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Chapter 7

Historical capitalism, East and West

Giovanni Arrighi, Po-keung Hui, Ho-fung Hung and Mark Selden

East–West relations over the past 500 years present two main puzzles. The first concerns the extraordinary geographical expansion of the European system of states. By 1850 or shortly thereafter, that system had come to encompass the entire globe, thereby reducing the China-centered tribute-trade system to a regional subsystem of a now European-centered global economy. What is most puzzling about this tendency – which is what we shall understand by "the rise of the West" – are its modest origins. On the eve of its first major expansion across the Atlantic and around the Cape in the late fifteenth century, the European system of states was a peripheral and chaotic component of a global economy that had long been centered on Asia. In spite of this first expansion, two centuries later no European or American state had managed to create within its domains a national economy that could match the size, complexity and prosperity of the Chinese economy. And yet, within the short span of another century, tiny "Great" Britain was poised to incorporate within its domains the entire Indian subcontinent, and then, in cooperation and competition with other Western powers, to turn China from the center into a peripheral component of the global economy. How can we explain this turnaround?

The second puzzle concerns the extraordinary vitality of the East Asian region in the 150 years since its subordinate incorporation in the European- and later North American-centered global economy. By 1970 or shortly thereafter, this vitality translated into a crisis of Western hegemony that has yet to be resolved. Integral to this crisis has been an acceleration of economic growth in the East Asian region that has made a re-centering of the global economy on East Asia a distinct historical possibility, recent setbacks notwithstanding. This tendency – which is what we shall understand by "the rise of East Asia" – is no less puzzling than the first. The peripherality and chaos that had been emblematic of Europe on the eve of its overseas expansion came to characterize East Asia throughout the last half of the nineteenth and first half of the twentieth century. The results were devastating. By 1950, China had become one of the world's poorest countries; Japan had been reduced to a vassal state of the United

States; and the Cold War was creating a seemingly unbridgeable gulf between maritime East Asia and Mainland China. And yet, less than half a century later the gulf was bridged by a dense web of commercial exchanges; Japan and other lesser "islands" of East Asia's "capitalist archipelago" had replaced the United States as the world's leading creditor nations; and Mainland China's weight in the global economy was increasing far more rapidly than that of any other entity of comparable demographic size. Whether this turnaround is the preamble to a re-centering of the global economy on East Asia is too early to tell. But whether it will or not, explaining the dynamic of the turnaround and how the turnaround relates, if at all, to the legacy of the China-centered tribute-trade system and the East Asian regional economy constitutes a major challenge for the historical social sciences.

In seeking at least partial solutions to these puzzles, we shall begin by recasting the contentions of previous chapters in an analytical framework that focuses on the dynamic of systems of states. Next, we use this framework to seek a solution to the first puzzle through a comparative analysis of the still distinct but related dynamics of the East Asian and European inter-state systems in early modern times. Then, we analyze the dynamic and contradictions of the single global system that emerged out of the nineteenth-century globalization of the European system of states. Finally, we seek a solution to the second puzzle by investigating the relationship between the economic vitality of East Asia under US hegemony and the historical legacy of the China-centered tribute-trade system.

Concepts for analysis

In their contributions to this volume, Sugihara, Pomeranz, and Hamilton and Chang present new evidence and arguments in support of the view that economic development in East Asia through the eighteenth century was in most respects at least as advanced as in Europe. Indeed, as R. Bin Wong (1997), André Gunder Frank (1998) and Pomeranz himself (1999; 2000) had previously argued, in the late eighteenth century the Chinese national market far surpassed in size and density any Western national market. This greater size and density of the Chinese national market were not just due to China's much greater population. It was due also to levels of commercialization, agricultural productivity, sophistication of manufactures and per capita incomes as high as, or higher than those of Europe's wealthiest countries. Implicitly or explicitly, the proponents of this view argue further that the nineteenth-century "great divergence" between the economic and political fortunes of Europe and East Asia *cannot* be traced to a prior technical and organizational edge of European institutions *vis-à-vis* their East Asian counterparts.

The strongest claim in this respects is Hamilton and Chang's

contention that the buyer-driven organization of textile production and distribution that emerged in late imperial China constituted a highly efficient alternative to the producer-driven, "Fordist" type of organization that emerged in the early twentieth century in the United States. More generally, as Sugihara argues in his chapter, the eclipsing of the East Asian industrious revolution by the European industrial revolution in the course of the nineteenth century was not due to a lesser economic efficiency of the East Asian developmental path. Rather, it was due to a bifurcation of the two paths and a gradual exhaustion of the potential for efficient growth along the industrious revolution path.[1]

Most of these accounts limit themselves to describing rather than explaining the divergence in question. Pomeranz (2000) does provide an explanation by tracing the divergence to differences in resource endowments and in core–periphery relationships – to the fact, that is, that the Americas provided core regions of Northwest Europe with a far more abundant supply of primary products and demand for manufactures than East Asian core regions could obtain from their own peripheries. As he puts it in his contribution to this volume, this difference

> allowed European technology and investment to develop in labor-saving, land and energy-gobbling directions at the very moment when the intensification of resource pressures previously shared by all core regions were forcing East Asian development along ever more resource-saving, labor absorbing paths.

This explanation of the divergence of the European and East Asian developmental paths is compelling in so far as it goes but begs a number of questions that bear directly on the two puzzles that we set out to solve in this chapter. For one thing, it does not tell us why starting in the fifteenth century European states showed a much stronger disposition than East Asian states to expand territorially overseas and to create the kind of core–periphery relations with their overseas domains that eventually enabled Britain to open up the path of the industrial revolution. What forces drove European states to build overseas empires and to establish the kind of core–periphery relations with their overseas domains that enabled European economies to develop in land-and-energy-intensive and labor-saving directions? To this we should add that the great nineteenth-century divergence between the East Asian industrious-revolution path and the European industrial-revolution path was premised on a greater European command not just over natural and energy resources but over financial resources as well. Where did that greater command come from bearing in mind that, as Frank (1998: 283, 356–7) has convincingly argued, China remained through the eighteenth century the "ultimate sink" of the world's money?

Another set of questions arise from the fact that the onset of the "first" industrial revolution in Britain was associated with a sharp contraction of European empires in the Americas and a quickening of the pace of British territorial expansion in Asia. What was the connection between this geographical shift of European colonialism and the subsequent diffusion of the industrial revolution from textiles to railways, steamships and an increasing number and variety of capital goods? And how did this diffusion affect political and economic relationships between Europe and the rest of the world in general and East Asia in particular? Finally, what forces promoted the eventual *fusion* of the industrious and industrial revolution paths that Sugihara sees emerging first in Japan and then in the East Asian region at large? Why did the fusion start in Japan when it did, and what are the chances that it will decrease income inequalities worldwide, as Sugihara envisages?

