking activities;
- Sāng Hóngyáng, who had become Grand Secretary, one of the highest officials in the Han administration, and the officials associated with interventionist policies, who defended the so-called monopolies on salt and iron[10].

[10] It is a form of debate that reappears in every era, opposing liberals and interventionists.

This was one of the earliest major recorded debates on economic policy in World History. Three main economic topics were discussed: the effectiveness of price control in fighting speculation, the effectiveness of State monopolies and the relative value of diverse economic activities. On these issues, the Confucian-oriented literati and the government officials led by Sāng Hóngyáng developed sharply contrasting arguments. Although their positions may be interpreted in terms of broader Confucian and Legalist tendencies, the debate itself is better understood as a confrontation between moral-political criticism of State profit-seeking and official defence of interventionist fiscal policy.

2.1. The effectiveness of price control to fight against speculation

Sāng Hóngyáng (c. 152 – 80 BC) claimed that State regulation prevents speculation:"A Receiving Bureau has been established at the capital to monopolize all the commodities, buying when prices are low, and selling when prices are high, with the result that the Government suffers no loss and the merchants cannot speculate for profit" (Yán Tiě Lùn, Chap. 1).

A similar mechanism is found in the *qīngzhòng* theory of the *Guǎnzǐ*, a text traditionally associated with Guǎn Zhòng and often linked to the Qi Legalist tradition. In this framework, the State seeks to control key markets and prevent merchants from monopolizing profits or destabilizing prices. According to the Grand Secretary, the Receiving Bureau ensured full employment and an equitable distribution of labour in the Empire. In his eyes, the introduction of money as a medium of exchange or the planning of agricultural activities are pointless if they don't prevent speculators from hoarding agricultural commodities: "*That the exchange of money and the circulation of commodities still does not advantage the people is because goods have been monopolized. […] the people still starve, […] because grain is hoarded*" (*Yán Tiě Lùn*, Chap. 4).

Sāng Hóngyáng therefore claimed that the State had to protect the "*simple*" among the people from the "*clever*", *i.e.* the merchant who had the ability to speculate:

"With the establishment of equilibrium in prices, the people are not suspicious. When the magistrates set up standard weights and measures, the people obtain what they desire. Even a lad only five feet tall may be sent to the market and no one could cheat him. If now the monopolies be removed, then aggressive persons would control the use and engross the profits. They would dominate the market; prices would be raised or lowered at a word; there would be no stability in prices, dear or cheap" (*Yán Tiě Lùn*, Chap. 5).

Price control is therefore an important tool for the Grand Secretary. On the contrary, Confucian scholars criticized the establishment of the Receiving Bureau as a source of corruption, since peasants had to pay bribes to government officials to obtain a fair valuation of their products: "*The farmers suffer twice over while the weaving women are doubly taxed. We have not yet seen that your marketing is 'equable'*" (*Yán Tiě Lùn*, Chap. 5).

For Confucian scholars, the market regulation system entailed corruption among government officials, and optimization behaviour by merchants, who refuse to supply their goods on the market when prices are too low, and rush to sell when prices rise again, in order to maximize their profits.

2.2. The effectiveness of State monopolies

Sāng Hóngyáng asserted that the workers who produce iron instruments are fed and housed by the State. The implementation of iron and salt monopolies enabled the State to rationalize production, to avoid waste and lavish spending, and to dissolve cliques. The iron monopoly was also a guarantee of quality, as previous private production had resulted in objects of poor quality. The centralization of ironmaking and salt mining enabled the State to standardize production and prices, while ensuring that society's needs, both private and public, were met.

Confucian scholars replied to the Grand Secretary that, from one province to another, people and land are highly heterogeneous. As a result: "*The use of large*

or small, the suitability of straight or curved ploughs, are different according to districts and customs. Each has its convenient use" (*Yán Tiě Lùn*, Chap. 5).

The poor quality of agricultural tools would penalize food production, which could lead to fallow land and shortages: "*When the tools are not suited to their use, the farmer is exhausted in the fields, and grass and weeds are not kept down. When the grass and weeds cannot be kept down, then the people are wearied to the point of despair*" (*Yán Tiě Lùn*, Chap. 5).

Confucian scholars also asserted that previous private production was of high quality, while current production by the State had deteriorated in quality. Finally, they stressed the idea that State-produced iron and salt were too expensive, prompting peasants to cultivate with their bare hands and eat without salt.

2.3. The relative value of diverse economic activities

Confucian scholars pointed out that, by taking charge of salt and iron production, holding the liquor board and intervening in price regulation, the State is engaged in making profits as any individual entrepreneur would: "*The Government has entered into financial competition with the people, dissipating primordial candor and simplicity and sanctioning propensities to selfishness and greed*" (*Yán Tiě Lùn*, Chap. 1).

For Confucian scholars, agriculture was the "root" of economic and social order, while commerce belonged to the "branches" or secondary occupations. Their concern was that the pursuit of profit, especially when encouraged by State monopolies and official competition with the people, would draw labour and resources away from farming and weaken both social stability and moral order: "*We pray that the salt, iron and liquor monopolies and the system of equable marketing be abolished so that the rural pursuits may be encouraged, people be deterred from entering the secondary occupations, and national agriculture be materially and financially benefited*" (*Yán Tiě Lùn*, Chap. 1).

