

1 *Introduction*

Globalization in the Early Modern Era

When archaeologists dig into Dutch soils, and in particular in the cess-pits that are usually their richest sources, they notice a clear break around the year 1600: after that year, Chinese porcelain, or the shards and pieces that have remained of it, is frequently found, especially in places close to Amsterdam (Ostkamp 2014). The influence of the Dutch East India Company (*Verenigde Oost-Indische Compagnie*, VOC), which began to import this luxury product in those years, can be noticed immediately. And then, in the 1640s, there is another discontinuity: Chinese porcelain suddenly disappears, and Japanese and Dutch copies arrive at the scene. The political troubles of those years – the large-scale warfare that brought about the transition from the Ming to the Qing dynasty – made it impossible for the VOC to continue importing from China. They turned to Japanese manufacturers who were eager to satisfy the growing demand from Europe; at the same time entrepreneurs in Holland – especially in the town of Delft – experimented with similar technologies to make a product that would be similar to Chinese porcelain; Delft blue was born, but it took a long time before Europeans managed to achieve the same high-quality product made by the Chinese. After peace returned, Chinese products took over the market again, but Japanese and Dutch products continued to occupy a small niche in this rapidly growing market. This is only one of many examples that show how integrated the world economy had already become in the seventeenth century. War and political unrest in China had serious repercussions for producers in Japan and Holland, and international merchants – the VOC in this case – linked these markets and producers into one global network.

Over the past decades, academic debate in history has focused on the question of whether the modern concept of ‘globalization’ could be meaningfully applied to describe this earlier period of global

interaction. The answer to the question depends largely, of course, on one's preferred definition. The term 'globalization' was first included in an English dictionary in the 1960s, but its usage exploded in the 1990s.¹ In the public domain it is often understood as the process of a 'shrinking world', or the world becoming 'a global village', spurred by multinationals like McDonalds and technologies like the internet. Social scientists have studied the phenomenon extensively, but have yet to reach consensus on a definition. One influential scholar defined it as 'the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa' (Giddens 1990, p. 64). Scholars have looked at different dimensions of globalization – cultural, political, environmental, as well as economic – and have found traces of the process since antiquity (Held et al. 1999).

In this book, we focus on economic globalization and its effects on economic development in the early modern era. Among economic historians two definitions of globalization have been influential. On the one hand there are those who have adopted a rather broad definition of the process, like Dennis Flynn and Arturo Giraldez (2008, p. 369), who propose that globalization is the 'sustained interaction between all the world's heavily populated landmasses [i.e. Eurasia, Africa and the Americas] both directly with each other and indirectly through other land masses – in a manner that deeply and permanently linked them'. They suggest that a focus on purely economic globalization is 'doomed' and argue that globalization should contain ecological, demographic, cultural as well as economic elements. Flynn and Giraldez (2004) thus emphasize the Columbian exchange of plants, diseases and animals across the oceans in general, and the adoption of New World crops, by the Chinese in particular. Specifically, they point out the foundation of Manila in 1571 as the starting date of globalization, as that inaugurated the direct link between all continents and in a way, by connecting the Americas to Asia, closed the circle of global interactions. In his review of the globalization debate, Jan de Vries (2010, p. 713) christened their definition 'soft globalization'.

In opposition to such a broad definition, there is the more narrow definition of 'hard globalization'² as the integration of factor and commodity markets, as adopted by Kevin O'Rourke and Jeffrey Williamson (2002a). In this definition, globalization is driven by declining transaction costs: transport costs, information asymmetries, monopolies and

other barriers to trade. These costs drive a gap between prices in purchasing and selling markets and the best evidence of a decline in these costs taking place, and thus of the integration of commodity markets, is the decline in the price gap across the globe. Price convergence is therefore the crucial test of a globalizing world. On the basis of this definition, and the data available to them, O'Rourke and Williamson (2002a) suggest that there was no globalization before the 1820s, as global commodity prices did not converge before that decade.