Our contention in this chapter is that, in order to answer these questions, we must focus on two related aspects of the comparative and relational dynamic of the European and East Asian regions. One concerns the role of inter-state relations within and between the two world regions and the other the role of capitalism in shaping regional and global processes.

On the first aspect little needs to be added to what has already been said in the Introduction. The comparison of particular institutions or developmental processes as they operate or unfold *within* different world-regional systems is essential to an understanding of the macro-dynamic of those systems. There are nonetheless aspects of that dynamic that emerge out of the *combination* and *interaction* of the systems' units and, therefore, can only be grasped by comparing the combinations and interactions themselves rather than the units that combine and interact. An especially important instance of such systemic aspects of regional macro-dynamics is a feature of early modern European states that is widely recognized to distinguish them from East Asian states in general and China in particular. This distinguishing feature is the intense competition that set European states against one another and recurrently led to the displacement of one state by another in the role of regional leader. As we shall see, although East Asian states also competed with one another, the nature of their mutual competition was very different from the European, as witnessed among other things by the fact that through the eighteenth and into the early nineteenth century China occupied a far more stable hegemonic position in the East Asian inter-state system than any state did in the European system. As Takeshi Hamashita has shown, during often protracted periods of stability, the China-centered tributary-trade system frequently provided a basis for mediating inter-state relations and articulating hierarchies with minimal recourse to war, certainly by comparison with Europe.

Be that as it may, the scope and intensity of inter-state competition are typical systemic properties that can only be grasped by paying due attention to other systemic properties, such as the number and variety of states that interact in a given setting, the distribution of power and resources among the interacting states, the existence and nature of complementarities among the interacting states, the rules and norms that inform the interaction, and so on. As our analysis will show, the identification of systemic properties must pay special attention to the strategies and structures of specific states. The states that are singled out for analysis here are chosen not because of their significance as representative examples of a region's states but because of their significance in shaping systemic structures and processes.[2]

Turning now to the role of capitalism in regional and global developmental processes, we concur with Frank (1998: 330–2) in not finding at all useful the notion of capitalism understood as a mode of production. Unlike him, however, we find an alternative notion of capitalism essential to answering several of the questions we raised earlier, and especially the question of why money capital accumulated more rapidly and massively in European than in East Asian core regions even when China was the ultimate sink of world money. This alternative notion of capitalism is based on Braudel's characterization of the world of trade as a three-layered structure. In this structure, "capitalism" occupies the top layer and consists of those participants in trade who systematically appropriate the largest profits, regardless of the particular nature of the activities (financial, commercial, industrial or agricultural) in which they are involved. This layer presupposes the existence of a lower (intermediate) layer – the "market economy" – consisting of regular participants in buying and selling activities whose rewards are more or less proportionate to the costs and risks involved in these activities. Finally, at the bottom of the hierarchy there lies the "non-market economy" of barter and self-sufficiency, consisting of individuals and organizations that participate only intermittently (or not at all) in buying and selling but whose activities are directly or indirectly an important source of vitality for the upper layers (Braudel 1981: 23–5; 1982: 21–2, 229–30; see also 1977: 39–78).

The usefulness of this definition has not escaped Wong who uses it to distinguish "between a Braudelian commercial capitalism and the operation of a Smithian dynamics of economic expansion." In his view, China had gone farther than any European state in the creation of a *market economy* (that is, in promoting and experiencing a Smithian dynamics of economic expansion) but "did not have some of the organizational forms and financial institutions of early modern Europe that promoted the creation of [Braudelian] commercial capitalism" (1997: 50–1). More specifically:

> Much European commercial wealth was tapped by needy governments anxious to expand their revenue bases to meet ever-escalating expenses of war . . . Amidst the mercantilist competition among European merchants and their governments for wealth and power, maritime expansion played a role of particular importance. Both European merchants and their governments benefited from their complex relationship, the former gaining fabulous profits, the latter securing much-needed revenues. The late imperial Chinese state did not develop the same kind of mutual dependence on rich merchants. Lacking the scale of financial difficulties encountered in Europe between the sixteenth and eighteenth centuries, Chinese officials had less reasons to imagine new forms of finance, huge merchant loans, and the concept of public as well as private debt. Not only did they depend little on mercantile wealth to support the state, they also feared the potentially disruptive consequences of both concentrated wealth and the *pursuit* of such wealth.
>
> (Wong 1997: 146; emphasis in the original)

As we shall see, there is a close correspondence between this and our own assessment of the comparative East Asian and European dynamics in early modern times. Nevertheless, our distinction between a (Smithian) market dynamic and a (Braudelian) capitalist dynamic does not confine the latter to commercial activities, as Wong does. Braudel himself underscored how the essential feature of historical capitalism over its *longue durée*, that is, over its entire lifetime, has been "its unlimited flexibility, its capacity for change and *adaptation*," rather than the concrete forms (commerce included) it assumed at different places and at different times (Braudel 1982: 433; emphasis in the original). This conceptualization explicitly includes "industry" as one of the "specializations" that came to characterize historical capitalism at a certain stage of its development. This specialization led many "to regard industry as the final flowering which gave capitalism its 'true' identity." But this is a short-term view.

> [After] the initial boom of mechanization, the most advanced kind of capitalism reverted to eclecticism, to an indivisibility of interests so to speak, as if the characteristic advantage of standing at the commanding heights of the economy . . . consisted precisely of *not* having to confine oneself to a single choice, of being eminently adaptable, hence non-specialized.
>
> (Braudel 1982: 381; emphasis in the original; translation amended as indicated in Wallerstein 1991: 213)

As these passages show, the distinguishing feature of a Braudelian capitalist dynamic is not the undertaking of commercial rather than industrial or agricultural activities. It is instead the continual switching of resources from one kind of activity to another in an "endless" pursuit of monetary profit. As in Karl Marx's "general formula of capital" (M–C–M'), the investment of money (M) in a particular combination of commodities (C), be it purely commercial or commercial-industrial or whatever, is strictly instrumental to an increase in the monetary value of the investor's assets from M to M' (1959: 146–55). Indeed, in a strictly capitalist dynamic the transformation of money into commodities may be skipped altogether (as in Marx's "abridged formula of capital," M–M'), whenever systemic circumstances allow the capitalist stratum to reap greater profits in the credit system than in the trade and production of commodities. This has been recurrently the case in all the leading centers of capitalist accumulation, from early fifteenth-century Genoa, Florence and Venice to late twentieth-century United States, Western Europe, Japan, Singapore and Hong Kong (Arrighi 1994).

