Introduction

Until the 1960s, historians viewed China's history – and especially its economic history – through the lens of Western teleologies of historical change predicated on the progress of "freedom," leading either to capitalist democracy or socialist utopia. As I have written elsewhere, whether construed in Weberian terms as a peculiar type of "bureaucratic feudalism" or in Marxist categories as a species of the "Asiatic mode of production" genus, both Western and Asian scholarship portrayed imperial China as a static society whose periodic changes in regime barely caused a ripple on the stagnant pond of despotism.[1] The immobility of imperial Chinese society and economy typically was attributed to the parasitic nature of the imperial state and its dominant social class, the "gentry." Although the Chinese empire was believed to share the basic features of "oriental despotisms" in general, its unique longevity could be explained by the remarkable durability of the gentry's dominance over government office, landowning, intellectual life, and culture. In contrast, for example, to the dispersion of social power among monarchs, warriors, clerics, seigneurs, and urban corporations in medieval Europe, the gentry monopolized political, economic, and cultural authority and deflected challenges from any insurgent group, be they merchants, military officers, or disaffected intelligentsia. In the eyes of Marxist historians, the persistence of gentry rule perpetuated feudal property ownership and relations of production in which the rentier elite absorbed the surpluses generated by the peasant families under their dominion. American scholars balked at employing the category of "feudalism," given its Marxist associations, but their paradigm of "traditional" Chinese society essentially conformed to this depiction of economic inertia.

The most potent challenges to this image of an unchanging China were voiced by Japanese historians. Naitō Kōnan, writing in 1914, was the first to posit a fundamental transformation in Chinese government and society from the eighth to the twelfth centuries (what has become known as the

[1] For further elaboration of the historiography of imperial China discussed here, see von Glahn 2003a.

"Tang-Song transition") during which aristocratic domination dissolved and was superseded both by a more autocratic state and greater autonomy for village society. Naitō's disciple Miyazaki Ichisada, in his 1950 book *East Asia's Modern Age*, likened the Tang-Song transition to the European Renaissance, both of which exhibited the secularization of society and culture and the rebirth of rational philosophy on one hand, and the rise of cities, commerce, and the free disposition of property and labor on the other, that have become hallmarks of the modern world.[2] Japanese Marxist historians, in contrast, interpreted the Tang-Song transition as the moment in which a feudal society based on serfdom eclipsed the ancient slave-labor economy. In their view, in contrast to genuine forms of feudalism – to be found in the medieval eras of both Europe and Japan – Chinese feudalism proved resistant to further social development because of the ineluctable tenacity of China's patriarchal social institutions of family, lineage, village, and guild.

The crucial breakthrough in the conceptualization of China's premodern economy came in the 1960s. Shiba Yoshinobu's magisterial study of the commercial economy of Song China (tenth to thirteenth centuries) marked a crucial departure from linear conceptions of history to study the facts of economic life.[3] In meticulous detail Shiba reconstructed the innovations in transport, agricultural and industrial productivity, markets, urban structure, business enterprise, and credit and finance that stimulated an unprecedented commercial efflorescence. As Shiba demonstrated, the Song period witnessed the formation of regional, national, and international markets for a wide range of commodities, including staples such as grain, salt, and timber and new consumer products (tea, sugar, porcelain) as well as luxury goods. Although Shiba's study focused on private commerce and the formation of commercial capital, he disavowed the idea that the rise of the market economy heralded the emergence of a bourgeois social class. At the same time Robert Hartwell published a series of provocative essays on the coal and iron industries in Song China that offered further corroboration of the importance of market demand for industrial development.[4] Hartwell's study attested to prodigious iron and steel output by large-scale enterprises utilizing technologies such as blast furnaces and coking far beyond anything available in the West at the time. While primarily stressing the demand for iron goods emanating from urban markets (and especially the Song capital of Kaifeng), Hartwell also underscored the contributions of the Song state – in providing domestic peace, a stable monetary system, transport facilities, and predictable economic policies – in reducing risks and fostering private investment.

[2] Miyazaki 1950. [3] Shiba 1968. [4] Hartwell 1962, 1966, 1967.

