

Chapter 2

The Revolution of Knowledge Value: Ethical Considerations in the New Economic Age

With the web age approaching, the Internet is emerging as the “most exciting business arena” in history, information technology industry is becoming the world largest “industry,” and the mode of human existence is going through fundamental transformations. According to the report released by the e-commerce market research company, in 2012 the global e-commerce sales increased by 21.1 %, breaking the record of 1 trillion US\$ for the first time. In 2013, it is estimated that the United States will still be the largest global e-commerce market and China will soon take the second place.

In the new age of knowledge economy, the contradiction between the old ethics and new economy has been intensifying, and the new economy urgently calls for new ethics for normalization and support. To construct new ethics that complies with the age of knowledge economy is not only the reflection on and normalization of knowledge economy but also the exploration and reconstruction of the rational mode of human existence.

2.1 The Oncoming Age of Knowledge Economy

The key to economic activity lies in the rational allocation of resources. Generally speaking, in the agricultural age, land was considered as the most important resource. Whoever possessed land would gain wealth, status, power, and honor. In the industrial age, capital was considered as the most valuable resource. Economic activity was manifested as the continuous expansion of capital. Typically, a stock certificate is the symbol, representing raw material, production assembling line, buildings, and even the whole plants; the stock market value and market profit rate are the barometer of the economic activity. Although money is not omnipotent, nothing will do without money. Thus, the common remark goes: “Money is the power.”

Those who own tangible resources such as land, capital, and stocks are after all limited although their possessions can be huge in quantity. Generally speaking, the main trend of ancient technological progress was to utilize material resources for making human implements such as stoneware, bronzeware, and ironware. Afterward, human beings invented power implements such as steam engines and

electric motors, consequently realizing the mechanization, electrification, and automation of production practice. According to the evolution logic of technology and production practice, the dominating trend of contemporary development of technology and practice will definitely be the emphasis and development of information technology, full exploitation, and utilization of information resources, and the promotion of informatization and intelligentization of social practice on the basis of the comprehensive utilization of material, power, and information.

1971 witnessed the first microcomputer of large-scale integrated circuits invented in the United States, initiating the contemporary technological revolution. In the contemporary technological system, new material technology, new energy technology, and information technology play an essential role in the three basic constituents of material activities, correspondingly material, energy, and information. The research, development, and utilization of information technology take a dominating position.

With the development of contemporary technological revolution, and especially with the wide utilization of information technology and the increasing role of such intangible capital as science, technology, knowledge, and information in production, information does not only mean knowledge and technology but also important strategic resource. Information industry is the pillar industry in the information society, and the level of socialization is an important indication of its modernization. Governments of different countries lay much stress on the development of information industry. In 1993, the United States proposed the first project of National Information Infrastructure (NII). In 1995, the G 7 of Western countries proposed the project of Global Information Infrastructure (GII), aiming at improving and planning high-quality information industry and information circulation environment for full utilization of information. In the information society, the tangible capital is increasingly depending on intangible capital and a new type of capitalists called "unrestricted capitalists" with intangible capital rising. Bill Gates, who has been listed as the richest man in the world for a long time, is a typical example.

Science and technology and economic information have become the most important economic resources and important indication of competitive power in the contemporary society. Information and especially knowledge have been increasingly becoming the most important economic resources. The elements of science and technology and knowledge in products have played decisive roles in the market competition. In the total corporate assets, the intangible assets such as credit, patent, and trade mark have been much increasing, making corporate economic activities more immaterialized, and the proportion of material elements in the product value has been decreasing. Knowledge-intensive products have taken up the largest proportion in the web age. The products of little technological value fail in market share. According to certain statistics, the investment in technology and knowledge now takes up 90 % of the production cost, and the product value mainly comes from knowledge and information. In recent years, the high-tech and web stock shares have grown stronger in big countries, which undoubtedly send out strong signals.

In the information age, the nature of power or wealth is undergoing transformation. Social wealth is not so much represented in the form of the tangible

materials such as land, workshops, machines, and capital as in the form of knowledge, information, and technology, the latter of which can be transformed into material wealth from immaterial wealth. Whoever masters knowledge and information can have more chance to own power and wealth. Some of those who master knowledge, information, and technology, when combined with capital to establish successful technology-intensive and high-tech enterprises, become entrepreneurs of science and technology; those who are employed at the business administrative posts form the class of business administration; the workers who master high-tech become the white collars in the labor force. This situation and trend are very likely to result in the gap between the rich and poor in information. Those who know how to collect and analyze information by information web path will become rich in information, and those who fear computers and get lost in the vast web ocean will become poor in information, and very possibly the poor become poorer and the rich richer. The newly emerging rich in information will be most likely to become strong power controller in the future information society.

Not any information and knowledge can be economic resources. Only the scarce and especially creative information and knowledge are the most valuable. Innovation but not providing cheaper commodity has become the theme of economic activities. The surplus profit in the new market created by science and technology and information is more attractive than the average profit in the old market. The main driving force in the new economic system is innovation including the continuous improvement and renovation of products, marketing, working procedures, and producers. In the innovative economy, human imagination is the main source of value. The company needs to create an atmosphere to let the employees know that to challenge the risks is not to be punished and innovation deserves pride. In the early twentieth century, it took 6 years for a car to be manufactured from its early stage of a concept. Today, it only takes 2 years for the same process. In the old economy, one invention could guarantee 10 years' profit for a company, but in the new economy, the life span of consuming electronic products is only as short as about 2 months.

All these signify the oncoming of an age—the age of knowledge economy. It sends out such a signal: Wisdom and intellectual property will play a more important role and only those who own knowledge can have more chances to win and get rich. The intangible human assets have been increasing and their value has been rising, which will surpass the worth of the tangible assets. As a result, the training and recruitment of innovative talents will be more and more competitive. Human resource has become the first resource, the most important and valuable wealth. Human beings will pursue knowledge and innovative talents as they pursued land in the Agricultural Age and capital in the Industrial Age. Those who do not know the updated patterns in production, thinking, and innovation will be more likely to be eliminated by the society. The amount of information and knowledge acquired by or allotted to an individual mainly depends on the ability to learn and transform knowledge. School education, general education, and lifelong learning have become the indispensable support for individual sustainability in the society.

