**AHR Forum**

The Search for European Differences and Domination in the Early Modern World: A View from Asia

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Economic historians writing about the sixteenth to eighteenth centuries have largely examined two clusters of topics, the first regarding the processes of change based on institutions and practices found in various European settings and the second centered on the construction of relations linking European actors with people in other parts of the world. Complementary themes emerge from these research activities. The former frequently affirms qualities that made early modern Europe different economically from other places. The latter usually rehearses components of a European system of world economic domination. These two typical foci of early modern economic history—what made Europe different and how Europe came to dominate the globe economically—suggest two analytical challenges: first, to compare more closely aspects of European economic practices with those found elsewhere and, second, to observe more carefully the economic connections that are forged during the early modern era.

In this article, I will first compare patterns of economic expansion in parts of Asia and Europe, followed by a contrast of Chinese and West European political economies. We will see some broadly parallel dynamics of commercial expansion embedded within distinctive political economies; the significance of the latter will be explored by posing a counterfactual in which key features of Chinese political economy are imagined to be different. I will then examine the kinds of trade connections that linked Asia and Europe in the early modern era and contrast them with those forged since the nineteenth century. Important differences will be suggested that qualify, if not undermine, any simple picture of a European world economy gradually growing to embrace the globe. The similarities among dynamics of early modern economic expansion at both ends of Eurasia together with differences between the types of logic typical of nineteenth-century international trade flows and those characterizing the earlier period promote a more skeptical attitude toward claims made about how different early modern European economic potentials were from those elsewhere and assertions of European economic dominance growing over much of the world at the same time. These comparisons and connections among early modern economies suggest that at least some, if not most, of the supposed European differences from and domination over others in

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economic matters may simply be false; they are at best weakly supported empirically.

The concluding section of this article underscores our need to specify more sharply the challenges of explaining changes between the world of pre-nineteenth-century economic activities and the industrial era that followed. Any number of political, cultural, and social differences can be noted between parts of Europe and parts of Asia between the sixteenth and eighteenth centuries. But demonstrating their causal significance to an economic divergence that only clearly takes place toward the late eighteenth and early nineteenth centuries has, to date, proven difficult. I certainly do not propose in the brief compass of this article to offer an explanation of the economic changes spanning the nineteenth-century divide that built on political, cultural, and social differences across Eurasia. My purpose here is more modest, though hopefully useful to constructing answers to those larger questions. If we can agree on important similarities in the early modern era—dynamics of economic expansion in many Asian and European settings and also accept important differences between international trade before and after the nineteenth century, we should have an incentive to move off those well-worn paths of exploration that have led so many scholars to look largely at European practices in order to identify their economic superiority and turn instead to territories less well traveled in order to better identify what did, after all, set parts of Europe and subsequently North America off from most of the rest of the world in terms of economic potential for at least a century.

The world of production before 1800 was overwhelmingly agrarian. The vast bulk of the material wealth came from the land. Most of the rest resulted from the labors of people who lived in rural settings, even if they did not spend much time working the soil or tending animals. Across the New and Old Worlds, there were variations, to be sure, in the mix of crops, the relative importance of animal husbandry, and the institutions of agrarian life. Differences in levels of factor productivity reflected specific constellations of capital, labor, land, and technology. Some areas supported higher population densities and greater material well-being than others. But contrary to many assumptions made by scholars limited to European data, standards of living do not appear so very different across Asia and Europe, as Kenneth Pomeranz suggests in his part of the Forum. While there are some differences, they are not of a kind that allows easy inference toward some later trajectory of economic change.

In a world in which the range of production possibilities before 1800 was broadly the same everywhere, economies grew in two related ways. They grew through extension, most commonly by increasing the amount of land under cultivation or, in some cases, expanding the scale of rural manufactures. Alternatively, and more rarely, economies grew because the rates of factor productivity rose. The basic mechanism for achieving such gains was through the expansion of market exchange. As market areas grew and individuals began to specialize in those lines of production from which they could reap the greatest gains and to exchange their
goods for other items they wanted or needed, economies grew and individuals could improve their material well-being. This dynamic, made famous by Adam Smith, powered much of the economic growth taking place across the early modern world.¹

Because the European cases are better known, let’s consider more fully some Asian examples. The early modern expansion of Japanese markets has often been taken to be the first step in a set of parallel changes with those in Europe that prepare us to understand how and why Japan burst forth as the industrial power it has in the twentieth century. Between 1500 and 1700, Japan became one of the most urbanized societies in the world. Driving urban development was the expansion of commerce and the imposition of political authority across larger areas. The premier commercial city of the country was Osaka, where wholesalers in sake, soy sauce, seed oils, and tea among many other commodities joined a shipbuilding industry with more than 2,000 carpenters and a copper-refining industry that processed some 3,000 tons annually, most of it for export overseas.² By the late eighteenth century, regional centers of production emerged for silk, lamp oil, and soy sauce to reduce the singular importance of older production centers such as Kyoto for silk and Kobe for lamp oil.³ The growth of commercial production and distribution created shifting regional specializations as commercial production gradually penetrated more deeply into rural areas throughout much of the country in the eighteenth century.⁴ However striking these commercial developments within Japan, they were hardly unique within Asia.

In Southeast Asia, the sixteenth and seventeenth centuries were an era of expanding maritime trade and urbanization. Port cities were connected by a maritime trading network in which merchants developed new credit schemes to facilitate increasing volumes of trade; silver became the principal source of money. Members of various merchant groups became important politically as they consol- idated their wealth.⁵ In part stimulated by the growing maritime trade, land-based commerce at a growing number of smaller market towns brought peasants into contact with a larger world of goods. By the eighteenth century, local crafts were joined by goods carried in by maritime trade.⁶ Similar developments also took place in South Asia, where the findings of specialists about markets, merchants, and credit have been taken into account in the 1980s by Fernand Braudel in The Wheels of Commerce.⁷

In China, an initial commercial revolution began during the tenth century as

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¹ I discuss Smithian dynamics of growth in both China and Europe at greater length in R. Bin Wong, China Transformed: Historical Change and the Limits of European Experience (Ithaca, N.Y., 1997), 16–21, 27–32, 38–42, 50–59.
improvements in riverine transport combined with improvements in agriculture to support the expansion of merchant organizations and long-distance trade. The organization of markets, transportation networks, urbanization, and merchant practices have all been reconstructed from the primary sources available for the period. This initial burst of economic changes was followed by another major expansion of commerce in the sixteenth century. From the late sixteenth century, specialized market towns appear in Jiangnan, the east-central part of China near present-day Shanghai. Markets for cotton textiles, silks, and rice were central nodes of networks carrying these goods over much of the empire. In addition, there were more modest specialized markets for other goods, including salt, fish, bamboo and wood, pottery, metal goods, embroidery, tobacco, vegetable oils, writing brushes, and carts. The marketing system of the Jiangnan region became the most complex within the empire, and is also the most thoroughly studied, because of the rich sources on the area. But there are also studies of markets across virtually the entire empire that confirm widespread commercialization.

