Economy Can Not Exist Without Morality

To have a thorough understanding of moral capital, it is necessary to figure out the relationship between morality and economy and the roles and functions of morality in economic activities.

Economics and morality are inseparably interconnected. Economics must be understood from a moral perspective, and morality provides support to economic development.[1]

However, most contemporary economists have a prejudice against the relationship between morality and economics, thinking that economics has nothing to do with morality or ethics. To be specific, mainstream western economists are "collectively unconscious" of this relationship, which is also a trend growing among some Chinese economists. A Chinese economist once claimed that economics as a discipline does not study moral codes for the purpose of moral education. According to the economist, "The proposal of economic suggestions and the design of economic systems do no rely on morality, but a more realistic and reliable hypothesis that people work in an environment where morality is of little significance. In this sense, economics as a specific discipline and economic study as a specific profession do not, and also need not to take moral factors into consideration. Economists should not be officiously do the work that should be done by philosophers, ethicists, writers, politicians or priests." Some economic theorists also argued that the relationship between economic development and morality are like that between apples and oranges. Some even believe that it is never too late to pay attention to the moral aspect of society as long as economic development is guaranteed. Should the relationship between economics and morality be like this? Is what they said right? In my view, these economists do not really know what economics is, nor do they know moral philosophy, economic ethics, or ethic economics. The fact is that neither economics nor economic development can be understood without the involvement of morality. Therefore, "economics must pay special attention to human care, human respect and human development, because many fundamental problems regarding economics can

[1]Wang (1994), Wang (1998), Wan (2011a), Sen (2003), De George (2002), Enderle (2002).

only be ultimately solved when they are discussed at the human level"; otherwise, economic phenomena cannot be fully understood and commended, and economic problems cannot be practically analyzed and solved. Studying morality is necessary for the study of economics.[2] Amartya Sen, winner of the Nobel Prize in Economics in 1998 has made clear his attitude towards the relationship between economics and morality, "I do not think that without the involvement of ethics, economics will surely fail, but I want to say that economics, as it has shown, may become more convincing if more attention is explicitly directed to human behavior from the ethical perspective."[3] American economic ethicist Georges Enderle has also expressed similar opinion in this regard, "I advocate the mode where economics and morality are integrated. This mode admits the interdependence and equal importance of the two disciplines. Ethics as a discipline should not govern economics in the same way that economics should not override ethics in the form of 'economic imperialism'. Meanwhile, the two disciplines should not be isolated from each other… The mode helps to avoid two ethical risks in economics: the risk of idealism which believes that it is feasible to ignore the contribution made by economics as an analytical tool to moral development, and the role of economic incentives in promoting the achievement of ethical goals; and the risk of 'instrumentalization' of economic ethics which wrongly takes ethics only as a means to achieve economic goals."[4] Morality must involves economics and vice versa. Both moral economics and economic morality are objective reality existing in society.

2.1 Economic Virtues Are Economic Phenomena[5]

As long as there are humans and human relationships, there will be moral problems and problems necessarily related to the handling of relationships between man and man, and between man and society. These problems are ethical problems which also exist in economic field. Ultimately, humans and human relationships support and connect economic activities. Economic virtues, as a kind of economic phenomenon as well as a symbol of the real economy, will surely put economy on a track towards active and healthy development.

1. Basic Chinese and western ideological ideas

First, economic virtues are appropriate and rational economic behavior. Yan Ying of the Spring and Autumn Period held that "morality is the basis of profits".[6] In his view, profits, as the core of economy, lie in morality. Then, what is morality? According to Yan Ying, "when wealth is abundant, morality is needed to limit wealth so that people

[2]Li (2010, p. 253).

[3]Sen (2003, p. 15).

[4]Enderle (2002, pp. 58–59).

[5]Wang (2008, 2014, pp. 12–24, 2015, pp. 20–26).

[6]*Zuo Zhuan · the 10th Year of Duke Zhao.*

will not indulge too much for excess wealth will incur disasters"[7] and "morality is primarily about giving, which is a noble virtue."[8] Obviously, for Yan Ying, morality in economic terms means that it is wise to make moderate profits and necessary to give away some of the profits.

Zhu Xi, great philosopher of the Song Dynasty, thought much of the relationship between morality and profits. He held that "the theory about morality and profits is the primary theory that Confucians should understand".[9] According to him, "profits are a material need of man", while "morality is a heavenly principle"[10] and "noble people always put morality first, because putting profits first will definitely harm morality."[11] He also pointed out, "Benevolence and morality are both disposition to do good. Benevolence is a heavenly principle. People without benevolence will become evil and even heinous. Morality refers to following moral principles. Violating moral principles is like creating scars. If the scars are small, there are ways to remove them."[12] From the above, it can be seen that economic virtues are economic morality as a heavenly principle.

Confucius, founder of Pre-Qin Confucianism, advocated "the doctrine of the mean". Ancient Greek philosopher Aristotle proposed the theory of "golden mean". In the economic area, "mean" is being moderate and appropriate. *The Doctrine of the Mean* says, "If people follow the mean, their minds will be in a state of constant equilibrium which always guides them to benevolence."[13] "Mean" is the way for economic development. "Aristotle believed that when people make a choice, they do not choose a purpose which is autotelic and conceptual. Instead, a choice shows a person's consideration for the legitimacy, rationality, and properness of a behavioral mode or a process. If the behavior type is proper and rational, the behavior itself is autotelic. That is to say, people exist only for the sake of living a legitimate, rational and proper life."[14] "For example, when a person shares his wealth with others, he just does it for a specific purpose. When he shares a proper amount of wealth with proper people in a proper way at the proper time, his behavior is good. Sharing wealth could be a good thing."[15] Proper behaviors are virtues.

