

## Why was there no capitalism in early modern China?

*Por que a China do início da idade moderna  
não conseguiu fazer a transição para o capitalismo?*

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RESUMO: Neste artigo, lançamos a seguinte pergunta: por que a China do Início da Idade Moderna não conseguiu fazer a transição para o capitalismo, tal como viemos a conhecê-lo no Ocidente? Embora a China estivesse à altura da Europa em características econômicas chave – comercialização e comodificação de bens, terra e trabalho – até o século XVIII, nós sugerimos que ela não embarcou em uma trajetória de acumulação capitalista por causa do “Fato do Império”. Carecendo do nível de dificuldades fiscais encontradas na Europa do Início da Era Moderna, a China Imperial não precisou taxar pesadamente os comerciantes e os notáveis; portanto, ela não precisou negociar direitos e obrigações com a classe mercantil. De forma mais inovadora, também propomos que a relativa falta de dificuldades fiscais na China militou contra o desenvolvimento de uma “simbiose virtuosa” entre a taxaçoão, a monetização da economia e a dívida pública. Falamos em “simbiose virtuosa” porque foi, essencialmente, a mobilização dos recursos sociais – via dívida pública e impostos – em prol da manutenção de uma força militar o que criou as primeiras grandes oportunidades para os comerciantes e banqueiros acumularem uma riqueza sem precedentes.

PALAVRAS-CHAVE: China Imperial, Capitalismo, Europa do Início da Idade Moderna, Fernand Braudel, José Luís Fiori.

ABSTRACT: In this paper, we ask the following question: why couldn't Early Modern China make the leap to capitalism, as we have come to know it in the West? We suggest that, even if China compared well with the West in key economic features – commercialization and commodification of goods, land, labor – up to the 18th century, it did not traverse the path to Capitalism because of the “fact of empire”. Lacking the scale of fiscal difficulties encountered in Early Modern Europe, Late Imperial China did not have to heavily tax merchants and notables; therefore, it did not have to negotiate rights and duties with the mercantile class. More innovatively, we also propose that the relative lack of fiscal difficulties meant that China failed to develop a “virtuous symbiosis” between taxing, monetization of

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the economy and public debt. This is because, essentially, it was the mobilization of society's resources – primarily by way of public debt or taxes – towards the support of a military force that created the first real opportunities for merchants and bankers to amass immense and unprecedented wealth.

KEYWORDS: Imperial China; Capitalism; Early Modern Europe; Fernand Braudel; José Luís Fiori.

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## INTRODUCTION

“In the West, capitalism triggered revolutions in science, technology and economic growth with the industrial revolution. From there, it became the dominant mode of production in Europe and in most of the rest of the world. Capitalism enabled favored classes and countries to amass capital, power and knowledge at an unprecedented rate. In China, something rather different occurred” (Gates, 1996, p. 40).

However we may define *capitalism* – whether we understand it as a “free private enterprise exchange economy” or we grasp it as a mode of production based on exploitative property relations and the accumulation of capital through the extraction of surplus value from wage-earning workers – there is but little disagreement about the fact that Europe embarked, beginning in the late 1700s with England, on a road of sustained per-capita income growth that quickly made it look very different from the rest of the world, still mired in what Kenneth Pomeranz (2000, p. 207) dubbed as a “proto-industrial *cul-de-sac*”. But what really makes the European breakthrough – “the capital-intensive, energy-intensive, land-gobbling European Miracle”<sup>1</sup> – unique is the fact that, as recent research has thoroughly demonstrated<sup>2</sup>, far from being unique, in the late 1700s “the most developed parts of western Europe seem to have shared crucial economic features – commercialization, commodification of goods, land, and labor, market-driven growth... – with other densely populated core areas in Eurasia” (Pomeranz, 2000, p. 107). The author is thus arguing that there is no reason to think that this pattern of market-development would necessarily have led to any kind of industrial breakthrough.

There has been extensive research on what prevented China from breaking through to an industrial revolution<sup>3</sup>. If one equates capitalism with the “perfect functioning of markets”, one is bogged by the fact that it has not been convinc-

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<sup>1</sup> *Ibid.* p. 207.

<sup>2</sup> See, for example, Gunder Frank (1998), Bray (1999), Wong (1999), Wong and Rosenthal (2011), Pomeranz (2000) and Goldstone (2008).

<sup>3</sup> See last footnote, but also Elvin (1973) and Yifu Lin (1995).

ingly proven that Early Modern Europe was closer to Smithian ideas of freedom and efficiency than China. In the seminal book “The Pattern of the Chinese Past”, Elvin (1973) puts forth the thesis that in the 18<sup>th</sup> century China had reached a “high-level equilibrium path”: in Gunder Frank’s interpretation of this thesis (1998, p. 301-2), China had gone about “as far as you can go with the agricultural, transport and manufacturing techniques developed in the preceding centuries on the basis of abundant human labor combined with scarce land and other resources”. Elvin and others thus challenge cultural and institutions-based theories that purport to find Europe’s advantage against China in some kind of European civilizational traits that can be traced back centuries before the industrial revolution<sup>4</sup>. Andre Gunder Frank is particularly critical of what he dubs the “Eurocentric Vision, received from Weber, Marx and their disciples, that the Asiatic Mode of Production was stagnant and literarily useless, while European institutions were progressive” (1998, p. 205). Actually, he thinks the whole “Asiatic Mode of Production” construct is laden with unproductive prejudices, and thus needs to be discarded in favor of more unbiased analyses of Asia’s pre-industrial economy, what he convincingly did in his ReOrient.

In this article, we offer a political economic contribution to an explanation of why China was not the birth place of capitalism, understood as a system of endless growth of the capital stock (commodities, machines, money) and unfettered search for profit. As Wallerstein puts it (1999, p. 27), this definition has the double advantage of being consonant with most or all explanations of the processes of the “capitalist/modern world” and of being a good fit with historical reality. Our argument will bear on the line of scholarly work first advanced by Braudel, who argued for a distinction between *capitalism* and the *market economy*, thus suggesting that the *political economy* of Early Modern Europe may have mattered more than social class relations in explaining the “Rise of Europe”. Especially, we will advance the arguments of José Luis Fiori, a Brazilian scholar who – to our mind – develops and improves upon the Braudelian tradition.

