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# The influence of Buddhism on accounting in medieval China

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**UNIVERSITY OF  
WOLLONGONG**



**School of Accounting, Economics & Finance**

**The influence of Buddhism on accounting in medieval China**

**Michelle Yang Hong**

**"This thesis is presented as part of the requirements for the award of the  
Degree of Doctor of Philosophy of the University of Wollongong"**

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## **ABSTRACT**

The ‘alternative accounting’ movement since the mid-1970s inspired and enabled this study: to challenge the notion that accounting is value free and to understand accounting as a social and organisational practice. This study examines the relationship between Buddhism and accounting in historical China. Buddhism is a system of thought native to the Indian sub-continent and was introduced to China via the Silk Road. Buddhism, together with the mercantile spirit it brought, encountered, adapted to and conquered China. As a result, both were transformed. Buddhism became a force at all levels and in all spheres of society – culturally, politically and economically. Being interwoven into the social and historical fabric, accounting was inevitably influenced by this movement. Buddhist monasteries, being new institutions, brought a new rationale for the application of accounting and created a new rhetoric of accounting. Being reflective, monastery accounting reflected the unique environment in which it operated. So, the monastic accounts are a new ‘window’ enabling us to see a period of history: people and society – how they lived and how their lives revolved around the monasteries. Being constructive, monastery accounting as an integral part of the movement of Buddhism constructed a more complex notion of ownership, a central idea in accounting. Farmland, the most vital holding in an agrarian society, was transformed from a possession to use into a possession to exchange. This transformation led to a major tax reform, which subsequently entailed a change in accounting measurement in government accounting practice.

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## TABLE OF CONTENTS

ABSTRACT.....	i
ACKNOWLEDGEMENTS .....	ii
TABLE OF CONTENTS .....	iii
LIST OF FIGURES .....	viii
KEY DATES.....	ix
CHAPTER 1 Introduction.....	1
1.1    An interdisciplinary and critical historical enquiry.....	3
1.2    Structure of this study .....	6
CHAPTER 2 Theory and methodology .....	11
2.1    What do I hope to achieve?.....	11
2.2    What new knowledge am I introducing? .....	12
2.3    How am I going to do this? .....	13
2.3.1    Buddhism .....	13
2.3.2    Buddhism coming to China.....	15
2.4    What theoretical framework for this study?.....	21
2.5    Motivations of this study.....	23
2.5.1    Personal feeling – a start .....	23
2.5.2    Why Buddhism and accounting .....	24
CHAPTER 3 Religion, accounting and China: Previous studies.....	27
3.1    Introduction .....	27
3.2    Religion and accounting.....	27
3.2.1    Accounting as a situated practice .....	28
3.2.2    Influences of religion in accounting.....	44

3.3	Accounting history in China: The influences.....	59
3.3.1	Implicit argument.....	60
3.3.2	Explicit argument and Confucianism.....	64
CHAPTER 4 The early background .....		76
4.1	Introduction.....	76
4.2	Buddhism: Emergence, development and spread .....	76
4.2.1	Theravada Buddhism: The doctrine of elders .....	78
4.2.2	Mahayana Buddhism: The greater vehicle.....	79
4.2.3	The role of Central Asia in the development of Mahayana Buddhism..	80
4.3	China: The geographical setting .....	81
4.3.1	Boundaries .....	82
4.3.2	River divisions .....	83
4.3.3	Mountain barriers .....	87
4.4	The Han Dynasty.....	88
4.4.1	Historical background .....	90
4.4.2	Society and economy .....	96
4.4.3	Ideas – Political and religious .....	103
4.4.4	Imperialism – Relationship with ‘others’ .....	113
4.5	Accounting in China prior to Buddhism .....	120
4.5.1	The words for accounting 會計.....	120
4.5.2	Accounting in the <i>Zhouli</i> 周礼.....	122
4.5.3	Accounting related laws and regulations .....	125
4.5.4	Accounting inscribed on wooden strips .....	125
4.6	Conclusion .....	127

CHAPTER 5 The coming of Buddhism .....	129
5.1 Introduction .....	129
5.2 The social transformation.....	130
5.2.1 Social transformation at the intellectual level.....	133
5.2.2 Social transformation at the political level.....	136
5.2.3 Social transformation at the institutional level .....	139
5.3 Buddhism, monasteries and economy.....	142
5.3.1 Constructing monasteries – The effect on the economy .....	143
5.3.2 Monasteries – The economic player .....	144
5.3.3 Inexhaustible treasuries.....	146
5.4 Accounting in the monasteries: A brief glance .....	149
5.4.1 Monastic property management and public accountability .....	150
5.4.2 Accounting thought.....	151
5.5 Conclusion .....	152
CHAPTER 6 Monastery accounting – Monastic discipline and government control	
.....	154
6.1 Introduction .....	154
6.2 Monastery accounting – When did it begin?.....	155
6.3 Accounting in monastic discipline .....	158
6.3.1 A system of monastic administration.....	162
6.4 Accounting in government regulation of Buddhism.....	169
6.4.1 The system of government: Confucian institutions .....	170
6.4.2 The challenges from Buddhism .....	174
6.4.3 Making Buddhism ‘governable’ .....	176
CHAPTER 7 Accounting as storytelling – Monastic revenue.....	183



7.1	Introduction .....	183
7.2	Lands, industrial installations and the servile population .....	185
7.2.1	Lands .....	185
7.2.2	Industrial installations .....	187
7.2.3	Servile population .....	187
7.2.4	Servile population and monastic revenue .....	190
7.3	Common people .....	192
7.3.1	Agricultural loans to free peasants .....	193
7.3.2	Common people as patrons .....	194
7.3.3	Festival celebrations.....	196
7.4	The wealthy people .....	198
7.4.1	Accountinglessness .....	200
7.4.2	A new loan instrument .....	204
7.5	Conclusion .....	205
CHAPTER 8 Constructing a Buddhist notion of ownership within monasteries ....		206
8.1	Preamble.....	206
8.2	Introduction .....	208
8.3	Monasticism .....	209
8.4	Language .....	211
8.4.1	The impure and pure-men .....	212
8.4.2	The three jewels .....	213
8.4.3	The permanent.....	214
8.4.4	The property of the <i>sangha</i> .....	214
8.4.5	The property of the Buddha .....	217
8.4.6	Light goods and heavy goods.....	218

8.5	Auction sales .....	219
8.5.1	The Indian origin.....	220
8.5.2	The essential features .....	224
8.5.3	The recording and the records.....	227
8.6	Conclusion .....	228
CHAPTER 9 Buddhism constructing private ownership of farmland.....		233
9.1	Introduction .....	233
9.2	Land and its ownership – A traditional view .....	234
9.3	Monasteries becoming major landowners.....	237
9.4	Farmland becoming a commodity – Private ownership.....	240
9.5	The tax reform of 780 .....	244
9.6	Conclusion .....	248
CHAPTER 10 Conclusion .....		249
10.1	Introduction .....	249
10.2	Contributions and limitations.....	250
10.3	Contextualising the influence of Buddhism in accounting .....	252
10.4	New rationale and new rhetoric of accounting .....	254
10.5	Monastic accounts being a new ‘window’ to see.....	256
10.6	A more complex notion of ownership.....	259
10.6.1	Constructing a Buddhist notion of ownership within monasteries ..	259
10.6.2	Constructing private ownership of farmland .....	260
REFERENCES.....		263

## LIST OF FIGURES

Figure 1: Map of modern China.....	83
Figure 2: Map of loess land.....	85
Figure 3: Map of China – the Warring States .....	91
Figure 4: Map of China – the Han Dynasty .....	92
Figure 5: Map of the Silk Road.....	117
Figure 6: Map of China – the 3rd century.....	134
Figure 7: Map of China – the 5th century .....	139
Figure 8: Map of China - the Tang Dynasty .....	173
Figure 9: P. 2638a .....	230
Figure 10: P. 2638b .....	230
Figure 11: P. 2638c .....	231
Figure 12: P. 2638d .....	231
Figure 13: P. 2638e .....	232

## KEY DATES<sup>1</sup>

ca. 500 B.C.	Lifetime of Sakyamuni Buddha
551 – 479 B.C.	Lifetime of Confucius
481 – 221 B.C.	THE PERIOD OF WARRING STATES
ca. 386 – 286 B.C.	Lifetime of Zhuangzi
221 – 206 B.C.	THE QIN DYNASTY
206 B.C. – A. D. 221	THE HAN DYNASTY
A. D. 65	Earliest mention of the Buddha in a Chinese document
220 – 280	THE PERIOD OF THREE KINGDOMS
ca. 311	Chinese lost the north to the ‘barbarians’
386 – 534	THE NORTHERN WEI DYNASTY
399 – 414	Faixan’s travels to India and back to China
402 – 425	4 Indic <i>vinaya</i> translated into Chinese
485	The ‘equal-fields’ system of land distribution and taxation introduced by the Northern Wei
mid-6th c.	The first suppression of Buddhism
581 - 681	THE SUI DYNASTY (unified China)
618 - 907	THE TANG DYNASTY
755 - 763	An Lushan rebellion
780	Tax reform: the ‘two-tax’
838 – 847	Japanese monk Ennin’s travels in Tang China – witnessed the second suppression of Buddhism
960 – 1276	THE SONG DYNASTY
mid-10th c.	The third suppression of Buddhism

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<sup>1</sup> I choose the system of Before Christ (B.C.) instead of Before the Common Era (BCE). Both systems set a year – the same one – as a base to count years in a chronological order. There is no meaningful difference between these two systems except words. If my non-Christian background made me feel uncomfortable with the former, I would have felt equally uncomfortable with the latter (i.e. why does the common era have to start from that particular year? I do not feel I share any common ground with this choice). We are stuck with a way of sorting out years in a linear chronological order, to change the words does not change anything, like it or not, it has become the way and this is history.

## CHAPTER 1 INTRODUCTION

This is an historical enquiry into the relationship between Buddhism and the development of accounting in China. These questions are asked: was there a relationship and if so, what was it? That is, did Buddhism influence accounting, and if so, how did it influence accounting? What were the influences?

Buddhism is still a rarely explored topic within the accounting discipline. So far, there are only a handful of studies that have been carried out to examine accounting in the context of Buddhism (see Constable & Kuasirikun 2007; Kuasirikun & Constable 2010; Liyanarachchi 2009). Gao and Handley-Schachler (2003, p. 48) found that “although China has many splendid temples and innumerable religious classics, it is difficult to find valuable commercial and accounting materials” in their search for the influence of Buddhism in accounting in China.

In China, the accounting documents that belonged to the Buddhist monasteries in the ninth and tenth centuries in Dunhuang have been of academic interest since the 1980s (for example: Ming 2008; Gong & Wen 1997; Wang 2004; Yang 1986).<sup>2</sup> In more recent years, accounting historians have also begun to examine these documents (for instance: Chen 2012; Chen & Peng 2011; Chen & Tan 2009; Chen & Wu 2011; Zhu 2011). Undoubtedly these studies have enhanced our understanding of these documents, the use of accounting in Buddhist monasteries in those centuries

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<sup>2</sup> Dunhuang is a small desert town in Gansu Province but with historical significance. It was strategically situated on the Silk Road, the ancient Eurasian trading routes.

and accounting history in China in general, but as historical enquiries, they ‘suffer’ in one respect. They have been limited to one understanding and interpretation of history: the existence of the idea of a continuous China and that of progressive history (for instance Guo 1982, 1988, 1999, 2004, 2008). It is difficult for a researcher of any discipline to carry out her or his work under a theoretical framework other than the Marxism that is defined by the Party (for example see Ming 2008; Yang 2009). Without this constraint, this study interprets Chinese (accounting) history alternatively, demystifying some of the ‘myths’ (Gernet 1962; Standen 2013).

Asking rarely asked questions and taking an alternative approach are the significant features of this research. They have brought me challenges, especially as a PhD study; meanwhile, they have given me freedom wandering through the intellectual wilderness (Loft 2004).

This research is personal. It is an indulgence for me, engaging in a PhD study, to unravel some puzzles that I have had since childhood, such as, why does an academic of any discipline swear allegiance to Marxism? What is the ‘problem’ of Confucianism (in reference to the anti-Confucianism campaign in the 1970s in China)? What is the inherent strength of Chinese feudalism (in reference to the dominant claim that Chinese feudalism was more mature than other forms of feudalism elsewhere)?<sup>3</sup>

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<sup>3</sup> An example of this claim can be found in Xu & Wu (2005) in their explanation of why an embryonic Capitalism did not develop in China like that in Europe.

Yet, this research echoes a current interest in accounting history academia. There has been a yearning for different stories about accounting history and for alternative angles to examine this history (Carmona & Zan 2002; Gaffikin 1998, 2011; Merino 1998; Miller et al. 1991; Walker 2005; Zan 2004). Buddhism and accounting are still two seemingly very distant themes. So, the interest expressed in my study was overwhelming and encouraging when I presented an early stage of this research at the 13th World Congress of Accounting Historians in Newcastle upon Tyne in 2012.

### **1.1 An interdisciplinary and critical historical enquiry**

This historical enquiry is interdisciplinary. Large amounts of both primary and secondary literary sources of various disciplines are surveyed in this study. Primary sources include the Buddhist monasteries' economic and accounting documents that were discovered in Dunhuang dating to the ninth and tenth centuries,<sup>4</sup> historical Buddhist texts, for example treatises on monastic discipline and travel diaries written by monks (see chapter 6),<sup>5</sup> and classical Chinese texts, for instance the *Zhouli*, *The Rites of Zhou* (see chapter 4 section 4.4.2).<sup>6</sup>

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<sup>4</sup> These documents are scattered in museums and libraries in Britain, France, Russia, India, China and Japan but they are accessible via an online database, The International Dunhuang Project (2014).

<sup>5</sup> These can be accessed online via the Chinese Buddhist Electronic Text Association (2014).

<sup>6</sup> These are also accessible online via the Chinese Text Project (2014).

Secondary sources include literature from archaeology, for example Stein (1921)<sup>7</sup> and Tang and Lu (1986), literature from the specialised Dunhuang Studies, such as Fraser (2004), a study of Buddhist wall painting but with information on how artists and artisans were organised and remunerated through monasteries, and literature from Buddhology, for instance Yifa (2002) and Zhanru (2011). Yifa, as a modern educated nun, undertook her PhD in America translating and annotating a twelfth century work of monastic discipline, the *Chanyuan qinggui*. Zhanru is a modern educated monk and completed his PhD in Japan examining Buddhist monastic rituals and discipline in Dunhuang. Both of them ‘accidentally’ explained how accounting functioned in Buddhist monasteries in medieval China.

This historical enquiry is interpretive (Collingwood 1946; Iggers 2005; Gaffikin 2011; White 1973, 1999). Chinese cultural history is read hermeneutically (Willmott 1983; Pfisher 2006). Being antiquarians, Confucians had become the authority in the writing of history. So, inevitably we receive the version of history through their eyes (Twitchett 1966; Twitchett & Fairbank 1979). Confucian historians had developed and established the concept of a continuous China in legitimising the succession of dynasties. This view of history has been largely sustained since the early twentieth century with the end of dynastic China as it has suited the flow of ideologies.<sup>8</sup> In

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<sup>7</sup> This book itself has become a collectable item but luckily can be accessed via the Digital Archive of Toyo Bunko Rare Books, the Digital Silk Road (2014).

<sup>8</sup> Alternative views have begun to emerge within Chinese circles in more recent years, for example, Taiwanese anthropologist and historian MK Wang’s work, *Qing zai Han Zang zhijian* (*The Qiang between the Chinese and the Tibetans*), was published in mainland China in 2008, giving a voice to one of the marginalised ethnic groups, the Qiang, and constructing a history from its point of view. Another work of his discussed the concept ‘who are the Chinese’ (Wang 1997), which was also published in the mainland in 2006.



this study, the concept of China is taken to be ever changing and under construction. The people who considered themselves or were considered by others to be Chinese were different over the centuries and so were the areas that could be called China.<sup>9</sup>

However, I have to rely on the words ‘China’ and ‘Chinese’, implying a sense of static existence, to express my ideas about them being ever changing and under construction. This leads to the inherent ‘problems’ with language and translations in this historical enquiry. Dunhuang archival documents are often fragmented and texts in classical Chinese often require expert knowledge to comprehend. So, I need to rely on the groundwork carried out by social historians, their reading and sorting of the ancient scripts (for example Han 1986; Tang 1997).

Gernet (1956) remains the most influential and significant work in the study of Buddhism in the economic history of medieval China, but the original work is in French, so I have to read it through translations, both in English and Chinese. Although both are translations from the French, they have become very different books (Gernet 1995, 2004). The colour of language is very different. Therefore, the contribution that Buddhism made to economic history is expressed with different degrees of clarity and emphasis. The book title itself in Chinese, *Monastery economy in China: From the fifth to the tenth centuries*, suggests the scope of this work is smaller and narrower compared to that in English, *Buddhism in Chinese society: An economic history from the fifth to the tenth centuries*. When the work of the authority in sinology, Twitchett, is translated into Chinese, for example, *The*

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<sup>9</sup> Disputes over territories and over who should be under the flag of China (and even which China) are still present.

*Cambridge history of China: Volume 3, Sui and Tang China 589-906* (Twitchett 1990; Twitchett & Fairbank 1979), the Confucian bias that Twitchett and his colleagues have tried to sieve through is brought back. These take us back to the issue of understanding history (and of role of religion in history) under different theoretical frameworks. Being an interpretative historical enquiry, this study acknowledges this problematic attribute of language.

## **1.2 Structure of this study**

This study begins with a review of previous studies (chapter 3). Buddhism is a religion and religion is an aspect of culture. So, this review aims at teasing out two issues: one is whether a religion relates to accounting, and if so, how it relates to accounting. The other is what has influenced the development of accounting in social and cultural terms in China. In terms of the relationship between religion and accounting, the literature reviewed can be grouped into the following two aspects: one is that the practice of accounting and the interpretation of accountability reflect the values of religion when accounting is situated in either a religious institution or society, and two is that religion has been influencing the development of accounting. Overall, most of the literature focuses on the first aspect. In addition, the majority of the research has focused on the Judaeo-Christian tradition. In terms of cultural and social influences in the development of accounting in China, some arguments have been more explicit than others with Confucianism emerging from the literature review as the primary focus of examination.

Buddhism came to China at the beginning of the Christian era. So, after the review of existing literature, this study moves to establish some background understandings of Buddhism and of China (chapter 4). Buddhism began in the sixth century B.C. at the foot of the Himalayas in India and has developed since. It does not have a united single tradition but is diverse and has a rich history (Bechert & Gombrich 1984; Harvey 1990; Zurcher 1962). It is important to know at what stage of its development and by what routes Buddhism travelled to China, as these inform us as to what versions of Buddhism encountered China and why those particular versions had the most impact on Chinese society. In terms of the background understanding of China, these following questions are clarified: what was China like? What had China gone through to become this China? How did the Chinese organise their lives? What was their thinking? Did the Chinese use accounting, and if so, what was the accounting like? How did the Chinese see themselves in relation to others (as they were about to know Buddhism, a foreign system of thought)?

This study then moves on to provide a broader picture of how Buddhism interacted with and adapted to as well as influenced and transformed China from the third to the tenth centuries (chapter 5), in order to contextualise the influence of Buddhism in accounting (the main theme of this thesis). Buddhism transformed China socially, politically and institutionally (Ch'en 1964; Demieville 1987; Hurvitz & Tsai 1999; Hurvitz et al. 1999; Kieschnick 2003; Liu 2008; Zurcher 2007). Buddhism had a significant impact on the economy and Buddhist monasteries were influential economic players (Gernet 1995; Huang 1989; Walsh 2010). Monasteries used accounting in managing their financial affairs and some monastery accounting

documents have survived today mainly dating to the ninth and tenth centuries (Tang & Lu 1986; Tang 1997).

After outlining this broad context, this study advances to its main theme: how Buddhism influenced accounting and what the influences were. My argument is formed into three strands. The first one is that Buddhist monasteries, being new institutions, brought a new rationale for the application of accounting and created a new rhetoric of accounting (chapter 6). Accounting is more than a technique. It can be used as a way to govern, control and discipline in a Foucauldian sense (Foucault 1977; Miller & O’Leary 1987). Monastery accounting practice in medieval China was driven by monastic discipline and imperial government control.

The second strand is about (monastery) accounting being reflective, reflecting the environment in which it operates (Hines 1998; Hopwood 1989). The monastic accounts from Dunhuang of the ninth and tenth centuries are a ‘window’ enabling us to see that period of history: people and society – how they lived and how their lives revolved around the monasteries (chapter 7). In this chapter of accounting as storytelling, monastic revenue is selected as a lens to see the poor and the wealthy who, despite their differences and separate lives, all related to and interacted with monasteries, one way or another.

The third strand is around the issue of Buddhism constructing a more complex notion of ownership, central to accounting. Buddhism (or the broader movement of Buddhism) included monastery accounting, hence (monastery) accounting being constructive. This construction is illustrated with two steps. First, there was a

construction of a Buddhist notion of ownership within monasteries (chapter 8). Monasteries were old and sophisticated institutions with founding and governing laws but they were new in China. Their accounting practice introduced a new sense of having a stake in something, which often gives rise to the need to record in the first place. Rules of ownership were laid down by monastic laws, which were fundamental and instrumental in making and forming a particular notion of ownership. These rules were implemented via various mechanisms and two particular mechanisms are discussed – language and the auction sale – in order to demonstrate this construction within monasteries.

The second step is that when this construction was projected to the world beyond monasteries, it engendered the development of private ownership particularly that of farmland, the most vital holding in an agrarian society (chapter 9). For a long period in medieval China, the ownership of farmland was blurred because of the socio-political structure and the economy. Buddhism came and Buddhist monasteries became influential landowners. This movement of Buddhism transformed this structure and this economy and shaped farmland from a possession to use into a possession to exchange. Monastery accounting, as an integral part of this movement, played a role in this transformation. This commodification of farmland became so widespread that the imperial government finally recognised this *de facto* private ownership by reforming its system of taxation. This recognition subsequently led to a change in accounting measurement in government accounting practice.

In conclusion, I have introduced the research questions, highlighted the significant features of this study and summarised the overall structure of this thesis. The

following chapter (chapter 2) further explains my approach and answers some 'big picture' questions. What do I hope to achieve? What new knowledge am I introducing? How am I going to do this? What is the theoretical framework for this study? What is the motivation for this study? Why do I study Buddhism and accounting?

## CHAPTER 2 THEORY AND METHODOLOGY

### 2.1 What do I hope to achieve?

Accounting's power is often disguised by its numerical/quantitative appearance – its apparent neutrality. In fact, it is not simply a neutral technical device. Accounting is partial. Only certain information is filtered through the 'counting' process. Accounting is value laden. Value judgement is hidden in the process of assessing what to include and exclude. Accounting can only be understood in a more fruitful way when this understanding is woven through the societal and cultural context in which it operates (for example see Miller 1994; Miller & O'Leary 1987; Morgan 1983; Morgan & Willmott 1993).

Accounting and culture, society and history are intertwined. Culture, society and history influence accounting in its formation and development; meanwhile, accounting influences culture, and society by its emphasis on certain elements in life (for example see Hopwood 1989; Lowe & Tinker 1989).

The alternative accounting movement has been strongly advocating this view of accounting since the mid-1970s, and this is best demonstrated in its vast and rich literature. My aim is to make a further contribution to this non-mainstream accounting literature from a unique perspective: Buddhism and accounting in China.

History helps understanding. History of accounting helps understanding the discipline. This is a study of accounting history. Buddhism came to and settled in

China as a foreign faith initially but eventually blended into Chinese society. In the process of gaining its Chinese identity, it influenced the society, the way people thought and lived. This influence was dramatic and remarkable. Accounting did not (and does not still) exist in a vacuum. The development of accounting could not have escaped from this important episode of social and cultural transformation.

## **2.2 What new knowledge am I introducing?**

The influences of culture in accounting have been studied from various aspects (for example see Gray 1988; Sihag 2004; Vollmers 1996). The influences of religion in accounting and how accounting was used in religious institutions have been examined by many researchers (for example see Booth 1993; Carmona & Ezzamel 2007; Irvine 2005; Laughlin 1988; Moerman 2008). However, there has been very little research on Buddhism and accounting. Liyanarachchi (2009) is an exception. He has studied some accounting and auditing practices of Buddhist monasteries in Sri Lanka from the ninth to the eleventh century A.D.

A similar situation exists in the literature of accounting in China. Although the influences on accounting in China have been explored by many researchers (for example see Aiken & Lu 1993a, 1993b; Chen 1998; Fu 1971; Lin 1992; Zhao 1987), there has been almost no research on Buddhism and Chinese accounting, except a not very successful attempt made by Gao and Handley-Schachler (2003). They have tried to include the influences of Buddhism among Confucianism and Feng Shui in their study of Chinese accounting.



So, this is a virgin land. A huge knowledge gap exists in the understanding of Buddhism and accounting. As a pioneer in this area of research, I am going to examine one question, that is, the influence of Buddhism on accounting in Medieval China. I will examine how accounting was practiced and accountability was interpreted in Buddhist monasteries including the replacement of the three-column by the four-column balancing method. I hope this new knowledge will contribute towards the understanding of this discipline by appreciating from where it came and how it became what it is today in that particular part of the world.

### **2.3 How am I going to do this?**

In order to understand of the influences of Buddhism on accounting in Medieval China, a few key areas of knowledge will be explored. The first one is Buddhism: what it is, its main beliefs, and its origin and development. The second one is the influence of Buddhism in Chinese society. An examination of pre-Buddhist China will be included in this section. Then, a specific area is going to be explored: the concept of time in a Chinese mind, what changes Buddhism brought to the concept, and how these are reflected in accounting. Finally, I am going to look at how accounting was practiced and how accountability was interpreted in monasteries.

#### **2.3.1 Buddhism**

A thesis about the influences of Buddhism on accounting surely needs to illustrate what Buddhism is, how it started in the sixth century B.C. and developed since. Like other religions, it does not have a united single tradition. It is diverse and has a rich

history. Its founder, Shakyamuni, might not even fully recognise Buddhism today as the beliefs that he established. Buddhism is influenced and conditioned by different cultures and histories wherever it expands and in turn it leaves its own great imprint.

Buddhism emphasises human endeavour and emancipation. Every person is believed to be capable of achieving her or his own enlightenment (Pali: *nibbana*; Sanskrit: *nirvana*). As the first teacher of Buddhism, Shakyamuni, claimed to be no more than a simple human being. He taught that an individual's enlightenment depends on her or his own realisation of truth but not blind faith (Kalupahana 1975; Rahual 1974).

In particular, it is important to know at what stage of its development and by what route Buddhism travelled to China. These inform us as to what versions of Buddhism and why those particular versions had the most impact in Chinese society. It is those traditions of Buddhism that were absorbed and blended with contemporary Chinese thinking to form a new school of tradition.

It was around the beginning of the first century that Buddhism was introduced to China. Buddhism developed in the Ganges valley but travelled through central Asia then arrived in the Far East. The main path was from Kashmir, northwest over the Hindukush, then northeast to central China and further east as far as Nanjing.

### 2.3.2 Buddhism coming to China

#### 2.3.2.1 Pre-Buddhism Chinese culture and society

The second key issue for this study is Chinese culture and society. As just mentioned, certain versions of Buddhism came to China and were then eventually accepted by the new land and its people. In this process, contemporary Chinese thinking was integrated with Buddhism. The success of Buddhism in the new land was because of this integration. For this reason, Chinese culture and society will be explored. This exploration will begin by tracing those ideas and thoughts and the political and social development which existed before the introduction of Buddhism. This will lead into the period in which Buddhism came to China.

#### 2.3.2.2 The process of becoming Chinese

Buddhism was well-organised and sophisticated compared with contemporary Chinese society (Gernet 1995). The only Chinese indigenous religion, Taoism, that could compete with Buddhism followed the Buddhist model in organising its canon and clergy system. Buddhism also inspired Taoism to unify a range of competing schools of thought and yet tolerate diversity in this unity (Barret 1990). So, the changes that Buddhism brought were uplifting.

During the initial two hundred years after it came to China, the development of Buddhism was quiet and slow. This was largely due to the stability of Chinese society – a united empire under the powerful Han Dynasty. In the early third century AD, the political conditions changed with the collapse of the Han Dynasty. This provided a suitable environment for Buddhism to propagate in the new land. The

next four hundred years were turbulent and filled with endless civil wars and miseries. In these four centuries, Buddhism provided both a platform for alternative thinking and a peaceful refuge (Barret 1990; Ch'en 1964).

Confucian values were rejected due to their association with the old world and their inability to reunite China soon after the collapse of the Han Dynasty.<sup>10</sup> Old values and knowledge needed to be replaced and, in this gap, a new ideological and unifying force could emerge. It is under these circumstances that Buddhism obtained its foothold and thrived in China. China was eventually re-united in the late sixth century. By then Buddhism had obtained a position of prestige in the imperial court. Such prestige lasted for the next three hundred years and promptly ended with the collapse of the Tang Dynasty (Barret 1990; Ch'en 1964). It is ironic that the collapse of one dynasty marked the rise and that of another one marked the fall of the golden era of Buddhism. Of course, Buddhism has survived. However, it withdrew from the political stage and became more and more distant from power. It has developed into a version that is much further away from its Indian tradition.

This thesis is interested in the period during which Buddhism had rapid growth and then reached its apogee in China. This period can best demonstrate what and how the new ideas introduced by Buddhism influenced and intertwined with Chinese thinking.

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<sup>10</sup> See section 4.4.1.3 for an introduction to Confucianism.

#### 2.3.2.3 Concept of time and space

The social and cultural transformation that Buddhism brought to China was more radical than the transformation brought by European imperialism in the nineteenth century. It manifested in the arts: literature, visual art, and language etc (Gernet 1995; Ch'en 1964). Pre-Buddhist China had a certain understanding of time and space, but the concept was not theorised. Linear and cyclical views co-existed. In comparison, the concept in Buddhism is cyclical and highly theorised (Loewe 1995).

The concept of time and space is so fundamental in constructing and creating knowledge. It is one of the building blocks of understanding the universe (Hawking & Mlodinow 2005). The influences of Buddhism on such a concept can not be excluded from the social and cultural transformation associated with Buddhism. Any change in the understanding of time and space will certainly be reflected in accounting, the way of accounting and counting.

#### 2.3.2.4 Four-column balancing - A reflection in accounting thought

The four-column balancing method is expressed in the equation: opening balance brought forward + income – expenses = closing balance carried forward. It was preceded by the three-column balancing method. It is generally seen as a major innovation in accounting technique (Aiken & Lu 1993a, 1993b, 1998; Chen 1998; Lin 1992; Zhao 1987). The major change in the four-column balancing method is the consideration of the balance of the previous period in the current period. So, the economic picture of an entity is shown in a continuous way rather than each period being separated. Accounting theorists refer to this as the assumption of continuity.

This is fundamental to modern accounting together with the entity theory and the separation of ownership and management.

The appearance of the four-column balancing method coincided with the period when Buddhism was developing and transforming China. The earliest known application of the four-column balancing method was discovered in the accounting documents produced at the beginning of the ninth century AD (Yang 1986; Han 1986). More interestingly, most of the applications are in the accounting documents of Buddhist monasteries.

All of these make me believe that it is worthwhile investigating this accounting issue from the perspective of Buddhism. Buddhism transformed Chinese society, culture and thinking in the third, fourth, fifth and sixth centuries, it was the state religion in the seventh, eighth, and ninth centuries, and it enhanced the understanding of the concept of time and space. A cyclical view of time and the idea of re-incarnation are clearly reflected in this accounting technical innovation.

#### 2.3.2.5 Accounting in Buddhist monasteries

The economic power of the Buddhist establishment in this period was so great that it competed with its biggest patron, the state, and threatened its existence. Monasteries had multiple identities. They were religious institutions propagating the faith; they were academic institutions where Buddhist canons were translated and interpreted and where great minds searched for truth; and they were economic institutions which owned property, land and labour, which were exempt from government taxes, and

which lent money sometimes at high interest (Gernet 1995; Ornatowski 1996; Yang 1950).

This grand scale of economy has drawn interest from economists. For example, the research by Jacques Gernet, *Buddhism in Chinese society: An economic history from the fifth to the tenth centuries*, published in French in 1956 and translated into English by Franciscus Verellen in 1995. However, this work would possibly not exist without the treasures that were unearthed in Dunhuang.

An astonishing archaeological discovery of the early twentieth century has totally transformed our knowledge of Buddhism in China and Central Asia of a millennium ago. Dunhuang, a small town at the eastern edge of the Takla-Makan Desert, was strategically situated on the Silk Road. On this route Buddhism travelled to the Far East. Dunhuang flourished due to this location; it provided a resting place for traders, political envoys and monks. It also became an important Buddhist centre in the fifth century until Islam took over the region. It is here where Buddhist treasures, buried under the sand for centuries and protected by the arid climate, were discovered by European explorers in the late nineteenth and the early twentieth centuries. Discoveries in Dunhuang have been highly valuable in terms of understanding Buddhism, Chinese society, and central Asian societies in the Middle Ages. Such value is argued and demonstrated by Denis Twitchett (1966): *Chinese social history from the seventh to the tenth centuries: The Tunhuang documents and their implications*.

These Dunhuang documents are going to be a main source of knowledge when the following issues are examined: how accounting was practiced and how accountability was interpreted in Buddhist monasteries. However, ancient scripts are not easily understood and fragmented ancient texts are not easily sorted by normal eyes without years of professional training in the highly specialised field. So, I rely on the ground work of social historians, their reading and sorting of the ancient scripts.

Dunhuang studies have become an independent branch of research. It has a rich literature and covers a broad social spectrum: from arts, social structures, compositions and conditions, legal contracts, household registration systems, and economics to Buddhism of course (for example see Deng 1999; Fraser 2004; Qiang 2004; Tang & Lu 1986; Yamanoto et al. 1978). Researchers from France, England, America and Japan led in their academic traditions. Their works are frequently cited in the literature of Dunhuang studies. Now researchers are emerging from other parts of Europe, central Asian regions, India, Taiwan and mainland China.

There is a huge amount of literature in English in the field of social history and economic history (for example see Ch'en 1976; Gernet 1995; Glen 1993; Ornatowski 1996; Walsh 2007). Economic historians naturally touch on accounting issues in a lot of their works, but from an economic perspective. So far, there is only a small number of works done in the area of accounting history, and this is predominantly in Chinese (for example see Han 1986; Tang 1997; Tang & Lu 1986; Yang 1986). This literature is inaccessible to researchers who do not understand Chinese script. There is no such literature yet in English.



On the other hand, this small amount of work on accounting history is by either social historians or economic historians. Their perspective on accounting is often limited. They tend to naively focus on technical issues, and the discussion often remains shallow. There are certainly no accounting studies from critical perspectives. Nevertheless, their reading of the ancient texts, sorting of fragments of ancient documents, and preliminary discussions on accounting issues have paved the way for my study, and made it achievable within the timeframe of a doctoral thesis.

## **2.4 What theoretical framework for this study?**

Knowledge is power and what is knowledge is political. This Foucauldian view (Foucault 1972, 1977, 1980) on knowledge explains the rise and fall of Buddhism in China.

Buddhism was not regarded as knowledge for the first two hundred years after it came to China at the beginning of the first century. Confucianism was the knowledge. Chinese society was politically and ideologically stable. A united empire, the Han Dynasty, with strong military power controlled a vast land and population. In such a stable structured society, the existing knowledge was satisfactory in explaining social and political orders.

The chance for Buddhism came with the collapse of the Han Empire early in the third century. An empire lasting four hundred years vanished. China fell into constant civil wars, and no new power could quickly unite the land. The non-Han

ethnic groups took control of the north half, the Yellow river region, which the Han Chinese regarded as their cultural heartland. So, when they retreated to the south, the Yangzi river region, they contemplated their loss.

Confucianism was no longer satisfactory in explaining the 'world'. A new knowledge was needed and Buddhism suited the political and social circumstances. First, in the north, being alien was no longer an issue for Buddhism as the non-Han ethnic rulers did not consider themselves as indigenous. Also, the non-Han princes needed something to unite the highly diverse population. Buddhism suited. So, in the north, Buddhism was political. Buddhist monks offered their magic power in anticipating a battle, administrative skills, and their wisdom and knowledge to assist the princes. In return, royal princes patronised Buddhism.

In the south, Buddhism developed in a completely different way. The failure of the Han Dynasty and the loss of its heartland were seen as the failure of Confucianism, which seemed powerless in regaining the territory from the 'barbarians' and reclaiming superiority. In this circumstance, the cultural elites who retreated to the south were searching for new knowledge. They were drawn to the philosophical aspects of Buddhism. So, in the south, Buddhism manifested in the form of metaphysical dialogues on truth between monks and other cultural elites in salons.

It was in this political process that Buddhism emerged and became the knowledge. Once Buddhism became the knowledge, it had the power to penetrate society by explaining the 'world' in its ways.

However, at the beginning of the tenth century, once again, dramatic social and political changes altered the fate of Buddhism in China. After being the accepted wisdom for seven hundred years, this time, Buddhism could no longer explain the ‘new world’ and was replaced by a reinvented version of Confucianism, neo-Confucianism. Since then, Buddhism has been on the margin of knowledge, and it has never re-entered the centre of the political stage.

## **2.5 Motivations of this study**

### **2.5.1 Personal feeling – a start**

I remember asking my parents where I came from as a little girl. I got the ‘standard answer’ that they found me in a rubbish bin and rescued me. I say it is a ‘standard answer’ as I realised much later with friends that we all had the same start of life to our surprise. We had good laugh and of course we were old enough then to know where we really came from. Now, I am a mother and ready for my daughter to ask me the same question one day. One thing that I am sure is that she will not get the same answer.

It is so natural to ask the question as a child. As human beings, we all have such natural curiosity. Philosophers would agree that when a child start asking questions, they will soon ask philosophical questions. When we are still young enough, we have that natural intelligence. We instinctively ask good questions to figure ourselves out. Unfortunately, when we grow older, a lot of us lose that natural intelligence (for various reasons).

Then we become youths and are busy discovering ourselves. This discovery often focuses on the present and self. As we mature, family history starts to interest us in a sense of re-discovering where we came from again.

This sense of discovering ourselves in the academic world/tradition is the study of the history of humanity. Years later I became an accounting student and the same question, but in a different form, came back to me. I often felt that if I could understand money, accounting and finance by tracing their origin, the myths around them would all be revealed.

These are the questions I would like to know. When did we start to use money? Why did we use money? How did we use money? Why and how did money develop? When did we start to count? Why did we count? How did we count? What were the changes that have occurred since? What triggered the changes? And why did changes occur in certain ways?

Know the past in order to understand the present. History helps understanding as a person, a family and a discipline.

### 2.5.2 Why Buddhism and accounting

Buddhism and accounting initially appear to be two totally different worlds. But we cannot really understand accounting without understanding the social and cultural fabric that is woven through accounting.

Accounting is social, cultural, and historical. In different conditions of society, different cultures, different periods of time, the ways of counting and accounting are different as the needs are different. In the way of accounting, certain values are more emphasised while certain values are ignored. This is how cultures, societies and history influence accounting. Once a certain way of accounting is established, this partial stand on values becomes a 'norm'. This is when and how accounting starts to influence cultures, societies and history. Accounting as part of the status quo trims off anything that is abnormal. This is what Foucault has argued – normalisation, punishment and discipline (Foucault 1977). This process is powerful because it is invisible.

The numerical appearance of accounting adds another layer on 'the invisible'. The idea that numbers are neutral and scientific is a socially created understanding. The perception of accounting being neutral, scientific and value free makes accounting extra powerful when it is used to exercise punishment and discipline.

To make accounting visible; to make accounting be seen again; to study and examine accounting in its social fabric; this is the aim of this research. Buddhism came to the Chinese social fabric and re-wove it. Accounting as a social thread inevitably is 'disturbed' and 'reshaped' in this process. This is what is demonstrated in this thesis.

To conclude, I have answered the 'big picture' questions for this study: what do I hope to achieve? What new knowledge am I introducing? How am I going to do this? What is the theoretical framework for this study? And what are the

motivations of this study? In the following chapter, I will review the existing literature relevant to this study.

## **CHAPTER 3 RELIGION, ACCOUNTING AND CHINA: PREVIOUS STUDIES**

### **3.1 Introduction**

Buddhism is a religion and religion is an aspect of culture. So, this chapter is based around two issues. One is whether a religion relates to accounting, and if so, how it relates to accounting. The other is what has influenced the development of accounting thought and technique in social and cultural terms in China.

This chapter begins with the examination of religion and accounting, which is further divided into two sections. The first one concerns the subject of accounting as a situated practice. The second section attends to the subject of the influences of religion on the development of accounting. Then, an examination of the long historical development of accounting in China in social and cultural terms is made. Finally the chapter ends with a short conclusion.

### **3.2 Religion and accounting**

Religion is an intrinsic part of the social and cultural fabric in which accounting is practiced. It has been argued that there is a relationship between religion and this practice that is ‘culturally relative, socially contrived and historically contingent’ (Aho 2005, p. xii). This argument echoes Hegel’s view on the history of thought. Hegel believed that truth and meanings do not exist in isolation but in a context (their relationship to others) (Hegel 1977). This relationship between religion and

accounting has two aspects: one is that the practice of accounting and the interpretation of accountability reflect the values of religion when it is situated in either a religious institution or society, and two is that religion influences accounting thought and development. Overall, most of the literature focuses on the first aspect: accounting as a situated practice in a religious organisation. In addition, the literature primarily sits within the Judaeo-Christian tradition while other religious traditions remain much less studied.

### 3.2.1 Accounting as a situated practice

#### 3.2.1.1 The pioneers

As the first person who completed an accounting PhD on religion, Laughlin (1988) explains that his research is driven by the lack of description and analysis of the relationship of accounting to the social, despite the growing awareness of the need to understand the technical practices of accounting in the social contexts in which they operate. He chose the Church of England to examine this relationship. For him, this research has wider implications as quasi-religious behaviour lives on despite the secularisation of society.

Laughlin (1988) first gives an introduction to the accounting systems of this organisation: parish, diocese, the 'central board' and the Church Commissioners. Then, he turns to the central dynamics of religious organisations. He starts from Durkheim's (1976) division between the sacred and the profane, but it is Mircea Eliade's work that mostly gives Laughlin insight into the dynamics. These central dynamics are communications with the gods in an institutional centre with defined



boundaries, and communications in the form of festival and 'myths' which were set in the early times of the faith to direct appropriate behaviour. These central dynamics have penetrated the rest of the analysis of the historical profile of the Church and the finance and accounting in the Church. Laughlin (1988) finds that accounting has a part to play in the resourcing issue, but ultimately it is not part of the sacred agenda and must not interfere with the more important spiritual endeavours: communicating with God. Finally, he makes another argument, that is, changes (of accounting or any other type) (in any organisations) are only possible within certain boundaries, and only when major shifts occur in the social context will more dramatic changes be possible.

Laughlin then moves to tackle another issue: accountability (Laughlin 1990). He argues that similar to accounting practice, accountability practice is exercised in organisations, so, it should also be contextually examined. Such examination can fill the gap in the existing literature on accountability. Laughlin (1990) argues that research on accountability is highly generalised and that researchers have adopted the same theoretical lens in an either explicit or implicit way. This leads to only a skeletal model of accountability. Laughlin (1990) aims to add some substance to this skeleton by his case study of financial accountability practices in the Church of England. Meanwhile, Laughlin (1990) warns that although the study of accountability enhances the understanding of accounting, neither of them should be solely understood in each other's terms.

Extracting from the existing accounting literature on accountability, Laughlin (1990) defines accountability as "a relationship between a principal and an agent

surrounding the issue of giving and demanding reasons for conduct” (p. 95). There are some expectations over the transfer of resources or responsibilities, from which either explicit or implicit contracts or agreements are derived.

Laughlin (1990) concludes that between congregational members and parishes, financial accountability relationships are highly unstructured and centred around some broad appreciation of future activities. Between the Church Commissioners, the wider Church and the Government, the accountability relationships are exercised through formal reports particularly annual reports and accounts. In the end, Laughlin (1990) makes a point that unless there are major shifts in the internal organisational dynamics of the Church, greater levels of accountability will be hard to achieve despite the demands due to the historical expectations surrounding the roles of these bodies.