We also know that factor markets in China were developing in this period as well, although the evidence is less abundant and not as exhaustively studied as the information on product markets. Labor was hired both on a long-term basis and on a short-term basis for the busiest periods of the year. Much Chinese research effort has been expended determining how “free” or “feudal” hired labor may have been. From the point of view of market development, what is significant is that there was a supply of labor that could be hired to exploit a given land holding more efficiently. A family farm could adjust its labor supply to match more closely the labor requirements of its land by either hiring in labor or having sons hire out. Alternatively, peasants could buy or sell land, one effect of which was to alter the ratio of land to labor within the family. Some transactions were straightforward purchases and sales, but many others were more conditional sales wherein the party

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10 Liu Shih-chi, Ming Qing shidai Jiangnan shizhen yanjiu (Beijing, 1987).
11 Fan Shuzhi, Ming Qing Jiangnan shizhen tanwei (Shanghai, 1990), 248–61.
13 Liu Yongcheng, Qingdai qianqi nongye zibenzhuyi mengya chutian (Fuzhou, 1982).
14 Li Wenzhi, Wei Jinyu, and Jing Junjian, Ming Qing shiqi de nongye zibenzhuyi mengya wendi (Beijing, 1983).
15 The presence of contracts for the purchase and sale of land make clear that there were land markets. Several documentary collections with land contracts have been published in China and Japan, including Tōyō Bunko Mindai shi kenkyū shitsu, ed., Zhongguo tudi qiye wenshuji (Jin–Qing) (Tokyo, 1975); Sichuan daxue lishixi and Sichuan sheng dangan guan, eds., Qingdai Qian Jia Dao Bazian dangan xuanbian (Chengdu, 1989, 1996); Hamashita Takeshi, Kubo Toru, Ueda Makoto, Kishimoto Mio, Usui Sachiko, and Terada Hiroaki, eds., Chūgoku tochi bunsho mokuroku, kaisetsu (jo) (Tokyo, 1983); Hamashita Takeshi, Kubo Toru, Ueda Makoto, Kishimoto Mio, Usui Sachiko, Terada Hiroaki, Hayashi Masako, Takamizawa Osamu, Ishibashi Takao, and Yang Guozhen, eds., Chūgoku tochi bunsho mokuroku, kaisetsu (shita) (Tokyo, 1986). Research to date has largely analyzed the institutional contexts of contract making and considered how the contracts can inform a Marxist perspective on
selling the parcel of land retained the right to buy back the land at a stipulated price within some fixed number of years. From the vantage point of credit, these transactions can be considered as loans with the land as collateral, but since many of these conditional sales of land do not appear to have been redeemed, they end up being actual sales, usually recognized as such when the buyer paid an additional sum of money to complete the sale. These sales were complemented by different rental transactions. Together, the markets for land and for labor made it feasible for a family farm to grow and contract according to the life cycle of family. In practice, most families preferred to buy land when they could and, if they lacked sufficient labor power, to hire in some help rather than sell their holdings to a level they could manage on their own.

Credit markets allowed merchants to borrow funds. Financial institutions of various types we collectively call “native banks,” in Chinese, zhangju, piaohao, and qianzhuang, often took deposits and made loans. The first zhangju appears to have been established in Zhangjiakou in 1736 by a Shanxi merchant who committed 40,000 taels of capital; it acted as a bank for deposits and loans to facilitate the Chinese-Russian trade. There is some debate about whether to date the beginnings of the piaohao to some point in the eighteenth century or the opening decades of the nineteenth century. At a minimum, the record shows that there was a considerable expansion of piaohao activity beginning in the early nineteenth century. They dealt in interregional remittances to facilitate the transactions of Shanxi merchants, who were located in the northern half of the empire as well as in the Jiangnan region. For example, when a buyer did not have the ready cash to pay for a considerable amount of jade in Suzhou, he issued a huipiao, or remittance draft, to be collected in Shanxi. The 1985 discovery of twenty-three seventeenth-century remittance drafts covering the years 1683, 1684, and 1686 for a Huizhou merchant based in Beijing had a total value of 13,980 taels; these documents demonstrate both that the system of remittances was used by the other major

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17 The necessary data on household composition as well as land ownership and rentals for a group of families in the late imperial period to show these relationships have yet to be uncovered, but they can be seen clearly from survey data of the 1930s, in which there is no relationship between land ownership and labor power, but, due to the rental market, families balanced their cultivated land with their labor power, as reflected in a rise in the amount of cultivated land as families had more labor power. William Lively and R. Bin Wong, “Family Division and Mobility in North China,” Comparative Studies in Society and History 34, no. 3 (1992): 455–56.

18 Huang Jianhui, Shanxi piaohao shi (Taiyuan, 1992), 10–11.

19 Zhang Zhengming, an expert on the Shanxi merchants, places the origins of the piaohao in the 1820s; Zhang, Jinshang xiangshuai shi (Taiyuan, 1995), 119.

20 Huang Jianhui, Zhongguo yinhang yeshi (Taiyuan, 1994), 20.
merchant group of the late imperial period and that it dates from no later than the late seventeenth century.\textsuperscript{21} Finally, qianzhuang were common in Jiangnan. More local operations, these native banks facilitated the expansion of commerce in this most wealthy of the empire's regions.\textsuperscript{22} They emerge a bit later than the native banks formed by Huizhou and Shanxi merchants. Huang Jianhui speculates that there was less need for credit in Jiangnan because goods traveled faster across shorter distances than was typical in the north.\textsuperscript{23} Moreover, there was probably more silver in the southern half of the empire and thus possibly less need for credit mechanisms.

Although we do not yet, and may never, know as much about the operations of Chinese credit, land, and labor markets in the seventeenth and eighteenth centuries as we do about European ones, there is little doubt that these Chinese factor markets did exist. There may have been more integrated capital markets serving larger numbers of people in some parts of Europe than in much of China, and interest rates may well have been higher in China than Europe. But it is not clear how such possible differences might have mattered for economic growth—the low rates of interest in Europe may in part reflect the absence of returns to capital sufficient to raise demand that would have driven up interest rates. The more abundant evidence on product markets makes it clear that widespread commercial expansion took place in many parts of China as well as in Europe.

Together, product and factor markets formed the institutional framework within which an economic expansion based on area specialization of labor was possible. Increased labor productivity was not simply or even primarily a matter of raising the hourly or daily rates of productivity but was, more importantly, an issue of reducing the number of idle days in the annual calendar of activities. For women in Jiangnan, China's most economically developed region, increased household cotton textile production meant that they toiled at more highly paid tasks than they had before. In brief, specialization included the continued development and spread of both agricultural and handicraft technologies. Commercial expansion promoted these changes in China just as it created broadly similar developments in Europe. Of course, market institutions worked better in some areas than others, but this observation is best seen as applying to ranges of variation that existed within both China and Europe. There is no compelling evidence that the range of variation found in China was consistently inferior to that found in Europe. Efficient and inefficient marketing institutions existed in both. Economic growth in China and Europe often resulted from the development of market institutions and thus a move from less efficient to more efficient factor and product markets.

