

Do Daoist Principles Justify Laissez Faire Policies? A Critical Examination of “Market Daoism”

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Introduction

Over the last decade, neo-liberal economists have proposed “Market Daoism” as the most suitable path of economic development for China. The term implies that part of China’s own ancient culture, the Daoist philosophical tradition, shares with classical and neoclassical economics the vision of a natural and harmonious order and, thus, not only justifies the establishment of free markets but also “provides the doctrine of laissez-faire with another substantial philosophical leg on which to stand.”¹

While conceding that Ken McCormick’s argument is based on a possible reading of Daoist texts, in this paper, I propose to show that it is based on a *certain* form of interpretation *only*, as are similar attempts to integrate Daoism into neo-classical economics. McCormick, at least implicitly, identifies ‘Daoism’ with a certain interpretation of Daoism without stating any reason for doing so. What has probably escaped McCormick’s attention is the fact that many *different* interpretations of Daoist texts exist. Historically, Chinese philosophy has been an interpretative tradition. Various philosophers have developed different explications or even radically different meanings of certain key concepts. This is still true today, as controversies within Chinese philosophy come about primarily over matters of interpretation. At the risk of oversimplifying matters, we can distinguish two different forms of interpretations here:² The first is a rather Westernized form of interpretation (WI), which makes use of philosophical concepts that are not endogenous to Chinese philosophy itself; thus, these interpretations are thematically dependent upon concepts foreign to Chinese culture. The second form of interpretation does attempt to maintain an indigenous vantage point, explaining Chinese philosophy in the context of China’s own history and language (II). In the case of “Market Daoism,” I take economists to have made use of the former form of interpretation only. However, given the foreignness of this interpretation to the Chinese cultural context, we can hardly tell if this context *itself* really provides us with concepts that converge with those of laissez faire policies, as the proponents of Market Daoism claim. To see if that claim is valid, we should examine whether indigenous forms of interpretations are conceptually close to classical and neoclassical economics. In this paper, I am going to argue that this is hardly the case. Indigenous interpretations of the *Dao De Jing* and the *Zhuangzi*, the most important Daoist texts, develop a completely different understanding of both the social order and human activity, arriving at social implications far apart from those of the Market Daoist economists.

The Different Visions of Order

McCormick’s main reason for arguing that Daoism justifies the establishment of free markets and the policy of laissez faire is “that the vision of a spontaneous and harmonious natural order that lies at the heart of Taoist thought is conceptually very close to the natural order envisioned by Classical economics.”³ But does the validity of McCormick’s claim depend on WI

assumptions? In order to answer this question let me first highlight some of the basic characteristics of the concept of the natural order as it has been used by economists in order to explain social structures and processes.⁴ This concept usually does not warrant much attention, because classical and neo-liberal theories are supposed to be thoroughly individualistically orientated. Thus, economists themselves often overlook the fact that their concept of a ‘naturally ordered’ society regards individuals not as independent and self-determined but as components of a pre-given structure. Classical economists in particular claimed “that there is an order in the universe independent of humans.”⁵ More specifically, market society seemed governed by the all-ruling providence of a wise God. Every single event was regarded as a necessary part of His plan. Here, God is conceived of as an external agency, which imposes mechanical patterns of behavior upon humans that are considered as part of a unitary cosmic design. In this way, the harmony of God’s laws rule society. “As He has forever and immutably predetermined the paths of the planets by the laws of gravitation, He has predetermined for all eternity and invariably for all men the patterns of their social existence by the laws governing the power of their enjoyment.”⁶ As Adam Smith explains, God’s guidance is to be compared to a Great Mechanic, who purposefully designs social order:

The wheels of the watch are all admirably adjusted to the end for which it was made, the pointing of the hour. All their various motions conspire in the nicest manner to produce this effect. If we were endowed with a desire and intention to produce it, they could not do it better. Yet we never ascribe any such desire or intention to them, but to the watch-maker, and we know that they are put into motion by a spring, which intends the effect it produces as little as they do.⁷

Accordingly, Classical economists considered human acts as derivative and secondary exercises of power, thus following in the Judaeo-Christian tradition, in which “God is the primary causal agent—perfect and unchanging—existing independently of His actions. And human beings are shaped by Him in His own image. The perfection of the universe and the unity of the Logos or knowledge that defines it is guaranteed by the unchanging perfection of its Maker.”⁸

In modern economic literature, especially in the works of neoclassical economists, the market itself is referred to as the predetermined natural order of society.⁹ The harmony of social life appears as a *consequence* of the market’s laws: Market forces and material laws (material constraints) are recognized as a *condition* for the harmonic development of the economy. Here, the existence of a pre-established market order is simply presupposed without question. As nature is ruled by natural laws, so, too, is the economy “ruled by a secret law leading to coordination and alliance.”¹⁰ This idea comes into particularly sharp focus when the market is imagined as a machine, whose mechanisms integrate the many individual parts into a harmonic whole.¹¹ Here, the market appears as “the anonymous rulings of a depersonalized communication and sanction system,”¹² following its own laws independently of social relations and history.