Like Frank, Elvin and Pomeranz, we deem the birth of capitalism to have been something accidental, not the result of dialectical contradictions inherent in the feudal mode of production. While these authors focus on environmental and resource availability factors – silver and other resources extracted from the Americas allowed Europe to buy its way into Asian markets and then dominate world markets (Frank); China’s unfavorable man-to-land ratio thwarted innovation in labor-saving technologies, in comparison to Europe (Elvin); South-American and Caribbean colonies and Europe’s (chiefly British) coal reserves were indispensable for providing the necessary resources for capital and energy-intensive growth (Pomeranz)<sup>5</sup> – we focus on the effects of state-making and war-mak-

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<sup>4</sup> See, for example, Macfarlane (1978), North and Thomas (1973), Mokyr (1990) and Bryant (2006).

<sup>5</sup> We could also add Wong and Rosenthal’s (2011) argument, who say that Europeans were developing and deploying machine more intensely than the Chinese at least since 1600 because of Europe’s higher

ing on “state rulers to economic elites (chiefly merchants)” relationships. Particularly, we stress Fiori’s powerful argument that capitalism was a sub-product of the power struggle within the Early Modern European Interstate system.

This paper is organized as follows. In the first section we present our main theoretical underpinnings, respectively, (i) the Arrighian/Braudelian rejection to liberal theories of the transition to capitalism and (ii) Fiori’s Global Power theory, which actually downplays the very role of economics in explaining the transition. In the second section (before the conclusion), we outline why state-elite relations in Imperial China did not lead to capitalism, whereas the alliance between cash-hungry European rulers and merchants facilitated the leap to a new mode of production.

## THE DISTINCTION BETWEEN THE MARKET ECONOMY AND CAPITALISM AND FIORI’S GLOBAL POWER THEORY

A series of scholars have tackled the problem of why China did not embark on a capital-intensive accumulation process – despite having reasonably well functioning markets, secure property rights to land, generalized wage-labor<sup>6</sup> (etc.) – by escaping the conundrum one comes across when linking capitalism directly to the development of markets. These scholars argue that, while capitalism is obviously compatible and to a large extent dependent on the wide-spread development of property rights and competitive markets, the ideal conditions for *continuous capital accumulation* – and not only for its origin, for its debut – include (or perhaps demand) arrangements that make it possible for some people to circumvent competitive markets, to profit from securing monopoly rights and other state-sponsored privileges that make profit rates soar to the point where investment in capital goods becomes attractive. Were it not for these perpetually-reproduced arrangements, they say, the drive for capital accumulation would soon wither away as competition would plummet profit rates back to the levels of “traditional-

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urbanization rate: geopolitical factors (war) had propelled European proto-industry to shelter itself from the common ravaging of the countryside by looking for protection inside the cities, while in China proto-industry had always been much more of a rural development. And because capital relative to labor has always tended to be cheaper in cities than in rural settlements, investing in labor-saving machines was from earlier times more economically optimal in Europe than in China.

<sup>6</sup> We should note by now that in this paper we do not intend to revise all the extensive empirical research (some of it already referred to in the introduction) that aims to disprove the traditional theses that Early Modern Europe displayed unique institutions (protection of property rights, financial intermediation, entrepreneurship, rational spirit, etc.) that launched it on an economic road unavailable to other, more backward societies. While there are several articles that aim to disprove the revisionists’ thesis that China was on par with Europe – see, for example, Brenner and Isett (2002), Broadberry e Gupta (2006), Huang (2002) and Robert Allen (2009) –, they are still somewhat inconclusive and even if the revisionists have made empirical errors in overestimating China’s past economic prowess, they opened up way for new paradigm challenging theories.

market” societies. Hence the famous distinction that Fernand Braudel (1977, p. 62) makes between *the market economy* and *capitalism*: “there are two types of exchange, one is down-to-earth, it is based on competition, and is almost transparent; the other, a higher form, is sophisticated and domineering. Neither the same mechanisms or agents govern these two types of activities, and the capitalist sphere is located in the higher form”. Whether state-sponsored or not, Braudel considers long-distance trade and financial intermediation examples of the second type. For him, it was the sheer amount of capital involved in these enterprises that, in turn, “enabled capitalists to preserve their privileged position and to reserve to themselves the big international transactions of the day” (1977, p. 58). But we should remember that, for Braudel, “capitalism (ultimately) only triumphs when it is the state”<sup>7</sup>, that is, when rich merchants enjoy from the state both the security and favour necessary for “capitalist dynasties” to build their fortunes over generations.

Following Braudel, Arrighi (1994, p. 10 ss.) also believes that the transition marking the rise of capitalism in Europe above the existing market structures little had to do with the proliferation of commercial activities (these have purportedly always existed), but with the fusion of capital with government, the mix that propelled European States towards the territorial conquest of the world (p. 11). In other words, it was the military and colonial endeavors of warring European states that created the economic *loci* that allowed capital to be accumulated – via public debt, tax-farming, trade monopolies, etc. – at unprecedented rates. More specifically, if it weren’t for the European inter-state competition for capital, blocks of governmental and business organizations would not have been formed. And for Arrighi, were it not for this fusion, the vast “elements of capitalism” – located everywhere in the world for the past few millennia – could never have amassed such power as to revolutionize the material world. So, for the Italian scholar what needs to be explained is not the domestic aspects of capital accumulation *per se* but how exactly the geopolitical competition between European States impelled them to furnish an ever-increasing concentration of capitalist power in the European (then World) system at large, a concentration that directly served the interests of sequential leading capitalist powers.

Now it is time we presented an innovative line of research not well known in the English-speaking world because most of it has yet to be published in English<sup>8</sup>. Like Braudel, for José Luis Fiori the specifically European collusion of profit and

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<sup>7</sup> (continue quote) “In its first great phase, that of the Italian city-states of Venice, Genoa, and Florence, power lay in the hands of the moneyed elite. In seventeenth century Holland the aristocracy of the Regents governed for the benefit and even according to the directives of the businessmen, merchants, and moneylenders. Likewise, in England the Glorious Revolution of 1688 marked the accession of business similar to that in Holland” (1977, p. 54).

<sup>8</sup> The research group called “Poder Global e a Geopolítica do Capitalismo” (Global Power and the geopolitics of capitalism) – [www.poderglobal.net](http://www.poderglobal.net) – is based at the Federal University of Rio de Janeiro. Its main proponent is José Luis Fiori, and in the following paragraphs we will bear directly on two of his book chapters. One of them has been published in English (Fiori, 2010) and the other has been

power is central to explaining the rise of capitalism. However, Fiori thinks that Braudel's *Wheels of Commerce* (1982) focus excessively on the development of individual trade and markets and conveys the idea of a gradual transition – within the “games of exchange” – to the “high gear” world of capital and capitalism (Fiori, 2010, p. 126). To put it differently, there seems to be a missing link between Braudel's “games of exchange” and his theory of capitalist “large profits” and “large predators”.

