Review Essay

What *The Cambridge Economic History of China* Teaches Us about China and Tells Us About Economic History

The Cambridge Economic History of China, Vol. 1: To 1800. *Edited by Debin Ma and Richard von Glahn*. Cambridge, UK: Cambridge University Press, 2022. 732 pp. Hardback $155.00. ISBN: 978-1-108-42557-5.

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Reviewed by R. Bin Wong

Considering the 1500+ pages making up the 39 chapters of this work on Chinese economic history from ancient times to the present, this review essay suggests ways *The Cambridge Economic History of China* contributes new perspectives on economic history more generally and on plausible connections between the pathways of Chinese economic change that begin in the distant past and point toward the future. The essay addresses specifically Chinese elements in its economic history and identifies the ways in which nineteenth- and twentieth-century engagement with Westerners contributed to the Chinese economy's future development but in no comprehensive manner explain how modern Chinese economic change took place. Among the highlighted features of Chinese economic history that chapters of this work make visible are the persistent presence of state efforts to manage and shape economic activity forming a distinct tradition of political economy and the long-standing awareness of many of the relationships between population, agriculture, and the natural environment.

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Modern economic history research has stressed processes of development. While economic historians offer varied accounts of industrialization, technological changes, the growth of financial markets, and forms of institutional innovation, to mention a few major concerns, there is general agreement about the important subjects to study. The study of premodern economic histories lacks such a clear and connected set of themes, making the early modern era an important hinge point between the oft-separated realms of pre-modern and modern economic history. Economic historians have searched for clues about how parts of early modern Europe forged the foundation for the modern era. Nineteenth-century economic history was long dominated by studies of Western Europe and its white settler offspring societies in other world regions because these were the places where modern economic growth processes occurred, a general set of changes that turned out to be specific to a few parts of the world.[1] Work on the economic histories of other world regions settled for quite some time on writing competing accounts of key obstacles to economic development.

Moving into the twentieth century, Western narratives of modern economic development provided the signs of economic change that most economic historians looked for in other world regions. This has always made good sense because twentieth-century economic development in general depended on some combination of relationships with Western economic partners and the emulation of some Western economic practices. But looking principally for familiar economic features can narrow the focus in ways that exclude careful consideration of economic principles and practices that might be present in non-Western world regions that are not present in the West. A second (and related) problem stems from what twentieth-century economic history studies have only quite recently begun to overcome—the implicit expectation that the premodern economic histories of non-Western world regions are irrelevant to their modern economic histories other than as the source of obstacles to be overcome. Expecting modern economic development to be driven by principles and practices first seen in Western Europe and North America allows modern economic history to accommodate the spread of modern economic development. Economic historians can disagree about the relative importance of different factors causing economic growth but variations on their common themes define a limited number of developmental narratives.

[1] Steve J. Dowrick and Bradford DeLong, "Globalization and Convergence," in *Globalization in Historical Perspective*, ed. Michael D. Bordo, Alan M. Taylor, and Jeffrey G. Williamson (Chicago, 2003).

In the case of Chinese economic history, we have quite a well-developed historiography that has reconstructed economic practices, economic institutions, and the state's relationship to the economy over more than two millennia. Several generations of Chinese and Japanese economic historians have studied premodern eras of Chinese economic history. With few exceptions, Western economic historians of China began to enter the field in the 1960s, a period when the study of economic history experienced major changes introduced by the increasing numbers of economists who stressed quantitative research from which statistical measures of variation and change addressed formal hypotheses based on propositions in economic theory relevant to modern economies. The evolution of scholarship on premodern Chinese economic history includes increasing attention to a long (by European standards) early modern era, first posited by Naito Konan (1866–1934) who argued that China moved from its medieval period to its early modern period between the mid-eighth century and the eleventh century, with a focus principally on politics and culture; he pondered what lay ahead for China in the early twentieth century, believing the country's long history mattered to its possible futures.[2] Subsequent Japanese historians researched the economic and social changes of this period, informing the account of the development of commerce, urbanization, and agricultural changes in Mark Elvin's *The Pattern of the Chinese Past* (1973), but this scholarship has not informed the study of modern Chinese economic history as much as studies of Chinese political and cultural history have informed evaluations of the modern era. The 2022 publication of the two-volume *The Cambridge Economic History of China* (*CEHC*) affords us an unusual opportunity to consider connections between China's premodern and modern economic histories.

A monumental work of over 1,500 pages of text divided among thirty-nine chapters, *The Cambridge Economic History of China* covers premodern economic history situated in broad social, political, and environmental contexts in its first volume, and in the second volume turns to topics related to China's economic growth and development in the nineteenth and twentieth centuries. Editors Debin Ma and Richard Von Glahn assembled an impressive group of American, Chinese, European, and Japanese economists and historians (along with an archaeologist whose chapter opens Volume I). Looking at the two parts into which the eighteen chapters of Volume I and twenty-one chapters of

[2] Hisayuki Miyakawa, "An Outline of the Naito Hypothesis and Its Effects on Japanese Studies of China," *The Far Eastern Quarterly* 14, no. 4 (Aug. 1955): 533–552; Joshua A. Fogel, *Politics and Sinology: The Case of Naitō Konan (1866–1934)* (Cambridge, MA, 1984).

Volume II are each divided, we can gain some initial sense of the amount of attention paid to different periods of Chinese economic history. Volume I is divided into "Before 1000" (six chapters) and "1000 to 1800" (twelve chapters); Volume II is divided between "1800 to 1950" (fourteen chapters) and "1950 to the Present" (seven chapters). This means two-thirds of *CEHC* chapters cover material between 1000 and 1950, with the Volume I chapters covering a bit more than five times the length of the temporal period covered in the Volume II chapters. As a result, China's long early modern era and its modern period before the establishment of the People's Republic of China together form the temporal core of the project. How the topics of individual chapters relate to each other, both for the period with greatest coverage and the centuries before 1000 and decades after 1950, present multiple challenges. One challenge stems from the differences between clear narratives of economic change for the modern era and the assessments of a broader range of themes for the premodern era. A second relates to distinctions between chapters drawing more heavily on economic theory and the use of quantitative evidence and those that do not. Additionally, a project of this scale presents a cluster of challenges concerning the multiple methodological and empirical links among the chapters that can be complementary, competitive, and even contradictory. Alerting readers to these possibilities will hopefully offer a framework within which to understand the chapters they might choose to peruse.

Drawn to chapters that might inform their research and teaching interests, readers understandably will leave aside many hundreds of pages of scholarship that have less relevance to their concerns. But an extended review essay considering the entire work offers an opportunity to think about how this two-volume study of Chinese economic history contributes to economic history more generally, as it also considers how understanding the China's economic past might help us to anticipate its possible futures. The six sections of this review essay move through the *Cambridge Economic History of China* by thematic clusters, shifting forward and backward across the four temporal segments into which the chapters are divided. Through this process I hope to establish different thematic links among the chapters that could help readers identify subjects of interest to them.

In substantive terms I will begin with a discussion of the fourteen chapters of Volume II, Part I (1800–1950). The first seven I will discuss are a group that do not fit neatly into any Western-inspired narrative of modern Chinese economic history. Together they present a combination of different institutions and different kinds of contexts shaping possible paths of economic change somewhat different from those found in

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Western economic histories. Of the second set of seven chapters, five stress the importance of Western actors and the roles they played in modern Chinese economic history; the other two help us recognize key aspects of what constituted Chinese economic change in nineteenth- and pre-1950 twentieth-century history, in particular the economic growth that prevented any widespread Malthusian crisis even as the population continued to grow. The third section continues a discussion of the relationships between population growth, agricultural expansion, and the natural environment. It begins with a chapter that suggests economic growth did more than just keep pace with population increase during the three decades after 1950. It then pivots to consider five chapters of Volume I which also address relations between population, agriculture, and the natural environment in earlier centuries. As these five chapters of Volume I settle us firmly in the premodern era, I will continue to explore this long period through a review of additional chapters in *Examples of China's Premodern Economic Institutions and Their Operations*. The themes addressed in the first four sections prepare the reader to consider the ways in which the Chinese state, before, during and after its two millennia of imperial rule, forged relations with the economy; this fifth section first considers chapters in the "1000 to 1800" portion of Volume I before moving back into the "Before 1000" period. I will leap into the post-1949 era of the People's Republic of China where state-economy relations provide the axis around which most research focuses. Since explanations of modern economic development do not typically stress many links to earlier periods of economic history, nor do they make state-economy relations so central as they appear to be in post-1949 China, the sixth and final section of the review essay considers the remaining five chapters of *CEHC* not yet addressed—two from Volume I and three from Part II of Volume II, in order to assess what the *CEHC* tells us about China's economic development path.

Chinese Practices and Contexts for Economic Change

Twentieth-century Chinese economic history is filled with evidence that the Chinese did not organize their economy in ways entirely similar to those of Western economies. This hardly means that Western influences were not significant since many of the Chinese making efforts to develop their economy in the twentieth-century were mindful of the recent economic transformations that had been achieved elsewhere. Moreover, Chinese economic actors developed first-hand knowledge from competing with foreign actors in some contexts and cooperating with them in others. In "Handicraft and Modern Industries"

(Vol. II, Chap. 4), Linda Grove and Tōru Kubo identify three paths of industrialization: one based on private capital, a second depending on state investment, and the third a semi-industrial path based in more rural settings. A combination of export-oriented industrialization and import-substitution industrialization financed by private capital comfortably fits the expectations of economists. But neither the state-led path of industrialization nor semi-industrialization, much of it located in places outside the urban settings of modern factory industry, is much present within European or American industrialization experiences. For a moment consider the semi-industrialization path. Grove and Kubo raise the prominent example of modest cotton textile weaving workshops and small factories successfully competing with modern textile factories pioneered in three counties of three different North China provinces. This type of textile production spread to the Jiangnan region where Shanghai was the country's leading site of modern industry financed by private capital. This semi-industrialization path combined features of earlier handicraft practices and modern industry in rural areas where farming became a sideline activity and weaving provided more of some households' income.

Much more is said about state-led pre-1949 state-led industrialization during the twentieth century in Morris L. Bian's "State Enterprises during the First Half of the Twentieth Century" (Vol. II, Chap. 6). In dramatic contrast to the kinds of economic actors pursuing semi-industrialization, those responsible for state enterprises in Bian's research are rich economic elites: "The nationalist elite collectively developed an ideology of economic development based on state-owned enterprise, heavy industry, national defense, and the determination to create a planned socialist economic system. Ultimately, this ideology led directly to the development and expansion of central and regional state enterprise" (Vol. II, p. 188). Bian shows the development of regional state enterprises in both North and South China provinces all with planned development led by provincial governments. Citing research by Xu Dixin and Wu Chengming, Bian notes the rise of public enterprises for industrial output jumping from just over 20 percent in 1938 to almost 54 percent in 1944 owing to the nationalization of the industry not taken over by the Japanese in the territory they occupied during their invasion of China. He reasonably concludes: "After 1949, public enterprises – central state enterprises and regional state enterprises – would serve as the foundation for the CCP effort to bring about China's industrialization and modernization for the rest of the twentieth century" (Vol. II, p. 206). The fact of state industrialization being one of three distinct paths of industrialization in twentieth-century China makes unclear the significance of the criticisms leveled by Chi-Kong Lai in “The State and Enterprises in Late Qing China” (Vol. II, Chap. 5) regarding state-led development not leading to an industrial revolution and the weakness of Chinese law failing to protect private property rights. Lai affirms the absence of a Western path of modern economic development without precluding the possibilities presented in other chapters of an alternative path of economic development. The failure of the Chinese to cleanly separate state officials from participation in running new industrial enterprises certainly differs from what we typically stress about European industrialization being a private sector development where we don’t see state responses to foreign threats comparable to those Bian recounts; many late nineteenth-century economic and political elites recognized the opportunities to make the spread of industrialization span state-led and private sector efforts. What late nineteenth-century Qing officials discovered was little different than what their counterparts in Japan also realized—to compete economically and politically in a world they were brought into by Westerners, they would have to learn to compete for power and wealth. In early twentieth-century Japan economic elites expanded industrialization with support from the state, while in China officials at both provincial and national levels developed plans for industrialization intended to increase Chinese capacities to compete with the West.

The importance of the Chinese state to industrialization before 1949 includes state efforts to support the expansion of industry and trade similar to those implemented in Western settings. The Chinese state’s moves toward money market integration is addressed in Dan Li and Hongzhong Yan’s chapter, “Money and the Macro-economy” (Vol. II, Chap. 7). Li and Yan argue that an increasingly unified and growing money market facilitated economic growth by reducing transaction cost, mobilizing savings, lowering interest rates, and reducing dependence of silver, subject to changing market conditions through increasing the paper money supply (Vol. II, p. 210). The state expanded its importance as an issuer of paper money and ultimately became the sole issuer (Vol. II, p. 223). Accompanying these specific moves the state also began in 1935 to nationalize banks. At first glance, this appears to be a sign that the Guomindang state in its Nanking Decade (1927–1937) of relatively stable rule before the Japanese invasion was capable of fostering the development of a modern economy. The state’s policies moved along a familiar Western path of establishing the monetary infrastructure needed to nurture economic growth. While the state role in industrialization did not fit well with Western experiences, Li and Yan suggest that the state’s monetary policies were on a path similar to those in the UK and the US but with a lower money supply/GDP ratio which meant

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Chinese monetary policy was not able to promote growth as effectively as was possible in the two Western cases. Chinese monetary policy accommodated the simultaneous presence of state-issued copper cash alongside foreign, counterfeit, and privately minted copper cash. Li and Yan suggest "Ironically, competition from the private sector helped the government maintain a fairly good standard in the supply of official copper cash," but this is only ironic if we assume the complementary presence of official and non-official sources of money cannot be considered normal because this is not what we find in Western cases (Vol. II, p. 226). Just as Grove and Kubo note Chinese industrialization only partially followed a pattern seen in Europe and the US, so too China's long history of using multiple currencies produced by governments as well as private parties would matter for several decades in the twentieth century as well.

Where Chinese monetary policy in the 1930s successfully drew upon practices present in earlier periods of Chinese history, Chinese public finance in the late nineteenth and twentieth centuries changed considerably from earlier centuries because the demands on public finance expanded dramatically in scale and scope. In their chapter, "Public Finance" (Vol. II, Chap. 8), Elisabeth Kaske and May-li Lin make clear the ways in which the Chinese state altered the sources and increased the scale of its revenue collection between the 1870s and the early 1890s so that it was in control of its finance when the Sino-Japanese War broke out in July of 1894 and ended with Japanese victory in April 1895. A far larger indemnity was imposed by the eight countries whose armies marched on Beijing in 1900 in response to the Qing state's failure to squash violence against rural Christian communities that included foreign missionaries. Those responsible for the attacks were peasants in a part of Shandong province (an area and population larger than nineteenth-century France) who were subject to spirit possession and a belief in their physical invulnerability.[3] Paying these indemnities put great strain on Qing public finance. Hans van de Ven has provided a vivid account of how the Imperial Maritime Customs, a Chinese tax collection agency, became debt collector for both indemnities. Securing the large loans from international banking consortia to pay the indemnities, the Qing state had to commit future revenue of the Maritime Customs to payment of the loans. Since the income expected from the Maritime Customs was inadequate, this agency, under British leadership despite being part of the Qing administrative bureaucracy, became responsible for other revenue sources: the *lijin* (a domestic transit tax), the Salt Administration fees, and the Native Customs (taxes

[3] Joseph W. Esherick, *The Origins of the Boxer Uprising* (Berkeley, 1987).