To summarize, both Classical and Neoclassical theories generally assume a sort of given whole, an independent and absolute ‘One’ (God) behind the multitude of economic processes to which the structure of society can be causally related. The proponents of “Market Daoism” believe this notion of the ‘One’ to be central to Daoism as well. As McCormick explains:

Fundamentally, the Tao is the Way behind all ways, the principle underlying all principles, the fact underlying all facts. In this sense, the Tao refers to the original unity, “the One,” the nameless and ineffable which existed before the creation. The Tao is also the source of all creation. (...) The Tao is not only the source of creation, but it is also the power that sustains it.¹³

But can we really speak of “The Tao of Adam Smith”¹⁴ in terms that translate to II? To begin with, many Western interpretations of Daoism proceeded by assuming that the translation “Tao” (or “Dao”) as “the Way” is unproblematic; for these interpretations, Daoism posits the existence of some permanent reality behind appearances, some unchanging, abstract One behind change.¹⁵ To speak of “the Way” is to suggest a “One-many” metaphysics similar to the one implied by Classical economics, because the demonstrative and possessive pronoun nominalize “the Way” and isolate it metaphysically as the “One” source of order in the universe. In a similar vein, the use of the capital “W” invests “Way” semantically as a metonym for the transcendent and Divine.¹⁶ However, indigenous interpretations criticize such an understanding of *dao* as unjustified, because it locates the term squarely within a worldview more familiar to Western readers than relevant to Daoism itself.¹⁷ It makes use of Westernized interpretations, which introduce “some concepts of the transcendent and eternal that are not part of the *sui generis* character of Chinese philosophy.”¹⁸ If one, on the contrary, maintains an indigenous vantage point and tries to interpret *dao* in its own cultural context, an entirely different picture emerges. Here, most importantly we have to challenge the wisdom and accuracy of proposing a ‘one-for-one’ equivalency for translating *dao* from Chinese to Western languages. *Dao* simply has a wider range of meaning, which precludes us from translating it simply as “the One.” First of all, *dao* lacks any single principle of individuation; it can mean both ways and way and is thus not to be treated as being entirely singular. Further, *dao* is understood by Daoist philosophers as both *having* parts and *being* part of a greater whole. Each partial *dao* has its own parts and each is seen as part of a greater *dao*. Thus *Dao* is not only the entire course of life but also the particular role someone plays *within* this course.¹⁹ *Dao* is *both* absolute *and* relative, ineffable *and* dependent.²⁰ In addition, *dao* is not only a noun, but also a verb. It isn’t so much a thing, but rather a *process* or an ongoing event. Here, *dao* isn’t a ‘Way’ nor even ‘The Way’ but rather *way-making*. It is the “leading-forth, guiding and manipulating of experience,” in which everything participates in an ongoing process of events.²¹

As this range of meaning indicates, *dao* can hardly be reduced to a single uniform principle underlying human experience. On the contrary, its character is to be seen as processual and dynamic.²² This insight, among others, has led philosophers to speak of the *absence* of ‘the One’ in the sense of an external and independent agency within Chinese thought. Tu Wei-Ming, for example, claims, “Since the conception of the Creator as the ultimate source ... is not even a rejected possibility, there is no appeal to the ‘wholly other’ as the real basis of human perfectibility”²³ Ames and Hall concur with Ming:

The Daoist does not posit the existence of some permanent reality behind appearances, some unchanging substratum, some essential defining aspect behind the accidents of change. Rather, there is just the ceaseless and usually cadenced flow of experience. (...) The Daoist have no concept of cosmos at all insofar as that notion entails a single-ordered, coherent world which is in any sense enclosed or defined.²⁴

This is not to say that the idea of the ‘One’ is entirely absent in indigenous interpretations of Daoism. But it is given an entirely different meaning in that it is not singled out as an Absolute Being which is intrinsically external and independent of the world. Also, indigenous interpretations of Daoism do not reject the idea of the *many* as such, but define it differently than do the economists. The point I am making here is that Classical and Neoclassic economics implicitly presuppose a kind of substance ontology, which defines the many as independent, mutually exclusive substances or entities, that cannot be read into the processual worldview of Daoist philosophy. Let me briefly explain. It is commonly assumed that economic theory treats the individual as a given prior to any theoretical investigation. This has come to be known as methodological individualism. While there are various construals of methodological individualism in economics,²⁵ there is one important commonality worthwhile mentioning: each individual is regarded as an independent entity acting in accordance with his or her own, unchanging preferences alone.²⁶ “The ‘I,’” as the economist Ludwig von Mises puts it, “is the unit of acting men. It can neither be questioned nor pervaded by any thought.”²⁷ However, even though this form of individualism has been lauded by economists, philosophers, and politicians alike, it should not be overlooked that economics equally presupposes an independent universal in order to explain the establishment of unity among otherwise completely unrelated individuals. Precisely because economists think of each individual as an independent entity, they necessarily have to assume a universal, predetermined and law-like ‘One’, in order to create order among them from the outside. As we have already seen, economists leave this task to either God or the mechanisms of the market. In either case, the organization of ‘coordinated activity’ upon which the individuals’ separate acts depend is attributed to an outside self-determining force which arises out of *impersonal necessity*: Social reality is subject to a mechanical natural causality which is ultimately beyond the influence of society’s members, individual human beings. Obviously, there is a major contradiction involved here: In order to explain how the many substantial individuals coexist, economists assume a substantial unity, the ‘One’, to integrate them into a coherent whole. In the process of theoretically constructing such unity, however, the individuals lose their (economically defined) individuality. They are ultimately negated as autonomous selves because they are subjected to a mechanical law determined from above, which rules independently of their will or intention.²⁸