This book is centred around the question of how global interaction created the global economy and led to crucial transformations of its various components in the period between 1500 and 1800. While we will also discuss some of the trends in regional migration and trade (e.g. that between China and Southeast Asia), our focus is on long-distance overseas trade – connections between the world's continents. Compared with the overland trade across the Silk Road that dominated during *Pax Mongolica*, overseas trade was in general faster, cheaper and, perhaps most importantly, less vulnerable to political instability across Eurasia. It is clear that from roughly around 1500 onwards, for the first time in human history, all major parts of the globe were in consistent contact with each other. This was a period of sustained global interaction and, as a result, many components of this newly created world economy were profoundly transformed. We suggest that this 'soft globalization' was almost everywhere, and as a broad process, its consequences could be far-reaching. In some cases, this also led to global economic integration, or 'hard globalization', as measured by price convergence, but not always. However, our main point is to show the many different ways in which societies were transformed; these differences were influenced by a combination of geographical and institutional factors. In some cases, global interaction played only a limited role in such transformations. This was the case for, e.g., India – although integrated in the global economy (as measured by price convergence – see Chapter 2), change was largely domestically driven; while Latin American societies, on the other hand, were completely transformed as a result of external factors. For Europe, the creation of networks of global connections had entirely different consequences than for China or for Indonesia – or for sub-Saharan Africa for that matter. These many faces of globalization are the subject of this book; we try to explain why different parts of the world had such remarkably different development trajectories between 1500

and 1800, and what role the growing global interactions played in these trajectories. We will ask the fundamental question of who benefitted, and who lost from global interaction; not only on a continental level, but also within the different regions: often, elites in Africa and Asia benefitted from a globalization that hurt most of the people, as well as the long-run economic prospects, of their region. We look at the direct effects that globalization may have had, as well as the indirect effects and, in doing so, we will move beyond the dichotomy of hard and soft globalization.

For our story, we will systematically make use of three kinds of data to chart the societies we study: GDP per capita, real wages and urbanization ratios. GDP (Gross Domestic Product) is the measure of the economic output of a country, and of the level of real income of its inhabitants, as production of goods and services normally equals the amount of goods that can be consumed or invested. Economists and economic historians have since the 1930s used this concept to measure the productive capacity of a country or a region (see Maddison 2007 and Bolt and Van Zanden 2014). The concept has, however, been criticized because it covers only one dimension of well-being, and does not take into account the inequality of the income distribution (economic growth can mean that only the rich become richer) (Van Zanden et al. 2014). Discussion about the standard of living often focuses instead on real wages, the income earned by the working class. We have included in the various chapters the estimates of the real wage of unskilled construction labourers, as they have become standardized in economic historical research (see Allen 2001, Allen et al. 2011). The way in which these real wages are measured is as follows: for the society and period concerned data of nominal wages were collected, as well as data on the prices of the most essential consumer goods. The value of a standard low-cost budget of a family of four (two adults and two children) was estimated, and it was calculated how many of such ‘barebones’ budgets could be purchased with the wages of the unskilled labourer (assuming 250 working days per year). These estimates have been made for many societies and time periods, offering an alternative measure of real income (of the less well-to-do) of these countries. A third measure of economic performance that we use is the urbanization ratio, the share of the population living in cities (with at least 10,000 inhabitants).³ It is well known that there is a clear link between urbanization and levels of economic specialization – and

GDP per capita – although the correlation is far from perfect. But for many pre-1800 societies, we do know the urbanization ratio, whereas other data are often unavailable (see Bosker et al. 2013). Finally, in some cases we also make use of the available data on the stature of the population involved. Human stature tells us about food availability in the first years after birth, but also about health and disease environment (Baten and Blum 2014).

Historical estimates of income and well-being are admittedly not without problems; they are based on assumptions that may not always hold or rely on limited data that could raise questions about reliability or representativeness (see e.g. Deng and O'Brien (2016) for a critique on real wage studies of China). We agree that historical data should continue to be scrutinized and if necessary revised by further studies. However, we also believe that the methods that are used to produce the figures are sound, and that the scholars who produce these estimates are regional experts with a deep knowledge of the wider histories of the regions they have assembled the data from. The results that have come out of these studies are plausible and are generally accepted by most economic historians. Furthermore, we often use a variety of estimates for several economic indicators, which allows us to check for consistency.

By combining these indicators with trends in trade, we demonstrate how different parts of the world developed during the period of early globalization, and we can try to compare patterns of change between the different parts of the world economy. This, we believe, has led to a nuanced and empirically sound restatement of the role of early modern global interaction in the creation of the modern world economy and its diverse effects on the global income distribution.

Early Globalization: The Capitalist World System

The focus on how international trade pushed different economic development trajectories across the globe is not new. In the 1970s and 1980s an influential literature on the historical roots of the global economy (and the winners and losers in that economy) arose from the ranks of world systems scholars and dependency theorists. While this literature did not discuss the concept of 'globalization' *per se*, it is clear that the idea of the world as one capitalist system hints at something similar.