Second, economic virtues are virtues involved in economic activities. Some western ideologists thought that economic virtues refer to good and evil economic behavior. Modern British economist and ethicist Bernard Mandeville argued, "Morals and virtues are produced to make up to the pride politics."[16] Regardless of this argument, he still encouraged moral behavior for social development and prosperity. He wrote

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[7] *Zuo Zhuan · the 28th Year of Duke Xiang.*

[8] *Zuo Zhuan · the 10th Year of Duke Zhao.*

[9] *Collected Works by Chu His*. Vol. 24.

[10] *Variorum of the Analects of Confucius · Ethics and Benevolence.*

[11] *Zhuzi's Language Category*. Vol. 51.

[12] *Zhuzi's Language Category*. Vol. 51.

[13] Zhu (2009).

[14] Song (2010, p. 104).

[15] Song (2010, pp. 107–108).

[16] Mandeville (2002, p. 37).

in *The Fable of The Bees*, "How necessary our appetites and passions are for the welfare of all trades and handicrafts has been sufficiently proved throughout the book, and that they are our bad qualities, or at least produce them, nobody denies."[17] For Bernard Mandeville, the fundamental incentive for people to work hard for profits is not the spirit of benefiting the public, but their various desires. Bernard Mandeville did not encourage vices, but he claimed that economic development is promoted by both virtues and vices which is known as "Mandeville's paradox".

Confucians and Mohists were at odds on economic ethics, but shared their opinions on the relationship between economy and morality. Confucius of the Pre-Qin Period once said, "People living a poor and humble life in a rich and just country are as shameful as those living a rich and noble life in a poor and unjust country."[18] In the opinion of Confucius, economic development requires both justice and morality, and a just and moral society will surely be affluent; otherwise, it will be shameful. In other words, economy, profits and moral virtues are all complementary and integrated. Advocating moralism and utilitarianism respectively, Confucianism and Mohism reach a consensus on the understanding of economic virtues. Mo Tzu, representative of Mohism, held that in the utilitarian system, economic virtues act as an approach to make profits, or where profits are based on morality, thus organically integrating profits and morality. He thought, "Morality is profits".[19] Obviously, according to Mo Tzu, true morality must be profitable, for it is defined or determined by profits. Mo Tzu understood economic virtues in a unique way by equating morality with profits—a relationship of interdependence.

"Famous ideologist Wang Shouren of the Ming Dynasty (1368–1644) was once asked, 'Even moral people do not refuse material comforts, do they? 'No, they don't,' he replied, 'but a beginner (of Neo-Confucianism) should learn to resist the temptation of material comforts, so that when he faces such temptation accidentally, he is able to deal with it with calmness and rationality. Morality prevents people from indulging themselves in material comforts. That's why moral people do not lose themselves even in face of material comforts.' Wang Shouren did not take material comforts as evil; it is acceptable for material comforts not to accord with conscience, but the key is whether they can stimulate morality."[20] That is to say, material comforts should involve morality, or they are unacceptable.

Third, economic virtues are virtues of both man and society. A representative of this view is Dong Zhongshu of the Han Dynasty (206 BC–220 AD). In favor of ethical naturalism, he claimed that the unity of morality and profits is the unity of body and mind, and the latter depends on the former. According to Dong Zhongshu, "Man is born with both morality and the nature of pursuing profits, with the former to meet spiritual needs and the latter to meet material needs. A man without morality cannot be really happy, and without profits he cannot survive."[21] From the perspective of

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[17] Mandeville (2002, p. 215).

[18] *The Analects of Confucius · Taibo.*

[19] *Mo Tzu · Classics.*

[20] Zhao (2004).

[21] *Luxuriant Dew of the Spring and Autumn Annals · Materials Needs Prevail Over Morality.*

economic virtues, the unity of morality and profits, and of spiritual and material needs, actually represents the interdependence between economics and morality, or between profits and morality, which is necessary for man and society at large. In other words, economic virtues are ultimately virtues of both man and society.

Since economic virtues are virtues of both man and society, economy is certainly ethical economy existing in harmonious human relationships. French post-classical economist Frederic Bastiat wrote in his work *Economic Harmonious,* "Taking man as God saw fit to make him, capable of anticipating the future and of learning from the past, hence perfectible, given to self-love admittedly, but kindly disposed toward others and invariably quick to respond to their kindly affections, I seek to learn what social order necessarily results from the combination of these elements if their free play is not interfered with. If we find that the resulting order leads progressively toward the general welfare, improvement and equality; toward the physical, intellectual, and moral leveling of all classes, and that this level is constantly raised; then God's ways will be vindicated. We shall learn to our joy that there are no gaps in the creation, and that the social order, like all the others, bears witness to the existence of the harmonious laws."[22] In the view of Frederic Bastiat, social and economic development require a harmonious social climate where all the members are sympathetic to and care for one another.

Fourth, economic virtues stand for economic freedom. Modern ideologist Yan Fu argued that China's social and economic backwardness was caused by people's lack of decision-making power. According to him, the freedom of personal activities is the premise for social and economic development and for national prosperity.[23] Throughout Western intellectual history, it has been widely believed that economic virtues rest on economic freedom, for only freedom can encourage economic bodies to play their roles to the full, ensure fair transactions and maximize profits. A representative of this point of view is Adam Smith, founder of free market economics, whose thinking has long influenced the development of Western economics. The core of Smith's economic theory is "laissez-faire", meaning that "every individual necessarily labors to render the annual revenues of society as great as he can. He generally neither intends to promote the public interest, nor knows how much he is promoting it … He intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for society that it was no part of his intention. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it."[24] In the view of Smith, man in nature is self-interested, which, objectively, will promote public benefits. He also thought that "a business which is beneficial to society shall be free to compete", "it is the vanity, not the ease, or the pleasure, which interests us" and "the sense of honor and dishonor arouses the diligence of human beings, encouraging them to create the miracles of moral

[22]Frederic (1995).

[23]Zhao (2002).