Contrary to the precepts of methodological individualism, Daoism does not view humans as independent, individual substances.²⁹ There is no importance invested in the notion of discrete human agency, which is replaced by the notion of the *situational self*. Each particular human being is seen as radically and resolutely embedded in a natural, social and cultural flux, from which it cannot be abstracted.³⁰ “His identity is not that of an individual, as understood in Western individualism, but that of a participant in the flow of life.”³¹ Since human relationships necessarily form part of this unfolding process, they are considered as intrinsic and constitutive of human beings. Accordingly, mutuality and interdependence are regarded as defining characteristics of human beings, in contrast to the independence and absolute subordination to a mechanical, unifying process posited in classical and neo-liberal economics. Underlying this perception is a *process worldview*, in which everything is not conceived as a subject or substance in the sense of an inert underlying substratum but as an ongoing process. Here, even humans are considered as ‘events’ rather than ‘things’ or ‘beings’. “A human being is not what one *is*, it is the compounding narrative of what one *does*—an always unique field of experiences, beliefs and feelings.”³² Or, stated in somewhat different terms:

“There are no things, there are no entities. There is only activity! The so-called things or beings in our ordinary experience are really enduring centers of activity.”³³

If individuals are, in this way, theorized as necessarily interrelated and interdependent processes, events, or activities, then there is no need to imagine any independent principle, which establishes order among them. In the absence of any overarching *arche* or ‘beginning’, social order is seen as the *outcome* of human activity, rather than its pre-condition, *a priori*. It is nothing more than a non-coherent sum of patterns of behavior, residing *within* the world as the rhythm and cadence of a living stream. As a creative expression of human activity, perpetually being subject to change and creation itself, the patterns of life may sometimes be predictable. However, these patterns are never causally imposed upon the world by some external agency; instead, they emerge within the flux of events. Social order can thus not be defined in any final or absolute sense, but only in terms of activity, processes and change.³⁴ It is never de-contextualized or detemporalized, but always dynamic, site-specific and provisional. Because of this, order is never external to and imposed upon the processes and subjects in its domain: it does not causally determine human actions but it is ultimately created by those actions itself. “Order is always reflexive, entailing the agent within the action itself.”³⁵ In Daoist thought, accordingly, *both* the notion of substantial individuality and the notion of substantial universality are absent. There isn’t any prime mover located either within human beings or outside of them. Neither the One nor the many in any sense of discrete agency are given priority. Rather, an inseparability of one and many, of continuity and multiplicity is considered as being *prior* to either of these notions. It is the *process* of (subjectless) activity out of which both individuality and order simultaneously and interrelatedly arise. “The process produces the events; the events produce the processes.”³⁶ I’ve shown elsewhere how such a process worldview leads to an entirely new understanding of economic processes, instead of providing the natural order of economics with another philosophical rationale.³⁷

The Different Visions of Human Activity

Given the processual worldview of Daoism, can we really accept McCormick’s claim that the Daoists favor a “total receptiveness” on the side of human beings, who must themselves “be lived” by the natural forces of the market?³⁸ In order to answer this question, we first have to understand the differences in the notion of spontaneity as they appear in Daoism and economic theory. In economics, “the idea that a harmonious economic and social order can emerge spontaneously from individual action”³⁹ is widespread. However, we have to carefully notice that ‘spontaneity’ is not attributed to individuals, here, but to the economic or social order itself. Spontaneity is believed to reside on the side of the order itself, which establishes itself of “*its own accord*”⁴⁰ independently of any human interference. The market system, so to speak, is created *ex nihilo*; it is made by an Omnipotent Other, whose forces humans can, at best, weaken, but not paralyze.⁴¹ Hence, there is no real spontaneity and creativity on the human side. Quite the contrary, in fact: the notion of spontaneous order implies a strong sense of human *passivity*. Because this order is thought of as self-creating and self-sustaining, there is nothing left for humans to do than act in harmony with it. The ‘natural order’ of society acts through and guides human beings, while the latter’s role is only confined to discovering its nature and trying not to get in its way. As there are *other forces in control* for optimum efficiency, there can only be a total compliance on the side of human

beings. A different way to put this, is that the market *forces* human beings to behave like cogs in the wheels of giant machine. As Schumpeter explains: “For mankind is not free to choose. ... Things economic and social move by their own momentum and the ensuing situations compel individuals and groups to behave in certain ways.”⁴² No one can *actively* change his environs himself.

While economics, thus, contrasts the ‘spontaneous order’ to the spontaneity and creativity of human intention, Daoist philosophy, on the contrary, considers spontaneity and creativity as expressions of human activity itself. Ames and Hall point out that rather than being introduced from the outside, it is an activity performed by human beings:

A ... presupposition of Daoist cosmology is that we are not passive participants in our experience. The energy of transformation lies within the world itself as an integral characteristic of the events that constitute it. There is no appeal to some external efficient cause: no Creator God or primordial determinative principle. In the absence of any preordained design associated with such an external cause, this energy of transformation is evidenced in the mutual accommodation and co-creativity that is expressed in the relations that obtain among things.⁴³

For the Daoist, creativity is a transformative power of society expressed by the interdependence of all unique particulars.⁴⁴ It is an ongoing process of the interrelated transfiguring of all things; a *self-creative* and *co-creative* process, which functions at its best when freed of coercion and outside constraint. Understood in this sense, creativity has to be more primordial than any given, ‘natural’ form of social order. Chad Hansen comments on creativity, “It is neither a mere, inert cognition of some external force nor a surrender to a structure already innate in us.”⁴⁵ While for economic theory creativity remains a secondary and derivative exercise of power only, which cannot be directed at changing the structures of social order, the Daoist concept of creativity implies that it is continuously shaping and redefining those structures themselves. Social order is thus *provisional* rather than predetermined; it is contextually dependent on and interrelated with human creativity. Given this, a total receptiveness on the side of individuals cannot be read into Daoist philosophy.

