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Philip Richardson

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Introduction

By the turn of the eighteenth century the economic expansion which had followed the Qing accession to power in the middle of the seventeenth century had begun to falter. In the early nineteenth century an impending crisis arising from a combination of internal problems which were novel in scale if not form was compounded by the effects of increasing Western intervention. Even if it was not realised at the time, it was no longer possible to progress or even contain the situation by employing exclusively traditional, Chinese, solutions. The subsequent interface between a pre-modern and still essentially traditional agrarian economy under pressure from within and the example (and the physical presence) of a modernising, industrialising West was mismanaged – by both sides. The Chinese body politic neither avoided nor embraced modernisation whilst for the West the lure of a vast Chinese market continued to outshine the reality. For a century across the late Qing and Republican periods the economy faced the conjunction of an inexorable population rise, continued Western penetration and internal political, social and military instability.

As a result, whilst in the middle of the eighteenth century China still stood as one of the most productive and technologically sophisticated economies in a pre-modern world, two centuries later it appeared as one of the more backward in a modern, industrialised era. It was, and remained, what Wrigley, in a different context, has termed an ‘advanced organic economy’ [16]. Indeed China, in many ways, represents *the* advanced organic economy *par excellence*. It continued to be predominantly traditional and overwhelmingly characterised by muscle-power.

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Although increasingly influenced by the external forces of modernisation, the economy, on the eve of the Communist take-over in 1949, still awaited its technological transformation and was yet to make the transition to a mineral-based energy nexus or embrace urban industrialisation as its driving force.

The economy was not, however, entirely devoid of dynamism and it would be quite wrong to portray China as exclusively traditional and stagnant, failing to generate any elements of modern economic growth. Even if the economy did not ‘modernise’ fully in a Western sense, it did continue to experience change – with both Chinese and Western characteristics. It could not have accommodated such a prodigious population rise (from *c.* 30 million in 1800 to almost 600 million by 1950) or adjusted to increased contact with (and progressive integration into) the international economy without demonstrating a capacity for adaptability and the ability to produce and distribute different products in different ways.

The underlying issues in China’s modern economic history can be posed in their simplest and most neutral form as how and why did the economy change in the way that it did to the extent that it did in the century and a half following the emergence of industrialism in the West? Almost inevitably from a Western perspective there has been a tendency to impose a negative comparative context on the search for answers. Why did Europe and not China produce an industrial revolution in the late eighteenth and early nineteenth centuries? And why, subsequently, did China fail to emulate an industrialising West?

One of the assumptions that underlies this Western-centric approach is that the Chinese experience can be explained in terms of the absence of the factors that are perceived to have determined the course of events in the West. But divergence from the European experience does not imply failure and it is important to recognise that China may have been different, not just superficially or in degree but in some of its fundamentals. The underlying philosophy was different, for example, and whereas Western societies operated, and were ruled through, a defined legal framework China rested on a moral code. That moral framework influenced the activities of the state and the ways in which markets functioned. The political economies differed, too, and it is inap-

appropriate to attempt to designate the Chinese state as strong or weak in Western terms because it was not its purpose to be so. Similarly, the moral basis of the market and the various institutions that it spawned should caution against any automatic and unqualified application of the logic of the free market [8: 84; 15: 72].

A second problem stems from the periodisations that have been employed in the analysis of China's economic history. These have derived either from political divisions – between early (or High) and late Qing with a dividing line somewhere in the early nineteenth century – or from distinctions between traditional and modern economies/eras or between pre-modern, early modern and modern epochs. Myers, for example, employs the criteria of population growth, employment and income distribution to distinguish between pre-modern, early modern and modern development with the pivotal early modern interlude between 1895 and 1950 characterised by conditions of economic dualism and limited modernisation [11: 5–22]. Even if the temptation to equate modern with Western is resisted and all of the connotations of European early modern development set aside, it is also necessary to eschew any assumption that all traditional pre-modern elements were inimical to modernisation.