Although research on accounting and religion was embryonic and the relevant literature was so small, by 1993, Booth must have felt it was time to review them and provide a framework and agenda for the future. In his review, Booth (1993) categorises the literature as professional or research. He argues that the professional literature is generally normative: describing ‘good’ practice or what good practice should be. The research literature using survey methods is generally descriptive: describing what accounting practice is but offering little insight into accounting as a situated practice. The research literature that deploys historical analysis is restricted in two ways: first is that only the sects of Christianity which are pro business and more engaged in such activities are studied and the second is that the link between accounting and the changing environment (evolutionary perspective of history) is

seen to be unproblematic. The historical assumptions of this research lead to silence on the possibility of resistance to the changes and uses of accounting in their organisations. In comparison, the detailed case study of accounting in the Church of England by Laughlin (1984, 1988, 1990 cited by Booth 1993, p. 47) “allows a very detailed insight into the how, who, when and why of accounting practices in churches”. So, a research framework is suggested based on Laughlin’s work. The framework consists of a detailed study of the religious beliefs, studies on the roles and actions of members and occupational groups and studies on membership size and financial resources. Booth (1993) recommends the framework together with the sacred and secular division to explain accounting as a situated practice in a religious organisation for future researchers.

#### 3.2.1.2 The sacred and secular divide

An argument is established by Laughlin (1988, 1990), that a distinction between the sacred and secular exists in a religious organisation and that accounting, seen as part of the secular, always functions as secondary and subservient to the primary divine purpose. This argument is strengthened by Booth (1993). Since then, the examination of such a division dominates the relevant literature. Researchers either agree with or challenge the view that was put forward by Laughlin and Booth.

In supporting Laughlin (1988, 1990) and Booth (1993), Fonfeder, Holtzman and Maccarrone (2003) argue a similar distinction existed in ancient Jerusalem temples from the eighth century B.C. to the first century A.D. Through reading the Talmud, the ancient Jewish law and tradition, and its commentaries, they argue that a strong

system of accounting internal controls existed in the ancient temples by integrating 'secular' controls into 'sacred' ritual. This system helped build and maintain public confidence in the temple operation through effectively protecting stakeholders' property and the integrity and credibility of those entrusted with stakeholders' property.

Fonfeder, Holtzman and Maccarrone (2003) explain that the need for the internal control system arose from the nature and operation of the temples. There was a nationwide fund-raising movement and a complex system for maintaining and spending temple assets. They analyse the internal accounting control system from the following areas: collections of half-shekel donations, withdrawals from the temple treasury, budgets, controls over the sale of libations and meal offerings and protection of essential ingredients. They also discuss the role of religious institutions in redistributing wealth. In reference to Ezzamel (2002) and Irvine (2002), they argue that the role of the temple can also be found through Talmudic texts.

Similar to Fonfeder, Holtzman and Maccarrone's (2003) stand on the argument over the dichotomy of sacred and profane, Kluvers (2001) takes us back to modern Australia and argues that a similar divide exists in the budgetary process in the Catholic parishes in the Archdiocese of Melbourne, although the relative strength between sacred and secular varies among individual parishes. These are some of his findings: the parish priest and parish accountant are dominant in the process and the involvement by parishioners is small. The parish accountant does not reduce the resistance to budgeting from the priest that a professional group might do. The use

of the budget is limited to that of a control device but its planning, coordination and communication functions are excluded.

Some agendas that Kluvers (2001) considers make this study interesting. As an organisation, the parish can be interpreted in different ways: religious, social, welfare and/or management. An interesting inter-relationship exists among the following three elements: organisational culture, power distribution within an organisation, and the subtle balance between the sacred and secular. Organisational culture is related to an organisation's control system. Culture is more subtle and controls implicitly in contrast to the explicit control. A dynamic between the two types of control is intertwined with the sacred and secular divide. Power distribution within an organisation is one of the factors that may be behind any change in the balance within the divide. Similarly, any change in organisational culture or shift between sacred and secular has a significant impact on the distribution of power.

Different from Kluvers (2001), Jacobs and Walker (2004) challenge Laughlin (1988, 1990) and Booth (1993). They argue that accounting has been the centre of both the sacred and the theology in the Iona community. The Iona movement was started by MacLeod in the 1930s after he observed the separation of religion from daily living and the Church of Scotland losing touch with the unemployed and the poor. So, for Iona members, spirituality is integrated into their everyday experience. All members are required to account for their use of time and money, and they reveal their accounts to other members in their regular meetings and accept any possible scrutiny

and criticism. Accounting for time and money has been the essential rule in both constructing their Iona identity and forming their theological foundation.

Jacobs and Walker (2004) argue that accounting for time and money has turned into an internalised discipline. They find that being held to account is liberating and empowering for some but too intrusive and suppressive for others. This leads to the issue of accountability. Jacobs and Walker (2004) use Habermas' terms to explain two opposing forms of accountability – individualising and socialising – and they argue that an organisation like the Iona Community is the ideal place to study the second form. The individualising form is 'purposive rational action' or 'work' which is maintained by formal structures as disciplinary power in commercial organisations. The socialising form is 'communicative action' and 'interaction' and supposedly more liberating and freeing. Jacobs and Walker's (2004) finding is not at all what they expected. So, they argue that the distinction between the two forms might not be necessary and/or that the accountability might have shifted from the socialising to the individualising form when the Iona Community gradually became institutionalised and formalised as the result of its expansion in size, scale and complexity.

Kreander, McPhail and Molyneaux (2004) also challenge the sacred/secular dichotomy by demonstrating how financial investment and accounting have actively played a role in implementing and pursuing Christian faith. They argue that it is the studying of religious organisations from a sociological rather than a theological perspective that leads to the view of the sacred and secular divide.

First of all, after reviewing the relevant literature, they find that historically, Judaeo-Christian churches in Europe and North America were highly involved with the ethical investment movement and played a significant role in its development. Then, they choose two churches: the Church of England and UK Methodists to further examine the details of the investment processes and practices using semi-structured interviews with key personnel from the two churches. They find that there are strong theological values behind the investment in the stock market. This investing is not a purely financial activity, but rather, it is an applied faith in the finance world. Their ethical stand in the selecting and managing of shares is in line with their religious commitment and reflects their Christian outlook.

Using Christian terms, Kreander, McPhail and Molyneaux (2004) summarise values behind the investment as the following: creationism, stewardship, agapism, engagement, and witness. They explain that from a Christian point of view, people are chosen and entrusted to look after the world of God's creation, so financial activities are carried out with a sense of responsibility, duty and love and care. Certain industries are not within their consideration at all, such as gambling. Rather, they choose to help the disadvantaged through financial investment with certain projects. In this way, they contribute to making a fairer and more caring world. Through their voting rights, they are actively involved with the firms they have chosen in promoting ethical and social issues. This reflects their Christian value of engagement: encouraging justice through participation. In addition, they regard the experience as a Christian witness in the investment community.

In the end, Kreander, McPhail and Molyneaux (2004) raise a few good questions: does capital market investment, even in the form of ethical investment, fundamentally clash with true Christian values? Do the underlying values of the capital market and capitalist system, utilitarianism, self interest, and ultimate greed (profit maximisation) contradict Christian theological principles? Does the church investment, regardless of how ethical it is, ultimately promote an unethical system? However, these questions actually weaken and shake the strength of the argument that they just made.

Moving away from the Judaeo-Christian tradition, Abdul-Rahman and Goddard (1998) take us to the Islamic context to examine the division between the sacred and profane. They reject such a dichotomy. Grounded theory, interpretive methodology, and an ethnographic method of inquiry are deployed by Abdul-Rahman and Goddard (1998) to examine accounting practices in religious organisations in contemporary Malaysia. Their focus is to understand how accounting was implicated in the constitution of organisational reality and culture within religious organisations and in what ways it was reflective of that reality and culture.

#### 3.2.1.3 Other issues

Although the sacred and secular divide has been a dominant concern for many researchers in this area, some have not included it in their studies. For example Liyanarachchi (2009) explores two major issues: evidence and motivations of accounting and auditing practices in Buddhist monasteries during the ninth and tenth centuries in Sri Lanka. The evidence comes from slab, pillar and rock inscriptions



which show accounting practices and accounting requirements. Motivations are understood contextually: Buddhism and Buddhist monasteries, their roles and functions in the society, their relationships with the monarch and state, and their finances and financial activities. Liyanarachchi (2009) explains that Buddhism in Sri Lanka in the ninth and the tenth centuries had a well-organized, well-resourced, learned and highly motivated body of Buddhist monks. As the most prominent institutions of that time, Buddhist monasteries represented the concept of an incorporate body and were involved in all spheres of society: spiritual, social, political and economic. The king was their patron and official guardian. A substantial part of the country's wealth was used to finance the monasteries in the forms of various resources and immunities.

According to Liyanarachchi (2009), the motivations of monastic accounting and auditing practice came from both within and without. The monastic discipline restricted monks' direct involvement in dealing with wealth but monastic wealth was increasing. Monasteries had to delegate the duties of managing their wealth to various lay people. A big monastery could have a group of small temples as its branches and they were geographically separated. In both circumstances, the mechanism of accounting and auditing were needed. The kings also required accounting and auditing practice in monasteries. When there was a decline in discipline among monks, the kings sent delegates to improve the monastic administration. Therefore, keeping proper records and publicly reading the records were part of the administrative measures. Accounting and auditing were instrumental in terms of dealing with the misappropriation of monastic wealth and

improving openness and accountability. Consequently and ultimately, social, political and economic order was maintained.

Liynararchchi (2009) also traces the possible origin of accounting and auditing practice in Sri Lanka to the fourth century B.C. Indian sage, Kautilya and his earliest treatise on accounting, *Arthashastra*. Accounting and auditing practice were introduced to monasteries from the secular state administration through the king's delegated officials.

Similar to Liynararchchi (2009), Constable and Kuasirikun (2007) also examine Buddhism and accounting and they situate accounting in a Buddhist society: mid nineteenth century Siam/Thailand. They examine both the reflective and instrumental role that accounting played in the process of building Siam into a nation-state. Their examination unfolds in three parts. First, accounting reflected and enhanced the economic growth in the first half of the nineteenth century, which prepared the Kingdom of Siam for its military expansion. Second, accounting was a vital tool for the king to integrate the newly acquired areas into his centralised administration. Finally, accounting was a cultural tool in creating a sense of Siamese national identity.

According to Constable and Kuasirikun (2007), economic revival between 1809 and 1851 prepared the king in Bangkok to expand and consolidate his power geographically and accounting reflected and enhanced such economic revival. The economy of Siam was shifting from one that was based on a labour service and limited trading on behalf the state to more a liberal mercantile orientated one. As a

result, monetary value was gradually included in accounts keeping. In return, the inclusion of monetary value further promoted the growing mercantile attitudes towards products. There was also increasing attention paid to the organisation of accounts.

Accounting practice in the 1840s and 1850s played an instrumental role in the integration of peripheral regions into an increasingly centralised Kingdom of Siam. The Bangkok court gradually centralised the responsibility for taxation and accounting by removing it from regional governors. This centralisation eliminated regional treasuries, increased transparency and strengthened the control of state finances. The standardisation of accounting was a fundamental characteristic of a centralised state.

Tax accounts were also statements of the political bond between Bangkok and the autonomous regions. The outstanding tax debt states the degree of loyalty of a region to Bangkok. Monitoring the balance and auditing the accounts were never simply acts of accounting administration. They were political actions. An audit was a signal to warn against any possible further violations in tax payment. It was a means of asserting political authority through the accounting system. In this way, accounting was a vehicle through which the more peripheral regions gradually integrated into the increasingly centralised Siamese kingdom.

According to Constable and Kuasirikun (2007), accounting also played a contributory role in the formation of a modern Siamese national identity. Accounting records of the exchanging of gifts was a vehicle in re-defining the role of

the king and together with the re-interpretation of Buddhist texts led to the foundation of a national identity. The role of the king was re-defined as an enlightened translator and implementer of the Buddhist moral harmony instead of being a divine ruler. So, he was responsible for the material prosperity, social order, and moral well-being of his subjects including *sangha* (communities of monks). Invaluable and rare objects were exchanged as gifts between the king and his subjects. The accounts of such exchange were records of the duty of subjects to submit their tax/tribute and respect and the king's obligation to provide his subjects with paternal protection. The accounts constituted a moral bond between them at material, socio-political and metaphysical levels, and therefore demonstrated the king's authority as the enlightened one.

Constable and Kuasirikun (2007) explain that the cooperation of the remote regions manifested in gift exchanging was consciously recorded and broadcast by Bangkok. Keeping accounts and ceremonies of presenting accounts to the king, together with precious gifts, were instrumental in projecting the model Buddhist lifestyle of the Siamese court into surrounding regions. Finally, the distribution of accounts among nobles served to promote the beginnings of an elite sense of national unity by creating a growing awareness of common economic values, a shared socio-economic identity, and consciousness of uniformity in cultural practice.

Shifting their focus, in a later paper, Kuasirikun and Constable (2010) elucidate the inter-relationship between accounting and religion in Thailand from the late eighteenth to the mid nineteenth centuries. In theorising the inter-relationship, they argue that the ideas of each of the following: Marx, Weber, Foucault, and Durkheim,

explain certain aspects of the relationship but none on their own are fully satisfactory. They believe “accounting cannot be fully understood without an appreciation of the social and political contexts in which it operates” (p. 596). They also believe religious values, interpretation of religious texts, and the social impact of these values and interpretations constitute the most important aspects of the socio-cultural and historical context of most societies. Their narrative begins with an understanding of the Siam of that time: its religion, governance and economy.

Kuasirikun and Constable (pp. 601-04) explain that the Kingdom of Siam was an ungrounded polity. An ungrounded polity is here characterised as a type of sovereignty with no definite geographic boundary and a dominant king in Bangkok surrounded by a series of discrete and autonomous kingdoms. The dominant king was not only geographically centred but also the axis of dynamic relationships and interests. The polity was bounded by overlapping socio-moral and material interests without cohesive administration. It was a universal Buddhist monarchy: Buddhism spiritually granted the power to control and govern the people. Autonomous kingdoms either paid tax to or traded with the Bangkok court. The trade was in the form of tribute. The Bangkok court gave them in return royal gifts/services, appointments, and inclusion in the royal trading monopolies.

Then Kuasirikun and Constable (pp. 604-06) describe the accounting format: the date, weight, and monetary value of each were diagrammatically recorded. They argue that such a format emphasises the significance of spatial representations and cardinal points of Buddhism. The purpose of the account was not essentially to calculate material profit and loss, but to demonstrate the accumulating flow of

incoming material resources from different autonomous kingdoms (balanced flow of resources). The structure of accounts was diagrammatically, geo-spatially, and cosmologically arranged in order to place the king at the cardinal axis of the resource flow.

Kuasirikun and Constable (pp. 604-06) also argue that the format of accounts recognised the contributory role of mercantile capitalism. According to Buddhist cosmology, the duty of the Buddhist monarch was, at least to the trading elites, to trade and to generate wealth for the sovereignty and to enable its elites to do so autonomously. From the 1820s, monetary value was included next to weight and quantity. Flows of material for internal and external trading purposes by the king and upper class trading elites were particularly listed and counted. The growth of such trading is shown in the accounts. So, the incorporation of mercantile capitalism into accounts reflected and constituted the mentality and socio-economic conditions of the proto-capitalist culture of the early Bangkok period.

Then, Kuasirikun and Constable (pp. 606-08) argue that accounting organisation played a constitutive role in implementing and reproducing the ungrounded polity and concomitantly the wider order of the cosmos. Both autonomous kingdoms and the ungrounded polity modelled their political and economic governance on Buddhist cardinal balance and cosmological geography. Accounting organisation therefore replicated the cardinal numbers of the wider Buddhist cosmic order. When a change occurred in the economy with a growing focus on the importance of human activities at the turn of the nineteenth century, in response, the court re-delineated cardinal

organisations in government. Again, accounting organisation reflected and constituted such a response from the monarch.

Kuasirikun and Constable (2010, pp. 608-09) refer to the theory developed by Mauss (1925/1954) and Geertz (1980) and argue ritual accounting practice by the king in Bangkok was an essential means of asserting sovereignty given the ungrounded nature of the polity. Ceremonial forms of presentation, gifting and exchange were not only important as a record of production cycles or tax collection for the material maintenance of sovereignty, they were also instrumental in establishing the moral authority of the ruler as a human regulator of this polity and promoter of the wider cosmological harmony. Gifting rare and symbolic items in tribute demonstrates the importance of recognising the king as the upholder of *dhamma* (Buddhist teaching) and material order in the human realm. This tribute account included numerous prestigious and symbolic items which were difficult to value in monetary terms. Consequently they were only recorded in quantity. The presentation of accounts by nobles from autonomous kingdoms to the king was a sacred ritual practice. Through such rituals, the inter-related material and metaphysical contribution of each autonomous kingdom to the maintenance of the Buddhist order of the sovereignty and cosmos was asserted, meanwhile, distant autonomous kingdoms were gradually consolidated under the Bangkok court.

Then Kuasirikun and Constable (pp. 609-11) reveal the hidden stories of tax accounts that were beyond the economic dimension. At the social dimension, tax accounts intricately represented and replicated the social hierarchy through which disciplinary control was subtly diffused into micro-forms. Therefore, the account asserted the

ungrounded sovereignty. At the political dimension, the tax accounts constituted and represented a political bond between the king and the nobles for the material and moral benefit of the sovereignty and cosmos. Prosperity and merit were assessed through such accounts and they enabled the nobility to judge the effectiveness and *dhamma* of the king's reign. In addition, they enabled the nobility to express their allegiance or disapproval by delayed, partial or even non-payment of tax. Thus, accounts were political instruments for the negotiation of allegiance to and sovereignty over the polity.

According to Kuasirikun and Constable (pp. 611-13), accounts mapped Bangkok's political cartography through their geo-spatial and concentric arrangement and told of political ambitions and movements. When a remote region resisted the influence from Bangkok, it expressed this resistance in its accounting system: keeping this system different from the requirement of the central court. When Bangkok succeeded in exerting its influence in this region, its accounting system became aligned with that of the central court. Once Bangkok 'conquered' this region, its population would be included in the tax accounts in the form of an hierarchical merit system. In such a way, accounting was an instrument in constructing the political plan of expansion for the monarch.

### 3.2.2 Influences of religion in accounting

Accounting thought and technique are developed through history and such development is culturally and socially framed. As an important thread in the cultural and social fabric, religion inevitably has been and will be continuously contributing



to the development of accounting. There is relatively less literature in this area in comparison with the previous theme: the religious interpretation of accounting. The low quantity is no reflection of the importance of this area of research, nor of its quality.

#### 3.2.2.1 Potential contributions from religion

McKernan and MacLulich (2004) argue for a contribution that religion can make towards accounting and accounting ethics in particular. This argument was made in response to the role that accounting played in the collapse of Enron. They point out that the crisis in accounting was essentially a crisis of moral authority, which is the result of the implicit challenge to divine authority in modernity. In traditional society (pre-modern), the authority of the sacred/divine was taken for granted. Such authority was challenged by the Enlightenment (the start of modernity) and has been ever since. Modern society has replaced divine authority with a legal system as part of its political order. Legitimacy is ultimately dependent on justice, and the foundation of justice is the logic of equivalence.

McKernan and MacLulich (2004) explain that, in contrast with a society stabilised around shared traditions and the authority of the sacred, consensus is developed and maintained through explicit debate and argument, which Habermas terms communicative rationality or discourse ethics. Similarly, once accounting practice was guided by values and norms on the 'sacred foundation' but now is dominated by explicit law and regulation. Despite explicit law and regulation, some accountants choose to creatively interpret the letter rather than follow the spirit of the law. It is a

problem in accounting, accounting regulation and ethics. It is also a reflection of the problem in Habermasian discourse ethics.

According to McKernan and MacLulich, there is a limitation with Habermasian discourse ethics in spite of the fact that Habermas would argue that real moral force can be restored to financial reporting practice through the application of communicative reason. They explain the two strands of the limitation by referring to some of Paul Ricoeur's post-structural/hermeneutic works. One is the principle of universalism, and the other is the linguistic genre distinction. Both require the reconsideration of the role of narrative in discourse ethics.

According to Habermas (cited in McKernan & MacLulich), discourse ethics are universal, which means they must be agreed, shared and applied by all members of the society. Using Ricoeur's narrative concept of identity where self is defined in relation to others, they challenge Habermas. When ethics are universal, it is for all, and therefore it is for everyone. Moral judgement lies in the individual and the point of view of others.

McKernan and MacLulich explain that Habermas differentiates the poetic and rhetorical aspect of language as in literature and narrative from the normal and pragmatic aspect of language as in everyday functional and communicative actions. This is Habermas' linguistic genre distinction. They explain that the application of this linguistic genre distinction restrains the poetic and rhetorical aspect of language in certain areas of discourse, such as science, law, economics and accounting. So,

poetry and emotion (narrative) are marginalised and expunged from the language of those fields.

Again applying Ricoeur's narrative concept of identity, McKernan and MacLulich (2004) challenge Habermas' linguistic genre distinction and argue that a commercial firm has moral identity which is constituted in the act of giving an account. As a moral agent, the poetic and narrative dimension of language should be brought back to its language of accounts. They argue for the inclusion of the language of love as things can be different through faith, hope and love. This is where religion comes into the argument. There are plenty of powerful and beautiful expressions of the superabundance of love in biblical texts and religious rituals. A sense of a responsibility to others is rich in this religious impulse.

Love is hyper moral and it enters into the ethical domain through justice. Drawing on Ricoeur, McKernan and MacLulich interpret 'love your enemies' in the biblical texts as hyper morality which is the real foundation for social justice. Our society might slide into immorality without the logic of love, non-equivalence, and superabundance. However, capitalist society is built upon the logic of equivalence and accounting is a guardian of equivalence. Equivalence is only an illusion. Non-equality and exploitation are behind the veil of justice of capitalist society. Therefore, McKernan and MacLulich (2004) argue for the inclusion of narrative and particularly the logic of love into the language of law, economics, and accounting in particular, as a more fruitful solution to deal with the crisis in accounting, accounting regulation and ethics.

Similarly, Gallhofer and Haslam (2004) try to discover what religion can offer to accounting with a particular focus on liberation theology. Liberation theology is a religious and political movement which emerged from Latin America in the 1960s in response to the appalling living conditions, malnutrition, and inadequate health care of the poor in contrast to the affluent North American and Latin American elites.

According to Gallhofer and Haslam (2004), the dimensions of liberation theology can give inspiration and insight to a critical accounting movement. As an accounting academic, to feel for the poor and the oppressed is to make a real argument for the poor (instead of making an argument in order to advance a career), to step out of the ivory tower of academia, and to reject the life of being an armchair academic and become an organic intellectual and militant theorist who is co-fighting alongside the poor, and re-thinking and refining a research position and agenda. As a critical accountant, to grow out of grassroots, utilise grassroots structures and mobilise them is to get involved in organisations and their activities, such as unions and others, and to implement critical accounting knowledge in their fighting activities. As a critical accountant, to read and interpret the Bible instead of accepting it as an authority is to read and interpret accounting standards, regulations, annual reports (all types of mainstream accounting texts) in order to reveal their subservience to social and political orders. This is a special role for a critical accounting academic as s/he as an educator has the possibility and capacity to enlighten students by awakening their awareness of the political and social position of accounting.

Boyce, Prayukvong and Puntasen (2009) examine what Buddhism can offer to (social) accounting theory and practice in addressing contemporary social and

environmental issues. The exploitation of the environment and of cheap labour has been justified in the name of the endless pursuit of economic growth. Mainstream accounting has been aiding this pursuit with its financially based measurement: forcing non-economic values into economic calculations. Social accounting has been trying to broaden this narrowness in mainstream accounting. Boyce, Prayukvong and Puntasen argue that Buddhism can enhance social accounting in exposing and addressing these social and environmental issues. By incorporating Buddhist ideas, the economy would stop chasing spectacular growth and become content with being sufficient. From Buddhist teaching (the Four Noble Truths and the Noble Eightfold Path), social accounting can draw on alternative understandings of value, of the interdependence between people and environment, and of equality and fairness in production and distribution.

#### 3.2.2.2 Historical influences

Rather than arguing the potential contribution that a religion can make to accounting, Tinker (2004) moves the argument back to the past. As an instrument of capitalism, accounting executes capitalist ideas. Christianity, particularly in the form of Calvinism and Puritanism, was closely engaged in the formation of capitalism. The Enlightenment was a project to free humanity from the religious medieval society with their own thinking, understanding and imagination in all spheres. In the Enlightenment, Protestantism arose and Catholicism was diminished. Tinker argues the Enlightenment was hijacked by capitalism and capitalism has assaulted the Enlightenment.

The Enlightenment was meant to bring true knowledge to humanity and grant it true freedom. However, according to Tinker, the scientific knowledge inquiry of the Enlightenment is parallel to Catholic mythology: sharing the aspiration to control the uncontrollable. Tinker suggests that looking for repetitive patterns, regularities and order in correlation analysis, regression analysis and analysis of variance resembles the mythology of Catholicism.

Tinker argues that, while thinkers of the early Enlightenment such as Descartes and Bacon had their moral stand and concern, they laid a problematic foundation for modern science and scientific inquiry. For example Cartesian classification led to the differences and oppositions between the object and the subject, and commensurability led to money replacing value and substituting labour with labour power. Accounting executes these ideas in capitalism: money equals value and labour power equals labour.

Tinker explains that quantitative inquiry into natural science and then later into social science is another success of the early Enlightenment thinker, Descartes. However, the current application of quantitative and mathematical methods of inquiry is against the original and true intention of the Enlightenment project. Tinker chooses the story of ‘calculus’ to demonstrate the historical and political nature of mathematical invention. Calculus enables the analysis of motion (varying quantities). Calculation of equilibrium in neoclassical economics and finance is one of its many applications. Tinker says that even Keynes feared and rejected an equilibrium expressed in ratio terms using calculus as he knew “what was an equilibrium for neoclassical economics could be a serious disequilibrium for society” (p. 459).

Tinker argues that the virtues of the early Enlightenment have been lost in the Capitalist West but remain in Islam. So, Islam gives humanity a hope to achieve a real unity and liberty. Tinker's understanding of Islam may be too naïve and/or simplistic, nevertheless, his argument is framed from three perspectives: where knowledge is positioned in Islam, Islamic society and the tolerant and civilised colonisation history of Islam.

From a different perspective, Hoskin and Macve (1986) examine the influences of religion on accounting in the past. These were connected – a religious pedagogue's concern with problems of knowledge, the writing of Logos/Words, in the seventh and eighth centuries, the emergence of double-entry in the thirteenth and fourteenth centuries and the social discourse of accounting in the nineteenth century. The connection is subtle but powerful. They argue for the understanding of accounting history and the social power of accounting using Foucault's concept of power – knowledge.

Ways of writing are always at the centre of knowledge construction. For a long time, writing was about the writing of religious texts and religious pedagogues monopolised the interpretation of knowledge through their privileged relationship with the divine. Hoskin and Macve (1986) describe that, in the seventh and eighth centuries, concerned with problems of knowledge, religious pedagogues began the work of re-writing biblical texts: a visual fractioning of texts. By the eleventh century they were developing techniques for re-writing texts into new configurations: alphabetical arrangement, various sizes of letters for the first, second and third letters

of words listed, a primitive subject index for searching, and the use of marginal indexing symbols. These, together with a growing interest in time measurement and spatial organisation, still in the world of religious pedagogues, created a new sense of gridded order and control. Then, the use of Arabic numerals helped to shape a discourse committed to ordering and gridding. Hoskin and Macve (1986) conclude that by the end of the twelfth century, a new kind of alphanumeric writing was invented in religious pedagogic institutions that was impersonal and deployed space and number in a systematic way.

According to Hoskin and Macve, the new knowledge of alphanumeric writing served power when it was first applied in formal written examinations in western history during the twelfth century. It was an exercise of critical inquisitional reading and the re-writing of texts in the universities of Paris and Bologna. Students were threatened by the humiliation of failure and the loss of a prosperous future. They argue that examinations were not simply educational techniques but techniques of power. Power and knowledge relations were combined by the techniques of archiving, cross-referencing and examination. The graduates appropriated these quickly and introduced them into administration once they held influential political positions.

In the investigation of the impact of alphanumeric writing and formal written examinations on the development of accounting, Hoskin and Macve begin with an historical analysis of the development of financial administration during the twelfth and thirteenth centuries. They describe that significant changes in the recording of information and the drawing-up of accounts took place in the administrative area. For example, information was not retrievable in the English Exchequer before 1200



but a new practice was introduced, which eventually became standard procedure, of making records in three copies with the third one to be kept in the treasury. This formed the first archive. Clerks and *magistri* who were educated with alphanumeric writing and tested through examinations, played specific roles in both financial administration and in disseminating the new discourse of control through either teaching or writing about calculation and the *ars notaria*. Out of this new re-writing of financial administration there emerged two new power – knowledge terms, control and audit, and systematic accounting procedures (although not double-entry yet). Hoskin and Macve argue that a range of re-writings of monetary statements had taken place and it is the first stage in the re-writing of accounts which will lead to the next stage of the internal re-writing and eventually double-entry.

Hoskin and Macve examine another aspect of medieval re-writing: the re-writing of money into new forms. Around the mid thirteenth century, a major breakthrough occurred in the use of literacy in long-distance commerce and finance by means of accurate records of business transactions through ledgers and journals and letters of differing shades of formality from bills of exchange to informal notes. They argue that double-entry is a literacy built upon a new textual complexity of all the above. Meanwhile, they bring in Foucault's notion of double sign in the argument. When moneychangers of Genoa started to use deposited money in reinvestment without the depositor's approval or awareness, it became simultaneously written as debit and credit in their books. Letters obligatory, promissory notes and bills of exchange began to incorporate endorsements and to be traded systematically at discount. They say that this was the moment when the re-writing of money turned into a double sign. All the secondary books used in archiving and referencing involve a doubling of

signs in the same sense. Like the artistic representation (for example see Velasquez' Las Meninas as demonstrated by Foucault cited in Hoskin & Macve), the double sign is a specific fictive writing which creates new worlds. It was impossible for the new worlds to exist until they were written, but once written, they become real. Hoskin and Macve argue the early ledgers are doubles of signs written in original books of entry. The new accounts could be examined simultaneously for internal coherence and external validity. Full double-entry could be re-written itself into increasingly meticulous new kinds of control.

However, accounting techniques (double-entry) did not acquire their modern power prior to the establishment of the power – knowledge framework. Hoskin and Macve argue that developments in education initiated the emergence of the social discourse of accounting in the nineteenth century. First of all, pre-modern accounting had fed back into a 'book-keeping' on pupils which became a common educational practice by the late sixteenth century. A similar form of human book-keeping would be implemented in the workplace around the early twentieth century. Hoskin and Macve explain that later, a crucial invention, academic marks, came onto the scene and transformed education's and thereby accounting's power. Students previously were assessed by ordinal ranking (A B C etc), which emphasises a correlation but has no means to objectively measure gaps between A, B and C. Marks move away from physical correlation and produce the measure of objective worth. As a result, a general standard of value is written across the population to develop 'norms' of performance. Hoskin and Macve argue that a mark is not just a number but a specific kind of expression of human value, a double sign of human debit and credit.

Marks, together with the merit-demerit system, and the structure of registers and records, activated a discourse of human accountability.

According to Hoskin and Macve, the emergence of modern corporate managerialism, cost accounting and the professionalisation of accounting can be understood in the light of the development of this new examinational system by applying Foucault's theory of disciplinary power. The changes which took place in education fed back into economic and financial organisations. Graduates, again, formed the vital point of contact between the system of human accountability of the pedagogic world and the implementation of a new kind of accountability and efficiency in the business world. Business now aims at constant profitability and values of both products and persons must be calculated. Cost accounting provides the examinational apparatus and a system to highlight control over and self-control by employees/managers. The modern accounting profession is constructed with its body of knowledge, exclusive right in acknowledging such knowledge and autonomic control over its work.

As a sociologist, Aho (1985, p. 24) says "double-entry bookkeeping must be seen as more than simply an arithmetic reckoning of debits and credits or their summation into profit or loss". This is strikingly similar to the view of the alternative accounting movement. Aho contributes a unique argument: the emergence of double-entry bookkeeping as an art of rhetorical discourse. He starts by explaining the term, rhetoric. Rather than being seen as empty and flowery speech without substance, rhetoric was appreciated in the medieval period as an art of discourse, which combined the exercise of the orator's character, and his/her ability to appeal to an audience's feeling and capacity for reasoning.

Aho refers to Cicero and his eloquence, rediscovered in the twelfth century, to reconstruct the rhetorical features of double-entry bookkeeping: information included in the medieval ledgers, and then the opening, the statement and the ending of ledgers. Also, medieval merchants' accounts were personalised, vested with personal metaphors (like persons with rights and duties). This is contrary to modern accounts which are impersonal, such as revenue, goods, cash, and expenses. Aho argues that the fact that such a feature is absent in the contemporary form indicates that the personalised moral attribution to Renaissance commercial ledgers was a rhetorical need.

In addition, Aho warns that the bilateral posting of debits and credits in double entry should never be taken for granted and searches for the answer to why oppositional duality developed in Renaissance bookkeeping. Again, he moves his attention to the preeminent Roman rhetorician, Cicero. Aho explains that the 'serial antithesis' (a symmetrical, counter-posed arrangement of words, clauses and phrases) developed in Cicero's style of rhetoric can be traced back to the use of words in classical Latin. Cicero's art of rhetoric was rediscovered in the medieval period and his concept of antithesis had great influence over many fields including the visual arts (the composition of integrated dualities, perspectives, and symmetrical balances of shadow and light, and of colour), Leonardo da Vinci's bodily movement and geometry and Alberti's theory of architecture (unity of duality and oppositional harmony). It was in this era that Luca Pacioli lived, and so, Aho argues that Pacioli's personal input to the oppositional duality in the 'Italian method' should be appreciated within such a context.

More importantly, Aho demonstrates that double-entry bookkeeping, as an art of rhetoric, was both a business and a religious act of medieval merchants. Religious elements were indispensable (crucial compositions) in such rhetoric. In the late medieval period, religion was still predominantly part of everyday life. Information included in the medieval ledgers was “identical to that customarily requested by the priest during his confessional interrogation of the penitent” (Aho 1985, p. 26). “Renaissance ledgers open with ‘in the name of God and profit’ and at the top of each ledger page either an exclamation such as ‘praise God’ or ‘Christ be with you’ or more typically a holy cross” (p. 28). God was witness to the truth of the ledger entries and the justice of the profits earned. Business thus conformed to Church law.

If Aho’s ‘Rhetoric and the invention of double entry bookkeeping’ has just briefly argued the religious nature of early double-entry as an art of rhetoric, his *Confession and bookkeeping: The religious, moral and rhetorical roots of modern accounting* has extended it on a much larger scale (2005). He argues that double-entry arose from a strong sense of indebtedness of the late medieval merchants towards creator, church and their conscience. As a sociologist rather than an accountant, Aho (2005) is lacking in a more precise accounting perspective, such as Hoskin and Macve’s (1986) acute insight on the ‘doubleness’ in the double-entry, which is perfectly understandable, but, he contributes to the understanding of the history of accounting with a incredibly rich narrative on medieval European society, culture and history. Aho (1985, 2005) and Hoskin and Macve (1986) enrich each other on a similar subject and are best read together.

Aho's (2005) narrative starts from the sacrament of confession, how it became compulsory in the early thirteenth century under the Pope Innocent III as part of the project to improve social morality, and how it consequently deepened and worsened a neurosis epidemic in the medieval world. Scrupulous souls kept meticulous records of their morally suspect acts. The neurosis went beyond the ecclesiastic circle and reached all spheres of society including urban merchants and rural estate managers. Merchants were encouraged to record every aspect of their transactions day-by-day and hour-by-hour if they were not already inclined to do so. Such recording was not done once but twice. Aho argues there are two aspects to the obsession with the precision and comprehensiveness of bookkeeping behind the emergence and use of double-entry: one, a moral obsession, two, an obsession with mathematical expression and representation. To a late medieval mind, the entire universe is best represented by mathematics, and three men, Leon Battista Alberti, Francesco Datini and Luca Pacioli, have influenced the idea in the following fields: the movements of planets, architectural structure, human physiology, and business reality.

In addition, Aho explains that business was morally problematic in the Middle Ages. Interest charging, and money lending were either against Church law or very suspicious. He concludes that medieval merchants all had a troubled conscience. In order to justify their doing and dealing, merchants began providing accounts to civic auditors. This leads to the next argument: how notarising was associated with medieval bookkeeping. Originally, the drawing-up of contracts and the keeping of books were aspects of the same job of a notary. Later, a division of labour emerged between the drafting of documents and bookkeeping, but ledgers would still be

certified by notaries. This story takes us back to the revival of Roman law in the medieval period.

Aho explains that the Roman law tradition had an emphasis on proper form. Contracts were written in a certain format and public notaries were trained to write legal documents. This tradition was preserved in medieval ecclesiastical courts and subsequently elevated to another level in the twelfth century in response to a growing international banking business: written instruments gained legal validity. So, the bill of exchange (*cambium per litteris*) was a correspondence, a written instruction, and a legal document as well. Ledger postings came to constitute *prima facie* evidence for it and these postings were made by certified notaries. Aho argues that it was then that the notarial arts were professionalised. Instead of acquiring their skills through apprenticeships, notaries began to earn their license through universities by the end of the twelfth century. Roman legal forms, grammar, rhetoric and correspondence (known as *artes dictandi*) began to be taught alongside liberal arts in universities. Subjects started to grow to include *ars poetica*, *ars historia*, *ars ethica* and *ars notaria*, which covers the construction of deeds, wills, contracts, and business chronicles. Hoskin and Macve (1986) have also made a similar claim that accounting was taught in universities in the medieval period.

### **3.3 Accounting history in China: The influences**

In the long history of Chinese accounting development, what has been its influences culturally, socially, and historically? What have been the elements that shaped accounting and its development? How have these issues been studied and examined?

Some researchers deal with the argument more explicitly while others more implicitly. In addition, Confucianism emerges as the most commonly studied influence in the literature.

### 3.3.1 Implicit argument

Fu (1971), the first person to complete a PhD in Chinese accounting history in English, implicitly argues the cultural and political influences in accounting in the Zhou Dynasty (from the eleventh to third centuries B.C.). He describes the government accounting during those centuries in terms of the funds system including the classification, the purposes, and the sources of different funds, the implied concept of the fiscal year, and the budget system including the process and the financial reports involved in the process. He has no intention of arguing the cultural or political influences on accounting in the Zhou Dynasty. However, elements of these influences can be read through his paper.

First, the knowledge of governmental accounting in the Zhou Dynasty described by Fu is largely based on a book, *The rites of Zhou* (周礼), which contains the ideas of the Duke of Zhou regarding government posts, official duties, and the structure of Zhou governmental administration. *The rites of Zhou* (周礼) is essential in Confucian teaching. It is considered one of the three Confucian classics. The fact that accounting knowledge can be found in a classical Confucian text on the state and its governance shows how accounting is beyond technique. Secondly, Fu views Zhou's achievements in accounting as remarkable and equally significant to those in the political and cultural arenas, although he does not openly acknowledge that



accounting is actually intertwined with the political and cultural achievements. In fact, he depicts the historical context, in which the great philosophers, Confucius, Mencius (Confucianism), Lao Tzu (Taoism), Mo Ti (Mohism) etc., debate their ideas and enrich the feudal political system. By doing so, he has presented a context in which accounting emerged and developed. Unfortunately, because of his lack of interest in accounting in a broad context, he makes a simplistic remark on Chinese accounting history in general, that is, whether or not ‘attention’ which was paid to accounting affects its development in history (Fu, p. 51). The Zhous paid enough attention therefore they made significant achievement, but not the succeeding generations.

Zhao (1987) is another writer who approaches cultural influences on accounting implicitly. His work is a survey of accounting history in China from 2000 B.C. to the 1980s. The story is chronologically presented with reference to six stages of development. The stages are marked by different dynasties. They are: first, the embryonic stage of accounting in the slave society, the Xia Dynasty (2000 – 1500 B.C.) and Shang Dynasty (1500 – 1000 B.C.); secondly, forming the foundation for accounting in the Period of Spring and Autumn (770 – 475 B.C.) and the Warring States (475 – 221 B.C.); thirdly, the initial development of accounting from the Dynasties of Qin (221 – 206 B.C.) and Han (206 B.C. – A.D. 220), to those of Wei (220 – 265), Jin (265 – 420) and the Southern and Northern Dynasties (420 – 589); fourthly, accounting reaching perfection from the Dynasties of Tang (618 – 907) and Song (960 – 1279) to Ming (1368 – 1644) and Qing (1636 – 1911); fifthly, the further development of accounting from the end of the Qing Dynasty to the semicolonial, semi-feudal society (1911 – 1949); and finally, accounting in the

period of socialist construction (1949 - ). Zhao first describes the historical, social and political backgrounds for each stage, and then presents how accounting was set in these backgrounds and what accounting was like in terms of techniques, thoughts, and developments. By doing so, he implicitly shows that accounting is historical, social and political.

Different from Zhao's long history, Lin (2003) only deals with a short period, from the 1960s to the 1980s. During these three decades, a double-entry bookkeeping method, the increase-decrease, was used in China. Was it a complete innovation or a natural development of traditional Chinese-style bookkeeping? In order to answer this question, Lin reviews the historical development of Chinese bookkeeping methods, and draws technical comparisons between the Chinese increase-decrease method and the Western debit-credit method. He argues that the main technical difference between these two methods is in the underlying theories; the 'entity theory' is behind the increase-decrease method while the 'proprietary theory' is behind the other. So, the former is concerned with the movement of value within a business, while the affairs of a proprietor are the concern of the latter. As a result, the trial balancing procedures differ.

Lin concludes that the increase-decrease method is a continuation of the improvement of the Chinese style of bookkeeping. It is Chinese in terms of the language used and the theory behind it, which made it more comprehensive and user-friendly for Chinese; meanwhile it is an improvement as it borrows ideas from the Western debit-credit method, such as the integrated ledger system. Lin thinks this attempt to adapt a foreign way of doing things while retaining social and cultural

traditions is laudable and may provide some insight for the continuing changes in accounting.

Meanwhile, Lin implicitly argues that social-economic issues have played a vital role in accounting development in China through his review of history. He more openly considers the political influences in the rise and fall of the increase-decrease method in those three decades. The increase-decrease method came at the right time when self-reliance was the tone of voice in the 1960s and society just needed everything to be Chinese. Then, when the political rhetoric changed in the 1980s, being a bit foreign was not bad at all. The government wanted more foreign investment, and realised that it was not possible to demand the (rich) rest of the world to understand Chinese. So, let's learn the (accounting) language that the rich world speaks.

Comparatively, Ji (2003) comes from a quite different angle. He approaches Chinese accounting history from the concepts of cost and profit in agricultural treatises because agriculture had been the most significant economic driver and agricultural treatises were abundant. He selects six agricultural treatises with a wide range of dates, one from the first century B.C., one from the sixth century, one from the fourteenth century, one from the early seventeenth century, and two from the mid seventeenth century. The last two are the most detailed studies. Ji's finding shows that the concepts of cost and profit existed very early, developed in a more and more sophisticated way and were also applied in making decisions in agricultural production.

Ji then shifts to a big socio-economic question, why did capitalism not develop in seventeenth century China despite clear signs of capitalism in agriculture and commerce? The question as reflected in accounting is why the development of double-entry bookkeeping as an integral part of the capitalist mechanism was so slow in China? Unfortunately, the transition Ji made to this reasoning from the examination of concepts of cost and profit is too sudden. It needs to unfold in a more coherent and explicit manner in terms of what the question is and why this question.

Ji presents four reasons for accounting's slow development. They are the self-sufficient economy, the lack of a system of teaching in accounting, oppression of commerce and the handicraft industry, and strict government control on foreign trade. The explanation needs to be expanded and further developed in order to answer the question well. So, overall although Ji has limitations in his argument, he agrees economic, cultural and political conditions affect the development of accounting.

### 3.3.2 Explicit argument and Confucianism

Similar to Zhao (1987), Aiken and Lu (1993a, 1993b, 1998) deal with the 'long' history, but they argue the social and cultural aspects of accounting in a more explicit way. Aiken and Lu (1993a) review Chinese government accounting from its emergence in the first millennium B.C. to the early 1990s. They provide detailed descriptions of various accounting techniques, and they trace the major developments in a broad historical context which includes economic, technological, cultural and

political influences. In their review, they demonstrate that current practice is shaped and affected by all these influences in history.

