

Politics, History and Economic Change in Europe and
China

Chapters 1&7

of

Political Economy and Growth in China and Europe
since Tamerlane

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and

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Note 1: The text that follows includes the two chapters that open and close the book (save for a short introduction and a conclusion aimed at the present). In between 1 and 7 are five chapters that each use a price-theoretic model to explicate a fundamental element of the comparisons between China and Europe's political economies and economic histories. Chapter 1 tries to provide a setting and chapter 7 tries to tease out the consequences of economic change on political change, they are together the troublesome part of the manuscript, so your comments will be gladly received.

Note2: the bibliography of the book is on the site but not included in this file.

Note 3: A complete version of the manuscript was discussed at a meeting of the Economic history center at UCLA March 14 2009. This version is our initial attempt at revision. We are very grateful for the participants' comments. The detailed comments of Robert Allen, Timothy Guinnane, Philip Hoffman, and Paula Scott have been of massive help.

Chapter 1

Space, Politics and the setting for Divergence

Introduction

A thousand years ago China was a vast empire the same was true a hundred years ago. Europe, a thousand years ago was politically fragmented and it was still so a hundred years ago. Hence it might seem that massive differences in the scale of polities are constants in the histories of the regions. From there it is easy to seek either geographic determinants or cultural constants for the Chinese' early and persistent success at creating a large integrated political space (and for Europeans' failure to do the same). As we shall see in this chapter history, admonishes us to be careful with such tempting generalizations. Indeed, although a little over two thousand years ago both China and Europe were large scale empires; five centuries later both were fragmented. In the last two thousand years there were several long episodes of fragmentation in China and attempts to put the Roman Empire back together abound. The spatial scale of polities, we will argue, is an outcome of social processes.

For our purposes of comparing China and Europe, we can set aside debates about the definition of "empire." We will call polities that unify a large fraction of a world region like China, Europe or the Mediterranean basin, empires. Although China's empire sometimes lacked the obvious ethnic, cultural or religious diversity that were characteristics of the British, Ottoman, Roman, Spanish empires, Europeans both before and after Marco Polo saw it as an empire precisely because of its scale. For most of this book we will trace out the direct and indirect impact of differences in the spatial scale of polities. We will argue that differences in political structure were critical to understanding the economic divergence between Europe and China that became visible with the Industrial Revolution.

A long standing example of such consequences that we will elaborate in Chapter 3, is the greater opportunities for large markets offered by empires and Smithian growth

than are afforded by a politically fragmented region where customs barriers will surely impede trade. To be sure empires only offer opportunities for Smithian growth which are undermined when rulers substitute themselves for the market (in particular using taxes to secure grain for political sensitive location like Rome, Beijing or Istanbul) or interfere with labor market (as Russia and serfdom or the Spain's American *encomiendas*), or that of land (as the Ottomans' and Timar system for funding the army). Nevertheless, such intrusions into the market are not the sole privilege of empires; other polities did much the same.

In this chapter we seek to understand why despite the existence of successful empires in both regions two thousand years ago, the two political systems diverged to the extent that five hundred years ago, fragmentation was as stable in Europe as consolidation was in China. Rather than see repeated successes of Chinese rulers at maintaining or reconstituting their empire as a direct and simple consequence of the spread of Han culture, we will consider how Chinese imperial rulers and their official elites learned from their mistakes in order to become more successful at promising and delivering internal order and welfare enhancing projects.

We also argue that in many ways Europe's political systems, from the rise of the Roman republic to the fall of Constantinople, were striving to establish the kind of prosperity that was achieved in China but they failed. Continued political strife ensured that rulers could not survive with the general promises of public order, access to markets and infrastructure development made by Chinese emperors. European rulers would have been unable to meet such promises. Instead, they made other promises enabling them to raise the resources they needed for war; Europeans rulers had to enshrine very specific concessions to local groups in a plethora of charters. Local privileges proved to be an enduring brake on the spatial scale of political consolidation in Europe.

The boundaries of political space

As noted above, one could attribute the existence of empire in China to a variety of extremely long standing cultural attitudes or even to endowments. One could do the same for fragmentation in Europe. But such convenient explanations are belied by the

fact that empires arise in a variety of settings across world history, including both China and Europe.

In the history we recount in the next two sections three forces, gains from trade, returns from public services, and military technology recur. Rather than facts in a causal model, we used these features as threads to organize our narrative of political regime formation and transformation. Each of these three factors affected the relative stability of any particular spatial division of political authority. It is important to note that while the forces have both clear and enduring consequences on political structure, there are many other kinds of events that mattered as well. Thus the impact of changes in these variables on political practices is contingent; the effects are contextually conditioned by other factors that collectively compose a set of historical circumstances.

Let us consider gains from trade first. To be sure, in pre-industrial societies these depend largely on environmental variation (witness the shipments of rice from southern to northern China, or tin from Britain to other parts of the Roman Empire). Thus, the latent gains from trade may well be completely given. But their impact on political structure is asymmetric and contingent. When they are high, they will promote integrated political spaces but if we consider the merchant networks all along the Silk Road, or across the Mediterranean we know that trade can flourish across polities. To the extent that rulers along the trade route derive income from exchange they will not choke it off, and may be able to use those revenues (as was the case for Venice) to protect their independence. Thus, the growth of trade or the existence of large gains from exchange across nearby regions may not act as an important force in creating consolidation. But it may well act as a major force to keep large polities together. Indeed, initiating any violent conflict cuts off trade.

Our second thread involves public services. As scholars of hydraulic societies remind us, the demand for public services is partly driven by the environment. Irrigated rice paddies of southern China were much more dependent on a public infrastructure than the sheep herding societies of Spain and western England. Yet there are many more public services that a population can care about that are not driven by environmental conditions; these include public order and the security of property as well as granaries

and other policies that we can call welfare for short. Rulers have long recognized that producing more of such public services makes them less likely face internal dissention. But producing such services is expensive because rulers have to allocate revenues to such activities. It is also expensive because the provision of these services required an administrative infrastructure, the resources for which lower levels of government are often tempted to appropriate, leaving the government open to the charges of corruption or alternatively local officials can take the credit for services delivered, thereby weakening the ruler's political position. The extent of these threats depends on how the ruler structures his administrative practices. It is clear that at the dawn of the Chinese or Roman empires no mechanisms were in place to facilitate the broad distribution of such public services. How rulers succeed or failed to put them in place is a historical process.

The third thread is military technology. Clearly, a larger polity is more likely to prevail if the military technology features large economies of scale. Conversely, the easier it is for a local population to defend itself the more likely a polity is to fall apart as a result of internal dissention, and the more difficult it is for one group to conquer another. The impact of military technology, however, is contingent. While changes in the military techniques of outsiders might make it progressively more difficult to defend to an empire, many possible adjustments might occur: partition as occurred under the Song and the Byzantine; anarchy as Europe experienced with renewed raiding after Charlemagne, or conquest as China underwent with the Mongols and the Manchus. Only careful accounts of what military innovations occurred and how they intervened in particular political contexts can explain why innovation produced massive fragmentation in tenth-century Europe but not later in China.

On a second level our goal here is more ambitious since we must consider a period of two millennia in order to explain the variation in typical size of states in China and Europe. Doing so perforce means that we must consider a small set of variables and accept that at any point in time other factors may have mattered. Over such a length of time, military technology, political structure, and the demand for public goods are all the products of social endeavors. In particular, political actors (e.g. sovereigns, local elites, and potential invaders) have time and again invented new technologies for warfare and the delivery of public services, as well as invented new institutions to further their goals.

These inventions have a dramatic influence on these different facets of the distribution of political power through space.

As we shall see, there is an extraordinary degree of contingency in the process of political evolution. The history of fragmentation and consolidation has been shaped by large unforeseen events like the Great Invasions or the Napoleonic wars in Europe or the Mongol conquest in China. Even in the domestic realm, political change such as the creation of an administrative elite selected by civil service examinations was the result of innovations by specific Chinese rulers. Thus, we will proceed from history towards the comparative lessons in this chapter.

The next section begins the tale of China's success at creating a military technology that reduced the forces of entropy, at creating an administrative system that kept the center well informed of local events, and at promoting a demand for public services that was supplied locally but crucially depended upon participation and guidance by the imperial state. This is not, however, a tale of fore-ordained success; the Chinese emperor did not descend from Heaven armed with the principles of rule, while Europeans were destined to face a hell of nasty and brutish conflict. Leaders developed their policies over centuries.

