

## 4 *Leadership theory of Legalism and its function in Confucian society*

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**T**HIS chapter reorganizes Hanfei's theory of leadership from the perspective of social science and explains its implications in contemporary Chinese society. It begins with a brief biography of Hanfei and the origins of his thought. His theory of leadership is then presented as a formal theory and its meanings are explained in terms of modern organizational theories. Based on Hwang's (1995; 2001) analysis of the deep structure of Confucianism, a conceptual framework is proposed to illustrate the dialectical relationship between Hanfei's theory and Confucianism. Finally, operation of the firm and state in Taiwan are used as examples to explain how this conceptual framework may be used to study Chinese organizational behavior.

### **Introduction**

Among the various Chinese indigenous leadership theories, the importance of Legalism is second only to Confucianism. *Fa Jia* (the Legalist school) emerged during the Warring States Period (403–222 BCE) and its main thoughts were refined against the cultural background of Confucianism, although its contents are in direct opposition to Confucianism in many respects.

During the Han dynasty, Tung Jong-shu (179–104 BCE) proposed integrating the two systems with the idea of “making judicial sentence by the Confucian classic of *Spring and Autumn*”<sup>1</sup> and “utilizing Legalism as an instrument to consolidate the Confucian social system.” (Chu, 1961). Rulers of China began to use Legalist methods to defend their power and position and to control people, but retained Confucian doctrine to educate and discipline people. Chinese society became characterized by the feature of “Confucianism in public and Legalism in private.” Strictly speaking, there were neither pure Confucian scholars nor pure Legalists after the Han dynasty; their philosophies became mixed to some extent.

This mixture remained while China was in a period of order and prosperity, and the emperor's power was strong and stable. But when Chinese society fell into turmoil and disturbance, struggle between Confucianism and Legalism frequently appeared. Those who got involved in power struggles tended to use related cultural slogans to attack their opponents. For example, during the period of the Cultural Revolution from 1966 to 1976, the Red Guards used the slogan "denounce Confucianism and support Legalism" to mobilize the masses to participate in political struggle.

Hanfei is a representative figure of the Legalist school. He used many idioms and metaphors to explain his principles of organization, which, along with his principles of leadership, are well known to modern Chinese intellectuals. If Hanfei's principles of leadership are reorganized into a formal theory, they are applicable not only to a feudal state but also to a modern organization. Moreover, if Confucianism is conceptualized as the deep structure of Chinese culture, and its dialectic relationships studied with respect to Legalism, greater understanding of the operation of Chinese organizations is possible.

### *A brief biography of Hanfei*

According to his biography in *Shih ji* (Records of the Historian), Hanfei (280–233 BCE) was a prince from a royal family in the small state of Han during the Warring States Period. The ruling family of Han had formerly been high ministers in the state of Jin, but they gradually usurped power and divided the territory of Jin with two other noble families to create three new states, Han, Jao, and Wei. The domain of Han was small and its territory located in a mountainous area, so they were constantly threatened by their strong neighbors, especially the powerful state of Chin.

Worrying about the dangerous condition of his own native state, Hanfei devoted himself to studying the course of the rise and fall of a state. Because of his stutter, Hanfei was unable to articulate his ideas with eloquence. He repeatedly submitted suggestions to his ruler, but the ruler ignored his advice. So he decided to take another course and wrote them into a book (Liao, 1939–59).

Some of his works were sent to the king of Chin, a young ruler with an ambition to conquer all the country. The king read the chapters and expressed great admiration for them to his minister Li Ssu,

a former classmate of Hanfei under Xunzi's tutelage: "If I have a chance to meet this author and make friends with him, I would die without any regrets!"

Li Ssu identified the author and persuaded the king to send troops to launch a fierce attack on Han as a way to meet Hanfei. At the moment of crisis, the ruler of Han dispatched Hanfei as his peace envoy to call on the king in the hope of saving Han from being destroyed.

The king received Hanfei with great delight. But, before Hanfei could earn the full confidence of the king, Li Ssu incriminated him by warning the ruler that, since Hanfei was a prince of the royal family of Han, he would always be loyal to Han against Chin. As Chin had a plan to annex other states including Han, if Hanfei were allowed to return home, he might become a barrier to the plan. The king was persuaded. He ordered officials to arrest Hanfei for investigation. Before the ruler had a chance to regret his decision, Li Ssu sent poison to Hanfei who was confined in prison and unable to communicate with the ruler to defend himself against the accusation of duplicity. Eventually, Hanfei was forced to commit suicide.

### *Origins of Hanfei's thought*

As a major school of philosophy, *Fa Jia* emerged in a tumultuous and chaotic age in Ancient China. In the earlier Jou dynasty, the rights and duties of the ruler and his vassals were clearly defined by a feudal system. During the Western Jou period (1027–771 BCE), the sovereign not only commanded universal allegiance and tribute among his vassals, but also exercised considerable control over their social affairs. He might even punish an offending vassal with armed force. After the Jou capital was invaded by barbarians in 771 BCE, the ruler fled and established his court at Loyang in the East. The power of the Eastern Jou dynasty waned rapidly, and the rulers of the feudal states were left with increasing freedom to ignore their customary duties to the sovereign and to expand their territories and domains of power.

Gradually, five powerful feudal leaders emerged. They were eager to influence or even to control the Jou king and to impose their will on the other feudal lords. Many intellectuals began suggesting ideas to the rulers on how to attain their goals of state. This historical context fostered the formation of the Legalist school. Unlike the Confucians, the Legalists had no interest in preserving or restoring the customs

or moral values of the past. Their only goal was to teach the ruler how to survive and prosper in a highly competitive world through various measures of administrative reform, such as strengthening the central government, increasing food production, enforcing military training, and replacing the old aristocracy with a team of bureaucrats.

Hanfei's theory of leadership was formulated in this context. The tragedies of Hanfei's life made him concentrate on understanding the previous Legalist literature and develop a theory of leadership which is scattered in his writing but has been integrated in this chapter by the author. His thoughts were profoundly influenced by several preceding Legalists, including Guan Jong, Shang Ian, Shen Bu-hai, and Shen Dao. Guan Jong was a minister of Duke Huan of Chi (685–643 BCE). He suggested the ruler carry out a series of administrative reforms that would enrich the state, strengthen the army and make Chi one of the five hegemony of the time. From Guan Jong's chapter on *xin-shu* (literally, art of mind) in his book *Guan Zi*,<sup>2</sup> Hanfei adopted the ideas of *xu* (emptiness), *yi* (one mind), and *jin* (calmness).<sup>3</sup> *Xu* means getting rid of one's subjective prejudice to recognize the objective facts of an event with an empty mind. *Yi* means concentrating one's mind on a single thing. *Jin* means waiting for the occurrence of an event with a calm and peaceful mind. Hanfei adopted the doctrine of *xu-yi-er-jin* and argued that it is necessary for an enlightened ruler to cultivate mental capability for recognizing the objective facts of an event by concentrating on them with a calm and peaceful mind and an attitude of waiting.

Shang Ian was originally from Wei. He worked for a minister of Wei, Gong-xuen Tuo, who recommended Shang Ian to the king of Wei, but the ruler rejected the recommendation. He then went to serve Duke Xiao of Chin as a high minister, and helped Chin to carry out a series of reform programs. Hanfei adopted many fundamental concepts of *fa* (law) from Shang Ian's *Book of Lord Shang*.<sup>4</sup> He also noted some shortcomings in Shang Ian's thoughts. In ruling the state of Chin, Shang Ian strongly emphasized the strict control of people by harsh laws, as well as the encouragement of agriculture and aggressive warfare. These policies enriched the state within a short period of time. But he paid less attention to *shu* (the art of manipulation) and was unable to discriminate the cunning ministers from the loyal ones. Thus Chin's reform program enhanced the ministers' power, but it brought few benefits to the state.