When we turn to the extension of production to new lands, there are important contrasts to be drawn between the basic features of European and Chinese imperial expansions. European imperial expansions were achieved through overseas colonies. Crossing the Atlantic, Europeans created two distinct kinds of economies, one a white settler economy in which the organizational patterns and technologies of

\textsuperscript{21} Huang, Zhongguo yinhang yeshi, 19–20.
\textsuperscript{23} Huang, Zhongguo yinhang yeshi, 33.
agricultural production largely followed those already practiced in Europe, the other an African slave plantation economy. Chinese expanded along their frontiers, first to the northwest and the southwest and later to the northeast. Along all frontiers, the common goal became the creation of sedentary Chinese agricultural and handicraft practices, which reproduced the patterns of production and exchange already found within more densely settled interior portions of the empire.

Different production patterns in China and Europe were tied to distinctive logics of exchange. In China, exchange continued to be driven by a Smithian logic of area division of labor. The newly opened frontiers had commercial ties of varying degrees of strength to more centrally located and economically productive regions. The political logic of European overseas colonies was quite different. From the vantage point of the home countries, colonies were intended to be sites where home countries could purchase goods they would otherwise have to buy from competing countries and could sell their surplus production unwanted within their immediate borders. For British colonies, which spanned the temperate zone of white settlement to the semi-tropical zone of African slave production, those colonies most closely resembling England itself were less tightly tied by trade to England than were the colonies that were most strikingly different. In the former, commercial expansion of a Smithian variety took place that made these colonies both more independent economically from the home country and more of a potential competitor. In the latter, there was little commercial expansion within the colony of a Smithian nature; commercial ties were imposed politically through a colonial trade arrangement.

Take, for example, sugar. Sidney Mintz has stressed the ways in which plantation work discipline and production methods imposed forms of social and economic control similar to those that would later be found in the factory industry. As with Indians working Spanish silver mines, the African slaves cannot be easily conceived of according to a Smithian market dynamic as free economic actors choosing to work on sugar plantations in order to specialize in a production that creates incomes for them to purchase marketed goods. From the New World producers’ point of view, planting sugarcane did not seem part of a growing economy based on principles of comparative advantage and specialization. But when viewed from the European consumers’ point of view, sugar was a commodity they could buy and use as they became more fully enmeshed in market relations.

Sixteenth and seventeenth-century Europeans began to work harder in order to purchase more commodities, including those made available by increased economic connections linking Europe to Asia and the New World. Significantly, European per-capita incomes did not rise during this period of increased consumption of New World sugar. People engaged in commercial exchange not because it made them

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better off absolutely, a normal expectation of Smithian expansion, but because they had developed preferences for goods that could only be satisfied by engaging in more market transactions, and because they would have been worse off relatively had they not engaged in these exchanges. So, from neither the perspective of the slave producer of sugar nor the European market consumer did sugar commerce seem to reflect the basic logic of Smithian exchange. The non-Smithian features of European economic expansion represented by sugar and slavery were driven by European political capacities to create new labor relations and new patterns of trade. They enhanced consumption by Europeans at the price of subjecting Africans to harsh working conditions, and fit within a European political economy of mercantilism, the Asian component of which was a kind of merchant empire that complemented European political economy in the New World and contrasted in several ways with Chinese political economy. European states and their particular kind of early modern political economy expanded their reach in ways foreign to both Chinese and other Asian practices. They made gains at the expense of others, but these politically based successes did not transform the underlying economic principles of economic growth based on commerce, specialization, and increased productivity shared by Asians and Europeans alike.

**Mercantilism posed a close relationship** between power and wealth. For a state to become powerful, society had to become wealthier. This was achieved by expanding economic production in rich core areas and by extending trade across the country and especially beyond it. Merchants and rulers shared an interest in promoting national production and economic unification in order to keep wages and interest rates low and the land fully exploited. Internationally, a key goal was to build up a positive balance of trade, which would increase the domestic money supply, money being essential for prosecuting wars. Analysts treated states like individuals or firms; success was measured by spending (importing) less than one's income (exports). Rulers believed that one nation's commercial gain was achieved at another's loss. Thus competition for wealth on a global scale became a component of European state-making. European states promoted the production and commerce of their private entrepreneurs, whose successes contributed to the consolidation and prosperity of competing states. Maritime expansion in particular took place within a variety of institutional frameworks; trade was sometimes organized by government officials and in other cases by chartered companies. European rulers were anxious to protect their own merchants and pleased to gain spoils through plundering ships of other countries. What made maritime trade especially lucrative was monopoly control over some greatly desired good, such as tea or pepper. Merchants who enjoyed monopoly privileges backed by armed force to keep out competitors could make great fortunes. The neo-classical economic norm of competition among multiple buyers and sellers was in reality bounded by the two extremes of piracy and monopoly. Legally protected property rights for merchants became more secure within European countries at the same time as coercion and extraction by Europeans overseas became more widespread.
As European merchants left Europe for Asia, they discovered large and sophisticated Asian commercial networks. Just as there were various patterns of trade within Europe, so too within Asia there were many circuits of exchange. Southeast Asia, for example, imported cloth from India and silk and ceramics from China; it exported spices, woods, and rice. Asian forms of commercial organization based on merchant communities also bore strong resemblances to European forms; Hanseatic League merchants as well as the networks of Jewish merchants in Europe each resembled in their own way the merchant communities in the Asian trading world.

The similar and parallel expansions of commerce in Asia and Europe have been a major element in broader comparisons of Asian and European patterns of historical change during the early modern era. Amid the parallels and the similarities, we should also pay attention to differences that may prove important. We do not yet know enough about the political economies of these Southeast Asian states to make detailed comparisons with European cases, yet an initial contrast seems plausible. While many of them certainly relied on commercial revenues to fund their activities, we do not seem to find a European kind of desire for expansion based on the wedding of profit and power. Such differences in political economy may be more helpful in explaining why Europeans sail to Southeast Asia instead of Asians to Europe than any difference in the abilities of various Asian groups to have made such journeys had they wished. For the Chinese case, differences between its political economy of agrarian empire and European merchant empire more clearly account for differences in trading practices.