2.2 The Ethical Implication of Knowledge Economy

Knowledge economy with its development ultimately serves the people, and its ethical condition affects the sound development of people and society at a deep level. The ethical influence of the knowledge economy is wide and profound. Positively, it is manifested in the following:

Firstly, it causes fundamental transformation in productivity as the decisive element of social development. The key elements determining productivity include three “hard constituents” of the producer, implement, and object of labor as well as some “soft elements” of science and technology, education, management, information, etc. The modern information web now extensively improves the various elements of productivity. The producer is enhanced by strengthening the information consciousness and the ability to use information, the implement is improved by its intelligentization, the object is increased by expanding its scope, and meanwhile all these “soft elements” contribute more to the development of productivity by promoting science and technology, improving education, raising the managerial level, and strengthening the function of information. As information web develops and spreads, many obstacles in human interaction have been eliminated and its scope has been unprecedentedly expanded. As early as in 1960, McLuhan, the “pioneer” and “prophet” of digital times, proposed the famous concept of “global village,” which was at that time only a kind of imagination and metaphor. In today’s world, the Internet turns the global village into reality from the metaphor. The development of information web has unprecedentedly strengthened the first element of productivity, that is, the producer’s ability to obtain, transmit, process, and utilize information, and has promoted the emergence and rapid increase of knowledge producers. By the intelligentization and networking of the implement, it has much increased the constituents of knowledge and science and technology in production, paving the convenient path to transforming high-tech to actual productivity in time. It has expanded the scope of the objects of labor, including data, information, and knowledge as the new objects of labor. It enables various parts of the world to be closely linked and to effectively and fully exploit the productivity potential of social division and cooperation of labor so that some remote parts of the world can also be benefited by modern science and technology. It has much improved the efficiency and adaptability of corporate production so that the corporate production can better cater the market change, and high-quality and low-cost products can be supplied to customers with timely delivery and satisfactory service. It causes remarkable changes in the marketing environment in which consumers’ rights are becoming increasingly dominant in business transactions. In short, information web technology makes productivity more socialized, globalized, and humanized.

Secondly, the increase of productivity better satisfies various human needs for full development. The development of modern science and technology, especially information web technology, drastically reduces the necessary time of labor and therefore prolongs free time. The increase of free time is an important indication of

social development as well as a basic condition for free and full individual development. It will promote unprecedented development in the individual interest, hobby, and talent, making the individual a world-historical and truly universal person. In the industrial age of machines, human social practice was mainly controlled by “clock time,” when industrial machinery almost simultaneously brought chronometry to the assembly line of Fordism and the principles of social production became standardization, professionalization, synchronization, and centralization. The strong controlling power of clock time on human beings reversely stimulated those who pursued freedom and liberty to break the manacle of clock time. Meanwhile, the civilization created in the control of clock time was preparing conditions to break such a manacle. The modern information web has gradually liberated human beings from the heavy physical and intellectual labor, reduced working time, made the social time “flexible,” and therefore increased the free time needed for full-round human development. According to the American scholars’ prediction, by 2020, the number of American workers in workshops will be reduced to 2 % of the total labor force, approximating the present total percentage of the American farming labor force. By 2025, there will be the disappearance of blue collar workers in the United States. Although this prediction is arguable, it reflects a tendency of rapid change, that is, in the near future, the number of employees in the traditional industrial sector will be much reduced, while the number of white collars and intellectual workers who work by information technology will be much increased. This tendency has also rapidly broken the routine of the working schedule in the traditional society. In the agricultural society in the past, people “worked as the sun rose and rested as the sun set” with little change in their daily life. In the industrial society, the working schedule depended on the assembly line, where workers would work in the daytime and rest in the nighttime except for those who worked on special duties and shifts. The development of the information web is outdated the traditional routine schedule of work and rest and making social time “instant” so that people can work at any time of the 24 h instead of being strictly restricted by time, and any work or browse can start with the “unchanging present.” The instantaneity of social time is bound to cause great shocks to the rhythm of people’s time for work, recreation, and other activities and consequently becomes a new system of time. For example, “7 working days per week and 24 working hours per day” may become a new time table. We will come and go, stop and resume, and plan our time schedule in a flexible manner so that the time for work and rest may become a system to better serve the individual needs. As people working by computers can “work at home,” more work will be done at home than at office and more flexible time is allowed for work, recreation, household chores, and other activities. The popularization of web technology and the oncoming of the information society have made it most possible to free people of their time restrictions. Their ethical significance cannot be underestimated.

Thirdly, knowledge economy initiates the transformation of social management mode. The traditional organizational and managerial structure is a pyramid structure of high concentration of managerial rights. In the past, people did not sufficiently enjoy the rights of the “masters of the country,” and did not fully participate in the

process of decision-making and management. At present, due to the rise of information web, people can break through the limitation of time and space, directly obtain various kinds of information for decision-making, and “directly” participate in the public affairs through the Internet path. Governments can also solicit views from the people about their needs, ideas, and livelihood through the Internet at any time and revise their policies accordingly. The development and popularization of information web is based on the flexibility of social time, so “flexible management” is coming forward, where time is not only compressed but also “managed as resources,” and where time is, however, not managed as linear sequence of mass production, but as a differentiating factor in contrast of the other time sequence of companies, networks, processes, or products. Manuel Castells stressed that only by the organizational form of networking and the increasingly powerful and dynamic information processing machines, we can ensure the flexible time management and take them as the new realm of efficient companies (Castells 2001).

Fourthly, it prompts the historic transformation of social life. Through the Internet, any citizen in the global village with a personal computer, a telephone wire, and a browser can communicate with others who live anywhere in the world and search for the news instead of sitting passively and receiving news on TV. Generally speaking, through the Internet, people can exchange information on a global scale and share emotions just like the villagers interacting with each other or the audience at a stadium. From the perspective of information transmission, the world is not only “getting smaller,” and the distance is “getting shorter,” but also the size and distance are almost condensed to such an extent that they can be ignored. The extreme “compression” and even “concealment” of the cyberspace will greatly affect human social interactions. The poetic line “A bosom friend afar brings a distant land near” versed by the prominent ancient Chinese poet Wang Wei was only a dream in the past, but now it becomes as easy as pie for many people. Through the information web, friends and relatives thousands of miles away can share thoughts, hold academic discussions, and exchange information “face-to-face.” People can stay at home shopping and booking online, or “entering” libraries, museums, art galleries, and tourist spots. The best works by excellent teachers and authors can be gathered to allow all people to freely choose schools and teachers for good education. Rural doctors can also invite medical experts worldwide for group consultation on the complicated diseases. New household services can be provided such as selecting programs on the screen, watching movies directly transmitted, reading interactive periodicals, receiving subscribed digital newspapers, and selecting the interesting articles at home. Technologically, almost all household services can be obtained through the information highway directly or indirectly. Human life will become unprecedentedly convenient and comfortable.