The fruits of the pioneering research by Shiba and Hartwell were gathered together into a far more ambitious interpretation of China's premodern economy proposed by Mark Elvin in his seminal study, *The Pattern of the Chinese Past* (1973). Elvin divided his analysis of Chinese history into three parts that surveyed (1) the main features of political economy from the early empires down to the fourteenth century, with a focus on the military and fiscal capacities of the imperial state; (2) what Elvin dubbed "the medieval economic revolution" of the eighth to thirteenth centuries, focused on technological and institutional changes that enabled unprecedented growth in agriculture, industrial production, commerce, and cities; and (3) the flattening of growth and technological stasis throughout the late imperial period (from the fourteenth century onward), resulting in what he described as "quantitative growth and qualitative standstill." Elvin concluded that the turning point in China's economic development came during the fourteenth century, pointing to three changes or reversals that deterred further investment, material and intellectual, in technological innovation: (1) the diminution of foreign contact and trade resulting from the Ming state's self-imposed maritime embargo, which cut off China from international trade, vitiated its navy, and hindered the development of national identity; (2) the "filling-up" of China's frontiers and closing of outlets for emigration, resulting in a worsening imbalance in the labor/land ratio that discouraged labor-saving innovations; and (3) the waning of philosophical interest in the natural world and efforts to gain mastery over it, thus precluding the emergence of "science." Despite important developments in the late imperial period (especially during 1550–1800), including the disappearance of serfdom, the growth of rural trade and industry, and increased scale of economic organization, China remained encased in a technological cul-de-sac that precluded a breakthrough to an industrial revolution.

Elvin's book was not intended as a comprehensive economic history, but it did advance a bold and novel thesis to explain long-term changes in the Chinese economy and its failure to generate the kind of transformative change wrought by the Industrial Revolution in the West. Equally importantly, however, Elvin established the idea of a "medieval economic revolution" in China that confounded the universal categories of Western social science and challenged commonplace assumptions about the primacy of the Western European historical experience. Historians of late imperial China responded to Elvin's contrast between the medieval economic revolution and the merely incremental pace of subsequent economic growth by asserting that from the sixteenth century onward China underwent a "second economic revolution" characterized by: the disappearance of bound labor; the ascendancy of private enterprise over state economic management; the growth of rural industries; the increasing spatial range of the market; higher levels of monetization in private trade and public finance; a greater volume of foreign trade; and dramatic increases in the size of the population and economic output.[5]

Nonetheless, despite the emerging consensus that the market exerted a growing influence on economic life from the Song dynasty onward, many scholars shared Elvin's conviction that China's late imperial economy remained trapped in some form of structural equilibrium that prohibited transformational growth. In contrast to the focus on commercial development in the studies by Shiba, Hartwell, and Elvin, scholars such as Kang Chao and Philip Huang emphasized the constraints imposed by the inherent limitations of a peasant economy dominated by small family farms.[6] Chao and Huang argued that the persistence of a peasant mode of production driven by family subsistence needs inhibited labor-saving technological innovation and the formation of capital-intensive farming. Access to land and market opportunities ironically reinforced, in Huang's words, an "involutionary" pattern of diminishing labor productivity and "growth without development." Kent Deng singled out the crucial importance of the "absolute" landownership rights of free peasant families as the key to a structural equilibrium that in his view was congruent with the development of the Chinese empire since its origins in antiquity. Deng postulated that the interlocking effects of Confucian ideology, the imperial state, and the landholding system promoted economic stability, a decent and at times affluent livelihood, commercial expansion, population growth, and military security, but the strength of this fundamentally agrarian system also deterred transformative change.[7]

This notion that China's economy was constrained by a peasant mode of production has been disputed by scholars steeped in the tenets of neoclassical economics who argued that farming families were inculcated with norms of diligence, thrift, and accumulation and responded positively to shifts in factor prices within smoothly functioning, competitive markets largely free from government interference. Although the constraints of premodern technologies – especially in transport – limited the potential for market-driven development, the growth of regional and international markets after 1870 (at least in some favored areas) because of improvements in transport, information, and technological diffusion generated rising real incomes and sustained economic growth before the onset of the Great Depression and the Japanese invasions in the 1930s.[8] The involution thesis also was challenged by Li Bozhong's contention that – in contrast to Elvin's depiction of technological stasis in the Ming-Qing era – Chinese farmers continually innovated by developing new agricultural technologies and investing

[5] Rowe 1985. [6] Chao 1986; Philip Huang 1985, 1990. [7] Gang Deng 1999.
[8] For a summary of this argument and the scholarship supporting it, see Myers 1991.