The Chinese state governed an agrarian empire and did not find itself in the kind of inter-state competition that characterized European state-making dynamics. Inter-state competition in Europe stimulated economic competition as well as fiscal expansion. The economic consequences of political-economy differences were less direct and obvious than the political ones. Max Weber as well as many European

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30 It is certainly true that Southeast Asian states tap an expanding commerce for revenues, but there doesn’t appear to be the mercantilist logic of competition and expansion driving any of the rulers to have their merchants venture out beyond the networks of exchange that they are already establishing. For accounts of Southeast Asian states’ reliance on growing cities and commercial revenues, see Reid, Southeast Asia in the Age of Commerce, 2: 62–131, 202–66; Peter Klein, “The China Seas and the World Economy between the Sixteenth and Nineteenth Centuries: The Changing Structures of Trade,” in Carl-Ludwig Holtfrerich, ed., Interactions in the World Economy: Perspectives from International Economic History (New York, 1989), 72–73, offers an explanation for why the power and profit link was not forged in Southeast Asia as it had been in the Mediterranean.

31 See Wong, China Transformed, 127–51, for a longer discussion of differences in Chinese and European political economy.
specialists after him have suggested the economic importance of a competitive state system; certainly, European rulers promoted domestic economic expansion as part of their competition with others, but as we will see below, Chinese rulers also promoted domestic production and trade—their policies had larger and more positive impacts that have not yet been closely compared with European cases.

Given its large size, it is not terribly surprising to discover that the Chinese state cared much more about domestic production and commerce than it did about foreign trade. In general, the Chinese state promoted agricultural production—opened new land, repaired and expanded water control in order to expand and stabilize production of both grains and cash crops; influenced and occasionally regulated commercial distribution of some goods, most importantly grain, in order to achieve stable prices within local economies and reduce price differentials across regions; and when convinced no serious social problems between immigrants and natives would occur, encouraged migration to form new settlements so that populations and resource bases remained in relative balance. State efforts in these three general areas supported a range of economic situations, at the end points of which were two distinct types of agrarian economy: a series of small-scale, largely self-sufficient economies reproduced across an expanding empire; and a complex, large-scale interdependent economy to be monitored and if necessary managed by the state to achieve social stability. Increased production and regulated distribution could fit in either type of economy, while migration could create either new small-scale economies or frontiers to be integrated economically in a larger society. The state promoted economic prosperity through both small-scale self-sufficient and large-scale interdependent agrarian economies. Officials believed that such actions helped them gain the support of the people and thereby affirm the government’s mandate to rule.

By 1500, the late imperial state possessed a complex tradition of policy options to shape economic activity. Official choices fluctuated. 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. 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. 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. Amid considerable variation in techniques, there was basic agreement in the eighteenth century about the type of economy that officials sought to stabilize and expand. They supported an agrarian economy in which commerce had an important role. Officials regulated salt, mining, and foreign

32 Debates on mining policies during the Qing dynasty are detailed in the archival source materials collected by Qing specialists at People’s University; Zhongguo renmin daxue, ed., Qingdai de kuangye, 2 vols. (Beijing, 1983), 1–72. The same collection includes many documents on state capitalization of major mining operations. On salt vouchers and grain shipments to the northwest during the Ming, see Tereda Takanobu, Sansei shōnin no kenkyū (Tokyo, 1972), 80–119.

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trade. But when trade was neither foreign nor intended primarily as a revenue maker for the government, it was generally given free rein by the state, as long as officials believed that no small number of merchants were able to manipulate supplies and hence prices to the detriment of the consuming public at large.\textsuperscript{34} Officials thereby supported commercial exchange without promoting concentrations of merchant wealth.

European specialists seeking a reason for China’s failure to develop a modern economy speak of the state’s negative attitudes toward foreign trade.\textsuperscript{35} The Chinese government limited trading opportunities for foreign merchants at Chinese ports. Moreover, the Chinese government did not promote overseas exploration and merchant adventure the way Europeans had. By implication, had Chinese officials done either of the preceding, the economy would have grown more swiftly and been transformed more fully. Consider the two propositions more closely—they assume that foreign trade can help stimulate economic change. Obviously, it is not the scale of foreign trade that matters, since for a country the size of China, foreign trade can never loom large in purely quantitative terms. Rather, it is the possibility for new ideas and technologies to enter the country that is held out to have potential for the economy. But how many pre-industrial technology transfers could have had significant long-term productivity effects? It is easy though unwise to project backward the significance of technological transfers of the nineteenth and twentieth centuries to earlier conditions. This anachronistic move fails to recognize adequately the ways in which the later technological transfers involve larger amounts of information and require institutional capacities not only to absorb the initial opportunities but to take advantage of the more continuous nature of technological change in modern times. In fact, those parts of Asia first connected to Europe by merchant empires did not benefit very greatly or very swiftly from European ideas and technologies. Moreover, if the trade relations between a particular area and Europeans were constructed in an unequal way, as is sometimes argued, it becomes even less likely that such relations would encourage many positive economic changes for the Asians. Finally, the dissemination of New World food crops, arguably the technology transfer that made the largest impact on Asian economies before the nineteenth century, was not the product of exchange relations. In short, there are good reasons to be skeptical of the transformative potential of foreign trade in the early modern era.

Analysts influenced by European experiences expect states to be intimately involved with commerce, despite disagreeing about the positive or negative impact of these political activities. Within the Asian trading world, however, there was little expectation that governments would intervene on behalf of merchants. The rulers of some small states sought to control some types of trade to gain revenues, but for

\textsuperscript{34} On salt, see Xu Hong, \textit{Qingdai Lianghuai yanchang de yanjiu} (Taipei, 1972); and Chen Feng, \textit{Qingdai yanzheng yu yanshui} (Zhongzhou, 1988); overseas foreign trade in the late imperial period is reviewed in detail by Li Jinming, \textit{Mingdai haiwai maoyi shi} (Beijing, 1990); and Lin Renchuan, \textit{Mingmo Qingchu siren haishang maoyi} (Shanghai, 1987). For the horse and tea trade and northwestern trade more generally, see Lin Yong and Wang Xi, \textit{Qingdai xibei minzu maoyi shi} (Beijing, 1991).

most merchants working in Asian port cities, there wasn’t much of a home
government to worry about or to depend on. Both Chinese and other traders in Asia
expected little from their governments and in return did little for them.36 This lack
of connection between merchant and government was fundamentally altered by the
European merchant empire. Irrespective of the particular institutional mechanisms
deployed by a particular European country’s merchants, all held a fundamental
belief that state and merchant shared a common interest in exploiting economic
opportunities. European notions of a merchant empire were absent from Chinese
thinking not because the Chinese state was too weak to consider such an alliance
between government and merchant but because it was too strong and successful in
other ways to have reason to consider practices that would bring it revenue it did
not anxiously desire and potential problems it did not really want. These differences
clearly matter to understanding the varied political demands and possibilities of
attempting to compete in an inter-state system as European states did and
sustaining and even augmenting the security and stability of an agrarian empire as
the Chinese state did.