There is another important difference between the Daoist and the classical / neo-classical economic worldviews, which is concerned with the notion of *change*. In mainstream economic theory, change is usually conceived of as being *causally* induced by an isolated agent, who, although he is relative to process of change, does not change himself. This can be gathered from the fact, cited by von Mises, “that all changes are to be comprehended as motions subject to the laws of mechanics.”⁴⁶ Such laws assume that change is only to be measured against something stable, which relative to everything else does not change itself. Change has to be accompanied by *invariance*: Only when change is specified by contrast to something invariant standing *outside* of the process of events is it to be perceived as predictable and computable in the sense economic theory suggests.⁴⁷ At first sight, it might seem that Daoist philosophers define change in a similar way. For example, chapter twenty five of the *Dao De Jing* speaks of *dao* as “standing alone and unchanging.” However, as Hall and Ames point out, this translation is hard to square generally with everything else that is said about *dao* in Chinese literature. For example, even in the same chapter of the *Dao De Jing*, *dao* is also called “ever present and in motion.” What seems to be asserted by the *Dao De Jing* is thus not that *dao* never changes at all, but that it changes in a *specific way*: It is not being *altered*

on the basis of some external and independent standard. *Dao* is not open to the alteration by appeal to something other than itself. It cannot, so to speak, be *made* to change.⁴⁸ Rather changes occur within *dao* itself, without any thing being invariant to it. *Everything* within *dao* changes, and so does *dao* itself. Within this process, there is no abstraction of an eternal principal of change. Hence, contrary to the economic perception, change is not considered as computable. It is the ongoing process—irregular, indeterminate, ambiguous and vague—of transformation.

Social Implications

Given the marked differences in the underlying philosophical worldviews of Daoism and Economics, what are we to make of McCormick's idea that Daoism and economics share a "complete agreement" on the subject of laissez faire policy?⁴⁹ While our above analysis shows a divergence between the presuppositions of neo-liberal economics and the principles of Daoism, there is another important reason for assuming Daoism to favor the policy of laissez-faire: its negative attitude towards state intervention. The case for 'Market Daoism' invokes the Daoist opposition to state rule, which is believed to automatically imply a "devotion to laissez faire."⁵⁰ The passage most commonly referred to here includes parts of chapter fifty seven of the *Dao De Jing*:

But in ruling the world be non-interfering in going about its business. (*wushi*)
The more prohibitions and taboos there are in the world,
The poorer the people will be. (...)
The more prominently the laws and statutes are displayed,
The more widespread will be the brigands and thieves. (...)
Hence in the words of the sage: (...)
We are non-interfering in our governance (*wushi*)
And the common people prosper themselves.

This passage has usually been interpreted by economists as a stricture against state intervention *and* being in favor of the market order. From the fact that the passage speaks out against prohibitions, taboos, laws and statutes economists like Dorn conclude that it favors the market as the only possible alternative available:

The ... passage implies that the more the state intervenes in everyday life, the more corruption will occur. Alternatively, if people are left alone to pursue their own happiness, a spontaneous market order will arise and allow people to create prosperity for themselves and their country.⁵¹

The Market Daoist position presumes that the passage should be interpreted *within* the premises of the distinction of the public (the state) and the private (the market order): if you are not in favor of the state you necessarily have to be in favor of the market. Within this "grand dichotomy,"⁵² there seems to be no 'third' or 'middle' way left. The implicit, and apparently self-evident premise is that only the 'visible hand' of the state and the 'invisible hand' of the market are given to us as the possible key solutions for safeguarding the social order. What is left completely out of sight is the possibility that this dichotomy might not be a culturally neutral conception; furthermore, it may be one drawn from a specific point of view, which as

such is foreign to Chinese thought. Daoism might well favor *neither* the state *nor* the market simply because it operates in an entirely different universe of discourse as *both* the theory of the market and the theory of the state. I take exactly this to be the case: While both the proponents of the state and the market order implicitly argue within the same universe of discourse, only drawing different conclusions from the same premises,⁵³ Daoism draws different conclusions from different premises; conclusions that can neither be called ‘public’ nor ‘private’ in the economic sense.

Underlying the common universe of discourse of the ‘public’ and the ‘private’ is the idea that there has to be *one* abstract agency or principle which creates and nourishes harmony among the many *on its own accord*. The proponents of the market think that the quasi-natural regularity of the social order will turn action into a mechanically calculable process. The proponents of the state, on the contrary, believe in a planned order that rules independently of the individuals.⁵⁴ In both cases, we are asked to think of a universal that, standing absolutely above or beyond human interaction, causally defines social order. As our elucidation of the absence of such a notion of the ‘One’ shows, we can hardly consider Daoism to share the economist’s universe of discourse. Rather, the social ordering of the people is understood as an open and creative process within the field of activity itself. People are not ruled from ‘nowhere’, but rule *themselves*. The Daoists do not favor the idea of any independent entity governing society from the outside. Rather, they deny the legitimacy of *all* top-down and supervenient governance while favoring a bottom-up, emergent and undetermined approach to ruling in which the people themselves define the terms of social order. Here, *every* heavy-handed rule is considered counterproductive, because it generates problems proportionally to the degree of interference in the authentic lives of the people.⁵⁵ The complex tension of the world is not to be disciplined into order by any external controlling hand, imposing its considered design upon experience⁵⁶—neither by the ‘invisible hand’ of the market or the ‘visible hand’ of the state. People’s freedom, for example, does not simply consist in *helping* markets to develop and “grow on their own,”⁵⁷ but in deciding creatively and spontaneously on the patterns of harmonious coexistence within each unique situation of human encounter. *Dao* (way-making), as the *Dao De Jing* expresses in chapter 34 is an “easy-flowing stream which can run in any direction. ... It does not assume any proprietary claim.” It is an ongoing stream of experience, which has a disposition and propensity, but no predetermined direction. There is no efficient agency within that stream that could claim a controlling ownership over the process.⁵⁸ In this, *dao* differs from the market, the advantageous feature of which, according to Dorn and other proponents of “Market Daoism,” is its natural course of optimum efficiency in any given social context—“a course that will be smoother the wider the path the market can take and the firmer the institutional banks that contain it.”⁵⁹