Fiori's main argument in his *Preface to Global Power* (2010) is that there is no intrinsic factor related to exchanges and markets that explain the decision to accumulate and the universalization of market themselves, and thus, that the leap from market to capitalism must be mediated by the worlds of power and war. Put differently, the expansive force that accelerated that growth of markets came not from the “games of exchange” nor from capital-labour relations (class struggle), but from the “games of conquest”.

Somewhat counter intuitively, Fiori goes on to say that taxes were the first price of labor: only after its imposition was the population forced to produce a surplus. “The value of taxes became the elementary unit of value of the first pricing system within the payments community, unified by the sovereign's taxes and currency” (2010: 130). And as the payments of taxes in cash fostered the exchange of surpluses in markets where “taxpayers” could accumulate the necessary credit (money) required for the payments of their debts in sovereign currency<sup>9</sup>, “a virtuous circle of sovereign power accumulation and increased surplus, trade and markets” (p. 130) ensued.

For reasons not entirely known, it was only in late medieval Europe that a sufficient number of competing sovereigns monetized their tributes so as to turn Europe in what Maurício Metri (2007) – another scholar from the Federal University of Rio that participates in the “Global Power” research group – calls a “monetary mosaic”. In other words, for historical reasons there emerged in Europe endless currencies, each valid within their “taxation area”. But by “monetary mosaic” Metri means that the originality of Europe lay in the fact that those tributary territories were not isolated and in conjunction formed an “international community of payments” in which operations for the cancellation of sovereigns' debts and credits and arbitrage in foreign exchange became the first real opportunities for money to beget more money. In Fiori's words: “the first European banks were born out of these transactions and began to internationalize their operations and multiply their financial wealth in the shadow of Power” (2010:131).

The interlocking between power and wealth first appeared decisively in the Northern Italian maritime republics, where rulers and merchants often found

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translated (but not published) and can be found under the heading “Global Power Formation” (2004), in the following link: [http://www.poderglobal.net/category/2\\_capitulos-de-livros/](http://www.poderglobal.net/category/2_capitulos-de-livros/).

<sup>9</sup> The reader might note the use of the Knappian concept of “State Money” and the similarity with Modern Monetary Theory's treatment of money.

themselves being the same person, but the Italian Republics of the late middle ages were too small in scope to constitute what Fiori calls, in *The Global Power Formation* (2004, p. 14), “revolutionary forces of accumulation of power and wealth, with global expansion strategies”: the national economies, born half state, half empire.

War could not have played more important a role in the shaping of these nascent National Economies. In the north of Europe, the Hundred Years War (1337-1453) was decisive in shaping the national identities of France and England, and responsible for providing a “power concentration impetus” that outlasted the war and led to the relatively “centralized” governments of Louis XI and Henry VII. In the Iberian Peninsula, the centralizing impulse that resulted in the union of the crowns of Castile and Aragon led to the completion of the *Reconquista* (1492) and ultimately to the Great Navigations and the exploration of the American colonies. And it was the Spanish Habsburg Empire and its long wars against France in Italy (1494-1559), England (1588) and the United Provinces (1560-1648), that borne out their correspondingly National States. Lastly, the Thirty Years War (1618-1648) in Germany, the first “European International War”, was the war that finally integrated and established the frontiers (in 1648) of these incipient National States. The Great Northern War (1700-21) brought Russia into the system and by the second decade of the 18<sup>th</sup> century one could already speak of a European International System (soon to become a world system by action of the expansionist rationale of the European Nations-cum-Empires), integrated by virtue of war, the fundamental engine of this system<sup>10</sup>.

Of course, war, currency and trade have always existed. What was original in Europe, as of the Late Middle Ages, was the way the “need for conquering” induced, and was later associated to, the “need for profit”. This is why the historical origin of European capital and the capitalist system “derives from the conquering and accumulation of power and the authoritarian encouragement to the growth of surpluses, exchanges, and large financial gains<sup>11</sup> built in the shadow of winning powers” (Fiori, 2010: 132).

Therefore, the success of England in becoming the first mature capitalist country cannot be understood without bearing in mind that England was, undoubtedly, the most successful mercantilist country. Mercantilism, defined as a set of policies designed to increase the state’s power and wealth in a non-friendly environment, was necessary to create the locus in which capital could be accumulated: in Fiori’s words (2004, p. 32), “mercantilism was the knife territorial states wielded to carve “national markets” out of the vast and disorganized “European

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<sup>10</sup> This brief historical account was taken from Fiori (2004, p. 16-17).

<sup>11</sup> Public debt – often along with tax-farming – enriched the bankers of Sienna when they financed Edward II’s conquest of Wales; the Medici and the Strozzi when they administered the Vatican’s debts; or several dynasties of Genoese and German bankers (namely, the Fuggers of Augsburg) when they financed the creation of the First (Spanish) World Empire.

World Economy” of the 16<sup>th</sup> century” (and later, it was the weapon states employed to protect their new creature – the national markets – from foreign competition). To use another Braudelian metaphor, mercantilism – and all the national policies so related – was necessary to carve extraordinary profit opportunities out of the “ordinary and ever existing market economy”. Why mercantilism, financial revolutions<sup>12</sup>, and capitalists having political clout did not take place in China is what we turn now to answer.

## BY WAY OF COMPARISON: CHINA VERSUS EUROPE

Scholars have argued that, in pre-modern times, a virtuous symbiosis between the Chinese government and mercantile/financial activities was non-existent; that the Chinese government was hostile to “higher forms of exchange”<sup>13</sup>; that the Chinese highly developed and precociously meritocratic civil service drew the elite’s attention away from commercial activities and into building specific human capital to pass civil service examinations, whose basic readings were the Confucian classics, that supposedly taught “rational adjustment to the world”, not mastery over it<sup>14</sup>; that the late Imperial China – framed broadly as the Song through Qing dynasties, ca. 960-1911 CE – official discourse lauded farming and weaving activities as the material foundation upon which a proper social order should be built, a social order that “rested on wholly non-capitalist understandings of materialism, efficiency and instrumentality”<sup>15</sup>; that the self-engrossment of the Celestial Empire, particularly after its withdrawal from the avenues of long-distance trade and conflict, in the 15<sup>th</sup> century, deprived China of the inventiveness and flexibility that warring European states were forced to develop if they wished to remain sovereign<sup>16</sup>; that the impact of the Chinese empire upon the economy was negative, in

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<sup>12</sup> According to Fiori (2004, p. 28), in the 17<sup>th</sup> and 18<sup>th</sup> centuries in England alone took place the financial revolution that allowed the English State to transform its political space into an “economic, coherent and unified space”, the first capitalist national economy.

