

# Rethinking on Wang Anshi's Reform from Economics Perspective

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## ABSTRACT

The economic reform initiated by Wang Anshi in the Northern Song Dynasty (960-1127) was a well-known reform movement in Chinese history, and it had a significant influence on the succeeding government. As Wang Anshi's economic reform involved many fields and penetrated into the fabric of society, there have been numerous studies on the subject in the academic field. These studies cover the fields of economics, sociology, and psychology, and provide insights into the impact of Wang Anshi's reform on the society of the Northern Song Dynasty and modern society from different academic perspectives. Therefore, this article attempts to further analyze the reasons for the failure of Wang Anshi's reform on the basis of its content and to discuss the author's thoughts and understanding of Wang Anshi's reform from the perspective of economics. The successes, failures, and lessons learned from Wang Anshi's reform provide a tremendous reference value for modern economic and management measures.

**Keywords:** *Economic Reform, Cultural Industry Theory, Wang Anshi.*

## 1. INTRODUCTION

The economic reform initiated by Wang Anshi in the Northern Song Dynasty (960-1127) was a well-known reform movement in Chinese history, and it had a significant influence on the succeeding government. As Wang Anshi's economic reform involved many fields and penetrated into the fabric of society, there have been numerous studies on the subject in the academic field. These studies cover the fields of economics, sociology, and psychology, and provide insights into the impact of Wang Anshi's reform on the society of the Northern Song Dynasty and modern society from different academic perspectives.

Taking relevant economic studies as an example, some scholars focus on Wang Anshi's political and economic theories, which have been explained and analyzed in detail by historian Liu Zijian from different perspectives. In his article 'Wang Anshi's Political and Economic Theory', he points out Wang Anshi's emphasis on human nature and customs, elucidating the strong dependence of human nature and emotional development on customs. Secondly, Wang Anshi's utilitarian policies demonstrate his belief in the utilitarian orientation of government policy and his efforts to relate Confucian principles and their application to real problems. The

emphasis on law and bureaucratic idealism was also an important part of Wang Anshi's political and economic thinking, and he placed a high value on administrators, believing that the ultimate aim of good government was the moral education of the people. In addition, Wang Anshi gave a great deal of thought to state finances, and his theories on the expansion of state finances guided him in the formulation of policies concerning the land economy and trade [1].

Some scholars have analyzed a series of economic initiatives in Wang Anshi's reform in light of the development of the commodity economy in the Northern Song Dynasty. By analyzing the most controversial and fiercely contested of the new laws, such as the tender crops law, the purchasing law, the service exemption law, and the decree of equal levies on the same grades of squared farmland, they reveal that the development of the commodity economy in the Northern Song Dynasty led to Wang Anshi's reform, and the attitude of Wang Anshi's reform towards the commodity economy determined the success or failure of the reform [2]. As for the economic and social context of Wang Anshi's reform, a scholar has pointed out the contradiction between Wang Anshi's reform and the development of the commodity economy of the Northern Song Dynasty. Another author analyses the contradiction between the development of the commodity economy, which demanded a large amount of

circulating money, and the laws of Wang Anshi's reform, which aimed at increasing the revenue of the state treasury; the contradiction between the developing commodity economy's need for transport and free trade and the imposition of state monopoly measures in Wang Anshi's reform; the contradiction between the inevitable impact of the commodity economy on feudal relations and the measures to strengthen the feudal state's control over the people in the reform [3].

In addition, other scholars choose to start from the direction of sociological research, analyzing the reasons for Wang Anshi's failure to reform from a conflict perspective [4], or examining Wang Anshi's academic thinking and governance behavior from the perspective of the social control system. Psychology is also one of the perspectives from which many scholars studied Wang Anshi's reform. One scholar examines Wang Anshi's traits and their influences on the success or failure of the reform and then explores the unique characteristics of the literati and officialdom of the period that bear the mark of the times [5]. There is also a scholar who chooses to analyze the psychology of the personality of another contemporary politician, Su Dongpo, who is a literati as well, and further analyzed the reasons for his strong opposition to Wang Anshi's reform, starting with the influence of his behavior on political advocacy and cultural creations [6].

