

Chapter 1

Introduction

As the world enters the extraordinary 2020s, it is becoming increasingly important to understand and study a concept called “propriety economics.” The evolving global circumstances and shifts in human perspectives and behaviors underscore the importance of focusing on this concept. As scholars, our task is to explore the academic possibilities and prepare the theoretical groundwork for the field known as propriety economics. We want to have a better understanding of what propriety economics is and how it works. This chapter serves as an introduction to the book, focusing on the basic utility, academic background, and intellectual elements of propriety economics.

1.1 What is Propriety Economics?

Over the past 250 years or so, some Western economists have consciously and unconsciously constructed five bridges to propriety economics under the influence of Aristotle’s virtue of propriety. They include balanced supply and demand in classical economics, equilibrium price in neoclassical economics, evolutionary development in institutional economics, bounded rationality in behavioral economics, and shared value in cultural economics. These ideas demonstrate balance, equilibrium, evolution, limitation, and sharing, which together form the five basic elements and philosophical concepts of propriety economics.

1.1.1 Definition

To expedite readers’ comprehension of propriety economics, the author provides a concise definition, to be further elaborated upon in Section 3, Chapter 5 of this book. Generally speaking, propriety economics by definition aims to study the moderate factors affecting economic

development. This includes the economic theories, methods, policies, and cases that seek the balance of supply and demand, market price equilibrium, institutional evolution, bounded rational behavior, and cultural value sharing. Propriety economics comprises the different effects of three dimensions on economic development: deficiency, excess, and moderation. These three variables are reflected in economic subjects, market objects, and the third parties between the subjects and objects, such as governments, institutions, collectives, corporates, communities, cultures, morals, technology, and international aspects. Propriety economics is crafted to rectify the excessively conservative or overly liberal conduct of economic agents, adjust very interventionist or too permissive government policies, and coordinate the highly unpredictable or extremely stagnant market. In essence, propriety economics aims to establish a framework that incorporates middle-ground, neutral, and mutually beneficial economic resources and mechanisms concerning individuals' rights, government power, and market capital. The goal is to cultivate a balanced, evolving, limited, and collectively shared economic system, contributing to the development of a propriety society.

1.1.2 Ideological Essentials

In addition to the definition of propriety economics, discussing its ideological essentials and thoughts is crucial. Generally speaking, an economic school consists of five major components—philosophies, theories, methods, case studies, and policies—but its thoughts and ideological essentials are the most critical. Only by understanding the true meaning of economic thought can we understand and analyze the characteristics of each economic school more effectively. By drawing on core elements from Eastern and Western philosophy, the author proposes four major concepts—awakening, comprehension, reason, and Dao—as the foundation for the philosophical thought of propriety economics.

All crucial ideas and thoughts begin with an awakening, and this is also one of the essential elements of philosophical thought in general. The ancient Greek philosopher Socrates (470–399 BCE) made a great contribution to the awakening of human consciousness which, according to Socrates, requires at least three key practices—the first of which is questioning. For example, when discussing the concept of happiness with his student Aeschines of Sphettus (425–350 BCE), Socrates asked him 22 times what it meant to be happy.¹ In the process of endless questioning, Socrates was teaching his students that any knowledge could be challenged. Doing so allowed Socrates to nurture students such as Plato (427–347 BCE) who, using a similar methodology, in turn mentored Aristotle (384–322 BCE), who coined the legendary phrase “I love my teacher, I love the truth more.” This approach awakened the spirit of critical thinking among students and encouraged them not to follow their superiors, books, and teachers; instead, they were expected to challenge any mainstream theories and through curious probing, searching, and questioning to continuously innovate philosophies and research methods.

The second practice that can enhance awakening is engaging in constant debates. One of Socrates’ outstanding abilities was to continually clarify and deliver his views through persistent dialogue and debate, highlighting the contradictions of the other side and encouraging opponents to revise their original views and accept his own arguments, thus producing an awakening effect. In particular, he had a habit of inspiring students to reflect through the presentation of paradoxes, such as the famous Meno paradox.² Similar paradoxes appear widely in economic research, which stimulate economists to think, explain, and deal with the confusion and dilemmas they cause.