Shen Bu-hai was a Legalist who served at the court of Hanfei's native state. Han Fei also critiqued him in that although he taught the ruler how to manipulate subordinates with *shu*, he was careless about the consistency of the law. Eventually there were many contradictions between newly issued rules and old laws, and many people took advantage of the confusion and used it to defend their own misconduct. Hanfei therefore advocated the necessity of both *fa* and *shu*.

From Shen Dao, a Daoist-Legalist philosopher, Hanfei recognized the importance of *shih* (power). He agreed with Shen's viewpoint that for a ruler, power is like claws and teeth for a tiger. If a tiger has no claws or teeth, it cannot catch other animals. By the same token, a ruler without position and power cannot control his subjects.

In addition to these Legalists, Hanfei followed his teacher Xunzi, an eminent Confucian scholar who served as magistrate of Lan-Ling, in adopting the idea that human beings are born evil, in direct opposition to Mencius' theory that men are born good.<sup>5</sup> However, unlike his teacher, he made no attempt to preserve or restore the moral values and ceremonies of the past, and looked upon the fondness for such ceremonies as an indicator of a doomed state.

### **Hanfei's theory of leadership**

Hanfei argued that all human behaviors are motivated by a ruthless pursuit of self-interest, not by moral values:

A physician will often suck men's wounds clean and hold the bad blood in his mouth, not because he is bound to them by any tie of kinship but because he knows there is profit in it. The carriage maker making carriages hopes that men will grow rich and eminent; the carpenter fashioning coffins hopes that men will die prematurely. It is not that the carriage maker is kindhearted and the carpenter a knave. It is only that if men do not become rich and eminent, the carriages will never sell, and if men do not die, there will be no market for coffins. The carpenter has no feeling of hatred toward others; he merely stands to profit by their death. (Guarding against the interior)<sup>6</sup>

Farming requires a lot of hard work but people will do it because they say, "This way we can get rich." War is a dangerous undertaking but people will take part in it because they say, "This way we can become eminent." (The five vermin)<sup>7</sup>

Hanfei proposed his theory of leadership on the presumption that all human behaviors are based on the pursuit of self-interest.<sup>8</sup> His principles of leadership are reorganized into a formal theory in what follows.

*Shih: resources for influencing others*

Hanfei's theory of leadership was constructed around three core concepts, namely, *shih* (power), *fa* (law), and *shu* (management technique). According to Hanfei's theory, a ruler has to occupy the position of leader with substantial power (*shih*) before he is able to use law (*fa*) and management techniques (*shu*) to manipulate his subordinates. Therefore, the concept of *shih* is discussed first.

In Hanfei's theory, *shih* is conveyed by the resources controlled by a ruler that can be used to influence subordinates. It is very similar to the Western concept of power. French and Raven (1959) classified power into five categories, namely, legitimate power, reward power, coercive power, information power, and referent power. Hanfei also discussed some of these five forms of power in his own way.

**Position: legitimate power**

"Position" (*wei*) can be viewed as a basis of legitimate power which may be exercised by a person who occupies the position through a specified procedure that is recognized as legitimate by members of the group. This form of power was widely emphasized by Chinese philosophers during the period before the Chin dynasty (246–207 BCE). For example, Confucius said, "Don't comment on something that is not one's concern at a particular position."<sup>9</sup> In other words, he implied that only those who occupy a particular position have the right to make certain decisions.

Hanfei elaborated the concept of position power and argued that it is very difficult for a wise man without a high position to display his talents. For example, the sage-philosopher Yao was unable to influence his neighbors before he became king because he had an inferior position, not because he was incompetent. In contrast, when the tyrannical Jie became king, he was able to command the whole country and to entice talented people to do things for him. This was not because of his competence or moral standing, but because of his superior position of influential power. It is crucial for a person

to occupy an important position in order for him to be able to display his talent for leadership and command followers to achieve organizational goals.

A man of talent but without positional advantage, cannot, even if he is worthy, control the unworthy. Therefore a foot of timber that is placed on top of a high mountain will overlook a thousand fathoms deep ravine; it is not that the timber is long but that its position is high. When Jie was the Son of the Heaven he could rule the whole world; it was not that he was worthy, but that his positional advantage was great. When Yao was a commoner he could not make three families behave properly; it was not that he was unworthy, but that his position was low . . . Therefore, a short thing can overlook a tall one because of its position; the unworthy can control the worthy because of his positional advantage. (Achievement and reputation)<sup>10</sup>

### **Two handles: reward and punishment**

It is unlikely one can influence others merely by occupying a position in an organization. There are many positions without real power. To Hanfei, real power means ability of the position-occupier to utilize tactics of influence by meting out reward and punishment, termed *reward power* and *coercive power*, respectively, by Western psychologists (French and Raven, 1959). Hanfei called them “two handles” and proposed that a ruler has “to hold handles while situated in his position.”

The enlightened ruler controls his ministers by means of two handles alone. The two handles are punishment and favor. What do I mean by punishment and favor? To inflict mutilation and death on men is called punishment; to bestow honor and reward is called favor. Those who act as ministers fear the penalties and hope to profit by the rewards. Hence, if the ruler wields his punishments and favors, the ministers will fear his sternness and flock to receive his benefits. (The two handles)<sup>11</sup>

In ancient times in East Asia, the ruler held the absolute power of taking or sparing life, so the power of punishment was defined as the power “to inflict mutilation and death on men.” In the modern age of capitalism, the relationship between employee and employer is established on the basis of market exchange, the employer has no absolute power over the employee. Therefore, the meaning of punishment must be redefined in a more humanistic way. Nevertheless,

the employer can still utilize the two handles of reward and punishment to manipulate the subordinate's behavior. This principle is very similar to that advocated by scholars who adhere to the Skinnerian school of management, which is applicable to most commercial and industrial organizations.

### **Capability**

Hanfei did not blindly believe in power. He also emphasized the importance of the ruler's capability as well as the necessity of assigning talented people to the key positions of an organization:

Is it enough to rule a state by power only without any consideration of the ruler's capability? I don't think so . . . When Jia and Jou were the King, they were able to exercise the power with their prestigious position as Son of the Heaven, but the whole country was unavoidably to fall in great turmoil, because their capabilities were very poor . . . When the power is well exercised by a capable person, the whole country may have prosperity and order; when an incompetent one abuses it, the country may subject to turmoil and upheaval. (Critique of the doctrine of position)<sup>12</sup>

A leader's capability can be viewed as his expert power, or referent power in the terminology of Western psychology. The preceding quotation indicates that Hanfei advocated compatibility between a leader's capability and his position. When the same position is occupied by persons with different capabilities, the consequences of their ruling practices are likely to be completely different. Therefore, he strongly suggested the ruler appoint capable persons to high-ranking positions in the government:

If a ruler wants to initiate the useful and to abolish the harmful, but he doesn't know how to assign the talented and capable persons to the key positions, this is a shortcoming of inability to classify people into the right categories. (Critique of the doctrine of position)<sup>13</sup>

If an official is incompetent with respect to his duties, it is a matter of course that the ruler should dismiss him. But, what should be done if the ruler himself is incompetent in a specific domain? The capability to use talents suggests that a leader who lacks expertise in a given area may still have great power if he employs and uses people with expertise. This might be the unique aspect of Hanfei's concept of *shih* in addition to its overlapping with the Western concept of power bases.

