China Before Capitalism

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Introduction

"Capitalism" has multiple definitions. While there is general agreement that increasing parts of the world have, since the nineteenth century, become enmeshed in a capitalist economy spanning ever more people in more places, there is little consensus on how useful a category "capitalism" is to characterize earlier economic practices in world history. Few would question the emergence of a commercial capitalism in early modern Europe or the impact of industrial capitalism on the modern world, but far more would find the term capitalism ill-fitting for key parts of pre-nineteenth century economies in other world regions. We have difficulties settling upon any particular definition—some definitions embrace a wide variety of social institutions and cultural norms that tend to embed the capitalism in early modern and modern European history, while others allow for the presence of capitalism, or at least capitalist practices, in other world regions before the nineteenth-century spread of Western economic and political power across the globe. Definitions of capitalism that include a diverse number of early modern European practices prepare us to consider the ways in which the rise of a commercial capitalism preceded the nineteenth-century triumph of industrial capitalism. But without considering economic dynamics in other world regions before the nineteenth century we have difficulties separating out the causal linkages between capitalism and industrialization.

Did capitalism cause industrialization? Was it either necessary or sufficient? Many of our responses to such questions depend upon how we account for technological change between

the sixteenth and nineteenth centuries. If we think capitalism as an economic system made possible the technological changes leading to industrialization, then Europe had capitalism and no other world region did. If capitalism as practiced in Europe did not produce the crucial technological changes, we can possibly use the term "capitalism" to describe economic practices in other world regions; at a minimum we can disentangle the issues of explaining industrialization from those of explaining capitalism. The advantages of separating capitalism from industrialization are even clearer when we move to the twentieth century and consider the Soviet and Chinese industrialization experiences. If we accept the premise that capitalism was neither necessary nor sufficient to create industrialization, we can frame our understanding of how they are connected to each other in nineteenth-century Western Europe and North America by looking to earlier periods, both within and beyond Western settings.

Industrialization requires the mobilization and concentration of capital. Large private firms and well developed financial markets of the second half of the nineteenth century confirm a good fit between the demands of industrialization and the institutions of capitalism. The repeated episodes of major technological changes enabled the creation of new industries, markets, and products depended on financing of multiple kinds best achieved with well-developed capital markets. Modern economic growth is impossible to imagine without sophisticated financial markets and large firms, some of which dominate their markets. This intimate connection between capitalism and modern economic growth has been read backward into earlier eras of history, leading economic historians of many world regions to search for institutions and practices similar to those found in Europe. Some of these scholarly practices implicitly move through re-specifications of an empirical proposition: (1) early modern European capitalist practices created economic growth and dynamism to (2) only early modern European capitalist

practices could create economic growth to (3) the absence of early modern European capitalist practices means the absence of economic growth.

Through an assessment of Chinese economic history before the late nineteenth-century development of capitalist firms and markets transforming China's economy, this chapter seeks to query this sequence of propositions. To do so I make a distinction between economic growth as a general category and industrialization as a more specific species of economic growth. I suggest that the Chinese economy had three of the four features that editor Larry Neal has suggested we find in capitalism. Their presence in an economy that is not capitalist, at least by the criterion of having large firms able to amass large amounts to capital and control major portions of their markets, means that one can find private property rights, enforceable contracts, and price-setting markets, outside of capitalist systems. Neal's fourth feature of "supportive governments" is more complicated to assess. It makes little sense, at least to me, to consider as "support" any government policies and activities that are not implemented with the purpose of affecting economic conditions and possibilities. By this criterion, the role of war making by early modern European states, whatever its positive economic consequences, in large measure probably doesn't qualify as government support for a healthy economy able to grow—unless we look only at winners and discount the losses suffered by competing actors motivated to achieve the gains that went to others.

For evaluating the possibilities of economic growth before industrialization, the efficacy of the institutions of private property, contract enforcement and price-setting markets all matter. The Chinese economy did in fact exhibit all these features without however also creating large concentrations of capital by firms able to dominate particular markets. How Chinese mobilized and managed natural and financial resources in the absence of the kinds of capital markets and

firms controlling large amounts of capital that we see in early modern Europe shows government support for economic growth that we don't find in Europe**.** While these are not in any simple sense substitutes, they help us understand how the early modern Chinese economy was able to grow without the institutions of European commercial capitalism. Moreover, the ideas and institutions animating Chinese political economy before the late nineteenth century continue to be key conceptual resources and material practices in China's twentieth-century economic transformation, even if less obvious than the case of European movements from commercial to industrial capitalism. Without recognition of the relevance of late imperial Chinese political economy to subsequent economic change, it remains too easy to assume that early modern Chinese practices present problems and modern foreign institutions introduce possibilities. Half-truths get us only half way.

Agriculture and Rural Craft Production

One of the European images of imperial despots that recurs from the early modern era forward is of a ruler who owns all the land in his realm. There is no private property in the eastern empires of some European imaginations, nor really any distinction between the ruler's wealth and that of his government. Certainly for China, the image of a ruler controlling all the resources of his realm as he wishes with the ability to appropriate people's land at whim is ill-conceived. Early imperial rulers pursued with some success the promotion of independent peasant farming households whom they could tax to support their government. But these rulers were vulnerable to the power of the empire's land-rich families to shut the state and its bureaucratic rule out of their territories. In subsequent centuries, political ideology stressed a society of small holders to support the government, while the agrarian reality included the persistence and in some places even growth of large estates. Some of the peasants working the

land of these estates were subjected to servile statuses that limited their mobility and their incomes. (Wu 1987) The structural persistence of large land holding would persist in multiple forms into China's late imperial period, in global terms the early modern era, but despite these challenges, agricultural taxes would supply at least half and often more than two-thirds of state revenues between the late fourteenth and early nineteenth centuries. The late imperial state was able to some degree to meet the early imperial aspiration of basing its fiscal support on peasant farming households. From the tenth through thirteenth centuries, however, direct agricultural taxation proved less important than either early imperial aspirations would have led us to expect or that late imperial practices would demonstrate.

Whatever the disparities in land ownership between richest and poorest strata of rural society, the scale of agricultural cultivation was almost always small plots tended by individual farming households. The social organization of agricultural production was based on family farming across varied ecological conditions. Improved technologies of tilling, sowing, fertilizing, weeding, and harvesting spread across the empire after the third century, but always enabling improvements for family farming, not creating alternative forms of agriculture. By the tenth century a contrast began to emerge between the northern half of the empire dominated by dry field farming and the spread in the south of irrigated paddy agriculture, a phenomenon that has led some scholars to argue for a Chinese agricultural revolution between the eighth and twelfth centuries. (Elvin 1973: 113-30) This "revolution" involved improvements in soil preparation, the more extensive use of fertilizers, and the development of new seed strains offering higher, more consistent, or earlier ripening harvests. In the south especially it meant the improvement of hydraulic technologies and more elaborate irrigation networks. Finally, the growth of

commercial demand for cash crops beyond basic food grains encouraged the exploitation of lands previously uncultivated.

This set of Chinese agricultural changes, be they considered a revolution or not, came several centuries before the early modern European agricultural changes, also considered a revolution by some scholars. Both of these transformations saw improved technologies making possible higher agricultural outputs which in turn were connected to increased commercial circulation of grain and the abilities of agriculture in some parts of China and Europe to support larger urban populations not needing to grow their own food. In other ways, however, the Chinese agricultural changes were different. First, they required more technological change and financial investment because the requirements of extending irrigation technologies across larger and varied landscapes required capital to build and subsequently to maintain. Second, the Chinese agricultural revolution raised productivity and expanded production without changing the basic organization of production by the agricultural peasant household; it promoted the viability of an existing social order rather than promoting social change in the manner of the English enclosures. Third, and perhaps most surprisingly, three basic features of the eighteenth-century changes in European agricultural technology were previously used together in North China and it appears nowhere else—plough with a curved iron mould-board, the seed-drill and the horse-hoe. (Bray 1984: 566) What were other revolutionary developments for Chinese many centuries earlier, such as irrigation technologies, were by and large not technologies that Europeans employed, if at all, until well after their agricultural revolution.