6.2 From early empire to the Mongol invasions: China's memory

China's empire has very old roots, but sustaining and increasing the scale of China as a political entity required overcoming a number of challenges. Central to the process of growth was the ability of the emperor to deploy overwhelming force over long periods of time because as we all know, empires are generally created through military success. Yet sustaining the empire was a far more subtle endeavor. Consider the short lived Qin dynasty. It achieved an imperial unification in 221 BCE, yet Qin rulers fell only fourteen years after proclaiming their dynasty. As the standard accounts suggest, the Qin had a strategy of conquest but no imperial strategy of rules and they fell to popular revolts prompted by their harsh demands for resources and labor from the common people.

Like the Qin, the next dynasty (Han) prevailed in warfare among rivals to assume imperial control, but unlike their predecessors they developed policies of benevolent rule that allowed them to survive for some four centuries. The government opened new agricultural lands and maintained irrigation works that made these lands more productive. The typical rural settlement that the government sought to promote had some one hundred households each owning its own small amount of land that allowed them to meet their material needs and pay taxes to the government. A society of prosperous small holders formed a persistent ideal for Chinese rulers.

Benevolent rule was not a panacea, since not all Chinese were content to settle with the Han dynasty's rule. The emperors faced such serious challenges from elites that they lost power for fifteen years between A.D. 9 and A.D. 23 to a competitor whose failure to sustain his rule leaves him with the label of "usurper" in history books. Although the Han ruling family regained power, the dynasty was unable to extend its authority to the local level. To the contrary, powerful landed elites controlled small areas and over time increased exactions from their peasants, leading to social conflicts which erupted into rebellion. Neither these magnates nor the Han dynasty could suppress the peasant uprisings. The social unrest proved fatal for the empire. Indeed, Cao Cao the general who put down the rebels took the opportunity to establish his own authority over a third of the empire. This potential founder of a new dynasty could go no further, however, in reconstituting the empire. After he died, in 220, his son forced the last Han dynasty emperor to abdicate and three centuries of division followed.

Once again the politics of violence are central to understand this long period of fragmentation. Its causes include the presence of the powerful steppe people who began to organize themselves long before the collapse of the Han dynasty. The Xiongnu had earlier responded to Han military efforts to push them further north and west with their own counteroffensive. Later, and to the Han dynasty's dismay, the balance of military strength shifted and the steppe people gained more territory. Han leaders built walls in an effort to protect their initial territorial gains and then to protect themselves from Xiongnu advances. But nothing the Han dynasty did prevented the Xiongnu and other steppe peoples from becoming important military actors in the competition for control of north China after the fall of the Han dynasty.

After the Han dynasty fell and for a period of more than three centuries, no set of leaders emerged from within the Han's former territories or from the steppe who could build a successor empire. Political fragmentation in north China proceeded to a very local level where militias were formed for self defense and strongmen created their own small realms. In south China military rulers who ruled small kingdoms faced two kinds of challenges. Domestically, they confronted powerful families who controlled large amounts of property; at the same time they competed not only with each other but also with the much stronger northern regimes, which had richer resources bases and strong military traditions. Where northern regimes had steppe warriors, southern regimes recruited tribal minorities, convicts and vagrants. Southern rulers also aspired to civilian political ideals that had been created under the Han dynasty; these principles helped rule an empire but offered little guidance to those seeking to build a new empire. As we shall see this is precisely the period when the Roman Empire began to break apart. There as in China the same goals of achieving local security and reconstituting empire competed with each other.

Between the early third century and late sixth century there was no unified empire on the Chinese mainland. Were people able in 400 to look across Eurasia they would likely have felt that there was little chance of empires again forming at either end of Eurasia. Although ethnic Han Chinese dominated demographically, in North China they intermingled with a diverse array of steppe peoples, some of whom spoke ancient forms of Tibetan or Mongolian, while others spoke Turkic languages. These populations were organized in a series of culturally mixed small kingdoms. Their rulers were equally influenced the steppe's martial traditions and Confucian visions of imperial order. In particular, the military practices of steppe armies became the model for rulers of the northern portions of the former Han Empire. Whatever the differences initially separating them, they were all exposed to Chinese political philosophy that affirmed the norm of empire and made recovery of empire the common goal. Although the rulers of the northern kingdoms were of diverse origins, they adopted the history of the Han empire as a model for the world they had joined and wished to sustain.

To reform the empire required combining these imperial visions with sufficient military might and it was by no means a foregone conclusion that any set of leaders

would emerge who could militarily conquer all their competitors and create a new empire. Yet such a leader did emerge in the North. Yang Jian built the army able to embark successfully on a march of conquest, first against other leaders in the north and then against southern regimes unable to mount successful defenses; his successes culminated in the formation of the Sui dynasty in 589. Yet just as in the case of the Qin, a strategy for conquest was not a strategy for rule. Sui leaders demanded too much of their subjects who funded the building of the Grand Canal connecting the rice-rich south to the governing north and also paid for military adventures that took Sui armies unsuccessfully into Korean peninsula.

The Sui were replaced by a new set of leaders who established their Tang dynasty in 618 and proceeded to rule for nearly three centuries. The Tang focused on strategies for keeping the empire together. In doing so they emulated and enlarged upon the policies of the Han dynasty. For roughly half their period of rule, Tang emperors were effective central rulers who expanded the empire's borders to the west at the same time as they put in place measures to stabilize the living conditions of their peasant subjects whom they effectively taxed. The Tang worked to balance conformity with Confucian principle and thus uniformity within the empire with more practical consideration of the ethnic and cultural diversity of the empire. The Tang capital of Changan became home to a diverse population of Han Chinese who married Di, Qiang, Tuoba and other peoples, each of whom had distinctive languages, foods and clothing. Cultures and blood lines mixed to create a range of lifestyles that together represented a cosmopolitan empire. Lifestyles were about choice or expediency, not genealogy. Imperial reconstruction was aided by the absence of any European-like period of the Dark Ages that followed their "barbarian" invasions. The arts, especially inspired by Buddhist influences from India and Central Asia, flourished. Scholars sustained, without major interruptions, their classical traditions, at the heart of which were the Confucian ideas and institutions that could inspire and form a bureaucratic state. Many of the principal organs of the Tang central government, such as the six boards, provided basic and important models for later Chinese dynasties.

The Tang dynasty shared the territorial ambitions of previous dynasties. Its rulers extended and opened the country's borders into Central Asia. Like the Han dynasty, the

Tang forged a presence to the west in several of the oasis communities along the Silk Road. These connections ensured that a diverse range of cultural influences originating in distant places would continue to enrich what later became considered typical of Chinese culture, including the poetry of Li Bo and the tri-colored glazes of Tang porcelains. An open and expanding empire not only welcomed new cultural influences but also became ever more vulnerable to military threats, including those that could be posed by some of the very troops expected to keep the empire safe from outsiders as the spatial scale of their responsibilities grew larger. Some of the military forces employed by the Tang state to maintain peace were themselves recruited from Central Asia and were descendants of the biologically and culturally mixed groups that formed across the northern frontiers of the empire. Anxieties among some court officials regarding the power of these military commanders led the general An Lushan to strike because he feared that some at the center would attempt to limit or even undermine his power.

The Tang state was forced to seek strategic alliances with other steppe region semi-nomadic military forces to defeat An Lushan's rebellion of 755. As a result the Tang military had to withdraw from Central Asia and accept a far diminished empire within which late ninth century domestic unrest among impoverished peasants and powerful local lords led to the dynasty's final fall in the early tenth century when the capital was captured by an enemy general who ushered in another period of political fragmentation in which rival forces established smaller kingdoms. For a period of nearly a millennium, from the Han to the Tang, Chinese dynasties found the balance between external expansion and internal cohesion difficult to maintain. As a result the empire was repeatedly overrun and fragmented, but empire was recreated because subsequent rulers and their officials could draw upon a growing repertoire of earlier ideas and institutions to which their own innovations offered their successors even more possibilities.

The Song dynasty established by the general who came to power in the old Tang capital in 960 was no different. Its founder had not only taken over the remnants of his predecessors but also reconquered other small kingdoms that had emerged in what had previously been the Tang empire. Nevertheless, the Song dynasty ruled a much smaller realm. It was in this smaller realm that a set of key administrative innovations occurred. These political processes may well have been spurred by the more rapid pace of social

and economic change (expansion of urban centers, small-scale tenant farmers producing for the market, improved transportation technologies, and new commercial institutions and merchant networks) but to our mind they should also be seen as fundamentally new techniques of rules that reduced the transactions costs of internal administration. In particular the dynasty created a civil service bureaucracy for which many officials were recruited on the basis of passing examinations; bureaucratic sophistication and specialization enlarged the government capacities to mobilize resources and order local societies. Domestic successes were qualified by vulnerability to states formed along the northern border by groups who combined military prowess with some of the bureaucratic institutions of rule developed within the empire. Military weakness ended up forcing Song rulers south where they became one of several states on the Chinese mainland. Yet this move also reinforced the dynasty's close connections to the emerging centers of economic and social change.