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on domestic trade distinct from those levied on foreign trade under the Maritime Customs).[4] Beyond the diversion of these revenues to service the debt, Kaske and Lin note: "The indemnities for the Sino-Japanese War and the Boxer Rebellion forced the Qing government to bring more of the provincial revenues under central control, without benefiting from these revenues to enhance its own capacity to govern" (Vol. II, p. 259). They go on to explain: "The Boxer indemnities thus opened the floodgates for the chaotic proliferations of taxes and surcharges that would form the basis of warlord finance in Republican China and make fiscal standardization difficult" (Vol. II, p. 260). The weight of foreign demands on Chinese state revenues severely limited the government's resources to invest in the domestic economy's development. Moreover, the emergence of competing regional regimes, many of them led by warlords, meant that European country-sized provinces became independent until the Nationalists forged national integration. That union lasted only a decade before the Japanese invaded and took over much of China's wealthy areas in the eastern part of the country. Public finance of the sort feasible under the Qing state was impossible to imagine through the difficult and uncertain years that preceded the Communist victory over the Nationalists in a civil war beginning after the Japanese defeat in the Second World War.

When we turn from public finance to the financial institutions and financial markets in China, Brett Sheehan and Yingui Zhu juxtapose the national integration of bank networks, also noted by Li and Yan, with a growing urban-rural divide in the specific kinds of new financial institutions that are developed in the twentieth century (Vol. II, 292). In "Financial Institutions and Financial Markets" (Vol. II, Chap. 9), Sheehan and Zhu note that early industrial capital came from pawnshops, remittance houses and cash shops, all of which existed before the rise of banks based on foreign models. In addition, new financial instruments (public bonds), institutions (Shanghai Stock Exchange), and political oversight extended the financial market infrastructure of the economy. At the same time that the state sought national integration and control of banks, it also, as a separate and distinct effort, augmented the already existing sources of credit in rural China by fostering the formation of rural credit cooperatives. Much as the state aspired to make significant impacts on both the urban industrial and the rural agrarian sectors of the economy, Sheehan and Zhu conclude their chapter by stating "Chinese financial institutions as a whole remained highly decentralized, unevenly distributed across space, and hugely varied in form and function. Even as

[4] Hans van de Ven, *Breaking with the Past: The Maritime Customs Service and the Global Origins of Modernity in China* (New York, 2014), 133–171.

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the growth of a vibrant banking sector linked many parts of China, a rift widened between kinds of financial institutions in urban and rural China. Financial institutions and markets, and the financiers who ran them, remained generally fragmented, with periodic moments of greater or lesser connection subject to the vagaries of economic trends and political events" (Vol. II, p. 322). Sheehan and Zhu make clear a structural gap between urban and rural financial institutions as part of a larger decentralized system within which relations between actors ebbed and flowed. Mindful of the spatial scale and large populations that participate in this financial system, there is no obvious Western equivalent against which to judge the early twentieth-century Chinese case. We, therefore, face the challenge of creating some standard for judging success and failure that does more than remind us of the evolution of public finance and financial markets in Western contexts, little of which resembles the challenges faced by China's financial institutions as domestic institutions evolving amidst the adoption of some Western financial institutional forms.

A related challenge comes when we turn to consider what are desirable enterprise forms for businesses. We have already seen in Grove and Kubo's chapter on industrialization that Chinese actors pursuing three different paths of industrialization each had priorities and goals specific to their situations and together present some alternatives to Western industrialization dynamics. Madeline Zelin's "Chinese Business Organization" (Vol. II, Chap. 10) explains the importance of family, native place, guilds, and a system of private ordering to the organizing of enterprises in China. In addition to offering cogent assessments of institutions familiar to specialists, Zelin's discussion of private ordering refers to a subject familiar to economists who stress the study of contracts as a complement to the larger emphasis placed on choice as the mechanism determining the allocation of resources to maximize satisfaction.[5] Important as the new institutional economics (NIE) is in economics, only Douglass North, of the four Nobel laureates associated with NIE, made economic history a major research focus; Ronald Coase, Elinor Ostrom, and Oliver Williamson made their major impacts in other areas. Amidst North's significant impacts on economic history research, a focus on contract issues that include private ordering has not been prominent in Chinese economic history studies. For Zelin, private ordering is the result of actors organizing partnerships confirmed in contracts. She explains how investors diversified their funds by holding shares in multiple partnerships and larger corporate bodies like lineage trusts. "Diversified portfolios were

[5] Oliver E. Williamson, "The Theory of the First as Governance Structure: From Choice to Contract," *Journal of Economic Perspectives* 16, no. 3 (Summer 2002): 171–195.

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important hedges against loss, and cross investment, even in the late imperial period, provided an important mechanism for horizontal and vertical integration" (Vol. II, p. 340). Zelin views early twentieth-century Chinese firms forming a "relationship capitalism", a term that suggests to her fewer formal ties that appear in cases of network capitalism (Vol II, p. 349). Given the weakness of any modern judiciary and the absence of effective enforcement of company law, Zelin concludes, "Family, friends, and influence networks continued to encourage co-operation and co-investment. Lineage trusts, with their claims to collective assets and longevity, continued to be major investors in modern firms, and the lineage accounts office served as a model for the central accounts office and its tools for flexible co-ordination, including the movement of funds between related but not necessarily co-invested businesses" (Vol. II, p. 352). Such institutional evolution among Chinese business relations enables them to succeed in a changing twentieth-century context where interactions with Western economic actors grew. The constituent components of the Chinese business organizations Zelin presents to us make a particularly Chinese compound from elements such as family, guild and private ordering that we cannot find elsewhere. The opportunities to do business in an economy where Western actors are becoming major figures does not mean Chinese actors morph into Westerners in order to develop the Chinese economy.

Together, six of the seven chapters discussed so far present abundant evidence of economic change taking place in the first half of the twentieth century. Moreover, much of this change was undertaken by Chinese economic actors whose priorities and practices differ from those of Western economic actors during similar developmental moments. In brief, the Chinese pursued paths of industrialization not part of Western patterns (Grove and Kubo; Bian), managed the money supply and developed financial markets with only partial parallels to those witnessed in Western economies (Li and Yan, Sheehan and Zhu), and persisted in organizing their businesses in ways foreign to Western norms (Zelin). Armed with the information and analysis presented in these chapters, we can move on to assess how to evaluate the evidence and arguments of five other chapters contributing to our understanding of the Chinese economy between 1850 and 1950.

Western Roles in an Eastern Narrative of Modern Economic Development

Four chapters of the *CEHC* provide information about the growing presence and influence of Western entrepreneurs in late nineteenth- and early twentieth-century China. Two of these chapters give clear and compelling evidence of the importance of increasing foreign trade to economic development in those areas of China able to take advantage of such opportunities. James Kai-sing Kung's "The Economic Impact of the West: A Reappraisal" (Vol. II, Chap. 11) shows that not only treaty ports, ports opened to foreigners through treaty agreements, but also ports that the Chinese chose to open to foreign trade experienced more GDP growth per capita than non-port cities with differences in manufacturing output observable as late as 2010 (Vol. II, p. 358). Kung is careful to avoid claiming a causal link between trade with the West but does mount an argument that treaty ports specifically provided an environment in which the formation of human capital through education in missionary schools was an example of the positive benefits of Western influence. In his conclusion he goes further to endorse implicitly the perception of Chinese students who went to study in Japan that "Qing China had become too stubborn and too feeble a regime for saving" (Vol. II, p. 412). While this is a hardly a proposition that can be tested, it may be more important simply to recognize the positive significance of Western treaty port connections for the Chinese economy without claiming the presence of a clear nineteenth-century anticipation of what would prove to be the collapse of the last dynasty in a two-millennia history of imperial empire.

Wolfgang Keller and Carol Shiue offer additional compelling evidence of the significance of gains from trade through treaty ports in "Foreign Trade and Investment" (Vol. II, Chap. 12). Keller and Shiue quantify foreign influence on both Chinese foreign and domestic trade. They show the diffusion of foreign goods through the country, as well as the circulation of domestic goods within the country and their ties to export trade. They show the major role of Shanghai as a port at which re-export trade took place amidst both imports and exports, with one of their most important discoveries being the value of new goods exceeding the value of old goods that disappeared from trade. The 1930 value of goods available in 1867 is one-third of 1930 value of all goods (Vol. II, p. 453). Thus, many new goods (or high value goods) appear in the period as a significant part of the export trade (Vol. II, p. 454).

The chapters on "Transportation and Communication Infrastructure" (Vol. II, Chap. 13) by Elisabeth Köll and "Education and Human Capital" (Vol. II, Chap. 14) by Pei Gao, Bas van Leeuwen, & Meimei Wang both add information about the crucial positive contributions Western connections and influence brought to modern Chinese economic development. Köll traces the ways in which Chinese deployment of transportation and communication technologies developed in the West took place amidst competing business interests and subject to the agendas of state actors at the local, regional, and national levels. The patterns that emerged, she argues, have influenced infrastructure development in contemporary China, a clear indication of a kind of a twentieth-century path traversing the divide before and after the Chinese Revolution (Vol. II, p. 458). Gao, van Leeuwen, and Wang make the case for the modern educational curriculum introduced in 1905 by the Qing state to have promoted industrialization because new Western knowledge increased human capital needed to take advantage of Western technologies, such as those discussed by Köll regarding China's transportation and communication infrastructure. Together these two chapters suggest how Western technologies and Western education more generally were drawn upon by Chinese actors for the development of a more modern Chinese economy. Combined with the two chapters related to foreign trade, the four chapters indicate important new economic possibilities created by Westerners and seized upon by Chinese in positions to benefit from them. Indeed, one could argue that they were necessary components present along any broad path of economic development, whether pursued in early twentieth-century China or elsewhere. In the Chinese case they combine with the components of industrialization, financial market and money supply, and business organizations we have already seen.

What none of the ten chapters I have considered so far has offered is any judgment regarding how well or poorly Chinese economic actors performed in the late nineteenth and early twentieth centuries by some metric of comparison we could find useful. Only Chi-Kong Lai's sees Chinese failures to industrialize to rest upon the presence of state actors who fail to conform to the roles they played in Western economic development narratives. Instead, what we have are several chapters that show different dimensions of economic change and some of the adaptations people made to their economic institutions and practices as they engaged the challenges and opportunities presented by the growing presence of Western economic and political actors in China. Other chapters suggest developments that we can infer mattered to economic changes in China because similar phenomena (education, improved communications and transportation, entering wider trading networks) have demonstrated impacts on the likelihood of economic development occurring. These ten chapters indicate areas of change, though none of them, for understandable reasons, attempts to plot closely what might be anticipated from the areas of activity they address for the economy writ large.

Those scholars who do make tractable the challenges of prediction at general levels of economic change engage in the kinds of simplification necessary to make any causal propositions in the social (and natural) sciences. Testing these propositions often involves considerable data

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analysis and interpretation. One of the chapters in the *CEHC* that takes on the challenge of formulating a causal proposition but does not draw on much research by the author himself or others to support his claim is "Ideology and the Contours of Economic Change" by editor Debin Ma; this chapter opens Volume II, Part I of the *CEHC*. Ma offers a highly stylized view of the Qing state, reminding a reader familiar with eighteenth-century history of the views of some Enlightenment thinkers who considered China despotic. He writes: "Beyond the borders of empire, where they could not implement direct rule, the Qing, like previous dynasties, constructed a China-centered international order through the so-called tributary-states trade system. This system engulfed neighboring small states or territories in East and Southeast Asia as near protectorates that would pose no major military or political threat. Hence absolutism Chinese-style curtailed interstate competition and weakened independent vested interests, civil society, and autonomous political and social groups, all to serve the purpose of minimizing any potential threat to the throne from below" (Vol. II, p. 29). Leaving aside the absence of evidence that Chinese "engulfed" neighboring states, Ma does not address what interstate competition the Qing did face with the Russian empire from the seventeenth century forward, an overview of which Laura Hostetler published in a chapter of the *Cambridge World History* in 2015. Since we know that the Qing state competed with Russia over control of the area around the Amur River and faced challenges to its rule over Tibet from both the British and Russians as part of their late nineteenth- and early twentieth-century "Great Game" for geopolitical influence in the region, it is hard to see how the Qing did not face interstate competition. At the same time, it makes good sense to remember that the Qing state sustained social order across an area roughly the size of Europe where a considerably smaller population than China's engaged each other in multiple armed conflicts.

In the 1890s, the Qing state's understanding of interstate competition was quite similar to that of the Japanese. Political elites in both countries appealed to the same slogan to express the same approach of competition with Western countries. The slogan is a term coming from the Warring States era (fifth–third century BCE) text known in English as the *Annals of the Warring States*. The term "*fuguo qiangbing*" (富國强兵), meaning "enrich the country, strengthen the military", was abbreviated differently in the two countries, with the Chinese reduction to "*fuqiang*" often rendered in English as "wealth and power." In other words, both countries understood their geopolitical situations to involve economic and political competition with Western powers. Sharing a common sensibility, however, does not tell us how to apply such concerns to countries of such different spatial and demographic dimensions. I will return to issues of spatial and demographic scale after finishing consideration of the final portion of Ma's assessment of Qing absolutism that "weakened independent vested interests, civil society, and autonomous political and social groups, all to serve the purpose of minimizing any potential threat to the throne from below."

Ma's characterization of the Qing state as an absolutist regime undermining the interests and autonomy of groups who made up civil society suggests the Qing state somehow knew it had to eradicate the characteristics of early modern European societies that apparently were present in China until the Qing succeeded in stamping them out. One wonders what kind of political philosophy the Qing state conjured to discern the dangers to the ruler posed by social formations that Qing political elites would not know even existed in a realm several thousand miles beyond their empire's horizon. To address this question, one could reasonably turn to political theorists who have studied Chinese political philosophy. One relevant analysis of Confucian political thought addresses classical texts to explain the Chinese logic of rule.

Political theorist Loubna El Amine has argued that Confucian political philosophy aimed to solve the same problem that political theorist Sheldon Wolin has suggested is central to Western political philosophy—"how to render politics compatible with the requirements of order."[6] She identifies the Confucian strategy for achieving political order—win the loyalty of the common people and advocate economic policies to produce conditions needed for a "well-contented populace." Punishments, she suggests, were seen as a last resort.[7] We will have an opportunity to learn the significance of this political philosophy for the character of Chinese political economy before the modern era when we look at chapters on pre-modern Chinese political economy later. For now, let us continue to consider Ma's suggestion that China failed to develop economically because the state "curtailed interstate competition and weakened independent vested interests, civil society, and autonomous political and social groups, all to serve the purpose of minimizing any potential threat to the throne from below" (Vol. II, p. 29).