<sup>13</sup> Braudel (1977, p. 68) believes that the China of the Mings (1368-1644) and of the Manchus (1644-1912) displayed a political hierarchy that crushed all other kinds of hierarchies. In other words, the all-powerful bureaucracy would not let merchant/financial capitalists develop, for fear they might challenge bureaucratic power and society’s status quo.

<sup>14</sup> Justin Yifu Lin (1995) is especially interested in understanding why an Industrial Revolution did not ensue in China. He thinks that the incentive structure created by the specific form of civil service examinations and officialdom diverted the intelligentsia away from scientific endeavors. See also Pint-ti Ho’s classic “Salt Merchants of Yang-chou” (now Romanized as Yangzhou), who claims that as soon as salt merchant families became well-to-do, “its youthful members were encouraged to embark upon an scholarly, and ultimately an official, career, with the result that the merchant element in the family became less and less predominant” (1954, p. 165).

<sup>15</sup> See Francesca Bray (1999, p. 168).

<sup>16</sup> Jones (1987, p. 203) particularly stresses the “sudden” withdrawal from long-distance voyages (like



the sense that the “empire supported a traditional status system which was a surer access to money than was commerce”<sup>17</sup>.

All of the arguments above stress that the fact of empire, present in Ming (1368-1644) and Manchu (1644-1912) China (and much before), militated against the full impact of capitalism. The authors underline that, whenever “buds of capitalism” sprang, they were sooner or later nipped by political institutions that (1) either diverted potential merchants/industrialists away from pursuing a “capitalist career”, or (2) made sure they would not receive the necessary support from the state – according to the Braudelian/Arrighian tradition, vital for the development of capitalist dynasties – because the geopolitical situation of non-competition (of empire) dispensed with the politically risky prospect of supporting merchant/financial capital. None of the authors quoted above would deny that China’s pre-modern achievements in science and technology were remarkable<sup>18</sup>, that China had probably the most advanced economy in the medieval world<sup>19</sup>, that market exchanges did increasingly characterize Chinese imperial society until its demise, etc. Nonetheless, they all believe that the fact of empire – 1371 to 1911 represented the longest period of (practically) uninterrupted imperial rule in history – *removed alternative bases of power*, that is, removed internal and external threats to the almighty Chinese bureaucracy, which consistently stifled the development of capitalism.

Notwithstanding our endorsement of the view that the “fact of empire” precluded capitalism, we need to assess some of the arguments outlined above. First of all, it is not clear why – in the social structure given by the fact of empire – Chinese merchants and entrepreneurs would be more inclined to invest their accumulated wealth in land and offices than their European counterparts. The

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those of the famous admiral Cheng Ho, who sailed as far as Kamchatka and Zanzibar between 1405 and 1430) in the mid-15<sup>th</sup> century. As reasons for the “inexplicable withdrawal” Jones suggests the impact of financial and military difficulties in the North of China, which drew its attention away from distant voyaging, which had anyway always been for China a rather unprofitable activity (these maritime enterprises were more of a symbolic than commercial nature, with the aim of bringing distant lands under China’s cultural sway).

<sup>17</sup> See Hall (1985, p. 48). To strengthen his argument, Hall (, p. 48) Shiba (, 1970, p. 2): “Many merchants and industrialists also sought to buy official status, and it was inevitable that, as the conflict between growing urban economic power and intensifying official control become more pronounced, the upper classes in the cities would attempt to safeguard their wealth by assuming a politically parasitical character”.

<sup>18</sup> “Needham was able to demonstrate that China had preceded Europe in a number of important discoveries and inventions, including documenting three Chinese inventions that Francis Bacon associated with the birth of the modern world: printing, the magnetic compass, and gunpowder” (in Bray, 1999, p. 162).

<sup>19</sup> Specially during Song times (960-1279). However, it is important to remember, as stressed by Hall (1985, p. 46), that the great commercial expansion under the Song took place during a period of actual political disunity: between 1127-1279 the Song lost control of Northern China to the Jin Dynasty, and it is known that the Southern Song considerably bolstered its naval strength to defend its waters and land borders and to conduct maritime missions aboard.

Marxist scholars Brenner (1976, 1977) and Teschke (2003) argue that, in pre-capitalist Europe, where agrarian relations were essentially feudal (even during most of the Early Modern period, in continental Europe) – most of the surplus that the ruling elites extracted from the peasantry was invested either in land or in the purchase of offices. Calling Absolutist France a tax/office state, the authors claim that a good deal of the surplus in the French economy was channeled into the state by way of the selling of future revenue streams (tax-farming) or through public debt *per se*. The French State resorted to these expedients because, like any other Pre-Modern state, it did not possess big enough a bureaucracy to directly administer taxation, and thus was forced to do so via local notables. For all the talk of the power of the Chinese empire, its government was even more ill-equipped: in the early sixteenth century there were probably not many more than 20,000 Mandarins (civil servants) for a population of probably no less than 150,000,000<sup>20</sup>, whereas in early seventeenth-century France the Crown could count on almost 40,000 royal servants, or one for every 400 inhabitants<sup>21</sup>. This means we should not think that the Chinese bureaucracy had strong blocking powers over the development of trade. For example, despite a series of edicts (between 1371 and 1567) that officially banned foreign trade, private “pirate” trade continued to exist<sup>22</sup>. In the rest of this paper we will outline how it was precisely the fact that Chinese capitalists were seldom the instrument used by Ming or Qing authorities to draw revenue from, build Merchant Empires<sup>23</sup> or help wage wars – and not the purported blocking powers of the bureaucracy – that stifled their development.

Scholars often view Ming-Qing economic history in the light of the Song Era (960-1279). The Song – and to a lesser degree, its predecessor, the Tang (618-907) – period brings the formation of institutions and structures that evolved in the foundations of what we think of Traditional/Imperial China: a land-based tax system; the regularization of a merit-based civil service; and the use of written examinations, rooted in Confucian ideology, to select candidates. The political changes were accompanied by long-lasting transformations in the economy: a shift from large landholdings to an agriculture regime based on small-holder ownership and the growing importance of markets for goods and factors of production along with the extensive development of private mercantile activity (Brandt et.

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<sup>20</sup> See Huang (1981, chapter 2, Hall, 1985, p. 41).