household labor in handicraft industries that boosted family incomes and rural prosperity throughout the late imperial era.[9]

The dispute over the nature of the Chinese rural economy ultimately hinged on the question of whether it should be understood primarily as a product of China's unique historical experience – the most crucial features of which were the predominance of small family farms and a distinct "peasant" mentality – or, conversely, as one governed by universal laws of economic behavior in which farming households responded affirmatively to market incentives, behaving much like entrepreneurial firms. In the 1990s, the search to transcend the apparent stalemate between these conflicting views gave rise to what has come to be known as the "California School" of Chinese economic history. Applying the analytical tools of comparative economic history to the study of China's late imperial economy framed within a world-historical perspective, the California School group challenged long-standing assumptions about the inherent superiority of Western institutions, culture, and government for the promotion of economic growth.[10] In his provocative study of the "Great Divergence" that led to the Industrial Revolution breakthrough in Britain but not elsewhere, Kenneth Pomeranz raised the question of whether institutional differences in fact produced divergent outcomes in economic performance.[11] Pomeranz contended that despite their different institutional matrices, the most economically advanced regions of the premodern world – including not only Britain and the Netherlands in Europe and China's Yangzi Delta, but also Bengal in India and eastern Japan – evinced fundamental similarities grounded in what Adam Smith identified as the motive forces of economic growth: the expansion of markets and the specialization of labor. Pomeranz thus repudiated Huang's involutionary model in contending that Chinese farming families and entrepreneurial firms alike responded efficiently to price-setting markets for land, labor, and capital. At the same time Pomeranz emphasized the limits to Smithian dynamics of economic growth and the intensifying constraints to further development, largely due to exhaustion of natural resources, that all of the leading economic regions of the world faced by the end of the eighteenth century. The breakthrough to modern economic growth came not from further

9 Li Bozhong 1998, 2003.

10 The term "California School" was coined by Jack Goldstone 2000. The seminal works in this vein of scholarship were Wong 1997 and Pomeranz 2000. Other notable expressions of this approach (whose analyses and conclusions nonetheless diverged in many respects) include Flynn and Giráldez 1995; von Glahn 1996a; Lee and Campbell 1997; Frank 1998; Li Bozhong 1998; Marks 1999; Goldstone 2002; and Sugihara 2003. Among other issues, the California School scholarship also challenged the common view that integration into the global economy since the sixteenth century had negative repercussions that impoverished the Chinese population and subjected China to domination by Western imperialism and capitalism. On this point, see in particular von Glahn 1996b, Frank 1998.

11 Pomeranz 2000.

extension of Smithian market dynamics, but rather from Britain's unique advantages for resolving resource constraints through its colonial empire and for developing the revolution in energy (coal-powered steam technology) that was the true basis for the Industrial Revolution.

The tempestuous debate over the "Great Divergence" incited by the work of Pomeranz and other California School historians without doubt has been the most hotly contested issue as well as the most vitally creative catalyst for new scholarship in the field of comparative economic history during the past fifteen years.[12] The most important influence of the California School scholarship – and what will be its enduring legacy – has been its insistence on precision and consistency in comparing economic institutions and performance in Europe, Asia, and beyond. In response to – and the response overwhelmingly has consisted of efforts at refutation – Pomeranz's "Great Divergence" thesis, economic historians have focused intently on developing quantitative measures of economic performance to test its arguments. As a result, the recent wave of scholarship on the Chinese economy in comparative historical perspective has mostly been confined to issues and time periods for which quantitative measurement might be feasible (and yet still, as we shall see, severely hindered by the limitations of empirical evidence). As a result little of this scholarship examines Chinese economic history before the eighteenth century. Moreover, for reasons that defy ready explanation, the "Great Divergence" debate seems to have engaged economists more than historians, and the impetus for new research stimulated by it has largely come – apart from the California School scholars themselves – from Asian and European scholars rather than the North American academic community.