[24]Zhang (2001).

and material civilization."[25] Obviously, Smith believed that there was "an invisible hand" which leads people to creating benefits for themselves subjectively, and for the society objectively. Smith pointed out that restrictions, no matter in what form, will hinder the pursuit of self-interest, and thus in turn the increase in and equal distribution of social wealth. Therefore, the best economic policy is to allow complete freedom of personal activities, including free employment, free competition, free trade, free exchange and free transaction without any human interference.[26]

At home and abroad, the definitions of economic virtues, though different in expression, can enlighten us towards different perspectives, both theoretically and practically. Their focus varies from the morality of economic behavior to the functionality of economic behavior, from the moderation of economic behavior to the forms and benefits of economic behavior, as well as many other considerations besides.

2. The meaning of economic virtues

Economic virtues are not the simple and mechanical combination of economics and moral character/morality, but morality in economy or economy with morality. Like the front and reverse size of a coin, economics and moral character/morality reflect the two inseparable sides of a social phenomenon. I once pointed out that economics is not merely about the input and output, or the quantity of materials; actually, it cannot be separated from ethics. An economy without the presence of ethics is incomprehensible and non-existent.[27] Therefore, an economy, if it is to exist, must be moral. Seen from the relationship between the market economy and morality, the claim that "a market economy is a moral economy" is objectively and practically well-founded. The existence and resolution of the basic moral conflict between self-interest and altruism can well illustrate the inseparability of economics and morality. In the socialist market economy, generalized moral education and moral rules are needed to fulfill the objective moral obligation in economic activities. It is of great importance for enterprises, in particular, to strengthen their moral education and practice for further development. At the end of the 20th century when a private enterprise based in Anhui Province was acquired by a state-owned enterprise, employees from the private enterprise soon started to complain about their low salaries, which finally turned into a strike. In such a case, managers from the state-owned enterprise organized these employees to discuss "From Whom Should We Ask for Salary?", Through discussion, the employees reached a consensus: the amount of salary is determined by customer satisfaction. When products satisfying customer needs are produced, the sales will increase, leading to the increase of revenue, and naturally, salaries will increase. To do so, employees need to work wholeheartedly, incorporating their sense of morality and of responsibility for customers and society into the design, manufacturing and marketing of products. Only in this way can the enterprise come out on top in the cut-throat competition. Before long, the enhancement of the employees' sense of responsibility and morality enabled the enterprise to yield more

[25]Zhang (2007).

[26]Gu (2005).

[27]Wang (2001).

revenue, thus promoting corporate development—a case that perfectly exemplifies how important economic virtues are to corporate development.

Economic virtues, as a social phenomenon, can be understood from the following five perspectives.

(1) Economic virtues indicate the value orientations and moral qualities of economic agents.

As previously stated, all kinds of economic behavior reflect certain moral ideas and objective value orientations, either good or evil. In this book, the value orientations of economic behavior are of goodness, and are, at the very least, manifested as creating legitimate profits for oneself and for society as many as possible. In this sense, making personal profits and benefiting society are not necessarily contradictory but unified, interdependent and complementary, which reflects the noble moral state of economic behavior. While there is nothing wrong for economic agents to put their own interests first, it is immoral and despicable if self-interests are acquired at the cost of the interests of others, or through other mercenary or beggar-thy-neighbor behavior.

(2) Economic virtues are moral obligations and responsibility that should be assumed by economic agents.

Economic virtues, which are reflected through the spiritual state and moral behavior of economic agents, fundamentally require a correct understanding of the moral responsibility of economics and the identification of and compliance with the corresponding economic moral norm system. In fact, economic virtues are the economic behavior of obeying all the moral codes required in the moral system. In any aspect of economic activities, morality acts as a yardstick by which what should and should not be done can be judged. In this way, complex economic behavior can create maximum economic benefits in a normative, ordered and rational way. Economic morality criteria are a spiritual element of economy, and the internal basis and core content of economic activities.

In economic activities, moral codes are also responsibility that should be assumed by economic agents, be it an organization, a group, or an individual, because no economic agent can exist and develop without social supports. More precisely, such supports include intellectual support, governmental support, and cultural and moral support. First, a qualified economic agent must knowledge and professional skills required to perform its economic activities, and the acquisition of such knowledge and skills needs intellectual support. Second, economic activities, though different from political and legal activities, still needs policy and legal guidance and support which ensures a legal environment for free operations. Third, the economic system comprises a large number of benefit-based relationships, the coordination of which requires cooperation and trust. Without cultural and moral support, even the smallest transactions will be blocked, and even fall through. Business operations require various social concerns and supports. Therefore, any economic agent, from the day it is set up, should assume its moral responsibility for others and society as a whole,

which, in other words, actually reflects the moral qualities of economic agents. In this sense, economic agents and morality entities are the two sides of the coin. An economic agent not assuming social responsibility is bound to be rootless in society and be despised.

(3) Economic virtues are the moral and personality development of economic agents.

In my opinion, economic activities are conducted both by and for man. For the latter, economic agents must assume their moral responsibility by practicing morality in economic behavior. However, this process is not a natural one: man should be moral, but it is not natural for economic behavior to always be moral. To develop the habit of practicing morality in economic behavior, economic agents should develop conscious moral awareness, earnest moral sentiments, and a strong moral will. In other words, a moral economy can only be created by moral people in the economic system. We must realize that a moral person is not born to conduct moral economic activities. He must have a good understanding of economy-related moral responsibility, and strictly abide by economy-related moral codes. To incorporate morality into economic behavior, men as an economic agent should constantly cultivate moral characters and raise moral awareness, and at the same time, have a scientific understanding of morality as an inherent part of economics.

(4) Economic virtues are enduring economic qualities.