To sum up, the construction of the information highway offers a great historic potential for the free and full development of human beings and society and may bring about a more moral and wholesome society.

Naturally, this trend of informatization may cause negative effect and even lead to serious ethical crisis. Here are some typical examples:

1. The Inequality of Using Information Resource

The “civil principle” is the basic priority principle in the networking construction, but the problem of implementing the equal use of information resource cannot be solved with the technological progress. Deborah Tong pointed out the following in *The Cyber Colonialism*: The Internet is in fact not neutral, for the colonialism emerging on the web makes the Internet as a tool for oppression. The Western culture and tradition, value concepts and life style greatly affect the structure, system, and culture of the Internet. Meanwhile, the assertion that the Internet is an equal and open platform for the people all over the world is far from the truth, and for the cyber colonists intend to prevent the canonized from acquiring the high-tech needed for the information revolution, and the underdeveloped countries encounter obstacles in connecting to the Internet. Take language as an example, although the English speakers take up only 10 % of the world total population, the Western media monopolize 90 % of the world news and information dispersion, releasing four pieces of news from the United States out of every five pieces in the whole world. 90 % of the information on the Internet is in English, 80 % of which is from the United States. Almost all the computer programs are written in English, which will definitely affect the non-English clients’ timely acquisition and use of these programs. At present, if people from the underdeveloped countries want to work in the cyber industry, they must first of all make themselves bilingual. In the cyber space, imperialism and colonialism seem to revive from the ashes. In this cross-border cyber space, the big countries of information output are more likely to pass their own value concepts, thinking patterns, and ideologies to other countries for cultural expansion. Whoever controls the releasing power of public opinions will control the cyber world. The passive side has to accept the bombardment of the public opinions imposed by the information controllers. If information web cannot be made for the populace, inequality cannot be avoided in terms of the ability to use information, the information gap between the rich and poor will be widened, and the poor will be poorer and the rich richer. If information and the ability to communicate information are monopolized or dominated and if the information highway is even turned to be “private information highway,” then it will be extremely immoral for both the people in the “remote area in information” and the poor.

2. The Indifference of Morality

This phenomenon is derived from the fact that human reliance on each other is replaced by human reliance on the Internet. In the highly informationized and automatized cyber society, “work at home,” online school, e-shopping, and e-banking are emerging, and the face-to-face human interaction has been much decreasing. As people stay with the PC terminals, it is inevitable that they grow estranged, tense, isolated, and indifferent with each other. They may even develop health problems. One dominant manifestation is that some people are addicted to the cyber society so that they become callous about others and social happiness in real life. Cyber addicts are very similar to gamblers, drunkards, and drug addicts in which they are prone to behavioral impulsion and loss of control. Minor addicts behave like “net

bugs,” who try to escape anxieties and emotional problems in real life by going online, and they tend to deny the harm done by excessive Internet surf in their study, work, and life. They frequently check their emails and tap on the desks after long hours of not touching the keyboard. Serious addicts are characterized by all-night-long indulgence in the Internet even without eating, drinking, or sleeping and without caring for anything except the Internet, resulting in a series of negative physiological and psychological reactions such as decline of physical agility, biochronometer disorder, lack of concentration, depression, thinking disabilities, dizziness, hand tremor, fatigue, inappetence, etc. The most serious addicts may even look “possessed by the devil,” with the collapse of physical agility or spiritual abnormality. In addition, in the cyber space where people interact with the identities of “signs” and “without being present,” they do not experience the response of living human beings, and therefore, thinking they are dealing with machines, they would behave rudely as they normally do not in the physical space and would even think crimes like stealing, and intrusion would only mean tapping on the keyboard. They would feel self-gratification of being “unburdened” and “liberated” as well as impulsion of doing whatever they would like to do, thinking that “nobody knows me,” “nobody can catch me,” or “nobody can interfere.” After taking off the heavy masks of real life, some people are prone to neglect social responsibilities and behave badly. For example, a “hacker” can invade several host computers and install attack implements but others cannot exactly locate the place he occupies or where he hides himself, which would provide a more hidden place for his or her misconduct or even evil conduct. Some say “People can do whatever they would like to do on the Internet. You can find all evil things human beings can do there,” which is somewhat true. The information network not only provides unprecedented convenience for “free individuality” but also brings about unexpected difficulties and challenges for full human development, social management, and control.

3. The Crisis of “Individual Privacy”

Protecting individual privacy is the respect of individual freedom and integrity as well as an important sign of the progress of human civilization. To expose and publicize others’ privacy and cause bad effect on their reputation is the tort of others’ reputation, for which the inflicter has to take tort liability. The gross violators of serious consequences may result in criminal cases and end up in legal penalty. Due the convenience of gathering information on the Internet, the private life on the Internet is technically likely to become the “life fully recoded in files” with details specific to a horrifying degree. If this information is leaked or not properly used, individual privacy will be seriously violated. In the real society in a traditional sense, privacy mainly includes name, birthday, ID number, marriage, family, education, medical record, occupation, financial position, personal features, fingerprint, etc., which are easy to protect. However, in the cyber space, besides the traditional personal data, there appear new personal data in which the content of privacy is “information privacy” including personal login status and health condition, personal credit and financial position (including credit card, e-consumer card, EVDO, login number and code, transaction account number and code, etc.),