If the Braudelian capitalist dynamic is best symbolized by a mixture/alternation of Marx's general and abridged formulas of capital (M–C–M' and M–M', respectively), the Smithian market dynamic is best symbolized by Marx's formula of commodity exchange, C–M–C', in which money (M) is mere means in the transformation of a set of commodities C into another set C' of greater use value. Ideo-typically, the main difference between the two dynamics is that, other things being equal, the first tends to generate surpluses of means of payment (the accumulation of such surpluses being pursued as an end in itself), whereas the second does not (money being just a means of transforming one set of commodities into another of greater use value). This difference, as we shall see, helps in explaining why in the seventeenth and eighteenth centuries the leading capitalist states of Europe came to be affected by a surplus of capital, in comparison with China's shortage, in spite of the latter's persistent balance of payment surplus *vis-à-vis* Europe.

In the analysis that follows we shall show how the intense political-military competition that from the start set European states against one another was an essential ingredient in the enlarged reproduction of the (Braudelian) capitalist dynamic that recurrently engendered an ever growing surplus of capital within the European regional system. This ever growing surplus of capital, in turn, provided both the means and incentives of new rounds of political-military competition on an ever expanding geographical scale. Directly and indirectly, this self-reinforcing cycle of capital accumulation and territorial expansion was the main driving force of those technological and organizational innovations ("industrial revolutions" included) that eventually moved the European system to dominion globally.

Our analysis will nonetheless also show that this self-reinforcing cycle attained its limits once it resulted in the incorporation of the East Asian regional system within the structures of the globalizing European system. In the short-to-medium run, the impact of the incorporation proved highly disruptive for the East Asian system. Over time, however, the incorporation created regional and world-systemic circumstances favorable to the fusion of the industrial and industrious revolutions paths that constitutes the mainspring of the recent East Asian economic renaissance.

The European and East Asian dynamics compared

In comparing the structures and dynamics of the European and East Asian regional systems, we may begin by noticing the almost exact correspondence between the period of European history that Braudel has called the "extended" sixteenth century (1350–1640) and the Ming period in East Asian history (1368–1643). In the course of these three centuries the two regional dynamics came to influence one another to an unprecedented degree and, at the same time, the seeds for the subsequent divergence began to germinate. The divergence materialized only in the two centuries following the Peace of Westphalia in the West and the demise of the Ming in the East. But its origins can be traced to the different responses of the two regions' leading governmental organizations to the fourteenth-century collapse of the Mongol empire and the consequent disintegration of the thirteenth-century Afro-Eurasian world trading system reconstructed by Janet Abu-Lughod (1989). Let us look at each of these two regional responses in turn.

The European dynamic

The European response was characterized by long wars that went far toward launching a Braudelian capitalist dynamic in inter-state and intra-state relations. One such war pitted the main intermediaries and beneficiaries of European trade with the East, the Italian city-states, against one another in what Braudel has called the "Italian" Hundred Years War (1976, I: 331, 388). The outcome of this secular struggle influenced the subsequent transformation of the European world system in three main ways. First, the Peace of Lodi that at the end of the war in 1454 institutionalized the northern Italian balance of power, provided a model for the institutionalization of the European balance of power by the Westphalia treaties two centuries later (Mattingly 1988: 178). Second, the state that emerged victorious from the confrontation (Venice) became the prototype of the strong capitalist state in the double sense of "perfect example" and "model for future instances" of such a state – a model that was still advocated by leading members of the British business community at the end of the Napoleonic Wars (Ingham 1984: 9). Finally, least recognized but most important, the great loser of the war (Genoa or more precisely the expatriate Genoese business diaspora) became the main capitalist driving force behind the subsequent overseas expansion of the Iberian states (Arrighi 1994: 109–22).

Equally significant were the better known Anglo-French Hundred Years War (1337–1453) and the subsequent Castilian-Aragonese expulsion of the Moors from the Iberian peninsula. These wars jointly consolidated the formation in the European subcontinent of competing national states of approximately equal capabilities in a condition of permanent struggle for power in peace and war. Integral to this condition was the intense inter-state competition for mobile capital that, as Max Weber noted (1961: 249), created unique opportunities for the take-off of a capitalist dynamic in Europe.

These unique opportunities were created in two complementary ways. On the one hand, intense inter-state competition for mobile capital inflated the profits as well as the "invisible" but nonetheless substantial power of the transnational ethnic business communities that had come to control the most prolific sources of mobile capital in Europe – that is, the Florentine, the Genoese and the German, and to a lesser extent the Lucchese and the English (Boyer-Xambeu *et al.* 1994). On the other hand, it created extraordinary incentives for the rulers of the territorial states of Europe to tap directly the main sources of mobile capital through an "internalization" of capitalism within their domains, that is, by themselves undertaking, or by encouraging their own merchant classes to undertake, the lucrative business of long-distance trade with the East.

For most of the sixteenth century the first tendency was predominant. The history of the European overseas expansion of this period has largely been written in terms of Iberian leadership, both in the rounding of the Cape and in the conquest of the Americas. That the Portuguese and the Spaniards were themselves following in the footsteps of Venice in their attempts to appropriate the largest share possible of European trade with Asia is a widely acknowledged fact. What remains to be acknowledged is what we may call – to paraphrase Alan Rix (1993) – the leadership "from behind" that the Genoese capitalist diaspora exercised *vis-à-vis* the Iberian states. This leadership was largely invisible because of the particular relationship of political exchange through which it operated. In this relationship, the Iberian rulers specialized in the highly visible pursuit of power and organization of overseas expansion, while the Genoese capitalist diaspora specialized in the less visible pursuit of profits and transformation of the products of overseas expansion into money and credit (Arrighi 1994: 109–26).