*Fa: rules of regulation*

Hanfei advocated that a ruler with power should manipulate his subordinates by *fa* and *shu*. *Fa* means law or rules of regulation, while *shu* means skills of manipulation that can be used by the ruler to control subordinates to attain organizational goals. Though Hanfei argued that *fa* (law) should be initiated by the ruler, he did not think that a ruler should establish law at his own will. In one of his important works, *The way of the sovereign*, he said:

The Way is the beginning of all beings and the measure of right and wrong. Therefore the enlightened ruler holds fast to the beginning in order to understand the wellspring of all beings, and minds the measure in order to know the source of good and bad. (The way of the sovereign)<sup>14</sup>

Just like other Chinese philosophers of his time, Hanfei believed that the *Dao* (the Way) is the origin and fundamental principle of operation for everything in the universe. An enlightened ruler should realize it and use it as a basis for constructing rules to judge right and wrong. In the chapter called “Achievement and reputation” he argued that an enlightened ruler should follow the natural Way so that his subordinates may regulate their own behavior without external urging. In the chapter entitled “Main thing” he also argued that an enlightened ruler should

construct law in accordance with the *Dao* that gentlemen are happy with it and evil persons are prohibited by it. He should follow the order of heaven and insist on the fundamental principle of nature with an easy and relaxed attitude, so as to let people never commit crime by violating the law on purpose. (The principal features of Legalism)<sup>15</sup>

In a society of permanent stability, the law has been constituted in such a natural way that nobody is dissatisfied with it or complains about it. (The principal features of Legalism)<sup>16</sup>

It is quite obvious that Hanfei supported natural law established with the consensus of all group members. His concept of following “the order of heaven,” “the fundamental principle of nature,” or “the natural Way” means that a leader has to study the principles of operation in the state carefully and use them as the foundation for constituting rules. Because all rules are constituted on the basis of the

equity rule, or *gong-dao*, people are willing to follow them without complaint. Thus, “the superior never express malicious anger, and the subordinates have no hidden dissatisfactions in their minds” so that “the superior and the subordinates may interact smoothly” and the state may acquire “long-term profits.” (The principal features of Legalism)<sup>17</sup>

Hanfei said that “law is used for regulating ordinary operation” of a state. It must be characterized by several important features which are organized and explained in the following subsections.

### **Publicity**

Law is the standard of behavior for people of a state, so it must be publicized and made known to everybody.

Law should be edited as charts or records, established by the governmental office, and publicized to the people. (Criticisms of the ancients, series three)<sup>18</sup>

“Law should be edited as charts or records” means that Hanfei advocated statutes that are constant over the time. They must be publicized to let the masses in the state know of them. He even advocated that “law should be used as teaching materials” and “officials should serve as teachers.” Officials should be able to teach and to explain details of the law to the people, and make them understand the importance of following the law.

### **Objectivity**

According to Hanfei, laws must be objective and fair to everybody. They must be consistent with the *gong-dao* or principle of fairness, and can be used as standards of behavior for the masses, with intellectuals enjoying no special privileges.

Unifying the standards of the people, nothing can compare to law. (Having regulations Measures)<sup>19</sup>

He argued that the main purpose for establishing law is to eliminate private interest.

If the superior is unable to insist on *gong-dao* (the principle of fairness), then the intellectuals may propose their biased arguments, the wise men may strive for their personal gain, the superior may do favors privately, and the

inferior may struggle for their own selfish desires. [Eventually,] the intellectuals may form their own cliques to create rumors and to incite incidents (Absurd encouragements)<sup>20</sup>

and the whole organization may suffer from a crisis of struggle between cliques and factions.

### **Feasibility**

Laws and regulations should be feasible and possible for people of the state to carry out:

The enlightened ruler provides rewards that are achievable and establishes punishments that are avoidable. His charts are obvious to see, so his restraint works; his teachings are clear to know, so his words are followed; his laws are easy to practice, so his orders are obeyed. If the superior insists on these three things without any selfish motive, than the subordinates will be ruled by the law and act in accordance with the instruction of charts . . . By doing so, the superior will never show any cruelty of anger, and the subordinates will never be punished for their ignorance or stupidity. (How to use men)<sup>21</sup>

Rules in an organization must be so simple and feasible that they can be carried out by everybody in order to achieve rewards and avoid punishment. It is absolutely not proper to use a complicated doctrine that cannot be understood easily by ordinary people as the basis of law:

Doctrines that only the wise men can understand should not be used as a basis for official order, because people are not all wise men. Disciplines that only the talents can practice should not be used as a part of law, because people are not all talents. (Eight fallacies)<sup>22</sup>

### **Enforceability**

Once the law is announced, it must be compulsory. Behaviors of obeying or disobeying the law must be followed by reward or punishment:

The best laws are those which are uniform and inflexible. (The five vermin)<sup>23</sup>

Rewards should be reliable to encourage the talents to do their best; Punishment should be certain to inhibit the wicked from their evils. (Outer congeries of sayings, the upper left series)<sup>24</sup>

If rewards and punishments are not reliable, then the order of inhibition will never be followed. (The two handles)<sup>25</sup>

Theoretically, the rules should be the most appropriate procedures for regular operations in the state and are designed to achieve goals of the state. Behaviors that make substantial contributions to the achievement of national goals should be reinforced with reward, while those that are detrimental should be met with punishment. These principles exactly reflect what Hanfei meant when he wrote that a ruler should use two handles to manipulate subordinates to achieve goals of the state.

### **Universality**

In contrast to the Confucian idea that penalties should not be applied to high officials of state, and rites should not be used by ordinary people (Li Chi, Chu Li),<sup>26</sup> Hanfei argued that once the law was announced, it should be applicable to everybody in the state without any exceptions:

The law no more makes exceptions for men of high station than the plumb line bends to accommodate a crooked place in the wood. What the law has decreed the wise man cannot dispute nor the brave man venture to contest. When faults are to be punished, the highest minister cannot escape, when good is to be rewarded, the lowest peasant must not be passed over. (Having regulations)<sup>27</sup>

This passage invites the question of what happens if the faults are those of the ruler who is author of the law and holds the absolute power of the state? Hanfei's works provided no answer to this question. However, he did insist that the ruler should also follow the law in dealing with the public affairs of the state:

Even though the ruler is intelligent and competent, he should not be tyrannical and disregard the law in commanding his ministers. (Facing the south)<sup>28</sup>

The way of an enlightened ruler makes clear distinction between private and public, emphasizes the priority of ruling by law, and eliminates the practice of doing private favor. (On pretensions and heresies: a memorial)<sup>29</sup>

The ruler should also evaluate subordinates' performance with reference to standards as defined by the rules instead of according to subjective impressions. If the leader tends to distort rules and damage public affairs through personal interest, it is very likely the state will be drawn into crisis.

### **Practicability**

In addition to these features, rules should be practicable. Whenever they are found impracticable, they should be revised with reference to the real situation to make them appropriate and practicable. Hanfei said:

The tasks to be accomplished will change when the world changes, so the method for doing the task should be changed as a result. (Surmising the mentality of the people)<sup>30</sup>

In order to secure peace and order of state, the law has to be adjusted to fit the changes of time; in order to achieve extraordinary merits, the regulation has to be modified to fit conditions of the world. (Surmising the mentality of the people)<sup>31</sup>

It seems to Hanfei that law is just an instrument or method for solving problems to achieve goals of the state. Because the external environment of a state changes from time to time, the methods or procedures for doing tasks in the state must also be adjusted accordingly.