Definitions of 'pre-modern', 'traditional' and 'modern' economies are fraught with difficulty. In this enquiry the term 'pre-modern' as applied to China is taken to represent an economy continuing to operate on the basis of organic sources of power where economic relationships were the product of long-standing, distinctive, 'traditional' beliefs and practices. This should not, of course, necessarily imply an economy that was incapable of accommodating substantial population growth or of generating increases in per capita output and incomes. The term 'modern' signifies an economy in which sustained and sustainable increases in per capita incomes are evident and where a technological transformation of industry and agriculture has led to increased output and structural change.

The process of change towards that outcome is seen more as a continuum characterised by an interplay between traditional and emergent modern elements in which the former did not necessarily inhibit change or need to be abandoned in order for the latter to become dominant. Rather, the precise form of the course of

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change was conditioned and facilitated by traditional elements. In China change comprised elements which were direct Western incorporations, elements which were the product of Chinese adaptations of Western techniques, practices or ideas and elements which emerged entirely as indigenous responses to internal problems but which were, nonetheless, ‘modern’ in form.

The last twenty-five years have seen significant shifts in our understanding of the process of change in China. Indeed, there have been revolutions in both what is to be explained and how it is to be explained – even if the final outcomes of those revolutions are still uncertain. In brief, a consensus which once diagnosed failure to emulate the example of the Western economies and which emphasised continuing stagnation to the point of immiseration has been challenged by a new paradigm. This now stresses adaptability and dynamism and, at its most ambitious, postulates the onset of modern economic growth across the first half of the twentieth century, not just within the Treaty Port sector but also across the rural hinterland.

As a result, explanations which once took as their starting point (or which were directed towards) an unchanging economy, devoid of growth and lacking a technological revolution, now focus on the much more interesting search for a means of explaining how the Chinese economy might have succeeded in generating growth – and succeeded in the absence of a full technological transformation, despite recurrent political, social and military instability, and in the face of mounting population pressure and uninvited encroachment by foreign economic interests.

Without seeking to deny the influence of social, cultural and institutional factors the focus of the enquiry here lies with an exploration of economic variables. The concern is with the dynamics of the interplay between continuity and change which facilitated, inhibited and determined not just the process of change but the emergence of modern features within the Chinese economy and, perhaps, the development of a modern Chinese economy.

Four elements will occupy the centre stage. The first, the macro-economic growth record, covers the extent to which the economy changed. The others – the commercialisation of the land-scarce labour-abundant rural economy, the extent and nature

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of the relationship between the foreign sector and the domestic economy, and the economic role of the state – form the keys to an understanding of the process of change.

The experience of an economy in which one-quarter of the world's population continued to live, work and feed itself from less than 7 per cent of the world's cultivated acreage warrants consideration in its own right and as an end in itself. The analysis of that experience, however, also has a significance for a number of much wider issues which lie beyond the scope of this particular study. It has an obvious and immediate bearing on our understanding of one of the major political watersheds of the twentieth century – China's 'Liberation' from the forces of imperialism and feudalism in 1949. Was the peasant-based revolution that brought the communists to power the product of a feudal, stagnating economy being forced towards immiseration or did it grow out of a highly commercialised rural economy continuing to display a strong underlying dynamism and, perhaps, already exhibiting a capacity for growth and development? Secondly, did the subsequent transition to socialism build on rather than inaugurate modern economic growth and industrialisation? And, in the longer term, did the collective approach adopted in the 1950s subvert and destroy the dynamics of a successful market economy – dynamics which were to reappear, or were to be recreated, in the post-Mao reforms led by Deng Xiaoping?

In addition there is a wider international and comparative dimension. The analysis can illuminate our understanding of the adaptability of peasant societies and of the relationships between advanced and backward economies, between rural proto-industrialisation and urban industrial capitalism, and between capitalism, imperialism and modernisation. More than this, the analysis may challenge not only the universal applicability of Western-derived conceptualisations of modern economic growth but the validity of some of the assumptions upon which those conceptualisations rest.

1

Analytical frameworks

The analysis of the emergence of modern economic development in China has centred on four issues: the categorisation of the overall experience within the spectrum from decline through stagnation to growth and development; the extent of the foreign involvement and the nature of its relationship to the domestic economy; the complex interaction of forces which determined the dynamics of change in the increasingly labour-abundant land-scarce rural economy; and the role of the state.