Thanks to this relationship, in the seventy years that Braudel calls the "Age of the Genoese" (1557–1627), Genoese merchant-bankers came to exercise a rule over European finances comparable to that exercised in the twentieth century by the Bank of International Settlements at Basel –

"a rule that was so discreet and sophisticated that historians for a long time failed to notice it" (Braudel 1984: 157, 164). For most of this period, according to Richard Ehrenberg, "it was not the Potosi silver mines, but the Genoese fairs of exchange which made it possible for Philip II to conduct his world power policy decade after decade" (quoted in Kriedte 1983: 47). By 1617, Genoese capitalists had squeezed so much out of their Iberian connection as to turn Spain and Portugal, in Suárez de Figueroa's words, into "the Indies of the Genoese" (quoted in Elliott 1970: 96).

Increasingly, however, the tendency for the ruling groups of Europe's emerging national or proto-national states to tap directly the main sources of mobile capital became predominant. The chief instrument in this endeavor was the launching of joint-stock chartered companies. Although England was the first to launch several of these companies, throughout the seventeenth century by far the most successful (and the model that all others sought to replicate) was the Dutch *Verenigde Oost-Indische Compagnie* (VOC). The VOC inaugurated a new era, not just in business history, as Nils Steensgard (1974, 1981, 1982) has maintained, but also in European and world history. Without the large and steady cash flow generated by the activities of the VOC in Southeast Asia, Amsterdam may have never become the site of the first stock exchange in permanent session with a volume and a density of transactions that outshone all previous stock markets (Braudel 1982: 100–6; 1984: 224–7; Israel 1989: 75–6; 256–8). Once established, and until it was displaced by London in the late eighteenth century, the Amsterdam stock exchange became the central clearing house of European high finance. This function of central financial entrepôt put in the hands of the Dutch capitalist oligarchy a power *vis-à-vis* the larger territorial states of Europe that bore no relationship to the limited (and shrinking) political-military capabilities of the Dutch state (Arrighi and Silver *et al.* 1999: Chapters 1, 2).

The success of the VOC in Southeast Asia, and the lesser success of the *West-Indische Compagnie* (WIC) in the Atlantic, initiated a race among European states to form exclusive overseas commercial empires. This race gained momentum after the European balance of power was institutionalized by the Treaties of Westphalia (1648) – an institutionalization largely due to Dutch leadership "from behind." The Atlantic soon became and remained throughout the eighteenth century the main arena of the competitive struggles engendered by this race. But Asia remained the unwitting arbiter of the European struggle. As Charles Davenant observed in the late seventeenth century, whoever controlled the Asian trade was in a position to "give law to all the commercial world" (quoted in Wolf 1982: 125).

The East Asian dynamic

The European and East Asian regional systems in early modern times were sufficiently similar to make their comparison analytically meaningful. Both consisted of a multiplicity of political jurisdictions that appealed to a common cultural (i.e., civilizational) heritage and traded extensively within their region. Although cross-border trade was more publicly regulated in East Asia than in Europe, since Song times (960–1276), private overseas trade had flourished and transformed the nature of tribute trade itself. As Takeshi Hamashita notes of the tributary-trade system:

> Although the categories and quantities of goods to be traded were also officially prescribed, the volume of private trade gradually increased over time. As a result, the main purpose of the tribute trade came to be the pursuit of profits through the unofficial trade that was ancillary to the official system.
>
> (1993: 75–6)

Equally important for our purposes was the flourishing of trade networks linking central and southern coastal China and Southeast Asia that were entirely independent of the tributary system, and often directly flouted imperial edicts.

We can even detect analogies in the inter-state competition that characterized the two regional systems. The separate domains that were held together by the tribute-trade system centered on China were "close enough to influence one another, but . . . too far apart to assimilate and be assimilated." The tribute-trade system provided them with a symbolic framework of mutual political–economic interaction that nonetheless was loose enough to endow its peripheral components with considerable autonomy *vis-à-vis* the Chinese center. Thus, Japan and Vietnam were peripheral members of the system but also competitors with China in the exercise of the Imperial title awarding function, Japan establishing a tributary type relationship with the Ryukyu kingdom, and Vietnam with Laos (Hamashita 1994: 92; 1997: 114–24).[3] Sugihara goes even further in maintaining that the diffusion of the best technology and organizational know-how within East Asia makes it "possible to think of the presence of an East Asian multi-centered political system, at least with regard to China and Japan, with many features analogous to the inter-state system in Europe" (1996: 38).

Moreover, the Chinese center itself recurrently came under pressures analogous to those that fueled inter-state competition for mobile capital in Europe. Pressures of this kind contributed to the great expansion of Chinese private sea trade during the Southern Song period (1127–1276). The heavy military expenditures and reparations involved in the wars with

Mongol and Tungusic peoples on China's northern frontiers induced the Song court to encourage private sea trade as a source of revenue – a source that became all the more essential with the loss of control of the North and the silk route, and the weakening state capacity to sustain such profitable government monopolies as salt, iron and wine production (Tian 1987: 143; Zhuang 1989: 19; Lin and Zhang 1991: 13). Particularly significant was the Southern Song administration's encouragement of Chinese navigation technology through the provision of financial and technical support to shipbuilders. Chinese junks then became the most advanced vessels in the world. Their sharp-head, flat-rear and sharp-base design allowed them to navigate with high speed in turbulent seas and Chinese pioneered the use of the compass in navigation (Lo 1969: 77–91; Chen 1989).

Finally, military pressure and territorial losses in the north provoked a major increase in north–south migrations toward the regions south of the Yangzi River. These warmer regions were the most suitable for high-yielding wet-rice cultivation (Bray 1986: 119). As the population of these regions increased rapidly, achieving densities far higher than those in Europe, so did the mastery of the techniques of wet-rice agriculture leading to what Mark Elvin (1973: Chapter 9) has called the "revolution in farming." The efficiency of wet-rice cultivation in guaranteeing sufficient food supplies enabled farmers to increase the quantity and variety of products that they cultivated and marketed and to engage in non-agricultural activities. As Ravi Palat observes:

> Since the productivity of fields could be achieved through additional inputs of labor, areas under wet-rice cultivation could support increasingly greater densities of population. The demographic growth made possible by intensive farming both facilitated an expansion in non-agricultural occupations and exerted a downward pressure on labor costs.
>
> (1995: 59)

Under the impact of state encouragement and the development of wet-rice cultivation, the maritime trade and the market economy of the coastal regions entered a long upswing characterized by advances in navigation technology, the consolidation of the "sea silk route," and the flourishing of Guangzhou, Quanzhou, and smaller port cities on the Southeastern coast as centers of tributary trade. At the same time, private sea trade, linking China's coastal regions and the South China Sea, spurred by the formation of Chinese communities throughout insular Southeast Asia, soon surpassed official or tributary trade to become the dominant mode of economic exchange between China and maritime Asia (Lo 1969: 57–8; Quan 1991a: 405–8; Hui 1995: 29–30). This "commercial revolution"

outlasted the fall of the Song in 1276. Under the Yuan (1277–1368), continuing support for private sea trade and Chinese migration to southeast Asia led to the formation of overseas Chinese trading networks across the Southern Seas and the Indian Ocean as extensive as any of the contemporary European networks (Shiba 1983: 106–7; Yang 1985: 32–4, 40–4; Chen 1989: 36–40; Zhuang 1989: 8–12, 21; Guan 1994: 57–60).

