1 Introduction

Beginning in the late eighteenth century economic life in Western Europe was transformed. Revolutionary methods of manufacturing were developed and diffused. Inventors dreamed up new machines that increased by several hundred-fold the productivity of the human hand. New industries took root and expanded in Britain, Belgium, France and Germany. By the mid-nineteenth century, the scale of production in Europe was staggering. The decline in prices for cotton yarn and cloth, iron and other manufactures had no precedent in human history and the export of these goods led to deindustrialization in India, China and elsewhere. By 1850, Western Europe was the undisputed center of a new global manufacturing order.

Since the nineteenth century a number of explanations have been offered for why Europe industrialized and Asia did not. Advantages in markets, population, property rights, rationality, state systems and scientific life have all been invoked to account for Europe’s exceptional path of development. While the differences between these explanations have been much discussed and debated, less examined is a striking similarity in method. For despite their disagreements, they explain divergence in the same way. They all identify something that made Europe different, to which Europe’s divergent path is then attributed.

This book takes a different approach. Drawing on scholarship that points to profound similarities in political and economic institutions between the advanced regions of Europe and Asia, it rejects claims for European difference. This does not mean that these regions were identical. While there were some areas of economic life in which Europe was more advanced, in others the opposite was the case. However, the stark differences that were once believed to be plausible explanations for Europe’s divergence are looking less stark and less plausible.

Narratives which attribute divergence to difference are also less credible because understandings of economic life have grown more sophisticated. A diverse body of economic theory argues that there is
no straightforward correspondence between economic variables and economic outcomes. “Economies with the same deep properties could have markedly different equilibria” is how Joseph Stiglitz has put it in a review of the economics of information. More critical for the arguments of this book, however, are findings that the economic “situation” or context shapes the decisions, choices and actions of individuals. These advances in economic thinking indicate that divergent paths of development need not imply – nor require – deep differences in economic institutions, for context matters.

The approach to divergence taken in this work moves away from seeing economic development in the eighteenth century in binary terms, as either leading to modern industry or its failure. Instead, it points to the existence of plural paths of change, which were the products of the pressures and needs that the dynamic and diverse economies of Europe and Asia faced. Since pressures and needs, as well as the political response to them, varied systematically across this vast geographical space, it is not surprising that in the eighteenth century there was no single path of development. Britain diverged from Asia, as well as other parts of Europe, not because it possessed rationality, science, markets, capitalism or anything else in greater abundance, but because the pressures and needs it faced – in combination with its state policies – produced a revolutionary response.

Two pressures were critical in generating British divergence. The first was the competitive challenge of Indian cotton textiles, which in the eighteenth century were the most important manufactured good in world trade and were consumed from the Americas to Japan. British efforts to imitate Indian cloth propelled a search for new techniques of production, which culminated in the great breakthroughs in spinning of the late eighteenth century. These new technologies transformed the world economy and shifted the center of global manufacturing from Asia to Europe. The second was shortages of wood, a consequence of deforestation. The British response was the substitution of coal for wood, which sparked the development of the steam engine, new techniques for the smelting of iron and eventually new means of transport, including the railway and steamship.

Neither of these pressures – shortages of wood and competition from global trade – was found in eighteenth-century India. From this perspective, British advances in cotton and coal were solutions to problems that did not exist in the Indian subcontinent. Only one,
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ecological problems due to deforestation and dwindling supplies of wood, operated in large parts of China. Although coal was being used on an expanding scale in a number of Chinese regions in the eighteenth and nineteenth centuries, including the Middle and Lower Yangzi, coal alone was not a sufficient solution to what were complex ecological problems. Far more radical action was required. In China, as in India, British technological breakthroughs in cotton and coal, while revolutionary, did not address major needs. Therefore, the British path of change was either unnecessary or inadequate for the pressing social, political and economic needs of the advanced parts of Asia in the eighteenth century.

On European difference

Classic texts of the nineteenth century – as well as modern historical writings – argue that there were three broad areas in which Europeans possessed an advantage over Asians. The first is in the realm of markets and property rights, under which may be placed approaches that are rooted in Smithian and neoclassical economics as well as writings that originate in Marxian political economy, for the latter also identify differences in property rights as critical to the exceptional European path of development.

For Smithians and neoclassicals, Europe possessed a more efficient market system because there were fewer restrictions on commerce and Europe was more likely to be home to states that respected property rights. These conditions allowed Europeans to deploy their resources of land, labor and capital to better effect, which raised output and productivity and yielded economic growth. Constraints on the market in Asia included Chinese bans on foreign trade, which blocked the benefits of overseas commerce, and Indian caste-based limits on occupational mobility, which impeded the operation of the market. Asian rulers were also less respectful of the rights of private property, which hampered investment, economic improvement and mercantile activity.  

