

PART I

Introduction

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Bozhong Li
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Themes, Methods, and Sources

This book focuses on the gross domestic product (GDP) of the Huating-Lou (Hua-Lou) area in 1823–29,¹ in order to engage in a case study of China's economy in the early nineteenth century. The title is *An Early Modern Economy in China* because from the perspective of comparative economic history, the Hua-Lou economy in the 1820s was already a form of “modern economy.” Since this modern economy had emerged long before the modern West had an influence on China, this book will refer to it as China's own early modern economy.²

This introductory chapter will cover the following five topics: first, an overview of the scholarship on the performance of the Chinese economy in the late imperial times (1368–1912); second, the characteristics of GDP research; third, previous research on the GDP of pre-modern China; fourth, the main sources used in the present study; and fifth, the organization of this book.

1.1 A New Perspective of Economic Development in Late Imperial China

China's economy has experienced a tremendous change in the last four decades, which is deemed the greatest economic miracle in world history. Due to this huge and rapid growth which is deemed one of the greatest economic miracles in world history and the consequent impact on world business and the world economy, there is currently widespread interest in China. How did China's recent growth come about? This is a burning question for scholars all over the world today. Having cast off the prevailing Eurocentric focus of past scholarship on Chinese history, there is increasing agreement that the origins of this miracle are to be found within China itself. Although external factors were very important in the economic modernization of China, in the final analysis it is domestic factors that have played the key

¹ For convenience, in the running text this book will refer to the area of Huating and Lou County as the “Hua-Lou area” or simply “Hua-Lou,” and the period 1823–29 as the “1820s.”

² For a discussion of this issue, see Chapter 13.

role – factors accumulated over centuries of economic evolution in China, which have in the long run proved conducive to the growth of its modern economy.³ Under new conditions, these factors have been able to play an active role in the creation of the Chinese economic miracle. Having a proper understanding of China's economic situation before the arrival of the modern West in the middle of the nineteenth century, therefore, is a key for comprehending this economic miracle.

Though scholars have long recognized the importance of understanding China's economy in the early nineteenth century, there continue to be divergent views on the right approach to take.

From the eighteenth century, mainstream Western scholarship considered China to be an unchanging “mummified country.” The “mummy” image, a figurative representation of the “stagnant China” theory, originates from Johann Gottfried Herder. He analyzed China's complete stagnation from various perspectives: racial, geographical and environmental, cultural and educational, political, moral and philosophical, etc., and concluded in vivid prose that “this empire is a mummy, embalmed all over with spices that halt its decay. It is drawn with ideographs and wrapped in silk. The blood circulation in its body has stopped, just like a hibernating animal.”⁴ Later, Georg Wilhelm Friedrich Hegel declared that “It strikes every one, in beginning to form an acquaintance with the treasures of Indian literature, that a land so rich in intellectual products, and those of the profoundest order of thought, has no History; and in this respect contrasts most strongly with China – an empire possessing one so remarkable, one going back to the most ancient times.”⁵ However, from the perspective of Hegel's philosophy of History, he regarded China primarily as a spatial empire outside history and time: there was no progress, and none of what would be called stagnation and decline. There was only an “immovable unity.” All “changes” like wars, massacres, plunder, usurpation, and so on, were only “repeating the solemn destruction that remains unchanged for eternity.”⁶

Hegel's view had a profound influence on later generations of Western thinkers, including Karl Marx. Marx placed China in his category of “Asiatic society” which, he claimed, could not follow the Western pattern of evolution. Marx inherited the “stagnant China” theory and expanded the “mummy” image even further: “Complete isolation was the prime condition of the preservation of Old China. That isolation having come to a violent end by the medium of England, dissolution must follow as surely as that of any

³ For Perkins, present-day China represents “the persistence of the past” (Perkins 1975: 1).

⁴ Xia Ruichun 1995: 97.

⁵ Hegel 2001: 78.