The main tendencies that characterized the capitalist transformation of the European system can thus be detected also in the East Asian system – tendencies that were especially strong in Song and Yuan times (see, for example, Yang 1952; and Elvin 1973: Chapter 14). This lends credibility to Christopher Chase-Dunn and Thomas Hall's contention that capitalism "nearly occurred first" in Song China (1997: 47). Under the Ming (1368–1644), however, the tendencies in question did not become stronger as they did in Europe, where they subjected even the most powerful states to a capitalist logic thereby propelling inter-state competition toward the formation of overseas commercial and territorial empires. On the contrary, they were brought under control through governmental policies that prioritized security and the strengthening of domestic trade and at times banned or proscribed foreign trade.

This reorientation of Chinese policies originated in the serious deterioration of economic conditions and financial crisis that characterized the transition from Yuan to Ming rule. Once the Ming regime consolidated, the capital was shifted from Nanjing to Beijing in order to protect more effectively the northern part of the empire from the threat of Mongolian invasions. The shift led to the further extension to the north of the circuits of market exchanges that had formed in the south under the Song with a consequent consolidation of the national economy (Dannoue 1995). The Ming repaired and extended the canal system connecting the prosperous rice growing southern regions to the northern political center, in order to guarantee the supply of food to the capital and the surrounding region. The further growth of the market economy and "canal cities" like Hangzhou in the lower Yangzi region was thereby facilitated (Xu and Wu 1985: 83–6, 269–72; Wei 1988: 51–2; Dannoue 1995; Hung 2001a: 491–7). Also important in this respect was the early Ming's promotion of cotton growing in the north. The ensuing specialization of the north in the production of raw cotton and of the lower Yangzi in the manufacturing of cotton textiles fostered north–south trade along the grand canal, promoting further the expansion of the national market (Wu 1965: 230–3).

While promoting the formation and expansion of a national market, the Ming government imposed administrative restrictions on sea trade and on Chinese migration to Southeast Asia in an attempt to maintain central control over revenues and contain the power of Overseas Chinese and Japanese merchants. Between 1405 and 1433 it further sought to extend the reach of the Chinese state by sponsoring Admiral Zheng He's seven great voyages to Southeast Asia and across the Indian Ocean. With ships that probably displaced 1,500 tons, compared to the 300-ton flagship of Vasco Da Gama, China's seaborne capacity at this time had no peer (McNeill 1982: 44). While strengthening political and commercial relations, manifesting China's military and seafaring power throughout a large region, thereby extending the borders of the East Asian regional system, the Zheng expeditions asserted Chinese suzerainty, extended tributary-trade relations, and sanctioned and encouraged Chinese migration and trade throughout maritime East Asia and as far as the East coast of Africa. These expeditions, however, turned out to be exceedingly expensive. They were therefore discontinued, and the Ming regime turned inward, restricting the number of tributary missions, circumscribing private maritime commerce and even banning the building of seagoing ships. The Ming became more preoccupied with immediate military threats, notably but not exclusively those on its northern frontiers. Suspicious of unofficial external trade, it strengthened internal trade and cracked down on unauthorized external trade with maritime Asia (McNeill 1982: 47; Zhang 1991: 49–51; Hui 1995: 34–8, 53; Wang 1998: 316–23).

The eventual lifting of trade restrictions in the 1560s occurred in the midst of a serious political, economic and social crisis. By the early sixteenth century, the capacity of the Ming regime to rule effectively was seriously undermined internally by widespread corruption and increasing budget deficits. Internal degradation was accompanied by mounting external pressure, in the north from the expansion of the Jurchens and along the southeastern coast from the expansion of illegal trade which bypassed Ming tax collectors. Carried out by armed Chinese and Japanese traders (*wo-kou*, or "Japanese pirates," in the Chinese government's characterization), the illegal trade was actively encouraged by local Japanese warlords who sought to use the profitable trade in Chinese products to finance their mutual struggles (Huang 1969: 105–23; Wills 1979: 210–11; Wakeman 1985: Chapter 1; Lin 1987: 85–111; Tong 1991: 115–29; He 1996: 45–7; Hung 2001c: 12–18). But with the financially strapped Ming cutting back on the costly tributary trade, and unable to exercise effective military control over southern coastal areas, private trade became once again the main form of economic exchange in the region (Zhang 1991: 48–50).

These various tendencies reinforced one another resulting in the explosive growth of social disturbances in the mid-sixteenth century (Tong 1991). Faced with the growing ungovernability of the empire, the Ming rulers sought to solve the crisis by easing peasants' grievances through tax reforms and the exploitation of the flourishing private trade. Corvée labor, one of the primary causes of peasant hardship and unrest, together with taxation in crop form, were largely replaced by the "Single-Whip Tax" payable in silver. The crippled paper currency was abandoned in favor of a silver standard, and in order to expand the silver influx from overseas, restrictions on sea trade with Southeast Asia were relaxed and licensed seafaring merchants were taxed (Wills 1979: 211; Atwell 1986; Elisonas 1991: 261–2; Chao 1993; Flynn and Giraldez 1995; Quan 1996; 1987; Hung 2001a: 498–500).

This important shift in fiscal, monetary and trade policies was made possible and encouraged by the massive silver influx from overseas trade, principally initially the trade with Japan, the major silver supplier in the region, and subsequently with Europe and the Americas (Atwell 1998: 403–16). At the same time, restrictions on sea trade to Southeast Asia were relaxed and the Ming began to tax licensed seafaring merchants (Wills 1979: 211; Chao 1993; Flynn and Giraldez 1995; Quan 1996, 1987). It is no historical accident that the shift coincided with the Spanish conquest of the Philippines in the late 1560s and the opening of the Potosi silver mines (in present-day Bolivia) in the 1570s (Brook 1998: 205). Spanish shipments of much of their South American silver to their base in Manila to pay for Chinese exports helped ease the Ming fiscal crisis and growing pressure on the peasantry. At the same time they established a new firm trade link between the European and the East Asian regions. From the sixteenth until well into the eighteenth century, fully three-quarters of new world silver found its way to China, a product both of China's highly competitive exports of silk, porcelain and tea, and a Chinese thirst for silver that drove silver prices to levels twice those prevailing in other parts of the world (Flynn *et al.* 1999: 23–4).