Virtues, no matter in man or in economy, are developed gradually. They do not appear all of a sudden, nor are they innate in man. However, virtues, once formed, become a stable integral part of economic agents. No virtue is transient or inconstant. Economic virtues are embodied in many aspects. For example, they may be embodied in economic activities and their achievements, as well as products. Product quality, a result of economic activities, is determined to some extent by the moral quality of economic agents. Without lofty moral consciousness, it is hard to achieve human-centered design, consideration for consumers in the process of manufacturing, and sincerity in sales. It is fair to say that product quality is determined by the fulfillment of moral responsibility by people involved. This means product quality is closely related to the moral quality and responsibility of economic agents, whose lack of morality will surely lead to poor product quality. In short, high-quality products attached with excellent service must contain economic virtues which in turn are embodied in the former. In addition, economic virtues appear as the stable and habitual morals of economic agents. Only in this way can economic activities become a dynamic part of noble economic qualities and manifest the nature of economic virtues.

(5) Economic virtues mean economic freedom.

Economic freedom is the ability of members of a society to independently undertake economic actions conforming to their free economic will based on equal economic relations and economic interest relations in accordance with certain economic laws.

Therefore, economic freedom does not refer to random economic behavior—it's realized based on certain premises and necessary conditions.

Economic freedom can be understood from the following aspects. First, the freedom to work., meaning that laborers are free to allocate their working hours, to decide what to do, and to achieve the economic goals they have set themselves, on the premise that they are able to consciously reach "survival indexes" that are achievable within their own ability[28]; otherwise, they cannot realize their optimal economic benefits. Second, the freedom to transact. Without transactions, there will be no market or market-oriented economy. As a basic form and means of modern economy, transactions are made to realize material exchange, maximize benefits, and obtain better production and living conditions and further expand reproduction. Laborers are free to decide when, how and where to transact and whom to transact with. Third, the freedom to investment and consume. Investors are free to decide investment targets, and to consume their investment returns. Investment is the key means and form of economic activities, whose purpose is to obtain more benefits, and in some sense, consumption itself is also a kind of investment. It can thus be said that rational consumption is rational investment.

In conclusion, economic virtues are the due moral responsibility, noble value orientation and enduring economic qualities of economic behavior.

2.2 A "Real Economy" Cannot Exist in the Absence of Morality[29]

An economy may be understood differently from different perspectives, but never as a pure material body with nothing to do with man and morality. An economy is, in fact, a body of human interests, human relationships, and the most common lifestyles and ways of existence of man. However, not all economies related to man and interest are real economies—a real economy must be normal. This is a proven fact. According to Marx, a "real economy" can constantly train and develop man, and handle human relationships. He pointed out, "Real economy—saving—consists of the saving of labor time (minimum (and minimization of) production costs); but this saving is identical to the development of productive force. Hence, this is in no way an abstinence from consumption, but rather the development of power, of production capabilities. Therefore, both production capacity and the means of consumption will grow. The capability to consume is a condition of consumption and hence its primary means, and this capability is the development of an individual potential, a

[28]In this case, "survival indexes" refers to the physical conditions, educational level, psychological quality and moral consciousness etc. of a person. As objective and subjective survival conditions and the efforts made to survive vary from person to person, the survival indexes of different persons are different.

[29]Originally titled "A Real Economy Must be Normal". Studies on Ethics. 2011. Issue 5. Wang (2014, pp. 1–9, 2015, pp. 85–99).

force of production."[30] This means that economy in an ontological sense reflects human development, and necessarily contains morality, or we can say that it is categorically wrong to think economics is only about "material" issues like input, output and benefit, ignoring that morality is an integral part of an economy. It is true that an economy mainly comprises objective material activities, but this does not exclude the presence of spirits, thoughts and culture in it. It is impossible to correctly understand an economy without considering ethics. To put it bluntly, an economy in itself contains moral factors, not limited to materials or material activities. Also, when we probe into various economic phenomena, we will find clearly that property rights (the basis or the entry path to understand economy), productive labor (the core or premise of economic activities), and distribution and exchange behavior (a guarantee of continuous economic operation) all have close ties with morality. This further illustrates that morality, as an integral part of an economy, is also an important factor and means for the understanding of the economy.

1. The relationship of morality with property rights and their functions

Property rights, as an important precondition of economic activities, are the logical starting point of all economic activities, and the basis for the creation of economic benefits. However, without morality, property rights can hardly play their special economic role. Therefore, property rights-related morality is where we should start when studying economics or property rights as well as basic virtues involved.

In the sense of philosophical ethics, property rights, namely "the rights to own property", "are the sum total of various rights owned by people on a given property or asset in a given society, as well as a relationship between a given material and its user, and a way to affirm the existence of man within a society."[31] Some think property rights just provide a basis for economic activities, or at most involve some legal provisions or legal relations, but have nothing to do with morality. In fact, property rights mean not only owning or using property, but also appreciating property in order to expand property rights, which is one of the most fundamental economic behaviors and concepts required to continue economic activities and develop society. During the process of property appreciation and property right expansion, property rights-related morality plays an indispensable role.

First, property rights, as a moral phenomenon, exist rationally in an ethical sense. We must see clearly that the concepts of "who owns property rights" which is about "is" and "who should own property rights" which is about "should" are apart in terms of meaning. Consequently, during the process of property appreciation and property right expansion, the manifestations and nature of labor (and labor relations) are different. Under capitalism where property rights are owned by the bourgeoisie, the nature of capital determines that social labor is "alienated", and the labor relation between capitalists and workers is the embodiment of opposite and irreconcilable class relations. That is to say, under capitalism, property rights are the most representative reflection of morality in the economic sense. In a society where positive morality is

[30]Marx and Engels (2009a).

[31]Luo (2004).

promoted, the concept of "who should own property rights" will be increasingly clear and scientific. During the period of China's socialist economic reform, significant achievements were made in terms of clarifying property rights, confirming the roles of economic activities, and minimizing exploitation and inequality. Such positive results have been reflected well in the timeliness and advancement of the socialist system and socialist morality. This shows that property rights can only be correctly understood when morality is involved.