The study of Wang Anshi's economic reform has been broken down into several areas, and scholars have analyzed this huge social change from different perspectives, judging its successes and failures, analyzing its rights and wrongs, summarising its experiences, and gaining a deeper understanding and reflection on this period of history. This article attempts to further analyze the reasons for the failure of Wang Anshi's reform on the basis of its content and to discuss the author's thoughts and understanding of Wang Anshi's reform from the perspective of economics.

## **2. THE SOCIAL BACKGROUND AND MAIN MEASURES**

A rather loose economic policy was implemented following the founding of the Northern Song Dynasty. Business was promoted by the government, and businessmen were not treated unfairly. Private industry and commerce as well as foreign trade flourished as a result of the brisk private capital. No curfew was imposed in cities. However, as the private sector of the economy boomed, the government's finances sank into deep waters and became unsustainable.

The land policy during the Northern Song Dynasty allowed freedom in land purchases and sales, as well as private lending. Even military officials were induced to choose land and houses as permanent asset for their offspring in order to weaken their power, resulting in land

annexation by landlords. Following increased land concentration, large landowners fabricated land reports for tax avoidance, resulting in a great reduction in national taxes. What's more, given the separatist regime by the warlords of the previous dynasty, the central government blindly concentrated military, financial and administrative power to consolidate imperial power. However, to avoid aggravating conflicts, it substantially adopted the method of money redemption, resulting in the prevalent "redundancy in three respects". It depleted the national finance, and eventually the people became rich while the country was poor and weak. According to Su Zhe's Memorial to the Emperor, redundancy in three respects refers to redundant officials, redundant soldiers, and redundant expenses.

In 1069 (the second year of the Xining period), Wang Anshi implemented reforms with the support of Emperor Shenzong of Song. The reform focused on "fiscal management" and "rectification of the army," as well as changed in the customs and laws. Plentiful national finance could be achieved without imposing more burden on the masses. The country became rich and the army strong [7]. The main reform measures included the following five aspects.

First, the government implemented the tender crops law and exemption from service as the relief for peasants. The tender crops law aimed to curb the private usury. During the food shortage between two harvests every year, farmers pledged land as collateral to borrow from wealthy people at exorbitant interest rates. When repayment could not be made, the farmers had to sell the land for repayment, which gave wealthy people the chance to annex lands. The tender crops law stipulates that the government should lend either grain (converted into money at the market price at the time of lending) or money to peasants to meet their crying needs at the request of peasants based on half of the Changping and Guanghui inventory that were used to stabilize grain prices. The loan would be repaid together with the summer and autumn taxes, with an interest of two fen each. To ensure repayment, it was stipulated that ten households form a unit under the Baojia system (traditional Chinese system of collective neighborhood organization), with affluent people as the guarantor of the poor people. It seemed that this approach could not only helped farmers tide over difficulties, but also replenished the national treasury. The exemption from service law was designed to ease the suffering of the general public. The government of the Song Dynasty divided the people into nine classes according to property. The lower five classes were exempted from service. Moreover, the families of officials, monks, urban residents, businesspeople, as well as single men and women were also exempted from service. Therefore, medium and small landlords and affluent peasants bore the brunt of service. Many families were reduced to the verge of bankruptcy due to the heavy burden. To avoid

burdensome mandatory service, they did not dare to plant crops or increase the family size. Some even committed suicide to prevent their offspring from suffering the painstaking service. Their suffering was beyond description. According to the exemption from service law, the public give the government money equal to the mandatory service they had to provide, and then the government used the money called "service exemption money" to recruit servants. The families of officials and the temples which were not required to provide mandatory service had to pay half of the money, which is called "service assistance money". The mandatory service was monetized. This law increases government revenue while allowing peasants to engage in production. It is fairer, because everyone was required to pay money.