The expansion of agriculture in Song dynasty (960-1279) China together with improvements in transport made possible the creation of new kinds of commercially oriented cities in which craft production reached new levels of output. These developments were jointly

enabled by the efforts of common people to develop cash cropping and craft production and government projects to improve the waterways for the transportation of goods over long distances. New institutions facilitated the growth of trade within the empire and from coastal areas to areas beyond the empire. (Elvin 1973: 131-99) The development of paddy agriculture allowed the more intensive use of land for rice production. While specialists differ in their assessments of how widespread the growing of paddy rice became during the Song, they affirm the scale of rice production grew enough to support long-distance trade in rice by merchants who purchased rice from both peasants and richer households and sold rice to brokers who in turn supplied retail shops in towns and cities. The expansion of agriculture also included the opening of new dry land fields and the growing of cash crops. Increased textile craft production was made possible by increased planting of cotton, hemp and the raising of silkworms. Food crops beyond grains became commercial; sugarcane was planted in southern parts of the empire, while fruits and vegetables were grown in many areas. Chinese consumption of medicinal plants and herbs also expanded commercially in this period, as did commercial fisheries. Forest lands were planted commercially with trees and bamboo; these provided raw materials used in making paper, lacquer, and baskets. (Qi Xia 1987: 139-81)

The expansion of the market in mid-imperial China certainly did not affect all parts of the empire to same degree any more than commerce was widespread in medieval Europe. Evidence of commercial growth in many parts of the empire does however make clear that a familiar combination of agricultural growth, urbanization, and craft expansion were all taking place in mid-imperial China. Commercial growth depended to some extent upon the creation of credit instruments that allowed merchants to sell goods in one area and be paid in another. The use of credit compensated for the inability of the copper and iron coin supply to expand at a pace

needed to support the growing commercial economy. The development of these credit policies were intimately connected to the Song state's growing appetite for resources as it faced military threats. The state paid for frontier military supplies with vouchers that could be redeemed elsewhere in the empire, often for other goods the state also controlled. A secondary market for buying and selling credit instruments developed. The state's continued efforts to expand its revenue ultimately included excess of printing paper money which undermined the monetary and credit systems. (Mou 2002) Before reaching that point however, the state proved aggressively able for some two centuries to take advantage of the empire's expanding market economy.

Economic expansion depended crucially on the spread of intensive agricultural production. The impact of increased abilities to shape the natural environment through water control projects yielded both clear and positive economic gains and generated less visible and more troubling environmental problems. For example, the reclamation of land along the lower reaches of the Yangzi River began in the eighth century and was largely completed by the thirteenth century. Additional land reclamation occurred along the edges of the Hangzhou Bay to the river's south.(Shiba 1998) The creation of polder lands resembled in many ways the Golden Age Dutch projects of land reclamation from the North Sea that took place some eight centuries after such projects began along the Yangzi.(Vries and Woude 1997: 27-32) The initial work of constructing sea walls, cutting channels and enclosing land was undertaken by officials who mobilized the labor and capital to reclaim land. The purpose of this investment was not simply to create economic opportunities for peasants; it was to enable more peasants to pay taxes. For more than a century beginning in 1263 the Yuan and Ming governments depended heavily on the grain levied from irrigated lands in six prefectures along the Yangzi River. In Yuan times nearly

forty percent of the empire's revenues came from grain in this area of which some forty percent was from lands over which the state claimed direct ownership.(Shiba 1998)

For subsequent centuries, evidence is available for how communities managed and paid for the use of the dike systems that regulated the influx and outflow of water from paddy lands. Some did so by apportioning levies on households according to the amount of land they had benefiting from the system. (Li Cho-ying 2012) Such systems could be sustained economically and environmentally for considerable periods. From one perspective we could think of such community arrangements as an example of the effectiveness of community institutions and hence a kind of customary activity, but we could equally consider this to be a basic benefits/cost driven system that emulated the fee for service that a single-source provider of a service might develop in a market setting. The state also played a role in water management, but the levels of effort it made ebbed and flowed. After an eighteenth century era of official oversight, the state was largely conceding management control over water control projects during the nineteenth century to local elites.(Morita 2002) This kind of self-management paralleled in broad measure steps the government was also taking to remove some of its oversight on certain types of community-based granaries which stored grain for use during the lean spring season and to be called upon especially in years of bad harvest. (Will and Wong 1991) For water control this political disengagement meant elites could manage community resources for their own benefits without the presence of officials as arbiters of different interests. But it also meant people, especially richer and more powerful individuals, could take advantage of the state's less visible presence to capture profits from creating paddy lands through draining swamps and building enclosures.

In the mid-Yangzi region, for example, there were two waves of expanding rice cultivation through the creating of paddy lands, one beginning in the late fourteenth century and

ending in the early seventeenth century and a second beginning in the late seventeenth and eighteenth centuries with a decline by the late nineteenth century. This effort was part of a broader empire-wide initiative of the first Ming emperor (r. 1368-1938) to create a temporary bureaucracy of officials who organized the building and repair of some 40,987 reservoirs and dams, 4,162 canals and 5,418 dykes and embankments in different parts of the empire. As the basic infrastructure for water control management was completed or repaired it fell upon local people to continue maintenance and sometimes expansion of the water control projects. The power of elites to act in their own interest in ways that disadvantage others meant that officials were in some cases inclined to use coercion in order to impose a different allocation of benefits. The state's use of command was intended to define a more general public interest threatened by private profit seekers upsetting an ecological balance by rendering an area more vulnerable to flooding.(Will 1985; Perdue 1982)

The development of water control projects to increase the productivity of crop land and the improve transportation routes involved a mix of state command to marshal resources and labor to execute large projects and local community efforts to manage the costs and benefits of irrigation channels crucial to their rice paddy agriculture. Both state and community efforts at water control were tied to market production and exchange. Top-down organizational efforts initiated by officials as well as the bottom-up organizational practices of local elites and common people served to maintain and expand a market economy in which many commodities, both crops and crafts, came from agrarian households that served as the primary units of commercial production and consumption. Beyond the state's varied roles in water control projects that become economically important by the mid-imperial period, officials of the early modern era, promoted the spread of best practices to more backward areas. These efforts included seed

selection and crop cultivation as well as handicraft technologies. Officials as well as literati compiled agricultural handbooks detailing information on crops and cultivation methods. The botanical encyclopedia published in 1708 *Guang Qunfangpu* (Enlarged Flora) included sections on grains, textile fibre plants, vegetables, and trees. The Qianlong emperor personally wrote the preface for a wide-ranging compilation on agriculture entitled *Shoushi tongkao* (Compendium of Work and Days) (Deng Gang 1993).

The sparse data available to calculate or infer levels of land productivity suggest improvements in at least some areas between the 10th and 18th centuries. Some of the few scholars who have assembled scattered information disagree over the relative importance of technology improvements and productivity gains (Li Bozhong 2003, Guanglin Liu 2013), Whatever the precise levels of productivity and their changes over time or variations among regions, the land could be more densely settled in paddy agriculture regions than in dry farm areas. The increasing development of household-based craft production in the early modern era created an agrarian economy in which markets proved basic institutions, supported in large measure by state policies recognizing the benefits of market exchange.

The Early Modern Growth of an Agrarian Empire's Commercial Economy

Between the sixteenth and eighteenth centuries, the development of market towns through which cash crops and crafts moved to locales nearby and distant could be found in many parts of the empire. Some areas, like Jiangnan, the area around today's Shanghai, or the Pearl River delta region, in which is located today's Guangzhou, developed more markets and trade than areas of northwest or southwest China. But even the least commercialized parts of the

empire were not innocent of trade developments. Other regions, like north China and the southeast coast had active commercial economies and in both cases these were tied to trade across the empire's frontiers. In the north China province of Shandong, for instance, peasant households developed crafts and food processing activities to complement their crop cultivation. They engaged in cotton or silk cloth production, paper making, tobacco or grain processing, and making incense or pottery production. Those near the sea included commercial fishermen as well as households who produced salt. Specialized markets for grain and cotton attest to the commercial circulation of daily use items; there were markets at which peasant households could buy soy beans for fertilizer cakes, raw materials like cotton for handicraft production, and implements used to crop the land. (Xu Tan 1998） In central China an expansion of commerce was powered by the increased production of rice made possible through increased paddy rice cultivation beginning in the sixteenth and seventeenth centuries and becoming important nationally by the eighteenth century as a key source of food supply for the empire's major commercial region, downstream along the Yangzi River. In addition to this major long-distance trade based on the rice that peasant households grew to sell on the market, other households began planting and selling other cash crops, including cotton, tobacco and tea. On the region's markets other crops and crafts produced in the region circulated, including hemp cloth, iron, coal, and paper, as well as commodities brought into the region, such as salt. (Ren 2003) Beyond the villages of peasants planting crops and producing crafts, there were households engaged in mining and fishing. The early Ming vision of a settled agrarian society was transformed into a related but different reality of commercialized agrarian society in which the movements of goods and resources was a basic feature of a settled society largely composed of peasant households.

China's most developed markets were in the lower Yangzi region, commonly called Jiangnan. Specialized markets for raw cotton, silk thread and mulberry leaves, grain, silk cloth, cotton cloth, tea and other daily life commodities were formed in addition to more general markets where indigo, seed oils for cooking, and paper products also flourished. Jiangnan markets were connected to markets in other parts of the empire. Jiangnan merchants went to other parts of the empire and merchant groups from other parts of the empire came to Jiangnan. Jiangnan trade also went overseas. (Fan Jinmin 1998; Zhang Haiying 2002) Some of the rural craft production in Jiangnan households was no doubt of a higher quality than found elsewhere in the empire. The connections between such textile producing peasant households and urban firms that completed some production processes created a tighter and denser set of production relationships than was typical of other places. But even in these highly commercialized conditions, production and exchange supported the viability of an agrarian society composed of small peasant households. More generally across the empire peasant households were connected to market exchange. Many produced cash crops; still others engaged in craft production. Hill lands were brought under expanded cultivation for tea, tobacco, and indigo used to dye cotton blue. All peasant households had to buy at markets their iron implements for crop cultivation and their pottery for food consumption and storage. Peasant households were thus both market producers and market consumers.