The doctrine of *laissez faire* not only presupposes the existence of a ‘natural order,’ but also insists that this order is *beneficent*. The latent forces of the market are claimed by McCormick to work *automatically* toward “prosperity and perfection”:

All one needs to do is allow them to operate, to not get in their way. These forces are so powerful that they can even ‘educe good from ill’. This is the point of the famous invisible hand. If we follow a policy of *laissez-faire*, even selfish behavior on the part of individuals will result in prosperity for the society.⁶⁰

The natural order is believed to guarantee the pursuit of self-interest while *equally* promoting the interest of society. Even in the face of endless human suffering provoked by avarice and economic greed, we are to believe that all this is directed at the ‘good’ of society. Accordingly, the policy of laissez-faire suggests refraining not only from state intervention but, indeed, from *any* activity which attempts to abolish self-interested behavior or lessen its harmful effects. Given “the deep-seated belief in the power and goodness of that (the natural–SG) order,”⁶¹ there is nothing left for people than to *passively* and *receptively* watch the transformation of all evil into good by some *outside* force. Put in the language of Adam Smith:

God himself is the immediate administrator and director. If he (man–SG) is deeply impressed with the habitual and thorough conviction that this benevolent and all-wise Being can admit into the system of his government no partial evil which is not necessary for the universal good, he must consider all the misfortunes which may befall himself, his friends, his society, or his country, as necessary for the prosperity of the universe, and, therefore, as what he ought not only submit to with resignation, but as what he himself, if he had known all the connections and dependencies of things, ought sincerely and devoutly to have wished for.⁶²

Daoism, on the contrary, does not claim *any* social order to be beneficent, because it considers the notion of order, as far as it applies to any artificially instituted order of civilized society, illusory as such. There simply isn’t any outside force to rely on—beneficent or otherwise. In the absence of any given order that compensates for particular instances of hatred and egotistical behavior, humans are not encouraged to believe that they should “cheerfully sacrifice their own little systems to the prosperity of a greater system.”⁶³ Neither is there any evidence that the Daoists believe the pursuit of one’s own (material) interests could automatically promote that of the society. On the contrary, in both the *Dao De Jing* and the *Chuang Tzu*, selfish behavior and endless desires are considered as the root causes of suffering. For example in chapter 44 of the *Dao De Jing* we read: “Miserliness is certain to come at a huge cost; the hoarding of wealth is certain to lead to heavy losses.” Given this, it seems unlikely that Daoism should favor a “hands off approach” in the same sense as the doctrine of laissez faire does. Rather than implying that people should adopt a *passive and receptive* approach to the social order, the *dao* is to be understood as the creative ‘letting-go’ of any egotistic behavior. We are not told that we are to passively await the transformation of the results of our self-interested behavior into good, but are to change such behavior actively ourselves. Again, creative and spontaneous change is not attributed to some outer force, but to the field of our own activities itself.

McCormick rightly admits that Daoists generally do not support material economic progress. He also is right in stating that Adam Smith shares their view that happiness cannot be found in material wealth. But is he right in saying “that neither one advocates a policy to stop people from pursuing what they want?”⁶⁴ Surely an important difference is being elided here. While the Daoist and Smithian may both agree that materialistic and selfish desires cannot be abolished by *enforcing* proper conduct, Daoism over and above this emphasizes the power of *self-transformation*. Within mainstream economic thought, self-interest and endless desires are usually considered as pre-given and unchanging characteristics of human nature. As such, they are made into an unquestionable presupposition of economic theory: “The first principle of Economics is that every agent is actuated only by self-interest.”⁶⁵ This methodological

principle has often been explained by the fact that economics deals with the lower elements of human nature only.⁶⁶ This position commonly grounds itself upon the thought that self-interested behavior is ‘typical’ or ‘normal’ within the economical structures of today’s society and that economics should focus on such patterned behavior only. Theorizing, here, seems confined to exhibiting the essential aspects of human behavior only, and does not extend to the description of human conduct in all of its facets. Daoism, on the contrary, speaks out against “the false layers of the extrinsic or socialized self, which is tied to an unquestioned acceptance of the conventional world and its institutions.”⁶⁷ In a way, it also takes common behavior guided by self-interested as its starting point. However, it does not consider it as unchanging but aims at creatively moving freely “beyond the boundaries of the conventional institutions and values of society.”⁶⁸ Daoism involves *forgetting* conventions.⁶⁹ Or to put it the other way round: “Those who abandon themselves in things and lose their nature in convention may be called the wrong-way-around people.”⁷⁰ As the three ‘wu-forms’ *wuwei*, *wuzhi* and *wuyu* indicate,⁷¹ it aims at changing precisely those conventional patterns of activity, knowledge and desire which economic theory takes for granted.