Ma criticizes China for being a unified polity, a fact that also makes unlikely the scale and frequency of warfare experienced in early modern Europe. Celebrating interstate competition as conducive to economic development neglects the costs that warfare imposed on the early modern European economy. Jean-Laurent Rosenthal and I have

[6] Loubna El Amine, *Classical Confucian Political Thought: A New Interpretation* (Princeton, 2016), 10.

[7] El Amine, 80.

proposed that Europe's interstate warfare had, as an unintended economic consequence, economic incentives to move craft production into cities rather than leave them in the countryside despite the higher labor costs of such locations. The relative factor prices of capital and labor therefore differed in China and Europe and created a European bias toward using capital instead of labor which in turn, we argue, increased the likelihood for technological changes to occur. This proposal subsequently received empirical support in a book by another pair of economic historians who confirmed a path from warfare to wealth in urban Europe.[8]

Ma asserts that the Chinese political system "stifled the possibilities of endogenous development of ideological and institutional transformation from within and from below", which leads him to announce a "new framework" to explain why China did not join Japan and the West in achieving modern economic development. He suggests China's slow acceptance of "Western impact and ideology" was the product of a "cultural attitude" different from that found in Tokugawa Japan (Vol. II, p. 31). What Ma poses as a new framework complements a long-standing assessment of Japan's engagement with the West from the late 1860s forward as based on Japanese adoptions and adaptations of Chinese language, ideas, and institutions centuries earlier, an example of which can be found in William Lockwood's 1956 article "Japan's Response to the West: The Contrast with China." Regarding China, Ma appeals to recent arguments made by Chinese intellectual historians about the limits within which they perceive possibly new ideas to emerge within the Chinese intellectual tradition. While the assessments of those intellectual historians vary, to the extent that they share Ma's belief that the Qing state suppressed possibilities of "ideological and institutional transformation", their arguments would have been better supported if they had posed a counterfactual of the kinds of ideological and institutional transformations they could imagine in the absence of state "stifling" of such changes. For his part, Ma fails to offer any clues to what he thinks could have been possible for domestic sources of change were the state less oppressive. Since Ma's framework accepts the theme of Japanese proclivity for adapting Western political principles and practices to transform their state depending on earlier similar experiences based on borrowing from China, we could reasonably wonder what Ma would have had to say about what he imagined plausible if the state were not so closed to

[8] Jean-Laurent Rosenthal and R. Bin Wong, *Before and Beyond Divergence: The Politics of Economic Change in China and Europe* (Cambridge, MA, 2011); Mark Dincecco and Massimiliano Gaetano Onorato, *From Warfare to Wealth: The Military Origins of Urban Prosperity in Europe* (Cambridge, UK, 2017).

outside influences. He might also have explained why the import of ideas and institutions to China by both the Mongols and the Manchus are not in fact examples of an ability to absorb outside influences or, if they are, why they did not facilitate a broader and deeper embrace by the Qing state of Western models in the manner undertaken by the Japanese.

What arguments of the kind Ma mounts fail to provide is any explanation of the likely fit of Western ideas and institutions to Chinese conditions. He assumes that if Chinese leaders were more culturally open and willing to adopt Western political and economic principles and practices, they would have done so. This implicitly assumes that the Qing empire could have become organized in the manner of a European state. If we take spatial scale of political order into account and consider the first European political system since the division of the Roman Empire in the late fourth century to reach a spatial scale similar to that of China, we wait until the 1993 establishment of the European Union. Moreover, the basis of political order across the EU is not simply the replication of a European state on a larger spatial scale, as Ma's argument that China could have adopted the ideology and institutions of a European state if only leaders had been more culturally open suggests. Instead, the EU is based on a set of treaties through which sovereign nations become member states of the EU. The transition of the European political system from its early modern era of competitive state formation in which warfare remained a salient feature through much of the first half of the twentieth century to a political system based on coordination and collaboration among sovereign states made possible the formation of the European Union. One way we could imagine amending Ma's argument for China being more open to adopting European political principles and practices would be if China were not an empire but instead an assortment of separate competitive regimes—in other words, if the context of political order in China was the same as in Europe which is one way of suggesting China could have become more like the European Union if it had initially been more like a fragmented Europe, subject in the early modern era to warfare as part of its competition for power and wealth. But such a move can be reduced to saying China could have been more like Europe if it had previously been more like Europe. Instead, what history has presented us is the very different ideological and institutional bases upon which a competitive state system emerged in early modern Europe while an agrarian empire had been growing economically and demographically through its long early modern era and continued to do so through the nineteenth and most of the twentieth centuries.

Considering twelve of the fourteen chapters in the "1800 to 1950" part of the *CEHC* discussed in this and the opening section of this paper,

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we can observe patterns of economic change documented largely for the late nineteenth century until 1937 to include those paralleling modern European economic development (e.g., factory industrialization financed by private capital), as well as alternative forms of industrialization and institutional forms able to support new kinds of trade made possible by the expansion of foreign trade, investment, and technologies in China. What we do not see is a Western-style modern economic development dynamic across the entire country. The remaining two chapters of Volume II, Part I depict broader pictures of nineteenth and early twentieth century contexts within which the economic changes we have seen in other chapters occurred.

William Rowe's "Economic Transition to the Nineteenth Century" (Vol. II, Chap. 2) addresses political, social, and economic changes in the early nineteenth century, including evidence of ecological decay, a possible demographic crisis and a possible economic slowdown. The author recounts different explanations for a Daoguang (1821–1850) era depression that precedes the positive improvements to the Chinese economy made possible by the entry of Western business to China's ports, especially significant from the 1880s forward, confirmed by much new analysis and evidence we gain from the Kung and the Keller and Shiue chapters. Rowe agrees with Kenneth Pomeranz's noting the incremental development of a proto-industrial economy with expanding agricultural commercialization that had begun centuries earlier, components of Pomeranz's argument in *The Great Divergence* that I also happen to have proposed in *China Transformed*. The assessment Rowe accepts recognizes economic changes taking place but without any general improvement or decline in people's economic conditions. He understands there was neither extensive evidence of a Malthusian crisis looming nor widespread indications of modern industrial development.

Chinese economic history identifies the ability of a variety of historical actors to succeed in sustaining per capita levels of production that kept standards of living from falling. Debin Ma and Kaixiang Peng's Chapter "Agriculture" (Vol. II, Chap. 3) supplies key information a reader unfamiliar with China needs to understand in order to grasp basic aspects of China's economy in the years covered in the *CEHC*'s *fourteen* chapters I have been considering. Ma and Peng present evidence, much of it familiar to specialists, on increased multi-cropping and the development of craft industries, what the authors refer to as "agricultural sideline production." From the Grove and Kubo chapter on industrialization previously discussed, the path of semi-industrialization indicates possibilities of such craft industries becoming the primary sources of rural household income. In other words, the rural economy, where well over 80 percent of the population lived, included both agriculture and non-agricultural production that contributed to the sustaining of people's material wellbeing. In their conclusion Ma and Peng note "This survey, though highly selective, does not support the case of a rapid or general decline in overall agricultural performance or per capita grain output during the period under study. It also shows that while Chinese agriculture remained largely traditional, there were important and significant new developments toward modernization" (Vol. II, p. 121).

The Ma and Peng chapter indicates that amidst the tapestry of changes other chapters of Volume II of the *CEHC* address, agricultural growth kept a rising population fed at similar levels over a long period of time. Despite social turmoil and political uncertainties as China became increasingly connected to a larger and more global economy, a major Malthusian crisis was averted as people discovered ways to draw additional nourishment from the water and soil of their natural environment. The Chinese economy's nineteenth-century relationship to the natural environment differed significantly from those of European and American economies, where the exploitation of fossil fuels supplied new sources of energy that powered the development of industry. We can place most of China's nineteenth- and early twentieth-century economy in a far longer sweep of Chinese economic and environmental history where economic institutions and state policies jointly created changes different from those present in Western economic and environmental histories. These differences will be noted in the next three sections of the paper which lead us to the final section of the essay on Chinese political economy, past and present. In addition to addressing the remaining chapters of the *CEHC*, important features of China's recent era of rapid economic growth that are not covered in the *CEHC* will be introduced in order to suggest reasons for the successes and limitations of Chinese economic development.

Population, Agriculture and Environment in Chinese Economic History

Nearly 600 pages after the Ma and Peng chapter on agriculture where we see that economic growth of the most populous country in the world kept people from experiencing a Malthusian crisis through the nineteenth and first half of the twentieth centuries, we learn from the research in Chris Bramall's "Living Standards in Maoist China" (Vol. II, Chap. 17) "Daily food consumption rose by well over 10 percent between the 1950s and 1970s. In this regard, Maoist China fared better than many other countries – Meiji Japan and Industrial Revolution Britain come to mind – during the early stages of their industrialization. China's

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intra-urban and intra-rural distributions of income and consumption were far more equal by the 1970s than during the 1930s" (Vol. II, p. 639). Bramall documents improvements in standards of living and a reduction in inequality that compare favorably with the early industrial conditions in two of the far smaller and most successful economic development cases we have: Britain and Japan. Bramall's calculations, which include the devastating impacts of the severe famine that followed the Great Leap Forward, show average per capita food consumption between the 1950s and 1970s actually rose. Despite the catastrophic consequences caused by drought and human folly, the dynamics of a Malthusian crisis continued to be averted. This is not simply the continuation of the kind of economic success following a century and a half of Chinese history, but it is the last segment of time forming a millennium of economic development that enabled a population estimated to be roughly 50 million around 750 CE to double by 1100, with another doubling of the population from some 150 million people to 300 million during the eighteenth century. China's population continued to grow thereafter. The 582 million people counted in the 1953 population census exceeded 1 billion people in the 1982 census.

China's economic growth that supported an ever-larger population for more than a millennium has several causes. Several chapters in Volume I of the *CEHC* can help us appreciate how agriculture and a rural-based economy more generally proved to be the foundation of expanding economy able to sustain the largest population subject to a single political regime for more than a thousand years before China's dramatic economic growth began after 1980. Ma and Peng construct careful estimates for per capita grain consumption, an exercise they acknowledge cannot lead to very precise measurements of per capita agricultural output. Extending Ma and Peng's conclusion that average per capita grain consumption remained roughly stable over the nineteenth and first half of the twentieth centuries, Zhiwu Chen and Peng in the final chapter of Volume I, "Production, Consumption, and Living Standards" (Vol. I, Chap. 18), conclude: "In the pre-Industrial Revolution world, no other society managed to deal with the challenges of sustaining a population of several hundred million as well as China did in the late Ming and the Qing periods. In this sense, China's development experience from the eleventh century to the eighteenth provides as rich a sample as Europe and other regions to study economics and beyond" (708). The authors are signaling different dynamics of growth in China than those that were present in Europe before the Industrial Revolution. Since this growth did not depend on exploiting fossil fuels, the transformative source of energy that powered industrialization, China's pre-modern economic growth's impact on the environment was far less destabilizing than we now understand industrialization to have caused. Given our contemporary reframing of economic development within the boundaries of physical possibilities imposed by the natural environment, we might find some aspects of China's premodern economic practices useful to ponder as we grapple with weaning ourselves from fossil fuels and coping with the consequences of climate change

Chen and Peng also point out the development of new forms of social organization able to help people facing hardship from poor harvests or life events such as a husband's death or becoming an orphan. Lineage organizations that began to form after 1000 CE supplied support to indigent kinsmen. Chen and Peng go on to consider the subsequent development of local welfare organizations, noting "These organizations provided aid to the elderly, widows, and orphans; took part in poor and famine relief; distributed medicine to the poor; and provided burial services for the indigent. Some of these charitable organizations were sponsored by trade associations or guilds which, as basic administrative units similar to lineages in rural areas, provided some relief for members directly. Their functions were diverse, but these organizations offered social welfare services and helped reduce the impact of survival-risk events on people's livelihood" (Vol. I, p. 702). The authors go on to consider the development of financial markets, the roles of religious organizations, and government welfare to create a sweeping survey of how the management of economic uncertainty was embedded in a diverse set of economic, social, and political activities.

We can add to Chen and Peng's very useful chapter the fact that Chinese concerns with economic risk tied to harvest variations are intimately connected to worries about the natural environment. Like South Asia, China is subject to monsoons with the summer monsoon swelling rivers, sometimes to the point of flooding but in other years providing far less rainfall. Since the Chinese economy, especially after the tenth century, began to expand the use of river and stream waters for agriculture, managing rivers became an economic and an environmental concern for both people and for the state. While historians have long been aware of the salience of flood and drought in China, this has not entered the larger economic history literature seeking to integrate the Chinese economy into a more general picture. That picture is dominated by the contours of initially European and, as we move into the modern era, Western economic history. Since early modern Europeans did not irrigate their agricultural fields nor face a climatic feature like the monsoon, environmental elements key to Chinese economic history are missing in European economic history. Moreover, the degree to which economic history has gazed back from the modern era with its focus on

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economic development, the search is for European origins of growth. This emphasis on growth and the escape from any Malthusian trap takes economic history out of an era of limited possibilities and has largely failed to recognize our contemporary awareness of the physical limits to growth. Chinese economic history reveals actors aware of the ways in which their economy was embedded within a natural environment which must also be addressed to mitigate the negative impacts of unstable harvest conditions at the same time as they pursued strategies to expand output.

Hara's "Agriculture and Its Environmental Impact" (Vol. I, Chap. 2) notes that Chinese economic impacts on the environment became quite clear beginning with deforestation of parts of the Yellow River basin resulting from the desire of competing kingdoms in the fifth century BCE to achieve agricultural expansion. Such expansion provided a larger resource base from which to extract revenues needed to equip military troops necessary to compete with other states during an era known was the Warring States period (476–221 BCE), quite a different military-fiscal state model than the more familiar early modern European model exemplified by the English East India Company itself acting as a fiscal-military organization at the heart of what John Brewer identified as England's creation of a fiscal-military state.[9] For the Yellow River basin, Ruth Mostern has more recently made clear that the period of more widespread deforestation occurred during the 900s and 1000s, causing sediment flows to increase an order of magnitude above previous rates. The Yellow River Basin's agricultural economy existed in an environment increasingly prone to flooding and dependent upon engineering efforts to protect people and their crops.[10] To return to Hara's assessment of agricultural expansion's impact on the environment, he concludes his chapter with the environmental impacts of Chinese development in the Yangtze River basin: "After the year 1000, the development of wet-rice cultivation and the introduction of major new crops – tea and sugar in the Song era, and New World crops such as maize, sweet potato, and tobacco from the sixteenth century – would profoundly alter the environment and the ecological balance between humanity and nature in south China as well."

David Bello's "Ecological Change and Resource Constraints" (Vol. I, Chap. 7) considers the ways in which China exploited its natural resources, in particular its soils and water, to fashion what we can consider a dynamic adaptive equilibrium between economic and

[9] John Brewer, *The Sinews of Power: War, Money and the English State, 1688–1783* (Cambridge, MA, 1989), 56.

[10] Ruth Mostern, *The Yellow River: A Natural and Unnatural History* (New Haven, 2021), 121–238.