Second, clarification of property rights makes it possible to minimize resource consumption while maximizing benefits, thus promoting a moral economy. In a normal economy, property rights must be clarified, and this requires a clear definition of "who should own property rights". When property rights are determined, people can exclusively and independently occupy, use, profit from and dispose of a given property or resources. This, on the one hand, will stimulate people's economic initiative and creativity, and thereby minimize the cost of economic activities. On the other hand, when people have no clear idea about who can benefit from production or transactions, or how profits arising from economic activities can be shared, their initiative to participate in economic activities will naturally be stifled. If property rights are clarified in transactions, rivalries over ownership are likely to occur, which will inevitably lead to low resource efficiency and social chaos. Although unclear exercise of property rights and benefits distribution will not necessarily cause rivalries or external conflicts, they will surely discourage people from trying their best to maximize the effects of property rights through labor or transactions, which is, objectively, a waste of resources and an amoral economic behavior.[32]

Third, morality is necessary for property transactions, and property rights determine the moral principles of transactions. Property rights are partly exercised via transactions. The success of or the mutual benefits arising from a property transaction largely depends on whether the transaction rules are reasonable, or whether the transaction meets the basic requirements. Therefore, property transactions must be conducted in accordance with scientific and reasonable transaction rules, in which moral rules that reflect the basic requirements of the transaction are the most fundamental and fair transaction rules. Meanwhile, property rights determine the moral principles of transactions. Property rights, as long as they are reasonable and moral, are supposed to be exercised in a fair and reasonable manner. Based on clear and reasonable property rights determination, all parties involved in a transaction are entitled to decide whether to conclude the transaction or not, and the bargaining within the process of decision making will make the transaction more reasonable and fair. On the contrary, if the property right determination is not clear, or is clear but not reasonable, some infringement is likely to take place. Sometimes, infringement is even labeled as being "rational" or "moral", which may make property transactions deceptive.

In general, scientific property rights-related morality will "effectively adjust and regulate interpersonal property right relationships, reduce conflicts arising from property transactions, promote cooperation, and improve cooperation efficiency concern-

[32]Luo (2003).

ing property rights. In this way, an optimal distribution of property right resources will be promoted, and the efficiency of property transactions will be improved."[33]

2. The essence of productive labor lies in moral sublimation

Productive labor is the practical activities of human beings to produce the most basic materials for survival and development. It creates enormous material wealth, and also a large amount of spiritual wealth that enhance human qualities including moral quality. Also, productive labor provides an essential platform on which human morality is perfectly demonstrated and sublimated. In this sense, productive labor is direct evidence of morality being part of an economy.

First, productive labor affirms the existence of mankind and the value thereof. Morality lies in productive labor which in turn is the logical starting point of human morality, for "labor creates man".[34] Productive labor refers to productive activities conducted consciously by laborers under the conditions of specific production relations for certain purposes by using corresponding instruments against the subject of labor. The process of productive labor and fruits produced speak volumes for the essential characteristics of man, and at the same time, demonstrate the reason for man's existence and the purpose of man's survival. However, in a materialistic capitalist society, productive labor does not affirm the existence of man and the value of such existence as positive power; instead, it becomes an alien power which oppresses laborers and deteriorates human nature. As Marx once said, "On the one hand, the process of production constantly converts material wealth into capital, into means of creating more wealth and means of enjoyment for the capitalist. On the other hand, the laborer, on quitting the process, remains what he was on entering it, a source of wealth, but devoid of all means of making that wealth his own. Since, before entering the process, his own labor has already been alienated from himself by the sale of his labor-power, which has been appropriated by the capitalist and incorporated with capital, it must, during the process, be realized in a product that does not belong to him. Since the process of production is also the process by which the capitalist consumes the power of labor, the product of the laborer is constantly converted, not only into commodities, but also into capital, into value that sucks up the value-creating power, into means of subsistence that buy the person of the laborer, into means of production that command the producers. The laborer therefore constantly produces material, objective wealth, but in the form of capital, of an alien power that dominates and exploits him; and the capitalist just as constantly produces labor-power, but in the form of a subjective source of wealth, separated from the objects in and by which it alone can be realized; in short, he produces the laborer, but as a wage laborer."[35] It can be seen that in a private ownership system, productive labor is not conducted by man consciously or willingly; it is alienated to activities violating human morality. Of course, from the macroscopic perspective of historical development, human productive labor is always the source of power that drives social development and human

[33]Luo (2003).

[34]Marx and Engels (2009b).

[35]Marx and Engels (2009c).

progress. The phenomenon that productive labor goes against human morality has only been caused by a private ownership system or an unreasonable social system, the change of which is thus a fundamental approach or means to sublimate human morality.

Second, basic human rights and moral values are established on the basis of labor. "Labor, at the same time as creating its commodity value, is also endowed with unique social and moral values. From the perspective of ethics, this is where the significance of human morality lies. Since labor and its fruits can be endowed with the moral values of man, labor itself becomes a basic right of human beings (or to be more precisely, of qualified mature laborers). Such a right is of general value and significance to the very right to existence—a basic way for laborers to exist, and also to the special value and significance of moral rights—a way for laborers to express their personality, dignity and honor, and for them to be recognized by society."[36] Meanwhile, those who do not work will lose their basic right to exist, as well as their moral values with the very meaning of existence at their core. In fact, the realization of human rights and moral values is closely connected with labor. First of all, labor is the only way to obtain due human benefits, including both physical and spiritual benefits. For the former, the basic material conditions for man to survive have to do with labor performance; while for the latter, all political rights, the right to enjoy culture, the right to acquire reputation, and even the right to express opinions cannot be separated from human attitudes towards labor and the fruits thereof. Second, labor is the only form able to demonstrate the lofty realm of life and moral consciousness of man, and to illustrate the existence of man's values. Those who waste their life or reap without sowing should feel guilty for themselves and for society in general, and the society itself would of course despise their irresponsible and negative attitude towards life.