This is especially true in the case of *wuwei*. Far from meaning, as McCormick claims, passivity, receptiveness or unconscious action of which “some other force is in control,”⁷² it actually indicates autonomous and spontaneous response to the situation one is in, without any socially induced, or learned, patterns of response. The implication of *wuwei* is that “we should avoid any action based on artificially induced or learned purposes or desires—those that result from deeming things to be such and such.”⁷³ *Wuwei* is non-coercive and nonassertive action—uncompromised by stored knowledge or ingrained habits. At least within the economic sphere, this equals saying that *wuwei* is the letting-go of all rational-calculated action, which is self-interested, planned, and goal-orientated.

Neoclassical theory presupposes the ‘objectivity’ of knowledge and the autonomy of the knower.⁷⁴ There is a discrete agent—a ‘knower’—knowing independently from the world known. His preferences are constant and not influenced by any choices available to him; thus inner and outer world are strictly separated. The individual is made into the (relatively) unchanging background against which changes can be measured and forecast.⁷⁵ Knowledge, here, is always knowledge of an isolated experiencer; it is not situation-dependent. *Wuzhi* on the other hand is knowledge that is *situational* and *unprincipled*. It is “without preferences, ever changing, beyond even constancy”⁷⁶ As one lets go of all previously fixed preferences, one gets to know the world anew in each situation by getting involved in and being changed by it. Knowing in this sense “entails a transforming act upon the self, to know ... is not only to reflect and comprehend, but also to shape and create.” It is a self-creating and self-directing activity⁷⁷ in which all tendencies toward independence and self-sufficiency are overcome.⁷⁸ Additionally, *wuzhi* is always *consciously* perspectival. It sees through the illusion that there can be a view from or of a higher reality.⁷⁹ As we are all in the soup, there is no privileged perspective from which we are to tell the direction we ourselves or society as a whole is going to take. Instead, there is a need to enter into other perspectives that are inclusive of the totality of situation; and this cannot be fulfilled by the operation of a calculative rationality restricting vision to the narrow focal point of self-interest.⁸⁰

In theory, economists construe desires as ever increasing and endless. This is formulated explicitly on the assumption of non-satisfaction or non-satiation.⁸¹ The individual is never completely satisfied, but can, in principle, always think of an improvement through an increase in the commodities it possesses. The individual desires to own as many objects as it can possibly can. This manner of desiring is criticized by the Daoists. As Hall and Ames insist, desires have to be *deferential desires* (*wuyu*):

Desire, based upon a noncoercive relationship (*wuwei*) with the world and a mirroring understanding (*wuzhi*) of it, is shaped not by the desire to own, to control or to consume, but by the desire simply to celebrate and enjoy. It is deference. (...) In a world of events and processes in which discriminations are recognized as conventional and transient, desire is predicated upon one's ability at any given moment to 'let go'. It is in this sense that *wuyu* is a nonconstruing, objectless, desire.⁸²

There is another point worth mentioning here. The Daoist's emphasis on creative self-transformation does not only aim at the letting-go of the attitude that considers everything around us as being useful according to our own fixed standards; it also aims at the letting-go of the attitude that considers *our own selves* as being useful according to the standards of society. From the economist's standpoint, each human being's contribution to our world lies in the fulfillment of his social and, most importantly, his economic roles. Each of us has to make a *useful* contribution to society—as, the expression “human capital” aptly expresses. These contributions are to be made within the existing institutional frameworks of a society dominated by economic activity and are to be measured and shaped by economic patterns of behavior. Here, “everything has its uses, and everyone his or her functions.”⁸³ But this is precisely the attitude that the Daoists consider dangerous and enervating: “The obsession with utility and function is not only a matter of missed opportunity; it saps life and energy. (...) The desire to be useful, although well intentioned and noble, is dangerous and possibly even fatal.”⁸⁴

Zhuangzi in particular does not want to enroll us into the framework of conventions shaped by economic patterns of behavior, but, to the contrary, tells us to break through this framework. In order to really act creatively and spontaneously, we have to transcend all pre-given roles. In order to discover the secret of their craft, for example, Zhuangzi's artisans must leave behind all external and social pressures. This does not, of course, amount to being irresponsible. All of Zhuangzi's artisans are productive members of their society. What is different is their attitude toward the demands of their job. They do not focus on their social and economic demands, but mentally free themselves to concentrate creatively on the skill of their craft. The orientation of the performance of the task transforms it from work to making art. While such art *might* be useful, it is not *attached* to being useful.⁸⁵

The forms of art Zhuangzi appreciates differ from the obsessive economic emphasis on utility. Far from having “a wonderful ability to make a miserable life of usefulness,”⁸⁶ it is the *art of uselessness* which is, for example, celebrated by Zhuangzi:

[Hui Tzu said]: ‘I know a huge tree local folks call the *trea*, trunk so thick, so gnarled and knotty that the carpenter can't cut it for use, branches too twisted for compass or square. Although it stands beside a busy road, no carpenter ever gives it a second look. Your words are just as big, just as knotty and as worthless. Nobody has any use for *them* either!’ Chuang Tzu