Enlightening the human mind or exposure to new ideas is the third practice to inspire awakening. Socrates insisted that philosophers represent the light due to their ability to awaken the ignorant and open

people's minds. The allegory of the cave, proposed by his student Plato in his *Republic*, asks people to turn around in a dark cave, be brave enough to get out of the cave instead of settling for the status quo and clinging to the comforts of tradition, and welcome the choice of light and freedom.³ But the more profound meaning of this cave metaphor is that human beings need to constantly turn around, shift directions, change perspectives, and improve their minds. Moreover, this change, physical or intellectual, does not necessarily follow a linear direction; it does not go from darkness to light and then to greater light. Instead, it may move in a circular motion from darkness to light and then back to darkness. Obviously, this repetition is not a simple recurrence but a dialectical selection that involves negating the negation. This is precisely the triangular paradigm and cyclical thinking that is emphasized in propriety economics (see Section 2, Chapter 6 of this book).

Beyond awakening, comprehension stands as the second significant element in philosophical thought and serves as a key indicator of the transition from awakening to the next level of understanding. The Socratic awakening is the starting point of human thinking, while the Eastern way of thinking helps to inspire comprehension and enhance enlightenment. Primarily, the enlightenment of the mind and heart constitutes the initial facet of comprehension. Confucianism suggests following one's heart to enlighten one's mind, while Zen Buddhism promotes enlightenment through heightened awareness of the environment. Thus, the idea of enlightenment is important in traditional Chinese culture. The second part of comprehension is consciousness designed to discover the directions and fundamentals of thought by understanding phenomena thoroughly. Only through consciousness can we enhance awareness, observe the world, and reach thought. In addition, comprehension requires understanding which refers to the breadth and depth of knowledge. It also requires analyzing profound principles and complex phenomena to grasp the mysteries of life and solve puzzles effectively. Certainly, comprehension and penetration form the bedrock of enlightenment, capable of elevating

human understanding from the superficial to the profound, from the external to the internal, and from the imaginary to the tangible.

Therefore, in the realm of cognitive processes, awakening without comprehension signifies a deficiency in both awareness and understanding. Similarly, merely grasping a concept without integrating it into one's broader understanding results in partial or incomplete comprehension. Consequently, understanding the features of major economic schools becomes imperative for developing one's distinctive perspectives and methodologies.

The third portion of philosophical thought is the reason aimed at integrating the various elements of awareness and comprehension to arrive at a rational conclusion, which in turn requires the ability to deduce and generalize from the abstract. Reasoning, encompassing both induction and deduction, prioritizes rationality. The classical school of economics emphasizes full rationality and is good at using empirical and experimental methods to clarify and rationalize the causes and consequences of economic behaviors while rejecting prejudice and extremes. Yet, in practice, achieving rationality has proven challenging for humanity, as irrational, extreme, and absurd rhetoric and actions often stem from a deficiency in reason. Thus, the ideas of propriety and moderation are important concepts to support reason, which also favors logic. Western logic advocates the absolute nature of regular patterns, which opposes speciousness. It also embraces the law of non-contradiction, in other words, nothing contradictory can be in simultaneous coexistence. Moreover, Western logic is more inclined to exclude the middle. If A is true, then non-A is false. There is no possibility of half-truths and half-falsities, and everything must be clear-cut without a hazy middle between black and white. Logic is a way of thinking to make a clear, precise judgment, focusing on organized certainty to oppose the specious, ambiguous, and self-contradictory. Science is another key driving force for promoting reason. The essence of science is discovery, not invention, and one of the major purposes of science is to discover the laws of

existing phenomena.⁴ As such, scientific exploration and technological innovation exhibit distinct characteristics. Needham's Grand Question probed into the reasons behind the predominant development of modern sciences in Europe rather than in China. It is noteworthy that the achievements of ancient China, commonly referred to as the four great inventions, were not scientific revelations but rather advancements in technology.⁵ Although it is inventions that are responsible for changing the world, the real driving force for understanding the world comes from discovery. Thus, discovery is the prerequisite for invention, and science is the foundation of technology. Notably, rationality, logic, and science are the foundations of established economics, but the lack of rationality, logic, and science in economic reality thrives. This contradiction between theory and reality has allowed for the emergence and development of propriety economic thought, which is designed to balance empirical science and experimental science, economic theory and objective reality, conservative thinking and radical behavior, and government intervention and the free market.

