Introduction

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Source: *The American Historical Review*, Vol. 107, No. 2 (April 2002), pp. 419-424
Published by: Oxford University Press on behalf of the American Historical Association
Stable URL: http://www.jstor.org/stable/10.1086/532292
Accessed: 15/05/2014 10:45

AHR Forum
Asia and Europe in the World Economy: Introduction

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THE ARTICLES IN THIS FORUM reinforce one another in emphasizing three fundamental points: East Asian economies maintained strength and vitality up to the end of the eighteenth century, they participated in an interconnected world economy throughout the early modern era, and only sometime after 1800 did they fall behind rapidly growing European economies. Each of these points has been argued in earlier writings, but their combination is an innovation. Kenneth Pomeranz and R. Bin Wong, in combining these points, elaborate an approach to the world economy that is global rather than piecemeal. Their approach goes beyond comparison of discrete regional economies and beyond explaining the world economy in terms of dominance by a single economic pole. Instead, they focus on the interaction of at least two economic poles—Western Europe and China—and more generally on the connections among regions of the world.

The principal implication of these studies is that the great shift in the balance of the world economy—the establishment of European economic hegemony—took place rather late, in the age of steam-powered industrialization, long after the sixteenth-century era of initial European maritime expansion. In developing a new argument for a late turning point in world economic history, the participants in this *Forum* confirm a turning point in the historiography of the global economy. That is, they have elaborated a globalized—rather than localized or comparative—line of argument on the world economy.

While the notion of the world economy is widely recognized, it has usually been put into practice as an accumulation of discrete national units for which data are available, rather than as an aggregated macroeconomic system. For this reason, neither the totality of the system nor the interactions among its parts have been given much emphasis. Instead, scholars have explored the world economy by studying region after region, to determine which was dominant.[1] The present writers, in company with other collaborators, have taken the further step of suggesting linkages among regional economies that begin to focus not so much on which segment dominated as on how the segments fit in the functioning of a larger, planetary economy.

[1] Douglass C. North and Robert Paul Thomas, *Rise of the Western World: A New Economic History* (Cambridge, 1973); Nathan Rosenberg and L. E. Birdzell, Jr., *How the West Grew Rich: The Economic Transformation of the Industrial World* (New York, 1986); William N. Parker, *Europe, America, and the Wider World*, Vol. 1: *Europe and the World Economy* (Cambridge, 1984); David S. Landes, *The Wealth and Poverty of Nations: Why Some Are So Rich and Some So Poor* (New York, 1998).

Pomeranz and Wong use distinct yet complementary approaches. They work, one may argue, from a common fund of materials and approaches: comparisons, linkages, new data, and a global paradigm. In comparisons among regions, they explore new data and match up various rates of economic growth, and levels of output, consumption, and trade. In linkages, they pursue commercial flows from region to region. The linkages are a rather new approach, made possible by growing funds of data for regions outside Europe.

The assumption of a global economy enables these straightforward techniques and the new data to produce a substantially new interpretation. Pomeranz and Wong assume that the world economy consisted of a very large, multipolar system. In so doing, they depart from earlier frameworks, which have tended to assume the existence of distinct, discrete, regional economic systems ("Europe," "China," "India," and perhaps "Africa," for instance), or which have assumed the existence of a single world economic system, centered in Europe, which gradually expanded its influence.[2]

The difference is not so much that these authors have proved the existence of a global economy for which others failed to see the evidence. Previous authors have worked within a paradigm assuming a set of distinct regional or civilizational economies—a paradigm that did not encourage them or perhaps did not allow them to emphasize the overarching and interconnecting trends in the economy, until the era of unmistakable European hegemony from the mid-nineteenth century. Thus the data on world silver trade, while central to this discussion, are not entirely new. Rather, the point is that Dennis Flynn and Arturo Giráldez, in their studies of the silver trade, have shown its significance in elucidating a picture of the global economy. Their affirmation that over half the world's silver extracted between 1600 and 1800 ended up in China, where it served especially as specie for payment of taxes, has served to link the global pieces, so that what was long a debate on isolated comparisons has become a debate on interaction.[3] These authors, along with others in what has been called a "California school" because of their residence, are creating a historiographical turning point. Andre Gunder Frank, in linking many of these contributions in his book *ReOrient*, articulated a sweeping general statement of the case for an Asian-focused world economy and the late achievement of European economic hegemony.[4]