<sup>21</sup> See Brewer (1989, p. 12). Of course, not all of those 40,000 were directly paid by the crown (like modern public servants would be), but the sheer difference between each country’s civil servants to population ratio shows how the Chinese empire penetrated society less starkly than the common sense image of “great empires” would suggest.

<sup>22</sup> See Hall (1985, p. 49-50) and Wang’s article in (1990), who writes of the Hokkien Merchant Pirates from South Fujian, the most successful overseas traders between the thirteenth and eighteenth centuries.

<sup>23</sup> For a comprehensive account of how European States nurtured merchant capital development, see the (1990) and (1991), both edited by James D. Tracy.

al., 2013: 6). In other words, building on the considerable expansion of markets and commerce under the Song – some of which declined during the short Mongol (Yuan) interregnum (1279-1368) – the Ming-Qing era witnessed renewed expansion of commerce and growing commercialization of agriculture. Wong (1999: 215-217) goes on to assert that between 1500 and 1800 some of the same kinds of commercial expansion that took place in Europe also happened in China. Commercialization penetrated to the village level and engaged peasants in cash cropping activities. Long-distance domestic trade was rampant, grain being the most important commodity traded (40% of the total in the eighteenth century). Even international trade was also significant – most was intra-Asian, with China shipping manufactures and tea in exchange mainly for timber, spices, bullion and horses –, though for obvious reasons the bulk of demand and sales was domestic and trade could never make up much more than 1% of pre-modern China's GDP<sup>24</sup>.

However, despite sharing structural economic similarities, circa 1500 there came a large set of changes in the scales and dynamics of European maritime commerce that did not take place in Chinese long-distance trade. In the late 15<sup>th</sup> century onwards different European governments started to directly support merchants and adventurers:

“The Spanish extracted New World silver, while the Portuguese and then the Dutch sought to control the lucrative trade in spices. The Dutch formed the Dutch East India Company to organize their maritime aspirations; the English did likewise creating the English East India Company. Between 1500 and 1800, Europeans in Asia and the New World shifted from spices to drugs and stimulants – coffee, tea, and sugar. For sugar Europeans went beyond merely organizing lucrative trading arrangements, creating what Sidney Mintz has called “agro-industrial enterprises” in the Caribbean and Brazil” (Wong, 1999, p. 216).

The Chinese imperial government did not offer as much support to merchants because, in Wong's words (1999, p. 221), it “did not depend either economically or politically on the support of many rich merchants for its fiscal security or its political power and legitimacy”. Hence, Chinese officials would not risk making concessions to the nascent capitalist-class, concessions that granted European economic elites an unprecedented voice in government.

This is not to say that commercial capitalism did not exist in Traditional China. For example, two major merchant groups came to occupy dominant positions across the empire (Wong, 1999, p. 217). In the north the Shanxi merchants, who expanded their wealth in the fifteenth century by supplying government troops in the northwest in return for monopoly rights in salt distribution to the

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<sup>24</sup> This is a backward projection based on statistics from the 19<sup>th</sup> century. See Ta-chung Liu and Kung-chia Yeh, 1965 (Brand et. al., 2013, p. 12).

interior<sup>25</sup>. In central and southern China the Huizhou<sup>26</sup> merchants established themselves in many marketing centers. The economic undertakings of these merchants were broadly similar to those practiced by, say, merchants of northern Italy or of the Low Countries. Each competed with others for profits to be made through long-distance trade. In particular, when the above mentioned grain-salt exchange system broke up in the end of the fifteenth-century, merchants from the region of Shanxi and merchants from Huizhou of southern Anhui met in the newly-formed Liang-huai salt-administration area. With the salt-trade thrown open, new opportunities were afforded to these two groups of merchants who, “because of the niggardliness of their native soils, had long been trading throughout the empire and gained notoriety for their hard-working and frugal habits” (Ho, 1954: 143). For centuries, they reaped great profit from the salt trade. The Liang-huai salt merchants even contributed financially to the Qianlong Emperor’s (1735-1796) campaigns to suppress the Jinchuan rebels in the western province of Sichuan. But, yet, no “European-like virtuous synergy” between the need for profit and the need for conquering ensued. It is, then, in the general exam of Imperial China’s fiscal system and needs that we might find the answer to why this was so.

Peer Vries’s (2012) thorough survey of the Chinese system of public finance in the period stretching from the consolidation of Qing rule in 1683 to the outbreak of the First Opium War (1839) reveals, *pace* Pomeranz and the revisionists, a state that was in almost all relevant financial aspects completely different from Early Modern European states. In China we see no upward trend in the collection of taxes, no development of constitutional constraints on the executive, no consolidation of public debt, no discernible system wherein revenue was traded off for property (and monopoly) rights; no consolidation of state-sponsored chartered companies, etc. Indeed, notwithstanding the long tradition of describing China in terms of “oriental despotism” and of claiming that there taxes were oppressively high<sup>27</sup>, official tax income for Chinese Central government was *very low* during the Qing. According to Vries (2012, p. 18 ss.), these are the estimates of the average annual official central income for the government: 35 million taels during the reign of the Kangxi emperor (1662-1722); 40 million in the reign of the Yongzheng emperor (1722-1735); and some 43 to 48 million during the reign of Qianlong (1735-1796) (and it continued to be at that level for the next half century). Of course, these figures refer only to the *official* taxes on land, salt and customs<sup>28</sup>. Adding all types of surcharges, the Imperial Household income – that although not

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<sup>25</sup> These merchants were also engaged in many businesses including the provision of commercial credit.

<sup>26</sup> The Hui Merchants began to thrive during the Southern Song period (1127-1279), but rose to commercial prominence from the middle of the Ming. “Although the bulk of the trading activities of the Hui merchants were along the Yangzi River, especially the Lower Yangzi region, their reach extended nationwide and even overseas to Japan” (see Gupta and Ma, 2010).

<sup>27</sup> Too see why this position is not tenable anymore, see Blue (1999) and Vries (2013, p. 58-61).