In another paper, Aiken and Lu (1993b) identify three periods in which accounting achievements had been more significant and accounting practice had been more innovative particularly: they are the Western Zhou Dynasty (1100 – 771 B.C.), Qin and Han Dynasties (221 B.C. – A.D. 221), and Tang and Song Dynasties (618 – 1279).<sup>11</sup>

Aiken and Lu (1993b) offer some detailed historical technical accounting knowledge. They depict some historical background in order to comprehend accounting's development within its cultural, political, economic and technological context. Confucianism is identified as an explanation of accounting history in terms of how it developed and why it developed in certain ways. Confucianism fundamentally explains the culture, the mentality, the political system and the economic policy. However, their analysis remains superficial and simple.

Aiken and Lu (1998) review the three-thousand-year evolution of bookkeeping in China, examine the features of bookkeeping techniques and analyse the social and political influences over the evolutionary process. Unfortunately, they have not achieved their 'ambition', to provide alternative interpretations of Chinese accounting history according to the New Accounting History by Miller, Hopper and Laughlin (1991, cited in Aiken & Lu 1998, p. 239). Their interpretation of

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<sup>11</sup> The dates of the dynasties often differ between different authors. I have used the authors' definition in reviewing their work.

accounting history is quite conventional. According to them, the long lasting and the typical mature type of the feudal system is the fundamental explanation.

Rather than study 'long' history, others take on particular periods of time. For example, an explicit argument is made by Graham and Li (1997) on the cultural and economic influences on current accounting standards in China. In the late 1990s, accounting standards in China were harmonised with international accounting standards, but with some differences. The differences may appear to be 'strange' from a westerner's point of view, and they have resulted from issues beyond accounting theory<sup>12</sup>.

They argue that the best way to comprehend the differences is to understand Chinese society, culture, history, and politics as they all have an influence on accounting standards and practice. They focus on three differences: one is the limitations set on how certain types of intangibles contributed by a foreign partner in a joint-venture can be valued, two is the limitations on allowances for bad debts, and three is the limitations on writing down inventory. Then, Graham and Li turn their attention to the concept of entity. They argue that it can be understood in a very different way and how the understanding is again socio-economically, historically and culturally imbedded.

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<sup>12</sup> Obviously, it is mainstream accounting theory that is referred to here. This is exactly what the alternative accounting movement has been arguing that mainstream accounting (theory) is too narrow and needs to be broadened.

Lin's (1992) paper is about Chinese indigenous double-entry bookkeeping before the nineteenth century. It includes a brief summary of Chinese bookkeeping techniques before the transition of single-entry to double-entry, the changes that laid the foundation for the transition, and two versions of the indigenous double-entry bookkeeping, *longmen* bookkeeping (龙门帐) and four feet bookkeeping (四脚帐), invented by Chinese merchants and bankers without Western influence.

Lin relates accounting techniques to the socio-economic environment of the time, for example three-column balancing is perceived to reflect the philosophy of a feudalist society. He argues that the major development in accounting technique is the result of social and economic changes and does this by analysing the emergence of journal and ledger systems, the four-column balancing, the three feet bookkeeping, the *longmen* bookkeeping and the four feet bookkeeping.<sup>13</sup>

Comparatively, Chen (1998) examines in detail how accounting is intertwined with its political and socio-economic environment by analysing the rise and fall of debit-credit bookkeeping in China in the turmoil of the twentieth century. He presents a story with particular reference to historical events, which includes: how the debit-credit method was introduced to China after the First Opium War in 1840; how reformists tried to reform the traditional bookkeeping method for their national heritage and pride; how reformists confronted revolutionists, who argued for the

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<sup>13</sup> The three feet bookkeeping, emerged in the seventeenth century, is a hybrid of single and double entry, recording a non-cash transaction with two entries and a cash transaction with one entry. The *longmen* and the four feet are two forms of Chinese indigenous double entry. For illustrations of these methods, see Guo (2008, pp. 427-452) and Aiken and Lu (1998, pp. 230-236).

adoption of the Western debit-credit method in public debate and practice from the 1920s to 1949; how the debate over accounting method turned into an ideological battle after 1949; how the debit-credit method was denounced and replaced by the increase-decrease method, a version of debit-credit dressed in a Chinese gown, from 1966 for more than a decade; how the debit-credit method was gradually revived from 1978 when China started economic reform; and how this revival was completed in 1992.

Although his main story is about Chinese accounting in the twentieth century, Chen also dedicates a section to bookkeeping methods before the twentieth century: a summary of accounting history in China from 1500 B.C. to A.D. 1840. Chen (p. 78) argues that bookkeeping methods before the twentieth century were the products of the small-scale, feudal economy. In such an economy, 'record keeping was for relatively simple economic activities'. 'The primary purpose of accounting was to keep track of the flows of the Emperor's wealth and the state's properties'. 'Economic efficiency was never a concern to the rulers'. In sum, political and economic conditions are the two concerns of Chen. He argues that accounting is shaped by the political and socio-economic environment in which it operates.

Similarly, Auyeung and Ivory (2003) examine Chinese accounting history from 1840 to 1911. These seventy years attract their interest and attention because Chinese indigenous accounting, predominantly in the form of single-entry, failed to transfer to or accept capital accounting (double-entry) in the rapid social and economic transformation and modernisation occurring after the First Opium War in 1840. So,



they want to explain why accounting failed to respond to the changes occurring in the business, economic and social environments.

Confucianism again is the focus of their explanation, but Auyeung and Ivory bring in a new perspective by applying Weber's socio-historical theory. This application has made their argument stronger and more interesting. According to Weber's socio-historical theory, the emergence or acceptance of capitalist accounting relies on two facts. First, there must be the right societal structural conditions and secondly, formal rationality must be favoured over substantive rationality. Weber defines formal rationality as empirically based knowledge which is value-neutral, universal and objective. Capital accounting is the concentrated expression of formal rationality. Substantive rationality, on the other hand, involves value judgement based on social groups.

In the Chinese case, the first is satisfied but not the second. Auyeung and Ivory explain that in comparison with Puritanism, Confucianism impeded the right spirit to develop capitalism and therefore capital accounting. The deeply rooted educational institution and the recruitment system moulded anybody who became an intellectual and/or mandarin with Confucian ideology. So, the Chinese merchants lacked cultural and ideological independence from the gentry class. For example, writing Hindu-Indian numerals and using ink-pens in bookkeeping fundamentally insulted and challenged an intellectual, who regarded the brushes and written characters including numerals and calligraphy as part of their cultural and mystical heritage. This attitude is also manifested in the purpose of the modernisation movement after 1840, when studying the West was an effort not to change but to protect and preserve

traditional institutions and values. This is what is meant by Weber when he states that substantive rationality holds so strongly that it is not challenged by formal rationality (Weber cited in Auyeung & Ivory 2003).

Bloom and Solotko (2003) also try to use Confucianism to explain accounting both in China and Japan. Their paper is structured as follows: who Confucius is, what his main ideas are, and then what the implications of Confucianism are in accounting in general before a more specific analysis of accounting and Confucianism in each of the two countries. They acknowledge that the application of Confucianism to explain the accounting system and practice in these two countries is not always consistent. Confucianism explains some aspects, such as the lack of innovation in accounting techniques because Confucianism provoked conformity, non-disclosure (if not secrecy), conservatism, 'income smoothing', and greater extensive disclosures on risks in published annual reports. However, the fact that Governments have been highly involved with accounting regulations is contrary to Confucianism. In fact, elements of Confucianism even suggest there is little need for the accountant's advisory role, no need for generally accepted accounting principles and regulation, and no need for a high degree of professionalism.

In addition, they have implicitly acknowledged that the explanations within Confucianism are not always consistent. They point out that the notion of loyalty to the state, family and friends suggests secrecy or non-disclosure, while, at the same time, the notions of honesty and truthfulness suggest full disclosure. When they interpret the emphasis on historical cost in both Chinese and Japanese accounting as contradictory to the doctrine of truthfulness in Confucianism, they have presumed

that the true economic picture is only represented by market value. They have not realised that what is true is subject to different interpretations. Their view is just one of them.

The major problem with the paper is the hidden assumptions on ontology and epistemology. They either have no intention of exploring or are simply not aware of ontological and epistemological issues. So, their highly generalised analysis and arguments are not satisfactory. In addition, they choose the time period, from 1949 to 1990s, to examine the issue of Chinese accounting and Confucianism without explaining why such a period is chosen. The choice is problematic. During this period, Chinese society is probably the least Confucian. So, if they are particularly interested in this period of time of China, it is not enough to just apply Confucianism in the examination.

Solas and Ayhan (2008) examine effects of culture on the development of accounting in China from 1949 to the present. They further divide this length of time into three periods – from 1949 to 1978, from 1978 to 1992, and from 1992 to the present – because each period had very different political and economic circumstances, and therefore different accountings. They explain that, from 1949 to 1978, accounting was in the orthodox communist style serving the state-operated economy and the demands of state finance. Communist ideology was reflected in the definition of the accounting entity, the role of accounting, the definition of liability, the format of the balance sheet, the definition of income, the methods of income distribution and the treatment of workers' wages.

A more liberal economic policy adopted in 1978 marked the start of another period for accounting development. They argue that economic transition had an impact in accounting in three areas: the definition of the reporting entity, the role of the market, and the accumulation of capital. With the emergence and growth of autonomous enterprises, the boundaries of a firm needed to be redefined in accounting terms. The existence of an independent enterprise initiated the need for external financial reporting. Cost accounting needed to be developed into an independent discipline in order to set meaningful prices.

Solas and Ayhan explain that a major accounting reform in 1992 set the country off towards the eventual adoption of International Accounting Standards (IASs). From 2001, the differences between accounting systems across different industries had gradually been eliminated, which led to the final adoption of IASs in 2007. However, they point out that ‘transactions with related parties’ in financial statements that are prepared in accordance with IASs are rendered meaningless by the pervasive presence of the State. Nevertheless, the massive underdeveloped accounting profession remains the biggest challenge in enforcing the adoption.

Solas and Ayhan’s story has demonstrated that accounting is a social practice. So, it should be examined in a broad context with reference to various cultural, political and economic factors. Political and economic factors are better explored in this study. However, the effect of culture is weak considering the title of the article. Solas and Ayhan have a section on Confucianism, the monad of Chinese culture and society, but it is disjointed from the rest of the story: the development of accounting since 1949. There are a few problems in their argument. They look at the strong

family ties in business and its consequence in financial reporting, but such an issue does not really apply to mainland China after 1949. They confuse the term, Guanxi, with the concept of family ties. In addition, their argument is weakened by the fact that they analyse Chinese culture of the second half of the twentieth century using Leibniz' theory developed in the seventeenth century.

Gao and Handley-Schachler (2003) is so far the only work which touches on the issue of Buddhism and Chinese accounting in the accounting literature in English. They discuss how Chinese traditional culture has influenced accounting development, with special reference to Confucianism, Feng Shui and Buddhism. Hofstede's theory is applied to analyse traditional Chinese culture. Confucianism, Feng Shui and Buddhism are individually examined and the examination supports the view that traditional Chinese culture belongs to the category of collectivism, large power distance, strong uncertainty avoidance, masculinity, and long-term orientation.

These influences are examined in terms of bookkeeping techniques, accounting information, accounting regulations, the accounting profession, government accounting and private accounting. Their findings are as follows. First, Feng Shui explains why the 'balance' is always emphasised in Chinese accounting techniques, and explains government accounting in terms of how its language and principles have been adopted. Secondly, Confucianism is not only reflected in accounting language and terminology but also explains many more aspects of accounting development. Confucianism is conservative and suppresses merchants and traders. As a result, the development of private sector accounting and accounting techniques

was slow, accountants in the private sector had poor social status compared with those in government, and there was a lack of formal regulation for private accounting practice. In addition, collectivism is also largely the result of Confucianism. Because of collectivism, the needs of individuals were under-valued as opposed to government, which led to the dominant use of accounting information by government.

However, Gao and Handley-Schachler's task is too ambitious. So, their analysis is superficial. This is acknowledged by Lu and Aiken (2003, p. 3) in their editorial, as pioneers in this area of research. Buddhism in particular is not really explored except in a brief claim that "Buddhism and other Chinese religions lead the public to comprehend accounting primarily from the spiritual point of view" (p. 48). They claim that "although China has many splendid temples and innumerable religious classics, it is difficult to find valuable commercial and accounting materials" (p. 48). They must have been fully aware of the lack of examination of Buddhism in their paper, so, they suggest further research in this area.

In conclusion, the existing literature suggests there is a relationship between religion and accounting. The practice of accounting and the interpretation of accountability reflect the values of religion when accounting is situated in either a religious institution or society. Also, religion has influenced the development of accounting. The majority of the research has focused on the Judaeo-Christian tradition. In terms of cultural and social influences in the development of accounting in China, some arguments have been more explicit than others with Confucianism emerging from the literature reviewed as the primary focus of examination. With this understanding of

the relationship between religion and accounting and of the cultural and social influence in the development of accounting in China, I proceed to the next step of this study: to establish some background understanding of Buddhism and of China.

## **CHAPTER 4 THE EARLY BACKGROUND**

### **4.1 Introduction**

This chapter aims at providing some background understanding of Buddhism and China and it is structured in four sections: the first deals with the emergence and development of Buddhism and its penetration into China. The second section explains the geographical setting of China giving an overall view of how this civilisation evolved and how the concept of China was created and developed over the centuries. The third section deals with the period called the Han Dynasty (the third century B.C. to the third century A.D.) because it was during this dynasty that Buddhism was introduced to China. This section explains the historical background of the Han, their society, economy and main ideas and how the Han Chinese related to 'others'. The last section introduces what accounting was like in China prior to the influence of Buddhism.

### **4.2 Buddhism: Emergence, development and spread**

Buddhism was founded by Gautama Sakyamuni, a son of the king of a tiny state at the foot of the Himalayas who lived around the sixth to fifth century B.C. He attained enlightenment at the age of thirty-five and died at eighty. After his enlightenment, he was known as Buddha (Ch'en 1964).

The accepted thinking before Sakyamuni's Buddhism was recorded in the Vedas, the sacred literature of the Hindus. Rituals were seen as having magic power and this



power could induce the gods to do things according to the will of man. The main teaching of the body of Vedic literature<sup>14</sup> was the unity of the *brahma*, the cosmic principle of the universe (impersonal), with the *atman*, the psychic principle or inner essence of a man (personal). When this unity is achieved, then enlightenment is achieved and the person is released from *samsara*, the endless round of rebirths. Self-mortification, such as not eating, sitting on thorns or on burning cinders was the way to achieve the unity.

Sakyamuni inherited the fundamental understanding of life from Vedic teaching, but modified the practice announced in the Vedas. He rejected the idea of unity between the universe and human beings. He criticised some rituals and self-mortification. His way to enlightenment was broader, and gentler. Everybody was welcomed in his middle path, high-caste or outcaste (Harvey 1990).

An important concept that Sakyamuni inherited from the Vedas was *karma*. *Karma* means deed or act. He included the intention in the concept, so the Buddhist definition of *karma* is the intention and the bodily action after the intention. *Karma* is important for an individual as it determines the hierarchical form of life that s/he will be in the repeated rebirths. Suffering and misery in life are unavoidable in the endless cycles of rebirth, and so, the aim of Buddhism is for one to break these cycles of birth and when an individual escapes the round of existence, s/he achieves *nirvana*, enlightenment. The word, *nirvana*, literally means blowing out as of a

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<sup>14</sup> This is also described as an *Upanishadic* tradition.

lamp. However, it is believed that finite words are not capable of expressing the meaning of *nirvana*, a transcendent state.

A fundamental teaching is shared by all schools of Buddhist thought and is referred to as the Four Noble Truths: first, life is painful and imperfect (*dukkha*); second, this pain and imperfection are caused by desire (*samudaya*); third, the *dukkha* can be ended (*nirodha*) by achieving *nibbana* (*nirvana*); fourth, there is a path (*magga*) leading to the end of *dukkha*, known as the Middle Path as it avoids the extremes (indulgence of sensual pleasure and self-mortification). This path is also referred to as the Eightfold Path, which encompasses: (1) right understanding (*samma ditthi*), (2) right thought (*samma sankappa*), (3) right speech (*samma vaca*), (4) right action (*samma kammanta*), (5) right livelihood (*samma ajiva*), (6) right effort (*samma vayama*), (7) right mindfulness (*samma sati*), and (8) right concentration (*samma samadhi*). These eight points are often grouped into three segments. Points 3-5 concern moral virtue (*sila*); points 6-8 relate to mental discipline (*samadhi*); points 1-2 pertain to wisdom (*panna*) (these three segments are always in this order in Buddhist teaching) (Hurvitz & Tsai 1999; Nyanatiloka 2012; Rahula 1974).

#### 4.2.1 Theravada Buddhism: The doctrine of elders

Buddhism developed in the initial two hundred years within the Ganges Valley. In the mid third century B.C., it began to spread in all directions under King Asoka of the Mauryan Dynasty. It expanded northwest to Gandhara and Kashmir, and south to Southern India. From Southern India, it crossed the sea to Sri Lanka and then further to Burma, Indonesia, Thailand, Cambodia and Laos. In these countries, a branch of

Buddhism is still practiced today: Theravada, the doctrine of elders (Charkravarti 1987; Zurcher 1962).

The knowledge of Theravada Buddhism is in its Pali canon. The Pali canon was composed during the first century B.C., about four centuries after Buddha's death. It is believed that the Pali canon represents the views of the monastic community of that time. According to Theravada Buddhism, enlightenment is a personal achievement. Monks and nuns who joined the monastic order accumulated their merit through good deeds (*karma*), but their merit could not be transferred to others. So, Theravada was criticised as passionless, aloof, disconnected from society, individualistic, and clinging to the letter rather than spirit of Buddha's teaching.

#### 4.2.2 Mahayana Buddhism: The greater vehicle

In its northwest development, another branch of Buddhism emerged in the second century B.C.: Mahayana. This was the result of dissatisfaction with the perceived limitations of Theravada and of cultural influence from Central Asia. For example, the infinite light in the Maitabha (Buddhist) cult resembled the heaven of boundless light in Zoroastrianism.

Mahayana refers to Theravada as Hinayana which means the Lesser Vehicle in contrast to itself being the Greater Vehicle. Mahayana teaches love for all human beings and believes all human beings possess the Buddha-nature in them and have the potential to be enlightened. Its texts were written in Sanskrit (Bechert & Gombrich 1984).

A Bodhisattva, an example of compassion for all, is a being destined for enlightenment. Although qualified to enter nirvana, s/he chooses to remain in the world until s/he has brought enlightenment to every sentient being, by transferring her or his inexhaustible stock of merits to others.

The understanding of Buddha is also different between these branches. According to Theravada, Buddha was a human teacher who lived and carried out his mission and passed into nirvana. To the contrary, Mahayana mystifies Buddha. Buddha became an eternal being and an embodiment of universal and cosmic truth who is neither born nor dies.

#### 4.2.3 The role of Central Asia in the development of Mahayana Buddhism

The diverse cultures in Central Asia played formative roles in the development of Mahayana Buddhism. Central Asia was also the channel through which Mahayana Buddhism eventually spread to China and Japan.

Independent Greek kingdoms, the legacies of Alexander the Great, integrated with Indian culture after they were cut off from their Hellenic homeland by the Persian Empire. In the second century B.C., a Greek state, Bactria, ruled over the whole Indus Valley and adopted Buddhism (Ch'en 1964).

A group of people, known as the Yuechi (Yueh-chih)<sup>15</sup> or Scythians, migrated from northwest China and conquered the kingdom of Bactria. From the first century B.C. to the second century, they ruled the entire Indus Valley, northern India, and central India. They were converted to Buddhism.

After becoming firmly established in Gandhara and Kashmir, Buddhism spread to Parthia (part of the Persian Empire), Sogdia, Kashgar, Khotan, and Kucha in Central Asia. The last three regions are part of modern Chinese Turkistan. All these regions were along the famous land route connecting Europe and Asia, the Silk Road. Mahayana Buddhism developed and intertwined with the Silk Road trade and reached China around the beginning of the first century A.D. It was going to continue to develop and have great influence in the new land.

### **4.3 China: The geographical setting**

Geography does not determine but does influence a culture and its history. Chinese civilisation developed on a particular land: the rivers, the mountain ranges, the soil and the climate. So, the geographical setting should be briefly introduced before advancing to culture and society.

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<sup>15</sup> The Yuechi of the above were driven out of their settlement by the Xiongnu, with whom the Chinese had a long war. In searching for the Yuechi as their potential allies, the Chinese ‘discovered’ the whole area to their west. This will be discussed in more detail in later part of the chapter.

#### 4.3.1 Boundaries

On a modern map, a country called China is defined with boundaries. However, throughout history, the size of the Chinese empire was neither static nor precise. Regardless of the political argument over the definition of China, the core of cultural China (China proper) has been within these geographic boundaries. “The northern limit of historical China was the mountain range which forms the southern boundary of the grass steppes of Mongolia, the range along which the Chinese built the Great Wall” (Fitzgerald 1961, p. 1). “On the west China is shut off from the rest of Asia by the great ranges of eastern Tibet and the Kokonor (Qinghai 青海) region” (Fitzgerald 1961, p. 2). A precise and definite limit never existed as the southern boundary. The expansion towards the south has been slow and gradual (see Figure 1).

These geographic boundaries are also reflected in the language. Modern Chinese language is similar to the languages of the ethnic minorities of the western provinces and the languages of the Burmese-Tibetan group and the Tai of Indo-China. In contrast, it has no similarities with the languages of the northern nomads. This characteristic in the language suggests that the Chinese are a people of a fusion of many kindred groups who lived in the area between the southern border of the grass steppes of Mongolia and Indo-China.



Figure 1: Map of modern China  
(Mladjov 2014a)

#### 4.3.2 River divisions

Three major river systems, the Yellow (黄河), the Yangzi (扬子江 or 长江), and the West (Xi 西江) naturally divide the land into three areas. The northern area is watered by the Yellow River and its tributaries. The central area is drained by the Yangzi basin. The southern provinces form the basin of the West River except two provinces, Fujian (福建) and Zhejiang (浙江), which lie on the coast outside the drainage system of the three great rivers (see Figure 1). The three rivers are alike only in one respect: all rise in the high ranges of the Tibetan border, descend to the

lowlands through rocky gorges and mountains, and create alluvial plains before reaching the sea. The climate of these three rivers is very different (Michael 1986).

#### 4.3.2.1 The north – The Yellow River

The Yellow River, both the plain of the lower part and the mountains of the upper course, has a dry climate. The inadequate rainfall is confined to the summer months. Winter is hard and cold. This is the loess country: ‘a soil compressed of wind-blown dust from the Mongolian desert’ (Fitzgerald 1961, p. 3), which is not suitable for rice cultivation. This type of soil is fertile only when irrigated. No heavy forest has ever grown here. After centuries of cultivation, there are no woods left in the North China plain. Trees are only in isolated mountain ranges. Northern China lives on millet and wheat. The flat landscape is suitable for horse riding and the use of wheeled vehicles.

Archaeological evidence suggests that tribes in the north received the bronze culture from the west through Siberia, which made them more technically advanced and gave the ability to survive and expand. So, in the early days, the Yellow River was the cultural centre. From the sixteenth to the eleventh centuries B.C., the centre was at the lower course, near the modern Luoyang (洛阳).<sup>16</sup> From the eleventh century B.C. to the third century, it was at the upper course, near the modern Xi’an (西安) (see Figure 2).

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<sup>16</sup> Luoyang is not on Fig 2 but is on Figure 1, 3 – 5.



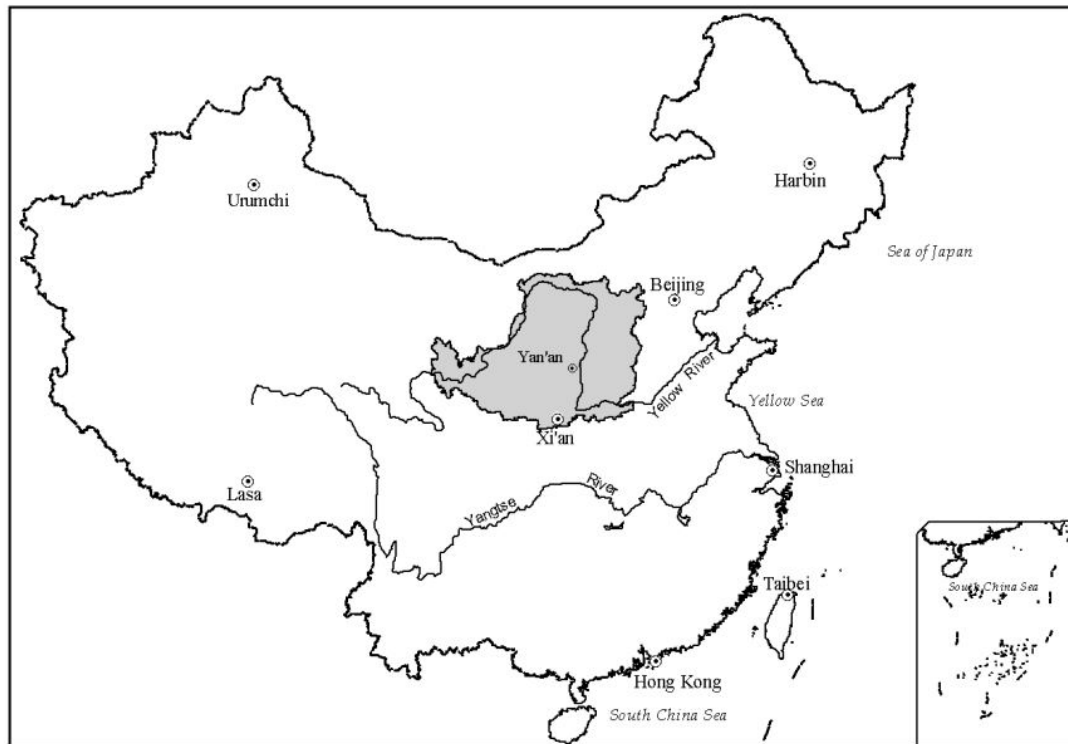


Figure 2: Map of loess land  
(CSIRO 2014)

#### 4.3.2.2 The centre – The Yangzi River

The Yangzi River has a soft wet climate with hot and humid summers and cold and wet winters. Snow is not uncommon in the lower Yangzi provinces in winter. Once the valleys were covered with impenetrable moist jungles. Although the original forest has been cut down, the hills are still covered with scrub. The valleys are carefully levelled for growing rice, while the hillsides are terraced for planting tea and mulberry. There are no wide plains except along the lowest course of the river. The valleys of tributary rivers are steep and narrow. Horses are not bred and not practically useful on this type of landscape, instead, water buffalo is used for transport. Sedan chairs and the porter and the river boat were used before the

modern construction of motor roads. The natural characteristic of this region is in itself a barrier to the invasions of the northern horse riders, which played a significant role in history (Ebrey 1996).

Similar to that of the ancient Romans, the Chinese culture was one with open boundaries. Whether a person was a Chinese or barbarian was determined by whether they adopted Chinese culture (Hansen 2000; Miles 1999). The cultural history of China was a history of expansion from the north to the south. By the tenth century B.C., there were still many 'backward' tribes living in the Yangzi River valley and the mountains that divide the Yellow River valleys and coastal ranges of Shandong (山东). As time went on, these tribes were gradually conquered by the people of the loess country and adopted their culture. In the third century B.C., the Yangzi River region still had few people, plenty of land, and an abundance of fruit and shellfish. Economically and culturally, this region started to be able to compete with the north in the third century (Sadao 1986).

#### 4.3.2.3 The south – The West River

The West River has a sub-tropical climate. Summer is intensely hot and damp and winter is warm and sunny. The climate and character of the West River basin is similar to that of the Yangzi River basin but hotter and more moist. As it was inhabited and cultivated centuries later than the northern and the central parts of China, there are more forests remaining in this region. The cultural history is also captured in regional languages. The Canton region at the lowest course of the river was taken into the Chinese empire in the second century but thorough integration did

not happen until the seventh century. The pronunciation of these periods is preserved in the Cantonese dialect.<sup>17</sup>

#### 4.3.3 Mountain barriers

There are no mountain ranges or even hills between the Yellow River plain and the Yangzi delta. Further west the transition between the two rivers is still easy. But, mountain barriers divide the south from the north and centre and separate the western plateau regions from the eastern coastal plains. This geographical factor played a vital role in history and also marked cultural divisions (Li 1965).

##### 4.3.3.1 Mountain ranges separating the south from the north and centre

Between the West River and the Yangzi River, a high chain of mountains runs from west to east. The mountain chain curves northward before reaching the sea. An isolated coastal area (Fujian and Zhejiang provinces) is created because of this curve. The railway from Canton to the Yangtze valley was not established until 1950. The railway from Fujian to the rest of China was not established until 1957. Before the establishment of these railways, it was easier and faster to travel by sea from Canton and Fujian to reach central and northern China.

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<sup>17</sup> Chinese language is ideographic. The sound of a word is not related to its written form. So, the pronunciation is not fixed by the script, which also explains the broad variations in the pronunciation among dialects (Fitzgerald 1961).

#### 4.3.3.2 The western plateaux versus eastern coastal plains

The majority of Chinese live on the eastern plains. The western mountain provinces are thinly populated and inaccessible. Within the same river system, the culture of the western plateaux is distinctive from that of the eastern plains (Fitzgerald 1961).

Guizhou (贵州) and Yunnan (云南), in the upper reaches of the West River, have very little in common with the Cantonese of the coastal delta of the same river. Yunnan, although within the tropics, is cooler than regions further north as the land is high. The vegetation is of a Mediterranean type. People of Guizhou and Yunnan entered these areas not by sea coast nor the West River valley, but across the difficult mountain passes from the north-western provinces and the Yangzi valley. So, they speak a northern dialect, and their customs and architecture are northern.

Sichuan is a western province on the upper course of the Yangzi. It differs from the other parts of the same river basin. It is locked in by great mountain ranges, so it has a subtropical climate although it is no further south. Sichuan is free of winter frosts but these are common further down the river.

### 4.4 The Han Dynasty

The arrival of Buddhism in China was officially recorded at the beginning of the first century. This was the middle of the Han Dynasty (汉) (206 B.C. – A.D. 221). These

four hundred years were peaceful and prosperous compared to the preceding three centuries (Ebrey 1996; Hurvitz & Tsai 1999).<sup>18</sup>

The Han was a centralised autocratic universal monarchy, which was then still a new form of government. The first autocratic empire was the Qin Dynasty (秦), from 221 B.C. to 206 B.C. The reason for the Qin being short lived, to a large extent, was the radical change that it introduced to the governmental form, from aristocratic confederate kingdoms to a centralised autocratic universal monarchy. Some believe this radical social and political change is one of the only two real revolutions in Chinese history (Bodde 1986).<sup>19</sup>

Liu Bang (刘邦), the founder of the Han, arose from the rebellion against the Qin, but he defended the revolution. He had a personal reason to do so. Unlike the destroyer of aristocratic feudalism, Qin Shi Huang Di (秦始皇帝), the founder of the Qin, he came from an obscure origin. He did not have the right lineage to be the Crown under the aristocratic feudal system. However, the historical and political current was on his side. After a series of complete and enduring measures carried out by the Qin, the noble clans had completely lost any influence in their hereditary land and the foundation of aristocratic feudalism had been utterly destroyed (Huang 1988; Watson 1999b).

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<sup>18</sup> This four hundred years of stability was only seriously interrupted once.

<sup>19</sup> The other one happened in 1911 when the last autocratic monarchy, the Qing dynasty (清), ended.

#### 4.4.1 Historical background

The Han “inherited the results of the social, economic, and administrative changes which had taken place over the preceding centuries” (Sadao 1986, p. 549).

##### 4.4.1.1 The technological advancement – The trigger

In the sixth century B.C., the end of a period that is often referred to as the Spring and Autumn, some technological changes occurred: the use of iron implements and animals in agriculture and flood control and irrigation techniques. These were the fundamental forces that triggered the social and economic changes, which, in turn, disturbed the social and political power balance of aristocratic feudal China.

Referring back to the geography, the loess land along the Yellow River is extremely fertile but dependent on irrigation. The Yellow River is notorious for its catastrophic alterations over the course of history. No other river on earth has changed its course as dramatically and as often as the Yellow River. So, it is not a calm and tamed river. Flood was a common feature of life for the civilisation that developed along it.

With new technologies, the amount of cultivable land increased. Mountains and marshes were cleared; alluvial flood plains turned into cultivable land. This led to population growth, which, in turn, stimulated further demand on land. While agricultural productivity increased, a smaller proportion of population was needed in agriculture. This meant more labour could be deployed in war, commerce and industry (Sadao 1986).

Feudal lords started to compete over land. The kingdoms previously separated by inhabitable or thinly populated mountains and marshes now came into close contact with each other. A few kingdoms were able to expand their territories outward, for example, the states of Qin and Chu had expanded to the Yangzi River regions during the fifth and fourth centuries B.C. (see Figure 3). The tribes who used to live in the forests and marshes now had to accept being assimilated or otherwise being driven into more remote areas.



Figure 3: Map of China – the Warring States  
(Philg88 2010)

Judging from the maps from the period of the Warring States (from the fifth to the third centuries B.C.) and the Qin and Han Empires (from the third century B.C. to the third century A.D.), China increased in size by four to five times (see Figure 4) (Huang 1988; Twitchett & Loewe 1986).

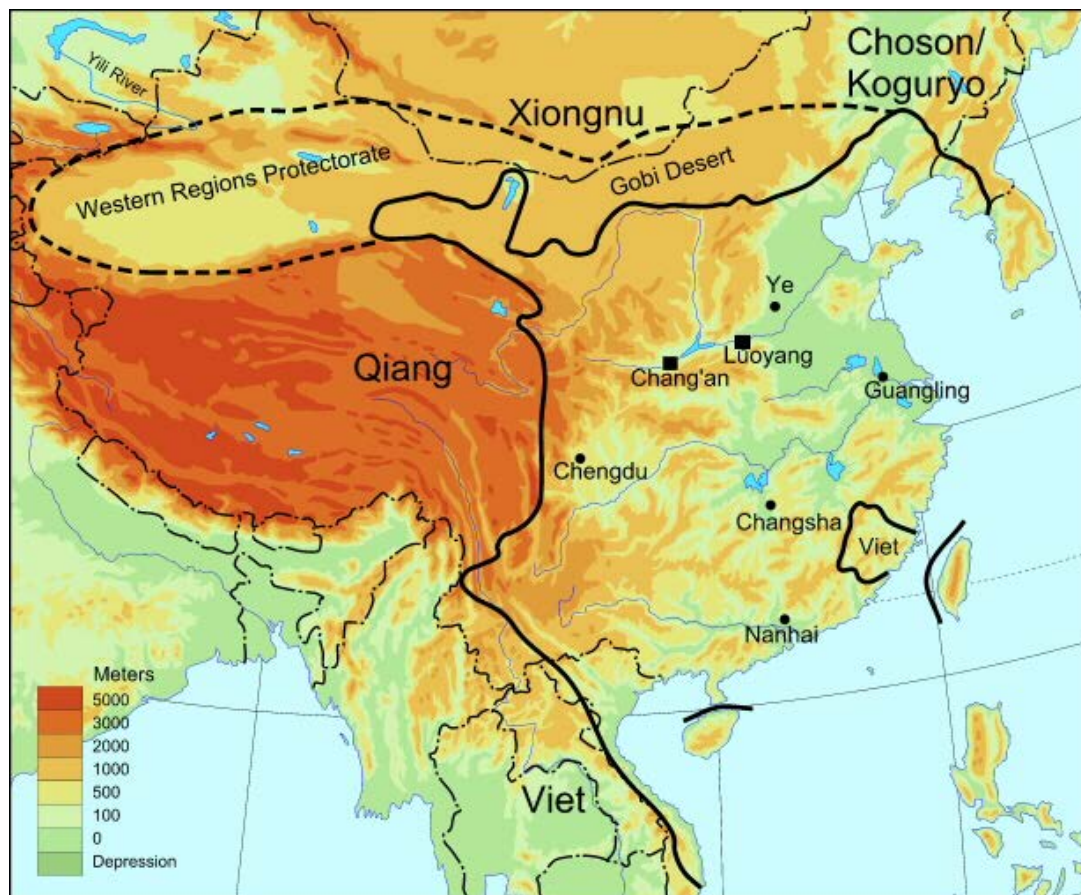


Figure 4: Map of China – the Han Dynasty  
(University of Washington 2014a)

#### 4.4.1.2 The change in social and political structure

The change in agriculture also triggered a change in social structure: the closed clan-based rural communities dissolved when individual peasant families became more independent: they could produce enough to support themselves. Working in the field became focused around a family rather a clan community. The independence of the individual family unit led to the collapse of small and weak feudal lords and their



subordinate noble families, whose control over the peasantry was not necessarily strong but protected by the tight operation of the closed clan system.

Once a clan member lost the protection of his lord and his hereditary position, he needed to seek the patronage from the more powerful surviving feudal lords and subordinate noble families. This saw the emergence of a personal lord and vassal relationship. These newly adopted vassals further strengthened the power of the already powerful lords and at the same time weakened the clan organisation among the ruling class until it was replaced by patriarchal sovereignty (Sadao 1986).

The economic basis of the patriarchal sovereignty was closely connected with the emergence of more independent individual peasant families farming lands newly brought under cultivation. Most of such lands had been forests and marshes, where no aristocratic clan had control before. Such lands were opened up by the patriarchal sovereigns using the new techniques of flood control and irrigation. They settled the peasants there and provided them with the new iron tools.

The patriarchal sovereigns ruled directly over the peasantry through vassals, whose roles included supervision and taxation. This was the embryonic form of the later centralised bureaucratic model of government: the autocratic ruler, the state officials and the peasantry relationship.

More and more lords were eliminated and only the most powerful ones survived into the fifth century B.C. By this stage, a centralised bureaucratic model of government was emerging and developing in all the kingdoms/states. The final triumph of the

Qin in the third century B.C. was due, to a large extent, to its efficient centralised administration.

This bureaucratic administration had the emperor as its head exercising control over the peasantry through an administrative structure. The Han inherited this system: the commanderies (*jun* 郡), counties (*xian* 县), districts (*xiang* 乡), and hamlets (*li* 里).

#### 4.4.1.3 The philosophic movement

A philosophic movement, the Hundred Schools of Philosophy (*zhuzi baijia* 诸子百家), arose in the aristocratic feudal anarchy that was caused fundamentally by the technological changes. In response to the moral decay and social disorder, thinkers debated the moral foundations on which a monarchy should be based (Ebrey 1996).<sup>20</sup> The philosophic movement ended tragically. “Philosophers failed to find the remedy for the evils they saw so clearly” (Fitzgerald 1961, p. 74). Military power crushed the culture.

Taoism (*daojia* 道家) preached a return to primitive simplicity and condemned any forms of organised society. It was exclusive to the aristocracy, who were the only ones who could afford to follow the Tao (*dao* 道), the Way. Laozi (Li Er) is believed to the founder of this school, who supposedly lived around the sixth century B.C. He is also the reputed author of the *Laozi* (or *Dao de jing*). Zhuangzi (Zhuang Zhou) is another important figure of this school, who lived in the late fourth and

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<sup>20</sup> The form of government, monarchy, was never questioned.

early third century B.C. His work is collectively known as the *Zhuangzi* (Bloom 1999b; Watson & Graham 1999).

Confucius (*kongzi* 孔子), who lived in the late sixth and early fifth century B.C., taught essentially to counteract the social problems of his time. He preached the importance of filial piety, loyalty, ceremonies and rites and conservative conduct and decorum. He theorised his teaching as a return to a primitive virtue and argued for a return of the golden age. For him, the perfect past was the remedy for the troubled present. The golden age with perfect virtues had been recorded in ancient songs, sacrificial hymns, poems, speeches and documents (Bloom 1999a). These are the bases of Confucianism (*rujia* 儒家).

The school of Mohism (*mojia* 墨家) and the school of Yang Zhu (杨朱) had very little influence on later culture but were the most popular schools in the fourth and third centuries B.C. These two schools held opposing views. The former believed in universal love as the remedy for all evil. The latter taught the importance of an individual's physical pleasure and was indifferent to the ideas of good and evil and virtue and vice (Watson 1999a).

The central doctrine of Legalism (*fajia* 法家) was an absolute authoritative government that could uphold severe and rigid laws which applied equally to all. The Legalist society had only two purposes: to win war and obtain supremacy. The rise of the Qin was due to this school. It never became a state doctrine again after the Qin, but, its fundamental ideas largely remained in the Chinese autocratic empire: its

model of government (autocratic monarchy), its emphasis on agriculture, the idea that rigid and crude law should apply equally to everyone from prince to peasant, and one crucial piece of advice to a ruler: to adopt and patronise one school of thought only (Rickett et al. 1999).

#### 4.4.2 Society and economy

After Qin Shi Huang Di, the founder of the Han, Liu Bang titled himself as the Emperor, Di, a title only previously used to address deities. The experience of the Qin helped the Han to achieve a stability of four centuries with only one serious interruption.<sup>21</sup> The Han abolished the unpopular laws and institutions but kept the rest of the governing machinery intact. The social and economic characteristics of the Han period largely remained as a model for the following two thousand years of Chinese dynasties. However, some new social and economic development eventually disrupted the established order and brought the dynasty to an end (Watson 1999b).

##### 4.4.2.1 Palace power

Empresses and eunuchs played important roles in palace power struggles. Unlike an aristocratic feudal king who could choose a bride from another state, the emperor had no other places to seek a bride but from within his own empire. As a result, when an empress was chosen, a whole family rose to prominence because of the immense political favour received. So, the power of the empress and her family could be

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<sup>21</sup> A consort family usurped the crown at the beginning of the first century, so, the first two hundred years of the dynasty were often referred to as the Former Han while the last two hundred years as the Later Han.

enormous especially if she became a regent. In an age of upstarts, being this close to a throne was fatal. This power was only meant to be temporary, but once this close it was too tempting not to try to seize the throne. So, the fate of the consort-families was repeated throughout the Han. They arose and tried to prolong their power with no moral and social constraints; some even tried to seize the throne and some were more successful than others; but finally they all had to be swept aside to make room for the next generation (Bielenstein 1986).

During the early part of the Han, future emperors usually grew up outside the palace, but later, they were brought up by eunuchs in the inner part of the palace. This intimate relationship often made the emperor trust them. When he felt threatened or in political trouble, he turned to them for help. In such a way, eunuchs could manipulate the crown and exercised considerable political influence.

#### 4.4.2.2 The rural society

The peasants living in a hamlet, the lowest level of administration and community, were the foundation upon which the Han state rested. A typical hamlet had about a hundred families with about five or six persons in a typical family. A hamlet was outside the central bureaucratic administration; instead, a rank system functioned to control the social hierarchy within a hamlet. It is a system which originated in the fifth and fourth centuries B.C. During the Han, it consisted of twenty ranks. Apart from slaves, all male commoners could be bestowed by the Emperor with the eight lowest ranks. Each hamlet had a religious centre, altar (*she* 社), where the local deity

was enshrined and religious festivals took place. There was also an altar in each district and county and even the state (*guoshe* 国社) (Sadao 1986).

Many hamlets were new for the following reasons. First, the empire was continuously expanding: to the central Yangzi valley and the south West River regions and to the western plateaux. Migrants from the north came to settle. Second, both the Qin and Han promoted large-scale flood control and irrigation works. New land was brought under cultivation and communities settled to cultivate it. Thirdly, a practice since the Warring States, military conquests would lead to new hamlets as the original population were removed and replaced with migrants from the victor's side.

The new communities were established by the state, so they lacked clan solidarity and internal social order. This was especially true when many of them relied on the state's maintenance of irrigation and flood control for survival. Considering the size of the Han Empire, in some areas, old clan based communities still existed and they were more autonomous with strong family ties especially when there was no need of state irrigation and flood control.

In the early Han time, the power struggle was more between the central government and the powerful clans. Both the Qin and Han tried to reduce their influence by removing or assassinating the heads of the clans. A compromise was achieved. The central government extended their control through the local families while a certain amount of autonomy was retained within them.

Then, the power struggle shifted to that between the central government and the large landowners. The concentration of landholdings gradually became an alarming concern, which eventually destroyed the dynasty. The continued spread and improvement of iron implements together with the increasing agricultural technical knowledge during the Han favoured the large landowners but disadvantaged the small independent cultivators (Ebrey 1986).