The kingdom may fall into a state of chaos, if the rules of regulation cannot be adjusted to the changes of time; the power of a leader may be weakened if he attempts to control his subordinates by himself without modification of the regulations. (Surmising the mentality of the people)<sup>32</sup>

### *Shu: art of manipulation*

Based on this concept of *fa*, Hanfei proposed three main techniques, defined as *shu*, for a ruler to manipulate subordinates:

*Shu* means assigning the competent talents to right positions of the government, checking results of performance with what had been stated in their proposals, controlling the power of sparing and killing to evaluate competencies of ministers. Those should be held by a ruler. (Deciding between two legalistic doctrines)<sup>33</sup>

These three *shu* are discussed in the following sub sections.

### **Assigning competent talent to the right position**

In his chapter “How to use men” Hanfei wrote a paragraph to describe his main ideas about assigning competent talent to the right position:

The minister of an enlightened government occupies a position for his contribution to the state: gets appointment for his talents to serve the

government; assumes his office for his ability in making judgment. All ministers have appropriate talents, are competent in their positions, and can carry out their duties easily. They need neither to worry about side jobs nor to assume responsibility for dual duties to the ruler. An enlightened ruler makes jobs of each office do not overlap with that of other, so there is no argument; makes officials not responsible for take two or more jobs, so they are specialized in their skills; makes everybody has his own achievement, so there is no conflict. (How to use men)<sup>34</sup>

The conflicts and arguments are ceased, every official has their own specialized skills, then there is no confrontation between the strong and the weak, and nobody in the government may attack one another mutually. This is the best state of regulation. (How to use men)<sup>35</sup>

The operations of bureaucratic officialdom are designed to accomplish routine tasks. In addition to routine tasks, the changing environment may cause a state to encounter many new problems that demand action to solve them. In this case, Hanfei suggested the ruler use another *shu* in supervising subordinates to solve the problem and achieve the national goal.

#### **Following up the project and checking the results**

Han Fei emphasized that a state is destined to face many problems in pursuing its goals. A leader has to ask subordinates to propose their projects for problem-solving, while the leader's own job is to follow up the project and check its effectiveness.

All words must be evaluated by their effectiveness to attain goals. Listening to subordinates' words and observing their deeds, if they have nothing to do with the effectiveness of attaining goals, though their words are sound and deeds are firmly determined, they are all wild speeches and useless acts. (Inquiring into the origin of dialectic)<sup>36</sup>

Hanfei was a utilitarianist. He strongly suggested that in examining subordinates' words and conduct, the first thing for a leader to consider is their effectiveness in attaining goals of the state. Eloquent speeches and high-minded deeds that make no substantial contribution to the attainment of national goals are useless and should not be encouraged. He advocated that:

Listening to a subordinate's words, an enlightened ruler will ask for their usefulness; Observing the subordinate's deeds, he will ask for their effectiveness. (Six contrarities)<sup>37</sup>

If the ruler of men wishes to put an end to evil-doing, then he must be careful to match up names and results, that is to say, words and deeds. The ministers come forward to present their proposal; the ruler assigns them tasks on the basis of their words, and then concentrates on demanding the accomplishment of the task. If the accomplishment fits the task, and the task fits the words, then he bestows reward; but if they do not match, he doles out punishment. (The two handles)<sup>38</sup>

Hanfei's proposal is a kind of project management: names (*ming*) or words (*yan*) can be conceived of as a project, while results (*xing*) or tasks (*shi*) are the final results of executing the project. The idea of examining the match between names and results (*shen he xing ming*) is exactly the same as the idea of project management. The leader asks the staff to propose a project. Once the project has been approved by the leader, the staff are authorized to execute the project, and the leader checks the match between the project's goals and the final results of its execution.

#### **Evaluating contributions and granting rewards accordingly**

As a consequence of checking the match between names and results, or words and deeds, the most important step for a leader in manipulating subordinates is to evaluate their contributions and grant rewards accordingly. The leader should establish an objective standard for evaluating subordinates' performance. If there is a match between performance and proposal, that is if the names and results correspond or if the words fit the deeds, the subordinate should be rewarded; otherwise, the subordinate should be punished. Only those who make substantial contributions to attainment of national goals should be eligible to be promoted to higher positions in the government:

A truly enlightened ruler uses the law to select people for him; he does not choose them himself. He uses the law to weigh their merits; he does not attempt to judge them for himself. Hence men of true worth will not be able to hide their talents, nor spoilers to gloss over their faults. Men cannot advance on the basis of praise alone, nor be driven from court by calumny. Then there will be a clear understanding of values between the ruler and his ministers, and the state can be easily governed. (Having regulations)<sup>39</sup>

Being staffs of an enlightened ruler, prime minister is selected from local officials, while commanders are promoted from soldiers. Because men of merit always win recognition, the higher one's degree of nobility is, the greater his effort will be. Only officials with achievement are promoted,

the higher one's position is, the better his performance will be. Matching the degree of nobility with the official's contribution, this is exactly the great Way of the king. (Learned celebrities)<sup>40</sup>

### **Confucian cultural tradition**

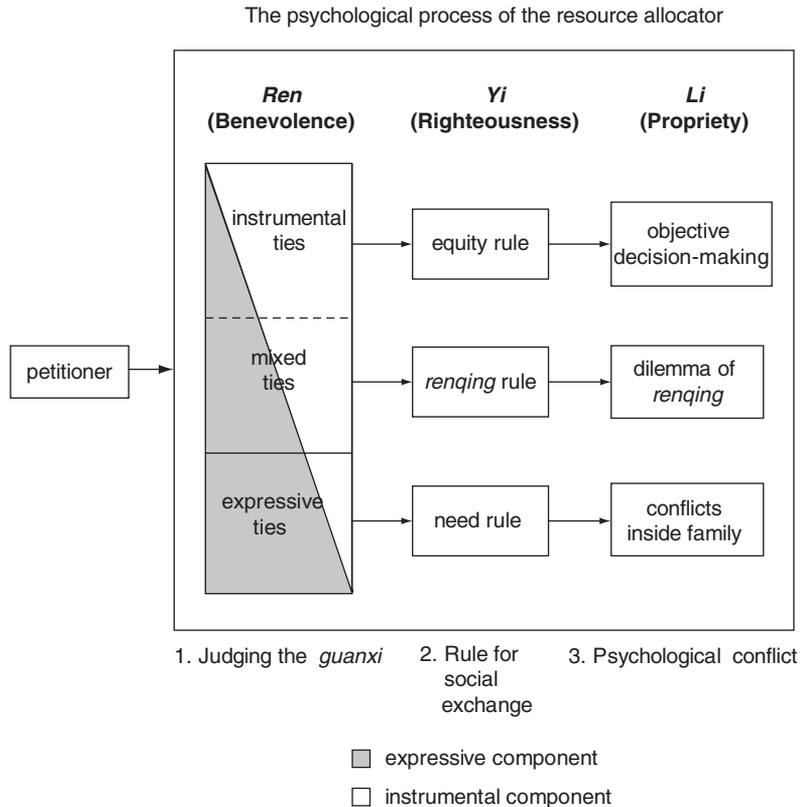
Hanfei's theory of leadership has been presented in the previous section. Traditional Chinese society was organized on the basis of Confucian ethics rather than Legalist principles. The struggle between Confucianism and Legalism occurred many times at the state level in Chinese history, and it may continue to happen either at the state level or at the firm level in the future. As a social psychologist, my major interest is the effect of cultural tradition on the daily operation of individuals in modern Chinese society. In order to explicate the relation of Legalism to modern life, an analysis of Confucian cultural tradition is presented, followed by a conceptual framework to expound the essential nature of the struggle between Confucianism and Legalism from the perspective of social science. Finally, social change in Taiwan after World War II is taken as an example to illustrate the meaning of the struggle between Confucianism and Legalism in understanding the operation of Chinese society.