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ecological changes that varied across the empire's regions. He states "There is certainly no question that during the eight centuries covered in this chapter China experienced serious declines in biodiversity, especially in forest biospheres south of the Yangzi. However, environmental change was complex and often resilient, rather than simply a precipitous decline" (Vol. I, p. 274). He goes on to identify what appears to be an end to the maintenance of an equilibrium between economic and environmental changes: "By 1800 CE, environmental complexity, in terms of change and constraints, seems to have increased, along with population and arable acreage, to approach unsustainable levels" (Vol. I, p. 289). Bello's "Conclusion" opens with the sobering acknowledgement: "The ecological changes and constraints over the eight centuries discussed in this chapter were products of relationships between humans and their surroundings whose dynamics are not completely understood even today" (Vol. I, p. 297). The chapter ends with a Malthusian premonition: "Enormous population growth has long been the primary explanation for both changes and constraints in China's ecology. Yet, from an environmental perspective, it is perhaps more precise to say that synergy between people and their chosen plant and animal domesticates – supported by adequate water within the right temperature ranges to fructify sufficient expanses of the right kind of soil –"successfully" generated enough change to overload China's preindustrial carrying capacity by the end of the eighteenth century" (Vol. I, p. 298). In the conclusion to his chapter "The Rural Economy" (Vol. I, Chap. 13), Kenneth Pomeranz reaches an assessment similar to Bello's regarding the Chinese economy's increasingly unsustainable presence in the natural environment based. He also looks forward in time to anticipate a looming Malthusian crisis: "Overall, the combination of a narrower environmental margin of safety, a less effective state, and deteriorating markets made for an increasingly perilous situation, in spite of centuries of impressive growth in the rural economy. With the addition of a negative climatic turn in the nineteenth century, plus foreign battering of an already weakening state, these crises became particularly acute" (Vol. I, p. 520). Yet we know from other chapters of the *CEHC* already discussed that China continued to escape any large-scale Malthusian crisis in the nineteenth century and twentieth centuries, culminating in the 1970s with a 10 percent increase in per capita food consumption over levels in the early 1950s.

The sixth and final chapter to be considered in this section, Shuji Cao's contribution "Population Change" (Vol. I, Chap. 8), covers national population figures, population movements and the changing regional distribution of population. He argues that the state's efforts to prevent pestilence and to provide famine relief helped avert a Malthusian crisis as population grew between 1000 and 1800, a point we have also seen made by Chen and Peng. In addition, Cao estimates that

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China's urbanization rate in 1776 was only 7.3 percent, lower than the estimates for 1391 (7.5 percent) and 1580 (9.5 percent) (Vol. I, p. 335). While Cao concludes "The low rate of urbanization in 1776 (and even in 1910) confirms that the predominance of agriculture in the Chinese economy remained unchanged in the late imperial era." Agriculture no doubt remained the most important sector of the economy, responsible for enabling the continued growth of the population well past the 1800 marker Bello observes and past a later nineteenth-century moment that Pomeranz recognizes to have been even more precarious. That said, the rural landscape included far more than agriculture, as craft production in the countryside, most notably in cotton textiles, expanded across different parts of China. The relatively low rate of urbanization in China compared to what we see in Europe did not mean a commensurate lack of craft production because the expansion of rural craft production from the sixteenth century forward helped to sustain standards of living and avoid a serious Malthusian crisis. Commercialization of the agrarian economy was integrated into networks that also included urban centers. We will look at the development of the commercial economy in China between 1000 and 1800 in the next section, but first a brief summary of a key conclusion I think we can draw from the topics discussed so far.

The well-supported concerns that Bello and Pomeranz raise about population pressure on the land alert us to the limits of China's natural environment, more specifically the limitations of technologies at hand to exploit the natural environment more than was then feasible. At the same time, we have also seen that standards of living and per capita grain consumption do not appear to have suffered secular decline reaching a Malthusian crisis. The ability of the Chinese economy to grow without industrialization for a millennium and support a growing population presents as a dynamic of economic change that proved sustainable for a considerable length of time—far more sustainable than our global condition after the start of modern economic growth a bit more than two centuries ago.

Examples of China's Premodern Economic Institutions and Their Operations

Through the new institutional economics promoted by Douglass C. North, the study of law and economics has enjoyed an important place in economic history research. "Law and the Market Economy" (Vol. I, Chap. 11) by Billy K.L. So and Sufumi So focuses on commercial law with an eye to interpreting the purposes and functions of Chinese commercial law in a manner that displays similarities to those identified by the new institutional economics and its place in European economic

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history. From this perspective the authors encourage readers to view Chinese law's positive significance for enabling commercial transactions in ways very similar to what can be seen in Europe. At the same time, they also show that Chinese commercial law was part of a different array of laws, norms, and customs from those that make up the institutions North stresses as enabling economic development in early modern European economic history. The broad cluster of institutions at work in China are not the same as those in Europe. Despite these differences, however, the authors demonstrate that the Chinese did have commercial law as a key component of the institutional structure of their market economy. Viewing law from a related vantage point, Mio Kishimoto's "Property Rights and Factor Markets" (Vol. I, Chap. 12) contrasts the concept of private ownership preceding the formation of the state in Lockean liberalism to the traditional Chinese idea expressed in the *Book of Odes,* the oldest existing collection of Chines poetry dating from the eleventh to seventh centuries BCE. In this work, all land and all people are possessed by the sovereign. Kishimoto explains: "Private ownership was generated through the allocation of lands by the sovereign and gradually became an accepted reality" (Vol. I, p. 449). Together with the chapter on commercial law, this contribution shows multiple ways that Chinese law worked in practice as part of the institutional framework that enabled economic production and trade to develop in China since the eleventh century. In ways both similar to and different from the relations that law had with other economic institutions in Europe, Chinese law was part of an institutional complex that supported early modern economic growth.

In "Merchants and Commercial Networks" (Vol. I, Chap. 16), the late Joseph P. McDermott shows how merchants organized their business practices in expanding market networks that increased economic integration as the economy of southern China began to eclipse in size and growth the northern part of the empire. After providing excellent summaries of the long-distance trades of grain, cotton textiles, and books, McDermott addresses key commercial institutions, including brokers, revolving credit societies, and pawnshops. Family-based businesses often linked different ventures operated by relatives who were financed by an even wider group of relatives that belonged to a common lineage. Commercial partnerships took one of three general forms displaying considerable flexibility in their operations, a trait that allowed them to adapt and retain durability over many centuries. McDermott concludes his study with considerations of merchant relations to the state noting the state did not embrace laissez-faire policies but expressed "interest in hybrid public–private activities, mainly in the commercial sector"

(Vol. I, p. 631). When we recall the elements of business organization Madeleine Zelin introduces in Volume II, Chapter 10, we see elements of private ordering that appear to have evolved from those McDermott has presented. We can also consider the public-private nature of commercial activity to anticipate the links between officials and merchants discussed by Chi-kong Lai and the subsequent formulation of state-organized industrial development plans in Morris Bian's chapter (Vol. II, Chaps 5 and 6).

Turning to early modern Chinese cities, we see that merchants settled in urban settlements, large and small. Harriet Zurndorfer provides a broad survey of urban-based economic activities in "Cities and the Urban Economy" (Vol. I, Chap. 14). After sketches of four capital cities—the Northern Song's Kaifeng, Southern Song's Hangzhou, and the two capitals of the Ming, Nanjing and Beijing—she discusses different types of secondary cities that make up more than half the chapter's content. Before addressing port cities, manufacturing cities, commercialized administrative cities, and market towns, she notes: "By the end of the eighteenth century, however, secondary cities – whatever their significance to the expansion and diversity of the imperial economy – no longer were growing as fast as the smaller and mid-sized towns that mediated market exchange between metropole and hinterland. In other words, urbanization in late imperial China was taking place at the lower levels of the urban hierarchy, a phenomenon directly the inverse of the pattern in early modern Western Europe" (Vol. I, p. 537). In the concluding section of the chapter, Zurndorfer reminds the reader that Europe's largest cities were smaller than those in other world regions, including China. It is worth juxtaposing this contrast of the relative size of Chinese and European cities with Zurndorfer's earlier observation that it was smaller Chinese urban settlements that were growing faster than the larger ones. The growing importance of smaller urban settlements was taking place as the rural economy's growth combined the production of crops and crafts that entered increasingly dense commercial networks. Together these traits of China's cities and countryside provide a contrasting picture of some of the spatial characteristics of Chinese and European early modern economies. These are contrasts that perhaps deserve greater consideration than Max Weber's questionable claim that the absence of autonomous Chinese cities explains their failure to develop economically, especially since, as Zurndorfer notes at the close of her chapter, many Chinese cities and towns lacked any official presence.

Taking the four chapters of this section together, we can appreciate some of the important institutions and practices that developed over eight centuries of early modern Chinese economic expansion. As much as the economy grew in size to accommodate population growth through institutions exhibiting principles and practices innocent of European influence, it is difficult to show that institutional differences between Chinese and European economic production and commerce can explain why modern economic development occurred in Europe a century or two before China's modern economic development gained definite traction. The importance however of studying Chinese economic institutions may not be to show how similar or different they have been from Western ones but instead to consider how both Chinese and Western economic institutions were able to support modern economic development. Both sets of institutions depended on the development of modern sciences and technologies first generated in Europe, but Chinese application of European scientific knowledge and technological skills did not require the substitution of Western economic institutions for all Chinese economic institutions.

I turn now to consider directly some Chinese institutional features and economic practices already raised several times that are quite different from what we find in European economic history. The Chinese state's multiple connections to the economy affected the economy's evolution over more than two millennia.

State-Economy Relations

Having considered some premodern economic institutions and suggested their links to the twentieth-century institutions, this section will extend this exploration for possible principles and practices informing Chinese state relations with the economy that appear in related formulations across different economic, social and political contexts of China's long history and even reach forward into the second half of the twentieth century. Starting with the first chapter of the *CEHC*, Lothar von Falkenhausen's meticulous assessment of China's early economic history in "The Economy of Late Pre-imperial China: Archaeological Perspectives" (Vol. I, Chap. 1) is unable to confirm any particular roles that pre-imperial states may have played in the economy, but does succeed in tracking the early evolution of mass production that featured modular components, the presence of interregional trade, and the role of cities as nodes of commerce. These developments would certainly be feasible in a political economy where states found ways to gain revenues from such production and trade. The textual record we have from ancient times forward does allow Richard Von Glahn in the first of his several chapters, "State and Economy: Production, Extraction, and Distribution" (Vol. I, Chap. 3), to state: "From antiquity, sovereignty was linked to the ruler's duty to provide for the economic as well as moral welfare of his subjects . . . The institutional apparatus of the fiscal state – centralized planning of taxation and expenditure to satisfy the state's

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commitments to good governance – became a defining feature of the first empires, beginning with the Qin dynasty (221–206 BCE)" (Vol. I, p. 92). He goes on to important principles and practices of state-economy relations present in Qin fiscal policies that reveal startling parallels between James Scott's specifically modern state features with those visible in China more than two millennia ago: "The fiscal policies of the Qin militarist–physiocratic state proceeded from the cardinal principles of (1) light taxation of the agrarian base of society, (2) strong regulation of commerce and industry with punitive sanctions for profit taking and deficiencies in workmanship, and (3) heavy reliance on conscript labor and military service as the primary obligations of subjects to the imperial state . . . The "legibility" of society that James Scott sees as strictly the product of the modern state – knowledge of population and resources through the invention of surnames, standardization of weights and measures, freehold land tenure, cadastral surveys and population registration, the standardization of language and laws, and urban spatial design – already was a hallmark of the early Chinese empire" (Vol. I, p. 110).

Von Glahn's invoking of ancient Chinese similarities to Scott's well-known characterization of high modernism poses questions about early imperial-era Chinese state practices. Should we consider them precocious precursors of the modern era? It is a common temptation for historians to think first and foremost in temporal terms, but I suspect we are better off thinking in spatial terms first and temporal terms thereafter. In other words, let us first consider the significance of the Chinese state's early imperial capacities and evaluate the intent behind creating such capacities, and the consequences, intended and otherwise, that such capacities engendered. Once having considered the immediate significance of these early imperial Chinese state capacities we can consider their potential relevance to later centuries of Chinese history as examples of what a Chinese state could do and might choose to continue or attempt to resurrect after a period of neglect. Similar exercises could be mounted for the histories of other world regions. Such exercises allow us to consider types of path-dependent change that specially make sense in historical periods before the nineteenth and twentieth centuries. While connections among world regions certainly were forged before the modern era, the increasing scale and expanding scope of connections among different parts of the world that gathered momentum in the nineteenth century placed any world region within a growing set of ties that created the late nineteenth-century globalization.

Following von Glahn's chapter on the state and economy, Yōhei Kakinuma's "Money, Markets, and Merchants" (Vol. I, Chap. 4) tracks the efforts of Chinese states to raise revenues from both agriculture and trade when multiple currencies co-existed. State supervision of private merchants changed between the early and mid-imperial periods with some cross-border trade handled directly by officials themselves. There was increased long-distance domestic trade of grain, salt, and tea moving from producers in the south to northern consumers, as well as overland international trade across the Silk Road and maritime international trade from Chinese seaports. The mid-eighth-century collapse of central control led the state to impose new taxes on trade to rebuild its military strength, but Kakinuma observes that most state revenues were drawn from just two river basin areas because roughly a quarter of the Tang dynasty population fell under control of military leaders who refused to forward tax payments to the capital (Vol. I, p. 160). Focusing specifically on foreign trade that connected China to the greater Mediterranean region of Europe along the Silk Road, Xinru Liu's "Silk Road Trade and Foreign Economic Influence" (Vol. I, Chap 6) closes the "Before 1000" part of Volume I. Liu addresses the inter-state based silk-horse trade, as well as the Sogdian caravans along the Silk Road, ending with an account of the decline of the parts of foreign trade managed through government monopoly. Overall, from pre-imperial through mid-imperial periods covering more than a millennium, chapters of the *CEHC* afford readers a view of the ebb and flow of state control over domestic and foreign trade, when Chinese states repeatedly sought to tap commerce for revenue when they faced an urgent need to fund state expenditures.

Editor Richard von Glahn provides an "Interlude" between the first six chapters of Volume I and the remaining twelve chapters that largely focus on the period from the Song dynasty (960–1279) to 1800. He reviews the historiography on the dramatic changes established between the later part of the Tang dynasty after 750 CE and the Song dynasty. This is a period that Mark Elvin famously labeled an era of "medieval economic revolution" with increased agricultural and craft production, the growth of cities, and trade.[11] Much of the development took place through the twelfth and thirteenth centuries when the Song state fled south to rule only part of what had been their empire where officials harbored aspirations of reconquering the north. Facing military threats from three states occupying segments of North China who were themselves in competition, the Southern Song was embedded in inter-state competition and prepared for war. This period marks a second time in Chinese history when war making was a crucial feature of the Chinese landscape, the previous period being the Warring States (476–221 BCE) after which the Qin dynasty ushered in the beginning of

[11] Mark Elvin, *The Pattern of the Chinese Past* (Redwood City, 1973), 113–201.

early imperial dynastic rule as an empire. And just as the Warring States proves to be an era with some similarities to what would later be early modern European state competition, the Chinese state's dependence on the commercial economy for resources figured prominently in public finance of Song Dynasty China.