As welcome as the new attention to the economic history of China generated by the "Great Divergence" debate is, the narrow focus of recent comparative scholarship on particular institutions and quantitative measurement has caused scholars to lose sight of the Chinese economy as a whole and its historical development. Insufficient attention has been paid to the fact that the value of institutions always is context-specific; there is no set of institutions that is optimally valid under all historical circumstances – a point forcefully argued by Pomeranz, but often ignored. The purpose of this book is to tell the story of the Chinese economy in its own terms; or, perhaps I should say, to view the story of Chinese history through the lens of economic livelihood. Scholars and students of Chinese history as well as comparative economic historians presently lack access to even basic knowledge about Chinese economic history. General economic histories of China have been published in China – perhaps most authoritatively, the sixteen-volume *Comprehensive*

[12] For further discussion of the debates over the Chinese rural economy and the California School scholarship, see Chapter 9.

Economic History of China (中国经济通史) published by Jingji Ribao Chubanshe (2nd edition, 2007) under the guidance of eleven editors – but they remain encumbered by shopworn Marxist paradigms and fail to incorporate virtually any Western scholarship, and Japanese scholarship only intermittently. Surprisingly, synthetic surveys of Chinese economic history rarely have been attempted by Japanese scholars in the past half-century. Mention should be made of a recently published volume edited by Okamoto Takashi, which provides a cogent but highly abbreviated survey of Chinese economic history from the Neolithic era to the advent of the recent economic reforms launched in 1978.[13] But this work, with some exceptions, draws almost exclusively on Japanese scholarship. Elvin's *Pattern of the Chinese Past*, now more than forty years old, has served – and for the most part served well – as the basic point of reference for Western scholars and students without command of the Chinese or Japanese languages, but Elvin's book was not intended as a comprehensive economic history of China, and much of its content has been superseded by new knowledge.

This book, which spans nearly thirty centuries from the Bronze Age to the dawn of the twentieth century, immodestly attempts to fill this void. As the brief synopsis of recent debates over the premodern Chinese economy delineated above suggests, this field of study is riven by clashing interpretations, and as the following chapters will show, consensus is elusive on many major issues for virtually every period of Chinese history. Since this book is intended to be a work of synthesis, I have striven to achieve balance and objectivity; where I have waded into scholarly controversies and made my own interpretative choices, I have tried to acknowledge differing opinions and to justify my own judgments. My allegiance to the California School – as a matter of method, not doctrine – will be self-evident, but I hope I have succeeded in providing a fair hearing to opposing points of view.

My goal has been to write a coherent, synthetic narrative of the development of the Chinese economy over the very long term based on the best available scholarship. Of course, given the constraints of time, space, and resources, omissions are inevitable, and worthy scholarship undoubtedly has been overlooked in places. I have not proposed an overarching theory of the Chinese economy; my hope is that in this case, truly "le bon dieu est dans le détail." But there is indeed a polemic that underlies this narrative. In the first place, this study repudiates any linear, stadial notion of history or economic development. Second, it disavows a fundamental tenet of neoclassical economics, namely the idea that the market is *the* driving force in economic development and the creation of wealth. Modern economic growth (and this was true of

[13] Okamoto 2013. Nearly half of the Okamoto volume is devoted to fifty-nine self-contained short essays (one to three pages each) that provide valuable digests of specific topics and institutions.

premodern economic growth as well) principally derives not from the expansion of markets, but rather from innovations fostered by new knowledge and technology. The narrow attention economic historians have focused on the market has obscured the impact of other institutions – most notably, the state – in promoting economic development.

Needless to say, in the case of China, where the imperial state endured for two millennia, the presence of the state loomed especially large in the lives and livelihoods of its subjects. As noted above, the remarkable durability of the imperial state has induced Western social theorists to categorize China as a form of "oriental despotism" in which the stultifying effects of imperial rule imparted a profound inertia to political and economic institutions that defied the norms of economic behavior and economic history. This characterization of Chinese "despotism" has persisted in Western social science even in recent times.[14] Over the past several decades, Chinese historians have endeavored to counter this false image by delineating the dramatic expansion of the private economy since the mid-sixteenth century, the diminished role of the state in governing economic life, and even the possible emergence of a "civil society" in which the state granted substantial autonomy to local community leaders. In a different vein, the work of R. Bin Wong has rehabilitated our understanding of the late imperial Chinese state, refuting the caricature of a despotic and arbitrary government dedicated to the enrichment and opulence of the sovereign by elucidating the actual goals, capacities, and commitments of its leadership and the ways in which state actions – not necessarily deliberately – made positive contributions to economic growth.[15] Nonetheless, the conviction that late imperial China should be seen as a "patronage economy" that "obstructed innovation and also encouraged widespread corruption" remains widespread, even among scholars who specialize in the study of the Chinese economy.[16]