Confucianism was the traditional orthodox ideology formulated in Ancient China. In order to understand the emergence of the antithetic Legalism, it is necessary to study the possible influence of Confucianism on Chinese social behavior. I first constructed a theoretical model of Face and Favor on the basis of scientific realism (Hwang, 1987). Using it as a framework, I analyzed the deep structure of Confucianism by the method of structuralism (Hwang, 1995; 2001). According to this analysis, the deep structure of Confucianism has three major components: (1) *rendao*, (2) self-cultivation with the *Dao*, and (3) benefiting the world with the *Dao* (Hwang, 2001).

#### *Rendao: ethics for ordinary people*

The essential component of Confucianism is the *ren-yi-li* (benevolence–righteousness–propriety) ethical system, with the cardinal idea being *ren*, which is generally called *rendao*. This ethical system requires everybody to interact the other party in each dyad of the “five cardinal relations”<sup>41</sup> according to different standards of conduct. It proposes a principle of respecting superiors as the guideline for

procedural justice. This advocates that the individual who occupies the higher position among interacting parties should have the power to make decisions. It also proposes a principle of favoring intimates as the formula for distributive justice. This principle demands the decision-maker distribute resources on the basis of *rendao*, i.e. should adopt the need rule for interacting with family members, and the *renqing* (affective) rule for interacting with acquaintances in one's network of *guanxi* (relationships) outside the family (Figure 4.1). The principles of favoring the intimate and respecting the superior are Confucian ethical requirements for everybody, so they can be termed "ethics for ordinary people." The practice of such ethics is elaborated in the following subsections.



**Figure 4.1.** The Confucian ethical system of benevolence–righteousness–propriety for ordinary people.

(Source: Adapted from Hwang 1995: 233.)

### **Familism**

The Confucian view assumes that an individual's life is inherited from one's parents as well as one's ancestors, and that the lives of one's offspring are continuous with one's own life, so the family is viewed as an inseparable entity. This is the cardinal component of the ideology of East Asian familism, which is dramatically different from the individualism of Western culture originating from Christianity. In traditional Chinese society, the family is the fundamental social unit with a very tight structure, emphasizing the hierarchical order of seniority, age, and sex (Cheng, 1944; Hsu, 1967). It satisfied its members by serving such functions as production, education, recreation, and religion (Lang, 1946; Winch, 1966). As Chinese society has gradually transformed from an agricultural society of mechanical solidarity to an industrial/commercial one of organic solidarity (Durkheim, 1984 [1933]), the Chinese family system has experienced drastic changes. Family size has shrunk, the power distance between the dyadic roles in the family has decreased, and many functions of the family have been replaced by those of other social institutions. Nevertheless, most Chinese still have a strong affective attachment to their families (Yang, 1988). The family is still highly valued and viewed as an inseparable entity, and Chinese still tend to interact with their family members according to the need rule.

### ***Guanxi* network**

In addition to familism, Confucianism also includes a social philosophy encouraging individuals to maintain harmonious relationships with people outside their own families. Viewed from the conceptual framework of Face and Favor, when individuals interact with relatives, friends, or acquaintances within the network of *guanxi*, they must be polite and hospitable. According to the rule of *renqing*, when an acquaintance encounters difficulties, one must behave as considerately as possible and do favors for them as far as possible. By the same token, when individuals receive favors from acquaintances, they must remember to try to reciprocate.

The operation of a *guanxi* network might be either beneficial or harmful to the operation of a firm or a state, depending on the nature of resources involved in the *renqing* event. A leader may utilize *guanxi* to solve many problems; in contrast, the *guanxi* network may become a breeding-ground for nepotism, factionalism, and cliquism in an institution.

### *Self-cultivation with the Dao*

Because Confucians believe that the way of humanity (*rendao*) corresponds with the way of heaven (*tiendao*), it is an individual's obligation to cultivate oneself with the *Dao*. Therefore, one must learn *rendao* with diligence and practice it with effort. When conduct deviates from the principle of *rendao*, one should feel shame.

Since the examination system for the Civil Service was abolished during the Qing dynasty in 1905, Confucian classics have been replaced by Western science and knowledge as the major subjects of education in schools. As a consequence, many Chinese youths may transfer their enthusiasm for pursuing metaphysical *Dao* to a particular system of knowledge about the physical world, and learn a particular technology, science, or social science by the traditional practice of self-cultivation. This is a way by which the Confucian cultural tradition may possibly contribute to the modernization of East Asian societies.

### *Benefiting the world with the Dao: ethics for scholars*

In addition to the *ren-yi-li* ethical system for ordinary people, Confucianism confers upon intellectuals (scholars) a mission to benefit the world by the *Dao* with which they have identified. The larger the group one has benefited, the greater the moral merit one attains. This can be termed "ethics for scholars."

When a Chinese society is transformed from an agricultural into an industrial/commercial one, Confucian ethics for scholars may encourage intellectuals to identify a particular system of knowledge originating from the West as their *Dao* (way), to work in a firm or a governmental institution, and to utilize their knowledge, which may eventually benefit that firm or the whole of society.

### **Struggle between Confucianism and Legalism in Chinese society**

As discussed earlier in this chapter, Legalism is essentially an organizational theory formulated in the authoritarian culture of Ancient China. It has been used by many rulers in Chinese history to consolidate their power, but it can also be used by managers of organizations

in contemporary society. Legalist ways of organization are akin to Western ideas of bureaucracy that became widespread after the Renaissance.

The cultural traditions of Confucianism emphasizing the values of benevolence and affection (*qing*), and especially ethics for ordinary people, are constantly in conflict with those of Legalism, which might result in dialectical dispute over political, social, or cultural issues between centripetal and centrifugal elites in the societal center. This constitutes the so-called struggle between Confucianism and Legalism in Chinese history, and decision-makers in power are frequently urged to make a choice between the *renqing* rule and the equity rule. Even in contemporary Chinese society, the struggle between these two value systems is repeated, and may have direct or indirect influence on the operation of a firm or a state.

### *A conceptual scheme*

In order to elucidate the essential nature of the struggle between Confucianism and Legalism, I have proposed a conceptual scheme to compare five crucial aspects of these two schools of thought (Hwang, 1995): value orientations, norms for regulating social behavior, rules for distributing resources, input factors determining the distribution of resources, and the authority who makes decisions (Table 4.1). Confucianism advocates a kind of status ethics. It has differing expectations of scholars and ordinary people. For ordinary people, it is enough to practice the *ren-yi-li* ethical system within the domain of one's family and acquaintances. The guiding principle for their social organization is familism, the social norm for regulating social behavior is *li* (politeness), and the decision-maker who holds the power of distributing resources within the family is the paterfamilias. When allocating resources to others, the first thing to consider is the blood relation with the recipient. Resources are frequently allocated according to the need rule.