<sup>28</sup> Analyzing official documents of central tax incomes, Lai (2012, p. 6) finds that in 1753 land taxes

government income *per se*, was often used to pay for public expenses – and sources like the sale of offices, land, titles and tax-farming, Vries’s very high guess – according to him, higher than any guess ever found in the literature – is that total income for the Qing government may have amounted, before the Opium war, to a maximum of 300 million taels, in peak years. What is surprising about this figure, says Vries (2012, p. 20), is that it is extremely low (per-capita wise) compared to the central government income for Europe’s most successful fiscal-military state, Britain (even without taking into account that only a minor part of these 300 million taels ever reached Beijing). Three-hundred million taels were roughly equivalent to 11 billion grams of silver (using the official conversion rate of 37 grams a tael). In England, taxes were clearly on the increase during the so-called Second Hundred Years War (1688-1815) against France. The average annual taxes jumped from 3.6 million pounds during the Nine Years War (1688-1697) to 6.4 million, during the War for the Spanish Succession (1701-1714). They would double again to 12 million in the American War of Independence (1775-83)<sup>29</sup> and reach a whopping 28 million pounds<sup>30</sup>, at the end of the Napoleonic Wars (1815), what amounted to around 18% of National GDP<sup>31</sup>! 28 million pounds are worth slightly more than 3 billion grams of silver, using Vries’s exchange rate of 110 grams a pound sterling. In other words, in the beginning of the 19<sup>th</sup> century the British state drew almost a third as much tax revenue as the Chinese state from a population 20 to 25 times smaller<sup>32</sup>!

Of course, 1815 was a peak year and the purchasing power of silver was 2 to 3 times higher in China than in Britain. In any case, the comparison between tax revenues leaves out Britain’s most lethal weapon: the public debt. Tax receipts scarcely funded a third of the immediate costs of military mobilization of most 18<sup>th</sup> century wars<sup>33</sup>. The Revolutionary Wars of 1793-97 cost the British crown 100 million pounds, 90 million of which came from loans. The percentage of immediate military costs covered by loans came down to 50%, during the Napoleonic Wars (1798-1815), if only because of Pitt’s new income tax. But one must not forget that this last war cost the British state an astronomically high figure of 772

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brought in 29,611,201 taels, salt 5,560,540 taels, and customs 4,324,005 taels. In 1812, land taxes brought in 29,324,005 taels, salt taxes 5,797,645, and customs 4,810,349 taels.

<sup>29</sup> These figures are from Brewer, 1989, p. 74.

<sup>30</sup> In O’Brien (1988, p. 3).

<sup>31</sup> Yeh-chien Wang (1973, pp. 80, 128, 133) Brand et. al. (2013, p. 37) finds that in China total government revenue from all sources amounted to roughly 2.4 percent of net national product in 1908, suggesting that tax revenues remained well below five percent of total output throughout the Qing period.

<sup>32</sup> In 1800, for example, there were 10 million people in the UK and at least 260 million in China.

<sup>33</sup> They funded only 26% of the expenditures on the War of Spanish Succession and only 19% of the American War expenses, for example (O’Brien, 1988, p. 4).

million pounds (MacDonald, 2003: 339). By 1815, public debt reached 830 million pounds, or more than 250% of GDP (O'Brien, 2006).

Vries (2012, p. 15 ss.) contends that the British public debt at the end of the Napoleonic Wars, being the equivalent of 88 billion grams of silver, was equal to more than half of the Chinese GDP (following the 1833 estimate of 4 billion taels, or 150 billion grams of silver). To put it differently, this estimate of the Chinese GDP in 1833 boils down to about 10 taels or 370 grams of silver per person. And, thence, the British national debt of about 6300 grams of silver per capita would mean that the British State commanded a per capita sum 17 times bigger than the average annual earnings of a Chinese. Even taking into account different silver purchasing powers, “per capita in real terms, Britain’s government always spent far more than its Chinese counterpart – in my estimates at least, excluding Ireland, seven times as much at the height of the Napoleonic Wars –, accumulated an enormous debt, *and got away with it*” (Vries, 2012, p. 16). While other European states did not appropriate – in the long 18<sup>th</sup> century – as big a share of the national product in the form of taxes and debt, they still were in many regards closer to Britain than to China. The Dutch State appropriated roughly the same per-capita taxes as Britain in the second half of the 18<sup>th</sup> century (around 160 grams); France came a not too close second with 70 grams; Spain came with 50 and most other European states hovered around 30–40 grams of silver of average annual per-capita taxes in the second half of the 18<sup>th</sup> century<sup>34</sup>. China found itself, then, at the lower end of the scale<sup>35</sup>. The biggest difference, though, would accrue from public debt, which China did not manifest whatsoever. For lack of space, we should only refer to the fact that it was partly a financial crisis that triggered the French Revolution: public debt stood at 60% of French GDP in the 1780s (Bonney, 2004: 195).

This is not to mean that China did not wage wars. Not very unlike Europe, some 50 to 70 percent of the official budget of the central government went to the army. Compared to Europe, less was relatively spent in years of war and more in years of peace, in the form of regular military expenditure on the frontiers. Peter Perdue estimates that the major Qing campaigns between 1747 and 1805 cost an average of 5 million taels per year. The seven-year campaign of the Yongzheng emperor (1723–1735) against the Zunghars had cost even more, close to 18 million taels per year<sup>36</sup>. Of course, those were emergency expenditures that have to be added to the annual regular military expenditures – during roughly the period from 1740s to the turn of the 19<sup>th</sup> century – of 32 million taels. To conclude our numerical comparisons, following Vries (2012) the 37 (32 regular plus 5 extraordinary) million taels per year in military expenditures during the Qianlong reign

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<sup>34</sup> These figures are from Karaman e Pamuk, 2011, p. 6.

<sup>35</sup> Using the very generous estimate of a maximum of 300 million taels for government income (roughly the same number as the Chinese population in the beginning of the 19<sup>th</sup> century), we would boil down to one tael of taxes per person, or roughly 37 grams of silver.

<sup>36</sup> See Beatrice Bartlett’s *Monarchs and Minister*, 1991: 121–22, Vries (2012: 27).

would amount to double the expenditures on the British military in the same period<sup>37</sup>. Per-capita wise, then, Britain spent 10 times as much on its army and navy as China.

This overall comparison between the Chinese and British fiscal systems shows us that the average Chinese subject had a much smaller stake in the government. Parallely, the Chinese state did not penetrate as much into society. In his brilliant analysis of taxation during the Ming (1368-1644) – we should stress that the Qing retained most of the Ming tax rates – Huang (1974) describes how there was widespread evasion by influential landowners<sup>38</sup> and how, therefore, the Ming could not increase tax rates without disproportionately hurting the poor; how government finance under the Ming represented an attempt to impose an extremely ambitious centralized system on an enormous empire without the necessary technology or administrative capacity (and without the necessary numbers of officials); how public finance was always in disorder not because of excessive absolute expenditure, but because the system had very limited flexibility and handling capacity; how, ultimately, the low official tax burden – owing to the Empire fiscal system’s “ideological preconceptions, rigid sense of responsibility, compartment spheres of action, unrealistically low salaries, insufficient office personnel, lack of information, deficiency in logistical capacity at the intermediate level, and reluctance to invest (all connected in one way or another with initial under-taxation)” (Huang, 1974: 315-316) – led to rampant corruption at the local level (as the officials complemented their income with illegal extortions) and to under mobilization of the empire’s financial resources.