Sitting in the Southern Song capital of Hangzhou in 1200 a well-informed observer of the dynasty's domestic conditions and foreign situation may well have been struck by the growing wealth of the country's cities and its increasingly precarious military situation along its northern borders where a number of states, especially if they joined forces, could threaten the Song government. Without such a coalition or consensus among northern states, our observer, if he could think beyond the framework of Chinese dynastic history, might have imagined the possibilities of a multi-state system emerging with militarily strong but commercially weak states in the north and the wealthy but militarily limited state in the south. In other words, the persistence of empire across the scale of space that had formed during the Han and Tang empires need not have been replicated thereafter. From the mid-eighth century when An Lushan's rebellion ended effective central rule under the Tang to the Mongol conquest of the Chinese mainland in the thirteenth century, there was no unified empire.

Once again, the consolidation of the empire required a superior military force that it could drive out its competitors, destroy them, or incorporate them. The Mongols did all three as part of an even larger enterprise that in the thirteenth century brought not only China but most all areas reaching westward to Europe under their rule. The Mongol conquest of large parts of Eurasia created the world's largest empire. Their territories

were so vast that it was impossible for a single leader to rule them effectively. In 1251 the empire was divided into four separate realms centered in southern Russia, Persia, the Mongol homeland, and China. The last of these was by far the wealthiest and most populous. From the vantage point of Chinese history, it is difficult to exaggerate the importance of the Mongol conquest; without the Mongols North and South China (like the eastern and western Roman Empires) might well have gone their own way. The Mongols simply destroyed all other would-be military competitors. When their far flung empire fell apart and the Mongols in China retreated to the pastures of Mongolia in the face of tremendous domestic unrest, a native Han Chinese dynasty could take over and establish its rule over the sedentary portion of their empire without immediately facing strong “barbarian” forces in the north who could mount serious territorial threats.

Clearly, the history of empire on the Chinese mainland over the first fifteen hundred years of imperial rule has a distinctive military pace. Empires formed and fell because of military offensives often coming from poorer, external foes. But we can also see a pattern of internal processes that make the reorganization and persistence of the empire more likely. These involve the successful spread of Han culture among populations that were initially radically different in terms of ethnicity, language, and social practices. These processes also involve the progressive creation of an effective structure of imperial administration. Thus, some core elements of the mature Chinese empire have very old roots. But until the tenth century the flowering of empire several times withered away, proving itself a perennial.

The persistence and growth of the Chinese empire and its equally recurring collapse leads to some reconsiderations of the political economy of scale. Rulers were regularly tempted to expand their dominions in ways that were unsustainable. Further they were not always able to adjust their political organization to respond to new challenges (domestic unrest or foreign threats). Time and again we observed changes in internal governance or in the size of the realm that led to serious problems of governance and even the collapse of the dynasty. Over the long run, however, Chinese dynasties proved quite capable of learning elements of rule that made the empire more successful. The history from the Qin through the Mongols can in fact be seen as a long apprenticeship in the strategies of internal rule; the Ming and even more so the Qing were

to capitalize on their predecessors' experiences. Successful rule involved finding balance in a variety of trade offs both with respect to the internal governance of the polity and its external relations. Domestically, emperors sought to balance the value of uniformity within the realm (which eased the flow of information) and the return to letting localities choose more specific institutions (which allowed innovation and specialization and reduced administrative expense). They also had to choose a level of fiscal requests that was compatible with the services their officials provided. In each of these cases failure to maintain balance led to revolts and lower tax collection. In terms of international relations imperial failures shine a bright light on the importance of balance. The Sui collapsed because their excessive appetite for territory brought about a reaction they could not control. Mongol rule of the Chinese mainland lasted less than a century; they viewed the people of the northern and southern halves of the empire differently and ruled them in institutionally different ways. What they had conquered they could neither transform nor rule for an extended period of time. Like their predecessors they did promote conditions conducive to gains from trade and supported local governments who provided social goods inspired by Confucian ideas about good governance. Of course, there are also clear limits to how far one should take a purely economic approach to empire. Although the 'choices' people make under the threat of force are choices, they need not always lead to greater economic efficiency. We will consider other factors conducive to the consolidation and maintenance of empire toward the end of this book. Our major purpose in the book as a whole is to explain economic practices and their implications for economic growth in the politically very different conditions of China and Europe.

6.3 From Rome to Charles V: Europe skirts anarchy

From the history of the Chinese end of Eurasia one might well be tempted to build a theory of empire based on military innovation and an ideology of rule that equated a ruler's success with his benevolent treatment of his subjects. The history of Europe suggests that these are far from sufficient. Indeed, the Roman empire was built on a military technology that vanquished foe after foe for half a millennium.

its cultural practices spread throughout the Mediterranean world; and its rulers espoused views of administration that are not dramatically different from those inspired by Confucianism. But after 200 AD the empire entered into a long agony from which it was never rescued.

Had a subject of the Song dynasty found himself visiting Europe in the tenth century, he would likely have been shocked by the parochial nature of polities and statecraft. While some princes could claim to rule over an area as vast as a Chinese province, few could exercise the kind of authority that the Chinese had over more than a fraction of their territories. Their powers were hemmed in by what Stephan Epstein has called freedoms, a host of particularistic privileges that limited the prince's capacity to tax, to regulate the economy and to provide public goods.¹ The recipients of these freedoms, be they elites or commoners, peasants or urban dwellers stood ready to revolt should the prince attempt to gain more power. Hence not only did monarchs face the natural consequences of fragmented polities, namely the threat of conquest, they also had to meet very serious internal competition. By Chinese standards, European monarchs were henpecked by their subjects. By most any standard, the rise of nation states in Europe is nothing short of a miracle.

Europe had not always been so fractious, and had Chinese travelers managed to make to it Rome around 100 AD, they would have found a much more familiar polity. Like the Chinese empire, the Roman Empire was born from the fire of war: from Hannibal's invasion of Italy to Varus's defeat in XXA, the Roman army was only dealt minor setbacks. While Varus' loss of three legions in Germany was shameful, it had limited consequences for the Empire, the westward movement of tribes in Northwestern Europe was contained for another XX years, expansion resumed in the East, until Trajan's army found itself on the banks of the Euphrates. That moment marked the end of conquest, not because the army had found too strong a foe but because Persia was simply too distant from Rome to keep.

Like China, Rome took its imperial responsibilities seriously. The first was keeping the peace. While up to 100AD the empire expanded, effectively pushing its foes

¹ SR Epstein, Freedom and Growth.

further from Rome, after that time a policy of containment was put in place. As in China, walls were built. Hadrian erected a relatively short stone barrier across Scotland. A much longer wooden palisade was built across Germany and parts of central Europe. Legions were stationed along the border and by 150 AD one of the Emperor's most important responsibilities was to secure the revenues to pay the troops—failure at that task easily marked him for death. The other key responsibility was the provision of public goods. While much emphasis has been placed on the expense the Emperors lavished on 'bread and circuses' in Rome and later in Constantinople, one should not forget that the cost of these activities is likely to have been quite small relative to the investments in useful infrastructure. Indeed the political structure produced massive private and public expenses on infrastructure that included roads as well urban amenities like paved streets, arenas, theaters, temples, and water works. While much of this was paid for by elites, rather than from tax revenue, these 'gifts' as Paul Veyne tells us were a key element of elite political control.

For several centuries Rome kept a relative peace within its empire, lowered transaction costs through the diffusion of a common language and legal codes and maintained an extensive road network. All these changes provided the means for trade to grow. The extraordinary environmental diversity of the Empire made the returns to trade large, as each region could specialize in certain 'export' commodities. In short the Roman Empire produced a classic example of Smithian growth and it is no wonder that the population living beyond its borders wanted to share in its wealth.

Like the Han dynasty, Roman emperors promoted bureaucratic integration and a common set of cultural beliefs for elites. All around the Mediterranean and throughout Western Europe, provinces saw cities mushroom with their triumphal arches, arenas, waterworks, and similar administrative structures. Not only were the men who lived in these cities citizens of their home towns; soon enough they were citizens of Rome. In fact by the time the western Empire collapsed all free men in the empire were citizens as were a number of the leaders of the 'barbarian' invaders. One need but tour the remarkable archaeological remains that survive from England to North Africa and from Spain to Turkey to get a sense of the scale of expenditures that went into forging a common identity for the elites of the Roman Empire. At the time of Trajan and Hadrian, the

empire was prosperous, powerful relative to its neighbors, and culturally successful since its diverse populations were adopting Roman ways. In short one could easily surmise that the Roman Empire was following a course parallel to China around the shores of the Mediterranean. By the second century AD, the elites of the Empire were drawn from all over the Mediterranean basin and the emperor could and did dispatch them to any of the provinces of his domains.