⁶ Zhou Ning n.d.

mummy carefully preserved in a hermetically sealed coffin, whenever it is brought into contact with the open air.”⁷

These views of Herder, Hegel, and Marx have had profound influence on future generations. Étienne Balazs wrote in 1957: “Hegel’s idea that China was mired in immobility is easily refuted . . . Yet Hegel was right!”⁸ Having cited these words of Balazs, Alain Peyrefitte wrote: “It was in August and September 1960, from my base in Hong Kong, that I first entered the Chinese universe. I was immediately struck by this society’s resemblance to the one described by McCartney’s companions. It has been said that every Chinese bears in his genes the entire heritage of Qianlong’s empire, and China had a very Chinese way of rebelling against itself. Even while seeking to break with its past, it plumbed that past for precedents to grasp in asserting its own invariance.”⁹

Such a view persisted until after the Second World War, when a major change took place with John King Fairbank’s “Impact-Response” model,¹⁰ which argued that Chinese society and its economy had not stagnated in the modern era, but actually experienced great changes. These changes, however, were the results of external factors. This theory quickly became dominant in China study until the 1980s when Paul Cohn challenged it.¹¹ From this theory, other theories like Mark Elvin’s “Traditional Equilibrium” or the “High-Level Equilibrium Trap” were derived.¹² After the Vietnam War, the “Early Modern China” theory emerged in the West, which argued that not only did Chinese society and its economy experience palpable changes in the late imperial times, but these changes were quite similar to the changes experienced in the West in the early modern period.¹³ It was thus concluded that the Chinese economy in the late imperial times had an inherent vitality. Although this view is gradually gaining credence among many scholars, the mainstream view in Western scholarship remains the above-mentioned “Impact-Response” theory.

Within mainland China, furthermore, Marxism has dominated historiography since 1949. Although it differs greatly from Western historiography in terms of political standpoint and academic orientation, Marxist scholarship basically agrees with the Western mainstream on the overall view of the Chinese economy over the last few centuries. According to the Marxist view, the imperial Chinese society was identified as a “Feudal Society,” and was hopelessly stagnant after the Song dynasty. More specifically, the Chinese economy had already stagnated and even declined in the long period of time

⁷ Marx 1853.

⁸ Peyrefitte 1989: 8.

⁹ Peyrefitte 1989:20

¹⁰ About the model, see Ssu-yü Teng and Fairbank 1972: i.

¹¹ Cohn 1984. For the academic backgrounds of the debate, see Philip Huang 1991.

¹² Elvin 1973: chapter 16.

¹³ See Philip Huang 1991.

before the First Opium War (also called the First Anglo-Chinese War) in 1839–42. The late imperial period (the Ming and Qing dynasties) was described in the following terms: “the Ming and Qing dynasties were the final days of a declining feudal society,”¹⁴ “the period when China went from advanced to backward,”¹⁵ and “the structure of traditional Chinese society was a super-stable system,”¹⁶ and so on. It was only after the war, under attacks from the modern West, that China’s society and economy began to see major changes. It is why the Opium War was designated as the turning-point where China’s “ancient [that is, pre-modern] history” ended and its “modern history” began in the textbooks of Chinese history in China. This view still persists among the public today so that Tang Shiping, a Chinese scholar in international politics, maintains that “Chinese history, in particular pre-1840 history, is very dull. It is just a history of an old dynasty replaced with a new one. With the only two exceptions of the reforms made by Dong Zhongshu and Wang Anshi, there were not any significant changes in Chinese history. Moreover, the pre-1840 history of China had hardly any modern meanings.”¹⁷

In the 1950s, however, some Chinese scholars challenged this view and proposed the “Sprouts of Chinese Capitalism” theory, which emphasized that the Chinese economy in the late imperial times had seen considerable development and that this development was not a “response” to Western “impact.” In other words, what had driven the changes was to be found within China itself, and, taken to its logical conclusion, the Chinese economy would eventually go through a capitalist modernization process, similar to the Western experience. This theory has undergone further elaboration and has gradually become the predominant view of the Ming and Qing economy among scholars in China. It is obvious that there are similarities between the “Sprouts of Chinese Capitalism” and “Early Modern China” models. Although the actual existence of the “Sprouts of Chinese Capitalism” has yet to be verified,¹⁸ the theory is nonetheless more convincing than the “Ming and Qing Stagnation” theories of the past.

In the last two decades of the twentieth century Western scholarship has witnessed a sea change in views of the Chinese economy in the late imperial period. In 1987, using data gleaned from Paul Bairoch’s research, Paul Kennedy wrote that China’s manufacturing output in 1750 was 32.8 percent of the world’s total, far higher than Europe’s 23.2 percent share. China’s manufacturing output was 8.2 times more than France and 17.3 times that of Britain. In 1830 China’s manufacturing output still accounted for 29.8 percent of the world’s total.

¹⁴ Huang Jin 2000.

¹⁵ Wang Hongjun 1980.

¹⁶ Jin Guangtao 1984.