[2] For approaches emphasizing discrete regions in the world economy, see Paul Bairoch, *The Economic Development of the Third World since 1900*, Cynthia Postan, trans. (Berkeley, Calif., 1975); and E. L. Jones, *The European Miracle: Environments, Economies, and Geopolitics in the History of Europe and Asia* (Cambridge, 1981). For approaches emphasizing incorporation of outlying regions, see Immanuel Wallerstein, *The Modern World-System*, vol. 1 (New York, 1974); and Eric R. Wolf, *Europe and the People without History* (Berkeley, 1982).

[3] Dennis 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 World," *Journal of the Economic and Social History of the Orient* 38, no. 4 (1995): 429–48. Rene J. Barendse has intervened in this discussion to argue that the portion of global silver trade going to India in the seventeenth century was larger than that estimated by Flynn and Giráldez. Barendse, *The Arabian Seas: The Indian Ocean World of the Seventeenth Century* (Armonk, N.Y., 2001).

[4] What Frank has called the "California school" includes Pomeranz and Wong (both at University of California, Irvine), Flynn and Giráldez (both at University of the Pacific), Jack A. Goldstone (University of California, Davis), John E. Wills (University of Southern California), and Richard von Glahn (UCLA). See Jack A. Goldstone, *Revolution and Rebellion in the Early Modern World* (Berkeley,

Frank's *ReOrient* appeared in 1998. The nearly simultaneous publication of David Landes's *Wealth and Poverty of Nations*, which restated the case for European dominance of the world economy from the voyages of discovery, created the opportunity for a marvelously lively electronic debate, testing the two viewpoints.[5] In that debate and in subsequent discourse, participants have had to consider at once the European and East Asian poles of the world economy.

The present articles carry forth the articulation of this substantially shifted paradigm with the addition of new empirical data, presented in a variety of cross-regional comparisons. Some time-honored techniques of analysis, when applied in combination with new data and with a framework sensitive to global interactions, have yielded a set of challenging hypotheses on the operation of the world economy in the eighteenth century.

What has caused the paradigm to shift? Paradigm shifts, whether described in Kuhnian terms or more generally, are the points at which quantitative changes lead to qualitative leaps in conceptualization.[6] This paradigm shift emerges from the confluence of several distinct yet overlapping trends in scholarship and public discourse—trends that progressively undermined the view of the world economy as a cumulation of local economies, replacing it with the model of a global system. First is the continued expansion of research in economic history. Although economic historians have lost the prominence they gained in their early applications of quantitative and theoretical analysis, especially in the 1970s, their work since has advanced the conceptual rigor and unity in historical studies of economic life. The development of comparable data for the economies of region after region may permit a return of economic issues to the forefront of historical debate, now at a global rather than national level.[7] Secondly, the expansion of teaching and research in world history has led to the development of global and interactive modes of thinking in historical context.[8] Thirdly, the recent economic boom and bust of East

Calif., 1991); John E. Wills, Jr., "Maritime Asia, 1500–1800: The Interactive Emergence of European Domination," *AHR* 98 (February 1993): 83–105; and Richard von Glahn, *Fountain of Fortune: Money and Monetary Policy in China, 1000–1700* (Berkeley, 1996).

[5] Andre Gunder Frank, *ReOrient: Global Economy in the Asian Age* (Berkeley, Calif., 1998); Landes, *Wealth and Poverty of Nations*. Frank's argument relied significantly on work by Wong and Pomeranz, now published as R. Bin Wong, *China Transformed: Historical Change and the Limits of European Experience* (Ithaca, N.Y., 1997); and Kenneth Pomeranz, *The Great Divergence: China, Europe, and the Making of the Modern World Economy* (Princeton, N.J., 2000). The electronic debate on the positions taken in the books of Frank and Landes took place from May 11 to June 9, 1998, and was shared among four electronic discussion lists: H-WORLD (world history: http://www.h-net.msu.edu/~world), H-Asia (Asian studies: www.h-net.msu.edu/~asia), EH.RES (Economic history research: http://eh.net/lists/archives/eh.res/), and WSN (World systems network: http://csf.colorado.edu/wsystems/wsarch.html). The electronic debate was followed, on December 2, 1998, with a debate between Frank and Landes at Northeastern University, for which the transcript is online at www.whc.neu.edu/whc/seminar/pastyears/frank-landes/.