[Zhuangzi] laughed (...) ‘You think it’s terrible that no one can cut it for use. Why not let it be a tree?—in the Village of No-Thing, where the wilds spread out in every direction toward No-Place. Sit beneath it and master the art of non-doing. Wander freely, easily into dreams beneath it. Forget the ax—nothing can harm it. Nothing can be possibly of use. Where’s the problem?’⁸⁷

Conclusion

Given an indigenous interpretation of Daoism, Daoist thought has to be considered far apart from classical and neoclassical economics. In the absence of any substantialist world-view, which regards the ‘One’ as an external agency and the ‘Many’ as mutually exclusive, independent entities, Daoism shares neither the philosophical assumptions nor the social implications of the doctrine of laissez faire. Far from providing this doctrine with another substantial leg on which to stand, the Daoist worldview *challenges* the very foundations of economic thought, asking us to consider economic activity and our place within it anew. Most importantly, according to Daoism economic development ought to be considered an *open* and ultimately *undetermined* process. This does not deny the fact that the economy often appears as mechanically patterned. Of course it does. Nevertheless, neither Lao Tzu nor Zhuangzi would have considered such patterns as predetermined or simply given. Because the economy is not an entity but a dynamic process, its order is interrelated and interdependent with human activity itself. With no ‘One’ behind it, it can not act upon us by any mechanism or outside force. Neither are we to consciously plan and control the market according to our own egotistic wills. Rather, we are both shaped and shaping. By engaging in economic activity, we change the world just as we are changed by it. Within this interrelated process, there is no view from ‘no-where’, no superior perspective from which our activity could be coordinated. The appropriate action is thus neither to unconsciously subordinate ourselves to outside forces nor to consciously enforce our will according to our own plans. Rather, we should be conscious of ourselves as inextricably interdependent on our fellow human beings and nature while spontaneously responding to the need of others.

NOTES

1. Ken McCormick, “The Tao of Laissez-faire,” *Eastern Economic Journal* 25 (1999), p. 331.
2. James D. Sellmann, “Transformational Humor in the *Zhuangzi*,” in *Wandering at Ease in the Zhuangzi*, ed. Roger T. Ames (Albany, NY: State University of New York Press, 1998), p. 163.
3. McCormick, Ken, “The Tao of Laissez-faire,” p. 331.
4. In what follows, I am concerned with the term “natural order” only insofar as it is used by economists in order to explain the functioning of society. My intention is thus to highlight the different notions of social order as they feature in Daoism and economics and not any possible differences in the perceptions of nature’s order.
5. McCormick, “The Tao of Laissez-faire,” p. 334.
6. Hermann H. Gossen, *The Laws of Human Relation and The Rules of Human Action Derived Therefrom* (Cambridge, Mass: Mit. Pr. 1983), p. 5.
7. Adam Smith, *The Theory of Moral Sentiments* (New York: Prometheus Books, 2000), p. 126.
8. Roger T. Ames, “Knowing in the *Zhuangzi*, ‘From Here, on the Bridge, over the River Hao’,” in *Wandering at Ease in the Zhuangzi*, ed. Roger T. Ames (Albany, NY: State University of New York Press, 1998), p. 226.

9. Silja Graupe, *The Basho of Economics. An Intercultural Analysis of the Process of Economics* (Frankfurt/Main: Ontos, 2007), pp. 150-55.
10. Adolph Lowe, *Politische Ökonomik* (Frankfurt: Europäische Verlagsanstalt, 1965), p. 47.
11. Karl-Heinz Brodbeck, *Die fragwürdigen Grundlagen der Ökonomie* (Darmstadt: Wissenschaftliche Buchgesellschaft, 2000), p. 33-40.
12. Lowe, *Politische Ökonomik*, p. 47.
13. McCormick, "The Tao of Laissez-faire," p. 332.
14. James A. Dorn, "The Tao of Adam Smith," *Wall Street Journal Asia*, August 19, 1997.
15. Chad Hansen, *A Daoist Theory of Chinese Thought: A Philosophical Interpretation* (Oxford: Oxford University Press, 1992), p. 27.
16. Roger T. Ames and David L. Hall, *Dao De Jing, A Philosophical Translation* (New York: Ballantine Books, 2003), p. 12.
17. *Ibid.*, p. 3.
18. Sellmann, "Transformational Humor in the Zhuangzi," p. 163.
19. Hansen, *A Daoist Theory of Chinese Thought*, p. 84.
20. Thomas P. Kasulis, *Zen Action: Zen Person* (Honolulu: University Press of Hawaii 1981), pp. 29-36.
21. Ames, Hall, *Dao De Jing*, p. 58-59.
22. *Ibid.*, p. 57.
23. Tu Wei-Ming, *Confucian Thought: Selfhood as Creative Transformation* (Albany, NY: State University of New York Press, 1985), p. 19.
24. Ames, Hall, *Dao De Jing*, p. 14.
25. Graupe, *The Basho of Economics*, pp. 145-150.
26. Philip Mirowski, *More Heat than Light: Economics as Social Physics, Physics as Nature's Economics* (Cambridge: University Press, 1999), p. 371.
27. Ludwig von Mises, *Nationalökonomie, Theorie des Handelns und des Wirtschaftens* (Genf: Union, 1940), p. 34.
28. Graupe, *The Basho of Economics*, pp. 153-155.
29. Chad Hansen, "Individualism in Chinese Thought." in *Individualism and Holism, Studies in Confucian and Taoist Values*, ed. D. J. Munro (Ann Arbor: University of Michigan, 1985), pp. 46-49.
30. Ames, "Knowing in the Zhuangzi," p. 227.
31. Judith Berling, "Self and Whole in Chuang Tzu," in *Individualism and Holism, Studies in Confucian and Taoist Values*, ed. D. J. Munro (Ann Arbor: University of Michigan, 1985), p. 116.
32. Ames, "Knowing in the Zhuangzi," p. 227.
33. Lik K. Tong, *The Art of Appropriation: Towards a Field-Being Conception of Philosophy* (Fairfield: Fairfield University, 2000), p. 21.
34. Ames, Hall, *Dao De Jing*, pp. 14-15.
35. Ames, "Knowing in the Zhuangzi," p. 227.
36. Ames, Hall, *Dao De Jing*, p. 116.
37. Graupe, *The Basho of Economics*, pp. 175-192.
38. McCormick, "The Tao of Laissez-faire," p. 332.
39. James A Dorn, "The Primacy of Property in a Liberal Constitutional Order: Lessons for China," *The Independent Review* 7 (2003), p. 490.
40. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, vol. 2 (Oxford: Clarendon Press, 1976), p. 687.
41. Gossen, *The Laws of Human Relation*, p. 5.
42. Joseph A. Schumpeter, *Capitalism, Socialism and Democracy* (New York: Harper Perennial, 1976), p.129.
43. Ames, Hall, *Dao De Jing*, p. 21.
44. Sellmann, "Transformational Humor in the Zhuangzi," p. 171.
45. Hansen, *A Daoist Theory of Chinese Thought* p. 288.