Confucianism sets a completely different expectation for scholars. It expects scholars to benefit the world with the *Dao*, and requires them to extend the domain for practicing *rendao* from the individual and family to the greater society; the bigger one's domain for practicing *rendao*, the greater the moral achievement. While the ideal goal of Confucianism is to attain a peaceful, harmonious world,

**Table 4.1. A comparison between five major aspects of Confucianism and Legalism.**

	Confucianism		Legalism
	Ethics for ordinary people	Ethics for scholars	
1. Value orientation	Familism	Collectivism	Individualism and collectivism
2. Social norm	Particular <i>li</i> (courtesy)	Universal <i>ren</i> (Benevolence)	Universal law ( <i>fa</i> )
3. Distributive rule	Need rule	Equality rule	Equity rule
4. Criteria for distribution	Blood relationship	Membership	Contribution
5. Decision-maker	Paterfamilias	Elite (scholar-official)	Ruler

Source: Adapted from Hwang (1995: 26).

what a scholar can really do is to actualize *rendao* in a community or social organization larger than the family. Therefore the value orientation of scholarly social behavior can be termed collectivism. According to the Confucian ethics for scholars, the norm for social acts in such a collectivity should be *ren*, all important resources of the group should be allocated according to the equality rule by morally educated scholars, and every member of the group is entitled to an equal share.

As stated in the previous section, when a Legalist leader is assessing how to allocate rewards and punishments to subordinates, contributions to the accomplishment of organizational goals, rather than blood relationships or group memberships should be considered. Therefore the guiding rule for their social acts comprises both individualism and collectivism. By recognizing the legitimacy of individual interests and by advocating the universality of legal applications, Legalists are individualists. However, Legalists are collectivistic in the sense that they give priority to organizational and national goals rather than to familism and factionism. A delicate combination of parts of both the Confucian and Legalist traditions was created and maintained in the feudalistic society of Imperial China for hundreds of years.

### *The Cultural Revolution*

After the Communists took over China in 1949, they began to strive to replace Confucianism with the ideology of Marxism. During the Great Leap Forward beginning in 1958, most families were reorganized into self-sufficient communes on the principle of egalitarianism in the hope that people would transfer their loyalty from the family to the state (Merchant, 1975; Robottom, 1969). During the Cultural Revolution from 1966 to 1976, the Communists proposed the slogan: “denounce Confucianism and raise Legalism.” People were required to follow the precepts of Marxism, and every act had to be in accordance with the teachings of Chairman Mao Zedong.

The Communists claimed that the nature of these movements was the struggle between Confucianism and Legalism or the struggle between communism and capitalism (Chiou, 1974; Ditter, 1974; MacFarquhar, 1974). But, if these movements are examined with reference to the conceptual scheme in Table 4.1, it can be seen that in fact they are struggles between Confucian ethics for ordinary people and those for scholars. The Communists attempted to replace the Chinese family system with the new organization of communes, where communist cadres played the role of traditional scholar-officials in promoting production by advocating the orthodox ideology of Marxism and allocating all important resources to members of the commune in an equal way (Callis, 1959). Viewed from the perspective of Chinese culture, all these efforts can be said to be attempts to replace the Confucian ethics for ordinary people with those for scholars, or to transform loyalty to family and personal *guanxi* into loyalty to the state and the Party. The Great Leap Forward and the Cultural Revolution proved to be monumental failures: economic productivity declined to an abysmal level, and countless people suffered starvation during these years (Merchant, 1975; Robottom, 1969).

### *The struggle between Confucianism and Legalism in Taiwan*

When a Chinese state decides to adopt a capitalistic route of economic development and the society gradually transforms from agricultural to industrial/commercial, it is progressing toward a Legalist society as described in Table 4.1. During the process of transformation, it will encounter genuine struggle between Confucianism and Legalism

at both the state and firm levels, which may influence the operation of the firm as well as the state as a whole. In an industrial/commercial society of organic solidarity, any conflict or struggle occurring at the societal center may interactively influence the operation of a firm at the periphery (Eisenstadt, 1966). The Taiwanese experience of development is an example. A brief history of Taiwan after the end of World War II is first provided. The lifting of martial law in 1986 is taken as the turning point when Taiwan transformed from a traditional society to a modern one. The nature and influence of the struggles occurring at the societal center and subcenters is discussed.

It is generally agreed that modernization for most Asian countries is essentially a process of exogenous change originating from outside and transmitted to the inside, from the top down, which is different from the endogenous modernization of Christian countries (Bellah, 1970; Eisenstadt, 1966). At the end of the nineteenth century, many Asian intellectuals went abroad to study Western science and technology for production and ways of management. After finishing their study abroad, many of them returned home with the mission of contributing what they had learned abroad to help modernize their home countries.

When an Asian state decides to adopt the capitalistic route of national development, the societal center must make every effort to construct economic and legal systems with a high degree of formal rationality to encourage entrepreneurs to pursue benefit by investing in it and creating organizations to make products to meet the demands of the market. Ideally speaking, both systems should be designed to create a socio-cultural milieu with the characteristics of the Legalistic tradition as described in Table 4.1. In other words, the story of East Asian modernization can be aptly illustrated by an analogy. The capitalistic legal system for economic development is akin to a railroad. The science and technology imported from the West are a locomotive, and the Confucian tradition for achieving performance by diligent work is the fuel driving the engine (Hwang, 1995). The combination of these three factors results in economic development in East Asian countries. The political leaders in power decide to create favorable conditions at the state level, while entrepreneurs make effort to combine all the subsidiary factors for raising production at the organizational level (Redding, 1988, 1990).

### **The Taiwanese experience, 1945–1986**

After being liberated from Japan's control in 1945, the Nationalists from China occupied Taiwan and soon held the most important positions in Taiwan's societal center. As an extension of the civil war in China, corruption and incompetence in the Nationalist government resulted in a worsening economy and the Nationalists were bitterly blamed by the local people. The sharp contradiction between the political center and the centrifugal periphery eventually resulted in a large-scale revolt in February 1946, which was suppressed with military force by the Nationalists (Kerr, 1965). After that, the island was controlled by a group of political elites who were mostly from China. They claimed to be the orthodox regime representing the whole of China, took advantage of the Korean War (1950–1953) to obtain aid from the USA, and kept a seat in the United Nations with the assistance of the USA and its allies. Meanwhile, they proclaimed martial law in the name of defending Taiwan against invasion from Communist China, which enabled them to maintain a majority of seats in the people's representative bodies at the societal center without reelections for decades. Only a very few centripetal Taiwanese elites were admitted to the political center or positions in local government. Those centrifugal elites who held a differing ideology were viewed as heterodox and excluded from the societal center.

During this period, the Nationalists had absolute control over the politics of Taiwan, and initiated a revolution from above in the social and economic domains (Gold, 1986). Based on the Principle of the People's Livelihood, they implemented the "375 Rent Reduction Program" and the "Land-to-the-Tiller Program" to reorganize the farm economy structure toward equalization of landholding and a small-scale farming system (Chen, 1961). Economic investment at that time was aimed at repairing the serious damage caused by the bombing by Allied air forces during World War II and at satisfying the demands of the domestic market. By the end of the 1950s, manufacturing growth for light industrial products was slowing down owing to saturation of the domestic market. The problems of industrial inefficiency, price inflation, and imbalance in external payments become more serious. After a few years of adjustments, the government finally decided to accept advice from a group of US-educated economists and technocrats and took decisive steps in the 1950s to change the overall thrust of policy incentives in favor of export activity (Lin, 1973).

The US Congress had passed the Mutual Security Act in 1951, which was aimed at helping the capitalistic expansion of US private enterprises, and incorporating Allied countries into a new world economic system dominated by the USA. By the end of the 1950s, the USA was suffering from economic depression and eager to find favorable countries where US capital could be invested. It therefore advocated free trade and opened its markets to light-industry foreign products, which had been abandoned by US firms. Meanwhile, Japan, which experienced rapid economic growth for more than ten years after the Korean War, was facing the problem of increasing labor costs and was ready to move its labor-intensive industries to foreign countries where cheaper labor was available. Taiwan soon became Japan's first choice because of its fifty years of colonial experience on Taiwan before World War II.