The expansion of intra- and inter-regional trade under the late Ming boosted the fortunes not just of China's coastal areas and maritime East Asia but of the Overseas Chinese as well. During the first two hundred years of Ming rule the trade networks of the overseas Chinese had continued to expand, despite restrictions on private overseas trading and on Chinese migrations to Southeast Asia. Trade and the associated migration became the principal means of livelihood for significant parts of the population of the southeast coastal regions of China, the source of extraordinary profits for merchants, and the primary source of revenue for local governments (Hui 1995: 35–6). "Chinese merchants, craftsmen and sailors," in John Wills' words, "became extremely vigorous participants in building a new world of trade and settlement around the South China Sea" (1998: 333). From the fifteenth century forward, despite Ming restrictions, periodic reverses and challenges from Muslims and others, Chinese were the dominant traders throughout the East Asian region, some establishing business, commercial, and financial networks extending to the village level across Southeast Asia. They linked China with a wide array of partners embracing a kaleidoscope of peoples and cultures across East

Asia, and provided a steady flow of remittances back to the southeastern coastal villages that spawned the migration and which in turn became among the wealthiest, most productive, and commercially expansive regions of East Asia (Wang 1991: 85–6; 1998: 320–3; Hui 1995).

The power of the Overseas Chinese was consolidated by the arrival of the Europeans, who, far from curbing the activities of Chinese traders, boosted trade throughout the region and beyond by supplementing the Japanese supply of silver and linking regional trade to global networks. Unlike local rulers, moreover, they had little restraint in challenging the authority of the Chinese imperial court. They thus provided political and military support for Chinese traders who circumvented the restrictions imposed by the Chinese government. This resulted in an increasing involvement of Chinese merchants in highly profitable smuggling activities with active European encouragement (Chang 1991: 16; Flynn and Giraldez 1994: 71, 74–5, 79–83; Hui 1995: 67–8; see also Chang 1969: 69–85).

Europeans also destroyed many indigenous trading classes and networks in an effort to consolidate their control over local resources and populations. They thereby strengthened the capacity of the overseas Chinese, who escaped the onslaught, to monopolize the role of commercial intermediaries between the Europeans and the region's polities and societies (Alatas 1977: 184–7, 191–5; Curtin 1984: 147, 162–8; Reid 1990: 652–4; Blusse 1991: 334). And the more valuable and exclusive Chinese trading networks became in their intermediary role, the more Europeans were induced to compete with one another in securing the cooperation of the overseas Chinese. The formation of a large merchant community in seventeenth-century Batavia, for example,

> was the result of the deliberate Dutch policy, which sought to gain a total monopoly of eastern and southeastern Asian trade through making use of the Chinese trading networks already established throughout the Malay archipelago, the Indo-China coasts and Japan ... They welcomed Chinese cooperation and tried to woo them wherever possible away from the Portuguese and the Spanish. In that way, a Dutch supported chain of Chinese communities grew up between Batavia and areas like the Moluccas to the east, Siam to the north and China and Japan to the northeast.
>
> (Wang 1991: 88)

The wealth and power of Chinese merchants attained new heights in the course of the seventeenth-century transition from Ming to Qing rule. Despite the injection of trade revenues and taxes in the form of silver, Ming financial difficulties skyrocketed with the costly Chinese military campaign to oust Hideyoshi's Japanese forces from Korea in the 1590s,

the outbreak of full-fledged warfare with the Manchus in the 1610s, and mounting corruption at court and throughout the administration. Japanese trade restrictive policies imposed in the 1630s, combined with the sharp decline in European silver supplies in the 1630s and 1640s, interrupted silver inflow into China and increased peasant burdens by driving up the price of silver. The result was a resurgence of empire-wide turbulence culminating in the collapse of the Ming in 1644 (Atwell 1986 and 1998: 407–15).

It was at this time that the Zheng merchant family created a maritime empire in some respects comparable to the contemporary Dutch empire in Southeast Asia. By the 1620s, their military and commercial power, centered in Fujian and Guangdong on the South China coast and extending to Taiwan, was such that it eliminated whatever maritime supremacy the Portuguese had managed to establish in the region. In the 1630s, Zheng Zhilong, styling himself "the King of South China," had seized control of the extensive trade networks that linked coastal China and lucrative Southeast Asian markets. Utilizing resources and contacts he had gained when working for the Dutch VOC and trading with the Portuguese and Spanish, Zheng deployed European-style warships and firearms to dominate maritime trade, defy Ming tax collectors and naval forces, and defend his kingdom. At its zenith, the Zhengs monopolized the silk and ceramics trade and built a sphere of influence that stretched from Guangdong and Fujian to Japan, Taiwan, and Southeast Asia. By 1650, the Zhengs had created a rebel state on the southeast coast. But, failing to defeat the Manchus, in 1662 they retreated to Taiwan, expelled the Dutch and founded the kingdom of Taiwan. A former Dutch governor of colonial Taiwan in 1675 compared the rise of the Zhengs as a seaborne power to the rise of the Dutch in Europe a century earlier (Coyett 1903 [1675]; Wills 1979, 1998; Struve 1988; Wong 1983; Hung 2001c). After observing that in marketing Japanese wares abroad the VOC was following in the footsteps of the Zhengs, Chumei Ho (1994: 44) has claimed with some reason that

> The Zheng networks of commercial and political intelligence must have been at least as effective as those of either of its main enemies, the Manchus and the Dutch ... Arguably, the Zheng organization had some of the same traits as the VOC.