As Christian Lamouroux and Richard Von Glahn show in "Public Finance" (Vol. I, Ch. 9), turning to taxing private commerce and establishing government monopolies were both public finance strategies undertaken during the Song dynasty (960–1279) to pay for its armies. The authors track the Song centralization of its finances and state reliance on commercial activism to generate increasing revenues and the bureaucratization of finance. There followed nearly a century of the fragmentation of state finances (1127–1205) and a sequence of budgetary crises through most of the thirteenth century (1205–1276) that severely undermined the state's fiscal capacities (Vol. I, pp. 345–346). The Song's fiscal anguish ended with their defeat at the hands of the Mongols, whose late thirteenth-century conquest of China made their Yuan dynasty part of the Mongol Empire, the largest land empire ever created. The monetary and fiscal policies of the Yuan were intended to be part of a financial integration of the empire to support the military capacities of the empire's four khanates using a mix of silver and paper currency as they struggled and failed to stabilize fiscal order across their vast territories. China experienced serious inflation beginning in 1344 when great floods along the Yellow River posed serious obstacles to state efforts at maintaining social order, with rebellions breaking out in the 1350s, one of whose leaders, Zhu Yuanzhang, succeeded in defeating the Mongol armies and establish the Ming dynasty in 1368 for a period of rule lasting until 1643.

Lamouroux and Von Glahn go on to sketch the Ming reversal of public finance practices prominent in the Song dynasty. Relying largely on land taxes rather than commercial sources of revenue so important in the Song, the Ming reduced its revenue base. Under the founding emperor's vision of how to establish social order, taxes were initially collected largely in grain from farmers and later commuted into monetary payments as the state came to recognize farmer participation in commercial transactions. The Manchus, a Tungusic ethnolinguistic group living in Northeast Asia took advantage of late Ming peasant rebellions to march their armies into Ming China and with their victory establish the Qing as the last imperial dynasty (1644–1911). The Manchus more than doubled the territory of the Ming empire and established the general scale of what would become in the mid-twentieth century the People's Republic of China. Despite the increases in both population and territory, the Qing cleaved to policies of light taxation

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begun under the Ming dynasty until the nineteenth-century changes already addressed in an earlier section of this review essay made this impossible. The fiscal principles that the Ming state and Qing state affirmed for more than four centuries resonated with the approach taken in the third century BCE by the Qin state, China's first imperial dynasty.

As two distinguished specialists of Song history, their expectations for what would have been more sensible and desirable in the Qing dynasty may be influenced to some degree by what they understand Song fiscal policies to have enabled. This was the period when Chinese public finance was most similar to what would become the early modern European fiscal regime that was geared to enabling successful European states to raise armies to fight wars with other European states. After noting the Qing state encouraged Smithian dynamics of commercial growth through division of labor and regional specialization, Lamouroux and Von Glahn immediately go on to suggest: "But at the same time the limited fiscal capacity of the Qing state deterred investments in public goods that would help sustain economic growth" (Vol. I, p. 369). They repeat this suggestion, preceding the "Conclusion" to the chapter, with the assertion that "the self-imposed limits on the state's fiscal capacity hindered investment in growth-oriented public goods such as education, infrastructure, technological improvement, and resource development" (Vol. I, p. 378). That may be, but it bears noting that European states that presumably did not face such limits also did not invest during the eighteenth century in education, infrastructure, and resource development. The one area where we can see them stimulating investment in technology is for military armaments and even this did not involve direct state investment as a "growth-oriented public good." Rather, as Philip Hoffman has shown, European states essentially generated the demand for improvements in gunpowder technology made in the private sector because one of the main expenditures of early modern European public finance concerned military armaments.[12] Lamouroux and Von Glahn are critical of the eighteenth century. Qing state for having not considered public finance practices that Western states only began to develop in the late nineteenth century.

The eighteenth-century Qing state did provide public goods that their European contemporaries did not in the form of the expansion and maintenance of the hydraulic infrastructure already mentioned earlier in this review essay. The Chinese state deliberately organized efforts to mitigate flood risks and to sustain existing diversions of water flows for crop irrigation and encourage the expansion of water diversions to

[12] Philip T. Hoffman, *Why did Europe Conquer the World?* (Princeton, 2015), 161–163.

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irrigate crop land. While statutory per capita tax rates were far lower in eighteenth-century Qing China than in Great Britain, this does not account for how the Qing state mobilized resources for public goods. Lamouroux and Von Glahn cite Peer Vrie's estimate of the Qing state raising about 1/8th the per capita taxation levied by the British state (Vol. I, p. 379), but as a non-specialist lacking familiarity with Chinese sources, Vries has mischaracterized the Qing fiscal system. The Qing strategy to fund major hydraulic projects did not depend on the annual budget but rather additional taxation and corvée labor. These efforts were kinds of civilian campaigns to mobilize extraordinary efforts for projects intended to sustain irrigated agriculture, as well as mitigate flood risks and food supply instabilities from weather-dependent fluctuating harvests. A mix of official and civilian elite efforts to organize and manage granary restocking or river dredging indicate moments of collaboration between elites and officials that complemented the capacities of bureaucratic administration.[13] Such efforts contributed to the economic growth that, we have seen, kept per capita food consumption roughly stable through the mid-twentieth-century despite the increasing numbers of people who had to feed themselves and those who supported themselves through craft production and trade. The contours of Chinese early modern economic growth accommodated annual fluctuations in harvests due to weather and the threats of both flood and drought. The Chinese economy's expanding production and commerce was a noteworthy necessity for the support of a growing population. But such growth differed in fundamental ways from modern economic growth.

Modern economic growth depends on the sources of industrialization that raise labor productivity and lead to higher per capita incomes. Economic growth in earlier eras had to rely on different dynamics. For Europe, it is the absence of any visible rise in labor productivity in the early modern era that set the context for an "industrious revolution" that Jan de Vries proposed as a demand-driven decision to work harder and longer to increase commercial consumption.[14] This Asian trade notably included Indian cotton textiles with which domestic English producers could not compete owing to the country's higher wages. Only with the invention of the textile-making machines that raised the labor productivity of English workers and subsequently lowered the price of English-made cotton textiles could this English industrial revolution

[13] R. Bin Wong, "Divergence Displaced: Patterns of Economic and Political Change in Early Modern and Modern Global History," *Comparativ: Zietschrift für Globalgeschichte und vergleichende Gesellschaftsforschung* 26, no. 3 (2016): 65–94.

[14] Jan De Vries, *The Industrious Revolution: Consumer Behavior and the Household Economy, 1650 to the Present* (Cambridge, UK, 2012).

displace labor-intensive Indian cotton textile imports. Robert C. Allen makes this central to his explanation of why Britain, among all Europeans, had the economic incentives to develop and adopt the technologies responsible for the development of factory-based cotton textiles, a key component of the Industrial Revolution beginning in the late eighteenth century.[15] In early modern China and Japan, a different kind of "industrious revolution" took place where it was the increased labor of peasants in both agriculture and craft production that in the Chinese case supported the population growth with the incomes making stable per capita food consumption and in the Japanese case is viewed to be a preparation for Japan's late nineteenth–early twentieth-century start to industrialization.[16] In other words, while European and Japanese industrious revolutions are posed as precursors to their respective moves into modern industrialization, we see the industrious revolution in China as part of what sustains Chinese per capita consumption through economic growth supporting a large and growing population. This contrast suggests that the significance of an "industrious revolution" to a subsequent industrial revolution varies according to traits specific to different contexts. The temptation to expect European patterns to provide the path for others to trace in their quest for modern economic development avoids consideration of how modern economic growth can begin within institutional settings quite different from the institutions prominent in Europe. Elements of the European experience certainly matter, but the tendency among European economic history specialists, especially those trained more in economics than in history, is often to attribute the limits of European-style economic change in other world regions to what those regions lack in terms of ideologies and institutions more closely akin to those prominent in European economic history.

When we turn to money and monetary policies from the eleventh through the eighteenth centuries, a related alert about how to evaluate Chinese economic history is sounded in Akinobu Kuroda's "The Monetary System" (Vol. I, Chap. 15). Kuroda boldly states that "Chinese imperial monetary history spotlights a blind side about money that mainstream thinking overlooked. Chinese historical experience is replete with examples of money use transcending the theoretical

[15] Robert C. Allen, "Why the industrial revolution as British: commerce, induced innovation, and the scientific revolution," *Economic History Review* 64, no. 2 (2011): 357–384.

[16] Sugihara, Kaoru and R. Bin Wong, "Industrious revolutions in early modern world history," Bentley, Subrahmanyam and Wiesner-Hanks, eds. *Cambridge World History* Vol. 6 Part 2 *The Construction of a Global World, 1400-1800 CE: Patterns of Change* (Cambridge, 2015), 283-309.

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frameworks of those who attribute the acceptability of money to its intrinsic value as well as those who emphasize enforcement by public authorities. Chinese monetary history may appear highly irregular from the viewpoints of contemporary foreign observers and modern social science, but a coherent system surely existed in an endogenous way behind the apparent disorder" (Vol. I, p. 560). He goes on to argue: "The issue of non-precious-metal coinages by public authorities and their actual usages by end users show that the metallic content of coins was not the decisive factor determining their acceptability in exchange. The success of some dynasties in creating a viable paper currency and the failure of others indicates the inapplicability of the concept of fiat money for understanding paper money in the historical past. Neither can the concept of fiduciary money be applied to coin-denominated notes, which circulated at the local level in quantities far larger than the assets of local issuers" (Vol. I, pp. 560–561). Kuroda's research establishes the Chinese existence of monetary principles and practices that simply were not present in European economic history. Understanding money and monetary policies based largely if not only on Western experiences makes it easy to consider any alternative formulations as aberrant, untenable, or dysfunctional. Kuroda's scholarship makes such lines of reasoning unpersuasive and provides instead an exemplary guide to what the study of non-Western economic history can add to our understanding of economic history on a more global level.

The chapters on public finance and the monetary system both present clear differences between Chinese and European economic practices. Turning to "Foreign Trade" (Vol. I, Chap. 17), Angela Schottenhammer also seeks to make sense of the ways in which Chinese officials and merchants organized foreign trade over an eight-century period in ways different from what occurred in Europe. She debunks a long-held view of non-specialists that the Chinese generally restricted foreign trade, erected obstacles to foreign merchants seeking exchange, and sought to limit Chinese merchants to trading within the empire. For much of the period she assesses, she finds officials interested in expanding foreign trade. She also makes the important point that the economic institutions through which Chinese production and commerce took place were neither intended nor able to foster the accumulation of capital in private hands. Referring to the Qing state specifically, but making an observation that applies as well to earlier dynasties, the state had no vision of fostering a "capitalist mode of production." Like Lamouroux and Von Glahn she also notes the absence of public debt, in her case suggesting a close relationship between the creation of public debt and the accumulation of capital in private hands (Vol. I, p. 670). Once again, the importance of distinct sets of economic institutions in early modern China and Europe alert us to how some possible paths of economic change were not imagined let alone pursued in both parts of the world.

When we focus on twentieth-century economic history, we rarely consider many long-run historical patterns of change. From the perspective developed in this review essay, we are now returning to the twentieth century, having identified some traits of Chinese economic history that contrast with the patterns of economic change in Europe. This affords us the opportunity to ponder the possibility that we might find connections between earlier periods of Chinese economic history and Chinese economic history after 1949. Typically, our orientation to the post-1949 era is to begin with the basic contrast between the ideology and institutions of a socialist planned economy and those of capitalist market economies. From this perspective, a past reaching back beyond 1800 seems likely irrelevant to understanding a socialist economy and its distinctiveness from capitalist economies. The juxtaposition of Angela Schottenhammer's reconstruction of early modern Chinese state policies toward foreign trade with a consideration of Amy King's assessment of Chinese foreign trade in the Mao (1949–1976) era offers us an alternative vantage point from which to assess Chinese economic history.

Schottenhammer's research undercuts a view of the Chinese state being disinterested in foreign trade. Chinese state interest in foreign trade did not, however, mean the state pursued policies likely to fit into the broad outline of early modern European financial market development and the ties between public debt formation and private capital accumulation. Nor did China's foreign trade and finance after 1949 fit any far-reaching framework of Western finance and trade, as Amy King's "China's External Economic Relations during the Mao Era" (Vol. II, Chap. 19) demonstrates. King locates the state's foreign trade, the inflow foreign investment and loans, and its outflow of foreign aid in its relationships to foreign actors both during and before the Mao era (1949–1976). The relationships among foreign states and economies with each other constituted the broader global geopolitical and economic order in which China found itself before and during the Mao era. Reviewing China's implementation of a socialist planned economy strongly influenced by a Soviet model and the country's place in a Soviet bloc, which in turn defined its position in the larger Cold War geopolitical and economic order, King stresses the earlier focus on state-led industrial development that both the Grove and Kubo chapter and the Bian chapter discuss. She further qualifies the stress many observers have placed on China emulating the Soviet Union politically and economically through pointing out China's promotion of trade with US allies, such as Britain and France. Complementing her mention of earlier

Chinese visions of state-led industrialization, King recalls China's economic relations with Japan reaching back to the early 1900s to explain that by the mid-1950s, 15 percent of China's total trade was with Japan and by 1965 Japan replaced the USSR as China's largest trade partner (Vol. II, pp. 793, 705). As a response to the legacy of imperialism, King shows China providing nearly US$2 billion in grants, low-interest loans, technical support, and industrial construction assistance to other developing countries—a commitment we can also view from the perspective of the past decade in which China's investment in economic infrastructure, much of it identified with the Belt Road Initiative, in turn builds in at least some ways on the 1955–1965 era of foreign assistance. Finally, after China had been exporting agricultural products to pay for the steel and chemical fertilizer that were used in the Great Leap Forward, the ensuing catastrophic famine forced China to pivot and increase its grain imports from Australia and Canada during 1960 and 1961 (Vol. II, p. 716). Each of these examples undermines a view of China's foreign economic relations in the Mao era to have been basically limited to countries in the Soviet bloc during the Cold War. This socialist world is easy to view as separate from the geopolitical and economic system being reassembled and developed outside the coalition of socialist or communist states in the second half of the twentieth century. King's findings, much as Schottenhammer's discoveries, revise conventional contrasts of Chinese economic behavior with foreigners under both late imperial and socialist rulers.