In the end, the financial establishment of the Chinese Empire was passive – as a rule expenditures were normally simply adapted to income and in case of problems one resorted to ad-hoc solutions – and the low-level of taxation only made possible because of the Ming and Qing dynasties’ “policy” of peace abroad and austerity at home. Clearly, this was only natural as long as the system could depend on “continuing cultural and political dominance over a large and self-sufficient economy which was able to disregard commercial pressures and competition from above” (Huang, 1974, p. 323). In other words, China did not consider itself surrounded by enemies or competitors, especially after the defeat of the Zunghars in the 1760s. As a matter of fact, the celebrated “Ten Great Campaigns” fought during the reign of the Qianlong Emperor (they took place in various moments between 1755 and 1792) helped enlarge the area of Qing control in Central Asia, but most of these campaigns were not exactly “wars” – definitely not European-like wars between powerful states –, but actually policy-like actions on frontiers. The fiscal stress seems to have been even lower in previous Qing governments, as

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<sup>37</sup> In terms of domestic purchasing power, 37 million taels are about the same as 37 million pounds sterling. British military expenditure averaged slightly less than 20 million in the mentioned period.

<sup>38</sup> In 1632, tax arrears of 50 per cent or more were reported in 340 counties, that is, more than a quarter of the fiscal districts of the entire empire (Huang, 1974, p. 308).

the Kangxi and Yongzheng emperors had the habit of providing loans to merchants.

It seems no coincidence, then, that the more peaceful rule of the Ming and Qing, as compared to the previous dynasties of Yuan and Song, was accompanied by decreased per-capita taxation and financial sophistication (Guanglin Liu, 2005). Even though the Northern Song supposedly rule all of China from 960 to 1127, the constant threat posed by the militant nomadic Jurchen – who actually conquered the capital – encouraged the Chinese to step up military expenditures. This period also coincided with the great socioeconomic reforms led by Chinese economist and chancellor Wang Anshi (1021-1086). Anshi thought the State should take the management of commerce, agriculture and industry into its own hands. He also successfully advised the government to convert the obligations of the populace into monetary obligations and to step up the production of copper coins, so as to foster trade. The fact of disunity was even clearer during the Southern Song (1127-1279), after the Jurchen Dynasty conquest of Kaifeng, in 1127. It encouraged the Song to “build a navy in order to man all waterways that stood between them and their northern competitors” (Hall, 1985, p. 46).

Yet once China was reunited under the native Ming dynasty, it proved possible again to downplay military innovations and the use of gunpowder. Financial techniques widely employed under the Song and Yuan – land taxes assessed in copper coins produced *en masse* by the state, wide use of paper currency<sup>39</sup>, integration of fiscal accounts, professionalism in fiscal administration – seem to have been lost under the Ming (Huang, 1974, p. 316) and not particularly recuperated under the Qing. The absence of inter-state competition forced onto China a tendency to a condition of stagnation, or even historical reversion (Fiori, 2004). Its absence meant that the great concern of the Ming and Qing emperors would be to sustain a centralized fiscal authority with extensive, rather than European-like intensive coverage.

This non-intensive tapping of subject’s wealth and skills towards the goals of the state translated, in the geopolitical area, into the so-called tribute system, “an institutional arrangement through which the moral authority of the Chinese empire could be translated into normative pacification in Chinese International relations” (Zhang, 2001, p. 47). Thence, In the Sino-centric world, China was by definition *the world*, its empire was by definition *universal*<sup>40</sup>. Of course, China’s hegemony was never as fully political as it was cultural<sup>40</sup>. But precisely because it was more cultural, and as long as the non-Chinese ruling elites accepted the “as-

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<sup>39</sup> It is said that the great Mongol Kublai Khan, who ruled China in the 13<sup>th</sup> century, confiscated all gold and silver, issued a lot of paper currency and established its credibility by decreeing that his paper money must be accepted by traders on pain of death. The efficiency of the system is said to have impressed Marco Polo in his visit to China (see Yang, 1953).

<sup>40</sup> It is interesting that, “when the Mongols and Manchus conquered China, they had already to a considerable extent adopted the culture of the Chinese. They dominated the Chinese politically, but the Chinese dominated them culturally. They therefore did not create a marked break or change in the



sumptions underlining the prevailing belief in the moral purpose of the state” (Zhang, 2001: 58), i.e., as long as they accepted the Confucian conception of the world as civilizational, in the sense that the “organizing principle of sovereignty is concentrically hierarchical, with China sitting at the core” (p. 56-57) and others participating in this order and assigned a place according to how “civilized” they were, no alternative institutional/geopolitical design seemed to be able to challenge the *Pax Sinica*<sup>41</sup>. And, more importantly, under the *Pax Sinica*, Imperial China’s military prowess did not matter that much precisely because it was not a necessary condition for the maintenance of this world-order.

The European “world-order” could not be more different. Though the Latin Christian Church could have been seen as an Empire, as “an heir to Rome” – not of course, in the military sense, but in the spiritual, ideological, cultural and legal arena – the very role the papacy played in making a secular empire impossible<sup>42</sup> – in the West, the “church evolved its own system of authority as well as its own imperial claims and sought to deny divine legitimacy to all other rulers” (Brady, 1991, p. 127) – transformed the Church into another of the various political and legal entities fighting for power and recognition in Europe. It was this power struggle that would create fiscal-military states and capitalism as the dominant mode of production that would later conquer the world.

Under the *Pax Sinica*, on the other hand, cheap government made sense. It entailed a kind of “agrarian paternalism”<sup>43</sup> where agriculture was seen as the main pillar of society and where rulers interpreted the “state’s mandate as one of managing and stabilizing wealth rather than controlling and extracting it” (Vries, 2012: 33). Likewise, the concept of concentrically hierarchical sovereignty translated into “control from afar” and lean government<sup>44</sup>. Policy-wise then, the agendas of Ming and Qing rulers resembled much more *laissez-faire* than mercantilist doctrines. That’s why, even though rich Chinese merchants sometimes contributed

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continuity and unity of Chinese culture and civilization” (Fung Yu-Lan, A short history of Chinese philosophy, 1953, apud Zhang, 2001, p.55-56).