Second, implement purchasing and centralized transportation for saving costs. The purchasing law was intended to stabilize prices and combat hoarding and profiteering. According to this law, the government set up the purchasing office (called purchasing bureau in other places) in the capital, and middlemen (businessmen or brokers) proficient in sales from all walks of life in the capital were recruited for the staff. They purchased unsalable goods on the market at a fair price, and sold them when there was a market shortage. The goods needed by the government were supplied by the purchasing office (bureau). The centralized transportation law aimed to adjust the supply and demand of materials in order to save expenses. The centralized transportation law stipulates that a shipping department should be established. It was allocated funds and empowered to manage the tax revenue of east and west Zhejiang, Huainan, Jiangdong, Jiangxi, Hubei, and Hunan. According to the inventory in the capital as well as the items needed, expensive goods were transferred to places where they were cheap, and abundant local products were used to exchange for scarce materials far away, in order to facilitate transfer, save labor, ease tax burden, and relieve peasants. For the so-called "expensive goods were transferred to places where they were cheap", the method of collection of goods for taxation in various places is changed so that goods with high prices in areas due to famines and poor harvests are converted into money, which is used to buy supplies in areas with high harvests and low prices. For the "abundant local products were used to exchange for scarce materials far away", purchases should be made in the closest areas with easy transportation access if there are multiple areas with good harvests and low prices, with the focus on the food supply in the southeast.

Third, implement the decree of equal levies on same grades of squared farmland to increase taxes. In order to address the problems of uneven feudal land taxation and tax evasion by households, the decree of equal levies on same grades of squared farmland was implemented to check tax evasion and ensure fair feudal land taxation. The gist is as follows: check and measure the arable land

in each state and county, calculate the land that is measured with 1,000 steps on each side as one squared land, and determine the amount of land occupied by each household; this is called "squared land". Cadastre and various books were compiled according to the terrain, barrenness and other conditions, and the tax amount per mu of land in each grade was determined, with no exception for bureaucrats and landlords; this is called "equal levies".

Fourth, disarmament, rotation of generals, grouping of households, and rectification the military and government. The old and the weak were forced to retire to reduce "redundant soldiers". Generals were stationed in various places to train the troops and improve their military strength. The grouping of households was implemented to guard against theft, prepare troops and save money. The two measures of "rotation duty" and "training" were implemented. The village soldiers under the Baojia system took turns in "teaching martial arts" and "conducting patrol" in various inspection divisions. It was changed every ten days nationwide. Village soldiers in Kaifeng as well as Hebei, Hedong and Shaanxi in the north must undergo "training" in winter in phases, each stage lasting one month. This law not only established a close primary-level security network, but also provided an excellent source of troops through the training of village soldiers. They could assist the regular army in emergencies, saving huge military spending for the country.

Fifth, reform schools and civil examinations for government degrees to cultivate talents. Scholars were produced through schools. The Imperial College in feudal China established the three process system, and the students in the first process were granted government positions without the need for sitting examinations organized by the Ministry of Rites. The civil examinations for government degrees was reformed to abolish the old system of selecting scholars based on pompous poetry and verses. Only successful candidates in the highest imperial examinations were admitted. The examinations covered Confucian classics argumentation as well as discourse on politics, having a profound impact on the subsequent imperial examination system.

Was the reform successful? In March 1074, Wang Anshi's student, Zheng Xia, presented the Picture of Refugees, beseeching Emperor Shenzong to abolish the law of bringing calamity to the country and people, and to spare the lives of the dying. Wang Anshi finally resigned as the minister in 1076. Emperor Shenzong died in 1085. In the following year, Sima Guang was appointed the minister who abolished new laws. In 1127, the Northern Song Dynasty ended during the Jingkang Incident. The country was disintegrated within fifty or sixty years since Wang Anshi's reform. What is the reason for the horrible situation?

### 3. EVALUATION AND REFLECTION

Wang Anshi's reform caused disappointing results largely due to ignorance of commodity economy and the laws of economy. It only bequeathed the courage to innovate and explore.