In 1960, the Taiwanese government announced a Nineteen-Point Reform Program and enacted the Investment Encouragement Law, which provided a basis for the administration to take series of positive actions toward the realization of outward-oriented growth of the economy. The actions included establishing export-processing zones, providing enterprises with low-interest productive loans, liberalizing restrictions to encourage the import of certain important raw materials, and remitting taxes and duties for export goods (Lin, 1973). These measures enabled Taiwan to achieve rapid economic development. In 1971, Taiwan was expelled from the United Nations, and Chiang Ching-kuo was appointed prime minister the next year. He began to initiate the "Ten Big Construction Projects" and developed capital- and technology-intensive industry. This series of government actions not only enabled Taiwan to survive the oil crises thereafter, but also laid the foundations for the economic miracle of the 1980s (Balassa, 1981; Chen, 1979; Fei, Ranis, and Kuo, 1979; Ho, 1978).

The Nationalist government adopted a series of strategies to intervene in economic activities and foster private business for the sake of national development (Amsden, 1985; Gold, 1986). Its control over the economic sphere has been termed *paternal domination* (Chang, 1991) or *paternalism* (Pye, 1988), and the strategy for economic development has been labeled *state-led outward-looking growth* (Wade, 1988). Though the Nationalists maintained an authoritarian style of domination and insisted on orthodox ideology in politics, they held an open attitude toward economic affairs. They were able

to absorb suggestions from economists and technocrats who had been educated in Western economic theories and practices (Pye, 1988), and constructed formal legal systems to transform domestic economic affairs at the opportune moment with a view to the international economic situation. However, because the legal system has long been viewed by the Chinese as an instrument for ruling the people, it is usually constructed in such a way that an administrative officer with power can interpret it flexibly. Operating in such a social and political environment, enterprises in Taiwan have been differentiated into two broad categories. One category is generally large-scale businesses. They are mainly specialized in doing business with governmental sectors and are subject to major influence by government policies. They maintain close relationships with high-ranking officials in the government and can be termed *relation-oriented enterprises*.

The other category of enterprises is composed mostly of small or medium-scale businesses that concentrate on selling their products in the domestic or international markets, which are their major sources of interest. They pay more attention to improving the quality of their products and to developing new markets. They can be termed *market-oriented enterprises*.

This does not mean that a market-oriented enterprise can totally disregard *guanxi* (social relationships). In order to compete with other products in the market, entrepreneurs must maintain not only public relationships with customers, but also specific networks of marketing channels for selling products. But these relationships are established on the basis of rational calculations and equitable exchange, unlike the merchant–politician relationships aimed at apportioning public resources. The rapid expansion of export-oriented industry as well as the economic miracle of Taiwan during the period from the 1960s to the 1980s was made possible mainly by market-oriented enterprises.

### **Development of Chinese family businesses**

As soon as the Taiwanese government adopted the policy of encouraging private business and the external environment became favorable for investment, numerous entrepreneurs began to establish various types of industrial organization and produce a variety of products to meet the demands of the market. The most typical business organization established in Taiwan was the family business or family enterprise (Hwang, 1990). During the 1970s, when the export-processing

industry of Taiwan was in the early stage of rapid development, numerous small-scale family firms were established in suburban areas. Families set up crude plants around or even in their dwellings, bought the necessary mechanical equipment, received orders from large-scale factories nearby, and provided them with products or semiproducts, thus becoming satellite plants to big factories. Such networks of *guanxi* for production enabled small or medium-scale firms to operate without huge amounts of investment, to accept orders beyond their own capacity for production, and to transfer parts of jobs to other firms within their networks, thus reducing capital and management risk to a minimum (Vogel, 1991). Most workers in such plants are family members or relatives. They generally work hard in the name of familism. The profits thus earned are mostly controlled by the head of the family, and the most important resources are allocated according to the need rule. In order to maximize the productivity of the plant and to accumulate wealth for the family, all members of the family must do their best and take only what they need from the profits.

When such family businesses are successful and demand for their products outstrips supply, owner-managers are urged to hire employees from the labor market outside the *guanxi* network. During the era of rapid development of the export-processing industry in Taiwan, it was common for small plants to evolve into medium or large businesses with dozens or hundreds of employees within two or three years. However, the organizational pattern for most medium or small plants is still the family enterprise. Top managers in the organization are usually the owners of the enterprise. They generally prefer a paternalist or autocratic style of management, frequently assign family members to occupy such important positions as financier or accountant, and rarely tell subordinates about the policy of the organization in a definite, clear manner. The delegation of authority to staff is limited, and the division of power and responsibility is usually ambiguous (Negandi, 1973; Redding, 1988, 1990; Silin, 1976).

Managers and subordinates in family enterprises may frequently encounter the struggle between Confucianism and Legalism. On the one hand, employees and staff may ask the owner-managers to set up formal regulations for manpower policies, personnel selection, job design, job evaluation, promotion, and compensation and then to exercise strict discipline in executing these regulations. On the other hand, because strict adherence to regulations restricts the abuse of

power, managers and staff in their *guanxi* network may oppose the establishment or the execution of certain regulations when it is in contradiction to their interests. There are also instances where employees object to rules of control that are applied arbitrarily and unilaterally to employees but not to managers, or to distant employees but not to intimates.

Both cultural traditions, of Confucianism and Legalism, emphasize the value of respecting and being obedient to authority. In such a cultural tradition, most employees are used to accepting a paternalistic style of management. In order to make more money to support their families, most are concerned about distributive justice in the organization. They may compare their own income with that of others who are doing similar tasks in the same or a different organization. Once individuals believe that they are overpaid or that their income is fair, they may have higher work morale. People are concerned about distributive justice not merely for utilitarian reasons. As a family business grows larger to include non-family members, organizational distributive justice also experiences a shift from the need rule to the equity rule. If workers believe that they are underpaid or not fairly treated, work morale may decrease, or they may leave for another better job. This is one plausible reason why the industry of Taiwan showed a high turnover rate during the 1970s (Yu, 1977).

### **Political capitalism**

The political situation of Taiwan faced drastic change when its economy was undergoing successive stages of rapid development during the 1970s. Taiwan was expelled from the United Nations in 1971, and Chiang Ching-Kuo was appointed prime minister the next year. In order to consolidate his control over the regime, he assigned many centripetal Taiwanese elites to key positions in the government. The accomplishment of his “Ten Big Construction Projects” enabled Taiwan to maintain its economic progress, but it could not prevent its diplomatic failures. In the 1970s, Taiwan severed diplomatic relations with most major countries and lost its seat in many international organizations. Chiang was elected to the post of president by the National Assembly at the beginning of 1978. But, the USA declared its recognition of the People’s Republic of China, and severed diplomatic relations with Taiwan, at the end of that year, destroying Taiwan’s people’s confidence in their government’s claim that it

represented the orthodoxy of China. Political opponents began to initiate a series of political movements advocating a new ideology of “Taiwanese consciousness,” which enabled them to win more votes in the successive elections of the 1980s.

In 1986, the Democratic Progressive Party, the first opposition party in Taiwan, declared its establishment with the tacit permission of President Chiang Ching-kuo. A variety of social movements mushroomed in the new atmosphere of democracy, and the National Government lifted martial law, which had been enforced for about forty years. President Chiang died in 1988, and was succeeded by Vice-President Lee Teng-hui.

