

## Free-market philosophy and Its Roots in Ancient China

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China may have lagged behind Europe entering the industrial age, but there was much that China contributed to modern European economic thinking. In an earlier age, when Europe was in the throes of the Enlightenment, China was considered more enlightened as it emerged from centuries of centralized bureaucratic control. Modernity often plays tricks with history: China's apparently contradictory embrace of free trade under communist rule today obscures the fact that basic notions of a free-market economy were derived with the help of observations made in China by Jesuit missionaries in the mid-18th century.

The great Scottish economist, Adam Smith, is credited with establishing the principles of modern free-market economics in his *An Inquiry into the Nature and Causes of the Wealth of Nations* published in 1776. Less is known about a French physician-turned-philosopher who inspired Smith when he worked for a time as a tutor to the nobility at the royal court of Versailles. Francois Quesnay first coined the term "laissez-faire" in 1758. He belonged to a group of intellectuals known as the Physiocrats who believed that government policy should not interfere with the operation of natural economic laws.

According to contemporary British philosopher John James Clarke, the source of these ideas was the Tao Te Ching, the basic text of Taoism attributed to the semi-mythical Chinese philosopher Lao-tze. Travellers to the China of the late Ming and early Qing period were impressed by the high degree of organization -- exemplified by the exam system -- the weak hand of government, and the extensive economic freedom and efficiency this combination produced. Their Chinese hosts told them that such a state was close to the ideal of wu wei, whereby the wise ruler knows that the best way to rule is by doing nothing. "Practise not doing and everything will fall into place," the Tao recommends.

For Europeans struggling to escape from the last vestiges of feudalism, the relative sophistication of Chinese absolutism was appealing. Quesnay was so enthralled he was known as the "European Confucius" in his day. The French translated the concept of wu wei into laissez-faire. It had a tremendous influence on Smith, who, historians speculate, would have dedicated the *Wealth of Nations* to Quesnay had his mentor not died shortly before its publication.