According to Immanuel Wallerstein, founding father of the world systems approach, the ‘modern world-system’ originated in Europe in the long sixteenth century (c.1450–1640). This world system was based on three key elements: (1) a worldwide division of labour; (2) an international political order based on states of different strengths; and (3) a dynamic element that creates opportunities to create new profit-making enterprises (Wallerstein 2011 [1989], p. xiv). The key element that defines the modern world system as a capitalist system is that it is built ‘on the drive for the endless accumulation of capital’ (*ibid.*). This, Wallerstein argues, is an important requirement; there are ‘mechanisms in the system to reward those who operate according to its logic, and to punish those who operate according to other reasoning’.

The world system as envisioned by Wallerstein consists of three types of regions: core, semi-periphery and periphery. These do not need to entail the entire world as there can also be regions external to the world system. The global division of labour is arranged along this hierarchy: the core consists of strong states focused on high-skilled and capital-intensive production, and accumulates most of the surplus from the world economy. The dominant mode of labour in the core is wage labour and self-employment. The periphery consists of weak states focused on low-skilled and labour-intensive production based on the extraction of resources. Slavery and servitude are common forms of labour coercion in the periphery. The semi-periphery, as one would expect, is somewhere in between those categories. For the system to operate, and the global division of labour to function, there needs to be a continuous flow of essential goods that are low profit and highly competitive from the periphery, in exchange for high-profit and quasi-monopolized goods from the core.

Wallerstein suggests that the world system arose in the long sixteenth century, and that the core consisted of the countries in north-western Europe. Sweden and Prussia were part of the semi-periphery, while the periphery constituted the regions in the Americas. Still external to the system were the Indian Ocean areas, the Far East, the Ottoman Empire and Russia. Over the course of the late eighteenth and nineteenth centuries, all other parts of the world became incorporated in this one system. For most of the early modern period, Asia and Africa thus remain outside of the world system, and global trade in these areas was not able to bring about any changes in economic relations in these regions, as this trade was only in luxuries.

Thus, the world system is dynamic, and states can shift in their status: among core states there is the struggle to become the hegemon, semi-peripheral states can become part of the core, or decline in status to a periphery, and external areas can become incorporated in the world system.

For placing Europe at the heart of this world system, and giving little room for indigenous agency in other parts of the world, Wallerstein has been accused of Eurocentrism. Andre Gunder Frank, in his later work *ReOrient* (1998), suggests that the world system was not headed by Europe, but rather by Asia (at least until the nineteenth century). The timing of the world system has also been contested. Some suggest that around the year 1000, inter-regional contact began to shape the development of societies in the East and West (Northrup 2005; Stearns 2010). Janet Abu-Lughod (1989) suggested that in the century between 1250 and 1350 there was not one world system, but multiple world systems that existed simultaneously. The least developed of these was the western European system (consisting of Flanders, northern France, Genoa and Venice) while the other (more developed) systems were Middle Eastern (Constantinople, Baghdad and north-eastern Africa) and Asian (containing parts of China, India and Southeast Asia). Andre Gunder Frank, together with Barry Gills (1993), argues that the world system was much older: at least 5,000 years. Long-distance trade relations, structured between core and periphery, are also at the heart of this world system.

Frank in his earlier work, was one of the leading scholars of the dependency school, whose central thesis is very similar to that of the world systems school. Frank suggested that it is precisely the manner of incorporation of the Global South into the global capitalist world system that has caused its underdevelopment (1978, 1979). Different countries entered into the world system in different ways and the process of unequal exchange meant that some (the core) benefitted more than others (the periphery). Capital was accumulated in Western Europe, a process to which the countries in the Global South contributed. The more such a country was engaged in the global capitalist system, the more it became underdeveloped. Related is the thesis by Eric Williams (1944), who suggested that it was mainly the profits accrued in the slave trade that were invested in the English manufacturing industries and thus that slavery and the slave trade were crucial for the start of the Industrial Revolution.

What these views have in common is that the current income distribution is influenced by the patterns of global interaction somewhere in the past. At some point a global division of labour came into existence which pushed Western Europe on the path to industrialization and high standards of living, while the ‘periphery’ was driven towards primary production and low levels of per capita incomes. Present-day poverty in some parts of the world can be attributed to their peripheral status in the world economy (in the past, as well as now), while the wealth of the West was at some point accumulated through these countries’ core position and by exploiting the logistics of the capitalist world system at the expense of the periphery.

Dismissing Early Globalization

Such accounts of the world economy have attracted a fair deal of critique. Starting in the 1980s, economic historians have pointed out that global interaction could not have had the impact ascribed to it by world systems theorists as quantitatively these interactions amounted to very little. Three interrelated points have been made: (1) intercontinental trade was too small a sector, and profits were not high enough, to bring about any instrumental economic changes and a global division of labour. Therefore, it played no part in the rise of Europe; (2) global trade in the early modern era did not cause a decline in the ‘periphery’, for similar reasons, and because no decline took place there before 1800; and (3) international trade was inefficient and shipping technology stagnant in the early modern period.

