

Profit-oriented or Employment-oriented?

—A New Topic for the Comparative Studies of Chinese and Western Economic Cultures

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I Origin of the Issue

After a comparative study on the histories of economies, economics, economic thought and economic theories in China and the West, we can find that the two differ greatly in the economic development mode, in spite of the fact that they share almost the same view on the nature of “Economic Man”. That is to say, China has focused on the well-being of its people, while the West on the accumulation of wealth, which accounts for the crucial difference between them. In other words, Chinese economic culture is employment-oriented, while the Western is profit-oriented. This contrast has become remarkable since the 1600s. The profit-oriented nature of Western economic culture is almost self-evident. We will not have much difficulty in finding an explanation after reading the works of some Western economists like *The Wealth of Nations* (Adam Smith)¹, *The General Theory of Employment, Interest and Money* (John Maynard Keynes)² or *Economics* (Paul Anthony Samuelson)³. Although the problem of employment is mentioned in these books, it serves only as a footnote to the concern for profit.

However, things will be different when it comes to the employment-orientation of Chinese economic culture. Up to now, the Chinese mainland has not witnessed the birth of its own economics, and not a single authoritative book under the title of *Chinese Economics* by native Chinese scholars has been published. Therefore, it seems there is no point in talking about Chinese economic culture, let alone its employment-oriented focus.

It is true that China does not have an economics attributed to itself, or even a masterpiece entitled *Chinese Economics* by its native scholars, but its economic activities date back 5,000 years and its economic thoughts about 3,000 years, and therefore it is not devoid of valuable resources or profound ideas. If a comprehensive review is given to China’s history of economic culture, its employment-oriented nature will reveal itself. In this sense, this employment-orientation is indeed not so difficult to understand.

After China’s reform and opening to the outside world in the early 1980s, Chinese economists applied Western theories and introduced the profit-oriented principle in their works, but their emphasis on profit differs from that of their Western counterparts, and the concern for people’s wellbeing and the problem of employment was not completely blotted out. Therefore, a really far-sighted Chinese economist should stick to the notion of return to the employment-oriented mode -- the true essence of Chinese economic culture

In fact, even some Western economists have gradually discarded extreme profit-orientation and begun to move slightly in the direction of employment-orientation, especially after the financial crisis, which broke out in America in 2008 and later spread throughout the world. This change has been drawing increasing attention, and nowadays the problem of employment occupies a more important position in macroeconomic control systems.

According to Prof. Shen Liantao, Chief Consultant with the China Banking Regulatory Commission (CBRC) and former Chairman of Hong Kong Securities and Futures Commission (SFC), the next war will not be triggered by trade or currency, but by employment⁴. And in 2012, American economist Martin Feldstein emphasized that the election results would depend significantly on the economy’s performance and the unemployment rate⁵. Therefore the author of this paper insists that it is imperative that employment-oriented mode replace profit-orientation mode, not only in China, but also in the West.

For the above reasons, we are now raising the question of profit-oriented or employment-oriented, which is a key issue for the comparative studies of Chinese and Western economic cultures. The vital significance lies in the fact that it is crucial to the future of human society. According to our research, if the profit-oriented mode persists, the sustainable development of human society is impossible.

In addition, although the replacement of profit-orientation by employment-orientation seems inexorable, there is still a long way to go, and the biggest obstacles will be rigid systems and pressure from vested interest groups.

Finally, quite a few questions remain unanswered: what is profit-orientation? What is employment-orientation? What are the differences between them? And what is the relation between them? What is the rationale in human nature for this difference? What are the relevant conditions? What are the dynamic mechanisms for the development of enterprises? What is the significance of such changes? How about the class forces that contribute to this turn? The author will try to answer these questions briefly in the ensuing parts of this paper.

II Profit-orientation and Keynesian Traps

2.1 Profit-orientation

Profit-orientation refers to principle of modern enterprises, for which profit is the sole standard, motive, center and basis. It originates in greedy human nature, and serves as the code of conduct for the entrepreneurs in the age of modern capitalist economies. Everyone, once entering the capital market, will abide by this universal principle automatically. The essence of this principle lies in the pursuit of “profit maximization”.

In its essence, profit originates from the value created by labor on the earth driven by capital. If “nature is the mother of wealth and the father of labor” (William Petty), I will maintain that capital is nothing but the “midwife” of wealth. The “labor” here refers to the necessary labor in the broad sense, including manual labor, mental labor, physical labor, spiritual labor, and the labor of entrepreneurs, engineers and scientists.

In the market, profit exists in the form of money and is calculated in the form of price. It is the soul of capital, the dynamics of entrepreneurs, and the monetized economic basis upon which human society depends for its existence and development in a certain stage.

Quantitatively speaking, it is the surplus left after subtracting the cost from the gross investment. Profit maximization means the maximum profit with minimum labor. In Keynes’ words, “the principle of profit maximization determines the size of employment.” That is to say, the employment size that entrepreneurs maintain is the one which leads to the maximum profit⁶ -- And this is the root cause of the problem.