Marxian accounts concur that at least some parts of Europe possessed more efficient and productive property regimes than any part of Asia. The most influential is the work of Robert Brenner, who argues that the British path of development emerged from an exceptional system of property rights, which was coupled with a favorable distribution of landed property. With this rural class structure, English
agriculture underwent a revolutionary increase in productivity, which simultaneously released laborers for industry and supplied food to them. The agricultural producers of other parts of Europe, as well as the advanced regions of Asia, were unable to make such contributions, which blocked the emergence of modern manufacturing.\textsuperscript{4}

The second area of European advantage has to do with population and is rooted in Malthusian arguments that Europe possessed superior methods for maintaining the balance between people and resources. Malthus argued that preventive checks, such as a later age for female marriage, limited fertility and thus population size in Europe, but were absent from Asia. As a result, Asian populations were larger, more likely to outstrip available resources and controlled through positive checks, such as famine, pestilence and disaster. Because of their better ability to limit their numbers, Europeans saved more and accumulated more capital, which led to higher rates of growth and eventually higher incomes.\textsuperscript{5}

The third area of European advantage is in the realm of rationality. An influential line of thinking inaugurated by Max Weber argues that instrumental rationality, which has its roots in Protestantism, was unique to Europe and laid the foundations for a modern economy, polity and culture.\textsuperscript{6} While Weber acknowledged that India and China displayed sophisticated forms of reason, their full development was blocked by clan and caste institutions which limited individual freedom and channeled the exercise of reason into traditional lines. The influence of Weberian arguments has waned, but the exceptionalism of European forms of rationality continues to have its adherents. The source of this exceptional reason is no longer Protestantism but the Enlightenment, however, and it has become a culture of reason which created a new scientific outlook on the world, which was essential for the technological breakthroughs of eighteenth-century Europe.\textsuperscript{7}

Parallels in Eurasia

A substantial body of research on seventeenth- and eighteenth-century Asia challenges the above arguments for European difference. Consider the realm of markets and property rights. From the late sixteenth century, the Indian subcontinent entered a 200-year commercial boom in which the supply and use of money expanded, markets became a growing feature of daily life for much of the populace, and large
merchant fortunes were built. In Bengal and other manufacturing regions, the rising demand for cotton textiles led to the reallocation and more efficient use of resources. Across the subcontinent, the production of cloth for export created a sizable long-distance trade in raw cotton, dyestuffs and the cloth itself. While data to assess the efficiency of markets are limited, in the late eighteenth century interest rates in North India and Britain fell in the same range, which, if the conventional assumption that equates high interest rates with a backward financial system is correct, shows that credit markets in Britain and India were at a similar level of development.8

Property rights were also not as insecure as many writers have imagined. Indian merchants operated vast empires that spanned the subcontinent as well as the Middle East, Central Asia, East Africa and Southeast Asia, which is indicative of the security of mercantile property. By the eighteenth century, the advanced areas of India possessed highly productive agricultural orders based on generations of investment, which is evidence that agrarian property rights were also well defined. In the eighteenth century, Bengal, Gujarat and South India not only fed their own substantial non-agricultural populations, but also exported grain to other parts of India and across the Indian Ocean, which points to the limitations of Brenner’s arguments for the exceptionalism of English agriculture. Finally, historians argue that standards of living in Europe and India were more comparable than once imagined, which would mean that the economies of the subcontinent were more productive and advanced than has been long believed.9

Historians of China have identified similar parallels in the world of commerce. In his China Transformed, R. Bin Wong argues that early-modern China, as did Europe, experienced Smithian growth, which was propelled by the expansion of markets, the widening of trade and the extension of the division of labor. Kenneth Pomeranz builds upon this work and in his The Great Divergence demonstrates that the advanced regions of China and Europe were undergoing similar social and economic changes in the seventeenth and eighteenth centuries. In his words, it was a world of “surprising resemblances,” including parallels in land and labor systems, luxury consumption and capital accumulation.10

In the realm of population, R. Bin Wong, James Lee and others challenge longstanding Malthusian arguments for demographic
differences between China and Western Europe. Chinese and British fertility rates were not radically different, which suggests that preventive checks operated in both regions, for instance. Although the evidence for India is more limited, a variety of procedures to regulate fertility were practiced and these kept family sizes, and thus population, in line with land and food. The advanced areas of the Indian subcontinent were also relatively famine-free in the eighteenth century, which would suggest that Malthusian positive checks were not the method by which population was controlled.¹¹