The maritime trade of merchants in the southeastern coastal province of Fujian allows us to consider trade networks from the vantage point of one particular area that engaged both in trade within the empire and beyond. The growing eighteenth-century trade with Taiwan, administratively part of Fujian province in the eighteenth century, brought Taiwanese rice and sugar onto mainland markets. The commodities moving north along the coast included items

from Southeast Asia, such as sapanwood, shark's fins, pepper, tin, frankincense, but Fukien products were more abundant, including tea, tobacco, textiles, paper, earthenware, preserves and candies, medicinal herbs and fruits; many of these products being particular local specialities Some ships went to Tianjin and others went further north to Manchuria. The return voyages brought back particular craft and crop goods particular to northern and Yangzi region locales—various kinds of silk and satin, medicinal herbs, wheat, beans, salt, red dates, dried mussels. (Ng 1983:133-67)

Some sophisticated production took place in specialized sites separated from agriculture. State demand for elegant silks and refined pottery helped spur the production of quality products. We know from the continued and changing production of pottery and textiles that Chinese must have had the capacities to impart knowledge about sophisticated production techniques. Clearly, the levels of sophistication in ceramics production, especially porcelain at Jingdezhen, and in the range of silk fabrics produced in Jiangnan cities and towns, suggests the generation and transmission of considerable technological knowledge.(Fan Shuzhi 1990: 188-231; Finlay 2010; Liang 1991) Developing our empirical grasp of technological changes and the transmission of knowledge in these craft industries will allow more empirically equivalent comparisons to European cases, without which we will pursue at some peril asymmetric comparisons. It appears that Chinese craft guilds were not as serious or successful at protecting knowledge within the guild as were European guilds. The movement from urban to rural setting of technologies that could be pursued in rural households was a basic feature of early modern Chinese history, most visible in cotton textiles. We also see the development of multiple centers of pottery production, among which some sharing of techniques seems the only reasonable way to account for the similarities of patterns even if not the same level of technical sophistication. The influence of

state production and consumption was not limited to textiles and pottery. The emperors also enjoyed receiving gifts of watches and automatons. Because these devices frequently broke down they had to develop repair shops; from repairs craftsmen created techniques to make these gadgets themselves. From the imperial household the technologies spread to wealthy Jiangnan and to the southern port of Guangzhou, creating a taste for clocks among wealthy consumers in Jiangnan and south China. (Pagani 2001) During the eighteenth century, foreigners could even buy these "foreign" goods in China had their own presents brought from Europe not survived the journey or been forgotten initially.

At the same time as the Chinese court's attraction to foreign mechanical devices spread into society more generally, the silks and porcelains produced for the court by special workshops spawned broader craft industries that fashioned products in great demand in early modern Europe and colonial America. These silks and porcelains joined other craft goods produced both by highly skilled artisans as well as those made in peasant households, as commodities entering long-distance trade circuits. Within the empire, grain was also an extremely common good traded over long distances. Several regionally identified merchant groups pursued trade, either within their own provinces or in some cases on broader spatial scales. The two largest groups were Shanxi merchants and Huizhou merchants. (Zhang and Wang 1995; Huang 2002) The Shanxi merchants established themselves by transporting grain to the troops stationed in northwest China. For this service they received licenses to buy salt. In addition Shanxi merchants began to develop Chinese trade in tea and textiles with Mongolians and Russians. Huizhou merchants from Anhui province also became involved in the salt trade as well as many other trades in the southern half of the empire. Additional merchants from Fujian were major actors in the maritime trade between coastal China and Southeast Asia. Contrary to the image of

China being closed off to foreign trade after the government's halting of Zheng He's early fifteenth-century expeditions, private trade continued, at times expanding and at others contracting, influenced in part by the degree to which the state attempted to restrict private overseas trade.

The country's main commercial routes followed rivers. The most important was the Yangzi River and the tributaries that feed the river in its upper and mid-reaches. The Huai and Yellow rivers in the north and Pearl River in the south all had commerce flow along them as did several other rivers in the northeast and central parts of the empire. In addition to riverine commerce, there were major commercial routes that went from the southwest through central China to the capital in Beijing, routes from Urumuqi in the northwest to both Beijing and Shanghai, and routes across north China. (Niu 2008) To the west of Urumuqi lay the Central Asian oases especially famous in earlier centuries for comprising the Silk Road. Beyond the ports of coastal China were sea routes to Korea, Japan, Taiwan and the Ryūkyūs, as well as those to Southeast Asia and from there further west.

To understand the institutions that promoted a flourishing commercial economy across and beyond the vast spaces of China's agrarian empire, the following section looks more closely at how production and exchange were organized.

Contracts, Firms and Markets

Wu Chengming and his colleagues estimated the value of trade in the early nineteenth century to have been around 400 million liang of silver—at a time when the central government's revenues were roughly ten to fifteen percent of that amount. For the two most important commodities, grains and cotton cloth, he estimates more than 20 percent of grain and

15 percent of cotton cloth entered long-distance trade, the balance was in local and regional trade. Of course, "regional" trade in the Chinese empire was on a spatial scale similar to larger European countries.(Xu and Wu 2000: 173-78) The size and value of Chinese trade means basic economic challenges of exchange were routinely solved. Early modern Chinese merchant groups working several land and water routes over long distances within the empire and to places beyond managed to solve basic issues of establishing trust, securing financing, and solving disputes. But we have, certainly relative to some European cases, far less information about the kinds of formal and informal institutions used to achieve these circuits of exchange.

Kinship and native place provided important principles of linking people into networks that provided the bases for developing relationships of trust. South China cases of lineage kinship relations being important to the formation of business enterprises form one model of Chinese business behavior (Faure 1989; Ruskola 2000). Native place associations established for sojourning merchants in cities outside their home towns gave people access to larger and denser sets of relations than they would have had on their own. Yet, despite the importance of kinship and native place in Chinese commerce, there were countless cases of traveling merchants agreeing to market transactions with people they may not have known well. They were counseled in merchant manuals to be careful with their goods and their money when on the roads or rivers and to present themselves honorably to others. (Lufrano 1987) For some goods it is clear that trademarks or brand names affirmed a level of quality of goods, as is shown in the trade between Shanxi and Mongolia (Liu Jiansheng 2005: 206).

Chinese firms beyond the family had several organizational forms in which kinship and native place may have contributed considerably to the pool from which people drew to form a firm. More generally, Chinese commercial practices included mechanisms to mobilize capital as

well as dispute resolution mechanisms that used a mix of community institutions and government regulation and resolution powers. Though very different from the institutional mixes that emerged in early modern Europe for both financial markets and judicial means of commercial dispute resolution, we cannot easily infer from the organizational differences any basic difference in their relative effectiveness in their different contexts.

For certain kinds of trade we do have information about the organization of exchange. Merchants from the southeastern province of Fujian worked sea routes north to ports within the empire, east to the island of Taiwan, and south to ports in Southeast Asian countries. Ship owners in the eighteenth century were registered with the state; some traveled with their cargo; others hired a captain and crew to go without them. Yet others took on partners, especially for the larger ships sailing to Southeast Asia which were larger and more expensive to operate. More than a thousand boats worked the coastal route north in the 1720s, while several tens of larger boats made their way to Southeast Asia each year. Information on individual voyages suggests that the merchants whose goods were loaded on a ship often were relatives. In rare instances when there is evidence of the same ship making separate voyages some of the same merchants are found again but with some being different. The financing of maritime trade by Fujian merchants used systems of individuals having capital shares on specific voyages. The individuals involved typically had some kinship or at least native place relationship that supplied the basic network of relations within which people came forth to put shares of capital into a voyage. (Chen 2009: 91-93) When disputes emerged over the liability for risks in voyages that were failures or incompletely successful they were often resolved within existing networks of relations. But when the commercial disputes involved merchants from different counties, officials could become involved in adjudicating the competing claims. (Chen 2009: 260-276)

Shipping merchants who unloaded their goods in Fujian ports sold their goods to government-licensed brokers (yahang) who affirmed the quantities, quality, and prices of goods and recorded transaction details. This basic organization of trade was common to many regions of the empire. From the state's perspective, brokers were expected to manage the fair and efficient operations of exchange of goods that moved over the empire's various trade routes. Their importance was magnified for those based in Canton (known today by its Mandarin Chinese name Guangzhou) who dealt with European merchants. It was their responsibility to maintain social order and manage economic relations with foreigners. Officials considered the presence of foreign merchants a source of potential social discord as well as commercial dispute.