With better finances, the large landowners could afford the best iron tools and oxen; they could maintain their own irrigation instead of relying on the government; they were more knowledgeable and able to apply agricultural knowledge. All of these made them more efficient, productive and profitable. The Han tax system also advantaged the large landowners. They were the major beneficiaries of a light land tax. Another major tax, the poll tax, charged per head regardless of wealth, did not favour the small farmers either. For all the above reasons, the base of independent peasants was diminishing. They became tenants of large agricultural estates either voluntarily or due to bankruptcy. Some landless farmers migrated to Yangzi valleys or marginal lands. Some became migrant wage labour working on government lands.

The central government was not happy with the shrinking tax base and tried to keep the independence of the land owning peasants. Apart from promoting irrigation and giving out free iron tools, the Han government limited the size of landholdings, offered tax reductions for bad harvests, gave tax breaks to get farmers to go back after a famine and generally kept the land tax light. Nevertheless, the increasing

concentration of landholdings became the new feature of local social organisation and the central government's political concern. The rural community became based on a large agricultural estate to which farmers were attached.<sup>22</sup>

#### 4.4.2.3 Cities, commerce and manufacturing

The Han government was highly involved in and controlled commerce and industry and in many cases even monopolised them, a feature that remained in the Chinese economy for the following two millennia. Private enterprises developed alongside the government ones despite difficulties. Wealthy merchants and industrialists were gaining more influence in the latter part of the dynasty.

One of the primary difficulties that a merchant and a craftsman faced was their low social status. Craftsmen were below peasants; merchants were worse. At times, they were discriminated against as criminals: prohibited to wear silk, to ride horses, to hold official posts and to own land. The anti-mercantile attitude was shared by thinkers of many schools during the age of the philosophers. It reflected an earlier tradition: commerce was undertaken by certain clans not entitled or required to participate in military service. The occupation of craftsmen also used to be the prerogative of certain clans. The technological changes in the sixth century B.C. triggered the dissolution of the clan system and the organisation of commerce and industry changed. The simultaneous emergence of bureaucracy led to the government taking over commerce and industry (Sadao 1986).

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<sup>22</sup> The issue of land and land tax will be further discussed in chapter 9.



Another reason for such an anti-mercantile attitude was the authority's fear of losing farmers to non food-producing occupations. This could threaten the country's economic foundation. Professional manufacturers not engaged in agriculture emerged with the increasing commercial activities in the fifth and fourth centuries B.C. and so did merchants. New industries such as iron and salt, emerging during this time had been always private along with trading. A social division between those engaged in agriculture and those engaged in trading and manufacturing began to appear. This division did not exist when commerce and industry were arranged and supervised by the government for the state and court consumption only. Cities also developed as administrative centres and the rising demand of the resident lords and bureaucrats for goods and services stimulated commercial activities. Meanwhile, different states all began to use bronze coinage that facilitated trade within and between cities.

So, the Han inherited the anti-mercantile attitude and controlled the trade within the empire. Markets in a city were organised and administered by the government. Small merchants were registered within a market and paid taxes; large merchants were often not registered – they were wealthier and often connected with government officials. In contrast, the Han government sponsored and encouraged the silk trade with Central Asia. Gold, silver and silk were the commodities exported from China while wine, spices, horses, and woollen fabrics were imported. The Han also traded in Southeast Asia and across the Indian Ocean. Again, Chinese silk and gold were desirable and pearls, jade, lapis lazuli and glass were brought to China.

State-controlled manufacturing and private enterprises co-existed in the Han. When the government needed to finance its expeditions and expansions, it took over the two most lucrative industries of salt and iron from private hands. But, the power of great merchants and industrialists was increasing and the central government had to negotiate with that increasing power, so, the government monopoly was not permanent.

Indeed, despite the deliberate repression of the merchant class, their power grew. In the latter part of the Han, the government interfered in commerce and industries much less, a reflection of the growing influence of merchants and industrialists. Such growing influence was also reflected in the steady money economy (Ebrey 1986).

The increasing significance of great merchants and industrialists was, to large extent, due to the good roads built since the unification of the Chinese Empire. These were essential for the centralised bureaucratic government facilitating effective communication and transportation. At this stage, the majority of cities were in the north and did not yet extend to the Yangzi region. They were the capitals of previous independent feudal states and developed from being administrative centres to trading centres as well. The lavish city life style was copied even in newly colonised areas, such as Korea and the Dunhuang region.

#### 4.4.3 Ideas – Political and religious

Like its predecessor (the Qin), the Han faced the immediate political challenge of justifying its universal order. It was particularly urgent as the feudal anarchy which preceded the Qin had been a period of rare intellectual freedom. The Qin carried out a campaign: the burning of the books and burying of the scholars (焚書坑儒), but this violent proscription did not achieve its original purpose but unified the hatred towards its rule and brought down the empire.

In dealing with this challenge, Confucianism rose as the state doctrine (see section 4.4.1.3). This triumph was due to the development of a school in the new era, which satisfied the political needs of the new order and the social demand of the time. It was also intertwined with the changing composition of the high levels of society (Kwok et al. 1999; Roth, Queen & Sivin 1999).

##### 4.4.3.1 An administrative demand

The administration of a centralised autocratic empire required a large number of government officials. Officials trained with Confucianism acquired certain values: self-restraint, concern for others, love of ritual, devotion to principle and loyalty to superiors. Once these values were recognised by the throne, a state educational system was developed to train potential officials with Confucianism. It included a state university and an early form of imperial examination.<sup>23</sup> With the steady growth

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<sup>23</sup> The system of imperial examinations became the main channel to select candidates for government officials in the eleventh century. Before that, a system of recommendation combined with examination was the main channel.

of the government's influence and prestige, more and more ambitious young men were keen to engage in Confucian learning as path to power and status (Ebrey 1986).

#### 4.4.3.2 Becoming a complete philosophy – To satisfy a social demand

The interest in the supernatural manifested in some very early traditions (Keightley 1999). The Han was continuously an age of the supernatural. From the Crown to commoner, people shared a great interest in spirits, portents, myths, the strange and the powerful. So political ideas could not be discussed independently from religious ones. In fact, they were intertwined. Confucianism during the Han expanded its philosophy into cosmological and metaphysical genres and matched itself with the societal mentality, which contributed to its success (Kwok et al. 1999).

At the beginning of the Han, it was not Confucianism but Taoism that was most popular and was associated with influential imperial figures including the Emperor Wu, who, though regarded as the first patron of Confucianism, was drawn to supernatural Taoism and was often criticised for his Legalist practice (see section 4.4.1.3). To a large extent, the rare popularity of Taoism was due to its emphasis on timeliness, flexibility, simplicity and laissez-faire government, which suited the social and political circumstances of that time. The publication of the *Huainanzi* (淮南子), a Taoist text, reflected such recognition (Fitzgerald 1961).

The popularity of Taoism also verified the superstitious and religious mentality of early Han society. Again, such passion was demonstrated in the *Huainanzi*. The book shows Taoism developing into a magic cult. Taoist (and other schools')

metaphysical and cosmological ideas were absorbed into Confucianism as the philosophy of the educated class. In this way, Han Confucianism became a complete philosophy of man and the universe compared to early Confucianism that dealt only with problems of politics and human relations.

#### 4.4.3.2.1 The Mandate of Heaven

The Han Confucians had the tendency to vest Confucius with divinity and they were highly involved in developing new religious theories. Through refining the theory of the Mandate of Heaven, the Han Confucians developed a mechanism to check otherwise unlimited autocratic power.

Before the eleventh century B.C., a king was like a priest, who had religious duties to ensure a good harvest. Moral qualities started to be vested in a king during the Zhou era, from the eleventh to the third centuries B.C., and magic became less important. The *Tian* (天), Heaven (or the Supreme Ancestor), was above all. A king, the Son of Heaven, as Its deputy, received the mandate from Heaven (*tianming* 天命) to rule as the earthly sovereign. The monarchy itself was never invested with any attributes of divinity, but the mandate of Heaven granted legitimacy to rule. Heaven could withdraw the Mandate from a decadent king and this withdrawal manifested itself in rebellions. The Han Confucians fostered the cult of Heaven. Through their interpretation of the ancient legends, the deity, Heaven, became supreme while other equally important deities became silent (Fitzgerald 1961; Kwok et al. 1999).

#### 4.4.3.2.2 The yin-yang and five agents theories

The yin-yang (阴阳) and five agents (*wuxing* 五行) theories both existed in the age of philosophy. Both used a few basic metaphysical substances to explain all being. The yin and the yang were the two primal forces of creation. The five agents were Earth, Wood, Metal, Fire and Water, and the circle of relationship among them is that Earth surrenders to Wood; Wood surrenders to Metal; Metal surrenders to Fire; Fire surrenders to Water; and then Water surrenders to Earth. In the Han Dynasty, the yin-yang and five agents theories became major elements in Confucian thought for the first time. This was the triumph of Confucianism of the period. It was another demonstration of how Han Confucianism transformed itself into a complete philosophy of man and the universe.

The Han Confucians built up the complementary principles of yin and yang into all phases of creation such as: the light and darkness, the birth and decay and male and female. They also applied the yin-yang theory in their interpretation of the *Book of Change* (*Yijing* 易经), a book of divination. So, the theory was integrated into Han Confucianism to explain the creation, structure and working of the Universe (Ebrey 1996).

The five agents theory was greatly extended in the Han. The association of the five agents expanded from seasons and colours to numbers, points of the compass, notes of the music scale, grains, direction, virtues, and officers. More importantly, the theory was applied to reconstruct history and the succession of dynasties: to legitimise the replacement of the Qin by the Han, the former with divine lineage to the crown, but not the latter.

#### 4.4.3.3 Restoration of the lost heritage and a historical view tinted with Confucianism

The teachings from the era of the Hundred Schools (see section 4.4.1.3), ancient literature and cultural tradition were nearly all destroyed in the Qin's violent proscription. The books were written on bamboo strips that were connected with strings.<sup>24</sup> The Qin did not burn all the books, but, after being dumped in warehouses, books deteriorated due to their emphasis on history and tradition, Confucians started their private restoration of the literature and teaching of the aristocratic feudal age soon after the fall of the Qin. Ancient learning became their focus, and they gradually became the great doctors of ancient learning. Through their extensive effort, they developed an authority in history (Fitzgerald 1961).

Since the main effort in the restoration came from the Confucians, the importance of their own school was naturally magnified and most of the restoration was reserved for the literature of their own school (Fitzgerald 1961). Once the literature restored by the Confucians became the sources of reference to the past, others started to see history through their eyes. They interpreted the ancient texts according to the ideas that were unique to their school. For example, a unity in the remote past was imagined because a return to the golden age of the past was always the desire of Confucians, in spite of the fact that the autocratic empire was not any sort of return at all. Thus, Confucianism became a supporter of autocracy in the Han.

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<sup>24</sup> The technique of paper making was invented in the Han (Ebrey 1996, p. 80).

#### 4.4.3.4 Authority on knowledge and being able to remain as a critic

The leadership in restoration and the government sponsored educational system eventually transformed Confucianism into an authority on (ancient) knowledge. In the first century, Confucianism became the state orthodoxy. So, the Han successfully unified thinking from diverse origins, which the Qin's violent proscription failed to do (Kwok et al. 1999).

The initial attraction of the Confucian trained officials to the Emperor was their loyalty. But they did not become only bureaucrats, to be controlled by a set of procedures and laws, as they viewed their relationship with the ruler in moral terms. An ideal Confucian, while being loyal, would retain his criticism of the policies of his superiors and resist automatic compliance. Because of this exceptional quality, Confucians were able to maintain a balance in the autocratic monarchy. This quality made them successful in the autocratic government machine for most of the following two thousand years. This balance also made this form of government successful.

#### 4.4.3.5 The new upper class

The Han tactfully reformed the aristocratic feudal institutions and reconciled with the old aristocracy, *junzi* (君子 literal meaning: the son of a lord), the bitterest enemies of the autocratic empire by transforming them into a new upper class: the official scholars. From now on, the term *junzi* no longer contained its literal meaning but referred to the cultured gentleman. “The *junzi*, including many of the old aristocratic families, became a class marked off from the mass of the people by education, and



only by education” (Fitzgerald 1961, p. 155). The upper class included all of those who viewed themselves as cultured gentlemen, who had received at least a minimal education and who had acquired a familiarity with the rules of behaviour (Ebrey 1986; Huang 1988).

This new composition of upper class emerged in a gradual process but the change was fundamental. This process was intertwined with the rise of Han Confucianism. The ideal of a cultured gentleman spread through education: the state university and the civil service examinations. The increasing self-consciousness of the official scholar class had political and cultural significance. The educated young men in different geographical locations with different local focuses were united in a sense that they saw themselves as leaders of their local communities and as participants (however marginal) in national literary, scholarly and political affairs. This was also one of the major contributions of the Han period to Chinese history. In the succeeding centuries, the strength and coherence of the upper class of cultured gentlemen proved to be more durable than political and economic centralisation as a basis for the unity of Chinese civilisation.

#### 4.4.3.6 A unique literature and historical tradition

Confucians admired and respected the ancient texts. Original texts were copied with no amendment or alteration. Commentary was produced separately to explain or amend the original texts. This tradition has persisted throughout Chinese literary history and ancient Chinese literature has been handed down through generations in this way. So, despite tragedies like the burning of the books and the lack of stone

inscriptions of any real antiquity and no copies of books before the tenth century surviving to confirm or check the work of the copyists, there was no 'dark age' throughout Chinese history. Under this tradition, a school of historians was trained, who meticulously and pedantically recorded the events of the next two thousand years.

The calm Han time also made room for reflection on the past and on revolution. The restoration of prohibited literature further aroused an interest in the early Zhou (周) (from the eleventh to the eighth centuries B.C.) and the dynasties prior to it, all of which seemed so distant and of which so little was remembered. It was time to undertake comprehensive historical research to connect the fragmented and contradictory records of the legendary past, the aristocratic age and the present (Ebrey 1996).

In the early first century B.C., the *Records of the historian* (*Shiji* 史记) was written by Sima Qian (司马迁). It was "one of the principal sources for the history of ancient China and the early Han period" (Fitzgerald 1961, p. 208). It established a model which was copied by later historians. Despite the fact that it was written in a 'strange' style, judging from the western historical tradition, it has many qualities. It was based on vast research. Sima Qian drew from every book extant in his day. He had access to the imperial archives and he used the opportunity to its full extent. He included every book of antiquity that was seen as genuine by him and he quoted from official papers. So, the *Records of the historian* is an encyclopaedia of ancient literature and a reference that other versions can be tested against.

Sima Qian also included some contemporary topics. He wrote about the newly conquered countries (such as Korea and Southern China), the Xiong Nu, the southwestern barbarians, the western kingdoms of Central Asia, the rivers and canals, the river conservation and irrigation schemes, economic policies, the religious ceremonies of the court, astrology, the calendar, music and divination. In writing biographies for historical figures, Sima Qian's approach was unconventional. He included famous comedians, celebrated assassins, brigands, court favourites, generals, poets and scholars. So, the *Records of the historian* is "a mine of information on every aspect of the Han civilisation" (Fitzgerald 1961, p. 217).

#### 4.4.3.7 The popular religion

The Han society remained polytheistic. Some ancient gods continued to be worshipped, for example, the ancestors and the gods of the soil and the crops. However, the sweeping social change associated with the fall of the aristocratic confederation was reflected in religion. While some beliefs lost their grounds for survival, some new deities appeared and spread throughout the Empire. This surge in popularity of new deities was facilitated by the breakdown of the boundaries of the confederate states (Fitzgerald 1961).

The imperial court patronised popular religion. The national popularity of the deities from the Shandong coastal region was an example of this patronage. This eastern coastal region had a very strong mythical tradition. The immortals were believed to live on the mysterious islands off the coast. The nationwide popularity of this

regional cult was boosted by the prolonged interest of the imperial rulers in searching for the secret of being immortal. The magicians from the same region also became the court's favourites. They served as the court magicians giving advice on religious matters.

#### 4.4.3.8 The court religion

In the aristocratic feudal age, the king's power was limited by his noble clans, but, his right to the throne was divine. In contrast, the power of an autocratic emperor was limitless, but his tenure was weak. It was clear that the imperial family was of an obscure origin. If they could be on the throne, then in theory, anybody could snatch the crown. So, the imperial court had a great incentive to legitimise their weak title to the throne through developing new theories in religion. Under these circumstances, the court religion developed. It derived from the ancient court cult but as was enriched with rituals and ceremonies in order to boost the prestige of the House of Han.

#### 4.4.3.9 Synthesis and cultural unity

In sum, the Han inherited philosophical and religious ideas of diverse origins and synthesised them in the form of Confucianism, its state doctrine. A common set of ideas, values, and historical references functioned as the bureaucratic cohesion: connecting officials with educated local elites. More importantly, a cultural unity was created. In this process, China was transformed from a collection of different states with their own local traditions and religious cults to a unified empire sharing a common script and classical heritage (Roth, Queen & Sivin 1999).

#### 4.4.4 Imperialism – Relationship with ‘others’

The Han was an age of imperialism. Territories were gained and non-Chinese people were conquered with military forces and material culture. How the Han related to the ‘others’ reflects how the Han saw themselves in relation to the ‘others’. The Chinese refer to their own country as the Middle Kingdom (*Zhongguo* 中国), a reflection of their sinocentric view, seeing themselves as the centre of the civilised world. Indeed, before the Han, the Chinese had no direct contact with people other than those who were seen as the barbarians. During the Han, the Chinese acquired some geographical knowledge that was going to fundamentally change their understanding of the world. For the first time, they realised the existence of other comparable civilisations that had developed independently from China. However, the knowledge did not affect their firm sinocentric belief in a political sense (Yu 1986).

The Han institutionalised its understanding of world order and a tributary system was at its centre. Through the tributary system, the Han expressed and imposed its view on order to its non-Chinese neighbours. The system was actually rather costly to maintain, but, the political submission symbolised in it was far more important than its intrinsic value to the Han. That was an acknowledgement of them as being the centre of the civilised world and an acceptance of their perception of order. This is how the Han related to the ‘others’. It is an old story. An imperial power wanted to impose order and its understanding of order and the disadvantaged ones had to face war and assimilation.

#### 4.4.4.1 Colonising the 'south'

During the Han, the West River system was discovered and an overland route from Sichuan to Canton was found. Independent kingdoms of the south-east coast from the modern Hangzhou (杭州) down to the northern half of modern Vietnam were incorporated into the empire. The Han court also extended its influence into Yunnan and Guangxi (广西) (Ebrey 1996). These expansions all had an impact on the composition of the map of modern China.

The government sponsored migration from the north to the centre and the south was on a large scale. About five to ten million people settled in the Yangzi valley and further south during the first and second centuries. The Han armies garrisoned towns to protect merchants, settlers, and adventurers to ensure the commercial and cultural penetration. The indigenous population either chose to be assimilated or were driven further into more inaccessible areas.

#### 4.4.4.2 The Xiongnu: A real contender

The Han met a real contender on the north frontier: the Xiongnu (匈奴), a nomadic group who lived on the Mongolian steppe. They were the power that dominated Mongolia and Central Asia for four centuries: from the third century B.C. to the first century A.D. (Ebrey 1996; Yu 1986). They did not leave their own version of history. Rather, their history has been preserved in Chinese sources. Despite the

obvious bias, it can be seen that they were of Turkic origin and had a very organised society (Huang 1988).

The famous landmark, the Great Wall, was built in the early third century B.C. as a defence against the Xiongnu's raids.<sup>25</sup> For a long time, the Chinese only defended as they were preoccupied by the rivalry amongst themselves (see the section 4.4.1.1). In the early Han, the Chinese avoided open war with them by giving them presents (silk and other material goods and women – princesses). In the second century B.C., the country had recovered economically and with the right figure on the throne, an open war was declared with the Xiongnu (Standen 2013).

The Xiongnu was an equal player with the Han. They did not accept the Han's perception of world order. They refused to be a vassal state: to pay homage to the Han emperor and to send a prince as hostage to the Han capital to receive his Chinese education. Towards the end of the second century B.C., internal power struggles eventually split the Xiongnu and then the Han played the policy of divide and rule, a game still played today in world power politics.

The long war with the Xiongnu added enormous stress to the Han's finances: the logistics of keeping up with the war supplies, to keep the long stretched line of colonies, the expensive tributary system, and not to mention its administrative costs. The war entangled people's lives, from the throne to the ordinary people, from the Chinese to the non-Chinese. Large numbers of Chinese were forced to migrate to the

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<sup>25</sup> The Wall was built earlier by individual states.

frontier commanderies to form mixed settlements. Other neighbouring non-Chinese groups were dragged into the Han's world order because of its struggle with the Xiongnu as the Han needed to be able to distract the Xiongnu from its east and west. There were times the non-Chinese groups were even brought into the Han's territory to settle.

The expansion to the modern Chinese Turkistan region, Xinjiang (新疆), then referred as the Western Regions (Xiyu 西域) was the direct result of military confrontations with the Xiongnu. The Han also had a military establishment in the Korean peninsula, which had a long-term cultural significance. The Confucian and Buddhist traditions penetrated through the whole peninsula and crossed over the sea to Japan (Fitzgerald 1961).

#### 4.4.4.3 The impact of the Han foreign relations

How the Han related to the 'others' had a profound impact in the following centuries. Here, two issues will be addressed: one relates to the Silk Road and the other to the complete integration of different racial groups in the north after the fall of the Han.

##### 4.4.4.3.1 The Silk Road

Gift changing in the overlord-vassal relationship is a form of trade (Kuasirikun & Contable 2010) and the Western Regions, where the Han battled over control with the Xiongnu, were the eastern end of the trading route crossing the Eurasian



Continent, the Silk Road. When the Han brought the oasis kingdoms<sup>26</sup> into its tributary system, being a vassal state meant little more than trade to these kingdoms. Tribute bearers were neither officials nor nobles but ordinary merchants. People who lived on this route had always been traders. The natural environment did not offer much for agriculture, trading was an alternative way to make a living (see Figure 5).

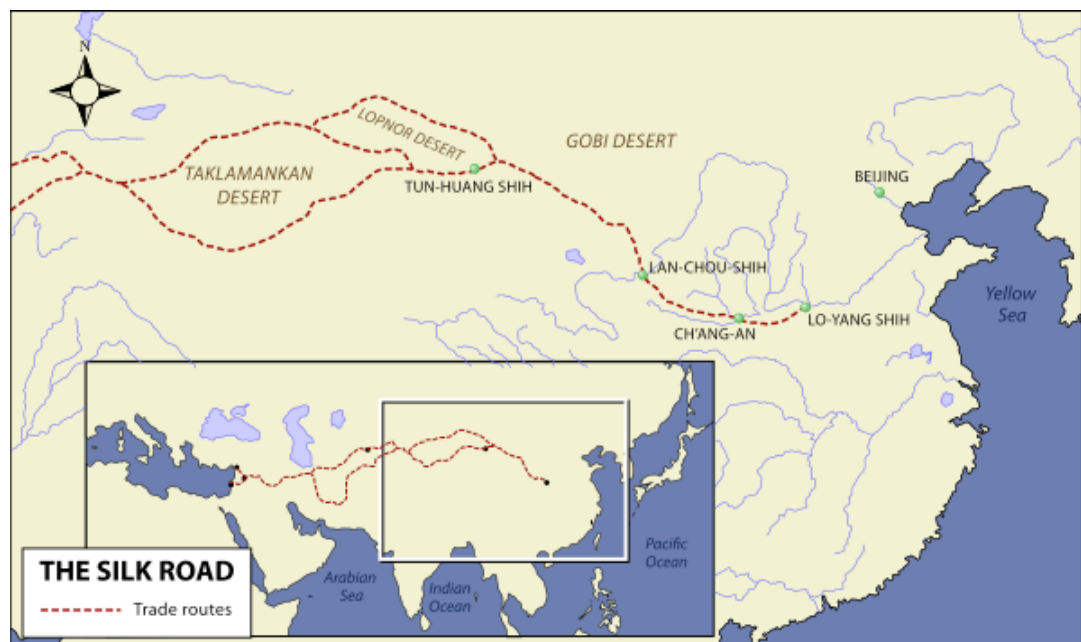


Figure 5: Map of the Silk Road  
(The Minneapolis Institute of Arts 2014)

In the Han tributary system, a vassal state was always rewarded with generous gifts, often gold and silk products, when it brought gifts to the Han once a year to pay homage. Unlike the Han who viewed it (to give more and be able to do so) as a political statement, a merchant saw it as attractive terms of trade. It was solely for this purpose that a distant state from Kashmir, for instance, sought to participate in

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<sup>26</sup> Such as the kingdoms of Khotan, Kucha and Kashgar, in the region of Xinjiang, now part of modern China.

the system. In addition, the Han's military presence provided protection for the oasis city states from the rival tribes' raids. Indeed, the flourishing silk trade left plenty of material evidence in Central Asia and the Mediterranean world.

Not only traders and their goods travelled on the Silk Road but also knowledge and ideas. In the second and first centuries B.C., the Han had contact with the Persians and the independent Hellenic kingdoms, legacies of Alexander the Great. For the first time, they learned of civilisations that had developed independently from China. They were impressed by the beautiful cities, mansions, superb horses, merchants, coins and the desire for Chinese silk. In the first century, the Han got very close to achieving direct communication with the Roman Empire.<sup>27</sup> Last but not least, Buddhism travelled along the Silk Road and reached the middle kingdom during the Han period. The significance of this was about to become apparent in the following centuries (Ch'en 1964; Lynn & Chan 1999; Hurvitz & Tsai 1999).

#### 4.4.4.3.2 The non-Chinese in the north

The impact that the Han's expansion and assimilation policy had on the political landscape in the north went beyond the life of the dynasty. From the third to the sixth centuries, the Chinese lost their heartland, the north, to the 'barbarians'. The non-Chinese princes of various ethnic groups ruled. The north was undergoing a complete racial integration (Huang 1988) and the process started during the Han period.

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<sup>27</sup> The Han referred to the Roman Empire as the Da Qin (大秦) because its people and civilisation were believed to be as great as the Chinese (the Qin dynasty) (Yu 1986, p. 379).

Due to the Han's deliberate effort to assimilate the non-Chinese groups in dealing with the problem of the Xiongnu, in many ways, the lives of both sides became closely involved. The Han witnessed a few centuries of the presence of numerous non-Chinese princes and their followers living in the Han capital, as hostages, a condition of the overlord-vassal relationship. These potential royal successors all received a Chinese education, and pro-Han sentiment was deliberately promoted among them and the Han sought opportunities to support their bids for power in their homelands.

Economically, the non-Chinese groups, including the southern Xiongnu who collaborated with the Han, became dependent on and integrated with the Han both by being in the tributary system and due to increasing private border trade. The non-Chinese were attracted to the iron products, the technology of iron making and the techniques of agriculture. So, some came to adopt a more settled life style.

Some groups were brought into the Han territories to settle. There were times when their population grew so large that the Han had to abandon the territories. Large numbers of Chinese were forced to settle in the north once the government took control over new territories, so, mixed settlements were formed. Common interest and mutual trust were fostered by living alongside each other. There were times when they rebelled against authority together. In later civil war times, some Chinese who fled to the non-Chinese settlements to seek protection (Yu 1986).

## 4.5 Accounting in China prior to Buddhism

The Chinese used accounting before the coming of Buddhism. The following paragraphs are about accounting in China up to the third century A.D. Up to this point in time, Buddhism was a marginal phenomenon despite being in this land for nearly two hundred years. Buddhism had not yet acquired any economic power, nor had had any need for accounting. I start with the words for accounting in the Chinese language: their origin and their original meaning. Then, I look at accounting in the *Zhouli*, a book written in the third century B.C. on governmental structures and institutions. After that, I examine some accounting related regulations and laws of the third century B.C. before looking into some accounting records and reports inscribed on wooden strips during the period from the second century B.C. to the second century A.D.

### 4.5.1 The words for accounting 會計<sup>28</sup>

When referring to accounting in modern Chinese, these two words/characters together are the most commonly used: 會 and 計. They were constructed during the tenth and ninth centuries B.C. By then, the Chinese had had a long history of writing. Written characters were found on Neolithic pots as early as 3000 B.C. There was also a body of writing inscribed on oracle bones and bronze vessels during the twelfth and eleventh centuries B.C. (Keightley 1999). The two characters for accounting made their appearance on the bronze wares of the tenth and ninth

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<sup>28</sup> I choose to use the traditional characters instead of the simplified ones for the convenience of explaining them in the historical context.

centuries B.C. More accurately, the first character 會 was fully constructed and the second character 計 was about to take shape as its two component parts had already been formed.

According to Guo (1982, pp. 56-62, 2004, pp. 124-45), the first character 會 meant people gathering together, a meaning retained in modern Chinese. It was constructed by putting the two words 合 and 曾 together: taking the top half from the first one and the bottom half from the second one. These words had the respective meanings of to put together and to increase, add or expand. This was how the character 會 was formed in terms of both shape and meaning. The second character 計, on its own, in modern Chinese, means to calculate. It was created from the character 言 meaning to speak in a straight forward manner (as opposed to something being unspeakable expressed then by a different word) and the character 十 meaning ten, the number. The character for the number ten was constructed by two lines: the horizontal one representing the direction of east-west and the vertical one north-south. This construction was related to a tradition of hunters being sent out to hunt in different directions, and then, returning to a central, meeting point. Here, their catches were added and distributed with ritual ceremonies. So, the construction and meaning of ten were derived from this sense of meeting and adding up. In sum, the two characters 會 and 計 for accounting were associated with the meaning of meeting, gathering, increasing, adding up, straight forwardness and honesty. Therefore, the words for accounting in Chinese, from their origin, implied both a process of putting information together and a sense of accountability.

#### 4.5.2 Accounting in the *Zhouli* 周礼

The *Zhouli*, or *The rites of Zhou*, was a book on government structures, posts, institutions and their functions. There have been many disputes and much research around its authorship and contents and date. For the purpose of my writing, it is sufficient to take it as a work of the third century B.C. Its contents were a mixture of what the government was and what it should be. In the *Zhouli*, accounting was an essential and integrated part of state finance management (Fu 1971; Guo 1982, 2004; Li 1987, 1995; Wang 2003; Zhao 1987).

According to the *Zhouli*, the King commanded six offices namely, the offices of heaven, earth, spring, summer, autumn and winter, which were the equivalents of the prime minister's office and the ministries of instruction, religion, war, crime, and public works respectively. The prime minister was above the other ministers and there was an accounting department, the *sihui* 司会 directly under his leadership. In managing its finances, the state's income was categorised, as were the expenses. These categories were matched, i.e. one category of income was used to pay for one category of expense. This was a method of controlling the cost. Whenever the government issued an order, a copy went to the accounting department. So, it knew all the properties and expenses of all government offices regardless of their location: in the capital city, the counties or the countryside. Government offices made their recordings daily, monthly, and yearly; these recordings were then the basis to generate three levels of corresponding reports: the daily, the monthly and the yearly. These reports all eventually came to the accounting department for audit and their

examination was also a means of assessing the work of all the officers. This was how the accounting department fully informed itself about state affairs enabling it to provide information for the King and the prime minister to make decisions.<sup>29</sup>

Within the accounting department, there was a segregation of duties among four divisions. One was the *zhinei* 职内 division.<sup>30</sup> When a tax collector was finished he handed the taxes to a relevant warehouse for storage, he gave this division a copy of the receipt from the warehouse together with the related regulations, orders and edicts. Upon receiving this copy, the *zhinei* recorded this income according to its category. Two was the *zhisui* 职岁 division,<sup>31</sup> which issued written orders for government officers when they needed to get a warehouse to release certain goods for their projects. *Zhisui* kept a copy of these orders for its records. However, if the goods involved were part of the savings of previous projects or the surplus of previous years, it was the duty of a different division, the *zhibi* 职币,<sup>32</sup> to issue orders and to record. This division was especially responsible for the ‘left-over’ materials and cash. This division categorised them, and then recorded them accordingly. The records were marked clearly with labels for easy reference. The

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<sup>29</sup> The above is based on the following descriptions in the *Zhouli*: 天官冢宰司会：掌邦之六典八法八则之贰。以逆邦国都鄙官府之治。以九贡之法，致邦国之财用；以九赋之法，令田野之财用；以九功之法，令民职之财用；以九式之法，均节邦之财用。掌国之官府郊野县都之百物财用。凡在书契版图之贰，以逆群吏之治而听其会计。以参互考日成，以月要考月成，以岁会考岁成。以周知四国之治，以诏王及冢宰废置。 Notes 29-33 are verified with the online full texts of the *Zhouli* from the Chinese Text Project.

<sup>30</sup> In relation to the *zhinei*, the *Zhouli* described as the following: 天官冢宰职内：掌邦之赋入，辨其财用之物而执其总，以贰官府都鄙之财入之数，以逆邦国之赋用。凡受财者，受其贰令而书之。

<sup>31</sup> In relation to the *zhisui*, the *Zhouli* described as the following: 天官冢宰职岁：掌邦之赋出，以贰官府都鄙之财出赐之数，以待会计而考之。凡官府都鄙群吏之出财用，受式法于职岁。凡上之赐予，以叙与职币授之。

<sup>32</sup> In relation to the *zhibi*, the *Zhouli* described as the following: 天官冢宰职币：掌式法，以敛官府都鄙与凡用邦财者之币，振掌事者之余财，皆辨其物而莫其录，以书褐之。以诏上之小用赐予。岁终，则会其出。

King and prime minister received a copy of this record, so, they could use the goods for minor projects and for giving out as gifts.

The last division was the *sishu* 司书.<sup>33</sup> It was informed of all the legislation and rules regarding the administration of the country and people. It also had knowledge of map making and land survey. So, it was well informed about all the resources in terms of income and expenses within the state. It monitored the finances of those involved in government projects through bookkeeping and accounting. So, it knew what materials and cash were not used after a project finished. These would eventually be handed into this division and later passed to the *zhibi*. The *sishu* was also largely responsible for a three-yearly audit, through which the government not only assessed the works of all its officials but also collected a large amount of information, e.g. the properties and wealth of its people, the numbers of weapons and equipment, the quantities of agricultural land, the population of taxpayers, the numbers of livestock and the sizes of forests, rivers and lakes. All this information was used to forecast tax income, i.e. how many taxes could be collected by each level of officials.

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<sup>33</sup> In relation to the *sishu*, the *Zhouli* described as the following: 天官冢宰司书：掌邦之六典、八法、八则、九职、九正、九事。邦中之版，土地之图，以周知入出百物。以叙其财，受其币，使入于职币。凡上之用财，必考于司会。三岁，则大计群吏之治，以知民之财用器械之数，以知田野、夫家、六畜之数，以知山林川泽之数，以逆群吏之征令。



#### 4.5.3 Accounting related laws and regulations

The Government of the third century B.C., the Qin, laid down various regulations in relation to managing, monitoring and controlling its finances and wealth and accounting was built into this system. For instance, three officers, working as a team, would manage and safeguard a warehouse. When one of them was leaving, the new team was required to count the stock in reference to the warehouse records, i.e. to check the accuracy of the measuring equipment and to note any discrepancies between the recorded balance and the actual stock. This was in addition to preparing a regular report to their superior at the end of each year regarding the total incomings and outgoings and the remaining balance. In addition, bulky goods such as grain and hay were stored in piles of a standard quantity in a warehouse. The Qin code was detailed to the extent of having clauses on what the guarding officers were obliged to do when a pile was finished and before a pile was finished. When a pile was finished, officers were required to report to their county superior on whether the actual stock was more or less than that recorded. Before a pile was finished but the recording was showing a zero balance, the officers were required to make an immediate report (Guo 1982, 2004; Li 1987, 1995).

#### 4.5.4 Accounting inscribed on wooden strips

When wooden (bamboo as well) strips were the writing materials, people used them to write letters and books and in this case, (accounting) records and reports. From the third century B.C. to the third century A.D., the Qin and the Han empires were led by a succession of autocratic rulers with support from a large network of bureaucrats, which resembled the complex of political institutions described in the

*Zhouli*. Through this network, the state collected taxes and imposed order. In achieving these goals, accounting played an essential role. There was a large amount of ‘paperwork’ (in this case, bamboowork and woodenwork, perhaps) involved in the functioning of this bureaucratic network, among which were substantial records and reports on how government funds were received and used.

In order to fulfil their daily duties, even the lowest ranking officers within this bureaucracy were required to have some knowledge of legislation and laws and to have the ability to write and do bookkeeping/accounting. A good example of this is the garrison station officers serving at a remote border region in the northwest, modern Inner Mogolia, whose minor bureaucratic positions did not give them any privileges in tax or government labour service exemptions (Li 1987; Wang 2003). An important daily duty of these officers was to keep meticulous records on how money and material were received and spent, which included everything about the running of the stations from the food, clothes and beds for the soldiers to weapons, horses and wages. There were up to around seventy items involved and each was counted and recorded with the following information: when it came in and when it was used, for what purpose, where it went and with whom it went. Some recordings were more detailed than others, but all included this essential content. The wording of these records followed a general format without being exactly the same.

There were day books 日记账 to record what happened each day. It started with a date then listed the items that were ‘out’ on that day (most of them were ‘out’ in the circumstance of garrison stations). Based on these day books, the officers wrote the

‘out-in books’ 出入簿, the equivalent of accounts of individual assets. They started with what the item was and followed with ‘in’ and ‘out’ at a time with a quantity. A balance was calculated at the end and sometimes, an actual balance was counted from the stock to compare with the calculated balance. The station officers also prepared reports periodically, 言簿 the monthly books, 四时簿 the quarterly books, and 集簿 the yearly books. These summary books were reports to the county superior for control purposes as the higher level used them to audit the lower level. In addition, important reports were sealed.

In sum, this was the accounting in China prior to Buddhism. To the ruler and the state, accounting was an integral part of financial management; to the regulator, accounting was a mechanism to monitor and control the state’s finances and wealth; to the ordinary person within the bureaucracy, accounting was daily and routine detailed recording and reporting.

#### **4.6 Conclusion**

In conclusion, Buddhism is a system of thought native to the Indian sub-continent. It does not have a united single tradition but is diverse and has a rich history. The Mahayana school developed and intertwined with the Silk Road trade and reached China at the beginning of the Christian era via these ancient Eurasian trading routes. The Chinese people can trace their origins to a dominant group in the loess land of the Yellow River, who gradually conquered, assimilated and established an empire. It was during the Han Dynasty that the Chinese first came into contact with Buddhism. The Han Chinese had a firmly formed belief in their time-honoured

traditions and culture and Han Confucianism was the dynastic ideology. The Chinese people had knowledge of accounting prior to the influence of Buddhism. The Government used accounting to monitor and control the state's finances and wealth. It had systems of detailed recording and reporting. After this background understanding of Buddhism and China, the following chapter moves on to provide a broader picture of how Buddhism both interacted with and adapted to as well as influenced and transformed China from the third to the tenth centuries, in order to contextualise the influence of Buddhism on accounting in China.

## CHAPTER 5 THE COMING OF BUDDHISM

### 5.1 Introduction

The alternative accounting movement has broadened the perspectives on accounting since the mid-1970s. Accounting is seen as a social, cultural and organisational practice and should be examined in the context in which it originates, develops and operates (for example see Arrington & Francis 1989; Hopwood 1989; Gaffikin 2008; Lowe & Tinker 1989; Miller 1994; Miller & O'Leary 1987; Morgan 1983; Morgan & Willmott 1993). Some scholarly effort has been put into the understanding of the relationship between a religion and accounting, including what the influences of religion on accounting have been (for example see Aho 1985, 2005; Hoskin & Macve 1986; Tinker 2004) and how accounting was situated in religious institutions (for example see Carmona & Ezzamel 2007; Irvine 2005; Jacobs & Walker 2004; Laughlin 1988; Mckernan & MacLulich 2004). There is also the beginning of an understanding of a relationship between Buddhism and accounting. Liyanarachchi (2009) studied accounting and auditing practice in Buddhist monasteries in Sri Lanka from the ninth to the eleventh centuries. Constable and Kuasirikun (2007) and Kuasirikun and Constable (2010) contextualised accounting in a Buddhist country, Thailand, in the nineteenth century. They argued that accounting played an instrumental role in building Thailand into a modern nation-state and that accounting reflected the cosmology of Buddhism.

The history of accounting in China is a well established area of research (for example see Aiken & Lu 1993a; Chen 1998; Fu 1971; Graham & Li 1997; Guo 1982, 1988;

Lin 1992, 2003; Zhao 1987). The major focus has been in the examination of Confucianism as the social, political and economic force in shaping the development of accounting (for example see Aiken & Lu 1993b, 1998; Auyung & Ivory 2003; Bloom & Solotko 2003). However, it remains silent on the issue of Buddhism.<sup>34</sup> In exploring this virgin land of knowledge, it is necessary to first establish the possibility of any relationship. Thus, this chapter focuses on the early signs that indicate that Buddhism was going to influence accounting in China. The rest of the chapter is structured as follows: first, as a foreign religion, Buddhism transformed China and this transformation was at many levels: intellectual, political and institutional; second, as an organised religion and a great economic power, Buddhism had a significant impact on the economy initiating changes and new developments; thirdly, the economic and financial activities of the monasteries were at a level where accounting was needed and practiced. Finally, a conclusion is drawn.

## **5.2 The social transformation**

Buddhism is native to the Indian sub-continent. It reached into China at the beginning of the Christian era. By this time, it had already had six centuries of development and had spread in all directions. The routes that Buddhism travelled tell us it was the Mahayana school that made its way to China (Ch'en 1964; Zurcher

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<sup>34</sup> Gao and Handley-Schachler (2003) is an attempt to include Buddhism as their title indicates, *The Influences of Confucianism, Feng Shui and Buddhism in Chinese Accounting History*. They believe that "Buddhism and other Chinese religions lead the public to comprehend accounting primarily from the spiritual point of view" (p.48), but they have difficulty in finding valuable commercial and accounting materials to sustain their belief.

1962). China was one of the rare exceptions for Buddhism. In that, in most cases, Buddhism brought a civilisation to a place before it was a new religion. However, by the time the Chinese first made contact with Buddhism, they already had classic canons, time-honoured cultures and traditions and a belief that they were the only truly civilised society. Buddhism brought radically different ideas on fundamental issues such as life and death, humanity and the cosmos. This meant two things, one, that Buddhism was obliged to compete with indigenous philosophical and religious systems and two, that the Chinese had preconceptions, derived from their own traditions, in their understanding of Buddhism (Hurvitz & Tsia 1999).

The Chinese persistently criticised Buddhism for the celibacy of its monks and their parasitic existence as well as for its 'barbaric' origin. Such criticism lies at the root of Confucian socio-political thought,<sup>35</sup> which preached that Heaven and Earth and the world of (wo)men are one; a ruler's legitimacy is the mandate of Heaven and his ultimate duty is to maintain the cosmic equilibrium by performing his ritual, ethical and administrative duties. The authority of a Confucian state is unlimited. It embraces the whole public and private lives of all its subjects. The ideal society consists of two classes: the mass of the productive population who are ruled and the educated elite class, the scholar-officials, which rules. The latter are accountable for their ethical qualities and literary accomplishments. The major alternative to Confucianism, Taoism, is more individualistic but still pursues a tangible goal: bodily immortality and harmony with physical nature. All the above is contradictory to the goal of Buddhism: a metaphysical order, nirvana, enlightenment. A more

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<sup>35</sup> It is necessary to point out that the value of religion in a Confucian state is its ability to enhance social stability (Barret 1990).

obvious conflict between Buddhism and the Confucian state was at the institutional level: the autonomy of the monastic community versus the universal autocratic monarchy. Should a monk bow to a king, the political symbol of who is whose subject, was a much discussed topic in the polemics. The expression of becoming a monk/nun, which literally means leaving home in Chinese (出家), reveals a radical departure of such an act from the ancient tradition of ancestor worship (Ebrey 1996; Huang 1988; Zurcher 1984).<sup>36</sup>

Considering all these difficulties, it was remarkable that Buddhism became a major system of thought and religious practice in this new land.<sup>37</sup> Buddhism's two millennia in China can be summarised as follows: it began as a marginal phenomenon (an aspect of religious Taoism), then grew to become the dominant and politically powerful knowledge and ideology, and later, faded politically to become purely a religion and spiritual pursuit. It was a long and complex process of convergence and hybridisation,<sup>38</sup> but only the early history is relevant to this study: a period when Buddhism thrived, gained force and brought radical change in Chinese thinking and living. This was from the third to sixth centuries, a prolonged period of political disunity and chaos, when the Confucian ideology was at its lowest point and

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<sup>36</sup> The sacrifices and prayers of the living members of a clan were essential to ensure the safety and wellbeing of an ancestor's spirit in Heaven, who in turn, would provide a continuous protection to his descendants. Only a male descendant was included in the ancestral sacrifice. This is why a traditional Chinese family was so obsessed with a male heir (Fitzgerald 1961).