The debate has progressed through a symbiotic interplay between the formulation of a series of theoretical constructs and the presentation of a widening body of empirical data. As methodological weaknesses in the constructs have been revealed, as the empirical perspective has changed and as the ideological and political parameters have fluctuated, new approaches have opened up, new priorities have emerged and the enquiry has moved on.

Analytical development, however, has not altogether brought resolution. There is still no firm consensus on how the overall historical growth trajectory should be characterised, on the significance of the foreign influence, or on the explanations for change in the rural sector. Moreover, there are doubts about whether the various individual conceptual frameworks can adequately explain the main features of China's economic history as they are perceived and, perhaps most seriously, there are question marks over the validity of some of the assumptions which underwrite those frameworks. For one leading writer in the late 1980s, the existing constructs had not provided, and could not provide, a persuasive explanation. The whole field was portrayed as having

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reached ‘a paradigmatic crisis’ where it was necessary to ‘rethink assumptions and address the fundamental issues in new ways’ [9: 299].

For at least two decades after 1949 most economic historians employed one of two very different approaches in their analysis of Chinese history, concentrating on either the effects of feudalism and imperialism or the relationship between tradition and modernity [33]. Chinese scholars preferred the former, Western scholars the latter. Chinese writers, inevitably, built their analysis around a Marxist framework. The economy was seen as pre-capitalist and feudal – or rather as ‘semi-feudal’ – to signify a partly colonial society undergoing the transition from feudalism to capitalism. The analysis centred on the extraction of surplus value from peasant producers by an exploitative ruling landlord class and on the fate of a ‘natural’ subsistence economy where farming and handicraft production were tightly integrated. In this picture Western imperialism served both to reinforce the feudal institutions (and thereby heighten the potential for exploitation) and to undermine the handicraft basis of the ‘natural’ economy.

The identification of ‘incipient capitalism’ in the form of certain elements of commercialisation and capitalist production offered a corrective variant to this diagnosis with its implied acceptance of a Western ‘invention’ of capitalism. But, even if no longer viewed as unchanging, the economy continued to be seen as backward and unable to advance into industrial capitalism not simply because the imperialist presence perpetuated feudal exploitation and destroyed the handicraft sector but also because Western capitalist enterprises pre-empted or ‘oppressed’ the indigenous ‘capitalist sprouts’ and drained resources from the economy [9].

Within the alternative paradigm the West was initially seen as representing, and offering to China, the superior and beneficial forces of modernisation. That China did not respond to this Western impact was accounted for in a Weberian manner by emphasising the inhibiting traditional conservatism of the Chinese culture and of its social, political and economic institutions [5]. Prevailing cultural values prevented the state from promoting, and the economy from taking advantage of, the forces of modernisation offered by the West. Change within tradition was the most that could be achieved [2: 57–78; 26: 9–10, 300]. Modernised

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enclaves were established in the Treaty Ports but the vast rural hinterland remained unaffected.

Some historians, perhaps instinctively, were cautious about accepting this exclusively, or even predominantly, socio-cultural interpretation and it began to be countered and revealed as unconvincing. The mutually exclusive dichotomy between tradition and modernity was challenged and there has been a growing recognition that, at the very least, the values and beliefs of the traditional society were not all incompatible with change or even development in a Western sense [2: 80–2]. Indeed, further research began to suggest that ‘late-traditional Chinese values and ideas were in most respects already suitable for modern economic growth’ [106: 380].

From an economic perspective two variants emerged. On one side there were those who resisted any idea of a self-evidently positive gift of Western modernisation and came to see imperialism as damaging to its host – a line which culminated in the application of the ‘development of underdevelopment’ thesis and veered more towards the Chinese viewpoint [24]. On the other came a more aggressive defence of the positive features of Western contact. Western intervention, it was argued, did not lead to the destruction of Chinese handicrafts or to the systematic ‘oppression’ of indigenous producers or to a net drain of resources from the economy. Rather the outcome was positive, if limited modernisation. For Hou, whatever development there was emanated from contact with the West [120] and more recently Rawski has re-emphasised the stimulus given to the Chinese economy by foreign trade and investment [92]. Paradoxically, a similar line was taken in the 1980s by some Chinese writers reflecting the changed perceptions of the Deng Xiaoping reform era [118].