To begin with, the reform centers on financial management, but direct government intervention in social business operations goes against the laws of economy, and it was doomed to failure. The purchasing office established according to the Purchasing Law and the Shipping Division greatly empowered by the Centralized Transportation Law are equivalent to the state-run department stores. In other words, the state directly controlled commodity circulation. Adam Smith pointed out in *The Wealth of Nations* that "The character of merchants is highly incompatible with that of the monarch. In general, few monarchs can become successful merchants"[8]. "Of all the expedients that can well be contrived to stunt the natural growth of a new colony, that of an exclusive company is undoubtedly the most effectual"[8]. Because the state and its agents often cause waste in the administration of affairs, it is almost impossible for them to succeed. What's more, if the institutions established by the state cannot become independent market entities that follow market rules, they have a natural tendency to monopolize thanks to the support of power. Therefore, these institutions intended to stabilize prices have irresistibly become machinery that monopolizes the market, manipulates prices, and exact profits. They have both the power and the will to make purchase and sales, exploit and oppress other business entities, and rival with private capital for profit. As a result, even though laws are well-meaning, these are bad laws in terms of the nature of economy. The commercial civilization as well as liberty of commerce, which the Northern Song Dynasty was most proud of, were devastated. As a result, merchants and vendors became jobless, business trade was halted, and numerous people in the capital and surrounding areas went bankrupt or died. Through reform and opening up, China has transitioned from a planned economy to a socialist market economy, thus stimulating economic vitality and achieving leapfrog development. It is also system and institutional innovation with Chinese characteristics that is in line with the laws of economy. Therefore, it shows strong vitality.

Second, the reform was not supported by necessary social system. As Fei Xiaotong put it, "To organize effective action and achieve the intended purpose, it is necessary to meticulously analyze the functions of social institutions and analyze them in conjunction with the needs they aim to satisfy, as well as other systems on which their operation depends"[9]. Huang Renyu believes that Wang Anshi's reform was an "attempt to manipulate state affairs through financial control" [10]. The revenue of the national treasury is increased through

the "large-scale commercialization of fiscal levy"[11]. It is similar to the idea of modern commodity economy. However, the real commodity economy must be a model of free transactions featuring fair buying and selling, equality and mutual benefit. The essence of Greek commercial civilization is the social rules and cultural spirit of clearly established ownership, independence, and sanctity of contract, as well as the supporting judicial, banking, insurance and other organizational systems. However, in China, which is a traditional self-sufficient agrarian society, the real social organization is far from meeting this requirement. There has always been a lack of awareness of individual rights in ancient Chinese society. If the people engaged in industry and commerce had surplus funds, the bureaucrats would plunder without hesitation. In ancient China, laws were subordinate to morality, and were administrative measures used by the government to maintain social order, not to resolve disputes between individuals impartially. Law was merely an inferior substitute for morality and a means of maintaining moral order. Therefore, the reform initiated by Wang Anshi can be seen as a political impulse rather than economic development, because it lacked the necessary supporting economic foundation. Although the tender crops law explicitly banned forced apportionment, the amount of funds issued was included in the performance evaluation of local officials. As a result, apportionment was a prevailing practice. People, whether they were rich or poor, were ordered to borrow money, and the well-meaning policy instead became a harsh policy. Without commercial banks and an independent judiciary, the government directly granted loans. However, in order to ensure the repayment of principal as well as interest, landlords and wealthy peasants were ordered to provide guarantee for the loans taken out by poor and lower-middle peasants. This was undeserved catastrophe for the landlords and wealthy peasants. Therefore, such an idealistic policy that did not match the socio-economic environment was destined to be unsustainable.

Third, the reform harmed the interests of the elites and increased the burden on the populace. In order that "plentiful national finance can be achieved without imposing more burden on the masses", the reform focused on the adjustment of the income distribution structure instead of promoting the growth of the economic aggregate. The tender crops law caused the competition between the government and private lending capital for profits; the purchasing law caused the competition between the government and private commercial capital for profits; the decree of equal levies on same grades of squared farmland prevented the influential officials from avoiding taxes. The Baojia system placed peasants under militarized management, wreaking havoc on the lives of the populace as well as the interests of literati and officialdom who bitterly opposed this practice. If we say the elites' interests were harmed