<sup>37</sup> Confucianism, Taoism and Buddhism were often referred to as the three teachings (三教) (Hurvitz & Tsai 1999; Zurcher 1984;).

<sup>38</sup> Chan Buddhism, the form that modern readers feel more familiar with, is an outcome of this process. It has demonstrated its ability to survive in the vicissitudes of Chinese history since the tenth century. It rejects the canonical exegesis and its communities are small and economically self-sufficient.



many small and weak dynasties of 'barbaric' origins were dominating the political landscape. When the Empire was reunified at the end of the sixth century, Buddhism had become a factor spiritually, economically and politically that the rulers of the next three hundred years could not ignore.

#### 5.2.1 Social transformation at the intellectual level

During the fourth, fifth and sixth centuries, Buddhism exerted an intellectual influence that led to the revival of philosophical Taoism. Apart from the Taoist cosmological ideas absorbed into Han Confucianism, the abstruse philosophical speculations had largely been forgotten. In particular, the Han did not understand the works of Zhuangzi, the highly intelligent, dialectical and literary texts of antiquity (see sections 4.4.1.3 and 4.4.3). After Confucianism became the official ideology, men of letters rarely read the *Zhuangzi*. The manuscripts were only in the hands of a few cultured elite and they kept their private collections strictly to themselves. After amalgamating other popular cults, Taoism became, during this period, a religion that dealt with longevity, immortality, divinity and other practical political issues. Laozi, the mythical founder of Taoism, was deified and worshipped together with Huang Di, the Yellow Emperor, a legendary hero. They were jointly referred to as Huang-Lao (de Bary & Bloom 1999; Kramers 1987; Loewe 1987; Roth, Queen & Sivin 1999).



Figure 6: Map of China – the 3rd century  
(Mladjov 2014b)

Note to Fig 6: After the fall of the Han Dynasty, third century China is generally known as the period of Three Kingdoms: the Wei, the Shu Han and the Wu.

Political, social and intellectual changes occurred towards the end of the second century accompanying the decline and fall of the Han Empire (see Figure 6). The cultured elites were more and more in despair over Confucian orthodoxy, a knowledge that was no longer satisfactory. Thinkers again turned to antiquity, the period of the Hundred Schools of Thought (百家争鸣),<sup>39</sup> for new knowledge (for

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<sup>39</sup> This period dates from the sixth to the third centuries B.C.. During this time thinkers debated on what moral foundations a monarchy should be based in response

example see: Barrett 1990; Ch'en 1987; Demieville 1987; Lynn & Chan 1999; Verellen, Sivin & Schipper, 1999). Various of these philosophical schools made a new appearance. In particular, an increasing interest arose in the ideas of Zhuangzi. This was the revival of philosophical Taoism. The rediscovery of the *Zhuangzi* is often referred to as the 'learning of the mysterious', *xuanxue* (玄学). The educated elite indulged themselves in 'pure conversation', *qingtan* (清谈), in their exclusive salons on literature, art and philosophy. However, at this stage, the *Zhuangzi* was still being interpreted in the spirit of Confucianism.

According to Demieville (1987), during this period of confusion, the Taoist-minded intellectuals started to turn their attention to Buddhism. They began to find a reflection of their problems in Buddhist doctrines when they immersed themselves in Taoist revivals. Their philosophical disputes had religious overtones, which were first Taoist but soon Buddhist. By the end of the third century and the beginning of the fourth, it is clear that Chinese monks were recruited from men of cultured background, who had indulged in pure conversation and the learning of the mysterious. With the involvement of these new recruits, translations of the Sutras were in much more readable Chinese. So, Buddhism enhanced the understanding of the *Laozi* and the *Zhuangzi* and made philosophical Taoism clearer. In this process, Buddhism itself became more explicit. It fully penetrated the educated class and became the driving intellectual inspiration in the search for new knowledge. By

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to the political chaos of that time. Names like Confucius, Zhuangzi, and Mozi (and many more) all came from this period (Fitzgerald 1961).

doing so, it also became the ideological force on which the social order was based (Zurcher 2007).

Buddhism introduced new ideas and invented new concepts while adapting to the Chinese environment. In order to introduce the otherwise alien ideas of rebirth and endless cycles of rebirth, the concept of the immortal soul was first established. Immortality is intrinsic to Taoism but contradicts Buddhism's fundamental belief that life is in permanent flux. There had been numerous writings in Sanskrit and Pali canons articulating and differentiating the endless cycles of rebirth and impermanence, but the subtlety of argument was lost in China. In Buddhism, truth has two levels: at one level, it is derived from the senses, and at another level, it is above the senses. This epistemological difference was new and there was no adequate language to express it. So, new language was invented.<sup>40</sup>

#### 5.2.2 Social transformation at the political level

Through its universal claim, Buddhism bound China together during the period of political disunity and chaos. As a common language, it maintained the dialogue between the Yellow River and the Yangzi River regions, which had been separated at

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<sup>40</sup> These new ideas and language are closely related to the translation of Buddhist texts. Initially, a method called *keyi* was used where an existing and equivalent term in Chinese, mainly from Taoism, was used for a Buddhist term in Sanskrit. In dealing with new ideas, such a method was no longer valid, so, the translation technique underwent a major change, which accompanied a period of high achievement in literature. The quality of translation reached a peak and some sublime texts became part of Chinese literary heritage (Ch'en 1964; Demieville 1987).

the time.<sup>41</sup> It was the ideological force behind the eventual reunification (Demieville 1987). In the south,<sup>42</sup> the Chinese rejected Confucianism as it had failed them. They had lost their unity and then their heartland. The aristocracy found themselves idle due to the loss of administration. The unemployed men of letters were now contemplating their loss with a futile hope of returning to the north. Having no direct land route to Central Asia and therefore Buddhist origin, they turned to the framework of traditional philosophy and religion in their pursuit of Buddhism.<sup>43</sup> Taoist verses were in a Buddhist dress in their pure conversation.

In the north, many short-lived kingdoms with various ethnic affiliations fought for supremacy. Immediately, the problem of being foreign that Buddhism had always had with the Chinese was no longer an issue. Buddhism's universal claim also had an extra appeal to the alien rulers for two reasons: first, unlike Confucian theory which privileged the Chinese, they were equal; secondly, it provided a basis for unifying an ethnically mixed population. So, Buddhism was politically involved: monks assisted the rulers with their 'magical' power in anticipating a battle, their

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<sup>41</sup> In the early fourth century, a Chinese dynasty was driven out of the Yellow River region, which the Chinese regarded as the civilisation's cradle and cultural heartland. A massive migration to the Yangzi River region then occurred in particular among the ruling class and aristocracy. For the next three centuries, they settled in the lower course of the Yangzi, later to become Nanjing and modern Zhejiang province. They formed Chinese dynasties and ruled the 'south', while, the north, the Yellow River region, was ruled by many non-Chinese kingdoms (Ebrey 1996; Fitzgerald 1961).

<sup>42</sup> By modern standards, the Yangzi region is more the middle than the south. It was the 'south' as the modern south was not yet closely incorporated into China in a cultural and political sense. For this historical reason, people living in this region still refer to themselves and are referred to as 'southerners'.

<sup>43</sup> This does not mean there was no communication at all between the Chinese in the south and India via the sea, but, the amount of communication was much less in comparison with the Chinese in the north. The overland routes through Central Asia were the major channel via which the Chinese communicated with the outside world (Ebrey 1996).

administrative skills and their wisdom and knowledge. The Buddhist King of Asoka and his empire were the inspiration for both the rulers and the monks. With a direct land route to Central Asia, the awareness of the foreign origins of Buddhism was also kept more alive. Translation projects were organised on a large scale at the expense of the State involving eminent and cultured monks from Central Asia, India and China. The subjects were doctrinal and scholastic: from the fundamental texts that were the common heritage of all schools to the latest development in Mahayana schools (Hurvitz et al. 1999).

The Northern Wei Dynasty,<sup>44</sup> whose emperors were all deified as Bodhisattvas, finally unified the north at the end of the fifth century (see Figure 7). Buddhism as an institution, for the first time, was incorporated into the secular administration. At the end of sixth century, the Sui Dynasty of the north won over the south. First, the crown prince of the north, Yang Guang, married a princess of the south and then, he gained the recognition of the spiritual leader of the south, a Buddhist monk named Zhi Yi. This hard won recognition was displayed at Yang Guang's ordination as a Bodhisattva with Zhi Yi in attendance. The aristocracy of the south, who had been clinging onto the old argument about the northerners being 'barbarians', finally succumbed and the Sui reunified China in A.D. 589.

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<sup>44</sup> The Northern Wei Dynasty, from the end of the fifth to the early sixth centuries, was famous for the gigantic images of Buddha and Bodhisattva carved on the mountain cliffs in Yungang (云冈) and Longmen (龙门), a display of its great patronage of Buddhism (Liu 1994, 2012; Sen & Mair 2012).

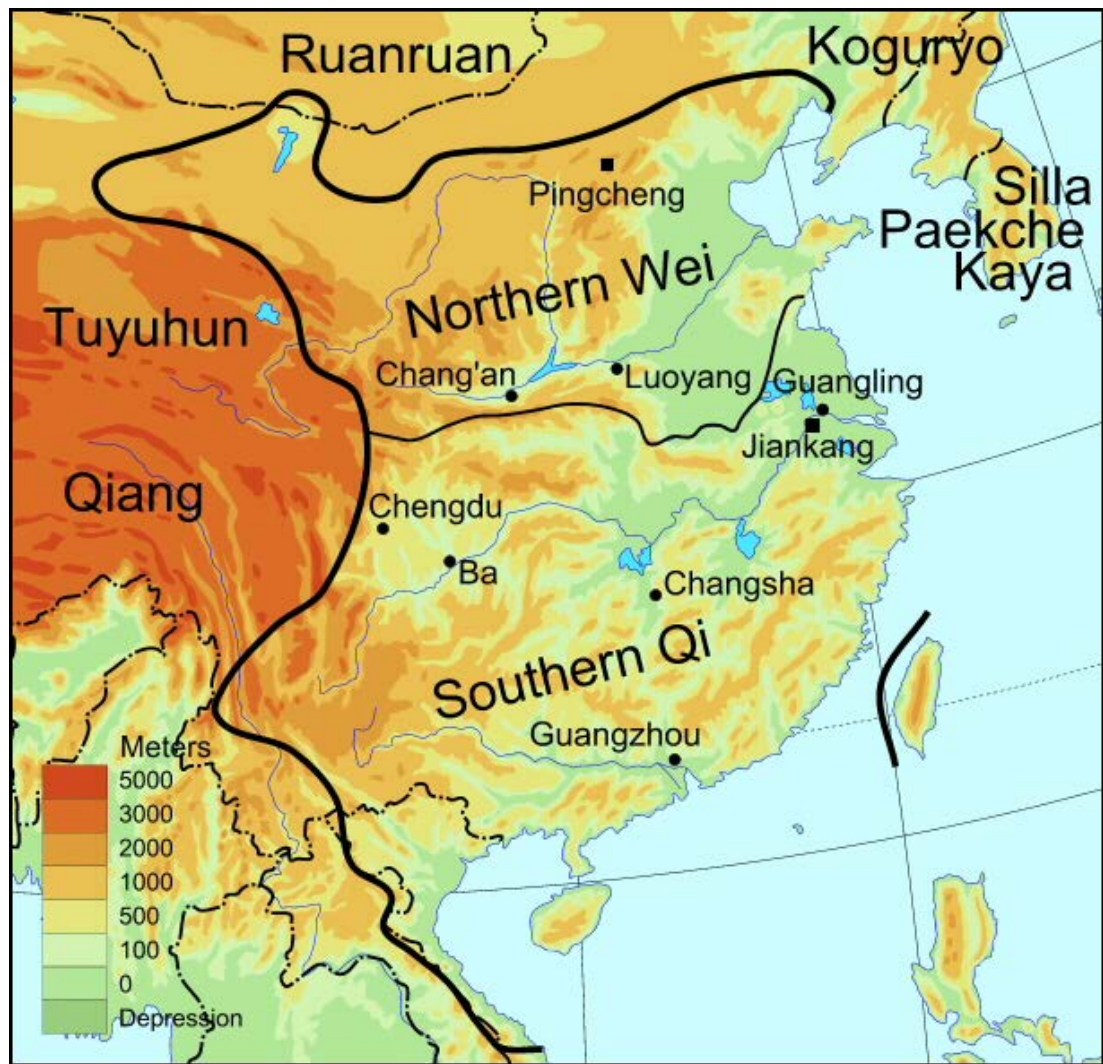


Figure 7: Map of China – the 5th century  
(University of Washington 2014b)

### 5.2.3 Social transformation at the institutional level

Buddhism brought a new form of institution, the monastery, communities of monks and nuns, governed by their own laws. Such an institution was unprecedented in

China.<sup>45</sup> Other than the government, there had been no other institution as sophisticated and organized. Towards the end of the second century A.D., numerous uprisings organised in the name of religious Taoism broke out throughout the Empire. Their administration was semi-military and semi-religious. At this stage, both Buddha and Huang-Lao were worshipped together, so it is hard to tell to what extent, the belief and practice were influenced by Buddhism. However, it is certain that “the Taoist movements must have prepared large numbers of Chinese to accept and uphold a religious community independent of the state such as the Buddhist *sangha* was to become” (Demieville 1987, p. 819). After the fall of the Han, Confucianism as an institution remained but its influence and importance were significantly reduced, a situation that continued until the reunification at the end of the sixth century. Smaller kingdoms had smaller administrations. The smaller bureaucratic machines needed fewer numbers of bureaucrats. This weakened opposition meant an opportunity for Buddhist institutions to become established.

The Silk Road trade was behind the establishment of monasteries (Liu 1994, 2012; Sen & Mair 2012). It was via the Silk Road that Buddhism travelled to China and the early missionaries were often traders from Central Asia.<sup>46</sup> Valuable goods in this long-distance Eurasian trade gradually became the sacred religious objects: the

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<sup>45</sup> Taoism, as an organised religion, followed the Buddhist model to organise its canon and clergy. It also took inspiration from Buddhism to unify a range of competing schools of thought and yet tolerate diversity in this unity (Barret 1990).

<sup>46</sup> For example, An Shi Gao, a Sogdian trader, was the first one to translate Buddhist texts. These traders carried their religious mission when they travelled for trade. They often recited sutras from memory rather than relying on books (Ch'en 1964; Liu 1994, 2012).



Seven Treasures<sup>47</sup> written about in Buddhist texts. Monasteries were built along the trading routes.<sup>48</sup> When the great powers along the Silk Road collapsed during the first half of the third century,<sup>49</sup> the trade did not stop but rather continued to flourish. By this time, Buddhism had become firmly established in Central Asia. Buddhism played two roles in sustaining the long distance trade: one, an increased demand for religious objects replaced the reduced markets for the luxury goods of the fading empires; two, the networks of monasteries became the infrastructure for trade. Traders found hospitality, security and interpreters at monasteries. Traders might even have left deposits in monasteries before they set off for the next journey and collected the money on their return. So, the Eurasian trade also favoured the establishment of monasteries in China, particularly in the north.<sup>50</sup>

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<sup>47</sup> The Seven Treasures are generally silk (from China), pearls (from Sri Lanka and the Persian Gulf), crystals and other precious stones (from India), frankincense and myrrh (from Arabia), red coral (from the Mediterranean) and lapis lazuli, an intense blue gemstone (from north-eastern Afghanistan) (Liu 1994, 2012).

<sup>48</sup> This was under the Kushan Empire and the peak of its influence dates from the second century B.C. to the second century A.D.. Its territory stretched from Bactria (the west of the Amu River in Central Asia) in the north to the Indus River valley and the western part of the Ganges River valley in the south. The Kushans profited from being the middle men between the Romans and the Persians and Chinese. They patronised all religions but Buddhism was the influential one (Liu 1994, 2012).

<sup>49</sup> The Han and the Parthian (modern Iran) Empires collapsed in the early third century; the Roman Empire began to lose vigour at the same time; the Kushan Empire collapsed in the mid third century (Liu 1994, 2012).

<sup>50</sup> Traders made generous donations for constructing additional facilities, for carving religious sculptures and for gaining religious merit for future lives and their loved ones. Buddhism thrived as a result of this Eurasian trade. The Bamiyan Buddhist complex, at the middle of the Silk Road, was developed during the fourth and fifth centuries; the Yungang (云冈石窟) and Longmen (龙门石窟) Grottoes, at its eastern end, were constructed from the second half of the fifth to the first half of the sixth centuries. They all leave us a glimpse of the glamour, prestige and wealth of Buddhism of that time (Liu 1994, 2012).

### **5.3 Buddhism, monasteries and economy**

Buddhism changed the dynamics in the economy. China, a Confucian state, consisted of the ruling class (the government officials) and the ruled class (the peasantry). The peasantry paid taxes and labour services to the Government and was the tax base that supported the economy. From the third century B.C., moving up the social ladder was achieved through education. Each reign had a different degree of enthusiasm towards Buddhism, but, in principle, monks and nuns were exempt from taxes and government labour services. These privileges immediately removed them from the peasant class and into part of the ruling class. Therefore, to become a monk<sup>51</sup> was another way to move up in society (Fitzgerald 1961; Gernet 1995; Zurcher 1984).

The number of monks and nuns naturally fluctuated but ranged around one percent of the population. New trades and industries arose due to Buddhism, such as builders, architects, sculptors, painters, goldsmiths, and copyists. These also drew population away from farming. The total number of people who lived off the land due to Buddhism was still a small fraction of the population. In spite of this, Confucian-scholars blamed the monks and nuns for the erosion of their tax base. However, it is more appropriate to say they disturbed the delicate balance of farming versus non-farming population in China's fragile agrarian economy of the Middle Ages.

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<sup>51</sup> Nuns are omitted here for two reasons: one, their number was not significant; two, their origins were more middle class (Gernet 1995).

### 5.3.1 Constructing monasteries – The effect on the economy

At the beginning of the fourth century, there were fewer than two thousand monasteries of all sizes.<sup>52</sup> The number increased to more than eight thousand by the mid fifth century, then to more than sixteen thousand by the early sixth century. It reached around forty thousand in the mid sixth century and then remained constant until the end of the thirteenth century. In terms of big monasteries, the number was around four thousand at the end of the sixth and the beginning of the seventh centuries and then became constant up to the mid ninth century. The richest monasteries and the biggest architectural complexes were constructed at State expense. Members of the aristocracy and court officials extensively patronised constructions, and sometimes, consortia were formed to pay the costs (Gernet 1995).

Construction of monasteries (some were lavish and extravagant), stupa,<sup>53</sup> paintings and statues consumed a large amount of wealth in the form of manpower and material. Manpower involved in earthworks and transportation drew peasants from agricultural production. The use of wood led to the deforestation of certain regions. The demand for metal for ornaments and for the casting of bells and statues quickly led to scarcities of gold, silver and especially copper. Copper was both the principle

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<sup>52</sup> It is quite problematic to talk about sizes: small, medium and big. There were official censuses in history but they were inconsistent and not always reliable. Nevertheless, a general impression can be made. From the mid fifth to the mid ninth century, a monastery could be grand if it housed three hundred monks. From the end of the sixth to the mid ninth centuries, a big monastery meant it had close to sixty residents. In an important Buddhist centre, Dunhuang, a monastery on average had around fifty residents during the ninth and tenth centuries, which can be seen as big. A small monastery could be as small as having only one or a few monks. A medium monastery could be anything in between (Gernet 1995).

<sup>53</sup> A dome-shaped structure erected as a Buddhist shrine

metal used in monasteries and the metal in manufacturing coins. Around the mid eighth century, copper coins became more extensively used as the medium of exchange instead of silk and cloth. Court discussions and decrees of the early ninth century reveal that melting down copper coins for casting statues was frequent in spite of the fact that such practice was regarded as counterfeiting. Although there is no direct evidence, monks themselves may possibly have melted down devotional objects in copper to convert them into cash. Indeed, the three great repressions of Buddhism, in the late sixth, the mid ninth, and the mid tenth centuries, were primarily for economic reasons. The State desperately needed to regain the necessary copper for the minting of coins (Ch'en 1956).

### 5.3.2 Monasteries – The economic player

Together with the nobility and officialdom, monasteries<sup>54</sup> were the dominant landowners. From the end of the fifth century, monks and nuns started to receive a share of land from the government in the same way as the secular population. The practice was formalised in the seventh century and continued to the eighth century as part of the equal-field tax and land system (均田制) (Ch'en 1976; Ebrey 1996).<sup>55</sup> In the mid ninth century, at its peak, this one percent of monastic population owned two percent of the total arable land, which yielded ten percent of all agrarian produce. Another source of land was donation. From a Mahayanist point of view, making donations to religious communities is the most effective way to gain merit and

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<sup>54</sup> Some monasteries were officially recognised and others not. Generally, the former had the most economic privileges (Gernet 1995).

<sup>55</sup> Taoist monks were treated the same (Gernet 1995).

accumulate karma in order to ensure a better rebirth in the future. So, monasteries received large tracts of land through donation from the Imperial Government, their most powerful patron, and from wealthy lay followers. Monasteries were also often the institutions from which members of local communities could raise a loan. The loan pledge was often land and so monasteries increased their landholding through defaulted mortgages. In addition, monasteries purchased land like other super land estate holders, a common practice despite being illegal.

According to monastic law, fully ordained monks and nuns were not allowed to engage in any physical work in the field. Temple slaves, tenant farmers, and novices were the labourers on monastic land. The origin of temple slaves can be traced back to the close connection between the State and the Buddhist establishment in the northern half of China in the fifth century. ‘*Sangha* households’ and ‘Buddha households’ were allocated to large monasteries to work the temple fields and undertake menial work. The wealth derived from the land was the major source of income that supported a large clerical population during these centuries and flowed into other economic and financial activities (Gernet 1995; Zurcher 1984).

From the seventh to the ninth centuries, the most profitable industrial enterprises were the water-powered stone rolling mill and oil press. The ownership of these enterprises was in the hands of rich families and monasteries. These economic assets could be rented out and fees charged for usage. Monasteries received grains from various sources: donations, harvest from their land, and interest from loans. Flour fed the monastic population and the excess was sold. Oil was for cooking and the

countless lamps in monasteries. The operation of mill and press was carried out by lay families.

Buddhism differentiated between the properties belonging to an individual monk or nun and those belonging to the communities of monks and nuns. The common possessions were never entirely tax-free. Monasteries' assets came from many different sources: government grants, donations and commercial gains, so, their fiscal status was different. In general, monasteries paid taxes on their lands, dependents (servants and slaves), commercial estates and industrial installations. The taxes were in the form of cereals, cloth and/or cash. However, selected official establishments had been granted tax-exemptions for the assets given as imperial gifts and specifically defined as sacred, the properties of Buddha (佛物). These selected privileges attracted some large landowners to devise a tax evasion scheme: they would build a connection with an officially recognised monastery, so, they could claim tax-exemption on their estates by 'appearing' to be monastic land.

### 5.3.3 Inexhaustible treasuries

Temple storerooms had been established as early as the end of the fifth century. They were used to store a range of things: from articles belonging to monks and nuns, to objects used in worship, religious books and manuscripts, and foodstuffs needed in the kitchen. When Buddhism attracted and converted more and more members from rich and powerful families, monasteries started to receive valuable gifts and donations in large quantities from them: a popular devotional action driven by the desire to accumulate meritorious karma to ensure a better rebirth. These gifts

and donations went beyond being clothes and food, the simple and immediate daily needs of monks and nuns. Monasteries started to house these ‘treasures’. The Buddhist canon gave monasteries the scriptural authority to sell or lend the surplus donated goods on the grounds that the proceeds were for religious purpose, such as repairing temples and stupas, printing sutras and charitable works. This was the emergence of the Inexhaustible Treasury. Many of them were set up in many temples, the two most famous being in Hua Du (华度寺) and Fu Xian (福先寺) monasteries. Because of the threat to the State economy, they were confiscated in AD 713 and the sect to which they belonged, the sect of three stages (三界教), was banned (Ch'en 1956, 1976; Ornatowski 1996; Yang 1950).

The inexhaustible treasury was a pool of the monastic wealth derived from the huge tracts of land, the large numbers of serfs, the mills, the oil presses and the opening up of new land. Monasteries used it as their capital for money lending and pawn-broking. A typical borrower would be a peasant living nearby who needed grain for seedlings in spring and who promised to repay the amount with interest in autumn. Like many other roles of the monasteries, such as travel lodge, school, hospital, and entertainment, the economic and financial function of the inexhaustible treasury filled certain social needs when the other economic or commercial institutions were lacking.

In sum, Buddhism initiated changes in China's economy, which were disturbing from a Confucian's point of view. Monasteries, the new institutions, were fully and actively involved in the economy. They turned the giving (donations) that they

received into circulation and profited from it. Large monasteries set up shops and pawn shops in the markets. Purple silk robes, the symbol of political prestige and recognition bestowed from the royal house, often found their way into the markets. The private business of casting small devotional objects and copying sutras flourished during the seventh to the tenth centuries. Shops that opened in village streets and markets reflected the social atmosphere at the grass roots level. Ordinary people spent their days there negotiating prices and socialising (drinking, eating and gossiping). The government sale of ordination certificates, a practice started in the eighth century in response to economic crisis, developed to the extent that they had a market value and functioned as a form of paper money during the ninth to the thirteenth centuries.<sup>56</sup> All this was disruptive to the Confucian sense of social order (Gernet 1995; Liu 1994, 2012).

Gernet (1995, p. 65) sheds light on the unique impact that Buddhism made on China as both an organised religion and a great economic power. He alleges that the most significant contribution that Buddhism made to the world was to introduce a legal spirit: a set of rules (*vinaya*) and institutions (monasteries) to govern and protect the monastic communities' property and the rights of monks and nuns. These regulations not only laid a foundation for a religion but also suggested the concept of a legal entity. They derived from the socio-economic environment of ancient

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<sup>56</sup> The sale of noble and official titles started in the second century B.C. to solve the State's financial difficulties. The sale of high ecclesiastic titles appeared in the sixth century after the State started to incorporate Buddhism into its secular administration and created such titles. From the seventh century, State control over Buddhism increased and ordination was no longer a religious matter but came under political authority. When financial needs arose, the sale of ordination certificates started and surged. From the mid tenth to the mid thirteenth centuries, ordination certificates were traded (Fitzgerald 1976; Gernet 1995).



Northern India, and when transplanted to China, they resulted in new economic developments.

#### **5.4 Accounting in the monasteries: A brief glance**

The economic and financial activities of the monasteries were at a level where accounting was needed. This was significant from an accounting point of view as to date, no institutions, other than the Government, needed and used accounting in managing their day-to-day economic and financial activities. Monasteries were established to last forever, and so was their way of maintaining and managing their wealth. In these unprecedented multifaceted institutions, it would be expected that accounting practice was unique and reflective if accounting is taken to be a social, cultural and organisational practice. The following is a brief examination of accounting practice in monasteries.

Some monastic management and accounting documents have survived, especially those from the Dunhuang region in northwestern China. Dunhuang is a small town at the eastern edge of the Takla-Makan Desert of the modern Chinese Turkistan, Xinjiang (新疆), but, it was much more important in history because of its strategic position on the Silk Road. It was the gateway to and from the Chinese territory. So, it was a major stop on the trading routes until the tenth century and was also a major Buddhist centre from the fifth to the thirteenth centuries (Morgan & Walters 2011; Whitfield & Sims-Williams 2004).

#### 5.4.1 Monastic property management and public accountability

Monastic property was categorised and the warehouse was sub-divided into sections, so that each section dealt with one category (Wang 2004). There were monks assigned to take care of these properties, including warehouse monks who carried out the daily duties and the head of the warehouse who was in overall charge. In addition, there were stewards (*zhisui* 直岁) who were responsible for keeping records of the financial affairs and assuring the integrity of these accounting records. The controller general from the higher administrative level came to audit the financial reports of each monastery.

Documentation relating to financial affairs also developed a degree of sophistication. A lending deed usually indicated the object of lending, the rate of return, the time of return, the borrower, the guarantor, and the witness. Once a year income and expenses would be reviewed and when one person left a management duty and a new one came to take over, the related stock would be counted. Irrespective of whether it was an accounts review or stocktaking, a public meeting would be organised. Not only the people involved in the management, the stewards and the controller general, but also all the monks, nuns and novices presented at the gathering. So, it can be seen that there was both a certain degree of sophistication in the management of monastic properties and the concept of public accountability was present in the process.

The reference to *zhisui* in Chinese Buddhist literature can be traced back to the early third century. Initially, they were involved with general management in daily

monastic life but, according to the tenth century documents from Dunhuang, they dealt exclusively with financial issues. *Zhisui* kept records of income and expenses. These daily records were summarised periodically and a report of income and expenses for an accounting period was prepared at the end of that period or at the beginning of the next. They were accountable to both a higher level of Buddhist administration and all the members in the monastery. They also prepared documentation when a temple needed to borrow from other sources. Gernet (1995) translates *zhisui* as stewards but Gong and Wen (1997) argue they were the accountants in the Dunhuang temples.

#### 5.4.2 Accounting thought

The formalisation of monastic accounting included standardised formats in recording and reporting, an integrated account system, goods as the medium of exchange and measurement, and an accounting language. Different types of accounting records and reports were prepared in managing the temples' financial affairs. A standardised format and structure was developed for each type of document. Three types are demonstrated by Ming (2009). They are first, the inventory control document (交割点检历) prepared when inventory was counted when a steward was leaving and a successor was taking over, second, the record of donations received and, thirdly, the annual audit report (算会牒), prepared when closing a financial year to report to a higher level of Buddhist administration.

The account system was integrated. Income and expenses were recorded according to different categories. At the end of an accounting year, all sub accounts of income

and expenses were closed and then the sub total of each account was used to calculate the total income and expenses. A balancing system, named the four-column (四柱结算), was in place to control the accuracy and integrity of accounting information. It can be expressed by this equation: the balance brought forward plus (+) the total current income minus (-) the total current expense equals (=) closing balance carried forward. Afterwards, a meeting would be held and hosted by the steward for the annual accounts review and audit. Administrators from a higher level attended, as it was for them that an annual audit report was prepared and presented (Han 1986; Wang, XW 2008; Yang 1986).

Grain and woven material were used as the medium of exchange and accounting measurement in Dunhuang temples in the ninth century. This differed from the rest of China where silver and copper were used. Two reasons contributed to this difference. Dunhuang was both geographically remote and politically and economically independent. It was respectively under the control of Tibetans and a local military family. In addition, accounting language had been developed to such a level that a clear, precise and concise terminology was used in recording the categories of income, expenses and balances.

## **5.5 Conclusion**

It can be concluded that there were some early signs that Buddhism was going to influence accounting in China. These signs would include first, that Buddhism transformed China at many levels – intellectual, religious, political and institutional. Secondly, as an organised religion and an economic power, Buddhism initiated

changes and new developments in the economy. Monasteries, the new institutions, were to a large extent autonomous. They were wealthy and influential. Thirdly, the economic and financial activities of the monasteries were at a level where accounting was needed. So, for the first time, accounting was practiced in sophisticated institutions other than the Government. Because accounting is not a neutral technical device but rather a social, cultural and organisational practice, these early signs not only indicate the existence of a relationship between Buddhism and accounting but also suggests the prospect of future research in the following two directions: first, the investigation of what developments in accounting during that period reflected this social transformation and, secondly, the examination of how unique the accounting practices in monasteries were to that environment.

## **CHAPTER 6 MONASTERY ACCOUNTING – MONASTIC DISCIPLINE AND GOVERNMENT CONTROL**

### **6.1 Introduction**

Accounting is more than a technique. Accounting can be used as a way to govern, control and discipline in a Foucaudian sense (Foucault 1977). It has been well argued that accounting is a powerful way to render people visible in an organisation and therefore to make them governable (for example see Hoskin & Macve 1986; Miller & O’Leary 1987). Accounting has also been used by religious organisations to regulate and control (see Bigoni & Funnell in press; Di Pietra & Magliacani 2006; Riccaboni et al. 2006). This study argues that accounting practice in Buddhist monasteries in medieval China was driven by monastic discipline and imperial government control.

This argument unfolds in the following three sections. I begin with an examination of when monasteries started to use the techniques of accounting. Some historical monastic accounts have survived today and historical writings also provide some clues. The period can be narrowed down to the fifth and possibly the fourth century, a period when monasticism truly began in China. The second section is an investigation of how monastery accounting was an integral part of monastic discipline. At the beginning of monasticism, there was a pressing desire for order and discipline within the monastic communities and the use of accounting echoed this desire. Then, with the building and strengthening of monastic discipline, accounting became further formalised into the monastic system of management and

administration in helping to maintain an orderly religious life. Finally, in the seventh century, the imperial Government as a Confucian institution also regulated and controlled Buddhist institutions (monasteries and monks). The principle of this regulation and control was to make Buddhism ‘visible’ and ‘governable’. The Government made monasteries register and placed the monastic matter of ordination under its control, so, the Government was able to monitor and limit the numbers of monasteries and monks. Later, taxation was also used as a way of regulation and control of Buddhism. While all this regulation and control was quite successful, it had unplanned consequences in financial practice and the economy, and became intertwined with the broader movement led by Buddhism. This movement had significant impacts in the economy and it was through these that the changes in accounting occurred.

## **6.2 Monastery accounting – When did it begin?**

While it is difficult to know exactly when, it is possible, working backwards, to establish a period when Buddhist monasteries started to use accounting. Monastic financial accounts discovered in Dunhuang were relatively complete and the majority of them dated back to the ninth and tenth centuries (Ming 2008; Tang 1997; Wang 2004). For example, Pelliot chinois 3234 is a complete record of income of a temple for the year 942 (Soymie 1983). The Japanese monk Ennin (圓仁) who travelled in Tang China from 838 to 847 recorded the following two events: one in the Zisheng Temple (资圣寺) in Chang’an (长安) (the modern Xi’an) and one in the Kaiyuan Temple (开元寺) in Yangzhou (扬州). Both were about monk administrators reporting their yearly finances (income and expenses) in front of the whole assembly

– reading out their financial records (Ennin 1955; Reischauer 1955). Chang'an was the capital of the Tang imperial court; Yangzhou is located at the lower range of the Yangzi River and was a busy commercial centre surrounded by networks of rivers and canals. From Ennin's travel diary and the Dunhuang monastic accounts, it is safe to conclude that accounting practice in monasteries was well established throughout the empire in the ninth century.

Fragments of monastic accounts have also been discovered in the region of Xinjiang, now part of modern China. They have been dated to the seventh and eighth centuries and belonged to monasteries in the oasis kingdoms (Chavannes 1913; Stein 1921).<sup>57</sup> Chinese Buddhist communities were well connected with this region. They received Buddhist knowledge and modelled themselves upon the monasteries in these oasis kingdoms. So, it is safe to date their use of accounting one to two centuries earlier.

An imperial government decree issued in 511 provides evidence that accounting was practiced by Buddhist establishments in the early sixth century. More precisely, this decree reveals the misuse of accounting by a group of monks (Hurvitz 1956; Wei 1975).<sup>58</sup> In Buddhist settlements, there was an institution of *sangha* millet which was half charitable and half commercial (see chapter 7 section 7.2.3 on the establishment of these settlements and this institution). The millet belonged to the

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<sup>57</sup> Such as the kingdoms of Khotan, Kucha and Kashgar.

<sup>58</sup> This decree was issued by the Northern Wei government. Wei Shou (506-562) included it in his *Shilao Zhi* (释老志) (*Treatise on Buddhism and Taoism*), volume 114 of the *Wei shu* (魏书) (*The Book of the Wei Dynasty*). A modern publication of the *Wei Shu* was by the Zhuhua shu ju (中华书局) (Zhonghua Book Company) in 1975 and this decree can be found on pages 3041-2. An English translation is available in Hurvitz (1956, pp86-87).



Buddhist establishments and it was used to relieve famine as well as to commercially lend to peasants (see chapter 7 section 7.2.4 & 7.3.1 on the loan relationship between monasteries and the peasantry). Some monks who managed the '*sangha* millet' altered loan contracts and overcharged interest. The imperial government ordered the offending monks to be removed from their positions and replaced with secular administrators. The government officers were instructed to immediately re-establish accurate records of granary inventories, incomings and outgoings, and revenues and expenses as the first step to sort out the problem. This implies that the existing accounts were incorrect, an indication that 'cooking the books' was part of this fraud. Nevertheless, a misuse is still a use. These Buddhist settlements and '*sangha* millet' were established in the second half of the fifth century and so, it can be concluded that Buddhist institutions had been using accounting at least since the fifth century.

This conclusion can also be sustained by reviewing the history of monasticism. It was during the Eastern Jin period (317-420) that Buddhism as an institution began to develop on a large scale – monastic communities sprang up and the numbers of sanctuaries and monks/nuns multiplied. Followers gathered around eminent monks in large numbers and formed Buddhist centres, for example, Dao-an (道安) (312-385) was believed to have three to four hundred disciples. Eminent monks were also admired by emperors, princes, and people of high social status, who then provided generous funding for the centres (Ch'en 1964). In these centres, there must have been methods of sorting, tracking and managing information of funds – an accounting system – in order to develop purely from an economic point of view. Some of the methods might not be desirable and satisfying particularly from a

Buddhist point of view. Nevertheless, the flourishing of Buddhist institutions during the fourth and fifth centuries indicates the existence of accounting practice within Buddhist establishments in those periods. This tracing of the origin of monastic accounting practice leads to the next section of my argument.

### **6.3 Accounting in monastic discipline**

Other than for the purpose of financial survival, accounting practice was an echo of a desire for monastic order and discipline which had arisen from within, right from the beginning. Then, after periods of building and strengthening this monastic discipline, accounting came to be an integral part of the managerial and administrative system within monasteries and was clearly written into the disciplinary treatises (*vinaya*).

There are three main categories of Buddhist scriptures (Pali: *tipitaka*; Sanskrit: *tripitaka*). *Tipitaka* literally is ‘three baskets’ as the scriptures were originally written on Palm-leaves and were kept in different baskets – monastic discipline (*vinaya-pitaka*), Buddha’s discourses (*sutta-pitaka*; its Sanskrit equivalent – *sutra* – has more or less become an English word), and further teachings or advanced doctrines (*abhidharma-pitaka*) (Harvey 1990). While *vinaya* is often described in English as ‘monastic discipline’, ‘treatise on monastic discipline’ or ‘monastic behaviour code’, none of these terms fully conveys the original meaning. Gernet (1995) describes *vinaya* as the governing rules that define the rights and limits of the person who comes under a Buddhist monastic order. *Vinaya* builds an institutional foundation for this order and this foundation is simultaneously moral, legal and

economic. Bodiford (2005) explains that *vinaya* provides the founding charter for the Buddhist monastic order, the rationale for this order and the procedures for perpetuating the order. *Vinaya* texts contain more than disciplinary rules for the behaviour of members of this order. There are passages within *vinaya* texts pertaining to the social practice of a well-organised religious order in the management of its affairs and property. This is where accounting issues become associated with monastic discipline. Accounting practice within monasteries was never treated purely as a technical matter. It has always been an integral part of *vinaya*.

Translations of Buddhist scriptures into Chinese began in the second century (for example the Sravakayana works on meditation) including sections of *vinaya* texts (for example Dharmakala 曇柯迦罗 translated part of the *Mahasanghika vinaya* as *Sengzhi jiexin* (僧祇戒心; *Essence of mahasanghika precepts*) in the mid third century) (Bodiford 2005). The sections translated related to the precepts because without the proper precepts governing the procedures and rituals, the ordination of a monk is illegitimate in Buddhism. However, instructions regarding the actual procedures for many communal activities were omitted. They were unnecessary before any sizeable communities sprang up.

When the numbers of monks/nuns and sanctuaries multiplied in the fourth and fifth centuries, the issue of monastic discipline (or more precisely, the lack of it) arose. Taking the example of Dao-an again, he realised that monastic discipline was needed to govern the conduct of a community of three to four hundred gathered together in

one place. He was frustrated by the absence of the complete texts of *vinaya* (Ch'en 1964; Sengyou 1995;<sup>59</sup> Zurcher 2007).

This desire for monastic order drove Chinese monks to travel to Central Asia and India to search for up to date and complete texts of *vinaya*. Faxian 法显 (*ca.* 339-420) was one of them. He and his fellow pilgrims made their journey between 399 and 412. They set off from Chang'an towards the west to present-day Xinjiang, and then Afghanistan, Pakistan, India and Sri Lanka before returning to Nanjing via the South Seas (Legge 1965).

This led to four complete texts of Indic *vinaya* being translated into Chinese during the first quarter of the fifth century. Another one was translated in the eighth century, making a total of five Indic *vinaya* available in Chinese. Based on the chronological sequence of their translations, they are the *Ten recitation vinaya* (of the Sarvastivada school) (*Shisong lv* 十诵律), the *Four part vinaya* (of the Dharmaguptake school) (*Sifen lv* 四分律), the *Mahasamghika vinaya* (*Mohe sengzhi lv* 摩诃僧祇律 which is often shortened to *Sengzhi lv*), the *Five part vinaya* (of the Mahisasaka school) (*Wufen lv* 五分律), and the *Mulasarvastivada vinaya* (*Genben shuoyiqieyou bu lv* 根本说一切有部律).<sup>60</sup>

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<sup>59</sup> Sengyou (445-518) was a Buddhist monk. He authored *Chu sanzang jiji* (*Collected records concerning the Tripitaka*), which includes biographies of leading Indian, Central Asian and Chinese monks involved in translation work. A modern publication of this book is by Zhonghuang Shuju 1995.

<sup>60</sup> The first four share two features: first, in terms of discipline, they were the most agreeable and least severe *vinaya* among all the different sects; and second, they related to an earlier stage of Buddhism and did not answer many of the needs of the

This concern and desire also drove some to start writing their own versions of much needed monastic codes before the four Indic *vinaya* became available. For example, Dao-an wrote his set of guidelines, based on his collection of various partial *vinaya*, on practices described by foreign monks and on his own experience, calling it *Standards for the clergy and a charter for Buddhism* (*Sengni guifan fofa xianzhang* 僧尼规范佛法宪章). This work itself has been lost but it has had great influence in the development of Buddhism and Buddhist institutions.

While differing in lengths and detail, all five Indic *vinaya* contain discussions on protecting and managing monastic properties and on commercial activities. More importantly, *vinaya* granted monasteries an institutional right to own property and to protect that ownership. This religious notion of communal and sanctified ownership gave rise to the notion of private ownership in China – a central idea in accounting. Chapters eight and nine are dedicated to this argument.

I will examine one particular work of monastic discipline, the *Changyuan qinggui* 禅院清规 (*Rules of purity for the Chan monastery*) (hereafter as the *qinggui*). It was written in 1103 by the monk Changlu Zongze 长芦宗赜 and is the earliest extant Chan monastic code. This *qinggui* demonstrates the historical development of monastic discipline. Many features, practices and rituals mentioned in it can be

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Mahayanists who came later. Also, the monastic communities that participated in the translations were the least involved with financial activities. The fifth Indic *vinaya* came a bit too late to have much influence. By then, the development of Buddhism and monastic institutions had acquired certain style and characteristic. Among the first four, the *Four part vinaya* was the most influential in the long term.

traced back to earlier *vinaya* (Yifa 2002). Also, Chan Buddhism is the only form of Buddhism that can be qualified as being still influential in modern China. It arose in the Song Dynasty (from the tenth to twelfth centuries) as an important independent sect. So, this *qinggui* demonstrates the adaptation of monastic discipline to the Chinese socio-economic environment.

### 6.3.1 A system of monastic administration

The *qinggui* (Zongze 1975) described a system of monastic administration permeated by accounting. This system consisted of two groups of monks – a high ranking and a low ranking – who were led by the head of the monastery, the abbot, the *zhuchi* 住持.<sup>61</sup> The abbot appointed the high-ranking group and divided them into two parallel sub groups – the administrators (*zhishi* 知事) and the chief officers (*toushou* 头首). There was no hierarchical difference between these two sub groups. Yifa (2002) suggests this division was modelled upon that of the central government: civil and military.