Paul Van Dyke's discovery and analysis of more than a hundred bilingual contracts between Chinese and either Dutch, Danish or Swedish, demonstrates that contracts were essential to creating trust between foreign merchants and Chinese. But contracts were not drawn up necessarily to fit within Chinese law. Nor were there Chinese courts to which disputes could be easily taken. Instead, contracts were written agreements that explained the terms of a transaction. They could include Chinese merchants receiving goods on credit or borrowing funds from foreign merchants, a practice not permitted by Chinese laws. But the state was not irrelevant to the resolution of disputes. Contracts were introduced into the process of dispute resolution; an investigation team of merchants, translators, and sometimes only, an official considered the merits of a particular dispute and recommended to authorities how they thought the dispute would be best resolved. One of the two highest state officials, either the governor-general or the Hoppo (the Ministry of Revenue official managing tax collection on foreign trade) accepted the suggestions or asked the investigation team to come up with an alternative. Suggestions that struck officials as especially helpful and possibly relevant to future disputes

could be put into law with an imperial edict. Many disputes involved the debts incurred by the Chinese brokers to foreign merchants. The issue was not that incurring such debts was prohibited by law, but rather how to resolve the issue in practical terms so that foreign merchants continued to engage in trade that officials could tax. (Van Dyke 2011: 31-49)

From a contemporary point a view, it would seem that eighteenth-century Chinese law was not effective, but from an early modern European vantage point where multiple courts of law were on offer as venues for different kinds of contractual disputes, Chinese practices seem simply one more way for merchants to use government and law in order to settle disputes. It is difficult to create metrics for early modern era legal practices that are judged by economic effects, but the growth of the porcelain, tea and silk trades to Europe and colonial America suggest that the Chinese institutional nexus for foreign trade didn't stifle exchange in a consequential fashion. More challenging to this trade was increasing European mercantilist-inspired anxiety about the outflow of silver bullion to pay for these goods, which contributed to the development of opium as substitute. For present purposes, what is significant about the use of contracts in Chinese foreign trade with Europeans is the similarities they share with the ways in which contracts were used within the empire for the far more frequent and widespread transactions within China.

Contracts were used by merchants doing long-distance trade within the empire as they were by European merchants working across comparable expanses within Europe. While Chinese did not develop the kinds of legal institutions early modern Europeans created, Chinese officials did participate in the resolution of commercial disputes. More generally, the numbers of cases coming before county magistrates increased in the eighteenth century. This rise meant the emergence of litigation experts, both to represent parties to a dispute and to advise magistrates

seeking to negotiate settlements based on sets of precedents and regulations or laws that were sometimes collected at the provincial level. (Macauley 1999) Many of the commercial cases address issues of debt similar to those present in the Canton trade with Europeans—the so-called traveling merchants (keshang) had problems with brokers who developed debts with them. At a general level, officials tried to strengthen the ability of traveling merchants to negotiate terms with brokers; in specific cases of dispute they sought to have the disagreeing parties to agree mutually on a settlement. By the late nineteenth century the state was promoting the establishment of merchant organizations, translated into English as chambers of commerce (shanghui) to manage much of the dispute resolution process under official oversight.(Ch'iu 2008; Fan Jinmin 2007) The process of dispute resolution depends on the existence of contracts and settlement processes involving major and complementary roles for both officials and the merchants themselves.

Some of the difficulties encountered through market transactions between traveling merchants and resident brokers were avoided by some commercial firms that were composed of a head office in one city and branches in other cities or towns. Among Shanxi merchant firms, for example, the firm itself could be composed of two or more individuals putting in capital and sharing management or a structure in which the individual(s) supplying capital were different than those providing the management; for this second kind of firm both the capital provider and the one managing the firm were issued shares which determined their portions of the firm's profits.(Liu 2005). One way in which investors spread their risks was to have shares in multiple firms; the investors formed a network of individuals who in any given locale were likely to be investing with others in more than a single operation. Shanxi firms were sometimes organized with a head office in one town and branches in two or more others. Very clear rules stipulated

the balancing of accounts and reporting of transactions by each and between them.(Liu 2005: 172, 204) Chinese firms more generally were typically partnerships with capital contributed in varying amounts and the management functions often in the hands of only one partner. Chinese entrepreneurs with large amounts of capital often invested in multiple firms, sometimes with many of the same other individuals; thus, there was a network of investors who undertook different partnerships. Partners had stakes in firms according to the amounts of capital they invested; in the salt brine evaporation business in Sichuan, firms could bring in additional capital by adding shares to those already in the firm (Zelin 2005: 38-45).

Early modern Chinese firms seem rarely to have grown to become dominant actors on any particular market. They did not, in other words, become commercial capitalists in the particular sense of concentrating large amounts of capital and achieving market control over some kind of commodities. The major exceptions to this generalization were the Chinese merchants chosen by the state to deal with European merchants in Canton and the merchants licensed by the state to buy and sell salt. In both cases, these entrepreneurs who amassed large amounts of capital in a single set of operations were only able to do so because of the institutional arrangements created by the state. Though the specifics for each of these cases differs from the range of specifics formulated in European countries to formulate maritime trading companies operating overseas, a similar logic of the state allocating limited opportunities for wealth accumulation to create capitalist operations can be said to be at work. But in the Chinese case, to be sure, government created and regulated business operations were a minor part of the empire's commercial economy. Firms were generally multiple in any market and required small amounts of capital that could be met through partnerships by individuals who, if they had additional capital, chose to invest in other partnerships rather than commit more capital

to a single operation. The commercial economy had no particular need for capital markets able to mobilize large amounts of capital for a limited number of large firms.

The mix between informal and formal mechanisms in both financial markets and commercial dispute resolution in China suggests a relationship between custom and law different from European experiences. European law involves crystallization and codification of custom into formal law. But Chinese law works with social mechanisms of dispute resolution in a more intimate and connected fashion. "Custom" (*fengsu*) in Chinese refers to local practices which sometimes government regulations and law can accommodate and at other times not accept; in either case law and custom are generally conceived to be quite distinct from each other. Capital mobilization clearly depended on trust among people who are close to each other through either kinship or native place, but more formal documents are drawn up to stipulate their shares of capital in a particular venture. At the same time, these documents are "legal" in the sense that officials used them in determining difficult disputes and they were social in a more general sense of being affirmed by the people themselves as a document stipulating their agreements.

When we turn to land and labor markets a similar set of challenges present themselves. There were active land markets in early modern China but the transactions were institutionally constructed differently from modern land contracts. Two aspects of Chinese land contracts seem to suggest constraints imposed by custom. First, contracts typically refer to land being first offered to kinsmen before being sold to others. Second, many contracts include clauses allowing for the redemption or repurchase of land at some future date according to some stipulated price; such contracts could even allow subsequent generations to seek return of land sold by ancestors. (Yang 2009) Similarly, when we look at labor markets we observe that where early modern European households sent family members out of the home to find wage-earning work as

domestics or laborers, Chinese family members were far more likely to remain at home, sometimes doing similar kinds of work for which Europeans gained wages but not themselves passing through some more explicit and formal labor market. Custom then seems to be at work in place of markets in the Chinese case. For both land and labor markets we could reasonably argue that Chinese markets were restricted in their effective operation by customary practices and as a result opportunities to use resources most efficiently were not realized. But such an inference depends on assumptions about land and labor use that may not be extremely relevant to early modern Chinese conditions, as suggested below.

Irrespective of ownership, the use of agricultural land in China was almost always by small plots. Thus, the production functions into which land was entered did not vary in the ways they could have were there real economies of scale. Such economies of scale would have been achieved with certain mechanical technologies, assuming it was economically profitable to change capital/labor ratios in the ways that cultivating the land in larger units would make possible. But in the absence of either the economic incentive of relative factor prices making capital-using technologies more profitable or the availability of technologies to achieve such kinds of production, it isn't exactly clear how much difference selling land to a wider selection of people than already available in most Chinese locales would have made. The significance of the customary constraint of selling first to kin seems therefore at most not very strong. The practice of allowing land repurchases or redemption in conditional sales would harm efficiency if the productivity of the land were consistently higher when operated by the buyer rather than the seller. But if that isn't true it again isn't clear what the economic losses of allowing repurchases would be. What Chinese officials were concerned about were the possibilities that land sales were often made by families falling upon hard times whose opportunities to recover the

government wanted to enhance by making it possible for them to redeem land previously sold. They did not want in the early modern era any more than they wanted in the early imperial era to support the growth of land concentration in the hands of the rich and the creation of households having to rent land or leave the land altogether. Surviving land contracts suggest that land did change hands with some significant frequency in early modern China. (Yang 2009) The results could increase concentration of ownership in some locales, but need not. Even when people became landlords by buying land from others, the basic unit of production remained the household which worked plots of land as tenants when not owners. The scale and mix of capital, land and labor did not very dramatically as a result of there being a land market. The state did not want to see land ownership become more concentrated even as officials wished to simplify the complicated conditions of land being reacquired by a seller who claimed to retain rights of redemption on a plot he or his relative alienated many years before. Improvements in agricultural productivity were achieved through technologies that were suitable for this scale of operation.