email address, and personal Internet traces (such as IP address, Internet history, activity content, etc.). In the cyber space, every movement and activity will leave digital footprints easy to be traced. Of course, to protect privacy, legislation can be enacted to ensure by encoding technology that private information cannot be exposed under any circumstances. However, this creates new contradiction: On the one hand, to protect privacy, the private life recorded on the hard disk must be kept secret, and on the other hand, to calculate login fees and information fees, the Internet dealers must keep accurate records of the clients' traces. The government law-enforcing departments also need to record people's conducts to find the evidence for law enforcement, which therefore results in the contradiction between individual privacy and social service and security. For the individuals, their privacy should be protected, but for the society, individuals must be responsible for their conducts and the subsequent consequences including economic, legal, and moral responsibilities, and therefore their conducts should be recorded for possible future investigation. This is a common contradiction of the cyberspace faces, where individual privacy encounters unprecedented challenges in the digital age. The remote recognition serial number in Pentium III chip and the "backdoor" in Windows 98 system have once again called people's attention to the issue of "privacy." Individual privacy is the new currency in digital economy, which has extremely high commercial value and therefore becomes the target of many businesses. Due to the easy excess of the Internet for releasing and dispersing information, the harm and damage done by the violation of privacy on the Internet can be more serious than those in real-life space.

4. The Increasing Conflicts of Values

The information content is regional but its dispersion mode is global, which makes some problems more serious. For example, in some countries where sex information and services are allowed morally, releasing and posting such information are legal. However, as the Internet is globally shared, people from the countries where sex services are considered as immoral may be strongly opposed to the excessive sex information on the Internet, and therefore the two sides may lead to cultural and moral conflicts. Take another example. The effect of any release of information on the Internet is social, and it can even be international under certain circumstances. If someone babbles in real life, it is his or her own business, but on the Internet, it is a waste of the Internet resources and others' time. The contradiction between communication freedom and social responsibility is becoming an important issue to tackle particularly due to the dispersion of false, irresponsible, and gossip information as well as the emergence of the Internet abuse and personal attacks. Take another example. "Global sharing of information" is the objective of the Internet construction, but some people go to extremes in sharing information such as stealing others' domain names and violating intellectual properties. Another extreme is that some companies are so driven by inflated business interests that they "protect" and monopolize information properties to such a degree that they obstruct normal academic exchange. In addition, the Internet actually originated and developed from the networks of science, technology, and academic research, which

in fact has immense non-commercial traditions; however, with the expansion of the Internet, the profit-oriented business entities have become the main builders of the Internet, and therefore there appeared lots of commercial applications of the Internet resources such as advertising, e-commerce and paid services of the Internet information, etc., and online companies have already become one of the fastest-developing industries. On the Internet, non-commercial networks are connected with commercial networks, and thus the commercial use of the Internet will result in extensive occupation of academic and social resources. Is it moral or not to use the Internet resources for commercial purposes? To what limit can such resources be used morally? The proper use of the Internet has aroused wide controversies (Geng et al. 1998).

With the increasing globalization and popularization of the Internet, fundamental changes have taken place in the modes of transmitting and receiving information, from the ownership of the previous closed departments to the open social sharing of information, from the centralized management of information resources to the distributive processing, and from the unitary use of the research and teaching personnel to the sharing of the Internet resources by hundreds of millions of individual users. The popularization of the Internet has also led to easy Internet crimes. Digital crimes are taking various forms such as Internet stealing, defraudation, money laundering, instigation and digital disruption, etc. Nowadays, digital crimes have been rising.

According to one investigation by LiveScience.com on July 23, 2008, there is at least one design defect in 75 % of American online banks, which makes the clients vulnerable to the threats of the Internet thieves. The research team led by the computer expert Atul Prakash from University of Michigan conducted investigations into the websites of 214 financial institutions in 2006 and discovered that the design defects of the websites cannot be mended. The research results show that the safety risks are derived from the processes and designs of these websites.

In today's world, digital crimes spread so widely that the losses they cause can be outrageous. It can be assumed that, except for the crimes that can only be committed by physical contacts, almost all social crimes that can occur in the real world have already emerged in the cyber space. Cyber crimes have become social, and public security problems both developed and developing countries have to be much concerned about.

According to the *New York Times* report on February 4, 2013, a confidential legal evaluation report reveals that if some reliable evidence shows that the US is to encounter serious cyber attacks, and the president has the right to launch anticipative cyber strikes.

The cyber society has provided us with unprecedented huge potentials for social moral progress and free human development, and yet it is not the ideal moral society. Science and technology are not the panacea to solve social problems. The history of science and technology constantly shows that technological inventions as means and implements are often double-edged swords. While they play an active role in promoting social progress, they will also bring about negative impacts if not properly utilized, managed, and guided. Some of these impacts have already

appeared, and some are appearing at an unexpected speed. No matter how powerful it is, technology is after all human implement, so how to use it is mainly a social issue and especially a human issue. Therefore, a moral society for humanity and for free and full human development depends on the human innovation based on network technology.

2.3 The Interaction Between Knowledge Economy and Economic Ethic

When meeting the challenges of knowledge economy, we need to face one rather popular view in the academic field, that is, economics does not have to deal with morality; otherwise, it will be “unprofessional.” Some economists, when trying to “elevate” economics to “science,” attempt to be “neutral in value judgment” and “morally neutral,” and they even take “objective” attitudes that separate economics from ethical judgment and cultural values. However, is economics truly “morally neutral”?

From the perspective of being “neutral in value judgment” and “morally neutral,” some research is only focused on productivity but not on productive relations, and therefore it deals with only “material but not human beings.” This amoral economics becomes the “monster” driven by monetary culture. According to the popular economic definitions and research results, the more “developed” the economy is, the more spiritual and ethical losses it will suffer.

The economic ethics hardly plays any role in the traditional ethical system. We must deeply reflect on the inner links between economy and ethics in order to have a profound understanding of the ethical condition of the age of knowledge economy and get away from the ethical dilemma of the age.