In the study of European history, growing numbers of economists and historians have begun to recognize that the consolidation of power in the hands of territorial states during the early modern period enhanced the state's fiscal and infrastructural capacity and encouraged state interventions to promote economic welfare that had positive effects on economic growth. Rather than dismissing the state as an invariably rent-seeking encumbrance continually interfering with the free play of market forces, this body of scholarship has

[14] See Mann 1986, Landes 1998, Macfarlane 2000, and Acemoglu and Robinson 2012 for influential examples.
[15] Wong 1997, 2012.
[16] Brandt, Ma, and Rawski 2014: 79. This is only one aspect of the imperial state analyzed by this group of authors, but in their view the patronage economy is one of the imperial state's legacies – and perhaps the main one – that persists in the People's Republic of China today. See ibid.: 106.

sought to recuperate the crucial importance of the early modern state in fostering or abetting economic developments that culminated in the emergence of capitalism and the Industrial Revolution.[17] The state did so through promoting and protecting new knowledge, investing in public goods, and incubating nascent strategic industries through policies that can be broadly described as "mercantilist" in the sense defined by Gustav Schmoller in 1884: "the total transformation of society and its organizations, as well as of the state and its institutions, in the replacing of a local and territorial economy by that of the national state."[18] Centralization of political power curtailed seigneurial and urban monopolies, privileges, and jurisdictional authorities that had hindered market integration, commercial competition, technological diffusion, and industrial investment.[19] War-making, despite the short-term devastation it inflicted, exerted crucial influence on state formation and long-term economic development.[20] Rather than simply an extension of Smithian dynamics of market expansion and labor specialization, economic growth in early modern Europe was nurtured by Schumpeterian principles in which it is not perfect markets, but rather imperfect markets, that spur innovation and economic growth. The quest for national sovereignty and geopolitical power led not only to an expansion of the fiscal capacity of the state, but also to the protection of property rights (including intellectual property through patents), investment in "infant" industries, greater mobility of skilled labor, the acquisition of new technologies, and the creation of trade networks that extended around the globe.[21]

We also see this Schumpeterian dynamic at work in Chinese history. The imperial state was not a monolithic entity. Just as the economy evolved over time, so did the state and its institutions. The dialectic between the fiscal operations of the state and the wider economy yielded divergent results under different historical circumstances and ideological commitments. From a Schumpeterian perspective, at times the Chinese imperial state galvanized economic growth by providing domestic peace, international security, and investment in public goods – education, welfare, transport systems, water control, and standardized market institutions – as well as creating an institutional infrastructure that enabled Smithian growth in agriculture and

[17] I am particularly influenced here by the work of Reinert 1999; Epstein 2000; Reinert and Reinert 2005; and O'Brien 2012. See also Vries 2015, which appeared too late for me to incorporate here.
[18] Schmoller 1967: 51. Regrettably, our understanding of the historical role of mercantilist ideas and policies has largely been shaped by one of mercantilism's most hostile critics, Eli Heckscher (1955). For a more historically grounded and balanced assessment of mercantilism, see Magnusson 1994.
[19] Epstein 2000. [20] Findlay and O'Rourke 2007; Rosenthal and Wong 2011.
[21] Reinert and Reinert 2005; O'Brien 2012.

commerce. The state's role in creating demand (including war-making) also figured significantly in stimulating economic development. During the late imperial era, China's rulers embraced the Neo-Confucian ideological abhorrence (not unlike that of neoclassical economics) to state interference in the private economy. Although this commitment to light taxation and minimal state intrusion – a far cry from the "oriental despotism" imagined by Western social theorists! – had positive effects in encouraging Smithian dynamics of economic expansion, the weak infrastructural capacity of the state limited the potential for economic growth along Schumpeterian lines as was happening concurrently in early modern Europe.

That, at least, is a hypothesis that should be subjected to rigorous research and analysis. This study will, I hope, provide a new set of benchmarks for comparative economic history, but my principal intention is to present a coherent narrative of the development of the premodern Chinese economy. Above all, it is my fervent wish that this study can begin to do justice to a proper understanding of the lives and livelihoods – and the diversity, imagination, and industry – of the Chinese people over the past three millennia.