Equally important, the Zheng maritime empire was from the start a key player in the ongoing dynastic struggle in mainland China. A respected ally of the Ming in the early stages of the struggle – when many members of the Zheng family became officers and generals of the Ming army – Zheng Zhilong attempted to switch sides after the Qing army entered Fujian in 1647. The attempt failed, as the Qing responded to Zheng

Zhilong's overtures by jailing and eventually executing him. But under Zheng Chenggong, the power of the Zhengs reached new heights until their downfall in 1683.[4]

The divergence of the European and East Asian dynamics

The expatriate business networks that constituted the pre-eminent capitalist organizations of sixteenth-century Europe invite comparison with the Chinese and other ethnic networks that constituted the pre-eminent capitalist organizations of sixteenth-century East Asia. As Braudel pointed out:

> Everywhere, from Egypt to Japan, we shall find genuine capitalists, wholesalers, the rentiers of trade, and their thousands of auxiliaries – the commission agents, brokers, money-changers and bankers. As for the techniques, possibilities or guarantees of exchange, any of these groups of merchants would stand comparison with its western equivalents. Both inside and outside India, Tamil, Bengali and Gujerati merchants formed close-knit partnerships with business and contracts passing in turn from one group to another, just as they might in Europe from the Florentine to the Lucchese, the Genoese, the South Germans or the English.
>
> (1984: 486)

Although in this passage Braudel does not refer explicitly to Chinese business networks, elsewhere he draws a parallel between the merchants and bankers of Shanxi province and the overseas Chinese originating from Fujian and other southern coastal provinces, on the one hand, and Florentine, Genoese, and Lucchese merchants on the other (1982: 153). Moreover, as we have just underscored, the seventeenth-century Zheng empire had some traits in common with the VOC, the half-governmental and half-business organization that in the seventeenth century displaced expatriate business networks as the leading organization of European capitalism. There can be little doubt, therefore, that capitalist organizations comparable to the European could and did emerge in East Asia as well. As William Rowe has noted, "whatever the reason, the divergences between Chinese and Western social histories since 1500 are not due to the fact that the progressive West discovered capitalism and the modern state and China did not" (1990: 262).

The presence of comparable capitalist organizations, however, did not make the development of the two regional systems equally capitalist in orientation. For capitalism to become dominant at the level of the system, an additional ingredient was required. While acknowledging the presence in China and in the surrounding region of business networks as capitalist as

those of the Genoese and the Florentine, Braudel himself underscores how "the Chinese example most opportunely supports my insistence on separating the *market economy* and *capitalism*" (1982: 588; emphasis in the original; cf. Wong 1997: part 2; Hung 2001a: 497–505):

> For contrary [to the] argument – no capitalism, no market economy – China did have a solidly-established market economy ... with its chains of local markets, its swarming population of small artisans and itinerant merchants, its busy shopping streets and urban centers. So at ground level, trade was brisk and well-provided for, encouraged by a government primarily concerned with agricultural production; but *at upper levels*, the state ... expressed unmistakable hostility to any individual making himself "abnormally" rich ... So there could be no capitalism, except within certain clearly-defined groups, backed by the state, supervised by the state and always more or less at its mercy.
>
> (Braudel 1982: 589; emphasis in the original)

In Braudel's scheme of things, this situation contrasts sharply with that obtaining in the European states in which capitalism did triumph.

> Capitalism only triumphs when it becomes identified with the state, *when it is the state*. 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 money-lenders. Likewise, in England the Glorious Revolution of 1688 marked the accession of business similar to that in Holland.
>
> (Braudel 1977: 64–5; emphasis added)

The contrast is undoubtedly exaggerated. Nevertheless, Braudel's hyperbole does point to an aspect of the capitalist transformation of the European regional system from the fifteenth through the eighteenth centuries that has no parallel in the dynamic of the East Asian regional system. This is the *sequence* of states with which capitalism became identified – the Italian city-states, the Dutch proto-nation-state, and eventually a state, the English, that was in the process of becoming not just a nation-state but the center of a world-encircling maritime and territorial empire. In this sequence, each state is larger and more complex than its predecessor, and it is this sequence, more than anything else, that evinces the capitalist transformation of the European regional system. And conversely, the absence of anything comparable to such a sequence can be taken as the clearest sign that, in spite of the existence of capitalist organizations analogous to the European varieties and of greater advances than in

Europe in the formation of market economies, the East Asian regional system itself was not at this time in the process of becoming capitalist.

In pinning down the difference between a regional system that was and one that was not becoming capitalist, it may be helpful to conceive of the transformation as an epidemic, or more precisely, "a rash of epidemics" (Jameson 1998: 139–40). In the European system the capitalist virus spread rapidly from its original focus in tiny city-states and expatriate business networks to larger and ever more powerful territorial states. These more powerful states "internalized" capitalism by following in the footsteps of the city-states in seeking to promote and reap the profits of long-distance trade, and by encouraging their own nationals to undertake the activities previously monopolized by foreigners organized in transnational business networks. As a result, capitalism as mode of accumulation and rule turned from an interstitial into a dominant property of the system.

In the East Asian system, in contrast, capitalism did not become identified with the system's more powerful states. For all we know the capitalist virus might very well have been as widespread as (or even more widespread than) in Europe. But if so the "immune" system in East Asia was stronger, so that no rash of epidemics ensued. Under the Ming and especially the Qing, capitalism became even more an interstitial formation than it had been under the Song or the Yuan. It became embodied ever more exclusively in the Overseas Chinese diaspora and was marginalized in Southern Chinese coastal areas, with the result that its influence on the region's main seats of power remained insignificant, despite its importance in linking the Chinese coast to Southeast Asia. *At the level of the system* that is, capitalism was "externalized" in the sense that it developed most fully on the outer rims rather than at the center of the region's most powerful states.

There were three partial and temporary exceptions to this tendency. One was insular Southeast Asia after the Ming's disengagement from the area.[5] Although many Southeast Asian states continued to recognize Chinese suzerainty formally and symbolically, their political and economic dependence on the Ming court decreased while their connections with private traders strengthened. Many of these states were autonomous port-states, commercial nodes that thrived on the profits of trade. Their number increased considerably during the commercial boom of the sixteenth century. When the Portuguese arrived in 1509, Southeast Asian trade was concentrated on Melaka. Within half a century of the Portuguese conquest of Melaka in 1511, trade had dispersed among the rising centers of Patani, Johor, Pahang, Aceh and Benten, and in the course of the next century, as Anthony Reid (1993: 208–14) observes, at least fifty-five such political and commercial centers emerged including Manila, Hue, Champa and Palembang.

This formation of autonomous port-states presents many similarities with contemporary and earlier formations of port- and city-states in the Mediterranean, North and Baltic Seas. In Braudel's sense, at least some of the Southeast Asian states were as capitalist as their European counterparts. Nevertheless, individually and collectively they never became "models" for the larger East Asian states, as the Italian city-states did for the larger European states. On the contrary, in some cases they were absorbed by the region's larger states (as in the case of Champa's absorption by Vietnam). In a few other cases they themselves became sub-regional powers within the China-centered tribute-trade system as in the case of Siam. For the most part, however, they were incorporated within the domains of European colonial empires, thereby contributing to the further spread of the capitalist virus within the expanding European system and to its containment in the contracting East Asian system.