Yet by the reign of Marcus Aurelius the empire was on the defensive. Over the next century, the extent of military demands pushed emperors to divide the empire into a Western and Eastern half. Although Constantine would reunite them (324), he would also move the capital of the empire away from Rome further contributing to fragmentation. Another century yet and Rome would be sacked (410AD). There is no obvious date for the end of the Roman Empire; its western half ended in 480 but its eastern half would endure for another millennium.

The Roman empire like the Chinese faced many interrelated problems; that it endured is a sign that it could overcome them at least for a time. From a modern perspective two sets of difficulties stand out: first was the political instability in a regime with no set system of succession and second were the continued problems with deal with the peoples beyond the border of the empire.

To begin, the emperor was foremost a military leader; thus, the legions and the praetorian guard had much to do with the selection of an emperor. Few of Emperors died peacefully. Most seem to have met their fate at the hands of dissatisfied troops, or as a result of an internal challenge from a relative or a general; and later some would die in battle. Succession contests were further heightened because there was no rule that required a single emperor, nor was there a rule that allowed the army as a whole to make a decision as to whom should be its supreme leader. Instead, as early as Galba (69AD) troops in one region could proclaim an emperor and if successful either in intimidating the sitting emperor or in battle see their choice rise to top of the hierarchy. The convulsions that marked the death of Nero and Commodus, as well as the longer crisis of the third century were all internal struggles over whom should lead the empire. Yet despite this apparent fatal flaw the empire endured.

The second problem the empire faced came from eastern border. There it faced organized polities that we can call Persian for short. In the first two centuries following Augustus, Rome eastern neighbors were of limited importance; it was Rome that chose where to mark the borders. Indeed, the legions encountered only limited opposition. Yet by the reign Caracalla the Parthian kingdom could muster a powerful army; it would best the Romans in battle in 217. Then the rise of a new dynasty in Persia would lead to further battles resulting in the capture of the Emperor Valerian (259). The conflict in the east was expensive and protracted, but like conflict over succession, in itself it was threat that could be contained. In fact the East remained the more valuable and safer part of the Empire for many years to come.

The second external threat proved fatal, that involved semi nomadic populations living on the northern edges of the empire (from the Black Sea to the North Sea). Despite the defeat of Varus (AD 9), Rome was able to maintain the advantage until the defeat of Valens at Adrianople (AD378). As was the case in the East, the overwhelming advantages of the Roman army at the time of Caesar had permitted a massive territorial expansion. As long as the Romans maintained a massive military advantage they could police the frontier at low cost and the ability of the emperor as military leader was of little consequence. Thus the Romans maintained their sway over territories that were not densely populated and could not sustain the legion from a demographic view point. Hence up to Marcus Aurelius the western legions faced more a policing than a defense effort. The relentless migrations of populations westward did not allow such an equilibrium to persist. The frontier established by Rome implied that the populations nearest the empire were under pressure from population further to the east when they stopped moving. These populations, like those on the borders of the Chinese empire, were in close contact with Rome, at time serving as allies, and at times raiding into empire. The Goths who defeated Valens in 378 were in fact refugee from Hun expansion. The Goths turned against Rome when local administrators failed to uphold their resettlement agreement. From there to the sack of Rome, the decline was extremely rapid. Although there were efforts coming from Constantinople to put the empire back together, they all failed.

The collapse of the empire, seen in light of Chinese history, is not surprising. It was based on an idea of overwhelming military force that could not endure forever. What is more surprising is the failure to reconstitute the empire. While a large and integrated polity survived in the East as the Byzantine empire, in the West the process of political fragmentation proceeded well into the Middle Ages, and the process of nation building characteristic of the early modern period was territorially un-ambitious by Roman or Chinese standards.

Why then all this territorial fragmentation? It is clear that the Great Invasions—the massive population movements that followed 378—bear a good deal of responsibility. The invasions that followed last several centuries involved waves of population whose demographic importance was locally quite large. This is was not simply a military elite taking over an agrarian empire. The extent of dislocation was thus far more extensive than was the case with invasions of China prior to the Mongols. It has often been argued for Europe that these ethnically divided populations had cultural and political structure incompatible with Roman Empire. The evidence on this last point is far from compelling. Indeed, there is ever increasing evidence that these populations were not as fundamentally heterogeneous as thought before, and that they were far more attuned to Roman culture than was thought before (in particular many ‘barbarian’ leaders were also Roman citizens). What is also clear, however, from the new scholarship, is that notions of identity on both sides of the frontier were very fluid.² Having breached Roman defenses (or simply taken over some piece of territory) invaders then faced the need to create the political conditions for lasting control. The leader of a group like the Burgondes in fact faced multiple challenges. First, he had to hold together his ‘invading’ army—for without troops his capacity to hold his territory would evaporate. Second, he had to find ways of ruling over the local population that had been ceded to him and most often this local population was larger than that of the ‘invading’ group—failing to do so would mean that his revenues would vanish. To achieve these two goals leaders initially often choose to integrate themselves with what ‘imperial’ authority existed near or far. But the trend is unmistakable, from 400 to 800 or so the value of allegiance to some higher authority declined simply because no authority could guarantee protection.. It became clear that

that to ward of the threat of a new invader or a neighbor a ruler could only rely on the populations he controlled. The value of political and cultural practices that would have helped rebuild the empire collapse while that promoted local identity and local solidarity rose.

Nevertheless, the idea of empire endured, partly because it brought up levels of security and prosperity that most Europeans found wanting in their own times. Consider Charlemagne's empire, the last of the large empires before Charles V, as a sort of turning point. Charlemagne succeeded in controlling a swath territory from France to Germany and from the Netherlands to Italy (though he did not attempt to conquer either England or North Africa and his Spanish campaign was a failure). Having achieved conquest he thought to stabilize his polity by having himself crowned by the pope. He also began the process of creating more tangible means for stability, developing a centralized administration intent on providing some public services. But the empire lasted no longer than his life. Upon his death his three sons divided Charlemagne's conquests and soon fell to bickering amongst each other. The upshot was that the eastern part of his domains down to Italy would be known as the Holy Roman Empire while the western part would become France. By this time, most political entities throughout Europe (kingdoms, principalities and so forth) had no formal allegiance to the emperor.

One lesson that these rulers did learn from Charlemagne's heirs is that they should not themselves contribute to fragmentation. Hence the traditional practices of competitive succession or egalitarian claims were replaced by rules of primogeniture. Primogeniture insured that one kingdom would not be divided into separate parts if a ruler had multiple male heirs, but it did not preclude a ruler of multiple kingdoms from dividing them among his children. Had rulers merged their territories into a single kingdom whenever they acquired new ones, Europe might have taken a very different path.

Rulers in fact did the exact opposite by formally recognizing a variety of localized practices in territories they acquired. These practices or 'customs' included things as varied as the nature of real property, relations between landlords and farmers (or lords

² Geary, *The myth of Nations*

and peasants), inheritance rules, units of weights and measures, mechanisms for deciding levels of taxation, and the means to collect it, trade privileges and so on and so forth. In fact late medieval and early modern societies were most often constituted of many clusters of such rights for specific groups based on their social status, professional occupation, or place of residence. Until the seventeenth century at least the trend was for the continued creation of such specific rights and hence for the continuing fragmentation of political space. Consider the ruler who territorial sway could next rival that of Charlemagne: Charles V Hapsburg. Charles was separately the ruler of two dozen territories notably, King of Castile, King of Aragon, King of Naples, King of Sicily, Archduke of Austria, Duke of the Netherlands, Holy Roman emperor. While the crowns of Castile and Aragon had been united under Ferdinand and Isabella this did not imply that the territories were administered in a unified way, just that the heir to one throne would also inherit the other.

Why then had rulers in Europe accepted such formal limits on their powers? To a large extent it was expediency. In that sense they behaved more like Roman than as would be Chinese emperors. Even though rulers were well aware of the nefarious consequences of recognizing and granting rights for economic and political integration, they accepted these rights to reduce the likelihood of revolt and it was often the only way to secure prompt tax revenue for the crown. Local populations might have conceded much greater authority to their ruler had he been able to promise them the kind of economic and social environment that prevailed either in the heyday of Rome or around 1000 in China. But everyone was well aware that rulers could promise little more than Churchill's blood, toil, tears, and sweat. Indeed the competition for territory remained keen for centuries and rulers were eager to participate in this contest. Thus, promises of using tax revenues for local prosperity would surely ring hollow. Instead, local populations wisely insisted on preserving their local privileges so as to limit their rulers' military ambitions. The fragmented institutional structure implied that there were typically limits to the extent of the markets internal to each ruler's domains and the provision of public services was either nonexistent or strictly local. Certainly, a ruler who desired to extend his domain further was unlikely to remove tolls or tariffs between two of his territories.