The importance of the early modern Chinese agrarian household as the basic unit of production across the empire included both its crop and its craft outputs. Thinking of this household as a small firm making production decisions, labor was typically allocated to multiple activities; some were part of crop cultivation, while others concerned craft activities. A typically gendered division of labor became enshrined in the expression "men plow, women weave" (*nangeng nuzhi*). The desire and ability of Chinese households to expand their production activities to provide income-producing opportunities that kept all members of the family at home contrasts with the preferences and mechanisms created by early modern European households to make wage labor an option, in particular for young women who left their homes to engage in

service in other households as well as other kinds of employment. Labor markets developed more generally in early modern Europe for work in both rural and urban settings (Knotter 2001; Lucassen 2001; Schulumbohm 2001). In early modern China there were people who worked as wage labor in the countryside but only those who were utterly landless, lacking the money to own or rent land became wage labor. Because the individual household was the unit of production and it typically pursued a mix of crop and craft activities, labor market development was more limited than in early modern Europe. In economic terms, the difference can be conceived as a different dividing point between the firm and the market in these two world regions in the early modern era.

In brief, early modern China had less developed capital and labor markets than early modern Europe, but this does not mean that firms were less able to combine capital and labor in efficiently productive ways. As we have seen officials certainly promoted the viability of the small holder agrarian household as a unit of crop and craft production. More generally, as we see in more detail below, the early modern Chinese state was pro-market but also, in some basic ways anti-capitalist. The government did not favor the concentration of land, market control by a few large firms, or the creation of a large landless population dependent on wage labor. This does not mean, however, that the state did not actively pursue and enable economic growth.

STATE SUPPORT FOR ECONOMIC DEVELOPMENT

Defining state support for economic development is not straightforward. It may be tempting to read back anachronistically the kinds of policies useful in the twentieth century to earlier eras and equally tempting to look for what was supportive policies in one part of the

world as a guide for what was needed in another. Nevertheless, the possibilities and appropriateness of state support for economic development clearly must vary according to the contexts within which governments find themselves—an agrarian society before industrialization clearly includes situations very different from those in which industrialization has occurred as well as those in which industrialization has become a consciously conceived aspiration. I understand state support for economic development to come from intentional efforts to improve economic conditions that actually succeed. Governments may have other motives as well as economic development, but the notion of state support shouldn't, it seems to me, include cases of unintended consequences; rather, only those instances where deliberate intent is coupled with some measure of success count as examples of government support. With this framing in mind, consider the basic orientation of Chinese officials adopted toward supporting the economy, a set of activities basic to Chinese ideas about good governance. Unlike the advice early modern European rulers were offered by texts such as Machiavelli's *The Prince*, much of the ancient Chinese advice written between the sixth and fourth centuries BCE, a period preceding the first imperial unification of 221 BCE, proposed to rulers how best to persuade people that they were proper rulers. Many suggestions included a focus on promoting the material security of people living with the uncertainties of harvests subject to nature's vagaries and the troubles that government extraction to pay for armies could cause. Material well-being was, not surprisingly in an agricultural society, associated with having land and being able to enjoy the fruits of one's labor without heavy taxes. The logical precedence of people satisfying their needs before they could contemplate more abstract issues of fairness and justice made government efforts at promoting material security a basic condition for achieving political legitimacy. From this connection came the corollary that people, and especially elites, had a right to rebel when rulers

failed to meet expectations. The fiscal principles that flowed from ancient ideas about good governance continued to be influential in the early modern era. (Wong 2012)

The Chinese government's efforts to tax lightly were intended to enable people to grow wealthier and hence provide an ever larger economy from which the state can gather resources in the future. If society can become enriched, then even if the state is temporarily poor it can subsequently gain the resources it needs. If however society is impoverished, even if the state is at some moment rich, it will subsequently become poor because it will not be able to raise the revenue it later needs to meet its routine expenses. The logic at work here stresses the importance of limiting the amounts of resources sent from the people up to the government in order to enable the people to prosper and be better able in the future to meet the government's need for resources. Chinese views place fundamental importance on the material successes of the people as the basis upon which to sustain a sensible government. A basic premise necessary for this logic to work was a society of peasant households that could pay taxes to the government. A society of large landlords collecting rents from their tenants would put a powerful elite between the government and common people. As a result, Chinese political thinking stressed the importance of land tenure and linked production and taxation to those institutional conditions.

Chinese governments also turned at several points in the long imperial era to indirect taxation. But surprising from the vantage point of European history, indirect taxation did not increasingly replace direct taxation between the sixteenth and nineteenth centuries. The issues of whether or not the state should directly control certain kinds of production and distribution and should tax commercial commodities came up several times but arguably without any conclusive agreement on how to tax commerce until the late twentieth century. A major debate took place at the Han dynasty court during the reign of Emperor Wu (r. 141-87 BC) regarding the

advisability of the government directly controlling salt and iron production and distribution. Those opposed to official control claimed the state was interfering with the people's ability to enrich themselves through production and trade. Those advocating a government monopoly wanted to prevent rich merchants from grasping all the profits coming from control over important commodities and assure for the state the revenues that came from controlling salt sales. They were opposed to a few rich people controlling crucial resources, what we might consider a kind of capitalist practice, claiming the government was able and willing to see that resources circulated more widely according to supply and demand. (Hsiao 1979: 457-62) Related debates about the government's role in the economy emerged again in the mid-eleventh century in response to Finance Minister Wang Anshi's expanded use of state monopolies and commercial taxation, once again to fund pressing military expenditures. (T. C. Liu 1959; Li Huarui 2004) For much of Chinese dynastic history, however, agricultural taxes rather than commercial taxes supplied the bulk of resources for Chinese imperial states. Whatever pressure military expenditures placed on the state, they were basically met by raising most revenues from the land. This reliance on peasant agriculture as the main source of fiscal and political support for the state led to repeated stress on taxing the people lightly and setting expenditure levels according to available revenues.

By the early modern era, state support for peasants opening up new lands to expand their bases of production created tensions between economic benefits and environmental costs. The choices made by Chinese officials and people about land use come out clearly in the case of forest land management. The clearing of forested land to allow crop cultivation is a seemingly one-directional movement toward ever decreasing forest cover in China. Highland area clearance in the middle and lower Yangzi regions typically exhausted the newly cleared land

quickly (Osborne 1998). In north China a gradual decline of forest land as peasants cleared land and searched for wood to use as fuel continued well past 1850 and was not reversed by the Republican era government to promote reforestation. (Pomeranz 1993: 120-45). But beneath this picture of secular decline descending into crisis we know of some efforts at managing forest lands to promote if not always ensure their survival. For example, lineages in south China held forest land as common property and set up rules to limit access and define acceptable use. (Menzies 1994: 75-98) Nor was the tradeoff simply between economic profit and environmental preservation. The Huizhou merchants who managed the timber trade supplying the porcelain kilns of Jingdezhen with fuel were mindful of maintaining the forests from which they cut down timber as renewable resources. (Menzies 1994: 77) They understood the need for an economically sensible management plan for a commercially valuable resource to avoid rapid depletion.

Identifying Chinese awareness of the detrimental impact of some resource use, such as forest lands, certainly doesn't negate the long-term large-scale process of deforestation and spreading problem of fuel scarcities. But the presence of multiple institutional arrangements to manage forest lands, both as collective goods and as private goods, for both social preservation and economic use, alerts us to Chinese grappling with what become in other parts of the world modern problems of making tradeoffs between conservation and economic profits. The Qing state also clearly cared about certain lands as sacred and symbolic spaces and others as sites for imperial hunts. Officials and elites pursued multiple strategies of land use that reflect competing demands of the market, sacred and symbolic spaces, and the dependence of poor communities on woodlands, another example of how resources could be variously governed by market, command and custom.

When we turn to water use management we discover that Chinese also had a rich array of experiences managing water flows for transportation, the irrigation of crop land, and flood control. Sometimes water control projects were concerned primarily with one purpose, but often there were competing interests and priorities that made decision making at best complex and at worst ineffectual. Water was in some instances a public good or at least one requiring governmental investment in infrastructural support. But water was also a resource that could be regulated by local organizations that apportioned water for irrigation purposes and charged people for the maintenance and upkeep of water control projects according to the estimated benefits they each received from the irrigation works. Property rights to water were both less developed and more complex than those developed for land. As with forest land destruction, Chinese began to face environmental challenges attending the regulation of water flows along its large rivers by the early modern era.

Certainly the state's support of water control efforts was in part self-serving—expanding the productive base increased the economic output that the state could tax. This could be seen as meeting the maxim of storing wealth with the people because it was creating the people's ability to create additional wealth that enabled the state to gather more taxes. Beyond the normative motivations, it is striking that the state was able to mobilize capital and labor for major water control projects in a command economy fashion at the same time as it allowed local community organizations to manage irrigation works according to benefit/cost calculations. It also attempted to balance the interests of producers and merchants for irrigation water and transportation routes, as it remained mindful that wealthy people seeking to create new polder lands undermined the viability of transportation routes and subjected their locales to increased dangers from flooding by reducing water surfaces. As with issues of land management, Chinese

efforts to meet competing objectives meant of necessity an inability to meet the desires of all parties. But such situations, perhaps unusual for other early modern governments, have become far more typical of the modern era.