Furthermore, the Dao is the fourth critical ingredient of philosophical thought in addition to awakening, comprehension, and reason. One must establish reason before attaining the Dao, and to attain the Dao, one must first grasp reason.⁶ Although reason is important relative to the Dao, reason is simpler, more straightforward, and clear-cut. The concept of the Dao contains human wisdom and thought other than knowledge and theory. Moreover, the reasons for different things vary, but the Dao applies to all things with its shared universality.⁷ Generally speaking, the Dao can initially be comprehended through its metaphysical nature. English speakers are unable to find a suitable word to translate the Chinese word "Dao" and can only use pinyin (*Dao* or *Tao*) as a substitute. After evolving from a philosophy into a religion, Daoism has been developed with metaphysics, thus rendering it even more difficult to explain. For instance, the concept of good fortune emerging from adversity or that of the latter existing within the former signifies a theory of dialectical transformation and metaphysics, lending support to the equation "A is B and B is A."⁸

In fact, the Dao is rooted in the philosophical wisdom which shaped Chinese economic development. All axioms, principles, theories, and philosophies may obey the Dao. In particular, the Dao in part means nature. The *Dao De Jing (Tao Te Ching)* persuades us that the Dao is the ultimate way. The Dao mainly refers to the laws of nature and the origin of the universe, and seeks to be calm and harmonious because life is short but nature is eternal. The author believes that economic principles are fundamentally derived from or connected to the inherent laws that govern how markets function. In other words, economic practices should align with the natural laws of the market economy while avoiding extremes or imbalances.

Therefore, economists need to know and understand the Dao and apply it to economic thought and theory to guide economic practice and policy. The philosophy of propriety benefits not only from Confucius' moderation but also aligns with the Daoist principles of harmony, dialectics, and non-interference. These ideas encompass economic concepts like laissez-faire, governing through non-action, and the government not competing with the people for profit.⁹

In short, the function of awakening in Western philosophy is conducive to innovation; the emphasis on comprehension and enlightenment in Eastern philosophy facilitates learning. At the same time, while reason in Western philosophy promotes scientific approaches, logic, and science, the Dao in Eastern philosophy prefers dialectical thinking and returning to nature. The mission of propriety economics is to integrate and intersect the four elements of thought, combining the role of completed awakening, thorough comprehension, scientific reason, and the natural Dao in a creative synthesis that maximizes the appeal of economics. Although the various schools of economics are vast, in fact, economic philosophy, ideology, and thought often determine economic theories, methods, models, and policies. Many legendary economists were thinkers first and economists second, and indeed, they were economists with innovative thoughts.

1.2 Why Study Propriety Economics?

It is imperative to clarify the objectives, significance, and necessity of delving into propriety economics when constructing a research framework for this field. This approach aids scholars in shedding light on the discipline's contextual background, its relevance to human needs, and the academic groundwork required for its development.

1.2.1 The Contemporary Imperative

In the 21st century, our world has transitioned into an era characterized by volatility, uncertainty, complexity, and ambiguity, often referred to as the VUCA era.¹⁰ Especially after the global financial crisis in 2008 and the COVID-19 pandemic, human beings have experienced unwanted unrest, improbability, complexity, and chaos. In such adverse situations, the human mind is prone to polarization, changing from one viewpoint to another, and becoming either helplessly panicked or having “thrown up its hands and backed away.”¹¹ Consequently, unscrupulous politicians may sow discord, incite confrontations, and escalate conflicts for personal and partisan gains. The public may sometimes blindly follow such radical, misleading actions by politicians and the media. This will lead to upward and downward, left and right, and internal and external forces pushing, fueling, and increasing the speed and extent of negative feedback effects. Nationalism, populism, racism, authoritarianism, and other fundamentalist ideologies have started to gain prominence, leading to societal polarization and extreme behaviors. This has resulted in a collective loss of reason and sanity. Recurring occurrences of such phenomena have been witnessed both pre- and post-World War I and II. Cold wars, economic crises, as well as natural and man-made disasters have gradually become commonplace throughout history.¹²