Generally speaking, such views as the “inevitable binary opposition of economy and ethics” and the “impossible coexistence of interests and morality” are the reflection of the metaphysical thinking mode on the economic–ethical issue. In the long Chinese feudal society, the traditional economic ethics is mainly the Confucian economic ethics, which is focused on the moral principle of virtue over wealth and righteousness over profit and manifested in the following: the production ethics of making profit by righteousness and promoting agriculture over commerce, the management ethics of adhering to rites and ruling the people by morality, the distribution ethics of equalitarianism and “not worrying about scarcity of wealth but about uneven distribution of wealth,” the exchange ethics of opposing competition and valuing honesty, the consuming ethics of prohibiting extravagance and honoring thrift, and the ecological ethics of the “unity between man and nature.” All these have become the dominating ethical forms to guarantee the operations of the Chinese feudal patriarchal social and economic life. Ethics and economy have long been separated and even opposed to each other, the two extreme and unilateral thinking tendencies of which have been constantly strengthened: One is ethicalism. It unilaterally upholds ethics and morality, depreciates economy and interests,

emphasizes righteousness over profit, and even shies away from profit. From the ethical and moral point of view to look at economy, to develop economy is to maximize profit, and therefore is negative, low, and philistine, inevitably in contrast with righteousness. As a result, economy must be restricted by ethics and morality in order to prevent it from going astray. Contrarily, the other tendency is economism. It unilaterally upholds individual utilitarianism, emphasizes profit over righteousness, and takes individual interests as the supremacy for human existence and development, and economic goals as the absolute and top value. To develop, economy may sometime be at the cost of sacrificing ethics and morality. Ethicalism and economism seem contradictory, but they are in fact “interlinked in the two poles.” They both isolate righteousness and profit, ethics, and economy, and claim that the two “cannot coexist and one must win against the other.” The actual dislocation between ethics/morality and economy/society and the mutual strengthening of the two thinking tendencies of ethicalism and economism have had profound impact on the Chinese society and history.

Human history has repeatedly proved that for human and social development, production mode is fundamental and economy is essential, which ethics and morality and social politics ultimately reflect, serve, and are tested on. Ethics and morality, economy, and society should not be separated, and we should seek the solutions to the problems from the wholistic connections of the various social phenomena and promote harmonious social development. The imbalanced development of economy and ethics with their discrepancies and even conflicts is inevitable, frequent, and reasonable. However, what must be clarified is the following: What on earth is the ethics that people really want (with what economic basis is it linked)? What is the kind of economy people really want (what kind of ethics is needed to adapt to it)? These two cannot be separated and examined in isolation. Ethics and economy, spiritual civilization, and material civilization are in fact the dual “rails” of the same train track. If the train must run on two tracks, the calamity of derailment will be inevitable.

The operation of market economy follows its own basic moral rules such as interest orientation and economy priority, mutual independence and self responsibility for gain and loss, fair competition and survival of the fittest, exchange of equal values and emphasis on actual effect, honesty and commitment, abiding law, etc. These moral principles and rules are not only required by the laws of market economy but also created in the economic activities of the market. Some of them only fit the economic sector, while others penetrate into all sectors of life. They can be both respectable to human individuality and rights, and coldhearted to each other; they can be both efficient and enterprising, and egocentric and merciless to the weak. In the market competition, people often forget a basic fact that the word “economy” in the West is derived from the Greek word *oikonomia* “household management.” When talking about economy, we should talk about how to take care of our home, our society, and our world so that our life can be improved and become sustainable in its development. Perhaps, people can be somewhat enlightened by the fact that the English words “economy” and “ecology” are derived from the same root “eco.”

What is more is that ethics is the soul of economics. Economics without ethics is bound to advocate insatiable greed and utter effrontery. Some think that market economy is only money centered, where people can forsake conscience and integrity for the sake of money, they can ignore morality and credit, and many, guided by such views, did commit the evil deeds such as adulteration, forgery, and fraud. Others firmly believe that “money makes the mare go,” “whoever suckles thee is thy mother,” and they completely degenerate to slaves of money and insects eating into social conscience.

All in all, economic activities need to be initiated, guided, redeemed, and regulated by ethical principles; otherwise, they will only remain low-level drudgery. However, unrestrained and endless pursuit of profit will inevitably lead to the overflow of material desire and excess of money worship, making human beings degenerate to spiritual beggars. Similarly, ethical principles also need support and fulfillment from economic activities; otherwise, they will become feeble outcries and futile instructions, making moral human beings degenerate to material beggars and even betray morality. It may be said that to improve human integrity is the objective of economic ethics, and to defend, enrich, elevate, and improve human subjectivity will also make the interaction between economy and ethics which become rational and necessary. Once economics excludes values and morality, it excludes social responsibility and critical consciousness, leaving us only consumption and material enjoyment, which is like the separation between body and soul.

The interaction between economy and ethics often manifests itself asynchronously. In the economic transitional period, this asynchronism often becomes more prominent. In the transforming period from the age of industrial economy to that of knowledge economy, if we assume that human beings are primarily equipped with the necessary material and technological conditions, and then in contrast, human beings are poorly prepared in their views, their ethics and morality, and the conflict between new economy and old ethics has become conspicuous. We must be concerned about how to deal with the basic ethical requirements and norms of knowledge economy, how to adopt their rational and effective content, how to use more advanced and rational norms to overcome their negative factors in order to maintain the wholistic unity and harmony of the norms of various social sectors, and prevent politics and morality from being eroded by the principles of commodity exchange, and the basic principle of “human priority” from being damaged by those principles. All these, either in theory or practice, need further rational exploration and innovation and they cannot be solved merely by enthusiasm and slogans.

As far as the state of ethics and morality in the transitional period is concerned, it is reasonable that different subjects produce different evaluations on different phenomena according to different standards. The comment and argument on the state of ethics and morality are not merely focused on the pessimistic mood and optimistic mood, neither are they on the sense of anxiety, attitude of moral responsibility, and irresponsibility of “presenting false peace and prosperity.” Behind all these, there actually exist the old and new ages and a series of important issues of the old and new ethical and moral systems, concepts, and thinking

patterns. Therefore, it is oversimplifying to draw conclusions about the state of ethics and morality in the transitional period merely by such labels as “declining,” “ascending,” or “inevitable.”

It requires proper standpoint, attitude, and method to comment on the ethical issues in the transition into the knowledge economy. For example, we should take a dynamic and historical viewpoint to judge whether the ethics and morality at present are “good” or “bad,” but we should not simply think that “the good is absolutely good, and the bad is absolutely bad.” When examining the state of human ethics and morality, we should take dual points of view and priority point of view, but we should not take the minor as the major and the partial as the whole, and we should not ignore the ordinary silent majority. What is the state of ethics and morality in the transitional period? Is it “turning good” or “turning bad”? Is it “progressing” or “retreating”? To answer such questions, we must choose proper and immediate frame of reference.