Third, productive labor brings about good human qualities. Productive labor is the most complicated and the most basic human activity to conquer nature. During its process, the qualities of laborers are constantly sublimated. As Marx said, during the process of production, laborers will, at the same time as changing objective conditions, also change themselves. Specifically, first, laborers will develop the quality of pursuing truth: to work smoothly and gain ideal benefits, laborers must constantly explore the very nature of truth and develop science and technology. Meanwhile, they must firmly reject pseudo-science in order to make productive labor meet the requirements of human development. Second, productive labor, which cannot be realized without the intelligence, ability and wealth of laborers, calls for the laborers' willingness to pay, to work hard, and even to sacrifice, and requires perseverance and struggle to inspire intelligence, ability and wealth. Third, productive labor stimulates team spirit (joint efforts and cooperation) of laborers. Productive labor is the most common, but also the most arduous human activity that transforms nature and brings forth wealth. It thus requires the cooperation among laborers, and their joint efforts to improve the efficiency of productive labor. In modern times, productive labor has even higher requirements for cooperation. Forth, productive labor gener-

[36]Wan (2011b).

ates moral rules and influences the harmony and development of social relations. Since productive labor is collective human activity, harmonious cooperation among laborers is imperative. Meanwhile, with the development of socialized mass production, the division of labor has become more detailed, as laborers have become more interdependent in their work. Each laborer thus plays a more important role in productive labor relationships. Moreover, productive labor is connected with society through various direct or indirect relationships that affect productive labor to some extent. Therefore, moral rules, which coordinate such relations, are bound to come into being in the process of production.

Smooth productive labor will be possible with the restriction and guidance of moral rules. The increasing socialization of productive labor together with its harmonious progress will surely promote coordinated human relationships in the entire society. In the meantime, as the foundation and core of social moral rules, the moral norms of productive labor, once applied, will produce rules in various fields of social production and social life, thus propelling the harmonious development of the whole society.

3. Justice and equality are the sustainable basis of distribution and exchange

Distribution and exchange, as major economic phenomena, are important economic behaviors pivotal for human beings to exist and for society to prosper. Without them, the social system will be in a mess. More precisely, without distribution and exchange, the chains holding social production and social life together will break off, paralyzing both social production and social life. Economic ethicists believe that morality, justice and equality work together to ensure normal distribution and exchange. In a certain sense, equitable distribution and exchange are the precondition for the sustainable development of social behaviors.

1. Generally speaking, in any society, distribution can be divided into the distribution of the means of production, and that of livelihood. The former, which mainly manifests itself as the distribution of production conditions, has a direct bearing on the speed and benefit of production and reproduction, and at the same time, directly influences the production and distribution of the means of livelihood. It is related to the ownership system and to property rights, the rationality of which directly determines the conditions of and basis for the existence of justice and equity. If the ownership system and property rights cannot meet the requirements of social and historical development, or even goes against its processes, the means of production cannot be distributed in a just and equal way. It can be said that in a society with unjust ownership and property rights systems, the justice and equity of distribution must be incomplete and even false. The latter, as a moral economic phenomenon, is complex because of its diversified distribution bases and models of the current distribution situation, various subjects of distribution as well as strictly specific distribution principles and policies.[37] In the context of complex distribution of the means of livelihood, the rationality of distribution does not lie in the amount distributed but is realized

[37] China claims the distribution system which gives priority to labor-based distribution and allows the co-existence of other distribution modes. "Other distribution modes" includes distribution according

by grasping the subject of distribution and the corresponding interest relationships, understanding and determining distribution basis and models, and developing just and equal distribution principles and policies. That is to say, fully embodying the due justice and equity of today's economic morality is the basic concept and principle of the distribution of our means of livelihood in China. Morality-based distribution is a modern distribution model of moral significance, which can be supported by the concept of the "three distributions", namely, a primary income distribution as per market rules, a secondary income distribution as per government policies, and a tertiary distribution as per morality. For example, individual voluntary payments, contributions and donations all belong to moral-based distributions, which play the special roles of easing and even resolving conflicts, and maintaining social justice and equality.[38]

It can be seen that distribution, as an economic phenomenon, is more of a moral entity calling for justice and equality. It needs to be pointed out that "within a society, equal distribution must reflect the universal demands of social morality, but can in no way be separated from the realistic economic conditions of society by taking social morality as the only value basis. On the contrary, real equal distribution is realized through the principle of equal rights and obligations, instead of merely through the principle of rights or the principle of obligations, which is biased and one-sided. That is to say, equal distribution must reflect economic, systematic and ethical justice at the same time; otherwise, it would be partial and biased, and thus unjust."[39]

2. Exchange, similar to distribution, is an essential part in sustainable economic activities which link with one another. Like distribution, exchange, too, requires justice and equality. On the surface, exchange is about the exchange of products via currency as the universal equivalent; but fundamentally, it has to do with the exchange of interpersonal interests, or of the "particular natural needs" of man. Objectively therefore, exchange requires justice and equality. According to Marx, "Now, as regards the content outside the act of exchange (an act which constitutes the positing as well as the proving of the exchange values and of the subjects as exchangers), this content, which falls outside the specifically economic form, can only be: (1) the natural particularity of the commodity being exchanged. (2) the particular natural need of the exchangers, or, both together, the different values of the commodities being exchanged. The content of the exchange, which lies altogether outside its economic character, far from endangering the social equality of individuals, makes their natural differences into the basis of their social equality instead. If individual A had the same needs as individual B, and both have realized their labor in the same object, then no relation whatever would exist between them; considering only their production, they would not be different individuals at all. Both have the need to breathe; for both the air exists as atmosphere; this brings them into no social contact; when regarded as individuals who need to breathe, they relate to one another

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to one's work and others based on production factors, such as technology, information, capital or shares and intangible assets.

[38]Li (2010, p. 142).