¹⁷ Tang Shiping 2016.

¹⁸ Li Bozhong 1996d, 2000b.

Although it was lower than the European total (34.2 percent), it was still 3.1 times higher than the British output and 5.7 times higher than the French. It was only at the time of the Second Opium War (the Arrow War, 1856–60) that Britain’s industrial output had just caught up with China’s, while the French output then was only 40 percent of China’s.¹⁹ More recently, based on the findings of other scholars, Andre Gunder Frank postulated that from a global economic perspective, China’s economy in the early nineteenth century was massive in size, and China was the center of the world economy.²⁰ Angus Maddison has also pointed out that between 1700 and 1820 the annual rate of China’s GDP growth was 0.85 percent, compared to Europe’s 0.58 percent, a mere two-thirds of the former. In the same period the share of China’s GDP in the world’s total GDP rose from 23.1 percent to 32.4 percent, while the share of Europe’s GDP rose from 23.3 percent to 26.6 percent.²¹ In other words, in the century or so before the First Opium War, the Chinese economy was not only ahead of the world’s major economies in terms of absolute size, its pace of growth outstripped that of Western Europe. These conclusions clearly indicate that during the early and mid-Qing dynasty, China’s economy witnessed significant growth and that this growth was largely fueled by internal factors. This is the view that emerged in the late twentieth century, taking the previous “Sprouts of Chinese Capitalism” or “Early Modern China” theories one step further. Although these models have their shortcomings, they have had an enlightening effect on scholarship by forcing us to look at China’s economic performance before the arrival of the West from a wider and more comprehensive perspective.²² The interpretation of the pre-Opium War Chinese economy using this new perspective is a pertinent field of inquiry for the economic historian, and this book is a product of the author’s research to date in this area.

1.2 The Study of GDP in Early Modern Times

There are many different ways to understand the economic performance of an area in a certain period, and each way has its own merits.²³ Description and qualitative analysis are the main methods used in previous studies of Chinese economic history. These methods are necessary in economic history, but they contain flaws that cannot be overlooked.²⁴ Also, many previous works often only focused on a single or a few aspects of China’s economy (or a part of it), but the conclusions drawn from these studies were applied to the whole. In addition, many previous studies often used “the West” as the object of

¹⁹ Kennedy 1988: 149.

²⁰ See the views of Western and Japanese scholars referred to in Frank 1998: 111–17.

²¹ Maddison 2007: 44, Table 2.2a, Table 2.2b.

²² Li Bozhong 2000b.

²³ About the concept of “early modern times” used in this book, see Appendix 20.

²⁴ Li Bozhong 2000a, 2001b.

comparison, but without objective standards or properly considering the nature of comparability.

These flaws have caused obvious problems in our understanding of economic conditions in the past. First of all, by focusing on only one aspect of the economy, or putting a limited number of these aspects together to form a two-dimensional plane, the understanding of the economy of China (or a region in China) gleaned from this method ends up being two-dimensional, not three, though economy is structured three-dimensionally. Furthermore, the lack of quantitative research makes it difficult for us to determine the links and relationships between all the different parts of an economy and their degrees of correlation. Finally, the lack of proper consideration about the object of comparison and the lack of a suitable standard for comparison often raise questions about the objectivity and reliability of comparative studies in the past.

To overcome the above flaws, we need to find new research approaches in addition to existing ones, and apply multiple approaches together to acquire a more comprehensive and deeper understanding of the economic performance of China (or a region in China) in a certain period. This book therefore is an attempt to apply a new approach to the study of the GDP of a specific economy during a specific time, the Hua-Lou area in the 1820s.

The GDP concept plays a central role in our thinking about economic performance. In principle, GDP summarizes in a single figure the value of all the goods and services produced in a society, or alternatively, the value of the total income earned.

GDP is the total market value of all final goods and services produced in a country or an area in a given year, equal to total consumer, investment, and government spending, plus the value of exports, minus the value of imports. It refers to the measure of the economic performances of an area within a specific length of time, usually a year.

As an indicator reflecting the gross value of economic activities, GDP gives a more complete picture of the economy than any other indices that describe a certain branch of the economy. Also, given that GDP measures the added value created by all branches of the economy, there is less double counting compared to indices that measure gross value (e.g. output value). Besides, GDP does not use accounting methods such as cost, profit, and so on, which means there is less “flexibility” in calculation. Comparatively speaking, GDP is a more objective indicator.