China’s transition to knowledge economy and market economy involves all-around transformation from the economic basis to superstructure. It is revolutionary social change and progress. Accordingly, there must be transformation and progress of ethical and moral codes. The transitions from the “guiding principle of class struggle” to economic construction as the focus and from ethics–economy privatism and supremacy of ethics and morality to modern ethics and morality compatible with knowledge economy and market economy must be the fundamental changes of production and production mode as well as the necessity of ethics and especially economic ethics that has attained particular historical status. If it is assumed that the Chinese traditional society has the social structure of the “unity of state and family” and the “combination of community and bureaucratic state” with its ethical system belonging to paradigm of “political ethics” as its feudal ruling power, then since modern times and especially the reform and opening-up, the Chinese ethical paradigm has been undergoing the transformation from “political ethics” to “economic ethics.” In the process of modernization, this transformation is rather difficult and slow due to the incomplete fulfillment of the polarization and integration of the Chinese social, economic, political, and cultural life and especially due to the lack of economy as part of the self-regulated social life. Nevertheless, the rapid development of reform and opening-up, the gradual establishment of the system of socialist market economy, and the oncoming of the knowledge economy have undoubtedly offered unprecedented opportunities in the transformation from “political ethics” to modern “economic ethics” in the Chinese ethical paradigm.

This transformation is objectively determined and controlled by the rules of social development. Either lacking the correct and timely understanding of and response to such objective necessity or insufficiently preparing for the transformation will lead to the delay of economic reform and ethical development and the loss of opportunities to surpass the superpowers. As a result, it is becoming an important topic of our age to fully predict the ethical problems in transforming into the age of knowledge economy and to deeply understand the nature and meaning of the present transformation of ethics.

2.4 What Kind of New Economic Ethic Is Needed in Knowledge Economy?

The ethics of the contemporary knowledge economy must undertake dual tasks: One is to fully reveal the ethical implications of knowledge economy and to justify the ethics of knowledge economy and its transformation; the other is to face various contradictions and conflicts in this historical process in order to establish the necessary and proper ethical principles and norms of knowledge economy.

To explore and construct the ethics of knowledge economy must be a process of encountering contradictions and conflicts and constantly solving problems. At present, special attention should be paid to the following issues: how to inherit and innovate the traditional economic ethics; how to ensure the high efficiency and orderly process of running the market economic system; how to administer the rights of the government with its various departments to conduct the macro control of the economic management and especially of the scope, procedure, and duties of its direct participation in the economic life; how to deal with the gap between the rich and poor or the problem of fair distribution; and how to adjust the relationship between the form of market exchange and the form of non-market exchange, that is, the relationship between economic development and social development, ecological environment and human development, etc.

In the transitional period to the age of knowledge economy, under the condition of knowledge economy, what ethics can truly demonstrate the spirit of the age and become the guiding ethics that can coexist and progress with knowledge economy? In particular, in the competitions between collectivism and feudal wholism and capitalist individualism, which is going to gain the ultimate advantage? Under the condition of knowledge economy, is collectivism out of date as some people think?

Historically, the change of age is not the basis of the revival of individualism, or does it indicate the invalidity and termination of the ethics and morality of collectivism. In the new age, collectivism will remain the direction of the development of human ethics. However, collectivism proper must advance with times, and in the process of its dialogs with times and other ethics, it should critically absorb various beneficial elements to promote its own transformation. This “new collectivism” of gaining new significance of the age, highlighting justified individual interests as well as emphasizing collective interests, and maintaining the necessary tension between economy and ethics will be the new economic ethics that is called for and needed in contemporary China transforming into the age of knowledge economy.

The “new collectivism” as the economic ethics of the age of knowledge economy includes a series of basic “game rules” or ethical norms such as honesty, innovation, competition, cooperation, efficiency and justice, etc.

Firstly, is the honesty. Honesty is the basis for human integrity, which is both the virtue of Chinese culture and tradition and essence of Western ethical thoughts. The Confucian school in the Pre-Qin Dynasties considered “honesty” and “trust” as the sublime thoughts and characters. Xun Zi pointed out the significance of honesty and trust to commercial conducts: “When business people are honest and trustworthy,

business transactions will be safe, goods and money will be smoothly circulated, and what the kingdom needs will be amply supplied. When the craftsmen are honest and trustworthy, the implements will be made ingenious and the materials will be plenty” (“Ru Xiao” from *Xunzi*). “When those who see money are not trustworthy, I will not trust them” (“Fa Xing” from *Xunzi*). The principle and norm of honesty and trust had direct impact on the formation of the Western capitalist credit theory and even the whole credit system. In *The Protestant Ethic and the Spirit of Capitalism*, Max Weber even firmly believed that honesty and trust were the most important intellectual principle of capitalism. The contemporary knowledge economy endows honesty and trust with new connotation and significance of the age. It requires every knowledge economic person to be honest, genuine, frank, trustworthy, law-abiding, conscientious, free of fraud, blackmail, and illegal profits, and conduct business activities on the voluntary basis of fairness, openness, equality, and mutual benefits. Adherence to honesty and trust is the essential and sublime ethical character for the contemporary people, certainly including the economic person. Honesty and trust may not guarantee the economic person to succeed, without which, however, a person may succeed in the short term but achieve little in the long term. Those who make profit by betrayal, discredit, and fraud will eventually pay the price by themselves.

Secondly, is the innovation. Knowledge economy does not exclude inheritance and protection, but its essence lies in innovation. Innovation is the life and source of knowledge economy. This kind of innovation does not only refer to the economic ethics of knowledge economy innovated on the basis of the inheritance of the traditional ethics, but also refers to the innovations of knowledge, technology, management, production mode, and distribution mode required by knowledge economy proper. The rise of knowledge economy originated from the technological revolution represented by the rapid development of high-tech such as information technology and its related industries. In the knowledge-economy-dominated age, the world scientific and technological development has been accelerating, and so has the updating of knowledge. The transition from the technological revolution to industrial revolution has been much shortened, and so has the market life of the technological products. The knowledge economy, in which success or failure is determined by the speed and direction of innovation, has changed the past mode of success or failure by the totality or increase of resources and capital, and has made up for the lack of resources and capital by the advantage of innovation. Whether or not the countries, including developed countries and developing countries, can possess innovative awareness and spirit, can educate large numbers of high-quality innovative talents, and can successfully conduct knowledge innovation, and scientific and technological innovation will directly affect their competitive advantages in both the international and domestic markets as well as the future and fate of the nations. Michael E. Porter points out the following in *The Competitive Advantage of Nations*: It is the old mode that retains the advantageous capability by cheap labor and even economy of scale. Such mode is being replaced. Today, the only way to achieve advantage is innovation and upgrading (Gibson 1999). To meet the

challenges of the age of knowledge economy, innovation is the necessary and basic guiding thought as well as the basic ethical norm that must be observed.