[6] Thomas S. Kuhn, *The Structure of Scientific Revolutions*, 3d edn. (Chicago, 1996); Paul Horwich, ed., *World Changes: Thomas Kuhn and the Nature of Science* (Cambridge, Mass., 1993).

[7] For an overview showing the progress of economic historians beyond national studies to a global interpretation (though for the period after 1850), see Jeffrey G. Williamson, "Globalization, Convergence, and History," *Journal of Economic History* 56, no. 2 (1996): 277–306. The recent study by Kevin H. O'Rourke and Jeffrey G. Williamson, *Globalization and History: The Evolution of a Nineteenth-Century Atlantic Economy* (Cambridge, Mass., 1999), while innovative in several dimensions, still relies on the comparison of national economic statistics.

[8] John F. Richards, "Early Modern India and World History," *Journal of World History* 8, no. 2

and Southeast Asia has drawn popular and scholarly attention to that region and its place in the world economy. Fourthly, the emergence of new views of industrialization is drawing increasing attention both to the long-term growth and transformation of many regional economies and to the connections among regions that preceded industrialization and then deepened in the course of industrialization.[9] Finally, within the expanding field of East Asian studies, scholars have turned in recent years from treating the region in isolation to seeking out links and similarities to other parts of the world.[10] The interplay of these trends has led, rather suddenly, to a sharp expansion in the scale and interactive detail of interpretation in early modern economic history.

As for the details of their arguments, both Wong and Pomeranz adopt a standpoint in China, but from that standpoint they inquire into economic changes and continuities in several major regions. Kenneth Pomeranz addresses the issue with an empirical and comparative strategy centering on the eighteenth century, addressing consumption, production, labor, and giving particular attention to ecological constraints on growth. For Pomeranz, "political economy" means neoclassical microeconomic analysis, with attention to resource allocations, factor markets, product markets, and income levels. His argument centers first on comparisons between European and Chinese regions in levels of consumption (total caloric intake, and consumption of sugar, tea, cotton, and silk). Then he turns to labor markets, arguing that women's earnings were close to men's in China. On ecological limits to growth, he argues that deforestation and shortages of fuel and building materials were no more serious in China than in Europe. In his conclusion, Pomeranz argues that the big change was not a collapse in the Chinese economy but an acceleration of European economic growth, especially because of Britain's combined resources in iron and coal, plus the availability of resources from the Americas.

R. Bin Wong adopts a strategy of analytical comparison, contrasting the political economies of agrarian and merchant empires. For Wong, "political economy" means government economic policy and patterns of long-distance trade. He elucidates his argument with a counterfactual comparison, imagining that a South China leader might have seized control of the empire and led it under a mercantile policy.[11] He concludes that such an approach would not have led to substantial additional growth for China. Wong's focus on linkages includes emphasis on Japanese-Chinese ties: he argues that both economies grew through the eighteenth century as a result of their commerce. In comparing types of firms, Wong concludes

(1997): 197–210; Nicola di Cosmo, "State Formation and Periodization in Inner Asian History," *Journal of World History* 10, no. 1 (1999): 1–4; and Anthony Reid, *Southeast Asia in the Age of Commerce, 1450–1680*, 2 vols. (New Haven, Conn., 1988–93).

[9] For recent trends in thought on industrialization, see E. A. Wrigley, *Continuity, Chance and Change: The Character of the Industrial Revolution in England* (Cambridge, 1988); and Jan de Vries, "The Industrial Revolution and the Industrious Revolution," *Journal of Economic History* 54, no. 2 (1994): 249–70.

[10] Jonathan Lipman, *Familiar Strangers: A History of Muslims in Northwest China* (Seattle, 1998).