In turn, Grand Secretary Sāng Hóngyáng emphasized the economic and fiscal importance of trade, arguing that wealth could be generated through exchange, calculation, favourable circumstances, and the circulation of goods, not only through agricultural labour. He asserted that the most prosperous cities in the empire are precisely those at the crossroads of trade: "*where products abound, the people multiply; when the house is near the market, the family will get rich. Getting rich depends on 'methods' and 'statistical calculation', not on hard manual labor; profits depend on 'circumstances', not on strenuous farming*" (*Yán Tiě Lùn*, Chap. 3).

Sāng Hóngyáng developed a view of trade that may be compared, cautiously, with later mercantilist ideas, insofar as he emphasized the inflow of foreign goods, the preservation of domestic wealth, and the weakening of enemies through exchange: "*Ju Han gold and other insignificant articles of tribute are means of inveigling foreign countries and snaring the treasures of the Ch'iang and the Hu. Thus, a piece of Chinese plain silk can be exchanged with the Hsiung Nu for articles worth several pieces of gold and thereby reduce the resources of our enemy. […] Foreign products keep flowing in, while our wealth is not dissipated. Novelties flowing in, the government has plenty. National wealth not being dispersed abroad, the people enjoy abundance*" (Yán Tiě Lùn, Chap. 2).

Supporting trade, the Grand Secretary pointed out that nature has dispersed the various elements to the four corners of the Empire, forcing men to trade to obtain the necessary foodstuffs: "*the East pertains to Wood, but at Tan Chang we have mountains containing gold and copper. The South pertains to Fire, but in Chiao Chih we have rivers as big as the ocean. The West pertains to Metal, but in Shu and Lung we find forests of famous timber. The North pertains to Water, but in Yü Tu we find the land of heaped up sand. This is how Heaven and Earth compensate scarcity with abundance and facilitate the circulation of all goods*" (Yán Tiě Lùn, Chap. 3).

This high-quality debate enabled Confucians and Legalists to exchange

arguments on key economic issues. In the text of the *Yán Tiě Lùn*, the Confucian scholars often appear to occupy the moral high ground. However, the policy outcome was more complex: the salt and iron monopolies were not simply abolished, even though certain policies, such as the liquor monopoly, were later modified or abandoned. One year later, Sāng Hóngyáng was executed in 80 BC after being implicated in a political conspiracy involving figures such as Shàngguān Jié and King Dàn of Yan. His fall should therefore be understood in the broader context of court politics under Huò Guāng, rather than as a direct consequence of the Salt and Iron debate alone.

One possible interpretation, is offered by the French sinologist Jean Lévi: "*The debate was in fact the ingenious strategy devised by Huò Guāng to undermine Sāng Hóngyáng's authority in the economic sphere by casting doubt on his managerial skills. He thus dismissed the only person capable of thwarting his plans*" (*La Dispute sur le Sel et le Fer* 2010, Introduction, p. XXIII).

3. Conclusion

The early Chinese economic thought examined in this article is therefore characterized not only by its antiquity and diversity, but also by the close connection it establishes between economic matters, political order, moral values, and statecraft. Its antiquity lies in the fact that reflections on wealth, taxation, prices, markets, agriculture, public finance, and State regulation appeared very early in the Chinese world, especially during the Spring and Autumn and Warring States periods. These reflections form one of the major ancient traditions of economic thought, alongside other traditions that developed in the Western world.

Its diversity can be seen in the different orientations developed by Taoist, Confucian, and Legalist traditions. The *Dàodéjīng* emphasizes restraint in government and warns against excessive prohibitions, taxation, and desire. Confucian texts place economic life within a moral and ritual order, insisting that wealth and profit should be subordinated to righteousness, benevolent

government, and social balance. Legalist traditions, including the Qi and Qin-Jin currents, place greater emphasis on State power, administrative techniques, rewards and punishments, the control of strategic resources, and the strengthening of the State.

The Salt and Iron debate shows that these ideas were not merely abstract reflections. They could become arguments over concrete policies: State monopolies, price regulation, fiscal extraction, commerce, agriculture, and the relationship between the State and the people. The debate should therefore be understood not simply as a confrontation between fixed philosophical schools, but as a major discussion on how material resources should be governed and how economic policy affects moral, social, and political order.

In this broad sense, early Chinese economic thought may be understood as a form of political economy: a reflection on how wealth should be produced, circulated, regulated, and distributed, and on how such questions are inseparable from the art of governing.

Ultimately, Chinese economic thought offers points of convergence with Western economic thought: the 18th-century French physiocrats were, in fact, inspired by the Taoist precepts of *wúwéi*, while the legalist view of trade wars is similar to that of the European mercantilists, who, from the 16th to the 18th century, advocated protectionist ideas. The main difference between Chinese legalists and European mercantilists is that the former opposed private merchants, while the latter defended them and emphasized their crucial role in a country's economic prosperity.

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ISBN 978-81-997199-0-3