How do we gauge the political and economic importance of this contrast between
a Chinese agrarian empire and a European merchant empire? Let’s consider a
counterfactual in which we imagine a southeast China merchant empire being
established in the seventeenth century. By tracking the plausible implications of this
development, however unlikely it was itself, we can gain some sense of how the
differences between merchant and agrarian empire affected later patterns of
political and economic change, especially the likely political bases for increased
connections between China and Europe. When the Portuguese and later the Dutch
arrived in Southeast Asian ports during the sixteenth and seventeenth centuries,
they found Chinese traders already present, actively engaging in both local business
and long-distance trade. But unlike European merchants, these Chinese traders did
not enjoy the support or act on behalf of their government’s perceived interests in
maritime trade. Not that the Chinese state didn’t act to shape trade with foreigners
according to conditions it believed would be advantageous. Witness the buildup of
a military presence in the Pescadores in 1624 to force the Dutch to abandon their
station and establish a base in Taiwan from which they could do business with the
mainland.37 Chinese officials were anxious to channel and control foreign trade,
both to contain potentially disruptive activity and achieve the rents their control
over trade made possible. For their part, Chinese merchants along the south and
southeast coasts, together with those based in Southeast Asian trading ports,
created important trading networks. Europeans increased the levels of violence in
the area, stimulating the development of military capacities among both Southeast
Asian rulers and Chinese merchants. At the apex of the hierarchy of successful

36 Some small Southeast Asian city states depended on revenues from trade conducted at their
ports, but these are not the same states as those that supplied many of the merchants.
37 John E. Wills, “Maritime China from Wang Chih to Shih Lang: Themes in Peripheral History,”
in Jonathan D. Spence and John E. Wills, Jr., eds., From Ming to Ch’ing: Conquest, Region, and
Continuity in Seventeenth-Century China (New Haven, Conn., 1979), 216.
Chinese merchants were individuals who combined trading and fighting with mediating skills. These figures were periodically occupied with defending themselves against the Chinese state. Labeled as a pirate when his activities were deemed illegal, a successful pirate could also be offered a position within the state’s military so that his troops would immediately become imperial agents and their defeat of competitors the restoration of imperially inspired social order.\(^{38}\) During the 1640s, when the Ming dynasty fell to the Manchus, who established the Qing dynasty, local power holders in southeast China were among the strongholds of resistance to the new conquerors. Neither the Ming state nor the elites proved able to mount a systematic and coordinated resistance for several reasons. In southeast China, perhaps the most important reason for this failure was the inability of maritime merchants to forge effective alliances with Confucian literati against the Manchus. But let’s suppose for a moment that Zheng Chenggong, a major leader of anti-Manchu resistance, or someone like him, successfully resisted the Qing victory over southeast China. What would have been the consequences?

First, consider the possible consequences for China. A more independent south and southeast coast would mean weaker integration of the empire as a whole. If we assume that Zheng’s empire is not broken militarily and does not self-destruct from within, the Chinese state either forges a revised relationship in which the region’s de facto authority becomes recognized or it seeks to renegotiate terms of inclusion in the empire. Let’s assume for the moment that whatever the relationship between this Chinese region and the capital, the imperial regime allows southeast coastal officials to promote organizationally and support militarily Chinese merchant activity in Southeast Asia, recognizing such efforts to be a strategy for seeking additional wealth and power for the regional government. What are the implications for European merchant empires?

Presumably, the Chinese can come into more direct competition with the Dutch and later the British. If the Chinese are subsequently defeated either militarily or economically, then little is altered. But, if instead, the Chinese succeed in establishing their superiority militarily and economically, we would expect them to sustain control over larger portions of intra-Asian shipping and perhaps even begin to participate in the trade to Europe. Chinese merchants could, in an extreme scenario, become representatives of a political economy as commercially aggressive and militarily secure as any European power’s. If the south and southeastern coastal Chinese developed the military and economic capacities to compete with Europeans in the eighteenth century, this could have mattered for nineteenth-century developments. We could of course easily doubt the significance of this hypothetical eighteenth-century parity, knowing that the changes in European naval armaments opened up a considerable gap between European offensive capacities and Chinese defensive capacities in the 1830s and 1840s. But we might alternatively imagine the Chinese state buying the technologies and importing the military hardware necessary to make defense more feasible. Using tea and silk revenues, the Chinese had the foreign exchange to make such purchases conceptually feasible in economic terms. Politically, British demands to import Indian opium in ever larger quantities

could conceivably have been less pressing because the trade balance would have been changed by military imports to China. If the British were less pressed to send opium to China and the Chinese were sufficiently strong to withstand the diminished pressures to allow additional opium into the country, the silver outflow would not have taken place with its attendant negative impacts of deflation on the commercial economy. A Chinese rebuff of British insistence on their right to sell opium would have placed political constraints on the commodities considered morally acceptable for trade. It could also have meant a Chinese capacity to refuse the construction of treaty ports in China, a symbol of Chinese subordination to European power. In short, a politically powerful China more able to resist militarily the British demands of the 1830s and 1840s could have resulted from a successful southeast Chinese merchant empire. Farfetched no doubt, but specifying how a change in eighteenth-century Chinese political economy could have had far-reaching consequences in the nineteenth century helps us to set bounds on what was more likely and reasonable.

The kind of economic exchange posited toward the end of this counterfactual bears underlining because it is of a kind that had not yet become important in Asia’s relationship to Europe: the exchange of Chinese primary goods and luxury items for European industrial goods. China’s lack of demand in the early nineteenth century for British and other European goods is well known. To undermine the argument that the Europeans produced nothing the Chinese did not already produce cheaply enough on their own, we have to allow for that new set of goods made possible by the Industrial Revolution, not the textiles for which there were longstanding substitutes but the iron and steel armaments with which the British battered down Chinese defenses. We furthermore need to imagine the economic and political leaders of both Chinese and European political economies in the 1820s and 1830s being able to agree to the transfer of these new technologies to China. Without these kinds of exchange—Chinese tea and silk for European armaments—it is difficult to see what kinds of exchange between Chinese and European products would have taken place for purely economic reasons. Smithian dynamics of market integration were not strong enough, without the industrial differential, to promote the integration of Chinese and European economic activities. In other words, the basic economic dynamics of Smithian growth we can see taking place in various parts of Asia and Europe before the nineteenth century do little to link economically Asia and Europe together. I have already noted that the links that European political economies forged with Africa and the New World before the nineteenth century were not of a Smithian variety. What, then, was the nature of the trade connections between Asia and Europe in this period?