[11] Comparison of the historical record with a counterfactual yet logically significant alternative has been part of the formal toolkit of economic history since the work of Robert William Fogel, as presented especially in his *Railroads and American Economic Growth: Essays in Econometric History* (Baltimore, 1964).

that, in Asian markets, there was no single superior form of the firm, and thus the failure of Asian firms to adopt the European joint-stock model does not provide an adequate explanation of eventual European hegemony. In explaining this hegemony, Wong gives particular attention to the expanding opium trade as a device to eliminate silver flows to China. More generally, Wong argues that the world economic history of the nineteenth century was substantially different from that of the previous centuries, and that the notion of an "early modern" period is therefore rendered all the more valid and useful. His analysis, while centering on the eighteenth century, ventures back to the sixteenth century and forward to the turn of the twentieth century.

Both authors emphasize the range of regions that may be appropriately compared to each other, and conduct analyses in which the regions compared and connected are flexible in their extent. They include comparisons of East and West; of China and India and Europe; of Britain and France with Jiangnan (the lower Yangzi Valley) and Lingnan (the provinces surrounding Canton); and of regions as small as the British Midlands, Belgium, and the industrial centers of South China.

David Ludden, in his wide-ranging comment on the *Forum* articles, finds the economic arguments of Wong and Pomeranz to be convincing, summarizes parallel arguments for South Asia, and then provides two narratives linked to the implications of these articles. First is a narrative of perceptions of inequality among European writers of the nineteenth century, in which Ludden argues that Europeans began assuming their economic dominance before they could be sure it existed. Second is a narrative of successive regimes of economic inequality, from 1820 to the present, emphasizing the growing gap between the haves and the have-nots. Ludden's commentary provides a foretaste of the restructured interpretation of the industrial era—and the critique of economic inequality—that is likely to result if the theses presented in this *Forum* come to be accepted.

Yet analytical paradigm shifts, however exciting they may be in retrospect, are rarely straightforward or coherent in practice. How global is the thinking in the current debate on the history of the global economy? Readers should, in my view, check carefully into their own assumptions and the assumptions of authors on what model of the early modern world economy is implied or assumed. Among those who agree that there existed a world economy for the eighteenth century, there may still exist several alternative visions of that world. Here is a reduction of the many possible models to four alternatives. One can readily see the differences between a scattered or kaleidoscopic model (in which a series of local economies are summed up into a global total) and a monopolar model (in which one great center dominates the planet). Between these extremes, one can also consider a bipolar model (with competing centers in Western Europe and China) and a multipolar or distributed model (in which several centers compete and contribute).

The consequences of these four models differ greatly. For a specialist in Western Africa such as myself, for instance, a multipolar model has distinct advantages over a bipolar Europe-China model. That is, I remain skeptical of models of the world economy that give no explicit place for Africa. West Africa was a region of socioeconomic vitality that suffered substantial losses through slave trade yet remained active in global commerce. Currently predominant views of the world economy assume that Africans may safely be neglected, or they give consideration only to those Africans constrained to leave the continent. I seek a model of the world economy sufficiently nuanced to highlight the give-and-take in economic relations among regions, not just focus on centers of dominance. Pomeranz and Wong here concentrate on presenting comparisons that convey a view of the interactions between East Asia and the rest of the world economy, and in so doing they take a crucial step forward. The next step is up to readers as much as to these authors. Do these challenging comparisons imply that the view of a monopolar, Euro-dominant world economy should be replaced by that of a bipolar world economy? Ludden's emphasis on South Asian examples of global economic interaction, in his commentary, may reflect a concern with just this point. Further development of our understanding of the early modern world economy should explicitly identify whether the framework is an assumed monopolar economy, a bipolar economic system, or a multipolar world economy relying on systemic interplay including the Americas, West Asia, South Asia, Africa, Russia, and beyond.

Ultimately most important in these economic historical analyses are the data. In pursuing the details of regional comparisons, it is difficult to establish the equivalencies between prices, values, and rates of the different regions, for instance in comparing the caloric intake of people in the Yangzi Valley and in Britain during the eighteenth century. Yet in addressing the difficulties of today's interregional comparisons of historical data, one may take inspiration from the accomplishments of those who actually conducted the world trade of the eighteenth century. For those merchants and consumers, assessing the value of silks, woolens, and tea after thousands of miles of voyages across currency zones was both laborious and approximate. But somehow the trade of the eighteenth century was carried on, despite such difficulties in establishing the equivalencies. For the present debate to be empirical, not just conceptual or ideological, we need to continue making comparisons and establishing equivalencies until they illuminate clearly the global connections of the early modern era.

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