Thirdly, is the competition. Competition is the essential characteristic of the conduct of the market economy, which stimulates consumption, booms the market, and promotes production. In the Chinese traditional ethics, curbing competition is a major characteristic. The ancient Chinese philosophers Laozi and Zhuangzi emphasized “forbidding trickery and abandoning profit” and condemned competition with the world; Confucians preferred righteousness to profit and they advocated “the promotion of modesty and courtesy, and the elimination of competition and contention.” In the realm of capitalist economic ethics, free competition is the banner of economic liberalism. However, as Marx pointed out, competition is the “war between the avaricious,” which not only deteriorates the anarchistic state of capitalism but also leads to the capitalist monopoly that in turn unprecedentedly and cruelly suffocates the enterprising spirit, determination, courage, and innovation of the laborers. In the age of knowledge economy, competition as one content of economic ethics has two new characteristics: One is free of barriers. In the age of industrial economy, some competitors can be protected by imposing various barriers. However, in the age of knowledge economy, all barriers will be broken and the world will not protect the backward. The other characteristic is the adherence to righteousness. Different from the unlimited and vicious competition in the age of industrial economy, the competition in the knowledge economy should adhere to righteousness. On the one hand, the competitors, on the equal basis, observe the market, and they adopt high-tech, optimize corporate management, construct incentive mechanism, and raise knowledge productivity. Through these proper means, they win by quality, credit, and innovation. Under such circumstances, even if they lose, they will still be honored. On the other hand, this kind of competition is no longer life-or-death struggle, neither is it the competitiveness purely for its own sake nor it is limited and cooperation oriented. Without cooperation, such competition will lose its rationale. In the present age, in the face of various global issues and the deteriorating deformity of social development, competition alone cannot solve such problems as unemployment, injustice of distribution, poverty, insufficient social security, and damage of ecology. The weakest point of competition lies in the fact that in today’s world, it obviously cannot ensure harmony and simultaneously progress between social justice, economic efficiency, sustainable development, political democracy, and cultural diversity (Group of Lisbon 2000). Thus, under the condition of knowledge economy, competition still serves as the important norm of economic ethics, but its connotation must be reconsidered and its basis and objective reconstructed.

Fourthly, is the cooperation. To guarantee and promote the sound human development under the condition of knowledge economy, we must transcend competition and advocate cooperation. This cooperation has two major characteristics: One characteristic is globalization and security. To tackle various global issues, under the condition of knowledge economy, we should cooperate closely, transcend regional limitations, and seek global solidarity and mutual support. In the age of knowledge economy, human economic objectives and means should be

characterized by harmony and cooperation to ensure the necessary condition for the effect of economic activities. When economic competition cannot bring about global human existential development, harmony and cooperation are not only the means to improve human existential conditions and the prerequisite for long-term human security and development, but also the promotion of democratization. Harmony and cooperation enable human beings to better utilize present resources for desired effects. Compared with the previous age, cooperation has acquired unprecedented significance. The other characteristic is the compatibility and mutual enhancement with competition. The cooperation in the age of knowledge economy is still being conducted in the differences, conflicts, and competitions between various nations and their national interests. Differences, diversities, and competitions should be considered as challenges, and different individuals, groups, nationalities, countries, and various international organizations should recognize each other, communicate with each other, learn from each other, tolerate each other, and cooperate with each other, but should not only compete with each other or even hate each other. The cooperation in the age of knowledge economy does not obliterate self-interest in competition. On the contrary, it leads competition to mutual-beneficial, win-win, and even multi-win goals.

Fifthly, is the efficiency. In the age of knowledge economy, efficiency, represented by efficient use and distribution of resources, is still the life for economic activities. However, this efficiency should have new standard and ethical significance. In the age of industrial economy, the standard of economic efficiency is productivity with the emphasis on the increase of quantity. The so-called increase of efficiency is manifested by the increase of productivity or the increase of capital surplus and by the best use of human, material, and commercial resources, while, in the age of knowledge economy, the economic standard is knowledge productivity, and the productivity in the traditional sense can no longer satisfy the needs of human value creation. Due to the rapid technological development, an enterprise or a country, without new knowledge and technology and the power to transform them to new products, will suffer more overstock, waste, and losses with its higher productivity. The key to the age of knowledge economy is knowledge productivity, that is, the efficiency to produce knowledge and transform it to technology and products, or the level of usefulness of knowledge. The productivity of knowledge depends on the exploitation and dispersion of knowledge, including research and development, education, training, etc. In addition, in the age of industrial economy, people seldom reflect on the necessity and plausibility of their input, neither do they often examine and summarize the whole effect and rationale of their output, which, as a result, often cause inadequate input, devaluation, loss of efficacy, waste, and even harm. The efficiency pursued in the age of knowledge economy includes the following considerations: Input leads to output and economic efficiency is determined by the relationship between certain input and output. However, does the input have the adequate direction and quantity? Is it better to utilize other resources as input? Is this output really needed by the society? Is it harmful to men and the environment? Such considerations make efficiency take up unprecedented ethical significance in the age of knowledge economy. In the age of industrial economy,

people often manifest themselves as unilateral “economic men” and they seek high economic efficiency and more economic benefits often at the cost of sacrificing spiritual civilization, energy resources, and ecological environment. In the age of knowledge economy, the “economic men” are obviously both “social men” and “cultural men,” who conscientiously pursue the harmonious development of individuals and society, spiritual civilization and material civilization, human beings and the ecological environment while carrying out innovation, raising economic efficiency, and create more value by knowledge and technology.