The establishment of the Democratic Progressive Party had important implications for the political modernization of Taiwan. It represented the institutionalization of centrifugal elites who advocated an opposing ideology in the political market to compete with the ruling party for the opportunity of holding the reins of government. But the democratization of politics brought some unexpected consequences to society. In comparison with the “Taiwanese consciousness” advocated by the Democratic Progressives for identification with Taiwan, the “Chinese consciousness” insisted on by the Nationalists for forty years became impractical and vulnerable to attack from political opponents. As soon as Lee became president, he tried, on the one hand, to adjust the Nationalist Party’s ideology to cope with political change, but, on the other, he had to preserve national symbols to deal with the conservatives in his party. His pragmatic adjustments led him to a series of political struggles with other Nationalist Party leaders. In order to consolidate his personal power to deal with the challenges from the opposing party, and to expel conservatives from the Nationalist Party, Lee began to foster the power of local forces by strengthening the party’s connections with local politicians and entrepreneurs. After the lifting of martial law, numerous local politicians attempted to gain positions in the central representative bodies, which had previously been occupied by the privileged-class immigrants from China. With the tacit permission of the Nationalists, they even tried to win elections by bribery. Many of them originally accumulated their wealth and power by engaging in land speculation, monopolizing public construction projects, or even running illegal businesses. Once they occupied positions of central power, their greed was stimulated.

Although the Democratic Progressives and the Nationalists held different political ideologies, many of their major politicians were not significantly different in their behavioral patterns in running personal businesses, developing *guanxi* networks, and striving for support from local factions. Viewing legislation as an omnipotent tool for winning support from voters, they urged the administration either to reduce a variety of tax rates, or to increase expenditures for various social welfare schemes, and many of them were especially interested in locating public construction projects in their electoral districts. Such large-scale projects were coveted by politicians and businessmen. They colluded with foreign or domestic big businesses to urge the administration to raise the minimum bids for public construction projects so that the domestic firms would receive contracts with gigantic profits. As a consequence, huge amounts of government funds were wasted, the quality of public construction worsened, and government expenditures and national debts increased rapidly.

As described, enterprises in Taiwan can be categorized as relation-oriented or market-oriented. If a nation decides to develop technology-intensive industry, the government must create a stable social environment and construct a legal system for encouraging entrepreneurs to make long-term investments in R&D. In contrast, if the government is unable to create a favorable environment for long-term investment, and a large group of politicians are constantly involved in political struggles, the administration is unable to adhere to legal principles in a strict and unbiased way, and most entrepreneurs will believe that it would be very difficult for their enterprises to survive without special connections with political power. In this situation of political capitalism, it is very unlikely a market-oriented enterprise will make long-term investments or upgrade its technical level.

According to the framework in Table 4.1, the corruption of political capitalism can be interpreted as a consequence of overindulgence in Confucian ethics for ordinary people by some politically influential families. The moral codes of incorruption and immaculation in Confucian ethics for scholars and officials are frequently ignored. They build up the *guanxi* networks of their factions, and utilize the *renqing* rule in pursuit of personal profit at the sacrifice of public interest. In contrast, any endeavor to stop political capitalism or to remedy corruption by appealing to the legal system can be viewed as

an effort to advocate fairness (*gongdao*). The dialectical dialogue between elites as expressed in public opinion over a specific case of corruption can be said to be a modern manifestation of the struggle between Confucianism and Legalism.

### Conclusion

Although cultural factors may have an influence on social behavior, the actual motivating factor for an individual social act is the pursuit of personal interest. Hanfei's focus on personal interest corresponds to Max Weber's (1978) viewpoint that social acts are always motivated by one's desire for certain benefits, while cultural ideas are like the controller of a railroad who determines the direction of action. This point can be further illustrated with an analogy by Karl Marx, who said:

People construct their own history. But they are not constructing it in such a condition that they may have an arbitrary choice. When people are busy in reforming themselves as well as events around, they may appeal to the soul of their ancestors, using their names, slogans, and clothes, putting on their armor which has long been respected, and speaking in terms of their language, to act out new phases of world history (Marx and Engels, 1965: 121).

People in Confucian society, just like human beings in other cultures, are driven by their personal desires to compete with others in striving for various goals to satisfy their needs. The cultural traditions of Confucianism and Legalism are the "names, slogans, clothes, armor, and language" frequently used by Chinese to pursue their personal goals. It remains to be seen how they act out the new phase of their history.

### Notes

- 1 *Spring and Autumn* is the annals of the state of Lu (722–484 BCE). The chronicle history was written by Confucius who recorded and judged people and historical events in an honest and strict way.
- 2 Guan Jong, in Zhai (2005: II, 818–847).
- 3 Hanfei, *Zhudao* [The way of the ruler], in Watson (1967: 16–20).
- 4 Duyvendak (1963).
- 5 Xunzi, in Dubs (1972: 24–47).

- 6 All quotations from the works of Chinese philosophers have been translated by the author with reference to the translations by Liao (1939–59) and Watson (1967).
- 7 Liao (1939–1959: II, 275–297); Watson (1967: 96–117).
- 8 For examples, see Hanfei's works on *Beinei* (Guarding against the interior), in Liao (1939–1959: I, 145–150); *Liufan* (Six contrarities) in Liao (1939–1959: II, 237–247); and *Wuaichushuo zuoshang* (Outer congeries of sayings, the upper left series) in Liao (1939–1959: II, 26–62).
- 9 Confucius, in Lau (1992: 132–147).
- 10 Liao (1939–1959: I, 275–277).
- 11 Liao (1939–1959: I, 46–51); Watson (1967: 30–34).
- 12 Liao (1939–1959: II, 199–206).
- 13 Liao (1939–1959: II, 199–206).
- 14 Liao (1939–1959: I, 30–35); Watson (1967: 16–20).
- 15 Liao (1939–1959: I, 278–280).
- 16 Liao (1939–1959: I, 278–280).
- 17 Liao (1939–1959: I, 278–280).
- 18 Liao (1939–1959: II, 172–188).
- 19 Liao (1939–1959: I, 36–46); Watson (1967: 21–29).
- 20 Liao (1939–1959: I, 229–236).
- 21 Liao (1939–1959: II, 248–257).
- 22 Liao (1939–1959: II, 248–257).
- 23 Liao (1939–1959: II, 275–297); Watson (1967: 96–117).
- 24 Liao (1939–1959: II, 63–85).
- 25 Liao (1939–1959: II, 46–50).
- 26 *Lichi*, in Legge (2003: 61–119).
- 27 Liao (1939–1959: I, 36–46); Watson (1967: 21–29).
- 28 Liao (1939–1959: I, 150–155).
- 29 Liao (1939–1959: I, 156–168).
- 30 Liao (1939–1959: II, 326–329).
- 31 Liao (1939–1959: II, 326–329).
- 32 Liao (1939–1959: II, 326–329).
- 33 Liao (1939–1959: II, 212–216).
- 34 Liao (1939–1959: I, 269–274).
- 35 Liao (1939–1959: I, 269–274).
- 36 Liao (1939–1959: II, 207–209).
- 37 Liao (1939–1959: II, 237–247).
- 38 Liao (1939–1959: I, 46–51); Watson (1967: 30–34).
- 39 Liao (1939–1959: I, 36–46); Watson (1967: 21–29).
- 40 Liao (1939–1959: II, 298–310).
- 41 The dyadic roles in the five cardinal relations are: father and son; husband and wife; sovereign and subject; between brothers; and between friends.

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