by the reform, the burden on the populace was increased because of mistaken implementation. The reform measures were intended to lessen the burden on the people, but these were ultimately counterproductive in practice. Due to the forced apportionment under the tender crops law, many families suffered death and destruction as a result of the collection of interest. Because officials and businessmen acted in cahoots, the purchasing law became a tool to monopolize the market and exploit petty businesses, vendors as well as the populace. The Baojia system simply made the people's lives more difficult, without benefiting the military. Officials at all levels had total disregard for the public benefits. As a result, the populace had great anger and resentment against the officials, regarding them as bandits. Some village soldiers even self-mutilated to avoid training. Numerous people fled to other areas. People rebelled in succession, and by the end of Emperor Shenzong's reign, thieves and brigands emerged all over the country. The reform increased government revenue, but seriously encroached upon the interests of the powerful and the populace, resulting in widespread opposition. This should be the direct reason for the abortive reform.

Fourth, the reform measures were not recognized by the mainstream public opinion. Chinese Confucian politics features the core ideology of benevolent and people-oriented rule. Putting people first, ruling the country with virtue, establishing order with rituals, and realizing harmony through music become the authentic tradition of the Chinese civilization since Emperor Wu of Han. In the eyes of orthodox literati and officialdom, many reform measures were intended to compete for profit with the populace, and it was the evil doing of forgetting honor at the sight of money. Liu Shu, an attendant censor, spearheaded a joint impeachment against Wang Anshi, denouncing him for "abandoning the ancestors' good practice of loving all the people and animals, adopting a new policy to compete with the people for benefits and causing scourge, and causing an unsettling impact." It can be seen that there was huge resistance to reform at the time. Later, Wang Anshi revived the reform, but it was soon abandoned. After Emperor Shenzong died, the new law was quickly revoked. Contrary to traditional political beliefs, it was not recognized by the mainstream public opinion, without building the necessary consensus in society. It was only promoted by relying on the power of the emperor and ministers, and this is one of the key reasons for the failure of the reform.

Fifth, drastic reform aggravated social division. Reform has nothing to do with morality. However, morality served as the ethical basis for governance in ancient China. As a result, China's unique political tradition was established, in which all technical issues were eventually discussed on moral grounds of right and wrong. As a consequence, the focus of politics shifted

from professional capacity (wisdom) to moral fiber (benevolence). Wang Anshi was convinced that his reform was an extraordinary undertaking that would benefit the country and the people. This sense of moral sublimity, mission and superiority made him highly spirited and fearless. Sima Guang, who opposed the reform, firmly believed that the reform would bring disaster to the country and the people. Concerned about the country and people, he was uncompromising, opposing whatever Wang Anshi advocated. They were preeminent figures with great talents in Chinese history. They were good friends, but were diametrically opposed to each other due to different political ideas. The imperial court was plagued by party conflicts, resulting in divided politics and more serious social antagonism. The attitude towards the new law became the criterion for differentiating "gentlemen" and "villains". The old and new parties took turns in coming into power, settling scores with each other. Sima Guang abolished the new law after coming to power; the reformists restarted the new law when in power. Emperor Huizong of Song Dynasty even engraved the Monument of the People of Yuanyou Party, condemning those who opposed the reform as crafty sycophants. The constant political struggles and moral attacks lacked science, reason, and rule of law. The introduction and abolition of the new law ravaged the Northern Song Dynasty for half a century, and as a consequence, this country went downhill and reached its demise.

#### **4. CONCLUSION**

The economic reform initiated by Wang Anshi is a famous reform movement in Chinese history. Academic circles have discussed and summarized the reasons for the failure of Wang Anshi's reform in the past. These studies are of great benefit to understand the history and society of the Song Dynasty.

By combing the social and historical background and main measures of Wang Anshi's reform, this paper further discusses the main reasons for the failure of Wang Anshi's reform from the aspects of economic system, social system, elite class and social differentiation. To sum up, Wang Anshi's reform marked a profound social change in Chinese history. Its occurrence and failure serve as a great inspiration to future generations. The social reform is only valid if it serves the vast majority of people's interests.

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