Depending on the size of the monastery, the actual numbers of the staff would vary; but within the former sub group, there would be one prior (*jianyuan* 监院), one rector (*weina* 维那), one head of kitchen (*dianzuo*, 典座) and one superintendent (*zhisui*, 直岁). Within the latter sub group, there would be one chief seat of the

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<sup>61</sup> Many of the terms for the administrative positions changed from time to time, from region to region, and even from one sect to another – the abbot could be the *zhuchi* or the *sizhu*. Although expressions changed, the essential ideas remained. I have adopted the terms used in the *qinggui* in my description.

Sangha hall (*shouzu* 首座), one scribe (*shuzhuang* 书状), one director of the library (*zangzhu* 藏主), one guest master (*zhike* 知客) and one bath master (*yuzhu* 浴主).

Most of the finance and accounting duties were entrusted to the prior, who also liaised with the government and donors. He was responsible for annual budgets and bookkeeping, financial loans, purchases of grain in the case of insufficient self-production, monitoring grain storage, the seasonal production of vinegar, pickles and sauces, management of the oil press, and organisation of communal feasts.

The prior and the rector jointly had a role in ‘bookkeeping on people’, Hoskin & Macve’s (1986) term. This role was to meet government regulation. A monastery would receive a copy of a record of registered monks from the government, *da seng zhang* 大僧帳, literally the ‘great monks register’. When a monk took up residence in a monastery, he was required to present his CV and his ordination certificate to the prior. Then, the rector would examine the authenticity of the certificate and collect a registration fee (on behalf of the government) from the monk. When a monk died, it was the rector’s duty to arrange the funeral, auction the property of the deceased (see chapter 8), and confiscate the ordination certificate, certificate of the purple robe and any certificates of government titles.<sup>62</sup> The rector would prepare a report regarding the illness and the death of this monk. This report and the certificates confiscated would be given to the prior, who in turn would hand them to the government.

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<sup>62</sup> The purple robe was a honourable recognition from the government; it was symbolised by the presentation of a purple robe from the emperor; it was obviously issued with a certificate as well.

The superintendent was in charge of all manual labour, such as constructions, replacements and repairs. He supervised the monastic enterprises: the flour mills and oil presses (see chapter 7). He also managed monastery estates and tenant farmers (see chapter 7).

One of the duties of the bath master was to keep the accounts for the bath house – track the funds allocated and all the expenses. The director of the library also had this accounting duty for his library. These accounts would go to the abbot for approval and this approval would be demonstrated by his stamp.

While the financial duties were more concentrated on the prior, the rector had the authority to appoint the low-ranking staff, the minor chief officers (*xiao toudou* 小头首). The following titles allow us to see the complexity of the administration of a large monastery. There were directors for the shrine (*dianzhu* 殿主), the bell (*zhongtou* 钟头), the pavilion (*gezhu* 阁主), the pagoda (*tazhu* 塔主) and the various halls. There were monks who were assigned to preach and some would be specialised in particular popular sutras. They were all given various titles.

There were a water master (*shuitou* 水头), a coal master (*tantou* 炭头), a lamp master (*dengtou* 灯头), a mill master (*motou* 磨头), a chief gardener (*yuantou* 园头), a director of the farming village (*zhuangzhu* 庄主), an external agent (*xieyuanzhu* 廨院主), a director of the infirmary (*yanshou tangzhu* 延寿堂主), a toilet attendant (*jingtou* 净头), and an abbot's attendant (*tangtou shizhe* 堂头侍者).



The mill master was a technician who understood the mill – a large and complex water powered machine – and a manager who managed the business of milling, a commercial operation (see chapter 7). The director of the farming village had farming knowledge and managed the monastic tenant farmers including helping new tenants settle in the village, selecting good families, and settling disputes. When monks or lay travellers were arranged to stay in the village, he also helped them to settle. He kept account books and this information could be used to pay the government land tax (see chapter 9) and split the profit with the tenants, which was usually fifty percent. When a cow or a mule died, he was responsible for removing the horns and skin and would send them to the government (a type of tax payment). He was reminded that he was always a monk first and when dealing with money, material and disputes, he should exercise his religious and moral consciousness in making any judgement.

The duty of the external agent was to trade the monastery's grain. As part of his duty, he kept up to date information on any changes of officials of the local government and any government announcements. Sometimes, he collected donations. To some extent, the funding of the monastery infirmary seemed separated. The director of the infirmary was advised to directly raise supplies, such as firewood, coal, rice, flour, oil, salt, pickled vegetables, tea, and medicinal herbs etc. When the director was incapable of sourcing enough supplies, the monastery would help but only with rice, flour, oil and coal.

There was the Holy Monk's attendant (*shengseng shizhe* 圣僧侍者). Among many duties, he handled donations to the Holy Monk, which were only used for acquiring incense, lamps and liturgical vessels. The attendant tallied the amount of donation with the rector.

A supply master was in charge of many finance and accounting matters, such as the monastery's savings, grain, income, expenses and annual budget. He was instructed to record immediately and clearly all moneys received and payments made. Once every ten days, he reckoned the accounts with the administrators (the prior, the rector, the head of kitchen and the superintendent). They all stamped the accounts to demonstrate their approval. Once a month, these accounts would be given to the abbot for approval. The supply master should not hide any precious items such as silver and gold. He should know the amount of currency in the accounts and must not loan it to anyone without permission. If any one made an unreasonable request for money, he was not obliged to comply and should stand his ground. The supply master should not lend money to anyone unless this loan was permitted. He should be very clear about how much vegetable, rice and wheat remained in stock and purchase when necessary. The supply master had assistants, who should be known as virtuous, intelligent and bright and able to do mathematical calculations.

Among the minor chief officers, there were a few positions that were shared by all residing monks. The *sangha* hall monitor (*zhitang* 直堂) was assigned to a different monk everyday. The *sangha* hall was the place where monks slept, had their two meals, meditated and listened to the abbot's sermons. The *zhitang* had a duty to

protect monks' personal belongings, when others assembled for ceremonies and meals.

The assembly quarters was the place where formal tea ceremonies were held and monks took a break before resting in the *sangha* hall.<sup>63</sup> A senior monk would be assigned to the chief seat of the assembly quarters (*liao shouzu* 寥首座). He was responsible for the everyday order, such as settling quarrels, controlling access to the storage and enforcing rules regarding personal hygiene and communal health. He had an assistant, the director of the assembly quarters (*liao zhu* 寥主) who undertook all sorts of chores, for example, cleaning and keeping cold and hot water in supply. Monks took turns to be the *liao zhu* and they would rotate every month or every ten days. When one term was finished, the predecessor was accountable for all miscellaneous movable items as well as a list of inventory to his successor.

Fundraising was a particularly important matter for monasteries. There were two categories of fundraisers: the street and the distant. The street fundraisers (*jiefang* 街坊) would visit the nearby areas and would only ask for food. They were further divided into those for porridge (*zhou* 粥), those for rice and wheat (*mimai* 米麦), those for vegetables (*cai* 菜) and those for pickles (*jiang* 酱).

The distant fundraisers (*huazhu* 化主) would travel to distant regions, spend a length of time away from the monastery and raise a substantial amount of cash. When a

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<sup>63</sup> In the *qinggui*, tea ceremonies both formal and less formal were frequent features of monastic life.

monastery decided a list of regions for that year, this list would be posted in the attendants' quarters. Monks could volunteer themselves or the high-ranking staff could recommend suitable candidates.

Once being appointed, a *huazhu* would move into special living quarters to prepare for his journey. He needed to have all documents and letters ready including the certificate of travel, self-introductory letter, and the abbot's personal letters to prospective donors. He also needed to prepare tea, medicine and the items that donors would ask for. Some items were subject to taxes, such as tea, salt and silk, so he needed to prepare a record of tax payment. There would be a tea ceremony where the previous fundraiser was formally replaced by the new one. The new one should talk to his predecessor and find out information of the previous years. He was instructed to select suitable people as his porters and assistants, but was reminded that he should also keep all the money under his own care.

He was reminded to check all the documents and letters before visiting donors and to be prepared with tea and other items to greet donors. In meeting with donors, he was to be patient, gentle and truthful. In meeting with government officials, he was reminded to be courteous and confident. He should always remember his duty and responsibilities to his fellow monks, so he should avoid any involvement beyond his immediate business and any delay of returning to his monastery and should try his best to expand the list of annual donors. He was to keep a precise record of donors' names and titles and money or items donated. Making up the record or appropriation of the money were unforgivable sins. When selecting souvenirs for the abbot and the

high-ranking staff, they should not be excessive and he should follow the regional custom.

Upon returning, he would seal the list of donors, the travel log, and the accounts showing all the donations received (both individually and in total), all the expenses incurred and the reason for such expenses, and the balance brought back. These sealed papers would be put in a trunk and then this trunk with all the donations would be taken to the *Dharma* Hall ready for a ceremony. The whole assembly would be summoned for this ceremony and the donations would be placed where they were visible. Each item would also be described and announced after the abbot had made symbolic offerings of them to the Buddha.

#### **6.4 Accounting in government regulation of Buddhism**

During the same centuries, in parallel with the desire for monastic discipline from within, the imperial Government also started to demand regulation and control over the rapidly expanding Buddhist institutions.<sup>64</sup> The relationship between Buddhism and the Government was complex. At one level, the Government was the most significant patron of Buddhism. However, it also used the faith in Buddhism among the general public to manage and mobilise people, for example, in the fifth century, the government supported Buddhist agricultural settlements (see chapter 7 section 7.2.3). Both roles granted it the right to demand some form of accountability from

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<sup>64</sup> More precisely, it was Governments, as there were often more than one at the same time in those centuries.

Buddhism. The decree of 511 quoted earlier (section 6.2) reveals this demand for the Buddhist establishments to be held accountable.

In countries where Buddhism had become established earlier, monastic communities were autonomous and they were governed by their own laws (*vinay*). Kings paid homage to monks, but not *vice versa*. Chinese monks observed this autonomy on their travels and recorded it in their diaries, for instance the monk Faxian mentioned earlier (section 6.3) (Legge 1965). The monastic communities in China had brief periods of autonomy during the fourth and fifth centuries, particularly in the south, where a small government was formed by the Chinese in exile. This autonomy is manifested in the acceptance by the Government that monks did not have to pay homage to the Emperor. The monk Huiyuan 慧远 (344-416) wrote a series of essays defending the independence of his communities titled ‘Why monks should not bow to the emperor’ (Ch’en 1964). At a deeper level, the issue of government regulation and control was a result of the tension and confrontation between the different values of Confucianism and Buddhism. The Confucian institution (the government) was attempting to regulate and control the Buddhist institution (the monasteries).

#### 6.4.1 The system of government: Confucian institutions

The imperial Government in China was intrinsically Confucian for most of the period from the third century B.C. to the early twentieth century. Its authority was unlimited and it embraced the whole public and private lives of all its subjects (see chapter 5 section 5.2). With the fall of the Han Dynasty at the beginning of the third century, Confucianism fell out of favour as an ideology (before making a return in

the form of Neo-Confucianism in the twelfth century), but remained in the structure of governmental institutions (Zurcher 1984).

Buddhism thrived and gained force from the fourth to the sixth centuries when Confucianism was its lowest point. During these three hundred years, China was not politically unified but divided approximately as the north and the south, with the north containing many kingdoms of various ethnic origins. Nevertheless, all these monarchies more or less adopted the style of government underlined with Confucianism.

Liu (1994) explains that this was driven by some very practical reasons. When a group of 'foreign' horse riders came to rule sedentary China (or part of it), its population was immediately out-numbered by its subjects and it faced two immediate issues: to impose law and order and to collect taxes. A coalition was usually formed between the new foreign elites and the local Chinese elites and it was practical to adopt Chinese as the language of administration. When dealing with the issues of governance in Chinese, it was equivalent of doing it in the language of Confucianism. In many cases, these foreign rulers had already used the defected Chinese statesmen as their senior advisors. Therefore, these foreign 'invaders' were seen as being sinicised in the eyes of the Confucian dynastic court historians.

When a monarchy was first formed, the ruler usually had a close personal relationship with his senior advisors. Decisions were often made in social gatherings and informal meetings. When a monarchy became more consolidated with expanded territories, the monarch would become more dependent upon his system of

government to rule (Twitchett & Fairbank 1979). In other words, the importance of government institutions would arise and so would Confucianism. This was regardless of whether or not the monarchy was initially pro-Confucianism. The beginning of the government regulation of Buddhism was towards the end of the fifth century when the Northern Wei Dynasty (from the mid fifth to the mid sixth centuries), a Buddhist monarchy, became more established and unified most parts of the north (see section 5.2.2, footnote 44 & 50).

The Northern Wei established its own monastic codes and institutions and began to incorporate monastic administration into the government's administration. This endeavour was carried out continuously by its successors. When government regulation and control was carried to the extreme, it was remembered as the 'persecution of Buddhism' with the first of the three major ones occurring in the Northern Wei in the mid sixth century.<sup>65</sup>

The Sui Dynasty unified the north and the south at the end of the sixth century and it was still a devoted Buddhist monarchy. Its Crown Prince was deified as a Bodhisattva (see section 5.2.2) (just like those of the Northern Wei),<sup>66</sup> but the Sui was very short-lived, lasting for less than forty years. It was replaced by the Tang Dynasty (from the seventh to the ninth century). The founders of the Tang were not particularly Buddhist but Buddhism had become a spiritual, economic and political factor that no rulers could afford to ignore. So, the Tang tried to achieve a balance

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<sup>65</sup> The other two were in the mid ninth and in the mid tenth centuries respectively.

<sup>66</sup> When a ruler was deified as a Bodhisattva, it also practically solved the problem of monks paying homage to the king. Then, monks could bow to the ruler as he was a Bodhisattva as well.



among Confucianism, Buddhism and Taoism, often playing them off against each other. This sentiment was captured by the term ‘the three teachings’, *san-jiao* 三教, which first appeared in the sixth century (de Bary & Bloom 1999; Li 1974) (see Figure 8).



Figure 8: Map of China - the Tang Dynasty (Mladjov 2014c)

The Tang imperial family patronised Buddhism particularly during the seventh century<sup>67</sup> but the family claimed to be the descendents of Laozi, the legendary

<sup>67</sup> This was during the reign of Gao Zong and the Empress Wu, who were husband and wife. She shared the reign during his time to a large extent and then ruled as regent before she declared her own dynasty, the Zhou. She did return the reign to her sons (the Li Tang family). While many women had had *de facto* control, she was the only one who was able to openly declare an empire of her own. The

founder of Taoism (Li). Further into this dynasty, the reign became more reliant upon the system of government. The size of the government expanded and so did the numbers of bureaucrats. The examination system for selecting bureaucrats was further developed. These all meant the increasing importance of Confucianism. It was during the Tang Dynasty that the process of government regulation and control of Buddhism was completed; the bureaucratisation of Buddhism was completed; a system of examinations for monks was refined and established; and ordination was no longer a monastic matter.

#### 6.4.2 The challenges from Buddhism

From Confucianism's point of view, Buddhism needed to be regulated and controlled. Confucianism wanted the role of a religion to be limited to enhance an idea of social stability that was defined in its own terms. However, Buddhism brought a series of inter-related challenges to this limitation given to a religion: from aesthetics to the economy, and from the hierarchy of production to the way of living.

Orthodox Confucianism only allowed restricted space for the expression of aesthetic sentiment. Its precepts of daily life demanded moderation in expenditure, austerity and control of emotions and bearings. The taste for splendour found a pretext to express itself in Buddhism. Ritual objects were beautiful and elaborate and at the

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social permission for this came from two strands of influence: nomadic society and Buddhism. Compared to Confucian society, that of the horse riders was much less patriarchal and marriages were often monogamous. During the nomadic 'invasion' centuries in the north, the elites of different racial backgrounds intermarried. The Li Tang family was one of the prominent clans and the family spoke Turkic as well as Chinese well into the Tang period. Buddhism gave more equality between men and women and between social classes through its idea of universal enlightenment. This embedded equality of women had already been reduced in China in order to accommodate Confucian values, but Empress Wu would still have found more freedom through her patronage of Buddhism.

same time, sumptuous. The materials incorporated into this art had a monetary value. Copper, in particular, was used in mining coins and casting statues. Religious activities were a luxury. Construction and ornamentation of sanctuaries and ceremonies were lavish. The monks lived on alms, so their existence was luxurious. The expense of the monastic communities was supported by an entirely gratuitous activity of a new social class, the devotees (Zurcher 1984).

In an agrarian society, farming was the fundamental activity and principal of life, and other activities were secondary. Buddhism disturbed this order. It introduced an extraordinary development of minor trades: painters, sculptors, architects, manufacturers, and merchants. Monks themselves were specialists. Their skills satisfied various needs: healing, knowledge of magic formulae, divination, and sutra recitation. Their specific crafts were transmitted from master to disciple in a similar fashion to that from artisan master to apprentice. The pious donations that they were awarded for their services were not too different from the commercial payment that professional physicians or artisans received. In the official writing of dynastic history (written by Confucian court historians), biographies of the great monks are classified among the technicians (方伎 *faji*) together with physicians, astronomers and alchemists. Most monks came from peasant origin and so, joining the religion for them meant leaving a life of cultivating the land. This had been a privilege and a status that only belonged to nobility and salaried officials who were typically Confucian rationalists and moralists. Consequently, to live away from the land constituted the most tangible benefit of becoming a monk (Gernet 1995).

So, the challenges brought by Buddhism were both religious and economic and language acutely reflected and recorded these challenges. The Buddhist expression ‘going forth’ (Sanskrit: *pravrajya*; Pali: *pabbajja*) refers to someone who is admitted to join the monastic order. When translated into Chinese, it became ‘leaving one’s family’, *chujia* (出家). In other words, ‘going forth’ into a new institution is expressed as ‘leaving’ the old one, which the family (家 *jia*) represents, the old institution, the Confucian institution, the symbol of tradition, and the symbol of all the constraints imposed on an individual. Breaking free from it, the constraints vanished almost entirely. Therefore, joining the new order and institution was more than a religious act. It was to abandon the plough for other means of existence – to change the way of living.<sup>68</sup> To an individual, it was a moral and material emancipation (Bodiford 2005; Zurcher 2007).

#### 6.4.3 Making Buddhism ‘governable’

Making Buddhism governable was to make monasteries and monks ‘visible’. Initially, the method was to create an arbitrary division between monasteries and monks and then the Government would favour one group, the officially recognised and registered one, but limit the other. Later, taxation was also used as a method to render visibility and governability. While both methods were successful in achieving the goal, they had unplanned impacts in financial practice and the economy and became intertwined with the broader movement led by Buddhism. This movement

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<sup>68</sup> In times of danger/persecution, rather than returning to the peasantry, monks tended to become skilled persons: physicians, itinerant merchants, painters, sculptors, and architects (Gernet 1995).

had significant impacts in the economy and it was through these that the changes in accounting occurred.

The Government was most suspicious of the mendicant monks, who moved around towns and villages freely and independently. They could receive food and clothing from people; they could stay in private sanctuaries here and there; and they had the ability to draw people together because of their status, their special skills and knowledge (healing and magic etc) (Liu 2008). They represented a social and economic force that could be turned against the Government and the State. These mendicant monks were invisible and ungovernable.

The officially recognised temples and monasteries were better funded as they received donations from private individuals as well as the State. Their income was exempt from government taxes when the income was generated from the estates that came into their possession as imperial gifts. An officially registered sanctuary had a special name tablet (*e* 額) handwritten by the Emperor hanging over its entrance gate, so its status was expressly announced and clearly visible (Gernet 1995).

An officially recognised monastery only housed monks who were officially ordained, having paid a fee, passed an examination and received a certificate. As the most significant patron, the Government argued that monkhood should be preserved for the more deserving since leaving behind a life of cultivating the land was a privilege. It believed that a system of examination would enhance this preservation. Initially, the examination was relatively simple, requiring the recitation of passages from

sutra; later, it was more formalised and more training and studying were needed in order to pass. When it came under the Ministry of Rites in the Tang Dynasty, the education of Confucian classics was also included (Fairbank & Goldman 2006).

Private sanctuaries and privately ordained monks always existed despite being illegal, which itself shows how firmly established Buddhism had become and the support Buddhism had received from people of all walks of life (see chapter 7). However, the government regulation of Buddhism was 'successful' from the perspective that Buddhism was gradually and completely bureaucratised and therefore was put under control. Whenever there was a need to tighten the regulation, it was easier for the Government to target the illegal ones: to close down the private temples and chapels and to laicise the privately ordained monks.

The success of government regulation and control was also reflected in the loss of autonomy by the monastic communities over the centuries. The monk Huiyuan, mentioned earlier (section 6.4), defeated his opponents and won the argument that monks should not bow down before the Emperor, at the end of the fourth and the beginning of the fifth centuries. Whether or not to bow was an ongoing political argument and it could be rephrased in various forms with the same underlying confrontation, that between the Confucian value and the Buddhist value. For example, in the seventh century, the Tang Government once tried to prohibit the then common practice of parents bowing to their sons and daughters who became monks and nuns; at another time, it tried to make monks and nuns bow to their parents. Both propositions stirred fierce resistance from Buddhist circles as well as high court officials and the Government was forced to relent. When the issue was raised again

a hundred years later, circumstances had changed dramatically: it was accepted with no opposition (Ch'en 1964; Tonami 2004).

Buddhism did become 'tamed' after three centuries of government regulation and control under the Tang Dynasty. The *qinggui* described earlier (see section 6.3.1) indicates the compliance of monasteries with government regulation in the Song Dynasty (from the tenth to the twelfth centuries) and this regulation was written into the code of monastic discipline.<sup>69</sup>

Despite the fact that Buddhism appeared to be under the control of Confucianism, it continuously found its way to exert influence in society and the economy. Even the government regulation had some unplanned impact in financial practice and the economy.

The Tang Government issued its official ordination certificates with a price. The price outwardly related to the administration fee charged but inwardly related to the entitlement of tax exemption and the exemption from government labour services and military duties. From the Government's point of view, it was a method not only of monitoring monastic numbers but also of raising funds to compensate for its tax losses. Such a sale was not entirely novel. The Han Dynasty started the sale of noble and official titles in the second century B.C. in order to solve its financial difficulties. The sale of high ecclesiastic titles appeared in the sixth century after the Northern Wei started to incorporate Buddhism into its secular administration and

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<sup>69</sup> In the Song period, Buddhism was continuously losing its vigour, but, being once so significant, its social and economic influence was still present.

created such titles. The sale of ordination certificates began in the seventh century when the Tang increased control over Buddhism and placed the ordination, a religious matter, under the command of the secular authority. Sales surged in the mid eighth century when the Government desperately needed money to fund its military campaign fighting the An Lushan Rebellion, which nearly destroyed the Tang Dynasty. Not only the Central Government, but also some regional governments sold ordination certificates in large quantities. From the mid tenth to the mid thirteenth centuries, ordination certificates had a market price and were tradable. This development of ordination certificates (from sale to trade) was not an isolated phenomenon. During these periods, the economy was changing with more trade and commerce and the increasing use of money. It is recognised that the world's first government-issued paper currency was produced in early twelfth century China during the Song Dynasty (Ebrey 1996; Fitzgerald 1976; Gernet 1962; Huang, M 1989; Huang, R 1997).

The government regulation and control of Buddhism had another consequence. It encouraged the development of sizeable monasteries. The target of its regulation was the privately ordained monks, who were laicised, and the private sanctuaries where most of the illegitimate monks stayed, which were closed down. Also, the ones who were permitted to remain in the monastic order were relocated to registered temples. As a result, the sizeable monasteries became more consolidated after each campaign of tightening the regulation.

These monasteries were scattered around the country and each was like a 'fiefdom', around which a complex web of networks was formed. They held enormous power



and influence that were both spiritual and economic (this topic is examined in chapter 7). They shaped the development of a more complex notion of ownership, a central idea in accounting, through their financial and commercial dealings (see chapter 8). Private ownership of farmland further developed as a result. In responding to these significant changes in the economy (the private ownership of farmland, increasing usage of money, and more trade and commerce), the Government undertook a significant tax reform in 780. Under the reformed system of taxation, the Government recognised and accepted the rights of private landholdings of monasteries (and other wealthy individuals) by levying taxes according to the extent of their landholdings. Chapter 9 is dedicated to examining this development of private ownership of farmland and its subsequent tax reform but in this space, it is important to note that from then onwards, taxation also became a method of government regulation and control of Buddhism. It can be seen in the *qinggui* mentioned earlier (see section 6.3.1) how monks and monasteries were compliant with government regulation in terms of taxation. For example, fund raisers carried records of tax payments when they brought goods that were subject to taxes on their travels and that the director of the farming village kept accounts for government tax purposes.

In sum, monastery accounting can be seen from the perspective of discipline and control from both within and without. The beginning of monastery accounting (the fourth and the fifth centuries) coincided with the search for a particular category of Buddhist scripture: *vinaya*, treatises on monastic discipline. As the founding charter of the monastic order, *vinaya* contains passages pertaining to the social practice of a well-organised religious institution in the management of its affairs and property.

Therefore, accounting within monasteries has been an integral part of *vinaya*. Then, with the building and strengthening of monastic discipline, accounting became further formalised into the monastic system of management and administration in helping to maintain an orderly religious life.

The relationship between the imperial Government and Buddhism was complex but as a Confucian institution, the Government tried to regulate and control the Buddhist institution (monasteries and monks). The Government placed the matter of ordination under its control and only the officially ordained monks were legitimate and their only legitimate residence was an officially recognised and registered temple or monastery. Later, taxation was also used as a method of regulation and control with the same underlying principle – to make Buddhism ‘visible’ and ‘governable’. While all this regulation and control was quite successful, it had unplanned consequences in financial practice and the economy and became intertwined with the broader movement led by Buddhism. This movement had significant impacts in the economy and it was through these that the changes in accounting occurred.

## CHAPTER 7 ACCOUNTING AS STORYTELLING – MONASTIC REVENUE

### 7.1 Introduction

Accounting is more than a technique; accounting is reflective; it reflects the environment in which it operates and accounting in monasteries in medieval China reflected its unique environment. In this chapter, I examine monastic revenue to observe people and their lives. The poor and the wealthy, despite their differences and separate lives, all related to and interacted with monasteries, one way or another, and they contributed to the make-up of monastic revenue.

Monastic accounts from Dunhuang in the ninth and tenth centuries all mentioned revenues in this order: one, revenues from immovable property including rent from agricultural lands and rent from industrial installations; two, interest on loans; and three, various donations (Gernet 1995). It is clear that for many centuries, along with imperial families, nobles and high officials, monasteries owned large tracts of land and industrial installations – oil presses (*youliang* 油 樑) and water powered flourmills (*wei* 碄 or *nian* 碾 or *nianwei* 碾碄). Monastic discipline (*vinaya*)<sup>70</sup> prohibited monks and nuns from any manual work, so the workforce included the servile population, waged labourers and novices. Monasteries were also the places people came for a loan, both the rich and the poor. Because their needs were very

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<sup>70</sup> Despite Chinese Buddhism not being essentially about obeying the discipline (Gernet 1995)

different, the purposes of borrowing were different, and therefore the items of loan and the interest rates were different. In some cases, interest was not charged at all. Famous monasteries were well funded through royal patronage, but ordinary monasteries received donations from people of all walks of life. This demonstrates the close involvement of these community monasteries with people and their lives.

Using the three categories of monastic revenue as a thread, this chapter is structured around three large spectra of the social hierarchy: at the bottom the servile population (monastic slaves and serfs), at the top the privileged (nobles, high officials and great clans), and in between the general free population (peasants, small traders and artisans). I begin with an examination of how Buddhist establishments owned lands, industrial installations and the servile population, and how these slaves and serfs paid rents for agricultural lands, flourmills and oil presses and how they raised interest free agricultural loans. In the second section, I examine the free people with an emphasis on their high interest rate agricultural loans, their role as patrons and their festival celebrations as a manifestation of the closeness between monasteries and local communities. In the last section, I investigate the privileged: the multiplicity of their donations and their distinctive and innovative cash loans.

## 7.2 Lands, industrial installations and the servile population

In an essentially agricultural economy, immovable property<sup>71</sup> (*budongchan* 不动产) – land and particularly farmland – was the basis of all enduring power. The servile population included slaves and serfs. The distance between their work and the monastery precinct is a measure of their degree of servility. Serfs were usually further away from monasteries than slaves. Serfs had relative economic freedom but their dependence was hereditary, for example, they could not inter-marry with free peasants (*xiangsi-baixing* 乡司百姓) who were subordinate to the secular administration (Gernet 1995).

In the Dunhuang documents, these terms indicate the status of monastery slaves: *nubi* (奴婢), gardeners (*yuanzi* 园子, *enzi* 恩子, *shouyuanren* 守园人), domestic servants (*jiaren* 家人), and puremen (*jingren* 净人). Monastery serfs were usually referred to as monastery households (*sihu* 寺户), or as households held in perpetuity (*changzhu-baixing* 常驻百姓) (hereafter, I will use the term monastery households only). Specific terms were used for those operating flourmills and oil presses: the millers (*weijia* 碓家) and the oilery households (*lianghu* 梁户) (Xie 1986).

### 7.2.1 Lands

Buddhism's history of landowning began with gifts from wealthy laities. It took a long time before monasteries began to own farmlands. Historically, sanctuaries were

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<sup>71</sup> Immovable, a legal term, is under the category of lands and buildings in a modern balance sheet.

built in remote areas, such as on mountain tops, hillsides, and in valleys. Paintings and literature illustrate that their landscape was with trees, shrubs, gardens, orchards, and pastures, a characteristic shared by small peasant gardens and wealthy families' estates<sup>72</sup>. This landscape was in contrast to that of irrigated fields on alluvium soils on flat plains, historically referred to as the lowlands. These two different types of land also had different economies: invariably cereals grew in farmlands while the produce of a monastery was diverse – fruit, flowers and curds (Gernet 1995).

From the highlands, monasteries did eventually encroach on the lowlands. Dunhuang accounting records of the ninth and tenth century show that the yields from monastic lands included cereals as well as fruit, flowers and curds. This long and complex development can be summarised in the following two points: one, clearing lands was an expensive project and previously the preserve of the government and a few great families. Buddhist establishments had become the third capable force. They took over the lands abandoned when peasants fled because of war or famine, which were frequent from the third to the sixth centuries. Two, *vinaya* protected the consecrated properties in a hereditary manner, which led to an unprecedented accumulation of wealth. So, from the fourth and fifth centuries, monasteries began to own land, first the highlands then the lowlands – large-scale farmlands. By the ninth and tenth centuries, monasteries were among the predominant landowners.

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<sup>72</sup> Private estates were called *mingtian* (名田) in the Han time (from the third century B.C. to the third century A.D.), and *bieshu* (別墅) or *zhuangyuan* (莊園) in the Tang time (from the seventh to the ninth centuries) (Gernet 1995).

### 7.2.2 Industrial installations

Mill installations including machines driven by water were valuable assets and they were features on the land of wealthy laity and great monasteries. These hydraulic machines needed specific geographic conditions – on a hillside with a stream above and irrigation canals down below leading to farmlands. The installation and maintenance of these automatic flourmills was costly. So, in the region of the two capitals,<sup>73</sup> they were plentiful because of well-developed irrigation systems and canals and a concentration of the great private estates of the imperial family, high officials and monasteries. In contrast, in poorly irrigated areas, pestles and millstones powered by hand and oxen were in use. There have been many references to these water-driven devices since the early sixth century. During the seventh, eighth and ninth centuries (the Tang Dynasty), the development of large landed property and the multiplication of these installations went hand in hand, with both great lay families and major monasteries behind the development. These installations were an important source of income (Gernet 1995).

### 7.2.3 Servile population

Like monastic consecrated properties, once a person or family became dependent upon a temple, this relationship was hereditary. In the same way that Buddhist establishments started to possess lands, farmers and their families were bestowed by rulers as gifts to monasteries. When a village was donated to a monastery, instead of paying taxes and performing civil corvée duties to the government, residents of this

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<sup>73</sup> The two capitals were Chang-an, the modern Xi'an, and Luoyang, in the Yellow river region.

village gave their produce and service to the monastery. These included cleaning the sanctuary, looking after the gardens and orchards, and all sorts of manual chores. Some free peasants voluntarily sought shelter in Buddhist establishments. This was particularly the case during time of trouble when the secular government was unable to exercise control. This decision was driven by religious motivation as well as material protection. So, the size of the class of dependents of monasteries varied with political conditions, with the numbers of dependents reaching its peak in the sixth century. For example, in Northern China, there were two to three million dependent peasants and monks in proportion to thirteen million of total population. After this time, the numbers were on the decline in general. According to Zhanru (2011), in the ninth and tenth centuries in Dunhuang, the numbers of dependents together with monks and nuns were one fifth of its total regional population, but Xie's (1986) estimate of one tenth is much less.<sup>74</sup> However both agree that the numbers of monks and nuns were around one thousand.

The Dunhuang monastic slaves and serfs in the ninth and tenth century were a particular memory of an earlier history – the Buddhist colonies built in this region in the fifth century. They were projects of the secular authority to use Buddhist establishments (their finance, their organisations, their skills and their sentiment) to deal with two essential issues: to expand the land under cultivation and to assimilate the civilians of its opponents. The controller of Buddhist clergy, Tanyao (昙曜), the highest clerical position, semi ecclesiastic and semi secular, proposed the institution of *sangha* households (僧祇户 *sengzhihu*) to the court of the Northern Wei in 469.

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<sup>74</sup> This is one of the areas where no agreement has been reached yet.



This institution was first created in the capital city of Pingcheng (平城), the modern Datong (大同) of Shangxi (山西) province, then in the border prefecture of Liangzhou (梁州), the modern Gansu (甘肃) and where Dunhuang is. The sangha households cleared lands and cultivated millet.<sup>75</sup> They paid taxes to the Buddhist establishments rather than the secular government at a much higher rate. Their taxes – their produce – became known as the *sangha* millet (*sengzhisu* 僧祇粟), which was used to bring relief in famine and to supply the price-regulating granaries (Liu 2008).

Tanyao also initiated another institution, the Buddha households (佛图户 *fotuhu*), consisting of official slaves and serious criminals. They worked under close supervision, so they undertook manual jobs either within the precinct of a temple or close by, such as clearing, maintenance and bringing in the harvest. Once established, these two institutions immediately became widespread. In this north-western border region, they later developed as the monastery serfs and slaves with a few differences. Instead of belonging to the universal *sangha*, they became dependent upon specific monasteries; instead of clearing new land, the land was well irrigated and intensively cultivated; the principle of the price-regulating granaries disappeared, and instead, they became the source of agricultural loans for farmers in need (Gernet 1995).

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<sup>75</sup> Millet was the most drought tolerant grain and the most labour intensive, but was the only grain that would grow when the land was first cleared (Gernet 1995).

#### 7.2.4 Servile population and monastic revenue

Buddhist establishments owned lands, industrial installations and a servile population as their major workforce. In the ninth and tenth centuries Dunhuang, this population included slaves and serfs and the latter was specifically referred to as monastery households, millers and oilery households depending on the work they undertook: farming, operating flourmills or oil presses. They all appeared in monastic financial accounts as rent-payers. Monastery households paid their rents in the form of cereals. Occasionally, they paid special levies in the form of hay or grass to the local secular authority for the armies in this district. They were a more organised workforce in comparison with free peasants; they worked in groups (*tuan* 团) with a leader (*tuantou* 团头) and shared a collective responsibility.

Millers paid their rents (*weike* 碓课) in the form of flour. They also gave monasteries the coarse flour caught by the gauze sieves and milling residues, which were used to feed the slaves and animals. Oillery households paid their rents (*liangke* 梁课) in the form of oil and oilcake – the sediment which was used to feed the sheep. In return, monasteries supplied all the materials and paid all the running expenses. Taking flourmills as an example, the expenses included gauze sieves, animals for transportation, professional millwrights' (*weiposhi* 碓博士) regular services, and the ritual celebrations concerning the operations (Xie 1986; Gernet 1995).

Only two monasteries, Jingtū (淨土) and Anguo (安國), had flourmills and oil presses among around sixteen monasteries in Dunhuang in the ninth and the tenth centuries, but these facilities provided the entire supply of flour and oil for the

population in this region. These installations were subject to government taxes, but they were more profitable than farming. Flour's value was greater than that of the same amount of cereals. Oil was used as 'currency' to swap with other goods and to pay artisans. In addition, being self-sufficient was important in Dunhuang due to its geographical isolation<sup>76</sup>. So, these facilities were used by the monasteries who owned them, other monasteries (they paid for their usage), free peasants (they paid a fee too), and monastery households (the proportion of grains belonged to them after paying rents).

Peasants, free or servile, came to monasteries to borrow cereals and seeds. The loans were all short-term – seven to eight months, the duration of one agricultural year. Being dependent upon monasteries, serfs were able to obtain the loans with no interest – advances (便 *bian*). When the advance was established between a serf and his monastery, a type of loan request document – petition (状 *zhuang*) or notification (牒 *die*) – was signed and there was no witness involved and no sanction mentioned for failure. If he approached other monasteries, the loan was still interest free but the procedure was more formal – a contract would be drawn up, sometimes a deposit of a pledge would be required, and there would be guarantors and witnesses involved and sanction indicated for failure (Gernet 1995; Trombert 2005).

Monastic slaves and serfs were also donors and their small donations were most likely recorded among 'various gifts' in the accounts. Donations were important in

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<sup>76</sup> Monasteries used a large quantity of oil for burning incense, lighting lamps and cooking; there were even special lands in Dunhuang whose revenues were designated to oil consumption (Gernet 1995).

Mahayana Buddhism as a way to accumulate meritorious karma to ensure a better rebirth. Texts of a particular school found at Dunhuang have sections on encouraging and instructing the poorest of the faithful to make daily levies because of their accumulative effect of washing off their sins and ensuring a better rebirth.

### **7.3 Common people**

The umbrella expression ‘common people’ seems big and vague. People under this category were free in contrast to the servile, but were neither wealthy nor privileged, so there is a wide range from those who owned no land and lived by selling their labour or skills to those who owned enough land to support themselves. In relation to monastic revenues from farming and industrial installations, these people played a limited role – they were the waged agricultural labourers hired by monasteries. They were the peasants who were still free but had no lands of their own or not enough to be self-sufficient, so they needed to sell their labour. In many ways, monasteries represented the social force that impoverished them. The abundant sale and hire contracts among the Dunhuang manuscripts tell this story vividly. They were the victims of the social and economic change that was engendered by Buddhism as an organised religion and an economic force. Private ownership was extending to farmlands, which were gradually becoming commercial assets (see chapter 9). Small independent peasants in large numbers were forced to sell their lands to a small number of capable buyers – wealthy families and monasteries (Gernet 1995; Trombert 2005).

### 7.3.1 Agricultural loans to free peasants

I have mentioned that in the previous section (section 7.2.3), peasants came to monasteries to borrow grain either because they ran out of food before the next harvest or because they were short of seeds for the coming growing season. Although the quantity of each loan was relatively small, loans to free peasants were at a high interest rate (贷 *dai* or 贷便 *daibian*), commonly fifty percent.<sup>77</sup> Some writers (for example see Xie 1986; Ornatowski 1996) describe this type of high interest agricultural loan to free peasants as usury. While the word is eye-catching, it tends to play down the context of the loans – a very complex relationship between peasants and monasteries and monks.

China had a history of large granaries. This custom was due to methods of grain conservation, social habit, and economic considerations. Large granaries could be public, collective or private. Dynastic court historians recorded disputes between Buddhist establishments and peasant borrowers over cereals and grain loans in relation to the *sangha* millet in the modern Shanxi (山西) province in the fifth and sixth centuries. At this time, the granaries of the *sangha* millet belonged to the universal *sangha* in northern China (see chapter 6 section 6.2). Four centuries later, granaries in Dunhuang belonged to specific temples. In 930, one third of the revenue of the Jingtū temple came from these high interest agricultural loans. In the eyes of Confucian moralists, this was most disturbing – one third of the revenue of one temple made no contribution to production – moving away from an agrarian

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<sup>77</sup> The Tang government set one fourth per annum as the legal interest for this type of loan (Gernet 1995).

economy. Clearly not every monastery was in the position to lend, but Buddhist establishments by and large played the role of agricultural banks.

Referring to the Dunhuang manuscripts, there were no contracts drawn up for these high interest loans, at least not every transaction. Sometimes, a separate deed was drawn up; and sometimes, it was simply recorded in certain registers of monastery expenditure. These records were a sufficient proof of loan. The identity of the borrower was clarified by describing his place of residence and his family relationships. Borrowers and guarantors gave their signatures or a simple sign of a cross.

### 7.3.2 Common people as patrons

There were genuine donations of land from the common people to monasteries, but some were made to conceal a sale. Private ownership developed gradually over many centuries and the tax reform of 780 was a *de facto* recognition by the central Government of privately owned lands. However, the trading of farmland remained legally ambiguous (see chapter 9 for further discussions on the development of private ownership and this tax reform). Also, there was a strong religious belief attached to the meritorious act of giving to monasteries. So, for both of these reasons, sales and donations to conceal sales were still continuing in parallel in the eleventh and twelfth centuries. In spite of all of this, the common people were genuine and important patrons of Buddhist establishments. Particularly, the prosperity of a regional temple relied on the patronage of the common people from that region as much as that of the local officials and great clans. Sometimes, they made their

contribution as simple laymen and sometimes, as associations of the faithful (*she* 社, *yi* 邑 or *sheyi* 社邑) (Liu 2001).

Eight inscribed stone slabs of the eighth century were found in Huolu (获鹿) in Hebei (河北) province. They all belonged to one temple, the Benyuan (本愿), a typical long-standing local Buddhist establishment with no particular connections with any eminent historical figures. Its origin is unclear but there is evidence of its existence before the seventh century and it continued with ups and downs well after the fifteenth century. Many commoners' names, all bearing the title of *xiangwang* (乡望), were inscribed as donors alongside names of local officials and great clans. A few names appeared again and again as they initiated and led some of the projects: building stupas and carving sutras, typical expressions of religious faith and piety of that period (Liu 2008). In addition, a particular monastery, the Jingtū, in a given region, Dunhuang, in the first half of the tenth century, had one quarter of its revenue in the form of petty objects (Gernet 1995). Various terms appeared in the accounts: all the offerings made for the occasion of the 'aspersion of the statues' (浴像散施) - a great annual ceremony, offerings from the spring and autumn food of the Buddha (春秋佛食), and gifts offered to the monks on the occasion of vegetarian feasts (斋𩚑) (held for the benefit of the dead).

Associations of the faithful were powerful organisations. The common faith held people together and by working together, they exercised and realised their collective potential. The associations grew and developed to become quite sophisticated with goals and rules. Secular authorities were aware of their existence. In Dunhuang in

the ninth and tenth century, these associations built their chapels (*lannuo* 兰诺), just like the wealthy families and clans had theirs to host their private ritual ceremonies. While chapels of wealthy families were in their private estates, those of associations were usually located in the busy part of a town, near the shops and markets. Monks and the associates came to meet there to discuss their on-going projects, pious and charitable. *Lannuo* was originally a place other than a temple in a more remote area where monks could spend some solitary time. In the ninth and tenth centuries Dunhunag, the three types of *lannuo* all existed. There could be monks residing or not in a *lannuo*. Nevertheless, *lannuo* were not officially registered temples, so, when government tightened regulation, *lannuo* would be closed down. In later centuries, when the religious element faded away, associations as a form of organisation continued in fundraising and being mutually supportive to their members in country towns and villages (Yang 1950; Zhanru 2011).

### 7.3.3 Festival celebrations

Festivals are the best occasions to comprehend the closeness between monasteries and local communities in both financial and physical senses. Hundreds of monks and lay followers were involved. Festivals were associated with the tradition of relaxing habitual rules: such as opening the city gates and lifting curfews, and were many things all at once: collective acts of contrition, occasions for extraordinary displays of sumptuousness, ceremonies combined with popular amusement, and the occasions where the most authentic expressions of faith were displayed. Music, dance and performance were all forms of worship. Temples competed with each other over whose decoration was the best, who displayed the best show and who



attracted the most crowds. The majority of the offerings were made at the time of the important annual festivals and monasteries spent approximately as much as they received on decoration and food (Gernet 1995; Liu 2001; 2008).

Major festivals were almost all in winter, at the end of an agricultural cycle and before the beginning of the next one. The winter solstice was celebrated in the twelfth month<sup>78</sup>; the lamp festival (燃灯) was on the fifteenth day of the first month; the procession of the statues (行像) was on the sixth and seventh days of the second month; the great festival of the dead (盂兰盆, *avalambana*) was on the fourteenth and fifteenth days of the seventh month. Others were minor, such as the reception of the Buddha's clothing (受佛衣), sending off the locusts (送蝗虫), deliverance from fire (解火), and the cold food period (寒食) (a hundred and five days after the winter solstice).