Several decades ago, Douglass North and Robert Thomas gave a Coasian interpretation of the economy of the Middle Ages. That interpretation was premised on a hypothesis about international relations that implied that the local provision of defense services was more efficient than its supply at a larger scale. Implicitly at least, the local and largely non-market economies of the eighth and ninth centuries could evolve to become larger and more market driven if the political system changed scale. In North and Thomas' framework the scale of the political system in turn responds to a Coasian logic. While it is clear that such forces were at work in the medieval period, when we consider the longer sweep of time the drama seems far more driven by the contingency of history.

The rise and fall of empires both in China and in Europe owes far more to the dramatic changes in military technology both within those regions and on their frontiers than it does to the ebb and flow of markets or economic performance. Up to the reign of Charles V Hapsburg, Europe had had little impact on the world and China had little interest in the western of the Eurasian land mass. To the extent that Europeans and Chinese had a common experience it involved their difficulties in dealing with the steppe people of whom Tamerlane is perhaps the most famous example. In the next five chapters we explore the consequence of difference in political space for economic change. We will argue that such differences are fundamental in understanding the different trajectories of China and Europe both in times of prosperity and of crisis.

Chapter 7

Political Economies of Growth, 1500-1950: Chinese Empire and European States

We have seen in previous chapters that economic growth due to gains from trade was more easily achieved in China than in Europe during the early modern era. Despite differences among the kinds of economic institutions most typical of China and those most typical of Europe, we can find no evidence that such differences made for significantly different likelihoods of economic growth taking place in one rather than the other. Nor do differences in the representative nature of political institutions play the often anticipated role serving economic growth. Yet it is easy to be suspicious that these claims must somehow be specious for surely the economic and political practices preceding the Industrial Revolution must have influenced the manifest divergence between the economic trajectories of nineteenth-century China and Europe. We do not, however, claim that different practices preceding the Industrial Revolution had no significance for nineteenth-century patterns of economic growth. Rather, we suggest that some of the most important differences between China and Europe that mattered to nineteenth century economic growth emerged several centuries before that time. Unlike many previous observers we do not find that the differences were due to either a particular cultural genius of Europeans or to political and economic circumstances that endowed them with advantages from a very early point in time. In this chapter we suggest that early modern Chinese political economy more explicitly intended to foster economic growth than did European political economies and that officials succeeded in part because they had created political peace and social stability for more people across far more territory than European monarchs could realistically imagine, let alone pursue. The nineteenth-century economic divergence is not merely a European success story and a story of Chinese failure to emulate those successes. It is also a Chinese loss of an earlier era of political economy, in part due to the political challenges created by Westerners and the Japanese. This history seems increasingly distant from a twenty-first century that has witnessed a seemingly relentless expansion of the Chinese economy, but the abilities of

the Chinese state to foster conditions making this growth possible are in part explained by economic history.

Late Empire: Foreigners, Natives, and Chinese Strategies of Rule

While European princes, as well as rulers in the Islamic political world, were advised about how to plot to undo their princely rivals and suppress internal challengers, many Chinese officials were reading a text that was very different in substance and spirit from *The Prince*. Studying the *Supplement to the Exposition on the Great Learning*, officials considered the policies toward a variety of statecraft subjects, including water control, grain storage, taxation, and local administration of minority populations among many. Fifteenth-century Confucian scholar Qiu Jun, who compiled descriptions of statecraft policies popular in earlier centuries and wrote his own commentaries, presented his text to emperor who ordered its printing and dissemination across the empire. The text proved influential after the Manchus established their Qing dynasty in 1644 as the men who became emperor were taught this text by their Chinese tutors. They learned what the practice of benevolent rule across an agrarian empire could concretely mean. From the vantage point of the empire's sedentary population alive in the late seventeenth and eighteenth centuries, people who accounted for well over ninety percent of the empire's total, the Manchu emperors advocated and implemented a far more activist and intrusive agenda for managing society than their Ming predecessors had.

The emperor's commitment to Neo-Confucian strategies of rule was by itself inadequate to create the conditions for Ming and Qing dynasty successes at ruling the agrarian empire. Elites and commoners had to consider Neo-Confucian priorities and policies to be sensible and beneficial. At a minimum they had to believe their interests were better served within this political order than by undertaking the costs of exiting the empire. We do not mean to suggest that people were constantly evaluating the relative benefits and costs of staying within the empire in late imperial times, simply that if people had been actively dissatisfied they would have sought to reformulate their relationship to the state through some combination of voice and exit; instead they remained loyal for the most part. To claim that people could not conceive alternatives to

empire because of the dominance of Confucian patterns of thought may help explain the absence of competing political ideologies, but even within a world bounded by Confucian concepts, people would have found more modest and mundane ways to disengage from the empire had they perceived such actions to benefit them more than accepting empire. People were able to live with and within empire because they derived benefits—peace and other public goods—at a relatively modest cost in terms of taxation. They had little incentive to bear the costs of inventing an alternative way of organizing political order outside of empire because they most all enjoyed considerable social space within which the state weighed lightly on them and they could enjoy its material benefits.

Given that both elites and commoners accepted imperial forms of rule, how did Neo-Confucian strategies of social order deflect and defuse the challenges that strained and often fragmented other empires? First, the core of the social elite was composed of literati educated to seek official positions from which they gained their social status. Unlike either the early empire of the Han or the middle empire of the Tang, the late empire of the Ming and Qing dynasties did not have landed elites with large territories under their potentially autonomous control and commercial elites aspired to educate their sons so that some among them might also become officials one day. Neither agricultural nor commercial elites were pressed so hard for resources that they considered separating themselves from the center. To the contrary, elites were delegated the tasks of maintaining social order and as long as no serious troubles emerged, they were largely left alone by the state. Their interests were effectively served by a partnership with officials in which they shared a common agenda for sustaining a society from which both officials and local elites benefited.

For their part, merchant elites positively benefited from state policies that facilitated long-distance trade and their riches unlike the wealth of Italian and German merchants that was chronically vulnerable to predations from princes anxious for resources, could usually be protected from extraordinary state exactions. The state could keep its direct costs of governing the empire relatively low because it depended on local elites to shoulder much of the burden of formulating and maintaining institutions of local order such as granaries and schools, as well as undertake the repair of roads, bridges and temples. Social order was the joint product of official and elite efforts. When natural

disasters or social problems emerged, officials, elites and common people often expected joint efforts would solve the crises and when they didn't think this likely they did not imagine that some exit strategy from empire would improve their conditions. Late imperial Chinese empire under the Ming dynasty survived the kinds of domestic threats of regional power holders that undermined the effectiveness of other empires. When they lost control, their ideology and institutions of rule for society were largely adopted by the Manchus who succeeded them.

The Manchu-led Qing dynasty that came to power in 1644 expanded the empire's borders once again into Central Asia. Unlike the Mongols, the Manchus largely adopted the bureaucratic institutions of civilian rule for administering the vast peasant population of the empire. They made changes designed to improve communications, bureaucratic effectiveness and in particular responsiveness to imperial orders, but the basic institutional template and ideological justifications of rule followed the principles and policies of earlier rulers of empires. Crucial Manchu innovations took place in terms of the dynasty's relations to other groups along the empire's northern frontiers—with different Mongol, Uighur and Tibetan groups especially. But these important changes, the subject of much recent and current research in Qing history, concern areas that are not the sites of economic practices with which we have been concerned in this book.

As we look at the role of the Manchus from the vantage point of the role of outsiders either promoting the persistence or hastening the destruction of empire, we can appreciate the degree to which Manchu successes across peasant China depended upon their integration into an ongoing bureaucratic structure of rule. The eighteenth-century imperial anxieties about Manchus losing their martial spirit and becoming assimilated into Han Chinese culture reflects the considerable assimilation they underwent. The differences between the Manchus and Han Chinese, important as specialists have shown them to be, remain less stark than those between Mongols and Chinese a few centuries earlier. The political similarities and connections between Manchus and Han are even more apparent, and for us crucial, when we put this Manchu-Han relationship into a common frame of reference with the relationship between imperial Rome and its "barbarians." In contrast to the Western situation where large numbers of distinct groups invaded portions of the Roman empire with none able to either ally with or defeat the

others, outsiders in Chinese history were smaller in number relative to those already living under imperial rule. By the time Manchus appear on the scene, a demographically small group from beyond the empire had available a repertoire of policies that created benefits for both the rulers of empire and their subjects.