The Europeans who built merchant empires in Asia competed for control over goods they shipped to Europe and became involved, when they could compete, in

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39 My colleague Kenneth Pomeranz has suggested to me that we could imagine Indian cotton and indigo being exchanged for Chinese tea and silk, but this still would not be purely market-driven trade between Chinese and European products since British manipulation of Indian commodities would once again introduce political factors.
intra-Asian networks of exchange. Their economic success against each other was influenced by the ways they organized their trading institutions. More generally, their economic presence in Asia depended on two skills, a capacity to understand and work with Asian mercantile customs and a military capacity to promote their presence in order to establish new trading connections between Asia and Europe. Unmistakable European hegemony in East Asia does not emerge until the nineteenth century, when westerners can impose their vision of international relations and international trade. The successes that some Europeans achieved in the seventeenth century as merchants engaged in intra-Asian trade, notably the Dutch working the routes between coastal China and Japan, were eclipsed in the eighteenth century when a round of Chinese-based commercial expansion tied the Southeast Asian economies to Chinese growth.\textsuperscript{40} Even when Europe established a political and economic power in nineteenth-century Asia, the dynamics of economic and political change within the East Asian region can still be understood largely in terms of economic and political relations internal to the region. Thus Kawakatsu Heita has proposed explaining nineteenth-century Japanese industrialization not in terms of a response to threats from Great Britain and continental Europe but in terms of Japan’s competition with China for economic and political centrality within East Asia.\textsuperscript{41} European inventions and innovations certainly matter to Chinese and Japanese in the nineteenth century, but even as European powers are able to impose unequal treaties on the Chinese and for a briefer period on the Japanese, they are unable to define stable roles for the economies of these countries within their world economy. Understanding how these economies change between the mid-nineteenth and mid-twentieth centuries depends at least as much on understanding economic and political relations in Asia as it does on global connections.\textsuperscript{42}

Two further features of the connections forged between European traders and the Asian trading world deserve stress. They place in a broader context the way in which the new institutional economics has explained the success of the Dutch and British over the Spanish and Portuguese in expanding their commercial spans in terms of how they organized their firms. The Spanish and Portuguese had government-centered monopolies seeking to make monies off their control of goods, while the Dutch and British set up companies that were given greater freedom to establish their commercial practices.\textsuperscript{43} The contrast is useful but incomplete in two ways. First, military power clearly mattered to determining what

\textsuperscript{40} Klein, “China Seas and the World Economy between the Sixteenth and Nineteenth Centuries,” 83–86.


\textsuperscript{42} Peter Schran, for example, has argued that Japanese imperialism defined the consumer and capital markets transforming Asia’s economy in the late nineteenth and early twentieth centuries; see Schran, “Japan’s East Asia Market, 1870–1940,” in Latham and Kawakatsu, Japanese Industrialization and the Asian Economy, 201–38.

group of merchants was able to establish a strong market position in at least certain products in Asia. Europeans brought to their battles a different calculus and a greater intensity that often led them to establish a military superiority when they engaged others. Both the Portuguese and then the Dutch established fortified ports with massive moats and walls, which proved impregnable to attacks launched by Muslim leaders seeking to keep the European intruders from establishing their militarized presence. Second, European commercial practices were in some ways similar to Asian ones, and when they differed, European trading institutions were not clearly superior. If they were, we would expect to see one of two outcomes to have been more frequently observed: either Asians would have adopted European practices or Europeans would have displaced Asian traders; neither occurred. Asian traders, for instance, continued to occupy positions of prominence through Southeast Asian ports in the nineteenth century, relying on a combination of personal ties, oral contracts, and their own financial networks to organize trade. European traders remained a minority presence along some of the trade routes; for instance, as late as 1850 European traders in north Java ports accounted for less than 20 percent of total tonnage, down from 38 percent in 1840 and 41 percent in 1830.

The persistence of Asian traders in the Asian trading world meant that there was no single institutional form for firms that was uniformly superior to all others. Instead, different kinds of commercial practices could coexist economically. The relative advantages of different trading practices and commercial institutions could be very modest. This reality reinforces the small band of variation in levels of production and rates of productivity that characterized early modern economies generally. It prepares us to wonder more about the nature of the trade that connected East Asia and Europe. Can Smithian market dynamics explain why early modern trade takes place between these two regions of the world? Can the political logic of colonial trade provide an alternative explanation of trade relations? Neither is an adequate guide. To understand trade relations between East Asia and Europe, we have to look more at the role of silver.

Within early modern Europe, silver currencies as well as other monies were used to settle accounts across borders and thus equilibrate any imbalances in real trade. But the situation changes once we go beyond Europe. Silver from the New World did flow to Europe and beyond in order to balance commodity trade flows between the New World and other parts of the world. The Spanish controlled most of the silver and brought it to Europe to pay for goods and services; other Europeans used silver to buy goods within Europe and from beyond. But once the silver was used to purchase commodities in Asia, it cannot be considered as a transfer of currency in modern international trade terms, since we would expect a change in the relative price levels in the domestic economies from which silver was sent and those into which it flowed. Instead, we have to treat the silver flowing to Asia as a commodity

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for which various Asian economies, especially China’s, exerted a strong demand. Asian countries in the sixteenth and seventeenth centuries paid for this silver by sending other commodities—silks, ceramics, cotton textiles, spices—to Europe. But it isn’t as helpful to think of silver as simply a commodity once it enters Asian economies, since it is used as currency. Because the transfers of silver do not affect relative prices, and hence trade flows between Asia and Europe as it would if silver were a currency affecting relative price levels, it appears that the currency systems of Europe and Asia remain quite independent in the early modern period.

Not all Europeans watching the outflow of silver to Asia believed they were simply trading silver as a commodity for other goods. Mercantilist thinking had taught them to believe that a country prospered when it sold more of its goods than neighboring countries and when it maintained a positive balance of trade. Exports of silver created difficulties for this perspective. As long as European mercantilists understood themselves to be competing with each other and not with Asian governments, the constant flows of silver to Asia could be disquieting to some but acceptable more generally. Anxieties grew more serious in the late eighteenth century, when mercantilist thinking became less dominant, and British merchants and the government increasingly saw the outflow of silver as a problem of unbalanced trade. They looked for and found a mechanism that could avoid an outflow of silver.

The British solution was opium. Indian-grown opium was sold to the Chinese. In the latter part of the eighteenth century, opium imports began to balance Chinese exports of silks, ceramics, and teas. By the 1820s and 1830s, the increased imports of opium led to a silver outflow from China and from 1839 to 1842 a war between China and Great Britain. Through the eighteenth century, the trade linking Britain, India, and China formed two sides of a triangle: opium and raw cotton flowed from India to China and tea as well as silk and ceramics went from China to Britain. By the mid-nineteenth century, all sides of the triangle were filled in: opium and raw cotton continued to flow from India to China, while Chinese exports to Britain were augmented by a silver outflow; for its part, Britain sent cotton textiles to India, having labored successfully to destroy the Indian handicraft textile industry, which had been the world’s major exporter of cotton textiles and thus Britain’s major