2.2 Keynesian Traps

Before John Maynard Keynes published his *The*

General Theory of Employment, Interest and Money, both profit-orientation and profit maximization remained the code of conduct for enterprises.

After he put forward in his book the three “magic keys” to the solution of employment problems -- stimulating demand, increasing government expenditures, and the policy of inflation, the whole society fell under the control of profit maximization. But in the long run, they cannot solve the problem fundamentally, and they lead to the double crisis of stagflation instead. According to my research, Keynes’ employment theory is in fact the nationalization, socialization and generalization of the notion of profit-orientation and the principle of profit maximization, which laid a trap beyond redemption for the solution to the employment problem.

Driven by profit-orientation, we have all been inescapably caught in a Keynesian trap. Due to this trap, the enterprise management models, economic theories, and the systems of politics, economy, education, science and technology and news media are all designed to ensure the maximum profit.

It is true that these institutions and people get their due share in this process, but the problem of employment is doomed from the very beginning. Employment hence becomes the biggest social and economic problem in the present day capitalist economy, and is hit hardest due to failures in the operation of market economy.

In the opinion of Michael Spence, American economist and co-winner of the 2001 Nobel Prize in economics, “The fundamental structural changes in global economy indicate that we are faced with three changes in employment....And first, we need to create enough job opportunities for the young people about to enter the labor market. Obviously, many developed and developing countries have failed to do so.”⁷

Since the formation of profits is related to employment as well as to the consumption of energy and a variety of other resources, extreme profit-orientation has not only resulted in the deterioration of the employment environment, but also posed a threat to the living conditions of the working class and the very existence of human society.

More unfortunately, it is not only the entrepreneurs and capitalists but the whole society who are pursuing the maximum profit, and the government’s pursuit of GDP growth and an individual’s thirst for money are good examples for this. The notions of profit-orientation and money supremacy have already broken the legal and moral defense of man’s self-discipline, and are ruining the natural and social ecosystems upon which humankind depends for living.

III Employment-orientation and Employment-oriented Theory

3.1 Employment-orientation

Profit-orientation is a mode of economic culture, with employment as the sole standard, motive, center and basis of human society. It is not only the ultimate goal of an ideal society originated in the essential nature of human beings, but also the natural historical process of returning from the hypothesis of economic man to the “complete” (*gestalt*) man -- the trinity of economic man, social man and ecological man. The principle of employment-orientation has its interior logic as well as its exterior realistic feasibility.

It must be pointed out that this mode does not deny the importance of profit, just as the mode of profit-orientation does not eliminate that of employment. There is no denying that the economic culture based on profit-orientation has played an important and irreplaceable role in the development of social productivity and the progress of civilization. The material wealth and achievement in science and technology attributed to modern capitalist system characterized by profit-orientation since 1700s has exceeded the total in all of earlier history.

But when it comes to moral cultivation, almost no progress has been made. Thus we can say that it has been led astray and has gone too far. According to the research of Jacques-Yves Cousteau, an oceanographer, “in the 100 years of the 20th century, mankind caused more damage to the earth than they had ever done before.”⁸ And that’s why experts from the Worldwatch Institute warn that the international community must unite to reverse the course of the crisis, or they will be caught in a vicious cycle and face the danger of environmental degradation and social disintegration.⁹

As the old thinking goes, “When things reach their extreme, they turn back.” Then what is the way forward for the world? My answer is: Turn to the mode of employment-orientation. This theory does not mean a complete negation of all the political, economic, social, cultural, scientific and technological, educational, moral and legal systems based on profit-orientation, but instead a critical inheriting and evaluating of them in order to correct the distortions and put things in the right order.

3.2 The Theory of Employment-orientation

The fundamental transformation from profit-orientation to employment-orientation is not only necessary but also essential. This change will not take place automatically, but requires effort from every one of us. A task of top priority in my mind is to firmly repudiate the wrong ideas of profit-orientation, and break new paths in employment theory while absorbing the

reasonable kernel of truths in them.

The existing theories and policies concerning employment have their significance, but they all bear a marked brand of profit-orientation and cannot contribute to the transformation to the mode of employment-orientation. And therefore a brand-new employment theory must be established. This new theory should show respect for the former achievements and be operable in practice.

Based on these principles, I now attempt to propose a new theory framework for employment, the major points of which are listed as follows:

Firstly, the philosophical basis of employment-oriented theory is Marx’s Labor Philosophy, which holds that labor produces not only value and wealth, but also human beings themselves¹⁰. In a world with highly developed productive forces and overwhelming material wealth, in the process of producing and improving man, labor should finish its transition from a means of living to becoming the first priority in one’s life. As a result, employment, as a specific state of labor in its broad sense in the process of socialization, ought not to be any longer related only to wages which man depends on for a living. Instead, it should become a basic approach, by which man can bring his working talent into full play and thereby realize the value of life.