One line of criticism of the world system approach has been that it overestimates the impact that long-distance overseas trade had on European economic development. Patrick O’Brien developed this critique most clearly in a number of papers, and he memorably concluded that ‘for the economic growth of the core, the periphery was peripheral’ (1982, p. 9). O’Brien made three related statements, namely that intercontinental commerce until 1750 was on a small scale; that it did not generate supernormal profits; and that it generated no externalities that were decisive for the economic growth of Europe. O’Brien gives a figure of 1 per cent as an upper-bound estimate of the total contribution of intercontinental trade to Western European GNP. Profits in international commerce were not higher than in other sectors of the economy and thus played no special role in capital accumulation.

Finally, while intercontinental trade did stimulate shipbuilding, shipping, banking and insurance sectors, as well as the food processing and textile manufacturing industries, these industries were also relatively small as a percentage of the total economy even by 1841. The iron and coal industries were more important. David Eltis and Stanley Engerman (2000) specifically focused on the slave-based plantation economies and the slave trade and came to similar conclusions: the contribution to the British economy was small, and there were no special spill-over effects.

Second, there are those scholars who claimed, like Frank (1998) cited above, that Europe and Asia were on the same level of development until the late eighteenth century (e.g. Wong 1997; Pomeranz 2000; Parthasarathi 2011). Intercontinental trading patterns could not have led to divergence between the 'core' and 'periphery' before 1800, simply because no divergence had taken place by that time. As measured by a variety of economic indicators, it is claimed, Europe and Asia were on a similar level of development: 'it seems likely that average incomes in Japan, China and parts of Southeast Asia were comparable to (or higher than) those in Western Europe, even in the late eighteenth century' (Pomeranz 2000, p. 26). Prasannan Parthasarathi (1998; 2011) made similar claims regarding incomes in India. Living standards, technological development and institutions in Asia were not noticeably inferior to those in Europe before 1800. Only after that did divergence take place, primarily as a result of favourably located coal and access to land in the New World that relieved Western Europe of important resource constraints (Pomeranz 2000). Global trade began to matter only after the eighteenth century. Studies that have appeared over the past years have both disputed and refuted the separate claims made by these revisionist scholars, collectively known as the 'California School', referring to their – in some cases, past – associations with the University of California (for an overview, see Vries 2013).

Third, both previous views gained further strength by studies demonstrating the limited impact of international maritime transport and the persistence of monopolies and other barriers to trade. Several studies have argued that there was little technological progress in the shipping sector and that, as a consequence, transport costs failed to decline. Freight rates, when properly deflated, did not decline on most intercontinental trade routes until the nineteenth century (Menard

1991; Harley 1988). As a result of this, and monopolies and tariffs, international commodity prices failed to converge over the early modern period. This meant that trade volumes continued to be relatively small and focused on non-competing luxury goods. Trade was thus unable to lead to shifts in domestic production and therefore did not influence economic development. Only from the nineteenth century onwards did technological progress and changing market institutions allow interaction at such a scale that it influenced economic development across the globe (O'Rourke and Williamson 2002a, 2002b). Subsequently, a global division of labour came into place, as the cheap importation of grains from the New World allowed a part of the workforce to move from agriculture into manufacturing, opening the path to the Industrial Revolution in Europe.

Such views have attained considerable influence and the nineteenth century is generally viewed as the first age of globalization. We believe that such views overlook many crucial aspects of global interaction in the early modern era; over this period, the world economy was radically restructured and global interaction played a role in this.

Transformation of the Global Economy

The world in 1800 was in many ways unrecognizable from what it had been before the voyages of Christopher Columbus and Vasco da Gama. Before 1500, the great empires in the world were situated in the Middle East and Asia. Around 1500, there was no great empire in Europe. The Holy Roman Empire, or Germany, had some 12 million inhabitants, but was ruled by many different princes; the emperor held very little real power. England, France and Spain did steadily become stronger, more centralized, states, and stretched across roughly the same territory they still do today, but at that time were inhabited by roughly 3, 15 and 7 million people respectively (Clio-Infra 2015). Especially compared with those in Asia, these were small polities (see Table 1.1).

In the Americas, at the beginning of the sixteenth century, the Aztec and Inca empires may have ruled over empires containing perhaps as much as one-fifth of the world population. The other truly big political entities were found in the 'Golden Band' stretching from the Eastern Mediterranean to China, the traditional centre of gravity of the Eurasian economy that was connected via caravan routes such as the famous silk route. The fifteenth and sixteenth centuries saw a consolidation of political