Sixthly, is the justice. Justice is both the basic norm of the oriental Confucian ethics and the basic ethical spirit of the Western Christian cultural circle. Although justice is rooted in different cultural soils in the East and West, it has played pan-cultural roles in both the “Western mode” and the “East-Asian mode” of capitalist development. Justice as fair play can be regarded not as being dominated by existential needs and interests. It establishes Archimedes’ point for judging social system (Rawls 1988). Justice as the economic–ethical norm in the age of knowledge economy is the critical inheritance of the tradition of justice, and it is naturally endowed with the new ethical meaning of the new age. Two points must be clarified about justice: One is that the view of complete elimination of equal distribution as justice more emphasizes the equal opportunities for obtaining revenues or assets. Taken as a whole, the equality in terms of the differences in revenue and asset distributions and the opportunities for obtaining revenues and assets has more justice than equal distribution. The other is to insist on efficiency priority and at the same time maintain fair play and justice. To “maintain fair play and justice” hereby means the adjustment of the revenue distribution under the condition of maintaining equal opportunities, but never the equality of revenue or asset distributions. Meanwhile, opportunity equality cannot be realized at one sitting but it takes a certain process for its fulfillment. Opportunity equality can be clearly stipulated in laws and regulations, but in actual economic life, opportunity inequality can only be gradually reduced and opportunity equality can only be gradually realized. The adjustment of revenue distribution under the condition of opportunity equality can only be gradually realized by the various measures of the government. For that matter, only by prioritizing efficiency and adjusting revenue distribution can the sound social and economic development be assured and people’s material and cultural life improved. Surely, justice cannot be ignored in the transformation to the age of knowledge economy and its post period. Justice has enormous value power. Any sway of the principle of justice will fundamentally shake modern market economy and knowledge economy, and threaten human rational existence and development.

Generally speaking, in the age of knowledge economy, both the feudal wholism with the unilateral emphasis on wholistic interests and the individualistic economic ethics with the unilateral emphasis on individual interests will lose their rationale. The ethical basis of capitalism is individualism. Daniel Cui Doctor in both politics and law in his article published in the 2007 fall issue of *The Independent Review* in the US stated “The emergency of individualism is due to the fact that the individual is accustomed to the arrogant self-confidence of self-reliance, and he no longer

imagines how he still needs others help. This indicates the termination of all kinds of cooperations in the civil society...If individualism is let loose, it will obviously cause serious consequences. It will strangle economic prosperity, obstruct the progress of knowledge, degenerate civilization back to barbarism and enslave the people.”

On the contrary, the ethics of collectivism advocating the dialectic unity of individual interests and social and collective interests will acquire new meaning of the age, give forth more powerful life force and remain the quintessence of the ethical spirit of the new age. This new economic ethics is neither the one-way economic oppression nor the one-way ethical defense of economy, but the inter infiltration and interactive development of ethics and economy under the condition of contemporary knowledge economy. The rationale of the new collective ethics will not only be ultimately manifested in promoting the sound and orderly operation of knowledge economy, but also in promoting the harmonious development of man and society as well as man and nature, and in accelerating the historical process of human freedom and liberty.

In the age of knowledge economy, new collectivism as the new economic ethic is both the human dialectic control and value judgment of the interactive relationship between knowledge economy and economic ethic, and the strong will self-discipline and behavioral norm manifest through practice and accumulate in the deep of human souls. This new economic ethics is the important cultural bearing by which knowledge economy can be smoothly run, adjusted, and replaced, as well as the basic cultural model by which the social system, organizational principles, goal management, and policy guidance in the new age can be established, improved, and reconstructed. It is both the subjective display of human self-consciousness and self-design and the contradictory manifestation of the multi-faceted relationship between man and nature, man and society, and between man and his own soul.

In the final analysis, this new economic ethics truly starts from the human point of view and it is constructed and manifested around the state of human existential development. In the horizon of the new economic ethics, human beings are not only the means but also the goal. In the logic of social and historical development, full and free human development is the absolute directive. In fact, collectivism has already transcended the economic sector and become the universal ethics, the present generations should all follow.

August 8, 2008 saw the grand opening of the 29th Summer Olympic Games in China National Stadium. From various perspectives, people spoke highly of the gigantic scale and super performance of the Olympic Games. Journalist David Brooks made deep reflection from the perspective of collectivism and culture. On August 12, 2008, he published the article “Harmony and Dream” on *The New York Times* website. He believed that the world can be divided according to many different categories—wealth and poverty, democracy and dictatorship, and different divisions correspond to differences, the most striking of which is the difference between the society upholding individualism and the society upholding collectivism. What will happen when the collective society breaks away from economic stagnation? What if the collective society and especially the Asian economies are

rising and competing with the Western countries? There will appear new types of global dialogs. Beijing Olympic Games is exactly such a dialog. China hereby demonstrates firmly that development can not only be facilitated in the Western free style but also enhanced in the Eastern collective style. The opening ceremony demonstrates the long Chinese history but the most attractive part is undoubtedly the unified performance of thousands of Chinese—the unified beating of the urns and dancing, the swift running according to exact formation without any mistakes and clashes. We have seen the obedience of the masses before, but this is the contemporary collectivism—the harmonious social scene demonstrated by high-tech in the background of miraculous Chinese growth.

Brooks made deep reflection on the contemporary culture from the success of one Olympic Games. He pertinently pointed out that “If the Asian success once again initiates the debate on individualism and collectivism, then the power of individualism may not gain complete success or even cannot win advantage.” First of all, there are fewer individualistic societies on earth. Secondly, the nature of much latest scientific research shows that the individual choice advocated by the West is a wrong point of view, while China has the correct view to place society at the top. He drew the conclusion: The rise of China is not only an economic event but also a cultural event. The ideal of harmonious collective is perhaps as attractive as the American Dream.

Indeed, we must take the human perspective, consider human beings as the priority, and serve human needs; we must make collectivism promote the purposeful development of society and history, demonstrate its rationale, and complete the historical unity of rules, purposes, and norms. The social and historical development will find its own spiritual directive in this new economic ethics and guide the economic ethics to return to itself on a higher level.

The reemergence of the attraction of collectivism demonstrates that it is not only the new type of economic ethics in the new economic age but it should also become the universal ethics that human beings follow today.

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