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46 Recent arguments to treat the silver going to Asia as a commodity include Dennis O. Flynn and Arturo Giráldez, “Born with a ‘Silver Spoon’: The Origin of World Trade,” Journal of World History 6, no. 2 (1995): 201–22; Flynn and Giráldez, “Arbitrage, China, and World Trade in the Early Modern Period,” Journal of the Economic and Social History of the Orient 38, no. 4 (1995): 429–48; Richard von Glahn, Fountain of Fortune: Money and Monetary Policy in China, 1000–1700 (Berkeley, Calif., 1996), 113–41; Andre Gunder Frank, ReOrient: Global Economy in the Asian Age (Berkeley, 1998), 131–50. The degree to which the world of this period should be viewed to have an integrated world economy varies among these scholars, with von Glahn offering the most cautions and Frank proclaiming the strongest connections; see also William Atwell, “Ming China and the Emerging World Economy, c. 1470–1650,” in Denis Twitchett and Frederick W. Mote, Cambridge History of China, Vol. 8: The Ming Dynasty, 1368–1644, Part 2 (Cambridge, 1998), for a view of China’s increasing connections with an international economy through the silver trade without an explicit discussion of silver as a commodity. For a more skeptical view of Chinese market integration domestically and internationally, see Kuroda Akinobu, Chiika teikoku no kozo to sekai keizai (Nagoya, 1994). Kuroda contrasts China’s eighteenth-century domestic and foreign trades with those of the late nineteenth century and suggests that in the eighteenth century neither domestic nor foreign trade was well integrated, the situation being very different from the late nineteenth century, when more signs of market integration both domestically and internationally were present.
Opium replaced two sides of an earlier triangle: New World silver to Europe and then Asia, with Asian products being sent to Europe. Neither of these incomplete triangles in which either silver or opium goes to China in exchange for goods sent to Europe conforms to the kinds of trade exchange more typical in the later nineteenth and twentieth centuries.

There do not appear to be any products for which Smithian dynamics alone could create long-distance trade spanning the oceans before the nineteenth century. Asian spices, teas, porcelains, and textiles made their way to Europe in the early modern period, but there were few goods produced by Europeans that were enjoying much demand in Asia. Instead, Asians bought the silver that initially came from Spanish-controlled New World mines. While silver can be thought of as a commodity as it moves between the New World, Europe, and Asia, it is not easy to think of it as a commodity in a Smithian exchange based on specialized division of labor. Asian producers were paying for their currency that originated in the New World by exporting goods to Europe. The idea of global trade being at its base driven by one regional economy’s demand for currency is a situation quite different from how global trade works in more recent times, when we expect Smithian dynamics to play more of a direct role.

Of course, Adam Smith himself did not think of international trade as necessarily taking place according to some basic division of labor. In fact, he believed, as did many of his contemporaries, that foreign trade was “vent-for-surplus." Countries sold surplus commodities in order to gain other goods. For their part, mercantilist thinkers believed that a foreign trade surplus brought in bullion, which was useful because it helped generate additional domestic economic activity, a virtue analytically distinct from the great desire of rulers to gather monies needed to make wars. The mercantilist preference for trade surpluses makes sense because an increased money supply attending trade surpluses provides the funds to stimulate additional employment and use of resources. As long as an economy expands to absorb the additional silver, in large measure through expanding commerce, then the mercantilist preference for trade surpluses makes sense. Trade flows of this sort tend to promote the wealth and expansion of the surplus-producing country compared to its neighbors. Among European countries, Great Britain had been a most successful mercantilist power, expanding its productive capacities more swiftly than its competitors. With these advantages and driven by a desire to open even larger markets, British political economists, most famously Adam Smith, began arguing in the late eighteenth century for free trade. Britain’s early modern economic successes seem to be the groundwork for later achievements.

But wait. If assembling trade surpluses to gather money for domestic commercial expansion is a sign of successful mercantilist efforts, then China, and not Britain, may have been the most successful. Estimates vary, but if more than 7,000 and less than 11,000 metric tons of silver entered China from European and

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Japanese sources between 1550 and 1645, China, more than any parts of Europe, likely used more silver effectively to promote commercial expansion broadly.\textsuperscript{49} To suggest that the Chinese economy succeeded at the mercantilist’s game of accumulating silver in order to promote commercial expansion does not mean that Chinese policymakers deliberately set out to achieve this end. While some officials supported the influx of silver into the country, others voiced multiple objections: some worried that there wasn’t enough silver to serve their economy’s needs for money; others disliked dependence on foreign sources for their money supplies. These concerns were tied to beliefs that silver favored large-scale, long-distance trade to the detriment of more local levels of commerce for which copper cash was more frequently employed. Opposition to silver use was also connected to critiques of centralized government, which was seen to display a voracious appetite for silver since agricultural taxes, the main source of state revenue, had been commuted from in-kind payments to silver.\textsuperscript{50}

The Chinese political economy was not “mercantilist” since its policymakers did not conceive of themselves as competing for wealth and power with other like-minded governments. But from a mercantilist perspective, the flows of silver to China represented the success of the Chinese economy at a European game. From a European perspective, Britain’s success at mercantilist expansion can be seen to set the conditions for a shift to free trade philosophy and Britain’s continued economic preeminence among European countries. From a comparative perspective embracing both China and Europe, however, the logic of the British shift from mercantilism to free trade is no longer as obvious or simple. If the Chinese were successful at this particular mercantilist game of attracting silver bullion, why were they unable to sustain their competitive position when the British shifted from mercantilism to a regime of free trade? The answer, in part, must include a recognition that success at mercantilist goals did not lead naturally and necessarily to an embrace of free trade or to success at free trade. The basic nature of the international trade between Asia and Europe changed in the nineteenth century as the underlying dynamics of economic expansion were transformed. The basic European logics of colonial trade, vent-of-surplus, and the accumulation of silver bullion became far less important in a nineteenth-century economic world reconfigured by the Industrial Revolution.

The gap between silver’s role in the international trade of the early modern world and the role of money in modern international trade is represented by the failure of early modern trade to conform to the norms of international monetary theory of more recent times. In an idealized scenario we associate first with David Hume, flows of money in modern international trade balance differences between a country’s imports and exports. Prices in the country receiving more currency rise, while those in the country sending out currency in principle fall. These adjustments in relative prices make the goods of the country sending out currency more

\textsuperscript{49} The estimates are figures rounded to the nearest thousand from von Glahn, *Fountain of Fortune*, 140.

\textsuperscript{50} Von Glahn, *Fountain of Fortune*, 142–224.
competitive in international trade at the same time as the country receiving additional currency sees its domestic prices rise and its goods become less attractive on international markets. At some point, we can imagine the relative prices across countries reaching an equilibrium so that currency transfers are no longer necessary. Specialization and division of labor across countries means that people in the international market are all producing those goods for which they are best suited in terms of comparative advantage. Such an ideal and imaginary point is conceivable only in a fixed or static environment. Once we allow for changes over time, trade flows will once again become unbalanced; most importantly, new countries enter into trading networks or begin producing new commodities that compete with those of other countries, while some countries do better than others at raising productivity levels.