Regarding markets and trade, official attitudes varied. Salt production and trade was controlled by officials as a source of revenue. Some trade networks, like those for grain, were actively promoted by officials as a means to assure that annual imbalances within given regions could be mitigated through variable movements across them. Chinese officials generally permitted trade within the eighteenth-century empire to take place with minimal taxation and regulation. Excepting the government monopoly over the production and distribution of salt, trade was taxed at a few ports at low rates, accounting in some years for less than five percent and in other years as much as a bit over ten percent of total government revenues between the late seventeenth and early nineteenth centuries. (Zhou 2002) These light rates could even be lifted on grain in order to give merchants incentives to transport supplies along routes serving people suffering from grain shortages. Indeed, officials expressed great concern over grain supplies since these were considered the foundation of social security and accordingly political stability. Those officials serving in regions relying on commercial imports expressed strong support for market principles of supply and demand for people in their jurisdictions directly benefited from grain imports. Officials in grain exporting regions, however, worried about shipments leaving their jurisdictions in years of poor harvests. Throughout the empire officials expressed a mix of attitudes toward the holding of grain off markets. When they perceived hoarding to be market manipulation by a handful of rich and powerful people, they labeled such activities unacceptable ways to raise prices by holding goods off the market. However, officials also noted that keeping grain off local markets was necessary to transport it to other markets

where prices were higher; such movements of grain from areas of low price to those with higher prices were understood as beneficial. (Wong 1999)

Spatial differences in the economic policies pursued across the empire reflected the government's recognition of different challenges and opportunities present across its diverse natural and social environment. In the most developed commercial areas, officials basically promoted the smooth operation of markets. In economically less developed areas officials promoted production and certainly by no later than mid-eighteenth century expected increased production to create more trade. Coastal areas where people were eager and able to pursue maritime trade presented particular challenges and opportunities. In the late seventeenth century, the newly installed Qing dynasty was uncertain about the loyalty of populations living along the southeastern coast; disrupting trade was considered an acceptable economic price to pay for enhancing political security. At other times, officials recognized the importance of maritime trade to people living in coastal areas. (Wong 2004) By 1500 the late imperial state possessed a complex tradition of policy options to shape economic activity, both to raise revenues and to achieve a stable social order. Official choices fluctuated. Two general approaches define the endpoints of possibilities. First, the state could choose activist and interventionist policies to control or direct economic activities; such efforts included the regulation of mining and the exchange of salt vouchers for grain shipments to troops in the northwest. (Terada 1972: 80-119) Second, the state could satisfy itself with monitoring private sector efforts and even informally delegate responsibility or depend on others to help achieve its goals; examples include market surveillance and reliance on elites for famine relief.(Mann 1987, Will 1990) In between the extremes of direct state control and indirect monitoring lay all sorts of efforts to redirect, channel or limit private sector economic practices. Amidst considerable variation in techniques there was basic agreement through the eighteenth century about the type of economy officials sought to stabilize and expand in order to maintain a society in which most

people stayed in villages where both cash crops and handicrafts were produced. Officials generally agreed to rely principally on agrarian taxes and to tax lightly. Because they were able and willing through much of the eighteenth century to move their resources across county and provincial borders, not only to the capital but also to other areas experiencing particular demands, be they caused by harvest failures or military needs, officials did not have much need to borrow money—they were able to move resources through space rather than take on loans to be repaid with future taxes. In at least some ways therefore the state intended some of its actions to complement and extend the natural reach of the market. In other ways it sought to balance the logics of customary circulation within a local area, at least for grain supplies, with the demands of market exchange taking food grains over long distances. Market, customary, and state circuits of circulation all proved durable and connected to each other in ways that complemented each other as they also constrained or qualified the kinds of actions taken within each.

Across all areas, the state invested in both water control operations and especially during much of the eighteenth century in maintaining large grain reserves to aid the poor and to protect people more generally against harvest shortfalls. The government understood that light taxation allowed more wealth to remain with people which in turn made them less likely to cause social conflicts and more likely to be productive and pay the taxes levied upon them. To appreciate the elements of Chinese economic policies and practices that were parallel to those found in other parts of the world as well as those that were more distinctive to this particular world region, the final section of this chapter compares China's pre-1850 economy to those of other empires, Europe, and the China that would follow after 1850.

China in Comparative Contexts

Among Empires

An earlier generation of scholarship contrasted empires from modern national states, considering empires a more ancient form of rule over larger territories than are the typical sizes of national states in recent times. This general approach stressed historical change throughout the world following an arc of empires collapsing, to be replaced by regimes governed by ideas and institutions first developed in Western Europe. This approach made the world of national states a system of political regimes different from what all that came before in world history. It allowed for the study of regimes of varying sizes and amounts of wealth and power, but it ignored the construction of European overseas empires in the same era as national states were being formed. To confront these difficulties, some scholars have consciously extended the rubric of "empire" to cover more diverse political forms across many historical eras. Jane Burbank and Frederick Cooper in their *Empires in World History*, for instance, focus "on the different ways empires turned conquest into governing and on how empires balanced incorporation of people into the polity with sustaining distinctions among them." (Burbank and Cooper 2010: 15) To achieve incorporation rulers send out their agents—civilian administrators, military officers, judges and tax collectors—and coopt local leaders to serve them, often with titles bestowed by the imperial regime. Burbank and Cooper suggest "Empire was a variable political form, and we accent the multiple ways in which incorporation and difference were conjugated. Empires' durability depended to a large extent on their ability to combine and shift strategies, from consolidating territory to planting enclaves, from loose supervision of intermediaries to tight, top-down control, from frank assertion of imperial authority to denial of acting like an empire. Unitary kingdoms, city-states, tribes, and nation-states were less able to respond as flexibly to a changing world." (Burbank and Cooper 2010: 16) This definition of empire is capacious so that many different regimes qualify—empire as a category is durable over time even if specific

empires are not. While empires have a repertoire of strategies and techniques to deploy, not many seem able to deploy their choices effectively for more than a few generations. The ability to use different techniques of direct and indirect rule and to co-opt local leaders as well as depute loyal followers from the center, point to the limits of both.

What empires in general lack is much in the way of rule-governed administrators forming a bureaucracy. Such conditions provide a basic contrast to Max Weber's famous formulation of modern bureaucratic rule. Weber saw this form of rule to be fundamentally different from whatever forms of personalistic use of administration were forged by pre-modern rulers, including those who commanded empires. Yet, a rule governed bureaucracy is precisely what the Chinese empire developed over the centuries from the time of the Han empire and its temporal counterpart of Rome, through its mid-imperial era when the Abbasid Caliphate flourished and sent troops to help the Tang court quell a military rebellion, and especially in its late imperial era when the Ottoman, Mughal and Russian empires achieved their heights of power and success but together ruled less land than the Qing empire did.

The expansion of bureaucratic capacities of rule between the early, mid and late imperial eras included growth in the absolute size of the bureaucracy, the delineation of offices within a vertically structured hierarchy of offices as well as the creation of functionally specific offices outside the template of routine administration. The principles and practices developed in the Chinese empire were shared to varying degrees by governments in Korea and Vietnam and inspired less successful efforts at state building in the Ryūkyū kingdom. But the Chinese imperial experiences with developing bureaucratic rule were longer lasting and affected far larger populations than those attempted elsewhere. The substance of good governance and the goals of bureaucratic rule included many elements reviewed in this chapter as policies designed

to influence the organization of economic activities across the empire. The plausibility of even imagining let alone implementing a policies toward subjects such as land ownership and management, food supply storage and circulation, and water control for production and transportation could not be mounted without routine access to resources and the ability to mobilize manpower to pursue major projects. Such abilities could be considered part of the Chinese empire's command economy except that such a characterization would fail to focus adequately on the intent and impact of such policies, which were at least as much to promote the material wellbeing of its subjects as they were to enrich the coffers of the state and depended upon active support of market institutions, the recognition of private property rights, and the use of contracts. None of this fits obviously within conventional definitions of empire.

Consider for Sir John Hicks' *A Theory of Economic History,* which proposes a conceptually clear way to think about the economies of empires in contrast to those of other kinds of polities. Hicks suggests that the development and sustaining of markets is rare in world history. Markets are vulnerable to collapse when warfare and social disorder reduce people to reliance upon customs for principles of mutual support. They are equally vulnerable to the rapacious grasp of despotic states, such as empires, which impose command structures that undercut market principles. If Hicks' suggestions are entered into a broader and more recent discussion among historians of what makes empires different from other polities in world history, we can begin to see what made the Chinese empire so different than other empires. If other empires were individually fragile, and if command economies were part of the common repertoire of strategies to which they all appealed, perhaps China's political capacity for reproduction depended in part upon its nurturing of a commercial economy to complement and integrate with its more command-oriented policies. China does not fit Hicks' image of empires

and therefore the relationship he posits between political forms and economic institutions becomes less clear. For China specifically, it is not easy divide clearly between custom, market and state in the manner conceived by Hicks or more generally in the manner often applied to European history in which choices among the three logics are seen as mutually exclusive.