<sup>41</sup> The term normally applies to a long period of peace in East Asia, under Chinese Hegemony, and stretches from the beginning of the Ming to the 19th century. Here, we use it metaphorically to mean the Chinese world-order and the Chinese Empire tribute system.

<sup>42</sup> Because “the church refused to serve as a second fiddle in an empire equivalent to those of China and Byzantium, and thus did not create a Caesaropapist doctrine in which a single emperor was elevated to semi-divine status” (Hall, 1985. p. 134-135).

<sup>43</sup> Not being forced by revenue shortages to bestow “capitalists” with a louder voice in government, Chinese officials stressed the need for balance between farming, commerce and crafts (see Wong, 1999, and Fray, 1999).

<sup>44</sup> “The Kangxi emperor, to just give an example, is supposed to have remitted 100 million during the first forty-nine years of his reign and decreed an empire-wide amnesty that excused each province in turn from remitting its annual land tax once in a three-year cycle. Famous and very consequential is his promise in 1713 that the head and poll taxes would be permanently based on the quotas of 1712.” (Vries, 2012: 31)

to their emperors' campaigns and tours<sup>45</sup> – and vice-versa, as tax remissions were common among Chinese emperors –, they had no support from their rulers in the form of public investment in merchant infrastructure<sup>46</sup>; they were never encouraged to go abroad or form chartered companies (no Merchant Empire was built); they were (almost) never given monopoly rights; i.e., taxes were not channeled from the general populace towards “bourgeois” needs: no bourgeois revolution ensued. Ultimately, no leap from the market economy to capitalism took place because no significant group of capitalists were taken into the state's bosom and shielded from competition in world-wide markets.

Competition, after all, is the mother of capitalism. But it should be more than clear by now that we do not endorse the well-known argument that geopolitical competition within Europe made for an overall freer economic environment where, following institutional economics, progressive adoption and enforcement of rent-seeking thwarting institutions diminished transaction costs and paved way for the coming and utter generalization of free profit maximizing enterprises. From the beginning we have – specially following Braudel (1982) and Fiori (2004, 2010) – assumed that the life-force of the capitalist are uncompetitive rents, that in both the history of capital accumulation and the history of interstate power struggle, the winners have been historically those who featured greater capacity or proclivity to *break the rules and circumvent the institutions* that have been created either to protect market competition or state sovereignty. In trying to circumvent these institutions, Early Modern European states were, in fact, heeding their “imperial calling” (Fiori, 2004). In this sense, all states are imperial – as Tilly puts it: “at the very moment empires were falling apart in Europe, the main European states were building empires outside Europe...” (1996: 244) – and the very difference between the Chinese Imperial Order and Europe's is that China actually managed to secure a cultural and political monopoly. Had that happened in Europe, military and economic power would also have ceased to matter as much because the very competition that fuels them would have ended.

Lastly, we should note that, in pursuing their imperial strategies abroad and at home – the very creation of national states in Europe meant the subjugation of less powerful local powers – European states happened to favor a particular form of property (merchant property) and created fiscal-military apparatuses with intensive, not extensive, coverage. European fiscal states – mostly through represen-

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<sup>45</sup> In the Qianlong period, salt merchants' contribution to military supplies, water control projects, and the emperor's southern tours amounted to 30 million taels (Lai, 2012, p.7). Sometimes the contributions would lead to capital shortages, which would then lead to salt merchants needing to borrow from the state, what was not entirely uncommon as well.

<sup>46</sup> Late imperial government did intervene in the economy, but it surely did not follow a capitalist rationality: “All through the two millennia of the empire the state would undertake to open up new lands for cultivation; to loan tools, seed, and animals to settlers on the lands; to develop irrigation projects; and to disseminate improved methods or equipment and encourage the cultivation of new crops” (Fray, 1999, p. 173).

tative institutions that were predominantly of aristocratic origins, where nonetheless these aristocrats became increasingly aligned with moneyed interests and where taxation was becoming increasingly more regressive<sup>47</sup> – transferred large amounts of wealth from the populace to military entrepreneurs, merchant/pirate adventurers and capitalist land-owners: capitalism was born a rent-seeking society.

## CONCLUDING REMARKS

In this paper we eschewed the notion that capitalism – as an unfettered search for growth of the capital stock – can be directly derived from the development of markets. We argued that such capitalist rationality has to be explained – not assumed –, because it is not consistent with society’s (in principle) much more rational praise for social stability. We pointed out how both Late Imperial China and Early Modern Europe were highly commercialized societies, but only the latter made the leap to capitalism. We then sought answers to this theoretical problem (of the transition) in what we called the “Braudelian/Arrighian school of Political Economy,” which draws a distinction between capitalism and the market economy, capitalism being the anti-market, where the possessor of money meets the possessor of political power and where large profits are reaped. Bearing on this literature, we concluded that the reason why Imperial China did not embark on a capitalist accumulation trajectory, whereas Early Modern Europe did, must have had something to do with different “state rulers to economic elites” relationships.

Following the clue laid out by José Luis Fiori – a Brazilian scholar who developed a theory of the origins of the capitalist interstate system as deriving from the way the “need for conquering” induced, and was later associated to, the “need for profit” – we proceeded to demonstrate how the *Pax Sinica* entailed relatively low military spending on the part of Chinese rulers and low taxes on the populace. We also stressed how the relatively peaceful Chinese world-order translated into a kind of agrarian paternalism with extensive coverage and lean government. This meant that Chinese officials did not have to heavily tax merchants and notables. Therefore, they did not have to negotiate rights and duties with the mercantile class, i.e., concessions that granted European economic elites an unprecedented voice in government, with which they enacted reforms that all societies had previously thought unnatural.

But more importantly, we concluded that Europe made the leap to capitalism only because it created (exclusive) fiscal-military states that imposed themselves in Europe and abroad and routinely used military power to wage trade wars and

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<sup>47</sup> Notwithstanding the impression created – by academics of institutional persuasion like North and Weingast (1989), Stasavage (2003) and Hoffman and Norberg (1994) – that the trading off of revenue for political rights was a process wherein those who paid the bulk of taxes and those who were represented were identical.

stifle competition. To those European rulers and capitalists, power and plenty were inseparably connected. We thus hope that this paper will instigate fellow scholars to do further research on how power and plenty are still inextricably connected in Modern Capitalism, on how Braudel's *contre-marchés* are still the lair of the big shots who thrive above the economics textbooks' markets based on so-called representative agents.

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