Another of the seven chapters making up Volume II, Part II "1950 to the Present" also fills in many of the state policies that characterized Chinese state-economy relations in ways that did not follow the Soviet Union's blueprint—namely, "China's Struggle with the Soviet Growth Model, 1949–1978" (Vol. II, Chap. 16) by Dwight Perkins, an economist whose long and distinguished publication record includes *Market Control and Planning in Communist China* (1966), one of the first informed introductions to China's socialist planned economy available in English. Perkins continues to counsel us fifty-six years later, in this chapter that assesses the Chinese state's strategy to develop research on their economy, noting how state policies included notable differences from the Soviet model of development. This does not mean China's policies, therefore, were more like those typical in many Western contexts. He notes that Chen Yun, one of the leaders responsible for economic policies for much of the first three decades of Communist rule, believed planning should address the most important and largest industrial sectors, while the rest of smaller-scale industrial production should enter market exchange. Perkin's observation can be connected to the approaches earlier provincial leaders had taken to develop state-led industries before 1949, recounted by Bian (Vol. II, Ch. 6) and Grove and Kubo (Vol. II, Ch. 4). Perkins also argues this period provided the foundation for China's turn to economic reforms that stressed market mechanisms, noting that the state did not abandon all features of the economic system in operation before 1978, most notable being state-owned enterprises (SOEs), a category of enterprises that changed considerably after 1980, but nevertheless later SOEs retained features quite different from what private enterprise forms looked like, both in China and elsewhere.

Beyond the connections we can find between state and market both before and after 1949, we can also recall earlier features of bureaucratic administration, political campaigns, and efforts at official-elite collaboration present in early modern China and the ways in which each evolved to inform the kind of state that emerged in twentieth-century China.[17] The post-1949 Chinese state pursued a form of state-led industrialization that extended the aspirations of the late Qing state and the Republican era Guomindang state to develop heavy industries needed to support military abilities to defend the country against foreign attacks. What initially changed in the second half of the twentieth century was the hold put on the other two paths of industrialization Grove and Kubo identified, the small-scale semi-industrial path in rural China and the light industrial factories established by private capital in Chinese cities. As we will see in the final section of this review essay, rural industrial development and private industrial enterprises expanded in the reform era after 1980. During the first thirty years of the People's Republic, however, both light and heavy industrial development depended on state decision making.

Mao Zedong, in a famous speech from 1956 "On the Ten Great Relationships," first addresses the relationships between industry and agriculture, and between heavy industry and light industry. He bluntly affirms the state's priority on heavy industry but suggests that focusing on agricultural and light industrial development will yield in just a few years more capital to invest in heavy industry.[18] We discover the tragic consequences of the manner in which Mao chose to push for agricultural growth as part of a larger effort to develop heavy industry some two years later during the Great Leap Forward (1958–1962) through James

[17] R. Bin Wong, "China's Emerging State in Historical Perspective," in *Emerging States and Economies: Their Origins, Drivers, and Challenges Ahead*, ed. Takashi Shiraishi and Tetsushi Sonobe (2019), 119–138, accessed 7 March 2024, https://link.springer.com/book/10.1007/978-981-13-2634–9.

[18] Stuart R. Schram, "A Review Article: Mao Tse-tung: A Self-portrait," *The China Quarterly*, 57 (Mar. 1974): 156–165.

Kai-sing Kung's "The Political Economy of China's Great Leap Famine" (Vol. II, Chap. 18).

Carefully reviewing the literature on the causes of the famine attending the Great Leap Forward, Kung finds a consensus on the grain procurement levels to be "a strong culprit" (Vol. II, p. 683). This extraction from agriculture was necessary to keep urban and industrial populations fed as supplies began to fall and, as Y. Y. Kueh has argued, to supply cash crops such as cotton and tobacco that would primarily become inputs to processing industries creating exports to pay for imports of heavy industrial machinery.[19] Kung focuses on grain supplies for which we know there was a serious disconnect between harvest reports and harvest realities. Local officials expressed their enthusiasm for Mao's call for people to work harder by reporting crop figures that indicated the persuasiveness of Mao's call for collectivization enabling greater effort. What most researchers of post-1949 Chinese history do not recognize is the immediate contrasts to eighteenth-century conditions that those familiar with China's earlier history can recognize. In the 18th century, a system of forwarding on a monthly basis the high and low prices for all grains sold on markets in different parts of each province, coupled with reports of anticipated harvests, as well as reports of completed harvests, allowed the central state to monitor basic food supply conditions across the empire. When the system of official- and elite-managed granaries whose reserves were disbursed and replaced to counter seasonal grain price fluctuations could not deal with harvest shortfalls and commercial shipments also proved inadequate, the state could mount a famine relief campaign mobilizing officials, elites and merchants in coordinated efforts to move and distribute grain to impacted areas.[20] These political and social efforts to promote grain supply access in years of poor harvest worked at the margins of commerce through which most grain circulated responsive to shifts in supply and demand conditions. None of these features was present in the Great Leap Forward period. What the 1950s conditions included that could not exist two centuries earlier was a state bent upon developing industry in a socialist planned economy that simultaneously aimed to stabilize food supplies after the decades of disruption begun under warlords in the 1920s, the Japanese invasion of the 1930s and the civil war of the l940s. The pursuit of socialist industrialization accelerated collectivization intended to raise labor productivity through the

[19] Y. Y. Kueh, "Mao and Agriculture in China's Industrialization: Three Antitheses in a 50-Year Perspective," *China Quarterly* 187 (2006): 700–723.

[20] Pierre-Etienne Will and R. Bin Wong, with James Lee, *Nourish the People: The State Civilian Granary System in China, 1650-1850* (Ann Arbor, 1991); Pierre-Etienne Will, trans. Elborg Forster *Bureaucracy and Famine in Eighteenth-Century China* (Redwood City, 1990).

zealous efforts of farmers to make a "great leap forward." Thus, what Kung observes regarding the ills of the Great Leap Forward in turn depended on socialist industrialization's demands upon agriculture.

Chinese policies aimed at inspiring and demanding increased efforts of rural labor to produce more represents a kind of labor-intensive push to create socialist industry different from the labor-intensive industrialization path Kaoru Sugihara has identified for Japan beginning in the late nineteenth and early twentieth centuries.[21] Sugihara suggests that wherever possible, Japanese substituted labor for capital to develop industry because they were relatively capital poor. The Chinese economy in the second half of the twentieth century had even less capital when the scale of capital-intensive technologies needed for industrial production had expanded well beyond the possibilities present when Japan began its industrialization process. This is part of the economic context of relying so heavily on labor's contribution to growth that helps us understand the human tragedies of the Great Leap Forward famine. Yet Bramall's chapter on per capita food consumption indicates a 10 percent rise of per capita food consumption as the state fails to maintain markets or take the political actions it did in the eighteenth century to relieve famine. It moreover occurs at the same time as the priorities on industrialization to follow up on earlier twentieth-century efforts focus primarily on state-led industrialization until the Mao era ends. Understanding this Chinese path of economic growth to be one developed over some eight centuries, during which population is generally on a prolonged growth path that did not lead to a Malthusian crisis but did place pressures on water and land use, offers a perspective on what people who would foster the dramatic economic development of the decades straddling the millennial divide aimed to leave behind.

Beginning in the 1980s, markets would return and a mix of light industrial collective enterprises in towns and villages produced goods for a rapidly expanding consumer market and as the state-owned sector of the industrial economy evolved in new directions. At the same time the Chinese state opened to foreign direct investment and the formation of joint enterprises that combined Chinese labor with foreign capital and technologies for production destined for foreign markets. These changes together created a mix akin to the mix of the three paths of industrialization Grove and Kubo observed in the earlier decades of the twentieth century. The earlier twentieth-century paths of industrialization

[21] Kaoru Sugihara, "The Second Noel Butlin Lecture: Labour-Intensive Industrialisation in Global History," *Australian Economic History Review* 47, no. 2 (2007): 121–154.

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in turn emerged out of paths of commercial practice that developed over some eight centuries of China's long early modern era.

The final section of this review essay contextualizes the arguments and evidence of the five *CEHC* chapters I have yet to consider through consideration of both other *CEHC* chapters and additional scholarship. Front and center will be consideration of the economic reform era during which so much of China's modern economic development took place. I will continue to suggest an understanding of recent Chinese economic history can be informed by recognition of principles and practices in Chinese political economy that resonate with those present centuries ago. I will argue that a reader interested in understanding China's recent economic history is better served by learning the connections between China's earlier economic history than being reminded that China's practices deemed different than those leading to economic development in the West can only be considered difficulties and dangers to China's economic future.

Chinese Political Economy, Past and Present: Ideology, Institutions, and Policies in Chinese Economic History

After considering Barry Naughton's judicious assessments of key policy changes in the reform era and adding some insights on this period by two other social scientists, I will follow an element of reform era economic thought that draws on an understanding of prices related to ideas expressed more than two millennia earlier. This leads to Richard von Glahn's and Helen Dunstan's chapters on imperial era political economy (Vol. I, Chaps. 5 and 10 respectively). The multiple threads connecting economic principles and practices through premodern Chinese economic history that are woven into twentieth-century fabric of Chinese economic change call into question the characterizations of the imperial era's political economy offered in Chapter 15 and Chapter 21. Together these different assessments suggest what the *Cambridge Economic History of China* teaches us about economic change in Chinese history and what it tells us about one kind of general approach to evaluating economic history in Western and non-Western settings.

"The Chinese Economy in the Reform Era" (Vol. II, Chap. 20) distills key features of rural reforms and the opening the economy to foreign trade and investment in the 1978–1982 period. It follows the reform strategy fashioned after 1984 with a focus on industrial and financial reforms. Barry Naughton threads a needle few have attempted when he identifies the process of reforms in which he sees a coherence to the process that accommodated debate among alternative policy preferences followed by policy choices across several policy areas

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that transformed what had been a socialist planned economy into what the Chinese since 1992 have called a "socialist market economy." Naughton identifies a coherent approach to economic reform process through which the reader can witness the successes as well as "mistakes, retreats, and opportunities missed, even in the context of a broad advance" (Vol. II, p. 723). Naughton's labor to discern a more coherent reform process reframes the common claim made by analysts within and outside China that reform measures proceeded in an ad hoc fashion by taking one step at a time, each successive step advancing reforms intending to correct unanticipated outcomes of the previous step captured in the Chinese phrase "cross the river by feeling the stones" (摸着石头过河). Many Western observers and analysts subsequently became disappointed that the other shore did not prove to be as familiar and easy to accept as they initially had hoped. Naughton's scholarship helps us understand more fully what Chinese reformers and those who embraced the opportunities afforded by reforms intended and achieved, even as their successes were never certain or preordained.

Significantly, the issue of agriculture and population was of paramount concern in the late 1970s (Vol. II, p. 724). The ability of Chinese agriculture to continue to feed the country's population required, in the minds of decision makers, some set of changes to incentivize greater effort and higher output. In striking contrast to Mao's fervent commitment to inspiring farmers to work harder in a collective manner that would allow more efficient organization of production, policy makers in late 1978 began to experiment with allowing farming decisions to revert to the household level which meant after meeting the contracted obligations for crops expected by the state, households were free to plant crops they could sell on the market. The rural economy was further changed by allowing rural household labor to work in collective enterprises within the townships and villages (TVE). These enterprises were not subject to the socialist planned economy's administrative structure governing state-owned enterprises (SOE). TVE produced largely labor-intensive, light industrial products for domestic consumption. Rural society became once again an agrarian commercial economy in which factory-based light industrial production extended the semi-industrial path that Grove and Kubo (Vol. II, Chap. 4) noted was one of three industrialization paths in early twentieth-century China.

Separately, as Naughton presents the situation in the late 1970s, agriculture was China's biggest problem, while its biggest opportunity was to get technological imports to advance its industrialization (Vol. II, p. 730). Naughton leads the reader through the policy debates and the documents, indicating the decisions taken that led to connected economic developments in the agrarian economy and in large-scale,

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capital-intensive industrial development. Before the late 1978 start of agricultural reform policies, Hong Kong businessmen already had export-processing contracts with some villages in the Pearl River Delta region where rural households provided the additional labor to finish light industrial consumer products, such as sewing zippers into blue jeans. Naughton shows the institutional adaptations of such relations into what became a special economic zone (SEZ). As the Pearl River delta became increasingly connected to Hong Kong, a related set of economic relations were begun between Xiamen in the southeast coastal province of Fujian and Taiwan which was some one hundred miles to its east (Vol II, p. 739).

The changes made in the rural economy stimulated both agricultural production and a rapid expansion of small-scale industrial production outside the planned economy. The opening of SEZ and subsequent policies encouraged Sino-Foreign joint ventures to bring in large amounts of capital and technology that made the Chinese economy of the early 1990s clearly different from the socialist planned economy of the late 1970s. Having navigated economic development outside the planned economy, "The core industrial system confronted policy makers with an enormous mass of entangled issues: how to reform industry (especially state-owned industry), the fiscal and financial systems, and the price system" (Vol. II, p. 750). Naughton guides the reader through the different views regarding how these major institutions were best to be changed as well as the policies adopted through a cycle of policies advocated by different top policy makers. He sketches the politically unstable moments of Spring 1989 when student and worker protesters occupying Tiananmen Square demanded state leaders to recognize their respective concerns. Their diverse demands included freedom of the press, freedom of speech, curbing inflation, and reversing the collapse of workers' welfare provisions. The scale and scope of this protest transcended what policy makers had been working to achieve in the 1980s. After a tragically violent clearing of the square on June 4th, conservative leaders took control, but their dominance proved short-lived as 88-year-old Deng Xiaoping delivered forceful remarks on his "Southern Tour" of January–February 1992. Deng provided momentum going into the 1992 Party Congress that proclaimed the broad reform goal of a "socialist market economy" (Vol. II, p. 758).

Naughton's fifty-three-page chapter continues his narrative of reform policy debates and decisions to 2010, at which point he is able to reach his conclusions about three decades of economic reform: "For thirty years, reform, opening, and market transition dominated the concerns of policy makers. However, as this chapter has demonstrated, the definition and objective of "reform" were constantly contested, and some groups questioned the need for it altogether . . . Indeed, were it not for the extraordinary success of rural reforms, the reform infant might well have been smothered in its crib. Consensus was transitory and rare" (Vol. II, p. 772). The success Chinese policy makers achieved began with a concern for agriculture's abilities to continue to support China's population and for rural people to pursue commerce and light industrial production to create a late twentieth-century case of worrying about adequate food supplies and seeking to reinvigorate commerce and support rural industry that could be based on technologies not yet available before 1949. Initial economic reforms included rural economic concerns and possibilities related to those that existed for centuries before the Chinese Communist Party achieved political victory and began to construct a socialist planned economy. The transition out of the planned economy depended on actors and institutions absent before 1949. As Naughton observes, "Rather, improvised solutions, remarkable policy entrepreneurs, and hybrid organizations played a critical role throughout" (Vol. II, p. 772). While China's path out of a socialist planned economy led to a sequence of changes necessary to create what would be recognized as a socialist market economy a little more than a decade later, many of that market economy's features resonated with economic practices present well before 1949.

From what we have learned about Chinese agriculture and commerce in earlier centuries both in the *CEHC* and elsewhere, the "extraordinary success" of rural reforms affirmed elements of earlier patterns of agrarian commerce reaching back centuries. Early twentieth-century industrialization included a "semi-industrial" path in rural areas where the mechanization of parts of handicraft textile production raised labor productivity and became a step toward the late twentieth-century rural industrialization. The rural reform efforts follow a path begun earlier in early modern Chinese economic history. It is part of a path of economic development that has a history distinct from the more familiar path found in Western societies of industrialization with its overwhelmingly factory-based mechanized production predominantly established in urban locations.