Finally, in the world of reason, Weberian arguments that the caste system in India created economic blockages are now seen as incorrect. Although in the nineteenth and twentieth centuries caste came to be a more rigid and more pervasive social institution, these modern developments should not be taken to be longstanding features of Indian society. In the centuries before 1800, caste had less social power and was more flexible, which translated into greater social and occupational mobility. Historians and anthropologists have also begun to recognize that caste helped to promote economic activity in a number of ways. Most importantly, caste connections were a source of mercantile trust, which was invaluable for commercial transactions that were conducted across large spaces and over long spans of time. Finally, Weberian arguments on the superiority of European commercial practices, as reflected in techniques of management such as accounting, have been widely criticized. In both India and China, there is plentiful evidence for the diffusion of a rational and methodical approach to the world, which was manifest in systems of bookkeeping and accounting.¹²

This book also challenges the still deeply held belief in the uniqueness of early-modern European scientific culture. In the period from 1600 to 1800, intellectual life in the Indian subcontinent was far from stagnant and there were intellectual shifts which led to self-conscious searches for new forms of knowledge. Indian thinkers also began to place a higher value on understanding the natural world for the economic and political utility of that knowledge. States and rulers sought to compile both European and Indian learning to put it at the service of political power. Indian artisans were also exposed to European technical developments through contact with skilled individuals and the products of Europe. While Indian manufacturers benefited from the encounter with European techniques and know-how, the flow of information was by no means one way. Europeans sought out both
Indian learned men and artisans to gain access to their technical and scientific knowledge. Therefore, any portrayal of Europe as uniquely scientific and technological rests on a misunderstanding of conditions in the seventeenth and eighteenth centuries or projects the backward conditions that emerged in nineteenth-century India into earlier periods.

From anachronism to context

Edward Said’s *Orientalism* provided the inspiration for many historians, anthropologists and economists to reject the longstanding belief that Asia was essentially different from Europe. Said demonstrated that the construction of the “Orient” as the other of Europe has a long history but became firmly entrenched in the nineteenth century with the establishment of European colonial rule in Asia, an insight which freed many thinkers from oppositions of East versus West and tradition versus modernity. Independently of Said, however, a number of scholars – some of whom were trenchant critics of his writings – were rethinking histories that relegated Asia to backwardness and stasis. In the study of the Indian subcontinent, perhaps not coincidentally, this shift in understanding began in the 1970s, at the same moment that *Orientalism* was published.

Asia had long been portrayed as Europe’s other, but this image was solidified and popularized in the nineteenth century. Marx, whose writings on India were read widely, no doubt had some influence on the matter. In 1853, for example, he famously declared that India “has remained unaltered since its remotest antiquity,” a pointed contrast to the radical economic and political transformation of early nineteenth-century Europe. The nineteenth century also gave rise to the method by which the problem of divergence is understood to this day, the essence of which is to identify the social, political or economic feature which made Europe different from Asia. This then becomes the explanation for divergence. For Marx, it was capitalism which produced Europe’s divergence. Europe possessed capitalism, but Asia did not. For Weber, the answer was rationality, again, which arose in Europe but not in Asia.

This method assumes the same endpoint for economic development in all places and in all times. That end is modern industrial society. In the eighteenth century, the advanced areas of Europe followed the natural
path to industry, while the economically developed parts of India and China were blocked, but they too would have taken that path if they had possessed the European features that they lacked. This method is anachronistic because it projects industrial society – an economic and social order which emerged in the nineteenth century and only then became universally desired – into earlier historical periods.

In *The Problem of Unbelief in the Sixteenth Century* Lucien Febvre cautioned that historians must resist the urge to “bring to bear . . . our ideas, our feelings, the fruit of our scientific inquiries, our political experiences, and our social achievements” on the past. Febvre issued this warning in response to anachronisms in the study of religious ideas, but it is equally applicable to the world of economic action. When studying economic life in the centuries before 1800, historians must not “bring to bear” ideas and social categories that emerged in the nineteenth and twentieth centuries. Just as unbelief became possible only in the seventeenth century, industrial forms of production entered the economic lexicon only in the nineteenth. The term industrialism itself – “to indicate a new order of society based on organized mechanical production” – was first used in the 1830s, which betrays the nineteenth-century origins of the concept of industrialization.