[39]Lu and Xiao (2002).

only as natural objects, not as persons. Only the differences between their needs and between their production give rise to exchange, and to their social equation in the process of exchange; these natural differences are therefore the precondition of their social equality in the act of exchange, and of this relation in general, in which they relate to one another as producers. From the standpoint of the natural difference between them, individual A exists as the owner of a particular value for individual B, and vice versa. In this respect, their natural differences again put them reciprocally into a equal relationship. However, it does not mean that they are indifferent to one another, but rather integrate with one another, have need of one another. In this way, individual B, as objectified in the commodity, is a need of individual A, and vice versa; as such, they stand not only in an equal but a social relation to each other."[40]

Unquestionably, during an exchange, the justice and equality that are objectively required are different from those that are actually achieved. That is to say, to realize an exchange and create benefits through an exchange, a series of codes of conduct standing representing justice and equality are needed to restrict human behavior. In a certain sense, without moral exchange, there would be no normal and reasonable exchange, and thus no normal productive labor or economic development. In other words, moral exchange is the foundation of normal exchange and the soul of normal economic development.

To conclude, morality is necessary for the normal existence and benign development of economy. When morality is excluded, economy will lose its soul and intellectual impetus.

2.3 Pareto Optimality Exists in a Moral Economy[41]

First proposed by Italian economist Vilfredo Pareto, "Pareto Optimality" describes optimal income distribution and economic efficiency in a strictly logical and elegant manner. Pareto Optimality, or Pareto Efficiency, refers to the ideal state of resource allocation in which it is impossible to make any individual better off without making at least one individual worse off when allocating a certain amount of allocable resources to a set of individuals during the change of resource allocation from one state to another. Given an initial allocation of goods among a set of individuals, a change to a different allocation that makes at least one individual better off without making any other individual worse off is called a Pareto Improvement. From the above, it can be seen that Pareto Optimality and Pareto Improvement are closely connected. When Pareto Optimality is achieved, no further Pareto Improvement can be made; and Pareto Improvement is the optimal route and approach to Pareto Optimality, which means that Pareto Improvement is involved in Pareto Optimality. Further, Pareto Optimality may be understood from different perspectives, primarily the economic perspective; however, this does not deny or exclude the ethical perspective. "Pareto

[40]Marx and Engels (1995).

[41]Wang (2013, 2014, pp. 24–27, 2015, pp. 93–95).

Optimality is, of course, an economic principle concerning efficiency. It reveals that when Pareto Optimality is achieved in an economy, the utilization of social resources and distribution of wealth will achieve an equilibrium in which there is no surplus or shortage, and in turn efficiency and social welfare will be maximized. It is worth noting that the realization of Pareto Optimality requires not only economic principles, but also some basic morals. In other words, we can say that only when certain social moral principles are followed can Pareto Optimality be realized."[42] Obviously, Pareto Optimality involves ethics, and thus is an economic state complying with morality, or to the effect of a classic economic model containing moral factors. In my view, a "real economy" will surely reflect certain morals, and meet the needs of human nature. Only with moral optimality, an economy can be considered as a "real economy" in the full sense.

Arguably, no economy is able to escape devastating damage and vulnerability, not to mention arriving at Pareto Optimality unless moral restraints and codes play their parts. In most cases, the lack of morality is the major cause for economic stagnation or setbacks. Take for example the loss of reputation and sudden collapse of famous and even time-honored enterprises due to their ignorance of morality capital. Therefore, morality is an important basis and condition for obtaining Pareto Optimality. To be specific, this can be elaborated as follows:

1. Pareto Optimality is an optimal situation of economic justice.

To realize optimal allocation of resources and production factors in economic activities, the means and goals must be fair, for human equality and moral principles are the preconditions for Pareto Optimality. Pareto Improvement is required before the realization of Pareto Optimality, for the purpose of obtaining the optimal and most appropriate resource allocation. This requires respecting labor, realizing people's due interests, and implementing indiscriminate and waste-free resource allocation. In the process of market exchange featuring optimized resource allocation, justice plays the role of maximizing efficiency. Without justice, production is divorced from contribution, which destroys the laborers' enthusiasm for production, and hinders the creation of social wealth. In this case, the realization of Pareto Optimality will be groundless.

2. Pareto Optimality stands for a mutually beneficial situation.

Pareto Optimality describes the optimal state of resource allocation and resource utilization. The realization of the latter depends on the former which arouses laborers' enthusiasm for production, and on the teamwork and dedication of laborers demonstrated in their work. In a market-oriented economy, competition is unavoidable in resource allocation. Fair competition will certainly promote the realization of optimal resource allocation, and thereby maximize benefits. Therefore, stakeholders should put themselves in others' shoes by mutual support and promotion to foster a win-win cooperation.

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[42]Tang (2005).

3. Pareto Optimality requires integrity.

Resources are allocated to a set of individuals or organizations as per certain rules, including moral rules. In this process, the disclosure of information, like resource reserve, allocation basis, allocation methods and allocation results, is required in order to reduce the costs of transactions (including the costs arising from information acquisition, negotiation, supervision and breaches), increase resource efficiency, and maximize benefits. In a society where integrity is overwhelmed by fraud and cheating, people have to spend a lot of energy, time and money on preventing and solving disputes. As a result, lots of resources cannot be used in productive activities, causing a great loss of social wealth.

4. Pareto Optimality is the optimality of human-centered production.

Products are produced to serve humans' need to live and reproduce. The more such resources can meet the needs of man, the more they can improve man's living and production quality, and the more they can promote the economic development of society. Apparently, human-centered design of products is a symbol of Pareto Optimality. That is to say, morality is a spiritual factor exerting a key influence on the achievement of optimal economic performance.

2.4 Moral Logic for Getting Out of the Prisoner's Dilemma[43]

As the basis of the Game Theory and general Equilibrium Theory, the Prisoner's Dilemma, in a certain sense, affects people's understanding of economic activities as well as researchers' study of the nature of economic activities. If we apply the Prisoner's Dilemma without considering the role of morality, we will find that it is just a fiction without enough logic, and thus not useful in promoting normal economic activities and rational economic competition and cooperation.