However, there are some problems with using GDP as an indicator of the economic performance, and there is growing criticism of its use in recent years. Some scholars point out that even though the numbers are not massaged, GDP can only reflect the economy on a more or less superficial level. This is because it does not include leisure, environmental quality, and economic activities within the family and so on. In particular, it does not directly reflect the other factors that affect the quality of life. To overcome this flaw, there have

been attempts to introduce more comprehensive indicators, the most important of which is the Human Development Index (HDI) of the United Nations Development Programme (UNDP). Apart from calculating GDP per capita using purchasing power parity (PPP), the HDI also includes two other major dimensions: life expectancy at birth, and education level. Thus the HDI is more comprehensive in reflecting the level of economic performance and its consequences. Even so, despite its above-mentioned inadequacies, GDP is still the best available index for calculating the total economy. Moreover, there is a high degree of correlation between GDP and HDI, so much so that the former can be considered the basis for the latter. For this reason, GDP has been adopted by all countries and is the most widely used economic indicator today. Since the late twentieth century, China and the majority of former Soviet bloc countries have also adopted the GDP index.

Western scholars have studied GDPs for a long time, and their methods are quite developed. Compared to other methods, the main advantage of the study of GDP is that it has built up a complete set of indices to measure the economic performance of a specific area within a specific period of time. In addition, these indices are interconnected and form an integrated whole, presenting the economic situation of different sectors and the relationships between them. These indices are also more objective and neutral, and can be applied to different regions and periods, which means that economic circumstances of different regions and in different times can be compared using the same yardstick. Therefore, studying the GDP of a particular region in a particular period not only allows us to get a more three-dimensional knowledge of the economic performance in that time and space, but it also allows more comprehensive and objective comparisons across different regions in the same period of time or the same region at different times. The level of economic performance reached by a particular region in a particular time can therefore be more fully understood within its historical or inter-regional context. The conclusions reached by these comparisons are obviously more complete and objective than previous comparisons based mainly on economic systems and individual economic sectors.

Within Western scholarship, the study of GDP has also been applied to pre-modern economies. Maddison's *The World Economy: A Millennial Perspective*, based on the research of a number of scholars, is a major representative work in this area. Maddison's research also extended to the study of GDP in Chinese history. His *Chinese Economic Performance in the Long Run (960–2030 AD)* is the result of his comprehensive research. As for in-depth regional studies, Jan Luiten van Zanden and his collaborators used the System of National Accounts (SNA) to conduct a groundbreaking and in-depth study of the GDP of the Netherlands in the early modern era.²⁵ Their research has provided a set of

²⁵ Smits, et al. 2000; Van Zanden 2002.

comparatively objective indices for scholars in other countries studying early modern GDPs. In the field of Chinese economic history, however, no similar works have been produced either in China or overseas.

This book thus represents the first example of an in-depth regional study of the historical GDP of a Chinese economy. Although it is only a preliminary examination, with many imperfections, the issues it raises and its research methods will hopefully be of use to other economic historians.

1.3 The Selection of the Area and Period for This Study

Economic history is the study of “economic practices in the past that we have not known or have not known well (for if we know them well, there will be no need to study them).”²⁶ As economic practices are often tangible, the study of economic history usually requires defining the specific spatial and temporal scope within which the economic practices took place. For this book, the area and period were selected according to two principles: one, to facilitate the study of GDP; and two, for better comparative study.

1.3.1 *The Study of Historical GDP*

As mentioned above, GDP is the gross value of all goods and services produced in a specific area within a specific period of time. It is therefore imperative to clearly define these units of analysis from the beginning.

There are usually two choices in the selection of the area and period for GDP research: one, choose a larger area and longer time period; and two, choose a smaller area and shorter time period. Each choice has its advantages and disadvantages. The advantage of the former is that the GDP of a large area over a long period, as well as changes to that GDP, can provide us with a macro understanding of economic performance. From an epistemological standpoint, however, our knowledge of great matters or long-term phenomena usually starts from knowing their component parts. For this reason, and given that historical GDP research is still at its infancy, the latter choice of choosing a smaller area and shorter time period seems more useful.

This is even truer of the study of GDP in pre-modern China. This research can also use different methods according to the difference in the time and space defined. In terms of space, one method is to study China as a whole; the other is to select in the first instance a region in China for research before expanding the research to cover the entire nation based on multi-regional studies. China is a continent-sized country and the most populous nation in the world, with marked differences in the levels of economic development

²⁶ Wu Chengming 1995.