Festivals were not only the communions of the religious and the laity but also, in a concrete manner, the realisation of social communion. All classes of society joined the celebration – the emperor himself who was otherwise rarely seen by his ordinary subjects and members of the upper class who rubbed shoulders with commoners. Before Buddhism, celebrations were more separated: imperial cult, peasant festivals and Taoist festivals. Buddhism responded to the diverse needs of Chinese society and did this more than any other cult through its notions of compassion and enlightenment of all beings.

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<sup>78</sup> The counting of the months was all according to the lunar calendar.

#### **7.4 The wealthy people**

The well-off section of society comprised the wealthy people, namely, the imperial family, high officials and their families, and the great clans. Among the three categories of monastic revenues, these people were involved with donations and loans. While there were genuine donations of land to monasteries, some were used for tax avoidance. The tax status around monasteries was very complex. In principle, monks and nuns were exempt from taxes and military and civil services from the third to the thirteenth centuries. Sources of a monastery's assets varied: devolution, donation and purchase. There was also a hierarchy of privilege among monasteries: official versus private. Overall, possessions of monastic communities were never entirely tax-exempt. Selected official establishments paid no tax on income generated from imperial gifts and from assets specially defined as sacred. Others paid taxes on their lands and dependents, commercial real estate and industrial installations. Nevertheless, it was popular among some large landowners to avoid taxes by 'donating' their lands to an officially recognised monastery, so they could claim tax-exemption on their estates by 'appearing' to be monastic properties (Ch'en 1956; Gernet 1995).

Some donations resemble the modern concept of payment for services. Looking through the Dunhuang monastic accounts, wealthy families made special offerings on occasions such as funerals, illness and wishing a safe return for loved ones who were travelling; so monks came to their private homes to conduct religious ceremonies. In the ninth and tenth centuries of Dunhuang, local officials and great

clans also commissioned art projects by making offerings to monasteries. In these cases, the monasteries became intermediaries, which represented the patrons, hired artists and artisans and monitored their work on a daily basis. Monasteries paid wages in the form of grain and flour and paid expenses to host social occasions. When patrons came to view and approve the work during and at the end of a project, there were parties served with a vegetarian feast and wine (Gernet 1995; Fraser 2004).

Like peasants, the wealthy people came to monasteries to borrow; but, unlike peasants who borrowed grain and cereal for food or seed, mainly for consumption, they borrowed cash or cloth, the common substitute. These cash loans were long term in contrast with the short-term agricultural loans. This association with lending institutions came from the intimate relationship that Mahayana Buddhism had with the Silk Road trade (Liu 1994, 1998, 2010, 2012). The texts of Mahayana doctrines recorded the most sought-after commodities and the way in which they were valued. The temples established along the caravan routes became rich. They were staging posts with many practical uses, such as lodging, gathering information and hiring interpreters. In return, merchants left generous offerings in appreciation for the safe havens that temples provided. Buddhism spread via the large trade networks connecting India, Central Asia and Eastern Asia. The faithful merchants propagated the religion. The early Buddhist missionaries who made their ways to China were a mixture of monks and merchants and the majority of them were of Central Asian origin. Sogdians who came from the region of Samarkand adopted the Chinese surname of Kang (康) and Parthians (Persians) were given the surname of An (安).

Despite the lack of archaeological evidence from Central Asia and India, with the evidence from the Mediterranean and China, Liu (1994) has carefully constructed a historical picture that Roman merchants who reached the ports on the south-western shore of India introduced a practice of leaving deposits with their trusted temples. It makes sense to leave deposits with a temple for safekeeping to avoid the risk of carrying large amounts of money on their travels. These intimate connections with the Silk Road trade meant that the Buddhist communities were familiar with the role of lending institutions and were knowledgeable of various finance techniques.

#### 7.4.1 Accountinglessness

The cash loan relationship between Buddhist establishments and the upper class had two distinctive features: first is that these loans – financial transactions – were often not recorded – “accountinglessness”; second is that a new loan instrument was introduced. Yang (1950) traced the origin of the money lending practice to the end of the fifth century in southern China from writings of court historians of the sixth and seventh centuries. But, the feature of accountingless loans was mostly associated with the school of three stages (*sanjiejiao* 三阶教), a seventh century religious phenomenon, and its famous inexhaustible treasuries (*wujinzang* 无尽藏). Confucian moralists and rationalists have stressed that men and women of the upper class left cartloads of precious objects at the gates of the temples of this school without leaving their names; they emphasised that members of the upper class and temples of other regions came to borrow from this school’s inexhaustible treasuries without contracts and yet the loans were all repaid without failure. The seventh

century was a particular period of intense religious fervour with a particular doctrinal fashion that emphasised altruism, generosity and charity. This particular moral atmosphere permitted the success and rapid enrichment of this sect. But, the Tang government soon became alarmed by its success, enormous fortunes and power (as reflected in the polemics written by the Confucians) and banned it (Yang 1950; Gernet 1995).

Monks of the three stages were thoroughly disciplined with their physical existence. When they resided with monks of different schools, they lived in an enclosed section of a monastery. This sect had two temples of its own, one in each of the capitals, the Huadu (华度寺) in Chang'an (长安) and the Fuxian (福先寺) in Luoyang (洛阳). Each temple had a cloister of the inexhaustible treasury (无尽藏院). Overall, monasteries' holdings were more in the form of moveables – properties not attached to the land. This tendency was greater in this school. Real estate was less important and the source of its enrichment was moveables: cloth, money, precious objects, gold and silver. The faithful made donations in large quantities at festival times in addition to small offerings on a daily basis. The teaching of this sect also embraced the poorest of the poor, encouraging them to give and instructing them in making their daily levies.

This institution of inexhaustible treasuries was highly organised. Reputable monks were assigned to oversee its operations. It was very clear that accounting was used as indicated in a government decree dated 713 to confiscate this sect: to take control of the management and to inspect the accounts. Having only two temples in the

capital cities did not stop donations flowing in from other places as merit offices in different provinces were opened at festival times. The use of the inexhaustible treasuries was clearly purposeful. The funds were divided into three parts: for the restoration of monasteries throughout the empire, for charitable projects and for liturgical purposes. Monasteries came from Sichuan (西川), Gansu (甘肃) and Hebei (河北) in order to gain funds for their intended renovations. The upper class devotees obtained loans without contracts and most of them repaid, but these loans were never intended to be profitable.

The term, the inexhaustible treasury, is often mistaken to mean an endless accumulation of wealth, but this is a failure to appreciate its doctrinal reference. The ‘inexhaustible’ (*wujin* 无尽) refers to the psychological mechanism that motivates the giving: a gift invites a gift in return. Giving is contagious. This is the core of the doctrine of the three stages, which is also the foundation of the institution of inexhaustible treasury. The ‘treasury’ (*zang* 藏), or more appropriately repository, refers to a moral quality of Bodhisattva. Bodhisattva may have repositories of faith (*sraddha*), of observance of precepts (*sila*), of wisdom (*prajna*), steadfastness (*dharani*), and eloquence (*pratibhana*). So, the institution of inexhaustible treasury was about endless giving and receiving. To the recipients, a gift led to pious thought and feelings of gratitude; to the donor, a gift led to feelings of being a Bodhisattva (Gernet 1995).

In the treatises on monastic discipline, the institution of inexhaustible treasuries existed but did not occupy an important place. The *Ten recitation vinaya*, the

*Mahasanghika vinaya* and the *Mulasarvastivada vinaya* (Takakusu & Watanabe 1924d, 1924b, 1924e) all gave an account of practices pertaining to inexhaustible property or wealth (*wujinwu* 无尽物 or *wujinzang* 无尽藏). In his travels in India at the end of the seventh century, Yijing (义净) (1896, 1924) observed that it was still in force. In China, it did become more specific – to identify the part of the permanent assets that was dedicated to the provision of loans at interest. Drawing from historical references, Gernet (1995) believed it was current throughout the Tang Dynasty (from the seventh to the ninth centuries).

In this cash loan business, lenders included wealthy laity, great monasteries and wealthy monks who occupied important positions within the monastic hierarchy – the dignitaries of the *sangha*. In many cases, monks were the lenders as they possessed almost exclusively fungible goods while monasteries still had a mixture of immovable and moveable. Borrowers were restricted to the well-off section of society and monks themselves were borrowers sometimes too. In a particular moral environment with a presupposition of an absolute faith, there was a close and special relationship between the lenders and borrowers which endorsed these long term cash loans without a contract. When a member of a great clan approached a temple or a monk for a loan, he not only belonged to a special class, solvent and ‘useful’ to the religious communities, but also was a devotee, a patron and a beneficiary of this temple (Gernet 1995).

#### 7.4.2 A new loan instrument

Buddhism introduced a new loan instrument, a cash loan against a pledge. The Chinese were familiar with the involvement of an asset in loans, but, the asset involved did not correspond to the value of the loan, rather, it was an exhibit, usually a personal object that engaged the debtor morally. This original Chinese concept was pawn (*dian* 典). When defaulting, the pawn remained in the possession of the creditor and the creditor confiscated a part of the debtor's property. The introduced concept was pledge (*zhi* 质 *mulasarvastivada*), which was correlated with the value of the loan, i.e. the same or twice. In this case, a pledge has an economic function. This understanding was only possible in an economy where money was the normal means of exchange. The term of *zhiju* (质举), with a deviation of *zhiqian* (质钱), was a word specially applied to a money loan and was a vocabulary translated from loan contracts from Central Asia - to borrow cash against the deposit of a pledge. The two concepts – pawn (*dian*) and pledge (*zhi*) – converged in the Song Dynasty (from the eleventh to the thirteenth centuries). Unlike the traditional Chinese agricultural loans that were with high interest rates and on short terms, the new loan instrument was flexible. It was granted with an undetermined period, 'deemed later' being the usual phrase. The bearer of the deed was transferable: from father to son or even possibly to a third party. These features were innovative and the flexibility offered more possible innovations (Gernet 1995; Trombert 2005).

In the Song period, loans of cash against pledges still had an association with monasteries but with a different term: long life treasuries (*changshengku* 长生库). A quote from a poem of the twelfth century: 'today treasuries are frequently instituted



in the monasteries for the purpose of granting loans of cash against pledges (质钱). They are called long life treasuries.’ These long life treasuries were associations of clergy and laity and later developed into a form of mutual fund, village associations, very popular into modern times (the twentieth century) (Yang 1950).

## **7.5 Conclusion**

Buddhist establishments owned lands, industrial installations and a servile population as their major workforce, who paid rents. Free peasants sometimes were hired as waged agricultural labourers. Peasants borrowed grain and cereals from monasteries; interest free for the serfs and with high interest for the free peasants. Both the poor and the rich made their offerings. The common people were important patrons of regional temples alongside the local officials and great clans. In providing their financial and physical support, they formed associations of the faithful. Buddhist establishments and clergies organised and led festival celebrations with the involvement of the local community in its entirety. They raised large donations on these occasions and spent approximately as much as they received on decoration and food. The wealthy made their multifaceted donations as well as raising long term cash loans from monasteries and monks. Some of the loans were not recorded and a new loan instrument was introduced. So, in spite of their differences and separate lives, one way or another, people from all walks of life contributed to the three categories of monastic revenue: one, rent from agricultural lands and industrial installations (immovable property); two, interest on loans; and three, a variety of donations.

## CHAPTER 8 CONSTRUCTING A BUDDHIST NOTION OF OWNERSHIP WITHIN MONASTERIES

### 8.1 Preamble

Buddhism came to China and subsequently developed. It had a tremendous influence on the country and people in all spheres – culturally, socially and economically (see chapter 5). Buddhist monasteries were new institutions. They were actively involved in commerce and finance and they used accounting. These uses meant both a new rationale for the application of accounting and a new rhetoric of accounting (see chapter 6). Monastery accounting also became a new ‘window’ to see the people and the society – how they lived and how their lives revolved around the monasteries (see chapter 7).

The remaining part of this study explains that Buddhism, more accurately the movement of Buddhism, made a contribution towards accounting thought by constructing a more complex notion of ownership. By saying the movement of Buddhism, I mean its doctrine, its governing rules (*vinaya*), its institution (the monasteries) (including their accounting practices), its process of coming to China and its subsequent development in this new land, and the social, moral and economic changes engendered by this coming and development.

At the centre of this argument is the notion of ownership, private or otherwise, an essential idea in accounting thought. Littleton (1966) has argued that private property, in other words, the power to change ownership, is one of the antecedents of

double-entry bookkeeping. Even if you do not agree with Littleton (1966) (see Thompson 1991), the notion of ownership still occupies an important place in accounting thought because it has implications for the accounting entity assumption (Spiller 1977). Hines (1988) has argued how this entity is defined with a boundary in order to see: ‘what is me?’, ‘what is mine?’, and, ‘how do I relate to others?’ All these questions are answered by judging where the boundary is and subsequently on which side of the boundary things are placed. The answers and judgement and even the questions themselves (whether or not they are questions in the first place) are dependent on how the notion of ownership is understood.

Buddhism brought new meaning and understanding to the notion of ownership, which led to the emergence and development of private ownership, particularly of farmland. As Gernet (1995) has suggested, the legal concept of property and the legal right of ownership evolved from this religious notion of property (communal property and consecrated property) and ownership (communal ownership and sanctified ownership). This more complex notion of ownership required more sophisticated accounting thought to meet the needs of a complex economy. So, in the remainder of the study, I will examine this Buddhist construction of ownership (in terms of how it happened) and I have arranged this examination in two separate chapters. The first one is to demonstrate a construction of a Buddhist notion of ownership within monasteries (chapter 8) and the second is to project this construction into the world beyond monasteries where private ownership emerged and developed particularly over farmland (chapter 9).

## 8.2 Introduction

When an institution considers and keeps an account of its financial matters, a series of questions arise: who am ‘I’? What is ‘mine’? Is it ‘mine’? Does it relate to ‘me’ and how? These questions are often implied as are the answers. Without a prior understanding of these questions, there is no way to start accounting [or there is no accounting]. Because monasteries were new institutions and because they were uniquely constituted, their accounting practice was accompanied by new thinking about these questions. This was the construction of the notion of ownership within monasteries.

In examining this construction, I have divided this chapter into three main sections. The first section deals with monasteries and their founding and their governing monastic laws (*vinaya*). My prime focus is the rules of ownership laid down by the laws as they were fundamental and instrumental in making and forming this particular notion of ownership. Then, I discuss two mechanisms to implement these rules – language and the auction sale. Each mechanism is written as one independent section. In the section on language, I demonstrate how monastic rules of ownership informed the literal construction of expressions for monastery property. In the section on auction sales, I reveal how these commercial operations peculiar to monasteries corresponded with monastic rules of ownership. Monasteries kept records of these auctions. Through the practice of auction sales, the act of recording

them and the physical records produced, the monastic notion of ownership was constructed.<sup>79</sup>

### 8.3 Monasticism

In the fourth and fifth centuries, monasteries started to develop in China after Buddhism had been in this country four to five hundred years (see chapter 6). China did not have this type of organised religion and religious institutions previously. But, by then, monasticism in Buddhism had had a long history. From the earliest times, people who shared a belief in Buddhism realised that they should stay together and help each other. The beginning of monasticism can be traced to the sixth century B.C. Life within monasteries was governed by a set of rules and institutions, initially in oral form, and then written into the treatises on discipline (*vinaya*) (such as the *Five part vinaya*). Monasteries and their governing rules developed into many forms in many places and over many centuries but they were one of the most fundamental institutions of Buddhism (Holt 1983; Shengyan 1997; Zhanru 2011).

Monasticism was very powerful socially, politically and economically, particularly in this very early period and it led to Buddhism's teaching being formalised and institutionalised, therefore strengthening self-expression and influence. Buddhist doctrines informed the formation of monasteries and their governing rules, giving recognition to the special status of individuals entering this religion, i.e. her/his rights

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<sup>79</sup> In reading the following detail, I want readers to bear in mind that this construction of ownership was only part of a broader building, the making of monasteries and their unique institutional identity and accounting was entrenched in all aspects of this making.

and boundaries. As a result, Buddhism built itself a foundation, at first religious and institutional, but later becoming legal and economic.

In Buddhism, it was held that material goods and wealth might be an obstacle for an individual in her/his pursuit of enlightenment; they stirred up the desire that was the cause of misery. Monastic discipline was to train the body and mind to handle, to control, to reduce and even to cease all desire. So, monastic law limited what monks and nuns could personally possess.<sup>80</sup> The image of a mendicant monk represented the minimal level of personal possessions – a robe, a walking stick, a begging bowl, a water container, and a sleeping mat. The word for monk – *bhikkhu* in Pali and *bhikṣu* in Sanskrit, the female counterpart is *bhikkhuni* in Pali and *bhikṣuni* in Sanskrit - literally means beggar, from which it came to mean a fully ordained male follower of Buddha's teaching. When a *bhikkhu*<sup>81</sup> followed the strictest version of monastic law, he would not accept offerings other than food and not more than enough for one meal (Chakravarti 1987; Gombrich 1984a, 1984b; Kieschnick 2003; Lamotte 1984).

However, Buddhism acknowledged the value of wealth in propagating the faith – spreading the message of Buddhism, and thus reducing human suffering and misery. So, from very early on, Buddhism made a subtle but crucial distinction between the individual and the communal. *Bhikkhus* are monks as individuals but when they are

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<sup>80</sup> I use the word 'own' interchangeably with the word 'possess' in this thesis. In the modern context, to own implies legal right; in the period that I deal with the legal sense of ownership was either under-developed or was developing; so, to possess and to own were often blurred and my choice of words reflects this blur.

<sup>81</sup> In most cases, I use the male words in telling the story. This is not because I am sexist but because the period I am writing about was sexist.

together, they become *sangha* (in Pali or *samgha* in Sanskrit), literally the assembly. Monastic law recognised the communal right to own – the right of the *sangha*'s. So, the *sangha* was allowed to own valuable goods, while, it was prohibited for *bhikkhus*. The ritual of bell ringing for meal times in monasteries can be traced back to this origin of communal ownership: the food belonged to the universal *sangha* – *sangha* of ten directions – not just the monks who were present in one monastery; ringing the bell was to let all the monks nearby know so that they could come and share the food. Failing to strike the bell was a sin and therefore against the law. Also, the law defined this communal ownership as being hereditary.

#### **8.4 Language**

Language is a powerful tool. Ideas rely upon language to communicate; in turn, well-constructed literal expressions become part of the powerful construction of the ideas. The following are some unique expressions for monastery property found in Buddhist texts of financial matters (such as the *Mahasanghika vinaya*) – the impure, the three jewels, the permanent, the *sangha* property, the Buddha property, and the heavy goods. Their literal constructions were directed by Buddhism's view of material goods and the related rules laid down in monastic laws. These expressions had different shades of meaning with each exhibiting certain aspects of the view and the laws (such as the property's sanctity, its problematic nature, its perpetual assignation, and its communal ownership). The built-in moral and religious grounds within these expressions had not only enabled them to be part of the mechanism to protect the properties from any appropriation but also enabled them to take part in constructing a particular notion of ownership.

#### 8.4.1 The impure and pure-men

In Buddhism, worldly possession is seen as a major personal obstacle to enlightenment, so material goods were impure (*akappiya* in Pali; *bu-jing* 不淨 in Chinese), which included monastery property. Monastic law restricted monks' and nuns' personal possessions and further prohibited them from handling valuable objects. In the *Mahasanghika vinaya*, the *Ten recitation vinaya* and the *Mulasarvastivada vinaya* (Takakusu & Watanabe 1924b, 1924d, 1924e), it was written that fully ordained monks and nuns were not allowed to touch gold, silver and other precious metals. In the circumstance when they had to, they may do it with a cloth but they had to turn their heads away so they would not have eye contact with the objects. In some cases (certain schools' interpretations of the law) (such as in the *Mulasarvastivada vinaya*), the fruit grown in monastery orchards was also impure and so it was not suitable for monks and nuns to consume directly.

Monasteries owned worldly goods but monks could not handle them, so monks had to manage this wealth through intermediaries. The role of intermediaries was often entrusted to lay followers.<sup>82</sup> They became known as the pure-men (*upasaka* in Pali; *jing-ren* 淨人 in Chinese) who dealt with the impure goods (i.e. farming, animal rearing, kitchen work and commerce) and purified them for monks. In fact, the expression 'pure-men' was one of many modes of address. In English, they are often

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<sup>82</sup> Ordination in Buddhism is a cluster of vows. When male followers of Buddhism undertake certain vows, they can become lay followers (*upasaka* in Pali) but not monks or novices.



referred to as lay managers, lay assistants, or lay servants (for example see Walsh 2010). Early Buddhism was particularly popular among the then emerging merchant class in India. The converted merchants and financiers not only donated their wealth but also acted as lay assistants and made a fortune for the *sangha*. This tradition of having lay assistants to manage monastery property still remains within Theravada Buddhism. In medieval China, monks were directly involved with commerce and finance as well as having lay assistants.

#### 8.4.2 The three jewels

In contrast to the expression ‘the impure’, indicating the problematic characteristic of material goods, the expression ‘the three jewels’ (三宝 *san-bao* in Chinese, *triratna* in Sanskrit) pronounces the religious significance of monastery property. It was derived from a general religious term for the world of Buddhism – the Buddha, the Law and the Community. The Chinese vested in them more concrete meanings. The Buddha – the first jewel - was embodied in the statues, the halls that housed the statues, the reliquaries, the assets that provided for the expenditures of the religion and the maintenance of its sanctuaries; the law – the second jewel – was associated with the scrolls of sacred texts, the preaching rostra, and everything that served the propagation of the doctrine; the community – the third jewel – became specifically the monks’ quarters, their lands, slaves and animals (Ch’en 1964). The religious significance made all these belongings holy and therefore not transferable to anyone else. So, when the expression of the three jewels was used to refer to monastery property, it emphasised their holiness and their perpetual characteristic.

#### 8.4.3 The permanent

This hereditary characteristic led to the next expression – *chang-zhu* (常住), literally, the permanent, denoting the fact that monastery property was held in perpetuity. It is unknown from which Indian term it was translated, but it appears regularly in Chinese texts to designate monastery property. However, it is known that the Abbot, the master of the monastery (寺主 *si-zhu* in Chinese, *viharasvamin* in Sanskrit) had an earlier title, the permanently installed monk (常住比丘 *chang-zhu bi-qiu* in Chinese, *avasika-bhikkhu* in Pali), who acted as warden of the monastery and its property. At Dunhuang, some abbots, probably those of smaller monasteries, were responsible for the accounts pertaining to the permanent assets (Trombert 2005).

#### 8.4.4 The property of the *sangha*

The expression ‘the property of the *sangha*’ (僧物 *seng-wu* in Chinese) suggested the communal right to own by having the word *sangha*. It was shortened from the property of the *sangha* of the four directions<sup>83</sup> (Sanskrit: *caturdisasamghasya*; Chinese: 四方僧物 *si-fang seng-wu*) and the four directions was a restatement of the *sangha* being universal rather than the ones in one location. This expression had an earlier narrow denotation – it excluded the minor goods that could be shared and divided among the monks. This denotation was more noticeable in the older versions of *vinaya* but became less obvious with the development of Buddhism and the

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<sup>83</sup> Sometimes, the ten directions were used instead of the four, but both expressed the universality.

monastic law. It further faded in the Chinese translation of this term and in the overall interpretation of *vinaya* in medieval China.

*Seng-wu* (僧物), literally means monks' (indicated by the word *seng* 僧) properties, belongings, or goods (indicated by the word of *wu* 物), where *seng* is shortened from *seng-jia* (僧伽),<sup>84</sup> a derivation of *sangha* judging by their similarity in sound, but *seng* can be either individuals (as *bhikkhus*) or community (as *sangha*). Daoxuan (道宣) in the seventh century, in his commentary to the *Four part vinaya*, confirmed that the *seng-wu* included everything from that of *bhikkhus* to that of the *sangha* (Daoxuan 1924).

This blurring in language is an indication and reflection of an issue of understanding. When a group of individuals got together, there was a physical formation (a monastery). There was also an abstract formation – the universal *sangha* as an entity, the whole Buddhist establishment as an entity, a monastery as an entity. The entity was independent of the individuals who formed it but at the same time, it was

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<sup>84</sup> *seng-jia* tells how this word sounds in modern Chinese – mandarin; arguably *seng-ga* or *seng-qie* are nearer to the ancient sound, which were even closer to *sangha*. It is very easy to dispute how a word should be pronounced because the written form (the characters) does not usually indicate the pronunciation as an alphabetic language does. Since the third century B.C., the written language has unified the educated, a small portion of the population. The spoken language varied from region to region (see chapter four – the early background). In the Imperial Court, the officials must have spoken in a way that was intelligible to each other – the court language – the language that the mandarins spoke. So, modern Chinese Mandarin is based on the spoken language in the region of Beijing, which served as the imperial capital from the fifteenth to the twentieth centuries. But, bearing that in mind, before the tenth century, the court was mostly in Xi'an and Luoyang.

represented by them. This independence had its own rights, boundaries and eternal existence.

The abstraction of an entity is a highly developed and sophisticated legal concept, which the Chinese were not yet ready to comprehend. The emergence of the legal notion of private ownership was yet to come, but prior to that, there was no need to differentiate the persons from the entity that they formed.<sup>85</sup> As Gernet (1995) says, the set of monastic rules and institutions was derived from an environment and were intended to be the guidelines for the functioning of the economy in that environment. In China, a different socio-political and economic environment, this set of rules and institutions could only be interpreted, comprehended and received in the way that made sense according to the local tradition. He further argues that this set of rules and institutions engendered a series of unexpected and intertwined changes in economy and society, which included the emergence of the legal notion of private ownership, but I will pursue this line of enquiry in chapter nine.

In addition, two elements around *vinaya* were not helpful to the Chinese of the fourth and fifth centuries in their understanding. First, there was not a unified version of monastic law to systematically explain this abstraction. The law itself was ever changing and evolving. Schisms occurred in Buddhism as the result of different understandings, interpretations and approaches to monastic discipline. So, treatises on discipline (*vinaya*) written by different schools represented their different opinions. Mahayana Buddhism had some radical departures in doctrine that allowed

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<sup>85</sup> Anecdotally in the present day, many small business owners when they set up companies commonly do not differentiate themselves from their companies.

extra freedom in interpreting the law. So, the Chinese were facing the *vinaya* texts where there were contradictions and collisions but unaware of this history (Hurvitz et al. 1999).

Second, there was no faithful compliance with the letter of the law to clearly demonstrate this abstraction. During the fifth to seventh centuries, in places where Buddhism had developed earlier, Chinese pilgrims observed that the rights of *bhikkhus* with respect to property and commerce were considerably extended although ancient law and rules were by and large still observed. For example, they noticed cases where the prohibition of precious metals was disregarded, where monks personally incurred debts and granted loans, and where the distributions of wealth among monks were in the form of money (Legge 1965).

#### 8.4.5 The property of the Buddha

At the beginning of monasticism, the property of a Buddhist establishment was primarily functional. With the growth of the Mahayana sect,<sup>86</sup> and the increase in the construction of sanctuaries and the erection of statues, some property acquired sacred status. In the Chinese context, an expression was developed to express this sanctity: the property of the Buddha (佛物 *fo-wu* in Chinese). In particular, it was used together with the expression of the *seng-wu* to express the two characteristics of monastery property.

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<sup>86</sup> The development of Mahayana was deeply intertwined with the Silk Road trade. The coming of Buddhism to China was via the same trade routes (see chapter 5 section 5.2.3).

#### 8.4.6 Light goods and heavy goods

While the expression ‘the *sangha* property’ implied certain goods were suitable for division while others were not, a pair of terms clearly expressed this distinction; they are ‘light goods’ and ‘heavy goods’ (Whitfield & Sims-Williams 2004). Light goods (轻物 *qing-wu* in Chinese, *lahubhanda* in Pali) were ones that could be shared, divided and distributed among monks and nuns. The original light goods were the essential needs of a mendicant monk: his clothes, his begging bowl and his walking stick. The meaning of this term indicates the lightness of these goods so that a mendicant monk could carry them both physically and mentally. In contrast, heavy goods (重物 *zhong-wu* in Chinese, *garubhanda* in Pali) were the ones that could not be shared, divided or distributed. In other words, they could only be owned by them communally – by the *sangha* as a legal entity. So, the term ‘heavy goods’ was often used interchangeably with that of the *sangha* property. Land and buildings were the most common heavy goods defined in the law. Various other goods were also listed under this category in different *vinaya*, for example, fruit trees (including flowers and fruit) and furniture (such as beds and partition boards).

While the fifth century Chinese had difficulty in understanding *sangha* as a legal entity, they related to the notions of light goods and heavy goods. Through these two notions, they comprehended the differences of possession between the individual and the communal. For example, Daoxuan’s (1924) commentary to the *Four part vinaya*: on the one hand, he says that all *seng-wu* (the property of *sangha*) was effectively at the disposal of the community including everything that could only be

owned by the *sangha* (heavy goods) as well as that which was subject to division among the monks (light goods). On the other hand, he acknowledges that monks at present were entitled to the division of certain goods (light goods) that were located in a given monastery, even though by nature they belonged to the universal *sangha*.

## 8.5 Auction sales

The expression *chang-yi* (唱衣) literally means ‘to sing’ ‘clothes’ indicated by its two characters – *chang* (唱) and *yi* (衣). It is peculiar and makes no sense in a modern context, but, in the fifth to thirteenth centuries in China, it was an important communal event in the life of the *sangha*, where monks, nuns and novices of the same region gathered. The concept of an auction sale is its closest modern equivalent (Walsh 2010).

*Chang-yi* was a form of sale as well as a form of wealth redistribution within monastic circles. Small items and lengths of fabric were put up for sale in these assemblies by both monasteries and individual monks. These items could have either been bequeathed by deceased monks, or received as donations. Prices were called out (sung) and bidding took place, thus resembling a modern auction sale. Payments were made in cotton cloth (*bu*, 布) and the proceeds were distributed proportionally among those who had taken part in the sale. The offerings that monasteries received as payments for their religious services were mainly in the form of cotton cloth.<sup>87</sup>

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<sup>87</sup> These offerings were termed *da-chen* (达嚧 where the second character could also be written as 禪 or 觀) in Chinese, a translation of the Sanskrit *daksina*. The second

Monasteries kept a small amount of these offerings in reserve but distributed the majority to individual monks, nuns and novices. Monasteries kept records of the *chang-yi* and some of these still survive today.

The institution of *chang-yi* consisted not only of the practice itself but also the act of recording and the physical records produced. Therefore, accounting as a mechanism was interwoven in this institution which ultimately contributed towards the construction of the monastic notion of ownership. In order to make this argument, I will examine the following three areas: first, the origin of *chang-yi* in the Indian monastic tradition, second, the essential features of *chang-yi* that were in line with the rules of ownership laid down by the laws, and finally, the act of recording *chang-yi* as another way to reconfirm and reinforce these rules. The physical records produced became not only the evidence of the implementation of these rules but also another expression of them.

#### 8.5.1 The Indian origin

The custom of *chang-yi* in medieval China had its roots in Indian monastic tradition.

The five translated Indic treatises on discipline<sup>88</sup> all mentioned two practices: the

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character *chen* in this term tells us that gifts made to Buddhist monasteries were related to fabric and material as its dominant meaning is ‘lining’. The phrase *da-chen* still exists as a special term but is largely unknown in everyday use. Administrators of donations in monasteries were therefore called *chen-si* (囑司).

<sup>88</sup> These five Indian treatises on discipline are: the *Five part vinaya* (of the mahisasaka school) (*Wufen lv*), the *Mahasanghika vinaya* (*Sengzhi lv*), the *Four part vinaya* (of the dharmaguptaka school) (*Sifen lv*), the *Ten recitation vinaya* (of the sarvastivada school) (*Shisong lv*) and the *Mulasarvastivada vinaya* (*gen-ben shuo yi-qie you bu pi-nai-ye*) (see chapter 6 section 6.3).



division of light goods left by deceased monks and the barter and purchase of petty objects within the *sangha*. These two practices were permitted as they were in line with the rules of ownership - personal possession was limited in certain ways, property within the order was shared, and once property had come under the order it must remain within. Therefore, the Chinese custom of *chang-yi* can be viewed as a fusion of these two practices. The following are some examples from the *vinaya*.

It was recorded in the *Five part vinaya* (Takakusu & Watanabe 1924a) that the Shakyamuni Buddha gave instructions on how to deal with possessions left by a deceased novice in one story and by a deceased monk in another story. The rules were slightly different as novices were not fully ordained and so their possessions were still subject to secular law. In the case of the monk, heavy goods were to go to the collective property of the *sangha* while light goods were to be distributed among *bhikkus*.

The distribution was meant to be fair, so rules were established. When the deceased had been involved with complicated commercial and financial dealings and there were disputes over the status of the property, a public meeting would be held to discuss all complications. A vote would be taken to arrive at a unanimous decision. This meeting and voting (*jnapatikarma* in Sanskrit, *jie-mo* (羯磨) in Chinese), was a form of democracy and a mechanism to express the communal right of ownership within monasteries (Zhanru 2011). The property belongs to all of us and therefore

we participate in the decision making over this property.<sup>89</sup> On the day of distribution, the number of monks and nuns present would be counted, and then shares would be measured accordingly. There would be casting tablets (*alaka* in Sanskrit; *duo-chou* 墮筹 in Chinese) to decide who obtained which items in the *Ten recitation vinaya*. When there were an insufficient number of garments to go round, different *vinaya* offered different methods of distribution. For example, priority could be given to *bhikkhu* who had nothing or to the elderly; or novices might be given one-third of the share received by the fully ordained.

The subject of barter and purchase of petty objects appeared in all the five Indic *vinaya*. Monastic law and discipline permitted monks to trade small objects among themselves as long as they followed two principles – no shameful haggling and no intention of making a profit. It was written in the *Ten recitation vinaya* (Takakusu & Watanabe 1924d) that the Buddha authorised the sale of clothing within the community. The price of the goods for sale might be increased as long as it had not been called out three times. As long as the three calls have not been completed, it was not sinful to raise the bidding.

The distribution of light goods left by deceased monks and the barter and purchase of petty objects within the *sangha* were by and large two separate topics. However, a fusion of these two topics can be found in other the texts. The *Mahasanghika vinaya* (Takakusu & Watanabe 1924b) refers to the method of sale as one of the three

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<sup>89</sup> This resembles that of ancient Greece and Rome – democracy among the free adult males.

procedures to deal with the inheritance of light goods. One is division through a democratic procedure, the holding of a public meeting and the casting of votes (*jie-mo* 羯磨); two is division of equal shares (*fen-fen shou* 分分受); the third is division through sale (*mao-yi shou* 贸易受).

There are also passages in the *Ten recitation vinaya* (Takakusu & Watanabe 1924d) supporting the auction sale of the minor possessions left by deceased monks. As for the division of light goods within the *sangha*, a *bhikku* possessing the five dharma (Buddhist teaching) would be assigned to carry out the distribution among the monks present, for otherwise the shares would not be equitable. The Buddha permitted the *sangha* to be assembled for that occasion.

There are passages regarding pricing and bidding. The *Ten recitation vinaya* (Takakusu & Watanabe 1924d) says that during the sale of clothing, as long as one has not called out three times (putting the lots up for tender), the *bhikku* may raise the bidding. The *Mulasarvastivada vinaya* (Takakusu & Watanabe 1924e) instructs that according to the Buddha, when the dean (Skr. *sthariva*; *shang-tso* 上座) determines the price of the garments for the first time (i.e., at the first call), it is appropriate that the price be moderate. It should be neither too high nor too low. Neither ought one to wait for the price to rise to attribute the articles. To take advantage of the absence of a taker to raise the price constitutes a sin (Skr. *duskrta*).

### 8.5.2 The essential features

With its roots in the Indian monastic traditions and from monastic practice in Central Asia,<sup>90</sup> the custom of *chang-yi* occupied an important place within monastic life. It most probably began in the fifth century, the period when the number of monks multiplied and monasticism truly took off (see chapter 6 section 6.2) and can be precisely traced back to 626 (Gernet 1995; Yang 1950). While there was no unified acceptance of this practice,<sup>91</sup> the topic of *chang-yi* was covered in various Chinese compilations of *vinaya*. For example, the eighth century monk Daoxuan (1924) voiced his criticism in his commentary to the *Four part vinaya*. Other examples include *Chanyuan qinggui* compiled by Zongze in 1103 (Zongze 1975) (see chapter 6 section 6.3.1), *Baizhang qinggui* (百丈清规) re-edited by Dehui (德辉) in the fourteenth century (Dehui 1924) and an early eighteenth century version of the *baizhang qinggui* with commentaries (Yirun 1975). These writings represent an effort to regulate or to formalise this practice. They give us accounts of the ceremonial procedure of *chang-yi*, reveal the attitude within the monastic circle towards this practice and verify its importance within that circle. Despite the extent of the departure that the Chinese practice of *chang-yi* had made from its Indian monastic origin, it continued to express monastic rules on ownership and these rules were instrumental in forming its essential features.

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<sup>90</sup> Buddhism spread to China via this route, see chapter five.

<sup>91</sup> This can extend to other commercial dealings and financial involvement. The conservative groups always criticised other groups for disobeying the discipline.

#### 8.5.2.1 Fabric

The practice of *chang-yi* reveals how fabric was particularly associated with these economic networks of monasteries and monks. Gifts given to monasteries and monks (*da-chen*) were in woven material – such as silk and cotton cloth - which were then re-distributed among the monks. For example, Pelliot chinois 2049 (Soymie 1970) shows that in the year 930, Jing Tu monastery held 680 *chi* of cotton cloth and 97 *chi* of fine silk in its reserves. These amounts are small in comparison to the shares distributed, 60 *chi* of cotton cloth for each share in Pelliot chinois 2638 (Bibliothèque Nationale de France 2006) (see Figure 9 to Figure 13 at the end of this chapter) and 150 *chi* in another document held in Beijing (Yang 1950). Monks received cotton cloth as wealth redistribution and some of it was used to pay for the goods that were put up for sale, which themselves came either as bequeathed or as *da-chen*. Again, these goods, as the property of monks, were tradeable and material related if not material itself – silk shoes, silk stockings, silk quilted blankets, and silk fans etc.

Monks were permitted to possess some light goods because of their low economic value. Developing from this rule, the ‘lightness’ somehow acquired a physical measure – certain goods might be quite valuable but physically light for carrying around; then, at a certain point, the ability to easily change hands, being tradable, also became part of the attribute of the ‘lightness’.

This association with fabric was related to another economic phenomenon, shaped by the same monastic rules, that is, the possessions of Chinese monks were predominantly fabric and generally tradable goods, similar to cash and cash

equivalents in modern accounting language. This practice was in contrast to the possessions of wealthy laities, who were much more likely to own land, the immovable, heavy goods.

#### 8.5.2.2 Principles of the communal and equality

The practice of *chang-yi* was continuously constructing the principle of communal ownership within monasteries. The occasion was attended by monks of more than one monastery, sometimes more than at other times. Pelliot chinois 2638 (Bibliothèque Nationale de France 2006) quotes the number of participants as being close to one thousand who were to share in the distribution of cotton cloth. The distribution included both the fully ordained and the novices – male and female. Although a novice only had half of the share of a fully ordained monk, a sense of equality both between male and female and between different hierarchies was strongly expressed. Given that this was taking place in an era when inequality was the prevailing norm, it is remarkable.

The ceremonial process was also organised to respect the concept of ownership being communal (such as written in Dehui's (1924) re-edited *Baizhang qinggui*). A hall master was responsible overall for organising an auction sale. He would inform the community about the upcoming sale by putting up a public notice and on the day he would inform the monastery master and others regarding the time (after the midday meal) and the place (in front of the monks' hall) of the auction. An overseer (Chinese: *wei-na* 维那, Sanskrit: *karmadana*) also played an important role. He

would display the clothes (Chinese: *jia-sha* 袈裟, Sanskrit: *kasaya*) of the deceased monks and then when the hall master was presenting each item, passing it from hand to hand, the overseer would announce to the crowd: ‘such-and-such an article, number such-and-such, first call so much’. All these ways were designed to make sure that everyone within the circle was informed and included.

### 8.5.3 The recording and the records

Monasteries were required to record accounts of auction sales. Officers of the monastery would sign off on these accounts and they would be posted for public viewing. The technology of accounting was deployed in the institution of *chang-yi* to render further ‘public’ accountability. In fact, gathering and reading out of financial accounts was not only for auction sales but also for annual reporting and stocktaking (Ch’en 1976). Accounting was used to demonstrate and to safeguard the communal ownership within monasteries – these properties were “ours”, *chang-yi* was a communal event, the sale and distribution were conducted fairly, and the records were open up for everyone to judge.

Pelliot chinois 2638 (Bibliothèque Nationale de France 2006) is one of several auction sale related documents that have survived and serves as a good example because it is relatively more complete than many others. Three administrators of donations prepared the accounts for three years in which they listed all the income, expenses and distributions from the auction sales. As Dunhuang belonged to the region of Shazhou, the controller general of monks of Shazhou approved these

accounts by affixing his seal. A general meeting was called for these accounts to be presented to the assembly.

Therefore, the act of recording *chang-yi* was another way to acknowledge their importance in monastic life, and another way to reconfirm and reinforce the rules of ownership embedded in the practice. The records then produced became new expressions of the monastic rules of ownership and demonstrations of their implementation.

## **8.6 Conclusion**

Buddhist monasteries were old and sophisticated institutions with founding and governing laws. The doctrinal understanding of material goods and wealth were reflected in the law, which then laid down the rules of ownership – to limit the individual and to protect the collective and the perpetual. Various mechanisms within monasteries implemented these rules, such as language and the auction sale.

These rules informed the literal construction of expressions for monastery property – the impure, the three jewels, the permanent, the *sangha* property, the Buddha property, and the light goods and heavy goods. These expressions had different shades of meaning with each exhibiting certain aspects of the perspective and the laws (such as the property's problematic characteristic, its sanctity, its perpetual assignation, and its communal ownership). The built-in moral and religious grounds within these expressions had not only enabled them to be part of the mechanism to



protect the properties from any appropriation but also enabled them to take part in constructing a particular notion of ownership.

*Chang-yi* was a form of sale as well as a form of wealth redistribution within monastic circles. The auction sale is its closest modern equivalent. Its origin was in the Indian monastic tradition; its essential features were still in line with the rules of ownership laid down by the law; the act of recording *chang-yi* and the physical records produced were ways to reconfirm, to reinforce and to express these rules again.

In sum, this was how a unique Buddhist monastic notion of ownership was constructed within monasteries. This construction was also projected to the world beyond monasteries where it engendered the development of private ownership particularly over farmland, a theme that is dealt with in the next chapter.