The emperor of China and the bureaucracy that ruled on his behalf was both far more and far less than what Westerners since the sixteenth century have often imagined. The state had far less arbitrary power to stifle society than is attributed to despots. Yet rulers fashioned strategies of rule that solved basic problems of maintaining rule across very large expanses of territory to achieve a scale of territorial power beyond what European rulers could ever realistically hope for. Even the Southern Song state, one of several states dividing the Chinese mainland, was far larger than any European state of the same era could realistically conceive of becoming. The military prowess of the Mongols meant that the strategies developed during Song times could subsequently be applied on much larger imperial scale that included parts of north China that had been lost to regimes led by rulers who had come from the steppe. The thirteenth-century Mongol military achievements created possibilities for imperial officials of the Ming and Qing dynasties to reinforce political integration through cultural means during the centuries when Europeans were forming their far smaller states. A key component of cultural methods of integration concerned state policies toward religion. Not only was Chinese religion not monotheistic, but, after the tenth century, it did not have any strong and autonomous institutional base from which religious leaders could pose challenges to officials. Indeed, the state's role in shaping popular religious practices through its recognition of some deities as orthodox and its labeling of a small number as heterodox defined a relationship between politics and religion that allowed the state to maintain an overarching supervision of practices which at the local level could be very diverse. Those who work on modern societies typically conceive cultural integration to be the achievement of nineteenth-century states whose educational policies, military conscription, and political rhetoric all encouraged the formation of national social identities. Those who work on either European or Islamic empires note the diversity of social groups under a particular set of imperial rulers who usually allow different cultural communities to be responsible for their own local social order and activities. Finally,

those working on late imperial and modern China have been more interested in identifying cultural diversity, believing that assumptions about homogeneity are misguided stereotypes.

Recognizing the role of cultural integration of the late imperial Chinese empire therefore simultaneously has to challenge three sets of assumptions: (1) only modern states have forged meaningful large-scale social identities; (2) empires necessarily divide people into religiously and culturally distinct categories; (3) Chinese social and cultural identities are too diverse and often distinct to be reduced to or combined into any simple and single Chinese identity. None of these assumptions is without its merits, but together they lead us away from an awareness of one set of reasons the Ming and Qing dynasties ruled such large spaces and populations; they also foster neglect of key reasons that China of all empires in world history was the only one to be succeeded by a durable territorial state laying meaningful claim to an empire's former domains. The state could sustain political integration in part because religious ideas and cultural practices could be simultaneously diverse and yet connected by common elements that made for bonds of cultural integration. The cultural coherence of the late imperial empire fostered social stability, which in turn made the state's commitment to maintaining peace and public order easier to achieve. It was this domestic peace and public order that contributed to the Smithian dynamics of economic growth that we have examined in earlier chapters of this book.

The political economy of the eighteenth-century state generally followed on principles articulated in the previous centuries, but committed officials to a greater degree of intervention and activism for longer periods of time than was typical under the Ming dynasty. During the eighteenth century domestic commercial taxes were deliberately kept minimal. Merchants regulated local markets on their own. For its part, the state depended on markets, not only to purchase the commodities consumed by the imperial household and the bureaucracy, but also to purchase the construction materials and hire the labor needed to build and repair government buildings. More significantly for the population, the state also bought grain in times of dearth to transport to places suffering the greatest subsistence needs. These features of the state's political economy contributed to the expansion of long-distance trade and the importance of informal

institutions addressed in chapter three. The state also encouraged the handicraft production, which we evaluated in chapter four. Some officials disseminated information about craft technologies as they moved from post to post across the empire and the state more generally chose not to tax the craft output of agrarian households, limiting itself to taxing the household's agricultural output. It would have been far more costly to tax widely dispersed rural craft production than to tax urban based production in larger workshops, which makes the state's decision to forego these taxes more understandable than if the crafts had been concentrated in fewer locations.

The state's role in private and public finance also promoted economic growth. The private credit market we examined in chapter five was largely informal; the state played a small role in regulating its activities. Chinese business was able to develop informal mechanisms to finance production and distribution without much recourse to government intervention. The costs of doing business were therefore lower than they would have been had more formal institutions been established. In public finance, as we showed in chapter six, the eighteenth-century Qing state invested far more in infrastructure, e.g., water control for production and transport, than was possible in Europe in the same time period. The state's social spending more generally was higher and it stimulated and guided lower levels of government and the elites in each locale to fund granaries, schools, road and temple repairs, and social surveillance against crime.

The contrasting spatial scales of the Chinese empire and European states offers a splendid illustration that the trade-offs offered by the theory of the firm are relevant to this political economy. The firm size (in terms of total capital/employment or in terms of the number of tasks that it takes on) is variable as technology changes, and a manager who wishes to expand his firm must develop techniques of administration that make internal management superior to that of the market. The Ming chose a smaller empire but one where the population was overwhelmingly sedentary and thus receptive to the value of peace and internal trade. That they did so is not because they could not have mustered the might necessary to recover part of the western subjects of precursor dynasties; it was because they focused their resources on internal growth. The Qing dynasty, building on that effort, was able to simultaneously expand the set of services they rendered to their peasant population and bring the empire to its largest scale. The successful strategy of

rule provided the resources for expansion. How different the experience of state formation in Europe.

State Formation in Europe from Charles V to Napoleon: European Lessons

Fragmentation in Europe ended haltingly but by 1300 the trend had reversed and states were generally growing. One reason for this is that by then the external challenges to Europe were limited geographically to the formidable threats represented by the Ottomans. From Spain to Poland, Europe was expanding based on a military technology that was radically different from that of the Roman Legion also unlike what had prevailed at the end of the first millennium. On the defensive side the importance of fortifications made it possible for relatively small states (like the Low Countries) to hold off larger ones. Yet, those fortifications, the mercenaries employed during active campaigning, and soon enough artillery trains, required resources that were beyond the capacities of larger treasuries. Larger treasuries were possessed either by small but very prosperous polities like Venice or Florence or by very large ones like France or Castille. Although many independent polities disappeared, there were serious obstacles to the expansion of states, most notably the general tendency of alliances to form against the major power of the time. Through out the centuries between Crécy and Waterloo, international conflict was perhaps only somewhat less pervasive than in the preceding millennium. The persistence of war had several consequences. One of these was the development of a military infrastructure that by the end of the 16th century had enabled Europe to extent its political authority across the globe. The other is that the demand of warfare in Europe would make the development of Chinese like-strategies of rule simply impossible prior to 1815.

In 1516 Charles Hapsburg acceded to the throne of Spain. Charles was the focal point of an extraordinary dynastic convergence. Through each of his grandparents he inherited a formerly sovereign entity. With the crown of Spain he wore those of major parts of the Italian peninsula, Austria and its dominions, and the Low Countries. Not content he was then elected emperor of the Holy Roman Empire. Soon his domains included most of Latin America after the conquests led by Cortez and Pizzaro. By the time of his abdication in 1556 he was the ruler of an empire of nearly Chinese proportion

and one that even though it did not include France vastly exceeded that of Charlemagne or Napoleon. Yet as Trajan before him, Charles V's capacity to acquire territory would exceed his capacity to rule it. When he abdicated he split the empire, mysteriously carving out the Imperial crown and the Austrian dominions for his younger brother and leaving the rest to the elder Philip II.

Charles V's European empire was definitely un-Chinese and for that matter un-Roman.³ Obviously it was far from compact, and it was not the result of some persistent expansion based on one group's military prowess over another. Further, while Charles' legitimacy as the ruler of these lands was unquestioned, the extent of his authority in any one of his domains was a complicated matter. Charles was hemmed in by the liberties his forebears had granted to the different regions they had acquired and some of these were quite extensive. More important still the administration of each region was *sui generis* and changing any of the key institutions in a locality required the assent of a local representative body, or the presence of the monarch, or both. Because so many of his territories were quite small, Charles V had much greater difficulty ruling his domains than his Chinese counterparts did. Subjects in Castile fell under a relatively uniform set of institutions but they inhabited only about two-thirds of the polity we now know as Spain. In the Netherlands there were nearly a dozen separate provinces or territories where Charles V's authority varied. Moreover, while Castilians and Catalonians may have recognized more connections amongst themselves than they did with the king's subjects in Naples or Vienna, they were far more prompt to emphasize their differences and to take political action to maintain these differences. Hence Charles V's efforts at creating coherence in his European domains did not get very far.