46. Ludwig von Mises, *Human Action*, ed. B. B. Greaves (Irvington: Foundation for Economic Education, 1996), p. 25. Online edition, <http://www.mises.org/humanaction.asp> (accessed 6.07.2006).
47. Mirowski, *More Heat than Light*, p. 6.
48. Ames, Hall, *Dao De Jing*, p. 210-11.
49. McCormick, "The Tao of Laissez-faire," p. 337.
50. Murray N. Rothbard, "Concepts of the Role of Intellectuals in Social Change Toward Laissez Faire," *The Journal of Libertarian Studies* 9 (1990), p. 46.
51. Dorn, "The Primacy of Property," p. 492.
52. Jeff Weintraub, "The Theory and Politics of the Public/Private Distinction," in *Public and Private in Thought and Practice: Perspectives on a Grand dichotomy*, ed. J. Weintraub and K. Kumar (Chicago: Chicago University Press, 1997), p. 1.
53. *Ibid.*, p. 8.
54. Friedrich A. Hayek, *Recht, Gesetzgebung und Freiheit: Regeln und Ordnung* (München: Verlag Moderne Industrie, 1980), p. 58-60.
55. Ames, Hall, *Dao De Jing*, p.166.
56. *Ibid.* p. 122.
57. Dorn, "The Primacy of Property," p. 492.
58. Ames, Hall, *Dao De Jing*, p. 130.
59. Dorn, "The Tao of Adam Smith."
60. McCormick, "The Tao of Laissez-faire," p. 335.
61. *Ibid.*, p. 337.
62. Smith, *Theory of Moral Sentiments*, p. 346.
63. *Ibid.*, Theory of Moral Sentiments, p. 347.
64. McCormick, "The Tao of Laissez-faire," p. 336.
65. F.Y. Edgeworth, *Mathematical Psychics. An Essay on the Application of Mathematics to the Moral Sciences* (London: Kegan Paul, 1881), p. 16.
66. *Ibid.*, pp. 52-53.
67. Berling, "Self and Whole in Chuang Tzu," p. 102.
68. *Ibid.*
69. Donald J. Munro "Introduction", in *Individualism and Holism, Studies in Confucian and Taoist Values*, ed. D. J. Munro (Ann Arbor: University of Michigan, 1985), p. 13.
70. Henry G. Skaja, "How to Interpret Chapter 16 of the Zhuangzi," in *Wandering at Ease in the Zhuangzi*, ed. Roger T. Ames (Albany, NY: State University of New York Press, 1998), p. 116.
71. These forms are commonly translated as no-action (wuwei) no-knowledge (*wuzhi*) and no-desire (*wushi*).
72. McCormick, "The Tao of Laissez-faire," p. 333.
73. Hansen, *A Daoist Theory*, p. 214.
74. Compare for the concept of autonomy in the Western and Chinese context Munro, "Introduction", p. 11-14.
75. Graupe, *The Basho of Economics*, pp.59-68.
76. Chuang Tzu, *The Essential Chuang Tzu*, trans. and ed. Sam Hamill, J.P. Seaton (Boston & London: Shambhala), p. 51.
77. Wei-Ming, *Confucian Thought*, p. 19-20.
78. Ames, "Knowing in the Zhuangzi," p. 220.
79. Sellmann, "Transformational Humor in the Zhuangzi," p. 164.
80. Brian Lundberg, "A Meditation on Friendship," in *Wandering at Ease in the Zhuangzi*, ed. Roger T. Ames (Albany, NY: State University of New York Press, 1998), p. 214.
81. Kenneth J. Arrow, Frank H. Hahn, *General Competitive Analysis* (San Francisco, 1971), p. 78.
82. Ames, Hall, *Dao De Jing*, p. 42.
83. Berling, "Self and Whole in Chuang Tzu," p. 105.

84. Ibid., p. 106.

85. Ibid., pp. 107-114.

86. Chuang Tzu, *The Essential Chuang Tzu*, p. 31.

87. Ibid., p. 6-7.