The durability and capacity for expansion exhibited by commercial institutions that developed in China after the 10th century makes clear the compatibility of market in China with Chinese imperial institutions of rule. These institutions were by no means typical of empires generally. But this is only half of the contrast of China with other empires. For the state to develop its economic policies there had to be effective economic institution building from below to make market exchanges possible. Chinese capacities to organize themselves efficiently and effectively for both production and exchange are attested by the visible growth of agricultural and craft production after the tenth century and by their continued development and the further elaboration of merchant organizations in subsequent centuries. In part the ability of production and exchange to expand across much so much of the Chinese empire after 1400 at least depended on the political stability imperial rule typically provided over the subsequent four and a half centuries. Other imperial spaces were usually conquered and defeated all within four and a half centuries so it was impossible for these imperial regimes to provide the peaceful conditions conducive to economic expansion possible in China. Yet, peaceful conditions over vast territories were not in fact a necessary condition for commercial growth, as other empires had pockets of commercial production and exchange. So too in fact did conflict-ridden early modern Europe. As we turn to compare China and Europe, one of the first contrasts to consider is the possibilities for commercial growth in a largely peaceful empire in China and a typically war-torn continent in Europe.

China and Europe

From the vantage point of the most successful moments of the Han and Roman empires, China in the early modern era was, as it had been for many of the previous centuries, a large and relatively peaceful empire, while Europe was politically fragmented and vulnerable to war. In one basic sense, peace made possible the material security of *domestic* trade over long distances in China that was *foreign* trade in Europe subject to disruptions and violence not present in China. We therefore should expect, ceteris paribus, that there was more long-distance commerce possible in early modern China than in early modern Europe. The great variety of routes and diversity of products that entered multiple channels of exchange within the Chinese empire do in fact appear to carry more goods over a longer total distance than did commerce within Europe. Despite having different economic institutions, as well different mixes of formal and informal mechanisms, it isn't likely, let alone obvious, that Chinese institutions were less successful in promoting economic growth than European ones were. We are led to imagine such differences in Europe's favor from the association of early modern European practices with subsequent modern economic growth. Such exercises are part of a larger effort made to account for what Kenneth Pomeranz memorably labeled the "great divergence" between the Chinese and European economies that became starkly visible in the nineteenth century. Scholars have forwarded many interpretations, the relative importance of which are difficult to evaluate because we lack models that can discern persuasively the ways in which different plausible causal mechanisms will necessarily interact, as well as the data to test them in commensurate ways.

For Pomeranz himself, the 'great divergence' depended crucially on English access to New World cotton was a windfall gain made possible first by colonization and the subsequent

expansion of slavery. (Pomeranz 2000) Empirically it is certainly the case that early modern Europeans went overseas and imposed regimes of exploitation and extraction, especially in the Americas. But this opportunity only mattered to economic growth in the manner Pomeranz explains because of the changes in cotton textile technology that created the massive increase in British demand for raw cotton in the early nineteenth century. Technological change was a necessary condition for the economic significance of American cotton. Secondly, and equally importantly to those wishing to stress the crucial significance of the European access to the New World is to separate out the particular institutional features of colonialism and slavery from the more general issue of agricultural production in one area being exported to another according to principles of market exchange. Slavery need not have been the basic labor relationship behind cotton production for the exchange to have taken place—cotton may have been cheaper under this regime and thus the demand for cotton would have declined without slavery, but how different would the basic comparative advantage of British textile mills over other producers have been with a different agricultural labor regime?

Questions separating out the political processes from the economic impacts of new areas of production entering into larger networks of exchange and asking which features of those processes were necessary or not for other economic changes we subsequently observe cannot be explained very easily through appeal to data because we are asking a counterfactual. This problem is related to a more general contrast of China and Europe that places the two world regions at extremes among those that do and do not have territorially large polities. The political fragmentation of Europe as a region is directly connected to the incentives of European rulers to carry their competition overseas. The economic impacts for winners of this competition were less obvious than a singular examination of the antecedents to the nineteenth-century British rise

would lead us to expect. Spain was certainly the European winner in Latin America and it was thus able to exploit the silver mines of the New World. Its increased amounts of silver did not lead to major economic growth. Successful rent seeking doesn't translate into positive economic change necessarily. Political competition of Europeans within and beyond Europe affected the distribution of spoils but it did not necessarily contribute to creating new wealth.

Jean-Laurent Rosenthal and I have suggested some important economic impacts of the political differences of empire versus political competition among small polities in the early modern era. (Rosenthal and Wong 2011) We suggest that in early modern times there were any number of important forms of craft manufacturing that, *ceteris paribus*, were more likely to locate in the countryside than in the city because labor costs were cheaper in the countryside and labor was the major factor of production in many processes. Labor was cheaper because food costs were lower in the countryside and public health risks in cities raised the costs of urban employment. Thus we need to be able to account for the greater likelihood of craft manufacturing locations in European cities than in the countryside. We argue a major reason was the threat of warfare. For the early modern era the threat of warfare was higher within Europe than it was within China. Additionally, when warfare fears were higher in China, as they were between the 10^{th} and 13^{th} centuries, crafts were more urban than they subsequently became. Also consistent with our proposition, those times and places in Europe when we see the efflorescence of rural crafts faced fewer threats of war. While in the early modern era generally, this contrast of more rural sites of craft production in China compared to urban ones in Europe favored China over Europe, there were long-run consequences of a very different order. At the same time that labor was cheaper in the countryside, capital was cheaper in cities because monitoring costs were lower and information about borrowers was cheaper to obtain. Because

capital was cheaper in cities than the countryside and labor was more expensive, relative factor prices created a European bias in favor of capital over labor. Since the use of technologies typically involved additional capital expenditures, the likelihood of such changes being made were higher in Europe than in China. The demand for technological change in early modern Europe was thus higher than in China irrespective of the particular supply functions for science and technology present in the two world regions.

As a chapter that is part of a work on capitalism in world history we might ask how significant capitalism itself was to the emerging economic contrasts of China and Europe. The reasons Rosenthal and I suggest for the visible nineteenth-century differences begin far earlier in the political histories of the two world regions but depend neither on the institutions of private property, contracting, market institutions or government support for economic development. If we follow the definition of capitalism as concentrating large amounts of capital among a limited number of firms that develop and control markets, then we do in fact have a plausible candidate to explain early modern era differences between China and Europe because the expansion of maritime European commerce and production did in fact involve a limited number of firms mobilizing considerable amounts of capital to develop and control new markets. The market economy that expands in China was not motored by a similar set of actors. An explanation for these differences in terms of the political economies of the Chinese and European world regions could be offered but is certainly beyond what is possible in this chapter. More relevant is the issue of whether or not early modern European commercial capitalism created industrial capitalism. It may seem intuitively obvious that industrial capitalism emerged out of commercial capitalism and there are venerable approaches to understanding the emergence of modern economies that promote just such views. But if the "industrial" part of capitalism is what is key

to modern economic growth, it is the development of those capacities and possibilities that deserve particular attention in accounts of nineteenth-century economic changes. Once industrial possibilities are available in terms of technologies and skills, the question emerges of the range of institutional settings that can support and indeed promote industrialization and modern economic growth. To understand what capitalism means, the issue becomes some version of establishing varieties of capitalism or the limits of capitalism as a covering term for key economic activities in the contemporary world. China's more recent past becomes one venue to consider our explanatory challenges and choices.

China before 1850 and its influences on more recent times

Scholars working on the Chinese economy beginning in the late nineteenth century typically find little relevant about economic practices preceding the twentieth century for understanding either modern economic growth or the character of China's contemporary economy. Even those who admit, if only grudgingly, that China's early modern economy may not have been stagnant as so many earlier depictions suggested, have labored to identify the barriers to growth within the Chinese economy. This chapter is neither the time nor place to engage that scholarship at any length, as the present focus has been on key features of economic activity in the centuries preceding 1850. Nevertheless, whether we look from the vantage point of the state's approach to economic activities or from the perspective of economic agents organizing their production and exchange, the relevance of past practices may be no less significant than they are to understanding changes in the economies of other better studied world regions, such as the Europe or North America.