Yuen Yuen Ang's prize-winning book *How China Escaped the Poverty Trap* (2016), based in part on some 400 interviews in three different counties, tracks the responses of local Chinese actors to the reforms that allowed people to develop small-scale industrial production outside the planned economy. Her work on the bottom-up responses to the 1980s economic policy reforms complements Naughton's account of policy making above. More specifically, it provides a more granular view of the significance of the policy changes he analyzed in his *Growing Out of the Plan: Chinese Economic Reform, 1978–1993* (1995). Ang views

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the process of Chinese economic development to take place within a complex and adaptive system composed of multiple actors. In her use of complexity theory, she argues for economic development emerging from the co-evolution of development strategies and markets. She continues beyond 1993 to discuss how building the socialist market economy announced in 1992 involved different kinds of policy directives that indicated a mix of new constraints, new expected courses of action, and those policies allowing and even encouraging local experimentation in response to the opportunities created by some of the new policies. By examining decision making at local levels Ang tracks varied responses to similar policy pronouncements and considers how those responses in turn indicate the subsequently desirable policy changes to be initiated from above. Mindful of Barry Naughton's analytical narrative of policy debate and policy making we can better understand Chinese economic development by drawing on insights Ang and Naughton each provide.

Lest the reader imagine that Ang viewed her analysis to be China-specific, she sketches briefly places temporally and spatially unrelated to her case studies for what she views as co-evolutionary development, a concept Nobel laureate Elinor Ostrom brought into political economy. Ang draws on John Wallis's research on antebellum American public finance to consider the new public finance laws of the 1830s that promoted a boom in infrastructure building, a panic in 1837, and bank defaults on payments to state governments in 1839, all of which led states to change their laws of incorporation and to constrain public borrowing (Wallis 2005). From Avner Greif's work on informal reputational mechanisms at the heart of medieval European community responsibility systems (CRS), she follows the dissolution of these systems that had been common in the twelfth and thirteenth centuries; wealthy merchants reduced political support for CRS as they had reputations they deemed too vulnerable to collective sanctions. This move created the spaces to create courts and formal mechanisms of justice (Greif 2006). For me, a key takeaway of Ang's analysis is that we can see the similar dynamics for different kinds of changes taking place within very different institutional and ideological contexts, as attributes of co-evolution in complex adaptive systems.

A second set of insights into China's reform era economic development path that I believe complements Naughton's *CEHC* chapter offers an historical perspective on price reform, a topic Naughton covers in his *CEHC* chapter and at far greater length in his book *Growing Out of the Plan* (1995). Isabella Weber's *How China Escaped Shock Therapy: The Market Reform Debate* (2021) shows some of the key differences between gradualist reformers and those urging larger and more systemic packages of changes. Their differences

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become very clear regarding debates over a dual-price system. Those who argued for the theoretical superiority of market prices without separate administrative prices were inspired at least in part by the failures of gradual reforms in Eastern Europe which led economists involved in those efforts to argue that economic reforms are only feasible in the context of accompanying political reforms. This becomes the familiar package of anticipating the only path to economic reform feasible is one that acknowledges the necessity of adopting the political institutional framework known to support economic exchange based on free and open markets.

Weber explains the relevance of earlier price regulation logic in ancient Chinese political economy to the dual-price reform policy. She opens her book with a chapter entitled "Guanzi and the Salt and Iron Debate," which she suggests indicates the beginning of a long tradition of Chinese state commitment to market interventions to stabilize prices that contrasts policy activism with a more laissez-faire approach to markets. What she uncovered through interviewing both Chinese and international participants in price reform discussions and reading published and unpublished documents was the use by some Chinese economists and policy makers of a distinction between "heavy" and "light" prices, a distinction not easily understood in the language of conventional price theory, but crucial to the formulation of the economists articulating a dual-track price system that allowed markets to develop as the state continued targeted price regulation. Chinese economists identified the conditions under which it made sense to allow some products to enter a dual-price system and others to remain subject solely to administratively set prices owing to the distinction between "light" and "heavy" prices.

Weber discovers that the distinction about prices made in the "Light and Heavy" (*qingzhong*, 輕重) chapters of the *Guanzi,* an ancient Chinese book composed of texts by multiple authors from the fifth century BCE to some unagreed later time two to four centuries thereafter. Weber shows that some reform-era Chinese economists argued that only "light" (*qing*, 輕) prices should be objects of dual-price procedures—to be "light" meant to be either relatively unimportant goods or those with sufficient supply that price liberalization would not be inflationary. Goods with "heavy" (*Zhong*, 重) prices should be administratively managed. This approach avoids the binary choice between an administratively set and a market-determined price system; it makes possible a political economy in which the price regime included some products with two different prices and other products subject to administratively set prices only. The use of "light" and "heavy" prices to make their distinction hardly means they were making choices about

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price determinations based on much similarity of their economy's institutions to those of an economy existing more than two millennia ago. Rather, it suggests the possibility that the principles useful to ancient Chinese policy makers might also prove useful in very different circumstances that would distinguish their approach from those of policy makers in other countries facing similar questions.

In "China's Ancient Principles of Price Regulation Through Market Manipulation: The Guanzi from a Comparative Perspective", published in the year following her book's appearance, Weber draws on multiple discussions of the "Light and Heavy" chapters of the *Guanzi*, from which she concludes that the text is addressing a society in which the price of grain affects everyone but in different ways. Farmers benefit from high ("heavy") grain prices, while others such as those in urban settlements benefit from low ("light") grain prices. Furthermore, grain prices fluctuate according to the seasons and harvest levels which in turn depend on weather and climate conditions. The goal of state price regulation is to avoid prices becoming too "light" or too "heavy." Thus, "participation in the grain market allowed the state to accumulate grain in each locality and protect people from the consequences of natural disasters. An elaborate system of famine prevention worked hand in hand with a countercyclical fiscal policy. The government's task was to protect the people from the changes of the seasons, climate, and the market and to ensure their access to daily necessities at all times."[22],

In his evaluation of the *Guanzi*, Richard von Glahn makes related characterizations of Chinese political economy priorities in his *CEHC* chapter "Economic Philosophy and Political Economy" (Vol. I, Chap. 5). He follows Kanaya Osamu's characterization of somewhat different economic philosophies in the earlier ("Proto-Guanzi") and later ("Pseudo-Guanzi") chapters of the *Guanzi*, so that the later chapters that include the "Light and Heavy" chapters are more concerned with inter-state competition for wealth in the Warring States era preceding the early imperial era of a unified empire. The importance of the distinction these two scholars make suggests to me that the distinct state priorities toward its domestic commercial economy and its economic priorities in inter-state competition are both major concerns in the text. Isabella Weber's assessment of the later "Light and Heavy" chapters suggests that the later "Light and Heavy" chapters on balancing prices is basic to state efforts at domestic market regulation, even as these chapters also deal with issues of interstate economic competition.

[22] Isabella M. Weber, "China's ancient principles of price regulation through market participation: The Guanzi from a comparative perspective," in *European and Chinese Histories of Economic Thought: Theories and Images of Good Governance*, ed. Iwo Amelung and Bertram Schefold (London and New York 2022), 254.

Von Glahn identifies in earlier chapters the state's understanding of how its fiscal capacities are intimately related to the economic security and well-being of both farmers and merchants. "The cardinal principle of Proto-Guanzi is the necessity for the ruler – as "shepherd of the people," to quote the title of the book's first chapter – to accumulate stores of grain and goods in order to provide for his subjects in times of dearth. The ruler must not only have the prudence to lay up stores; he must also have the magnanimity to share his wealth . . . Production and exchange are both essential to the welfare of the state and the people, but the ruler must act to maintain the delicate balance between the two: if the profits of commerce exceed the returns from agriculture, farmers will abandon their lands; if the state imposes exorbitant taxes, the people will have no reserves in times of hardship. Seasonal and annual variations in the supply of and demand for grain can cause ruinous gyrations in the price of foodstuffs, with potentially devastating consequences: cheap grain impoverishes producers, while dear grain imperils consumers" (Vol. I, p. 176). The ruler was expected to guarantee the welfare and promote the prosperity of the people he ruled (Vol. I, p. 177).

To me, the presence of political economy concerns regarding price regulation on domestic markets and political economy concerns tied to interstate competition for power and wealth together form a demanding agenda. After imperial unification, the Chinese political economy agenda no longer had to address interstate competition of the Warring States era. Instead, what had been a spatially modest domestic political economy agenda that included market price regulation subsequently was extended over a far larger territory and population. Over the centuries of imperial rule, Chinese political economy generally faced, as we have already seen, a growing population. And as we have observed in several chapters of the *CEHC*, the Chinese economy from roughly 1000 CE through much of the second half of the twentieth-century succeeded in growing to keep what was usually the largest population of any country in the world over the course of this millennium nourished. This achievement did not include a rise in per capita income. Reaching that outcome only occurred on a Chinese path to modern economic development in the late twentieth-century.

For the eighteenth century we have a trove of central state archives carefully maintained that became accessible to foreign historians of China in the early 1980s. From some of those archival sources complemented by printed primary sources, a number of historians reconstructed the ways in which the state intervened to moderate grain price fluctuations through the principle of adding to market supplies in the lean spring season when prices were high and restocking in the fall after harvests lowered prices was a routine practice, though hardly uniformly pursued across the empire, nor were the size of state interventions consistent through the years (Will and Wong with Lee 1991). In addition to this institutional mechanism for reducing price oscillations or in the language of the *Guanzi*, to balance heavy and light prices, the state also mounted larger famine relief campaigns when serious harvest failures threatened subsistence security for large numbers of people (Will 1990). These state expenditures were part of a public finance system that I understand to be part of Chinese ideas about good governance and suggest one way to think about public goods in the early modern era.[23]

Helen Dunstan helps contextualize these efforts in her clearly and carefully laid out "Political Economy" (Vol. I, Chap. 10). Before covering various policy debates ranging from 1000 to 1800 CE, she helps readers more familiar with European economic history to gain some sense of China's very different early modern situation by setting out differences between Adam Smith's concerns and those of his Chinese contemporaries.

"Smith's statement of the "objects" of political economy may sound reminiscent of standard Chinese encapsulations such as *guoji minsheng* (國計民生) (to translate freely, "the state's budget and the population's livelihood"). However, Smith's context in the world of competing European nation-states differed utterly from that assumed by mainstream Chinese political economists during most of the long era addressed in this chapter. It was shortly before the dawn of the Industrial Revolution and in refutation of the conventional doctrines of mercantilism that Smith published his seminal investigation of "the nature and causes of the wealth of nations." Dunstan continues: "Premodern Chinese political economy, by contrast, was generally pursued as if the Chinese realm were self-contained and the one legitimate focus were the flourishing of the domestic population, which was susceptible to either benefit or harm from the state apparatus that its taxes supported. Arguments about policy were formulated in an intellectual milieu in which homage to sage founders was practiced in tension with recognition of ongoing historical change. As similar issues came to be addressed in different ages, discursive traditions developed" (Vol. I, p. 382).

[23] R. Bin Wong, "Taxation and good governance in China, 1500-1914," in *The Rise of Fiscal States: A Global History, 1500-1914* ed. Bartolomé Yun-Casaililla and Patrick O'Brien (Cambridge, UK, 2012); R. Bin Wong, "Coping with Poverty and Famine: Material Welfare, Public Goods, and Chinese Approaches to Governance," in *Public Goods Provision in the Early Modern Economy: Comparative Perspectives from Japan, China, and Europe*, ed. Masayuki Tanimoto and R. Bin Wong (Berkeley, 2019).

Dunstan gives examples of different political economy approaches which afforded repeated occasions for policy debates. While hardly the same in terms of concrete content or the discourse through which Chinese policy debates of the late twentieth century were framed, the robust presence of alternate views on how state policies addressing the economy would affect people in general appears to be a recurring focus. The final portion of the chapter in particular covers a topic about which Dunstan has done major research. She draws on her assessment of discussions of state intervention in the grain trade over nine centuries to give readers her sense of the different degrees and kinds of state intervention in the grain trade officials preferred. What all officials shared was a recognition of the importance of markets; where they differed was how market instruments would be part of a larger set of political economy choices that included more direct participation by officials in grain supply storage and movements that would otherwise be left in private hands.

Dunstan also alerts readers to one of the ways that economic growth was sustained, though she does not stress its significance regarding Chinese recognition of how the economy was embedded in a natural environment, a theme seen in several other *CEHC* chapters discussed above. Dunstan quotes a certain prefect Qiao Guanglie, who in 1749 noted that people did more than cultivate crops on the plains and lowlands: "where the land was barren, stony and unsuitable for grain of the five species, they planted it with fruit-bearing and timber trees and vines, with the result that enough mulberry was grown for the supplying of silk yarn, and they also planted it with dates, chestnuts, and tubers enough for supplying goods to sell and being prepared for famine" (Vol. I, p. 390). In addition, she notes the importance of water for crop irrigation as a complement to the expanded use of land. Chinese used water and land in ways absent in Europe. As a result, one of the ways that Chinese economic growth was sustained came from expanded human use of two key natural resources—land and water.

Returning to Dunstan's contrast of Adam Smith's objects of political economy with what the Chinese meant by *guoji minsheng*(國計民生), the term she translates as "state's budget and the population's livelihood," Margherita Zanasi translates the Chinese term as "state finances and people's livelihood." In the conclusion to her book *Economic Thought in Modern China*, Zanasi writes:

"From its establishment, the Qing state embraced this classical Confucian mandate with particular enthusiasm and pragmatism, as illustrated by its reformulation of *minsheng* into the *guoji minsheng* (state finances and people's livelihood) formula, which firmly linked the

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strategic importance of the prosperity of the societal economy to the financial stability of the state.

The adoption of the mandate of *minsheng* did not imply a rigid approach to the political economy of the empire. *Minsheng*, in fact, was an objective and not a predetermined economic formula. For this reason, achieving it could accommodate innovative strategies as scholars and officials re-evaluated the role played by different economic functions in promoting the prosperity of the empire."[24]

Zanasi uses her understanding of Qing political economy to inform a *longue durée* approach to market and consumption in modern China. It is closely related to my effort in this review essay's consideration of the *Cambridge Economic History of China* to identify multiple historical linkages connecting different eras of Chinese history by shared principles and practices of political economy represented through varied and sometimes distinct ideological discourses and implemented through different complex institutional networks. The research synthesis of each of many of the chapters can be linked to findings in another to form multiple perspectives from which to view paths of economic change through Chinese history. The juxtaposition of the state's finances or budget with people's livelihood indicates the mutual dependence each has on the other; the people's livelihoods depend on some of the state's finances being used to help support people's abilities to achieve material security and well-being, while the state's opportunities to mobilize resources from society depends upon people's capacities to produce wealth that the state can tap. In a recent article I have argued that the term *minsheng* (民生), typically translated as "people's livelihoods," is a key concept among Chinese ideas about good governance that we can see invoked historically and appealed to in the late twentieth-century, as well as more recently in the twenty-first century.[25] It is a term that resonates with meaning for Communist Chinese leaders as it has for emperors and officials in the imperial past. The *minsheng* or people's livelihoods that Dunstan juxtaposes with Adam Smith's objects of political economy continue to represent alternatives to the ways in which Smith's key perspectives on markets have evolved in Western contexts. I offer four twentieth- and one twenty-first-century examples to suggest the relevant of the term *minsheng* well beyond the long history ending in the early modern era's political economy that Dunstan

[24] Margherita Zanasi, *Economic Thought in Modern China: Market and Consumption, c. 1500-1937* (Cambridge, UK, 2020), 197.