It is not that Charles V did not recognize the virtues of administrative reform. In fact, the Hapsburg rulers of Spain were more often than not reformers. Yet they were failed reformers—stymied by the cost of reform and by particularistic interests. In China the emperor could modulate the spatial reach of his decrees; he could choose to render an edict for the whole of his lands or for some province, or even for particular villages. By contrast, when Charles wanted to change some institution he had to do it in each and

every domain separately because he was separately ruler of several dozen territories. Hence, on mere legal grounds reform was costly, but this was not yet the end of the resistance to change. In fact subjects were willing to take up arms to defend the status quo when they disliked the crown's proposed changes.⁴

It was an attempt at centralizing (itself prompted by a desire for tax revenues) that sparked the revolt of the Low Countries. It is important to emphasize that initially at least the center of the revolt was in the South and not aligned with religious issues. The rebellion's move to the northern Netherlands only occurred after the revolt in the South failed. And it was that strategic move that precipitated the increase in sectarian conflict. Well into the seventeenth century, attempts at rationalizing institutions were met with revolt, including in the Iberian Peninsula. The very nature of the construction of late medieval kingdoms provided tremendous power to these parochial interests.

Even prior to Charles V, rulers understood this problem well, and sought remedies. By the seventeenth century a strategy of rule emerged that sought to tilt the balance of power away from particularistic interests. Although this strategy was broadly followed in Europe, it has most often been associated with the Bourbon dynasty. The French king Louis XIV and grandson Philip V of Spain were the most activist proponents of this strategy of rule known as absolutism.

For Montesquieu and many eighteenth-century Europeans there were broadly three types of political regimes. To begin there was despotism; the unfettered exercise of power by the sovereign which Europeans associated with foreign (Asiatic) empires. Second, absolutism was a form of limited government where the crown had considerable autonomy within a constitutional framework. This constitution had two key elements. On the legal side the crown was the key promulgator of new laws and key judicial authority, yet it exercised these powers only to the extent that they did not conflict with custom. On

³ We concentrate on the European empire because it is most relevant to the issues in this book. We return briefly to the colonial empires in section VI. Suffice it to say that they too were un-Chinese.

⁴ One might argue that the dangers represented by Ottoman expansion and Martin Luther's reformation would surely have derailed any strategy based on high public services and relatively low taxes. The Empire faced other dangers, however, that just as surely required keeping the level of taxes high and public services low. These included the classic European hostilities with rival powers (of which the Ottomans were only one) and internal conflicts of a non-religious nature.

the financial side, the crown could do as it wished with regards to expenditure, but it was constrained in terms of raising new revenue by the need to secure the approval of some intermediate body. Third, there were republics where the crown if it existed was reduced to head of state and it was representative institutions that ruled the day.⁵

Absolutism has both a conservative and an activist interpretation. In Montesquieu's conservative view, an absolutist monarch effectively accepted the constitutional constraints imbedded in local privileges and representative fiscal institutions. In Louis XIV's more activist position the monarch used the universalistic claims of the monarchy of divine right to reduce persistently customary restraints and the frequency with which he had to consult over revenue. While radical from a medieval stand point, Louis's claims to absolutism were in fact extraordinarily modest, at least from a Chinese perspective. He, after all, claimed to be divinely designated monarch of France *not* of Europe.

Nevertheless Louis was part of a dynastic process that aimed to make France more than a collection of disparate territories. Hence, under the guise of improving administrative efficiency, the monarch's political program was the unification of his disparate domains. This involved reducing the fiscal autonomy of provinces by eliminating local representative bodies (*Etats*), and reducing the autonomy of officials by capping local administration with a personally appointed, easily removed, functionary, the *intendant*.⁶ Clearly, as these reforms took hold, the Crown achieved some improvement in administrative efficiency and a real increase in its power. Yet on the whole reforms were limited. At the time of the French Revolution, no major European ruler's domain had a uniform bureaucracy or fiscal administration or legal system. As Epstein has reminded us, this internal fragmentation could also be found in the domains of minor potentates. Had Louis XIV or Philip V been truly given free reign they would have eliminated difference provinces autonomy and massively simplified the administrative structure of France or Spain. Absolutism thus aimed at making European countries each individually more like China, but it is important to keep in mind that this

⁵ The form of parliamentary monarchy that evolved in Britain seemed to Montesquieu at least to present an unstable equilibrium and he assumed (rightly so) that it would devolved either into despotism or into a republican regime.

had only limited effect on the continuing territorial fragmentation of Europe. The number of independent entities fell but only slowly.

The limitations to European state abilities to gain more riches and territory at each others' expense propelled some of them to go overseas. In the Americas, large expanses of land were claimed for European crowns and in Asia, merchants maneuvered to gain positions at new and old ports from which they could purchase precious spices and luxury goods. Unable to create a single empire at home, European states went abroad to build what historians have labeled as "empire." Few of their efforts meet our criteria for empire in terms of population and territory. Nor were they successful at mounting durable regimes of governing colonial populations before the nineteenth century. Thus, there is a basic contrast between the spatial scale of Chinese and European political regimes after the fall of the Roman empire.

To promote gains from trade, a peaceful empire was more advantageous than smaller war making states could be. The economic advantages to be realized from competing states came late and were unintended. Urban locations for manufacturing offered agglomeration advantages well after European industries were largely in cities for political reasons. Public finance needs of rulers helped to create the banking institutions that would become important vehicles for amassing and allocating large sums of capital needed for railroads and other bulky investments. Improvements in military technologies spurred on broader technological changes. Nineteenth-century European economic development took advantage of conditions forged by political competition of the early modern era even if governments had not deliberately created these economic advantages.

Europe's Industrialization and Imperialism: State transformations and economic growth

Social scientists often associate the conditions conducive for economic growth with those that enable democratic political regimes. Individuals who enjoy liberties and freedoms typically also benefit from secure property rights. Those places in Europe

⁶ John Russel Major From Medieval state to Absolutism...

developing economically were also those formulating democratic political institutions. The rise of representative government represents a remarkable break in its political history not only for Europe but for the world. Nevertheless, rather than the Glorious Revolution, it was the French Revolution that was a watershed for European political structures. In the eighteenth century no European country followed Britain's lead of parliamentary monarchy, just as in the seventeenth century no country had followed the Netherlands by establishing a federal republic. To a large extent this was because these regimes were anathema to the Europe's rulers. In the quarter century following the French Revolution, however, Europe experienced a massive political transformation. This included the creation of unified parliamentary monarchies in France, and the Netherlands, a significant reduction in the number of independent entities in Germany and Italy, the creation of unified authoritarian monarchy in Prussia, as well as attempts at constitutional monarchies in Spain and Portugal. Although once the Napoleonic attempt at forging a large political entity had passed a reaction set in the changes endured, for none of the restored ruling houses in France, the Netherlands or in Italy went back on fiscal centralization. Moreover these changes would spread, for instance, when Belgium became independent in 1825, it immediately adopted a form of representative government.⁷

The transformation brought on by the French Revolution has typically received less attention than the rise of democracy in the later nineteenth century. This is for several reasons. Most importantly, this transformation was quite likely to create or bolster conservative or authoritarian regimes (as it did in Prussia and the Netherlands). As a result, while this transformation seems to have been a complement to the surge in infrastructure investment that spread through Europe after the demise of Napoleon, it does not lead to the appealing equation of liberalization and growth. Yet from the point of our comparison this is the period when European states begin to look 'Chinese' with a renewed emphasis on efficient governance and infrastructure investment. This said, it is striking that even this major political innovation had little effect on fragmentation in Europe. True the number of independent states continued to fall to a large extent because

⁷ As in all things in Europe there are exceptions. Notably the Austro-Hungarian Empire was immune to the reform epidemic. Its various nineteenth-century guises emphasized the institutional distinctiveness of its

Napoleon and the Congress of Vienna redrew the boundaries of Europe. Overall, however, the most radical attempt at reducing fragmentation, Napoleon's gambit to create a single state out of territories in much of Western Europe simply failed. While many populations might have welcomed the reforms that French conquest brought in its wake they did not want to be ruled by others and the rulers were hostile to both reform and the elimination of their power.

The French Revolution and the regimes that its ripples created typically downplayed regional identities in favor of national ones. But this new identities were no more favorable to the creation of a common political space than the older provincial ones. From a Chinese perspective the partial replacement of Breton identities with French identities was not much of a step toward creating a European identity.

The lesson from European history up to the mid nineteenth century is that the fragmentation of the Roman Empire had tremendous consequence for this end of Eurasia. Long after the Great Invasion had passed, long after Europe had become an exporter of military violence, political processes remain mired in a local logic. There were economic, political, and military reasons for states to grow, and to some extent they did but painfully slowly. Instead after 1815, the governments of unified domains tried to reduce the economic costs of political fragmentation through trade and monetary negotiations. They articulated a political logic of balance of power meant to keep competition among themselves protected from unbounded pursuit of power at each others' expense. These efforts extended and elaborated upon the political sensibilities formulated in the mid-seventeenth century Treaty of Westphalia. Had Europeans been able to do more politically, they could have achieved a larger economic space with lower transaction costs and greater gains from trade but this was clearly not easy to achieve. The institutional construction of Europe that bypasses the problem of political union has its roots in the nineteenth century. Clearly, building a large economic space from the bottom up is different than building it from the top down.