The imperial Chinese state had only two major episodes of significant state involvement in industrial production and distribution before the late nineteenth century. This is not perhaps

all that surprising since the possibilities for industry were limited globally before the nineteenth century. As briefly mentioned earlier in this chapter, early imperial and mid-imperial era Chinese states both implemented policies of control over production and distribution, first of salt and iron, and in the later period over a larger variety of commodities. What became more typical in the late imperial period, or early modern era in world history terms, were close official relations with certain kinds of merchants given government licenses to engage in heavily regulated trades, like salt and exchanges with Europeans, and a kind of looser complementary relationship with a far larger number of merchants who organized commercial exchange and were expected to manage matters with minimal direct intervention by officials. The early modern Chinese state did not depend greatly on indirect taxes or government monopolies and thus lacked the incentive to forge the far closer relations found in both early modern European history and the histories of other world regions. Given this background it therefore is not terribly surprising that the initial late nineteenth-century responses of the Chinese state to the opportunities and threats posed by Western industrial technologies led officials to fashion a partnership with entrepreneurs to establish shipyards, mining operations, and factories. (Chan 1980)

By the early twentieth century, the Chinese state made a set of bureaucratic reforms establishing a new ministry for industry which was subsequently changed to include agriculture and commerce. In conception and intent, at least, China's last imperial state was beginning to fashion the bureaucratic apparatus to promote a general vision of promoting agriculture, industry and commerce together; such an overall vision represented the expansion and extension of an earlier set of concerns with promoting the expansion and stability of the agrarian economy that existed before Western-created industrial technologies became available. (Wang 2008) Though

the state fell in 1911 and its new bureaucratic apparatus could not be effectively elaborated upon by Republican era governments, economic actors themselves achieved some of the results hoped for by early twentieth-century state efforts at creating linkages among agriculture, commerce and industry.

The development of new industries in the quarter century following the founding of the Republic of China in 1912 included both industries built in cities, most especially Shanghai as well as more factories formed in more modest towns, and the introduction of new technologies into rural household production. An important example of rural crafts being invigorated by new technologies can be seen in the north China county of Gaoyang where an iron-gear loom imported from Japan allowed the expansion of craft production among households who formed a large number of small firms engaged in different kinds of textile production; the practices of these households largely followed those of rural Chinese households across much of the country in late imperial times, suggesting the abilities of such a system to take advantage of technologies suitable for labor-intensive production.(Grove 2006) In Nantong, a county in Jiangsu province on the northern banks of the Yangzi River upstream from Shanghai, former Qing dynasty and Republican government official Zhang Jian began a new cotton textile factory; benefitting from his official connections for some of his initial equipment and imbued with a vision of creating new economic possibilities in the town that served as the county seat, Zhang Jian's textile company became the cornerstone of a larger and diversified set of commercial operations that went into decline after his death.(Köll 2003) In this case too we can see elements of past problems and possibilities for Chinese entrepreneurs made into a fundamentally new compound by the introduction of new technologies, managed in a distinctive manner that drew upon both native and foreign approaches to management. These changes take place well beyond the most

visible urban centers of industrial change, of which Shanghai is by far the most important. But the changes in Shanghai were by no means either separate from or replacements for production that took place in small towns and agrarian households. A basic complementarity between new production in Shanghai and production in the area around the city developed in the 1920s and 1930s (Rawski 1989: 344). Evidence of economic development involving rural, small town and city-based production began to emerge in at least parts of the country before the Japanese invasion of 1937. While easily dismissed as limited in scale and modest in spatial reach, compared to what happens in industrializing European countries in the nineteenth century, if we were to take an area of Europe as large as China, it would include many places as devoid of industrial transformation as 1930s China was. Thomas Rawski posed a quarter century ago the counterfactual of how the Chinese economy might have grown in the absence of the Japanese invasion (Rawski 1989). While it is difficult to imagine very precisely what would have occurred, it is not impossible that economic growth spanning some rural and urban areas that included the persistence and transformation of craft-based technologies in the countryside and construction of labor intensive factory production in small towns would have been a possibility.

The disruption of war led the Nationalist government to uproot much of the capital stock in the Shanghai region and other places threatened by and subsequently taken over by the Japanese. They moved a large amount of physical plant to their wartime capital of Chongqing. During the war the government also took over a number of enterprises. The subsequent sequence of decisions by the People's Republic in the first half of the 1950s to develop state owned industries and remove private enterprises was, thus, not as radical a rupture as it seems when viewed solely as the result of the importation of a Soviet model of a planned economy. Less typically remarked upon, but arguably at least as significant an economic change came from

the efforts to de-industrialize the country side—to transform agrarian China into agricultural China stripped of its craft industries and small-scale factories ill-suited to fit within a Soviet-style planned economy. Largely successful, the destruction of craft industries left the countryside largely agricultural. State efforts to promote some rural-based producer good industries in the late 1950s are remembered largely for the failures of so-called backyard steel furnaces. The notion of sophisticated technologies requiring both capital and management expertise being transmuted into forms plausible in rural settings seems at best risible; there were however better results with chemical fertilizer plants. More significantly, small-scale industries outside the state plan in the Shanghai area developed in the early 1970s to supply larger firms under the state plan with inputs that the larger firms were unable to secure in adequate quantities within the plan (White 1998: 112-51). Well before officials allowed the economy outside the planned sector to grow as the initial phase of economic reforms, enterprises operating under the plan began to move outside the constraints of the plan. The state's subsequent decisions to foster economic growth and industrialization outside the plan thus followed and extended practices begun at local levels.

Looking at China's economy's remarkable growth since the late 1970s, it is easy to forget that there was a sophisticated commercial economy developing over the several centuries preceding 1850. We can explain China's late twentieth-century growth in terms of conventional economic principles that see development as the product of adopting practices successful in creating economic growth elsewhere in the world. We can quickly identify the gross inefficiencies and irrationalities of the planned economy that had stripped China of its markets and subjected firms and people to administrative control and political manipulations. If we extend our perspective back to the mid and late nineteenth century we confront a weak state, a

society threatened by domestic unrest, and an economy visibly backward compared to the industrializing economies of Western Europe and North America; pockets of growth in China clearly involve access to foreign markets, capital and entrepreneurship. What is added to our conventional views of China's recent economic transformation by extending our historical perspective to earlier centuries?

Much of the rapid growth of the 1980s in the gross value of industrial input came from the development of township and village enterprises (TVE). These enterprises were formed outside the planned economy and typically in rural and small town settings. Lacking a formal institutional environment to guarantee contracts for sales, to set up bank loans, or to hire workers, Chinese enterprises proceeded with informal mechanisms that owed much to the history and repertoire of commercial practices Chinese had variously employed before 1949. Setting of industries in the countryside where they could absorb some of the agricultural surplus labor that would otherwise migrate to existing larger urban centers or continue to languish in agriculture meant the countryside once again had industries, different to be sure from the smaller-scale craft industries of the past, but in contrast to the general equivalences of urban and industrial and of rural and agricultural that marked both earlier Western industrialization experiences and China under the planned economy, 1980s China was at least as, if not more, similar to an earlier China. (Wong 2002)

Moving through the 1990s and into the new millennium, it became increasingly clear that the Chinese state's exit from a planned economy and embrace of market exchange did not mean a retreat from government accepting a menu of responsibilities, challenges, and opportunities different from those on offer in many other developing and developed societies. The state became a major owner of several of the country's largest enterprises as several other

governments were divesting themselves of state ownership stakes in major companies. The state does not have the same kind of philosophical commitment to a clean and complete separation of state and society as do Western governments whose economic policies tend to qualify an ideal anchored in earlier historical practices; Chinese practices too are tied to earlier problems and possibilities, even when not explicitly recognized. The gap, for example, between central and local officials allows room for flexibility and abuse—flexibility can mean multiple positive responses to central directives that accommodate local contexts, while abuse results from the ability of local leaders to flaunt rules and prohibitions because the center lacks the capacity to monitor local officials adequately and cannot consistently create effective incentives to encourage the behaviors they seek. The Chinese economy exhibits two traits that from most Western perspectives are difficult to reconcile, and make more sense when seen to result from the efforts of bureaucratic control on a large-scale political setting coupled with the spaces for organizing activity from below. On the one hand, the government continues to play a very large role as manager of big enterprises and on the other, much entrepreneurial activity from the bottom up continues to proceed with inadequate government regulation and control. The resolution of disputes still depends on forms of negotiated settlement that accommodates poorly the expectations of foreign actors for the institutions they typically work under.

Historically, China's large territorial size and large population have created problems and positive possibilities particular to China and foreign to Europe. But as the EU grapples to become a new kind of polity that builds a vertically integrated administration over a land mass more comparable to China's at any point since the era of the Han and Roman empires, it is discovering many of the difficulties and challenges encountered repeatedly in Chinese history. It does so, of course, within a different tradition of political ideas and institutions and will not

likely come to resemble China very closely. Symmetrically, we might adjust our expectations to recognize that China may not necessarily become more like a Western polity or economy.

China's economic advances into the world economy, an economy dominated by powerful capitalist economies, has led many observers to consider contemporary a China capitalist economy. At the same time both Chinese and international evaluations of China's economy stress differences between Chinese practices and those elsewhere. Some Chinese stress that theirs is a *socialist* market economy while others, including many WTO members, regard China as a "non-market economy" (NMO). At stake is the role of the state in the economy, a role that includes many features that resonate with earlier expectations of what Chinese governments do in a commercial economy. Observers implicitly if not explicitly divide Chinese traits into those that have developed through emulation of foreign practices and those that remain elaborations upon earlier Chinese practices and see one set as desirable and the other as negative. China's economic experiences before 1850 help us see what China has become thereafter, even if there remains room for debate over how to characterize the economy's traits and how it fits into the world of contemporary capitalism.

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