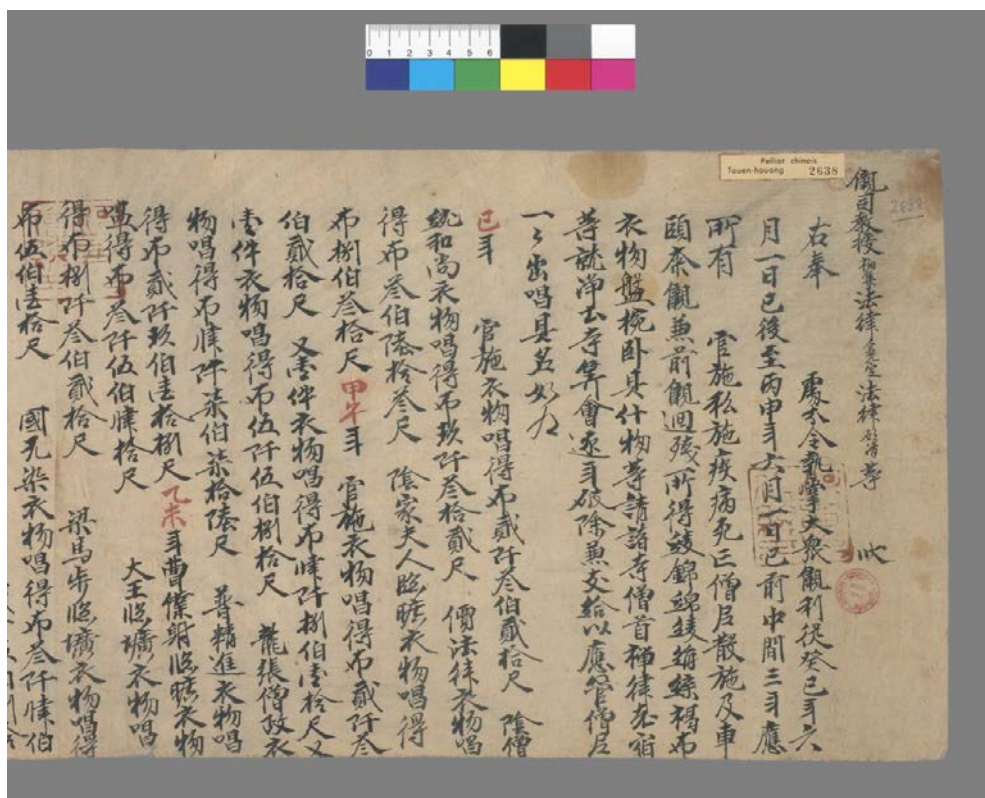


Figure 9: P. 2638a

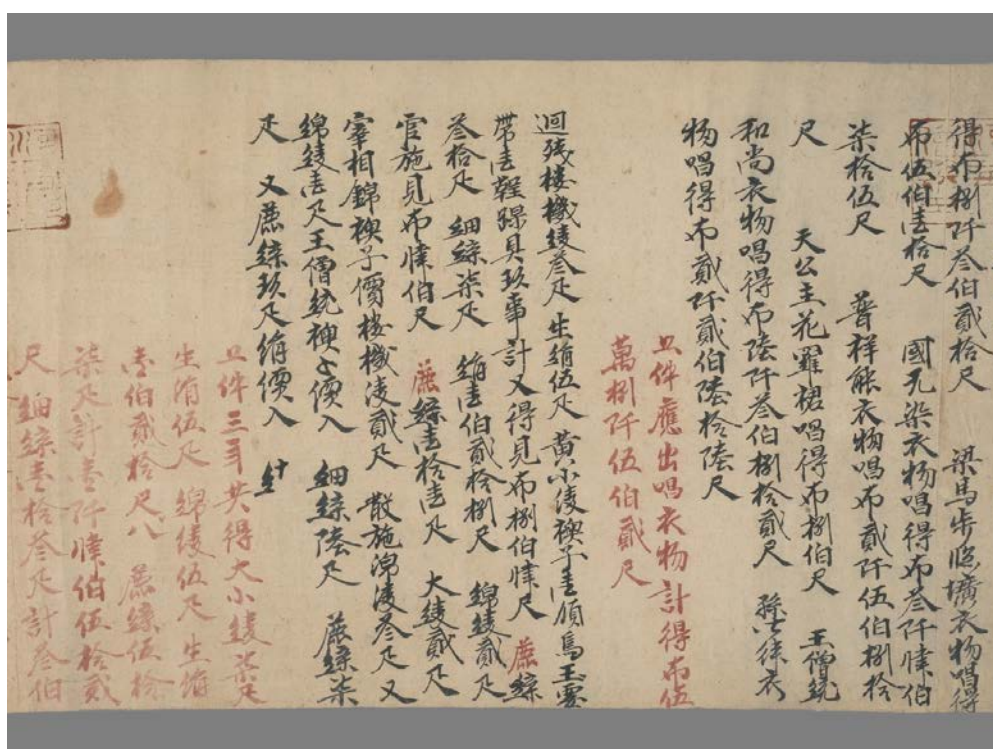


Figure 10: P. 2638b

出級數樓機綾素及寄旦子圖 皇后用  
樓機綾及腰鞞上 官象用 大綾綾及  
上司宜用 又樓機綾及以大眾可用生  
僧戴及大雲水安慶寺人事用 又生僧  
戴及郎君小姐會親人事用 又生僧  
及賀 官鞍便用 生僧綾及買藤絲  
玳及以大眾用 生僧綾及二月八日賞寺師  
用 生僧綾及 天公主且梁人巾用 僧柳  
尺婦文寄信用 綿綾綾及聖光寺慶鍾用  
綿綾綾及開元寺南殿上梁用 綿綾綾及女  
國慶寺人巾用 綿綾綾及甘州天公主滿  
月人巾用 綿綾綾及二月八日賞寺師用

茶及計臺汗帳伯伍拾貳  
尺細絲素格天計拾伯  
戴拾伍尺布素汗戴伯伍  
尺已前出賜衣物及見錄  
都計陸萬五汗帳伯伍拾貳

Figure 11: P. 2638c

國慶寺人巾用 綿綾綾及甘州天公主滿  
月人巾用 綿綾綾及二月八日賞寺師用  
綿綾綾及于闐僧觀衣用 綿綾綾及于闐  
三果淨土寶衣巾用 細絲素格茶尺 天  
主滿月及三月中旬滿慶人巾著用 庶錄  
伍拾茶尺三月中旬滿慶人巾著用 庶錄  
賞樂人二日公賞寺師禪僧衣直諸寺  
蘭若慶陽等用布戴汗茶伯伍拾尺三  
月中旬滿慶人巾著用 庶錄  
三窟禪僧衣直布薩慶陽吊著用  
戴伯伍拾尺申中龍用永交布薩寺巾用  
柳拾尺賞監觀和帝用法伯伍拾尺安  
戴大德三人用 玳拾尺素都司三刺衣著用  
戴拾尺及大眾維那用 曠伯尺給竿日供主  
用 戴伯伍拾尺折送路滿挽衣牧用  
已前伴都計破得大小綾綾尺  
生僧柳尺制尺 綿綾綾及細絲  
茶伯戴拾伍尺 庶錄綾汗味伯

Figure 12: P. 2638d



出箱制尺制尺 綢綾陸尺 細條  
 卷伯裁松伍尺 嚴錄志件味伯  
 裁松伍尺 布卷件頭伍尺 以件  
 三手間破除外見存大白綾  
 足 樓機後藏尺 布伍萬伍仟  
 捌佰陸尺  
 應管該寺合得觀僧計叁佰伍拾陸人  
 布絨差伯陸拾叁人合全捌拾陸人半 合得  
 餽大貳貳又居計叁佰柒拾玖人 居粥務計  
 柒拾陸人合全叁拾伍人半 以件僧居通  
 計捌佰伍拾貳人 各交布陸拾尺 僧居沙  
 弥各交布叁拾尺  
 准為件見存額半滿二種  
 付外餘布據件陸佰捌拾陸尺  
 左通各件三手中用公衆諸色出唱  
 人事等奉賞設破除及見在一寺諸  
 實如為謹錄此 出伏清 房不  
 福伴狀如為謹錄  
 清卷三手有 日關司法律 房不  
 關司法律 房不

Figure 13: P. 2638c

Note: Fig 9 – 13 should be read consecutively left to right and top to bottom.

## CHAPTER 9 BUDDHISM CONSTRUCTING PRIVATE OWNERSHIP OF FARMLAND

### 9.1 Introduction

The notion of ownership is essential in accounting. Having a stake in something often gives rise to the need to record information about it. For a long period in medieval China, the ownership of farmland – the most vital holding in an agrarian society – was blurred because of the socio-political structure and the economy. Buddhist monasteries became influential landowners. This transformed the structure of the economy, changed farmland from a possession to use into a potential possession to exchange. Monastery accounting played a role in this transformation. The commodification of farmland became so widespread that the imperial government finally recognised the *de facto* private ownership by reforming its system of taxation. This recognition subsequently led to a change in accounting measurement in government accounting practice.

This chapter is structured in four sections as follows. First, an explanation is given of how land was traditionally understood. Confucianism illustrated and theorised an ideal society – a hierarchical structure centred on land and agriculture as the principle means of livelihood. Also, this ideal society manifested in a practical system combining taxation and the granting of land. Second, a description is provided of how Buddhist monasteries became significant landowners. Buddhism as a system of thought was not indigenous to China and Buddhist institutions (the monasteries) were unprecedented. They altered the social structure and the economy in the

process of becoming prominent landowners. Thirdly, an argument is made of how farmland became commodified in the process of monasteries becoming landowners. The multiple identities and institutional characteristics of monasteries played a formative role in shaping the private ownership of farmland. Finally, an examination of the tax reform of 780 is set out. This reform was fundamentally a response to significant changes in the economy. It recognised the *de facto* private ownership of farmland. It also brought a significant change in government accounting in terms of accounting measurement.

## **9.2 Land and its ownership – A traditional view**

The Chinese empire developed from the loess land of the Yellow River (Fitzgerald 1961; Ebrey 1996). Farming and cultivation techniques were derived from the unique alluvium soils near the river as well as particular methods of surveying land and the legal treatment of land. In this agrarian society, land was livelihood, so it was vested with social, cultural and political significance. This particular geography gave rise to a certain style of monarchy – autocratic and universal – where the emperor, the son of Heaven, directly controlled both land and farmers (their labour and the product of their labour). For the majority of the time after the third century B.C., this style of monarchy ruled the empire. From the same period, Confucianism arose and became the empire building ideology.

Confucianism theorised and legitimised a hierarchical socio-political structure where each person's position and responsibility could be defined in relation to the land. All the land and people belonged to the emperor, the head of the monarchy and the state.

With this right and privilege, came a fundamental duty – to protect the farmland for cultivation (such as by building and maintaining irrigation) and to protect the farmers’ right to use the land (such as by limiting landholding of any private individuals). In return for this favour and protection, farmers had a duty to stay and cultivate the land and pay taxes. They were expected to keep the land in working condition even during drought and war and not to flee and abandon the land. The emperor governed his empire through an elite group of Confucian trained officials called mandarins (instead of an aristocracy) to ensure his direct control over land and people. This style of government aimed at preventing the growth of a regional power, which was usually associated with a concentration of landholding and could be a serious threat to the central government. The emperor granted land to his family members and high officials, but this was highland, not farmland (lowland). Highland is a category of land that included hills, hillocks, and valleys with shrubs, trees, gardens, pastures and/or orchards (Twitchett & Loewe 1986; de Bary & Bloom 1999).

In the third century A.D., the Confucian trained statesmen started to devise a system combining land allotments and taxation as a practical solution to limit the concentration of land of great clans and to exemplify their ideal society. They took inspiration from a legendary system called the *jing-tian* (井田), the ‘well-fields’,<sup>92</sup> which supposedly existed in ancient times. In the fifth century, the Northern Wei Dynasty initiated its version called the *jun-tian* (均田), the ‘equal-fields’. When the Tang Dynasty was established in the seventh century, the new monarchy basically

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<sup>92</sup> ‘Well’ meaning a source of water.

inherited the ‘equal-fields’ and continued it until 780 (Twitchett & Firbank 1979; Xu 2012).

The essential principle of this system of taxation and granting land was as follows. The imperial government gave a certain size of land to every free adult male, who would cultivate the land during his productive years and return it (when he reached an age deemed no longer productive) to be re-allocated. Upon receiving the land, he had an obligation to pay taxes. The amount paid was equal among all taxpayers. The land tax was based on the size of land received that was deemed to be equal among all eligible individuals (as indicated by the name of the system, the ‘equal-fields’). There was also a type of poll tax that was charged per head. Although individual male farmers were taxed, the system was administered through household units. So, it was the household that received the land and paid the taxes (Huang 1988).<sup>93</sup>

During the Tang Dynasty, the Government granted two types of land. The first type, the *kou-fen-tian* (口分田), the ‘personal-share-fields’, was the irrigated farmland granted for a limited period of use. The second type, a much smaller share, the *yong-ye-tian* (永业田), the ‘perpetual-fields’, could be passed down within the family. The origin of the *yong-ye-tian* came from silk production and was where mulberry trees were planted for feeding the silkworms. These tree plantations were permanent

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<sup>93</sup> This shows how fundamental the household (family) was; joining the monastic order to become a monk was a challenge to this fundamental institution as captured in the expression *chu-jia*, ‘leaving one’s family’. See chapter 6 section 6.4.2 for more detail.



unlike the growing of grain which was an annual crop. By the Tang Dynasty, the *yong-ye-tian* was normally a small vegetable garden around where people lived. The original reason for this permanent granting had faded. It had simply become two different land tenures within one system. Taxes were usually paid in grain and cloth. There were also regular annual corvée (labour services) to both the central and local governments (Fairbank & Goldman 2006). In 780, the central Tang Government abandoned the 'equal-fields'. This policy change was forced upon the Government by the loss of effective control in some regions,<sup>94</sup> but the more essential drive was towards a few vital and inter-related changes in the economy, i.e. the high development of commerce, the increasing importance and usage of money, and the widespread private ownership of farmland (Twitchett 1970).

### **9.3 Monasteries becoming major landowners**

When monasteries began to acquire land in the fourth century, it was through imperial gifts. The land was highland. There were two reasons for grants of highland. Places of worship were traditionally on the highland in China and both political doctrine and legal codes were against any dispossession of free peasants from the farmland – the principle of protecting the irrigated fields. Monasteries became influential landowners from the fifth century and this continued until the thirteenth century. Although there was evidence that monasteries in India owned land, in Central Asia they flourished along the Silk Road and were enriched from the

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<sup>94</sup> The modern Henan (河南) and Hebei (河北) were the most affluent regions. The economy of Henan was destroyed because of the An Lushan rebellion (755-763). The central Tang Government lost Hebei to An Lushan and later other military dictators.

trade. So, arguably, the acquisition of land by monasteries was part of Buddhism's adaptation to Chinese tradition and society – being prominent in this society was associated with controlling land (Ch'en 1964; Liu 1994).

Clearing land was expensive and before the fourth century, had been carried out by the State together with a few wealthy private individuals. Monasteries became the third capable force in clearing land. The fourth, fifth and sixth centuries were periods of constant wars. Many peasants left their farmland to be reclaimed by nature. In these circumstances, monasteries were often the first ones to clear this land and to return it to cultivation. The legal status of this type of monastery land often became ambiguous – lowland or highland? As far as monasteries were concerned, this type of land was their 'permanent' asset (Gernet 1995).

In the fifth century, the secular Government used Buddhism – its infrastructure (the established monasteries and monks) – to clear land and expand cultivation in the north. New settlements were set up jointly by the Government and Buddhist monasteries. The management and administration were undertaken through monasteries and monks. This way was economic from the government's point of view – saving on the cost of setting up posts and sending personnel. Most importantly, monasteries and monks had a moral and spiritual advantage over the secular sector. The settlers were Buddhists and these settlements were forced or semi-forced as the consequence of war. People were more motivated to work for monasteries and the settlements were more successful (Liu 2008).

From the Yellow River basin, the Chinese empire has constantly expanded its territory since the third century B.C. towards the south while its northern boundary experienced fewer dramatic changes (see chapter 4 section 4.3). In the seventh century, the power of the empire realised there was a need to utilise the wealth from the south. By the thirteenth century, the Yangzi River basin and the area to its south became the empire's economic base. Buddhist monasteries were significant players in this economic shift towards the south (Walsh 2010). The Huichang (会昌) persecution<sup>95</sup> of Buddhism in the mid ninth century was most severe in the north.<sup>96</sup> Afterwards, monasteries moved to the south and re-established themselves, which coincided with wealthy families migrating to the south when the war conflicts intensified as the Tang Dynasty declined. During the Northern Song Dynasty (the tenth to the early twelfth centuries), most of the land belonged to the monasteries in the modern Zhejiang and Fujian provinces, the mountainous regions on the southeast coast (see chapter 4 section 4.3.3.1) (Ch'en 1956, 1976).

Farmland also came into the possession of monasteries as donations (see chapter 7 sections 7.2.1, 7.2.3 & 7.3.2). As an imperial gift, a village could be assigned to a monastery, that is, the village farmers and their land. These farmers would give their produce and service to the monastery instead of paying taxes and performing corvée duties to the government. So, the issue of ownership did not arise immediately. Devotees donated land to monasteries, believing that such an act was the most

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<sup>95</sup> There were three major persecutions of Buddhism in medieval China: one in the late sixth century, one in the mid ninth century and the other one in the mid tenth century.

<sup>96</sup> The Tang imperial court used both cities as its capitals (see chapter 7 sections 7.2.2 and 7.4.1).

efficient way to assure a better rebirth. It was common for the wealthy devotees to donate a piece of land on the hillside or in the valley when a member of the family died – to gain merit for the deceased. Small independent farmers turned to monasteries for protection during times of social turmoil. A whole village could ‘donate’ themselves to a monastery – their body (labour and the product of the labour) and their land. There were also circumstances when farmers had to sell their land as a last resort (to repay debts, perhaps, which were usually involved with borrowing seeds from monasteries). In these cases, farmland was ‘donated’ to monasteries.

#### **9.4 Farmland becoming a commodity – Private ownership**

Private ownership of farmland developed and became widespread in the process of monasteries becoming influential landowners. It was from the highland that private ownership was first derived. The highland was fallow, so anyone who was willing to clear it could claim it as theirs. This then meant that it could be passed down through family or could be sold to someone else. When the Han Dynasty (the third century B.C. to the third century A.D.) granted land to its imperial families and its high officials, it was highland. Small peasant gardens, the *yong-ye-tian*, also belonged in this category. The exploitation of wasteland and hill land occurred on a much larger scale once monasteries joined and started to build up their landholdings (reclaiming the farmland abandoned by the fleeing peasants, leading the new settlements in the north, and pioneering the exploitation in the south). These productive lands were outside the system of the ‘equal-fields’. This accelerated the expansion of private ownership of land (Twitchett 1970).

When a piece of farmland was transferred from a farmer to a monastery, it was a mutual exchange (the land was in exchange for release from a debt, a religious service, or meritorious *karma*). In this transaction, a particular piece of farmland was seen as a possession with an intrinsic value that could be exchanged with something else of similar value. The value here was economic as well as social and spiritual (Walsh 2010). It required a change in the attitude towards farmland for it to become a commodity – an attitude that would permit people to see farmland as an asset that could be exchanged. This change in attitude was facilitated by the spiritual authority that monasteries and monks held as it can be seen that the religious motivation – to gain merit – was behind the transfer of farmland even when it was done for an obvious economic reason.

Different from other private large estate owners (members of imperial family, high officials, and great clans), monasteries were institutions that were not only unprecedented but also highly organised and sophisticated. They were governed by their own monastic laws which strongly expressed their notion of ownership (Walsh 2010). Within monasteries, this unique notion of ownership was constructed through a series of refined mechanisms and clearly, accounting practice was an integral part of many of these mechanisms (see chapter 8). This institutional structure gave the monasteries the distinctive strength to assert their right to the land, their understanding of the notion of ownership and thus to commodify the farmland.

Buddhism was heavily criticised by the Confucian rationalists (for example see the three memorials submitted respectively by Fu Yi (傅奕) (555-639), Yao Chong (姚

崇) (650-721) and Han Yu (韩愈) (768-824) to the emperors).<sup>97</sup> They put their finger on the rituals of offering and condemned them for being barbaric and for bearing a resemblance to commercial operations. This criticism reveals something to us. These rituals were excessive and radical, they were expressive of exchange and economic value, and all these characteristics posted a challenge to the *status quo*.

Offerings were central in Mahayana Buddhism. A Bodhisattva gave his flesh and body for Buddha and for the salvation of all beings. The offering of one's own physical person was the highest gift from an individual. This gift could be symbolised by offering cuttings of hair or by offering personal belongings. Whether one gave wealth or gave part of one's body or even one's life (which could be symbolic or actual), all this giving, regardless of type, was to redeem one's sins and therefore to ensure a better rebirth (Harvey 1990).

During the periods of religious fervour,<sup>98</sup> self-mutilation often occurred during festivals. This mutilation was cathartic, was driven by collective excitement and was encouraged by religious enthusiasm. The well-staged suicide of an eminent monk was an occasion that people of all social ranks would attend and when rich offerings were raised. It was an act to redeem the sins of all beings and to bring out the

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<sup>97</sup> These three memorials were collected in Liu Xu's 刘昫 (887-946) *Jiu Tang shu* 旧唐书 (Old Books of the Tang Dynasty) in the following three volumes: 79, 96 and 160. A modern publication of the *Jiu Tang shu* was by the Zhonghua shu ju 中华书局 (Zhonghua Book Company) in 1975. A full text of this book is also available on line <http://www.guoxue.com/shibu/24shi/oldtangsu/jtsml.htm>. English translation of these memorials can be found in de Groot (1976).

<sup>98</sup> There were two particular periods of Buddhist fervour: one was towards the end of the fifth and into the first half of the sixth centuries and the other one was in the second half of the seventh century.

goodness of all men at the same time. Acts of contrition were not unknown in China and corresponded with indigenous traditions, but the Mahayana tradition took them to extremes (Wright 1965).

It was popular for the upper classes to ‘donate’ themselves to a monastery – to be monastery servants – and then the family would make a large donation to buy them back. It was a way for monasteries to raise funds. In the sixth century, Emperor Wu of the Southern Liang Dynasty (南朝梁武帝) did this himself a few times (Ch’en 1964). In this circumstance, they did not just humble themselves to dress as servants, they attached themselves to an economic value. The higher a person’s social position, the higher their economic value – the more money they would raise.

The economic value of a person can also be identified in the case of insolvent debts (Gernet 1995). When debts could not be paid in commercial values, they were reimbursed in labour services performed by the debtor, i.e. paid in the debtor’s own person. Loans from monasteries had religious significance because they were made from the permanent assets of the *sangha* (the consecrated property). They had to be repaid otherwise the debtor would die a violent death and would be reborn in hell or reborn as a slave or ox in the monasteries. It was one’s own person that was given up in return for the appropriation of the permanent assets of the *sangha*. The notions of debt and sin were conflated particularly in the texts of the ‘three stages’.<sup>99</sup> Outstanding debt was a sin and a cause of further sin. There were three ways to be released from the debt: the goodwill of creditors, imperial amnesties, and pious

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<sup>99</sup> This sect had its famous ‘inexhaustible treasuries’ see chapter 7 section 7.4.1.

donations. As a donor, the act of giving extinguished debts as well as sins. This conflation was neither unique to the ‘three stages’ nor to Buddhism in general, but they amplified it. In a ninth century poem, Du Mu (杜牧),<sup>100</sup> the author, warned people that Buddhism had been dominating life and life had become like this: “one purchases happiness, one sells one’s sins; with the right contracts matched and exchanged, done deal.”<sup>101</sup> Perhaps the Confucian rationalists were right that the explicit expressions of exchange and economic value in daily religious life did engender a broader movement of value-based exchange. One manifestation of this was that farmland became a commodity.

## 9.5 The tax reform of 780

In 780, the Tang Government made a significant tax reform. The system of *jun-tian*, the ‘equal-fields’, was terminated and along with it the Confucian utopia. A new system was introduced, the *liang-shui-fa*, the ‘two-tax’. Fundamentally, this reform was a response to a few vital inter-related and widespread changes in the economy. It was recognition of the *de facto* private ownership of farmland. It also brought a significant change in government accounting in terms of accounting measurement.

The key differences between these two systems of taxation can be summarised as follows. In contrast to the fixed and equal tax duty in the ‘equal-fields’ (where no personal circumstance was taken into account), under the *liang-shui-fa*, tax duty was

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<sup>100</sup> Du Mu (803-853) was a member of the literati and a high imperial court official. He is more remembered as an accomplished poet.

<sup>101</sup> “买福卖罪，如持左契，交手相付。” from the *Hangzhou xin zao nan-ting-zi ji* (杭州新造南亭子记) (Du 2004, pp154-155).



assessed progressively based on wealth. The wealthier a person was, the more tax he would pay. The link binding taxation with the granting of land was abolished, so, the idea ‘all lands and people belonged to the emperor’ was no longer practiced at least through taxation. The granting of farmland to small independent farmers ceased. The Government accepted the *de facto* private ownership of land by levying taxes on these private properties. The new system was still administered through household units. So, it was the wealth of a household that was assessed, and then it was the household that paid taxes. The size of actual landholding would be measured in order to assess the wealth of a household and then both the land tax and the household tax would be levied accordingly (Twitchett 1970; Li 2002; Sen 2004).

In contrast to the ‘equal-fields’ under which tax was both assessed and collected in kind, in the *liang-shui-fa*, tax was assessed in monetary terms and an increasing proportion was collected in cash. In addition, because private estates became subject to taxes in the new system, the Government was able to tap into the growing wealth of the non-agricultural sector of society. Whether merchants, monasteries, relatives of the emperor or the emperor himself were the owners could be disregarded (He 2011). So, it can be seen that this reform was fundamentally driven by changes in the economy.<sup>102</sup> These changes were a few but vital and inter-related. In this economy, trade and commerce were more developed and were generating more wealth, and therefore money and private ownership were more crucial and indispensable.

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<sup>102</sup> This tax reform was a successful one. The *liang-shui-fa* was basically used for the next seven and half centuries until the next significant reform in 1530 in the Ming Dynasty.

The State did not give up the rhetoric that all land and people belonged to the Emperor, but through this tax reform, it acknowledged and accepted the *de facto* private ownership of farmland and the right to its disposal as an accomplished fact. It can be argued that the concentration of land into private hands had already occurred at the end of the Han. However, the authorities after the Han had been persistently and continuously imposing the exclusive right of farmland through systems combining taxation and the granting of land. So, the trading of farmland could then be limited. In contrast, the trading of farmland was much more widespread in the eighth century and the Tang Government was very aware of it.

Prior to the reform, two chief finance ministers, Yang Yan (杨延) and Lu Zhi (陆贽), both estimated that only four to five percent of the peasants were still working on 'their own land' (instead of being agricultural wage earners working on someone else's land) (de Bary & Bloom 1999). Independent farmers were given land by the Government but the majority of them had become landless so where had the land gone? Farmland had been transferred into other private hands. Monasteries were not the only large landowners, so, the transfer of farmland was not only to monasteries. The great clans, high officials and members of imperial families were also involved. It is fair to believe that it had become a convention – farmland being exchangeable as a valuable possession. In fact, since its establishment in the early seventh century, the Tang Government had been lenient towards trading highland and had been making more exceptions in the case of farmland while keeping its commitment to the

‘equal-fields’. So, it can be concluded that this reform was an acknowledgement from the Government that the trading of farmland was unstoppable.

In contrast to the ‘equal-fields’ where the tax assessment was in kind, the *liang-shui-fa* adopted monetary terms. As a result, the accounting measurement changed in government accounting, i.e. the tax liability of each household became levied in monetary terms (Guo 1982). This adoption of monetary measurement subsequently exposed the taxpayers to price volatility – inflation/deflation – although the majority continued to make their payment in kind. Dealing with price volatility in accounting was a new issue, which was revealed immediately due to the timing of this reform. When the tax rate was set with the introduction of the new system in 780, it was at the end of a long period of inflation (market prices for commodities were high). A few years later, a period of deflation began (market prices for commodities went down sharply). Being inexperienced in dealing with price volatility in accounting, the Government did not review the rate accordingly. Then, because most of the tax was paid in kind, the taxpayers found their payment went up several-fold in two to three decades (Yang 2009). This extra tax burden was caused purely by the new unit of measurement in the system of government accounting – a subtle but formidable impact of accounting.

This finding supports the argument put forward by Hopwood (1989) and Lowe and Tinker (1989) that accounting and culture, society and history are intertwined. Culture, society and history shape accounting in its formation and development; meanwhile, accounting shapes culture and society by its emphasis on certain elements in life. Accounting can only be understood in a more fruitful way when

this understanding is woven through the societal and cultural context in which it operates (Miller 1994; Miller & O’Leary 1987; Morgan 1983; Morgan & Willmott 1993; Gaffikin 2008)

## **9.6 Conclusion**

In sum, for a long period in medieval China, land belonged to the Emperor – the State. He granted farmland to small independent farmers for a period of use. Buddhism came and Buddhist monasteries became influential landowners. This movement of Buddhism shaped farmland into a commodity – from being a possession to use to being a possession to exchange. This commodification was so widespread that the State was finally forced to recognise the *de facto* private ownership of land by reforming its system of taxation. Monastery accounting was an integral part of this movement of Buddhism. What was shaped by this movement – the notion of private ownership – was central to accounting thought. The recognition of this notion of private ownership subsequently led to the change of accounting measurement in government accounting practice.

## CHAPTER 10 CONCLUSION

### 10.1 Introduction

This study set forth to examine the relationship between Buddhism and the development of accounting in China. So, these questions were asked: was there a relationship and if so, what was it? That is, did Buddhism influence accounting and if so, how did it influence accounting and what were the influences?

It is feasible to formulate these questions because accounting here is not understood as a technique that is value free, still a dominant view of mainstream accounting (for example see Ball & Brown 1968; Kothari et al. 2002; Watts & Zimmerman 1978). Instead, accounting is seen as a social, cultural and organisational practice that both reflects and constructs the environment in which it operates. This alternative view of accounting has been advocated by the ‘critical accounting’ movement since the mid-1970s (for example: Morgan 1983, 1988; Chua 1988; Arrington & Francis 1989; Hopwood 1989; Lowe & Tinker 1989; Dillard 1991; Macintosh 1994, 2002, 2009; Morgan & Willmott 1993; Gaffikin 2008). This is the inspiration and the theoretical foundation of this study.

In this concluding chapter, the contributions and limitations of this study are highlighted prior to summarising the findings, namely, first, Buddhism’s influence on accounting; secondly, Buddhism as a new rational and a new rhetoric of accounting; thirdly, monastery accounting as a new window enabling us to see

people and society in an historical period; and finally, Buddhism's contribution towards accounting thought by its constructing a more complex notion of ownership.

## **10.2 Contributions and limitations**

This study makes an original contribution to a field of knowledge that is to a large extent unexplored within the accounting discipline. Studies have been undertaken which examine the role of religion and religious institutions in the practice and development of accounting from the Judaeo-Christian tradition (for instance: Laughlin 1988; Booth 1993; Irvine 1999; and Moerman 2009) but little is known about Buddhism (see the three studies reviewed in chapter 3: Constable & Kuasirikun 2007; Kuasirikun & Constable 2010; Liyanarachchi 2009). The case of China is silent. Gao and Handley-Schachler (2003, p. 48) have stated that "although China has many splendid temples and innumerable religious classics, it is difficult to find valuable commercial and accounting materials" despite their intention of looking into this field.

In taking this challenge, I have approached this study from an interdisciplinary perspective. I surveyed the literature in both English and Chinese across the fields of Sinology, Buddhology, archaeology, economics and accounting in order to gain a contextualised understanding of the research questions. Much of the literature is, for first time, exposed to an accounting gaze, that of critical accounting. In addition, this study can be a seed engendering future research using Buddhism as a 'window' to see the world of accounting. This study opens up many other possible angles to

examine the accounting practice of Buddhist monasteries in China and the influence of Buddhism on accounting.

Being a study in a little known field has limitations. There is a rich amount of narrative drawn from both eastern and western sources as the story is new and therefore needs to be told (Geertz 1973). For example, the texts of twelfth century disciplinary codes of Zen Buddhist monasteries, the *qinggui*, are read and described for the first time from an accounting perspective (see chapter 6 section 6.3.1).

Various languages both ancient and modern are dealt with in this study. When dealing with texts in Classical Chinese in long sections, I have read them through their interpretations and annotations in both modern Chinese and English as the original texts need expert knowledge to comprehend. While accepting the limitation of reading through interpretation, I am satisfied with this hermeneutical reading of cultural history (Willmott 1983; Pfister 2006). The literati had always gone back to the works of Confucius and that of Zhuanzi for inspiration. Each generation of them did so from its own perspective and produced its own interpretations: such as, the Han-Confucianism of the third century B.C., the rival the philosophical Taoism of the third century A.D., and the neo-Confucianism of the twelfth century.

After it was first published in French in 1956, Gernet's *Les aspects économiques du bouddhisme dans la société chinoise du 5e au 10e siècle* remains the most influential and significant work in the study of Buddhism in the economic history of medieval China. I have read it in translation both in English and Chinese, and in many ways, I feel I have read two different books. Some of the works of the late Denis Twitchett,

a highly regarded sinologist, have been translated into Chinese. Whenever possible, I have read them in both languages, for example, *The Cambridge history of China: Volume 3, Sui and T'ang China 589-906*. Again, I feel they are different books.

The inherent 'problems' with languages and translations are unavoidable in this study. Language is never only words; translation is never only a task of rendering one word to another. There is no such thing as the 'true' meaning of a text only interpretation (Collingwood 1946; Iggers 2005; Gaffikin 2011; White 1973, 1999). This is an interpretive study of history and I accept the limitations pertaining to interpretation but with no apology.

At another level, I have felt empowered by all the 'troubles' that I have met in dealing with languages, interpretations and translations. These experiences have made me feel closer with the 'subject' of my research – the difficulties and challenges of introducing the ideas of Buddhism to China. Were the ideas translatable at all? When they were understood in Chinese, were they still the same ideas as in the original language? Or did it matter? The early Buddhist missionaries (the monks and merchants of India, Central Asia and China) met these difficulties and challenges. It took a great deal of belief in what they were doing for them to achieve what they achieved.

### **10.3 Contextualising the influence of Buddhism in accounting**

Buddhism is a system of thought native to the Indian sub-continent. The Mahayana school reached China at the beginning of the Christian era via the Silk Road. When



it arrived, the Chinese already had their firmly formed a belief in their time-honoured cultures, traditions and civilisations. So, China posted a real challenge for Buddhism in the course of its spread – the tension and confrontation between Buddhism and the dominant local system of thought (Confucianism) were intense and constant (Zurcher 1984; Twitchett & Loewe 1986; Huang 1988; Liu 1994, 2012; Ebrey 1996; Hurvitz & Tsai 1999; Sen & Mair 2012; Xu 2012).

The Mahayana school, together with the mercantile spirit it brought, encountered, conquered and adapted to China. As a result, both were transformed. Chinese Buddhism was no longer Indian Buddhism in China. China was no longer the China before Buddhism. Buddhism led a movement and all levels and all spheres of the society were involved culturally, politically and economically. Being interwoven into the social and historical fabric, accounting was inevitably influenced by this movement.

In the third and fourth centuries, Buddhism exerted an intellectual influence that led to the revival of philosophical Taoism, an intellectual movement that was associated with the fall the Han Dynasty and the disintegration of the ‘Chinese’ dynasties. Buddhism enhanced the understanding of the *Laozi* and the *Zhuangzi* and in this process, it became more explicit. It fully penetrated the educated class and became the driving intellectual inspiration of the search for new knowledge (Zurcher 2007).

From the fourth to the sixth centuries (the Northern and Southern Dynasties), Buddhism appealed to political authorities in both the north and south but in different ways. In the north, many short-lived regional kingdoms with varied ethnic

affiliations fought for supremacy. Buddhism provided a basis for unifying this ethnically mixed population through its universal claim. Monks were politically involved. The Buddhist King of Asoka and his empire were the inspirations for both the rulers and the monks. In the south, the 'Chinese' in exile formed a much smaller government. The unemployed men of letters indulged themselves in 'pure conversation' in their exclusive salons on literature, art and philosophy where Taoist verses were in a Buddhist dress. Buddhism bound China together during these three centuries of political disunity. As a common language, it maintained the dialogue between the north and the south. It was the ideological force behind the eventual unification at the end of the sixth century (Ch'en 1964).

Buddhism brought profound changes in the economy. Buddhism introduced a new form of institution, the monastery, with its own governing law (*vinaya*). There had been no other institution as sophisticated and organised other than the government. The *vinaya* was derived from India, a different socio-political and economic environment, and had been created for the functioning of that institution in that environment. In China, this institution and its governing law, while adapting to the new environment, engendered changes in the economy. These changes were leading the agrarian economy towards consumption, commerce and trade (Gernet 1995).

#### **10.4 New rationale and new rhetoric of accounting**

The imperial government had been, since the third century B.C., at least, using accounting in managing its finances: collecting taxes and state spending. Buddhist monasteries, being new institutions, brought a new rationale for the application of

accounting and created a new rhetoric of accounting. Monastic communities started to use accounting in the fourth and fifth centuries. It was not only for the purpose of financial survival but also echoed a desire for monastic order and discipline which had arisen from within. Effort was made to establish *vinaya*, a particular category of Buddhist scriptures, treatises on discipline. Some monks travelled to Central Asia and India to search for the latest and complete texts of *vinaya*; translations were made; and there was also a beginning of the writing of monastic rules in China (Legge 1965). *Vinaya* is the founding charter for the Buddhist monastic order that provides the rationale for the order and procedures for perpetuating the order. It is the governing law that defines the rights and limits of the person who comes under this order. It also contains passages pertaining to the social practice of a well-organised religious order in managing its affairs and property (Bodiford 2005). This is where accounting issues become associated with monastic discipline. Accounting was never a purely technical matter but an integral part of *vinaya*. With the building and strengthening of monastic discipline, accounting became further formalised into the monastic system of management and administration (Yifa 2002).

The relationship between the imperial Government and Buddhism was complex but as a Confucian institution, the Government tried to regulate and control the Buddhist institution (monasteries and monks) (Liu 1994; Zurcher 1984). The Government placed the matter of ordination under its control and only the officially ordained monks were legitimate and their only legitimate residence was an officially recognised and registered temple or monastery (Liu 2008; Twitchett & Fairbank 1979). Later, taxation was also used as a method of regulation and control with the same underlying principle – to make Buddhism ‘visible’ and ‘governable’ in a

Foucauldian term (Foucault 1977; He 2011; Hoskin & Macve 1986; Miller & O'Leary 1987). While all this regulation and control was quite successful, it had unplanned consequences in financial practice and the economy, and became intertwined with the broader movement led by Buddhism: the trading of government ordination certificates and the consolidation of large monasteries (Gernet 1995; Huang 1989). This movement had significant impacts in the economy and it was through these that the changes in accounting occurred.

### **10.5 Monastic accounts being a new 'window' to see**

Accounting reflects the environment in which it operates. Monastic accounting reflects its unique environment. So, the monastic accounts from Dunhuang of the ninth and tenth centuries became a 'window' enabling us to see that period of history: people and society – how they lived and how their lives revolved around the monasteries. In this study, this storytelling through accounting has been approached through the lens of monastic revenue. The poor and the wealthy, despite their differences and separate lives, all related to and interacted with monasteries, one way or another, and they contributed to the make-up of monastic revenue, i.e. revenues from agricultural lands and from industrial installations, interest on loans and donations.

From the fifth and sixth to the twelfth and thirteenth centuries, monasteries owned large tracts of farmland and industrial installations – oil presses and water powered flourmills (Xie 1986). At the beginning it was the wealthy laities who donated land to monasteries. They also increased their landholding by clearing land, an expensive

project that had previously been the preserve of government and a few great families. Monasteries had the advantage in accumulating wealth. Monastic law defines monastic properties, vests them with sacred, communal and hereditary characteristics.

Monasteries 'owned' people and like any other monastic properties, this ownership was hereditary. For various reasons, people became dependent upon a Buddhist establishment, but it was more than an economic relationship, especially at the beginning. These monastic dependents worked on monastery farmland, in flourmills and oil presses and paid monastery rents (Liu 2008). There were other manual labourers: novices who were not yet bound by the monastic law prohibiting them from manual work and free peasants who were waged agricultural labourers.

People, the rich and the poor, came to monasteries to raise loans. Because their needs were very different, the purposes of borrowing were different, and therefore the items of loan and the interest rates were different. Farmers borrowed grain either for food or for seed. These loans were all short term: seven to eight months (the duration of one agricultural year). They were at a high interest rate to free peasants but interest free to monastic dependents (Trombert 2005).

Wealthy people borrowed cash or cloth, the common substitute. These loans were long term and were often not recorded. The absolute faith and special relationship between the borrower and the lender endorsed these loans. The borrower not only belonged to a special class that was solvent and 'useful' but also was a devotee, a patron and a beneficiary of the monastery. The school of three stages and its

‘inexhaustible treasuries’ were most famous for these cash loans (Yang 1950). They were a phenomenon of a period of intense religious fervour (the seventh century).

Buddhism introduced a new loan instrument, borrowing against a pledge. Previously, when an object was involved in a loan, it only had a moral function to engage the debtor; but, a pledge had an economic function; its value correlated with the value of the loan. This new loan instrument (new understanding) verifies that money had become the normal means of exchange, a significant change in the economy that itself was also engendered by the movement of Buddhism.

Monasteries received donations from people from all walks of life. The famous monasteries were well funded through royal patronage, but a regional temple relied on the patronage of the common people from that region as much as that of the local officials and great clans. The common people formed associations of the faithful to build stupas and carve sutras. In later centuries, when the religious element faded away, associations as a form of organisation continued in fundraising and being mutually supportive to their members in country towns and villages (Zhanru 2011).

The majority of the donations were made at festival times and monasteries spent approximately as much as they received. Festivals were the occasions to see the closeness between monasteries and local communities in both financial and physical senses. Both monks and lay followers were involved in preparing decorations and vegetarian feasts. Ceremonies were both religious and entertaining. Festivals were social communions in a concrete manner when all classes of society joined the celebration. Buddhism responded to the diverse needs of Chinese society and did

this more than any other groups through its notion of compassion and enlightenment for all beings.

## **10.6 A more complex notion of ownership**

The notion of ownership is central to accounting. A more complex notion of ownership emerged from the more complex economy, which itself was engendered by the movement of Buddhism. Buddhism brought new meaning to and shaped the new understanding of this notion. From the religious notions of property and ownership (communal, consecrated and hereditary), the legal notion of property and the legal right of ownership evolved (Gernet 1995).

### **10.6.1 Constructing a Buddhist notion of ownership within monasteries**

In creating and building monasteries and their unique institutional identity, a Buddhist notion of ownership was constructed. Accounting being constructive, monastery accounting was entrenched in many aspects of this construction. The Buddhist doctrinal understanding of material goods and wealth was reflected and written in the founding and governing law of monasteries (Harvey 1990). It then laid down the rules of ownership: the individual ownership is limited but the communal ownership is perpetually protected. These rules were implemented through various mechanisms, such as (accounting) language and the auction sale (*chang-yi*).

The monastic rules of ownership informed the literal construction of expressions for monastery property – the impure, the three jewels, the permanent, the *sangha*

property, the Buddha property, and heavy goods. These expressions had different shades of meaning with each exhibiting certain aspects of the view and the laws (such as the property's problematic characteristic, its sanctity, its perpetual assignation, and its communal ownership) (Whitfield & Sims-Williams 2004). The built-in moral and religious grounds within these expressions had not only enabled them to be part of the mechanism to protect the properties from any appropriation but also enabled them to take part in constructing a particular notion of ownership.

*Chang-yi* was a form of sale as well as a form of wealth redistribution within monastic circles and the concept of an auction sale is its closest modern equivalent (Walsh 2010). Its origin was in the Indian monastic tradition; its essential features were still in line with the rules of ownership laid down by the law – the perpetual communal ownership and the limited individual ownership; the act of recording *chang-yi* and the physical records produced were ways to reconfirm, to reinforce and to express these rules again.

#### 10.6.2 Constructing private ownership of farmland

When the construction of a Buddhist notion of ownership projected to the world beyond monasteries, it engendered the development of private ownership particularly that of farmland, the most vital holding of an agrarian society. For a long period in medieval China, land belonged to the emperor – the state. He granted farmland to small independent farmers for a period of use (Twitchett & Fairbank 1979; Fairbank & Goldman 2006). Buddhism came and monasteries became influential landowners, which altered the socio-political structure and the economy and shaped farmland into



a commodity – from being a possession to use to being a possession to exchange (Wright 1965; Twitchett 1970; He 2011). The multiple identities and institutional characteristics of monasteries played a formative role in this commodification. The imperial Government reformed its system of taxation in 780 in response to significant changes in the economy where trade and commerce were more developed and were generating more wealth and therefore money and private ownership were more crucial and indispensable. The *de facto* private ownership of land was acknowledged and accepted by the Government through this tax reform. Subsequently, a significant change occurred in government accounting in terms of accounting measurement, i.e. from being in kind, the tax liability became levied in monetary terms (Guo 1982; Li 2002; Yang 2009).

In sum, Buddhism transformed Chinese society. Being interwoven into this social fabric, accounting was transformed too. Buddhist monasteries were new institutions. Their use of accounting brought a new rationale and a new rhetoric: an echo of monastic discipline and then an integral part of monastic administration. Monastery accounting became a new window enabling us to see people and society of an historical period. Buddhism shaped the development of a more complex notion of ownership – a central idea in accounting – which subsequently led to a change in government accounting in terms of accounting measurement. There was a construction of a Buddhist notion of ownership within monasteries where monastery accounting took part. When this construction projected into the world beyond, it engendered the development of the notion of private ownership, in particular, that of the farmland, the most vital holding in an agrarian society. When the Government acknowledged and accepted this private ownership by reforming its tax system, a

new accounting measurement was adopted in government accounting: from that in kind to that in monetary terms.

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