The second exception was Japan in the Ashikaga period (1368–1573). In that period, Japan lacked a centralized authority and was in a chronic state of war among warlords. Cities and long-distance trading communities thrived not only because there was no central authority capable of containing capitalism as in Ming China. They thrived also because the competing warlords sought the assistance of cities and merchants in their attempts to secure revenue (Braudel 1982: 589–94). As Perry Anderson (1974: 440) has noted, this fragmentation of polities and growth of towns made the Japanese scenario comparable to the European. Nevertheless, the subsequent unification of Japan by Toyotomi Hideyoshi and the latter's defeat in the war with China on Korean soil from 1592 to 1598 prevented the Japanese variety of the capitalist virus from spreading to the entire region.

The third exception to the tendency toward the externalization of capitalism in East Asia was the growing power of the Zheng commercial empire in the transition from the Ming to the Qing. As we have seen, not only was this commercial empire comparable to that of the Dutch. For a while at least, it also wielded non-negligible influence on the dynastic struggles that were being waged on mainland China. Nevertheless, the very comparability of the Zheng and the Dutch commercial empires makes their opposite fates particularly instructive. In the European context, the Dutch became the leaders of the institutionalization of the balance of power among Europe's territorial states, the empowerment of capitalist strata within these same states, and the intensification of their mutual competition in building overseas commercial and territorial empires. In the East Asian context, in contrast, the downfall of the Zheng cleared the way for the demilitarization of the Chinese merchants, the consolidation of national economy-making both in Qing China and Tokugawa Japan, and the precipitous decline of the power and influence of the Overseas Chinese *vis-à-vis* the region's territorial states and the consolidating European colonial outposts. As Pomeranz (2000: 204) notes, the Zheng empire "stands as an illuminating example of a kind of activity that successfully paralleled European armed trading and colonization but was not a normal part of the Chinese state system."

Braudel does not answer, indeed, does not even raise the question of why in early modern times capitalism spread like an epidemic in the European world but did not catch on in East Asia. All he says, more implicitly than explicitly, is that the difference cannot be traced to a prior greater development of a market economy, because a market economy was more developed in many parts of Asia, East Asia included, than in Europe. But if, as we also think, the prior development of a market economy does not explain the difference, what does?

It seems to us that the most plausible and economical explanation is both structural and relational. The structural explanation has to do primarily with the more balanced and decentralized structure of power in the European than in the East Asian inter-state system. Without such a power structure, it would have been difficult, if not impossible, for capitalist organizations that were either territorially insignificant or without a territorial foundation at all to wield the kind of power and influence that the Italian city-states did in the fourteenth and fifteenth centuries, the Genoese diaspora in the sixteenth century, and the Dutch Republic in the seventeenth and early eighteenth centuries. Nor would inter-state competition for mobile capital among the larger territorial organizations of the European system have been as intense as it was throughout these centuries. And in the absence of these conditions, it is hard to imagine how the capitalist epidemic would have spread in the European system as fast as it did (cf. Arrighi 1994: 27–47).

Counterfactual evidence in support of this contention comes precisely from East Asia, where the huge territorial and demographic size of China, combined with the power it exercised through the tributary-trade system, created a fundamental underlying imbalance and centralization of power in the region. As this imbalance and centralization of power were consolidated first under the Ming, and after an interlude under the Qing, the possibility that capitalist city-states would become models of state-and-war-making for the larger territorial states (as was the case in fifteenth-century Europe) became in East Asia even more remote than it already was. The same imbalance and centralization did not prevent expatriate ethnic networks of merchant-bankers comparable to the European from forming in East Asia. But they did prevent these networks from gaining the upper hand in relationships of political exchange with the rulers of the region's most powerful territorial state, as the Genoese network did with Imperial Spain in the sixteenth century. And finally, for all its similarities with the Dutch maritime empire, the Zheng empire really never had a chance to lead "from behind" the larger territorial organizations of East Asia to institutionalize the balance of power as the principle regulating their mutual relations (as the Dutch Republic did with the European states at Westphalia), for the simple reason that in East Asia there was no such balance of power to institutionalize (Hung 2001a: 501–3; Hung 2001c).

This (comparative) structural explanation of the divergence of the European and East Asian developmental paths in early modern times can be seriously misleading unless it is combined with a relational explanation, namely with the fundamental asymmetry of East–West trade as a source of wealth and power in the two regional systems. For throughout early modern times, East–West trade was an incomparably more important source of commercial wealth and power for the governmental and business organizations of the West than of the East, most notably in the case of China. It was this fundamental asymmetry that made the fortunes of Venice and induced the Iberian states, instigated and assisted by Venice's Genoese rivals, to seek a direct link with the markets of the East. And it was this same asymmetry that underlaid the low returns, relative to costs, of Zheng He's fifteenth-century expeditions in the Indian Ocean. Were it not for this asymmetry, Zheng He might very well, in Paul Kennedy's words, have sailed "around Africa and 'discover[ed]' Portugal several decades before Henry the Navigator's expeditions began earnestly to push south of Ceuta" (1987: 7).

Columbus' accidental "discovery" of the Americas while seeking a shorter route to the wealth of Asia changed the terms of the asymmetry by providing European governments and businesses with new means to seek entry in Asian markets, as well as with a new source of commercial wealth and power in the Atlantic. But almost two centuries after the discovery, the Dutch were still in a position – to paraphrase Davenant – to lay down the law to the commercializing European world by monopolizing one of the most profitable of the Asian trades. In the East Asian system, in contrast, the primary source of inter-state power and legitimation continued to be situated at the very center of the system's largest territorial state, China. Once the overambitious attempt of Zheng's Taiwan regime to fight back on the mainland imploded, the Qing succeeded in establishing itself firmly as the region's pre-eminent power.

The re-centering of the global economy on Europe

With the consolidation of Qing rule in China, the trend toward national economy-making initiated by the Ming resumed with greater vigor. Its ultimate result was the remarkable peace, prosperity, and demographic growth that China experienced for much of the eighteenth century – what Sugihara (this volume) aptly calls the "Chinese miracle." By world-historical standards this was a remarkable achievement and a source of inspiration for leading figures of the European Enlightenment. Leibniz,