In reality, international trade is part of more complex and varied scenarios. Its nineteenth-century role in facilitating or limiting economic development seems to vary among different cases. At one extreme are those areas that become raw materials producers. Such areas have a clear antecedent in the early modern era when economically and politically powerful European countries sought to make their colonies into exclusive trading partners according to a principle of economic complementarity in which the metropolitan country would export manufactured goods and the colony raw materials.\(^{51}\) The division of activity was meant to preclude competition between the two and was intended to profit the metropole at the expense of the colony. Some scholars argue that nineteenth-century international trade continues along the axis connecting raw materials producers and industrial centers, even when the political framework of colonialism is replaced by a free trade system. This is at the heart of the world-system analyses inspired by Immanuel Wallerstein's work. Capitalism creates a worldwide division of labor that makes difficult, if not impossible, the development of many non-European parts of the world. But there are clearly sites beyond Europe that do develop economically. At this other extreme are nineteenth-century countries that engaged in international trade and, through these relations, developed the capacities to industrialize as they gained some combination of new technologies and institutions, as well as the industrial raw materials and capital necessary to begin a process of economic transformation. The most obvious cases are in North America, where both the United States and Canada became major agricultural exporters during the second half of the nineteenth century and from these bases begin to industrialize. Japan offers a second kind of case where investment in a range of industries during the late nineteenth century led to the creation of expanded production for markets in Japan and in Asia.

Modern world-system analyses underscore the structural inequalities in economic relations. Economies diverge in their development possibilities. Conventional economic theory argues to the contrary that convergence is the norm, with market integration creating similar opportunities for development across ever broader expanses. Despite fundamental disagreements over how to assess the nineteenth-century international economy, both approaches realize that there were

clearly more kinds of linkages forged than had existed in early modern times. Major international flows of agricultural goods began to crisscross different parts of the globe. Transportation advances, railroads and steamships especially, made possible the movement of raw materials and finished goods over great distances to connect the economic labors of increasing numbers of people. Whether we speak of late nineteenth-century Southeast Asian rubber or twentieth-century Middle Eastern oil, raw material and resource flows move on a scale and in volumes beyond what was conceivable in the early modern era when there weren’t the shorter routes made possible by the Suez (1869) and Panama (1914) canals or the swifter modes for transporting raw materials and finished goods. These movements become a basic feature of specialization and division of labor that makes for a kind of economic integration not part of the early modern era. Production processes before the nineteenth century did not routinely depend on movements of raw materials over long distances. Only an industrial capitalism could create the levels of productivity to warrant the concentration of resources and labor at a limited number of sites to manufacture a range of goods to be used across the world’s continents. The process began before the major nineteenth-century and early twentieth-century transportation advances when British capitalists purchased American cotton to supply their textile mills, but the degree to which industrial capitalism could integrate distant areas increased dramatically once transportation and communication technologies advanced.

Under nineteenth-century industrial capitalism, the radical increase of resource and raw material movements was complemented by growing flows of capital channeled through an expanding set of financial institutions that created new methods for moving funds. Not surprisingly, those parts of the world with less developed financial institutions were more vulnerable to monetary instabilities. Western flows of capital to Asia, for instance, financed plantation enterprises, textile mills, steamships and railroads. Creating new centers of industrial production as well as connecting raw material suppliers to industrial producers, increasingly global flows of capital created kinds of economic connections largely absent in the early modern era. Similarly, the nineteenth and twentieth centuries witnessed increased migration. Many of these movements, including nineteenth-century European migrations to the United States and Chinese migrations to Southeast Asia and the Americas have had a strong economic stimulus, based on varying combinations of economic push from difficult conditions and the economic pull of opportunities in another setting. From an economic perspective, movements of labor, like those of resources and capital, reinforced the increasing density of economic connections across countries, continents, and oceans. With markets for capital and labor connecting distant parts of the globe, the world became more integrated economically than it had been in early modern times. While there remained a considerable gap between neo-classical ideals of markets and the realities of varying degrees of market integration for goods and factors of production, it became plausible for economists to imagine a world in which resources and products could flow over long distances under a regime of free trade.

It would have been far more difficult to develop such ideas under early modern conditions.

The institutions and practices of the international economy of the late nineteenth and twentieth centuries are well known. Also well accepted is the premise that nineteenth-century industrial capitalism promoted new forms of economic growth and concentrations of economic wealth, however much disagreement remains over the levels and rates of economic convergence or divergence during this period. There remains the huge and complex question of accounting for the move from the economic and political world of the early eighteenth century to that which clearly had emerged by the mid-nineteenth century. This article has not aimed to address this problem directly. But if its suggestions about Smithian dynamics in the early modern era are reasonable, namely that broadly similar Smithian dynamics accounted for much of the economic expansion across Asia and Europe and that these dynamics did little to integrate economic activities in Asia with those in Europe, then neither David Landes’s recent efforts to celebrate European distinctiveness nor Andre Gunder Frank’s equally vigorous labors to assert Asian superiorities in a global economy quite hit the target in their sweeping accounts of economic change since the early modern era.\(^{53}\) The former repeatedly imagines differences, frequently of a cultural nature, between Asia and Europe the significance of which are not made plain, while the latter often labels as economic connections between Asia and Europe what are more certainly similar and even parallel dynamics of economic development. Unless the nature of similarities in the economic dynamics of growth and the differences among Asian and European political economies in the early modern era are joined to an appreciation of differences in the nature of international trade before and after the advent of industrial capitalism, we will not be able to pose clearly the kind of explanatory problems we face in accounting for changing dynamics of economic change between the early modern and modern eras.

conditions. The denser weave of global connections possible under industrial capitalism depended crucially on the cluster of scientific and technical changes that established Europeans in positions of political and economic ascendance they did not enjoy before the nineteenth century. Early modern European economic institutions had not been designed in order to create industrialization, but they clearly mattered in two distinct ways once industrialization became possible. First, European institutions often worked well to create industrial growth; for example, financial networks facilitated larger-scale mobilizations of capital, and legal systems assured more complex forms of contracting. Second, European ways of conducting business set standards with which others had to conform if they expected to become part of an international economy, not necessarily because these methods were universally superior to those used elsewhere but because integration increasingly required the adoption of consistent and complementary practices. Early modern logics of Smithian commercial expansion were still very important; in fact, they could operate more effectively over longer distances than before. Early modern strategies of imposing politically divisions of labor continued under different guises in later centuries as well. But these continuities take on new meanings under industrial capitalism, which redefines what international trade can be about and in the process creates both new economic problems and possibilities for the world’s population—problems and possibilities we continue to live with today.

The differences between the early modern and modern economic systems offer an important vantage point from which to perceive what did and did not distinguish European from Asian economies before the nineteenth century. If the more successful parts of Asia and Europe were not so very different in terms of their successes or the limitations of those successes, then we can pinpoint more closely the foundations and extent of Western hegemony in the nineteenth and twentieth centuries. For the moment at least, it appears that there were more economic similarities than differences across Eurasia before 1800 and that the connections of the early modern era, while more salient than those of the centuries preceding it, were far less significant economically than those that followed under industrial capitalism, when a shifting economic central core in the West was able to assert a global dominance that catapulted first northwestern Europe and then the United States into positions of power and authority they would enjoy through the twentieth century and into the twenty-first.

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