In facing such difficult, uncertain, and high-risk situations, economists need to take care to prevent an overheated economy (bubble) or an overly cold market (depression) and to explore propriety economic philosophy, theories, methods, and policies to explain and deal with

the issues at hand. All these dilemmas of the times show the necessity and urgency of supporting rational, moderate, and appropriate minds and behavior.

1.2.2 The Demand for Humanity

Starting with Confucius (551–479 BCE) in China and Aristotle (384–322 BCE) in Greece, human society has been pursuing moderate and propriety ideas systematically for more than 2,500 years. Since then, numerous sages and scholars have tried to go beyond the masters of the Axial Age,¹³ and many state policymakers have continued to practice the philosophy of the middle way and moderation in the hope of preventing economic crises. Beginning with Adam Smith (1723–1790), the idea of propriety was gradually presented and interpreted in a piecemeal but unsystematic manner in Western economics. Meanwhile, propriety economic concepts were validated and expanded by various theories in the humanities, social sciences, and natural sciences.

However, recognizing moderation is difficult, and acting on it is even more challenging because going to extremes and capitalizing on polarization often make the process of human choice simple, easy, and efficient, without the need to struggle for middle choices, repositioning, and self-correction. Furthermore, the voice of polarization tends to be more distinct, explicit, and fervent, thereby enabling the creation of potent rallying power and collective impact. In addition, for most people it is hard to avoid left and right bias, conservative and liberal extremes, selfishness, and narrow-mindedness, which makes it even more difficult to maintain long-term cooperation and continuous moderation in reality. As a result, inflation or depression caused by human greed and supply-demand imbalances have been a common issue for the world economy for more than 200 years. During the 2020–2023 global pandemic, some leaders were slow to react and missed the best window for the prevention and treatment of the new virus. Others panicked and overreacted, locking down cities, roads, and buildings, and completely shutting down

the economy. Moreover, as the pandemic waned, certain individuals promptly returned to their work and school routines, inadvertently triggering a fresh surge in infections. Conversely, there were those who found a selfish satisfaction in the crisis affecting others, observing the turmoil from a distance. This group often evaded their responsibilities, resisted wearing masks, and opposed the practice of social distancing. All of these reflect the lack of humanity in the face of disaster either taking the form of deficiency or excess. While discussing moderation during a catastrophe might be perceived as somewhat insensitive by some, it is undeniably advantageous to contemplate this aspect. Such reflection can significantly enhance our ability to respond effectively to future crises.

Both theory and reality confirm that a substantial number of individuals are open to embracing middle-ground and moderate policies. However, it is infrequent for moderation to emerge as the unanimous choice for everyone, turning it into a challenging aspiration. Perhaps, many individuals pursuing moderation lack the fervor of Don Quixote and demonstrate less passion and persistence compared to religious preachers. Many individuals of ordinary nature favor the use of rational discourse and moderate actions to uphold the concept of propriety. However, they often find themselves sidelined and disregarded amidst the impassioned appeals of both left and right ideologies, at times yielding to irrationality and excess driven by minority influences. Consequently, the pursuit of answers should delve deeper into the realms of human nature, transcending the boundaries of diverse cultures, races, nationalities, social strata, systems, and political affiliations.

Today, the study of the interpretations and interactions surrounding the concept of propriety within economics holds profound significance. It serves as a means to rectify the extremes inherent in economic policies, mitigate imbalances in supply and demand markets, and foster the betterment of human behavior. As long as the inherent weaknesses of human nature persist, the notion of moderation remains relevant. As