[25] R. Bin Wong, "People's livelihoods and good governance in the past and for the future," in *European and Chinese Histories of Economic Thought: Theories and Images of Good Governance*, ed. Iwo Amelung and Bertram Schefold (London and New York, 2022).

thoughtfully considers in her *Cambridge Economic History of China* chapter.

Sun Yatsen, first provisional president of the Republic of China and subsequently the first leader of the Guomindang (Nationalist Party of China), expressed his political philosophy in terms of three principles—democracy, nationalism, and people's livelihood. Democracy was the kind of political system he hoped for, nationalism addressed the sense of social identity he believed citizens of the Republic needed to develop, and people's livelihoods captured what he understood to be the purpose and goal of economic efforts. Mao Zedong identified the importance of people's livelihoods in his speech "On the Ten Great Relationships" (1956) that suggested promoting agricultural and light industrial development to make available in a few years more capital to invest in heavy industry. Mao stated in particular, "The second method, i.e. developing heavy industry on a foundation of satisfying the needs of the people's livelihood, will provide a more solid foundation for the development of heavy industry, and the result will be to develop it more and better."[26] Sadly, Mao's stated logic was not applied in the ideological fervor to generate greater labor efforts to advance agriculture. Sun Yatsen stated people's livelihood as a political principle and Mao took people's livelihoods as foundational to developing heavy industry, but neither leader ended up achieving positive consequences.

In a third instance from 1992, paramount leader Deng Xiaoping, faced with conservative pressures to reverse the economic reform policies and to reaffirm policies of a socialist planned economy in the early 1990s, famously explained the political significance and purpose of economic reforms to be to improve people's livelihoods: "Failing to adhere to socialism, to carry out reform and opening up, to develop economy and to improve people's livelihood can only lead up to a blind alley. The basic line governs one hundred years and must not be shaken."[27] In this case, people's livelihoods did in large measure improve. Finally, we discover *minsheng*, in this instance translated as "people's well-being," as the first political principle stated to guide major water governance reform in the 2011 No. 1 Central Document, the annual No. 1 Central Document indicating big and broad priorities that the state plans to pursue in coming years. The 2011 document considers how water governance reform can create sustainable water use in its agriculture, industry, and for human consumption and waste management. To make the "people's well-being" the first principle guiding all

[26] Mao Zedong, ed. Stuart Schram, *Chairman Mao Talks to the People: Talks and Letters: 1956-1971* (New York, 1974), 65.

[27] Deng Xiaoping, "Records of Comrad Deng Xiaoping's Shenzhen Tour," *Peoples Daily Online*, accessed 28 Feb. 2024, http://en.people.cn/200201/18/eng20020118_88932.shtml.

the efforts to improve control over the quality and quantities of water used places the economic issue of people's livelihood squarely within an environmental context that spans both social and natural components of a world where human well-being can be achieved. In other words, the term can take on meaning where contemporary Chinese political economy began to address the crucial importance of shifting toward more sustainable use of water resources. The *minsheng* concept repeatedly appears in widely different moments of China's economic history to suggest an orientation and a priority that Chinese political economy places on people's livelihoods and more recently well-being. The concept has been present in Chinese political economy across the early modern, modern, and now contemporary era when humanity faces the demands to embed the economic future of our societies within a sustainable natural environment. For Chinese economic history, the *CEHC* repeatedly indicates awareness of the economy's possibilities depending on how the natural world is exploited; the country's contemporary recognition of relations between economy and environment is at least in part mediated by concepts that identified some basic priorities in earlier centuries that remain important priorities today.

Discovering terms like "light" and "heavy" prices and "people's livelihoods" that exist in premodern texts also being used in recent years allows us to recognize durable elements across the different kinds of political economy present in Chinese economic history. This understanding of how well certain ideas in Chinese political economy travel through time helps us recognize how to connect the two volumes of the *Cambridge Economic History of China*. These connections are parts of the multiple linkages among different chapters of the *Cambridge Economic History of China*.

I offer one more connection across the premodern and the modern eras and one more within the modern era. I do so to support the importance of recognizing such connections because they help contextualize how to evaluate the last two chapters of the *CEHC* that I have not yet addressed. First, among the three paths of industrialization that Grove and Kubo identified in their evaluation of early twentieth-century Chinese industrialization, the one most like what was the dominant form of nineteenth-century industrialization in the West began in the 20th century. Chinese did not have privately financed and managed industrial firms until the twentieth century. They did, however, have examples leading to the other two twentieth-century paths of industrialization. The late nineteenth-century efforts of the state to develop industries discussed and disparaged by Chi-kong Lai in Volume II, Chapter 5 led to what Morris Bian evaluated far more positively in his assessment of state enterprises in the first half of the

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twentieth century in Volume II, Chapter 6. For Grove and Kubo's third path of twentieth-century industrialization which they call "semi-industrialization," the antecedents are the household craft industries that began to be formed early in the period of the Volume I, Part II "1000 to 1800." The growth and spread of rural craft industries over the eight centuries before the modern era formed the rural context within which technological developments enabled craft production within households to improve and made possible factory-based production in a small town setting, as well as the more familiar cityscape factory chimneys billowing smoke. Under the socialist planned economy developed during the 1950s, the Chinese state made a sharp division between the ways in which urban and rural administration were organized; industrial development managed through state ministries was largely located in cities, while the countryside under the political authority of party cadre was largely reduced to agriculture under the political authority of party cadre. Rural markets that had previously been part of market networks connecting urban and rural society from the early modern through the mid-twentieth century, were almost entirely shut down in the 1950s. This rupture with the past was healed in the 1980s as 'growing out of the plan' included the re-establishment of rural markets and the formation of new factories in towns and villages, the "township and village enterprises" (TVE). Considered neither public nor private, the TVE were labeled "collective" (*jiti*, 集体) whether they were formed by individuals, families, or party cadres. Their rapid growth rate led to TVE industrial output increasing more than ten-fold in eleven years (1985–1996) to become nearly 40% larger than the industrial output of state-owned enterprises.[28] This occurred without any advantageous location in a large urban center, a foundation of clear property rights, or the legal infrastructure to enforce contracts deemed normal in Western settings developed since the early modern era in Europe. Along the political continuum between authoritarian and democratic regimes used by many Western political scientists and economists, the Chinese regime of the reform era remained resolutely authoritarian despite the decision of policymakers to utilize markets. We have also seen that a tradition of market intervention by the state, especially over grain so basic to the material security of people throughout society, existed for centuries. As mentioned above, the anxieties over agricultural production and the desire to motivate more production also initiated the first set of reforms that marked a move to foster growth outside the planned economy. The

[28] Gregory C. Chow, "China's economic transformation," in *China's 40 Years of Reform and Development: 1978-2018*, ed. Ross Garnaut, Ligang Song, and Cai Fang (Acton, Australia 2020).

industrial and agricultural change that have connections to earlier periods of Chinese economic history and to the concerns of imperial era states and the Communist state form an alternative set of connections between past and present to that posed by Chenggang Xu who opens the final of the four parts of the *CEHC*, "1949 to the Present", with a bold historical argument in "The Origin of China's Communist Institutions" (Vol. II, Chap. 15).

Asserting very clearly his belief that the Chinese economy cannot develop under Communist institutions, Xu argues that Chinese Communist institutions that control the economy are the joint product of an imperial Chinese political past of top-down authority and the transplanting of a Soviet authoritarian model of rule. This combination bodes ill for the chances for modern economic development that were only mitigated by the separation of a centralized political authority retaining top-down political control from the center from a "regionally decentralized authoritarianism" present during the post-Mao era reforms. Xu's critique is leveled at an economy that economists Gustafsson, Sicular and Yang believe created a very large middle class. They estimate that "In absolute numbers China's middle class in 2013 stood at approximately 250 million people. This was roughly two-thirds the contemporaneous size of the EU's middle class of 370 million people . . . in 2013 China's middle class was equal in size to 80 percent of the total US population of 316 million. We have projected that by 2018 China's middle class had grown to over 450 million people, which would make it the single largest segment of the global middle class."[29] More recently, the 2022 publication by the World Bank and Development Research Center of China's State Council's *Four Decades of Poverty Reduction in China* suggests that nearly 800 million fewer Chinese fall beneath the World Bank's International Poverty Line over the four decades the report's research covers; this means China was responsible for close to 75 percent of the reduction of extreme poverty globally. The combination of these observations belie the argument that China's authoritarianism, rooted in part in the deep and toxic soil of imperial China, has been unable to create economic development.

Xu's version of continuities between China's authoritarian past and present also misses clear differences between the eighteenth-century efforts to address food security and the tragedy of the Great Leap Forward which exacerbated the crop failures of repeated years of severe drought. We have already seen in James Kung's chapter on the Great Leap Forward (Vol. II, Chap. 18) that the state's requisition of grain from

[29] Björn Gustafsson, Terry Sicular, and Yang Xiuna, "Catching Up with the West: Chinese Pathways to the Global Middle Class," *The China Journal* 84 (2020), 124.

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the countryside to feed the cities was deemed a major reason for the famine; contrasts with the eighteenth century have also already been made during my earlier discussion of that chapter. I remind readers of this only because Xu's sweeping condemnation of Chinese authoritarianism past and present is made without adequate discussion of actual policies and principles of Chinese political economy.

Xu's concern over President Xi Jinping stressing in 2018 Mao's extended comment from 1962 about "the Party is the leader of everything" resonates with the concerns over the central-level concentration of political power expressed in the final chapter of the *CEHC* by Loren Brandt and Thomas G. Rawski, "China's Great Boom as a Historical Process" (Vol. II, Chap. 21). In their opening "Overview," Brandt and Rawksi suggest that from the opening of treaty ports in the second half of the nineteenth century down to the present, "Innovation and growth arise primarily from decentralized initiative rather than state direction. External opening – forced or voluntary – and relaxation of domestic constraints encourage bottom-up development" (Vol. II, p. 776). The authors go on to suggest "The link between political frailty and economic dynamism is no accident. The enduring features of Chinese political regimes – imperial, Republican, and Communist – give rise to powerful tensions between authoritarian control and the bottom-up institutional change, experimentation, and entrepreneurship that foster productivity growth, the core component of long-term economic advance" (Vol. II, p. 776). They assert a relationship between political frailty and economic dynamism without indicating any metrics for evaluating frailty or dynamism other than positing that the presence of experimentation and entrepreneurship depends on a weak top-down authority.

The stress Brandt and Rawski place on "political frailty" allowing "economic dynamism" takes place when China was open to foreign economic connections, to "external opening – forced or voluntary." The difference, however, has proven dramatic regarding China's economic development—the late nineteenth-century contributions of foreign trade and investment under the terms largely defined by Western demands have been dwarfed by the expansion of foreign trade, investment, and technology transfers that characterize China's voluntary opening to the West in the 1980s. The state's ability to decide to open special economic zones to Western joint ventures under terms it defined as acceptable suggest not a state hampered by political frailty but rather the kind of state that has been more recently railed against by the U.S. federal government expressing its concerns through the Western press regarding China's unreasonable terms for joint ventures and its violations of intellectual property rights.

The Chinese state, especially since the beginning of the reform era when its takeoff into modern economic development began, can be alternatively viewed as a "developmental state," a term used by the late Chalmers Johnson to characterize the post-Second World War Japanese state's role in fostering Japan's economic transformation begun in the 1950s.[30] While hardly the same kind of state as Japan's along the democratic-authoritarian continuum deployed by political scientists to distinguish types of states, the brief consideration of China's political economy in this review essay suggests state policies mattered very much to economic development the country achieved and that its policies were motivated by principles and practices that included those previously expressed and followed well before the 1980s. The role of the Chinese state in the country's economic development since the 1980s fits into a larger literature regarding "emerging states," a term applied to any state that has fostered the economic development in developing countries.[31]

To conclude, the *Cambridge Economic History of China* provides a cornucopia of useful studies of various eras and subjects making up China's economic history. Discovering multiple strands of connection among the chapters indicates the crafting of a more richly informed tapestry of Chinese economic history produced by recent generations of Chinese economic historians across different parts of the world, some of whom are contributors to the *CEHC*. Together, many of the chapters anchor China's economic history within China's broader history, especially regarding the various roles that the state has played. In important ways the research summarized in some of the chapters undermine the ill-informed images of the authoritarian emperor who was seen by some Europeans in its Enlightenment era as the quintessential despotic ruler. The *Cambridge Economic History of China* affords anyone curious about one or another aspect of Chinese economic history the opportunity to find information and analysis relevant to specific concerns and thus this project teaches us many new lessons about China's economic history as part of global economic history. It also exhibits a small number of chapters that reminds us of a well-established tradition of economic history research and interpretation of non-Western places that uses Western metrics of economic change to judge the nature of their economic histories. Those few chapters notwithstanding, *Cambridge Economic History of China*

[30] Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925–1975* (Redwood City, 1982).

[31] Wong, "China's Emerging State."

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teaches us how much the country's economic history matters to understanding both China's past and present.

The contemporary relevance of this scholarly achievement goes well beyond the conventional intellectual dimensions of economic history. The salient presence of the state in economic policy making across several millennia suggests a kind of political economy that has addressed both economic and environmental concerns from pre-imperial times to the present. Having noted the first principle guiding policy priorities in China's 2011 No. 1 Central Document is the *minsheng* (typically translated as 'people's livelihood' but in this case as 'people's well-being'). Contemporary Chinese political economy recognizes human dependence on the natural environment in ways that draw upon, extend, and revise water management practices implemented by officials and common people.

For water governance reforms, China benefitted from its engagement with the EU where the 2000 Directive addressing water management reforms served as an additional inspiration for understanding the many roles of water in the twenty-first century. The two formed the China-Europe Water in 2012 to promote policy dialogue, collaborative research, and business opportunities regarding improving water governance in both economies. For both China and the EU, water governance reforms established the authority of Beijing and Brussels over all the water within their respective borders, exercised according to their different sets of political institutions. While both China and the EU have faced challenges implementing their water governance reforms, the US federal government lacks the authority to take on the same challenges because the federal government's authority is limited to "navigable waters." More recently, the Chinese and Europeans signed a MOU in 2018 jointly committing them to foster the formation of a circular economy that decouples economic development from resource extraction and reduces dramatically the negative environmental impacts. Despite the considerable differences between the political ideologies and institutions present in the EU and the People's Republic of China, we find the two able to collaborate in their pursuit of environmental sustainability. Looking at water governance and the pursuit of a circular economy as features of different but desirable kinds of political economy in China and the EU, suggests the continued presence of distinctive paths along which each creates their future economic history.

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