In the nineteenth century industrial society came to be seen as the end of economic development and became the measure of economic success. To assume that industrialization was the path in which economies were moving in earlier periods – unless it was blocked or the proper preconditions were missing – is anachronistic. Marx, Weber, North and other writers on divergence project a nineteenth-century imperative, an industrial economy, into historical periods when such a mode of economic organization was not a category of thought. Even the leading economic thinkers of the eighteenth century, including Adam Smith, did not conceive of industrialization as the direction of economic change, as betrayed by Smith’s failure to anticipate the industrial order that emerged within decades of the publication of the *Wealth of Nations*.

How can one construct comparisons that are not anachronistic? One possibility is the method of reciprocal comparison, which has been used by R. Bin Wong and Kenneth Pomeranz. According to Pomeranz, this method allows the historian to view “both sides of the comparison as ‘deviations’ when seen through the expectations of the other, rather
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than leaving one as always the norm.” The task of the historian is “to look for absences, accidents, and obstacles that diverted England from a path that might have made it more like the Yangzi Delta or Gujarat, along with the more usual exercise of looking for blockages that kept non-European areas from reproducing implicitly normalized European paths.” This procedure has the great merit of denaturalizing the European path of development. It continues to operate, however, within the framework of presences and absences, of things that Europe possessed but Asia did not. It therefore conceives of economic development as following one of two routes – the European and the not European or the industrial and the not industrial. This retains the familiar nineteenth-century framework of industrialization as the universal path of development, unless it is blocked.

This book follows an alternative method of comparison which rests upon three principles. First, in the seventeenth and eighteenth centuries there were a variety of economic and political goals which produced plural paths of development. Second, different paths of economic change were the products of human agency and choice, and were shaped by social, political and economic context. Context refers to more than economic variables and institutions, such as prices, markets, property rights and population, or cultural qualities, such as reason and science, all of which have been invoked in the debate on divergence. The essential elements of the context are the specific conditions under which individuals operated and reshaped their economic lives. Since global competitive challenges and ecological pressures varied across Eurasia, it is not surprising that economic actors had different menus of choices. Finally, there is a political dimension to economic life. State actions were critical in determining paths of development in both Europe and Asia from the seventeenth to the nineteenth centuries. State actions encompassed more than enforcing property rights and maintaining the rules of the market. States in Eurasia shaped local, regional and long-distance trade, transformed the ecology, and pushed forward the scientific and technological frontier, among other things, and these actions were economically productive.

With hindsight one can conclude that industrialization produced the divergence between Europe and Asia, but neither Europeans nor Asians in the seventeenth or eighteenth centuries were attempting to develop an industrial society. Only from the nineteenth century did men and women make economic and political choices with that goal.
And from that moment, industry became the universal yardstick of economic development. Before then the advanced regions of Europe and Asia were following different paths of economic change as they each responded to their own economic, political and social pressures and needs. In the centuries before 1800, the paths of economic change were diverse and multiple.20

The Western European path of change was without a doubt extraordinary, but this was not because economic or technological dynamism was unique to that part of the world. Europe followed an exceptional path because it faced a set of pressures which were absent in India and only partly found in China. Therefore, India and China had no need to forge the economic and technological responses that emerged in Europe. India and China were not failures but took different routes which were shaped by their different contexts. By the nineteenth century, the European solutions became the basis for an industrial society, but industrialization in Western Europe did not emerge from an effort to industrialize. It was an unanticipated, unforeseen and unintended outcome of the economic and social needs that were found in that part of the world.

Two pressures loom large in this book. The first emanated from the global trading system, in which the position of Europeans was very different from that of both Indians and Chinese. In the world economy of the seventeenth and eighteenth centuries, silver flowed from west to east, balanced by an opposite flow of manufactured goods. And from the seventeenth century Europeans faced sustained competition from Asian imports, including cotton textiles, porcelains, ships, silks and even fans and furniture. Historians are beginning to recognize that some of the most dynamic sectors in eighteenth-century Europe were those that were seeking to imitate and compete against the products of Asia.21 Of these, the European encounter with the cotton textiles of India would prove to be the most momentous for the divergence between Europe and Asia. Indian and Chinese manufacturers did not face such global competitive pressures, and, as a consequence, the powerful incentives for innovation that the global economy transmitted to Europe were absent.

The second pressure that differed across Europe and Asia lay in the realm of ecology, specifically in the supply of wood. While Britain and parts of France and central Europe faced shortages of wood, which was essential for fuel, building material and countless other uses,