In a sense Western and Chinese approaches were similar, for both assigned the dominant role in the shaping of China’s modern economic history to the influence of the West. They also shared a common belief in the emergence of a dual economic structure with an advancing Western-inspired (or dominated) urban Treaty Port economy set against an unchanging and probably deteriorating traditional pre-modern rural economy. Both fostered a stagnationist view of the economy.

More recently, these approaches have come to be seen as

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excessively Western-centric and empirically unsound. As Cohen has pointed out they rest on the application of paradigms derived largely from the Western European experience which cast the West in the role of catalyst to an otherwise static Chinese economic environment and assigned to the West the decisive influence on Chinese policy-making [2: 6]. The identification of this conceptual shortcoming was reinforced by the findings of a number of important empirical studies. There was, for example, a growing recognition that China's pre-modern economy already functioned as a sophisticated and integrated market system. In addition, it began to be argued that quantitatively the economic impact of the West was not as great, and could not have been as great, as had been thought or implied. The physical presence of the West was geographically modest (at least until the 1930s), the volume and value of flows of goods and financial services through the Treaty Ports were found to be small in relation to the economy as a whole and the composition of those flows was such that they were seldom competitive with indigenous suppliers [91; 108]. The Western impact, in short, could not have influenced the overall economic performance significantly one way or the other. It seemed that the major Western influence on China was on its psyche rather than in its pocket and that China's responses remained overwhelmingly directed towards solving problems in Chinese ways [53: 33, 92–107; 117: 30, 39]. As a result, neither the feudalism/imperialism nor the tradition/modernity dyads in their original formulations appeared capable of providing a satisfactory analysis of the process of change, particularly as far as the rural economy was concerned. New, and rather different, constructs were required.

The way forward proved to be the application of a broadly Smithian classical approach which sought to encapsulate the Chinese experience within a framework which assigned the crucial dynamic role to the market against a background of population pressure on resources. The seminal work in what was to be a sequence of initiatives focusing on internal economic mechanisms was provided by Mark Elvin [4: 298–316].

Elvin's concern was to explain China's longer-term inability to maintain an earlier (twelfth-century) technological leadership and he sought to do so through what he defined as a 'high-level

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equilibrium trap' model. This Malthusian extrapolation postulates an economy in which technology (in this case pre-modern technology) determines the upper limit on the output generated by the available inputs of land and labour. Over time, as the technological frontier is reached, as best practice technology is generalised and as population presses on land the rate of output growth slows and eventually, with the onset of diminishing returns, becomes negative. An equilibrium position occurs when the potential output boundary is reached and intersects with the subsistence requirements of the population. Progress depends on raising the technological frontier and this can only be achieved by a breakthrough into modern technology. As the trap approaches closure, however, the surplus available for investment in that technology and the consumer demand base necessary to stimulate the breakthrough are both squeezed. The economy has neither the ability nor the incentive to advance.

In Elvin's view, this was precisely what was happening in China. Agricultural and industrial technologies were approaching, or had reached, their pre-modern frontiers. Crop yields were high even by modern standards and the existence of extensive commercial and transportation networks precluded a productivity boost from market integration. With the population rising more rapidly than land under cultivation, only a breakthrough into large-scale (and therefore expensive) modern technology could have held out the prospect of raising productivity levels significantly and so the creation of an income margin above subsistence. In these circumstances, the dominant agrarian economy could not finance, or stimulate the demand for, the industrial revolution in the non-agricultural sector necessary to facilitate the required breakthrough. China was caught in a high-level equilibrium trap. For Elvin, the impasse had been reached by the end of the eighteenth century. Others pushed the blockage forward. Dernberger argues for a closure by the end of the nineteenth century whilst Perkins selects the middle of the twentieth when the Manchurian safety valve had been exhausted [117: 26; 82: 32–5].

This approach proved highly influential, indeed some writers accepted the trap as the Chinese reality rather than as a device for analysing that reality. There are, however, a number of weaknesses with the model and its application, particularly for the period after