Secondly, its legal foundation is the theory of natural rights. Employment, like food, clothing and shelter, is one of man’s basic survival needs, one of the fundamental human rights. At the same time, he that will not work shall not eat. If a person with adequate qualifications fails to get a job, or fails to get a suitable one, we can say that his right of employment is violated, and the government should be responsible for it.

After investigating into the relationship between output and unemployment in China, Professor Sun Yongjun from Dongbei University of Finance and Economics, proposed a macro policy goal in the name of “employment maximization,” and emphasized that the Government should fully consider and accept this notion¹¹. It is a direct challenge against profit-oriented mode and worth our full attention. Meanwhile, if a person who has the right qualifications for a job refuses to be employed without a just cause, he will be blamed for being immoral and dishonorable.

Thirdly, this theory holds that the hypothesis of acting man is the “complete” (*gestalt*) man, the trinity of economic man, social man and ecological man, whose behavior is not attributed to a self-centered economic animal, nor to the creatures subject to the ecological environment. According to the employment-oriented theory, the rights and duties of employment have the trinity of economic man, social man and ecological man

not only as their source, but also as their end.

Fourthly, this theory has a law of capital employment ratio as its fundamental principle, which focuses on the employment size corresponding to per unit of capital. On a micro level, the capital employment ratio functions through enterprise behaviors, and regulate the rational flow of labor force between enterprises/ On a macro level, it functions through the operation of the general social capital and regulates its flow in the whole society. The capital employment ratio law has an essential prerequisite, a unified labor market, one without blind and cut-throat competition, and also without unreasonable administrative monopoly or abnormal monopoly. This means that a new evaluation index system has to be established in order to replace the profit-oriented one.

Fifthly, the basic distribution principle in this theory is one that depends on labor capital investment and the corresponding returns on it. Labor capital is in fact the capitalization of the cost for the reproduction of labor force. According to the employment-oriented theory, the price of labor, or the salary, is the return on the labor capital investment. Besides his salary, a worker is also entitled to the benefit from this investment.

Finally, the concept of employment in this theory is a macro one, in a broad sense. Employment is in fact the crucial factor upon which human society depends for its survival, and an essential means by which an individual can realize his value.

At present, many people have misunderstood the concept of “就业” (*jiu ye*), and often confuse it with “being employed” or “finding a job.” Of course, “obtaining a job” can be rendered into the “就业” (*jiu ye*), but the latter obviously has a wider range of implications.

Therefore, the concept of “就业” (*jiu ye*) has both the broad sense and a narrow sense in the discussion here. Narrowly speaking, it is synonymous with employment. More broadly speaking, it also takes into consideration of self-employment, free employment, taking on volunteer work, starting one's own business and so on.

All in all, if a person works and is paid legally, and thus realizes his value and makes his own contribution to the society, all his labor, work, business and activities belong to the category of employment. Then most probably, the real trouble will not lie in the lack of job opportunities, but in that of candidates for the large number of vacancies.

A wide variety of resources, such as social resources, cultural resources, spiritual resources and

organizing resources, can bring about numerous job opportunities in the process of being transformed into economic resources. Some new “sunrise industries”, including ecological industries, health industries and especially cultural industries, can greatly expand the employment space. As UNESCO Director-General Irina Bokova pointed out, “Culture has a rich source of income generation and job creation, especially in the present age when we are facing so many difficulties.”¹²

(Translated by Ma Shikui)

¹ Adam Smith, *The Wealth of Nation*. Trans. Yang Chingnien, Taiyuan: Shanxi People's Publishing House, 2011.

² John Maynard Keynes, *General Theory of Employment, Interest and Money*. Trans. Xu Yunan. Beijing: The Commercial Press, 1957.

³ Paul Anthony Samuelson, *Economics*. Trans. Xiao Chen. Beijing: The Commercial Press, 2011.

⁴ Shen Liantao, “Introspection of the Market”, *Caijing*, 2013(3), 41.

⁵ Martin Feldstein, “Presidential Economics”. *China Focus*, 2012 (6), 84.

⁶ John Maynard Keynes, *General Theory of Employment Interest and Money*. Trans. Gan Qiang & Wang Junbo. Changchun: Jilin Literature and History Press, 2010, 19.

⁷ Michael Spence, “The Global Jobs Challenge”. *Caijing*, 2011(2), 71.

⁸ Leften Stavros Stavrianos, *A Global History*(7th ed.). Beijing: Beijing University Press, 2005, 18.

⁹ Ibid.

¹⁰ Wang Jiansong, *Philosophy of Labor*. Beijing: People's Publishing House, 2012.

¹¹ Sun Yungjun, *Research on the Relationship of Chinese Unemployment and Output*. Changchun: Dongbei University of Finance and Economics Press, 2012, 140.

¹² UNESCO Calls for Attention to Cultural Industries. *Reference News* (Cankaoxiaoxi), May 17, 2013, 8.

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