1. The "Prisoner's Dilemma" and "Nash equilibrium"

The Prisoner's Dilemma of the Game Theory was originally framed by social psychologist Merrill Flood and economist Melvin Dresher in 1950. Albert W. Tucker formalized and named the theory Prisoner's Dilemma. Later, John Forbes Nash Jr. published two important papers on the non-cooperative game theory in 1950 and 1951 respectively. Tucker and Nash therefore have been considered as founders of the modern non-cooperative game theory. In this sense, the importance of the Prisoner's Dilemma is self-evident.[44]

[43] Wang (2009), Wei (2002).

[44] Li and Li (1996).

As a classic example in game theory, the Prisoner's Dilemma has gradually become the focus of a great many disciplines such as economics, philosophy, ethics and management. Some researchers believe that the Prisoner's Dilemma offers an important theoretical basis for the study of modern economic activities. Some even call it the bible for the competition among enterprises. If we think about this academic phenomenon more rationally, we will find that the basic logic embodied in the theory is of special significance for further analyzing relevant economic phenomena. However, in recent years, researchers who are interested in the study of the Prisoner's Dilemma in game theory have gone too far, as if it were the only explanation to business competition and its intensity. Some economic theorists seem to start every conversation with the Prisoner's Dilemma, and those not following the trend are considered as laymen outside the gate of economics. The fact is that the Prisoner's Dilemma advocates a kind of economic competition featuring extreme utilitarianism and non-cooperation, which regards its participants as complete strangers. Therefore, we need to reveal the limitations of the "Prisoner's Dilemma" and correctly define its application area, so as to make it return to its original sense. Only in this way can we make the best of the Prisoner's Dilemma in studying economic theories and other related theories, expand the application area of the Prisoner's Dilemma, and find a way to lead us out of the Prisoner's Dilemma.

In the story of Prisoner's Dilemma, suspects A and B are imprisoned and interrogated in two separate cells. During the interrogation, the police give them three choices: If A confesses B but B remains silent, A will be set free and B will serve 10 years in prison (and vice versa); if both A and B confess, each of them serves five years in prison; if both of them remain silent, each of them only need to serve one year in prison. The suspects are given the right to make a choice in their best interests. It turns out that they all choose to confess, which means each of them needs to serves 5 years in prison.

Obviously, the prisoners fail to make the choice in their own best interest, and therefore are caught up in a Prisoner's Dilemma. Both of them try to maximize their benefits, only to find that they are betrayed and punished by each other. How does it happen? In the game, the two prisoners are both self-interested, which means both of them will try to find a point where their benefits are maximized, namely the Nash equilibrium point.[45]

Prisoner A's reasoning is that: If I confess but prisoner B remains salient, I will be set free, and even if he confesses as well, I only need to spend five years in prison; if I keep silent but prisoner B confesses, I will serve 10 years in prison, and even if he remains silent, I still have to service one year in prison. Therefore, there is no reason for me to remain silent at the risk of serving 10 years in prison. Confession is my best choice. This is also the reasoning of prisoner B.

[45]In the story of Prisoner's Dilemma, since the two prisoners cannot collude with each other, both of them choose to confess out of their best interests, and thus are sentenced to five years respectively in jail. The game itself together with its ending is named Nash Equilibrium, or non-cooperative game.

Arguably, prisoner A and prisoner B make the best choice respectively based on reasonable reasoning, but the fact is that they are both caught up in a dilemma.

2. Moral limitations of the Prisoner's Dilemma

Although the story of "Prisoner's Dilemma" is a widely known example for the theoretical study of economics and related disciplines, we, if thinking carefully, will find that this "fiction" has obvious moral "loopholes" which are exactly the moral limitations of the story.

First, the story claims that people are utilitarian, self-interested, and lacking in positive moral encouragement.[46] The prisoners make decisions only according to all "possible consequences". Logically speaking, confession shall be supported and encouraged from the legal and moral perspectives; however, the fact is that it does not at all discuss whether the prisoners should confess or not from beginning to end. On the surface, the possible consequences indicate that confession is the best choice, but the story fundamentally shows that to confess or not is a game with the consideration of self-interest at its core, guided by which, the prisoners both choose to defect.

Second, the way to interrogate in the story has no legal basis or support. It is common across the world and technically correct that suspects are interrogated separately; however, it is definitely illegal to determine the term of imprisonment when the case is still non liquet. Additionally, it is clear that the police have known the crime of the suspects, because at least one suspect will be sentenced no matter they confess or not; however, they offer a deal: if both confess, each of them will serve five years in prison; if both remain silent, the term is shortened to one year; if one confesses while the other remains silent, the confessor will go scot free while the other spends 10 years in prison. The deal itself is not supported by law; actually, there is a big logical error in the deal: why should confession, instead of remaining silent, leads to a long term of sentence? What's the legal basis for the big differences in the term of sentence of the three choices? Therefore, the story actually depicts a game without necessary moral reason which thus is more like a risky gambling game.

Third, the story does not mention any trust or the awareness that ideas can change at all. Both prisoners regard their counter-player as self-interested as they are, and thus refuse to take the risk of confessing. Also, in this story, the police are suspected of inducing the prisoners towards utilitarianism, and the prisoners do not show any moral quality required in gaming. Therefore, in my view, the Prisoner's Dilemma does nothing but advocating a blind game similar to gambling, for the purpose of influencing people's behavior and ideas. There are obvious internal contradictions and problems in the story of Prisoner's Dilemma.

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[46]Amartya Sen does not believe that people involved in a game are absolutely utilitarian or self-interested. "In fact, without self-interest which is decisive in our decision making, there will be no normal economic transaction. The real problem is that if there are diversified motives, or, if self-interest is the only motive of human behavior." Amartya Sen believes that human beings are self-interested, but "people, clear about their goals, wish to maximize their goals, but take note of other people's goals at the same time, due to a recognition of the nature of mutual interdependence of the achievements of different people in these situations." Therefore, "Indeed, such cooperation is often found even in non-repeated games of this type, in one-off real-life situations" Sen (2000).