At the same time as the domestic regimes of European countries developed new political institutions and fashioned new political ideologies, some of them embarked on

different components (down to the emperor of Austria separately ruling as the king of Hungary).

new overseas adventures. During the second half of the nineteenth century much of the world that had not become white European settler countries became formal colonies of European powers. European colonial rule played significant roles in defining the economic impacts of European industrialization and trade. The British promoted free trade as a virtuous and efficient way to benefit people and their economies. Even though the period and extent of free trade principles was quite limited and allowing for the advantages that such principles accorded the British themselves, the possibilities for economic growth were transformed by industrialization, by the harnessing new power sources through new technologies to produce a growing array of industrial manufactures.

Nineteenth-century British domination of the world, flanked by the presence of other European and subsequently American powers, had more than four centuries of European maritime exploration and conquest as its historical background. But only the benefit of hindsight allows us to draw connections between British expansion in nineteenth-century Asia and Spanish and Portuguese movements into the Americas several centuries earlier. It is too easy to take the emergence of Western global power in the nineteenth century as a signal that Europeans had been superior politically and economically to others in the centuries leading up to this era. From the Enlightenment forward, at least some Europeans and more recently Americans, have imagined Europe to be the birthplace of all that is dynamic and forward looking and the rest of the world as regions of economic stagnation where, at best, older grand civilizations stay home and die. Even some readers of this book may feel we inadvertently support such views by stressing the importance of domestic political economy across the Chinese empire over the importance of the empire's connections to other parts of the world.

To stress the domestic political economy of economic growth in the Chinese empire doesn't mean the empire was hermetically sealed from outside influences. But it does underscore the key importance of political and economic dynamics taking place within the empire. Foreign trade is not an important source of revenue between the late fourteenth and mid-nineteenth centuries. For the period we have been discussing, the government is more concerned about restricting foreign trade in order to limit possible disruption from having European merchants on Chinese soil. The government's lack of interest in foreign trade for fiscal purposes notwithstanding, trade had long flowed across

the empire's borders. In earlier centuries the export of Chinese silks gave the Silk Road leading out of northwest China its name. Porcelain exports from the empire's south and southeastern coasts between the twelfth and fifteenth centuries have led some scholars to think of a maritime Porcelain Road to echo the better known land-based Silk Road. Eastern and northeastern Chinese ports traded with Korea and Japan, sometimes with the Ryūkyū islands or Taiwan as sites of exchange.

By the sixteenth century Europeans, entered Asian ports and for the late imperial Chinese empire they were especially important for the silver they brought to exchange for the teas, porcelains, and silks that they exported from China to Europe. Silver imports to China between the sixteenth and eighteenth centuries made possible the creation of a bi-metallic monetary system in which silver figured prominently, both for denominating the value of tax payments and as the precious metal used in many large-scale transactions. Without a doubt the commercial economy of the Chinese empire, especially its southern half, was tied to exchanges connecting the empire to New World silver and Old Europe's consumption of Chinese products. Yet, how important were these connections to the Chinese economy? If silver had not come into the Chinese economy in the large volumes that it did, would the Chinese have been unable to expand their monetary supply and support growing trade across the empire? This is not the place to pursue concretely the monetary policy options the Chinese state debated before or after the influx of silver began to become noticeable to officials. For present purposes, we wish simply to suggest that the silver had no attributes that prevented some near substitute to be found, including perhaps the further development of credit instruments to allow trade that was otherwise possible using a combination of silver ingots and copper cash. Early modern silver imports were not part of an exchange based on division of labor and comparative advantage that would become more typical of nineteenth and twentieth-century international trade.

Once China and Europe become more connected politically and economically in the nineteenth century, the question is no longer how important were connections between China and Europe to enabling economic change or political success for either party. Rather, the issue becomes one of evaluating the significance of European impacts on China. We no longer can examine China and Europe as two large and important

regions for which the principal dynamics of political and economic change can be understood to reside within each. In the European case, such dynamics can be seen as largely developed within the region even as political and economic competition propels some Europeans to move beyond Europe. In the Chinese case, the major focus of politics and of economics is domestic. Even though China does not become a formal colony of any foreign power in the nineteenth century, the political and economic influences of foreign entrepreneurs and officials is huge. The growing presence of Europeans in nineteenth-century China was accompanied by increasing signs of a weakening central government unable to meet the twin challenges of maintaining the virtues of eighteenth-century statecraft and fashioning a new kind of state power able to manage new kinds of foreign relations. But while much of the century before the mid-twentieth century found the Chinese government failing to maintain itself let alone provide order across the country, China would emerge after 1949 as a sovereign nation ruling most all the territory previously ruled by the Manchus. And they would do so by asserting the primacy of a unitary state in which authority was vested in the central government. As a consequence, the Chinese would be in a position to benefit from the economic advantages of spatial scale once again and in ways that Europeans only began to approach concretely after World War II.

Chinese Empire: the Limitations to Growth in a World of European Dominance

The Chinese economic growth that we have examined in earlier chapters of this was possible because of the country's imperial scale. The state's political economy helped to support the institutional practices and relative prices that pointed growth along a path that would prove increasingly difficult to sustain as European political pressures created new demands on the Chinese state. Contrary to conventional opinion however we do not believe the fault lies with the limitations of the earlier dynamics of growth and their openness to new sources of change. The economic advantages of empire were lost in the nineteenth century when the twin demands of managing both domestic space and foreign relations became increasingly expensive and difficult.

Mid-nineteenth century China was rocked in many provinces by multiple large-scale rebellions and smaller disturbances elsewhere. This was hardly the first time that rebellions of disgruntled peasants undermined the abilities of a dynasty to rule. To many the mid-nineteenth century troubles were a clear sign that the Qing dynasty had lost their mandate to rule. Yet, surprisingly, the state was able to mobilize new military forces, put down major revolts and re-establish social order in both towns and the countryside. If the state's challenges had only been these domestic ones, it might well have persisted for many more decades. Had the state been able to concentrate a considerable amount of its energies and abilities on the domestic agenda it had pursued in the eighteenth century, it may well have facilitated economic growth.

If we imagine an opening to the West that gave Chinese increasing access to Western practices that could enhance economic productivity without the political demands that were fundamental to the new international relations, we might see parts of China, such as those around Shanghai and Canton, more closely paralleling what did in fact happen in Japan in the late nineteenth century. But this did not happen. Led by the British, Westerners aimed to “open” China to their merchants, missionaries and diplomats in ways that required major Chinese investments in new political institutions and economic efforts designed to strengthen the state more than enrich the country. In the half century after 1860, the Qing state labored to create new institutions and policies to negotiate with Western powers on a more equal footing, falling well short, however, of achieving a diplomatic parity. The combination of putting down domestic unrest and gearing up new initiatives to respond to foreign threats caused the state to levy greatly increased taxes on both foreign and domestic commerce. The eighteenth-century logic of promoting trade across a peaceful empire and supplying social services and goods with relatively modest taxation was no longer feasible.

Beginning at roughly mid-century, the Chinese state began raising higher taxes on commerce. By the 1870s and 1880s it appeared that the state was coping adequately with its new political agenda, even if it was unable to honor its earlier commitments to promoting and sustaining prosperity across the agrarian empire. A crucial turning point came in 1895 when the Qing was defeated by Meiji Japan in a naval war waged around the Korean peninsula; the two states supported different factions of the government and

those domestic disputes translated into competition between China and Japan for influence in the Northeast Asian region. The indemnity imposed by the victorious Japanese created unprecedented demands on Chinese public finance, forcing the Chinese government to increase its taxes and face growing domestic dissatisfaction. The Qing state confronted an even worse public finance crisis after an eight-nation army marched on the capital in 1900 to demand the Qing state put down the violence of the Boxer movement against foreign Christians. The ensuing indemnity equaled roughly three times the total annual revenue of the government. To create a payment plan, the state's finances had to be largely reoriented toward meeting this massive debt obligation.

Historians of modern China do not argue that the indemnities imposed first by the Japanese and then by the eight nations whose armies marched on Beijing were the root cause of the Qing dynasty's collapse in 1911. But it would be hard to ignore these concerns as part of a broader set of challenges created by engagement with foreign powers. The Qing dynasty failed to meet the kinds of challenges posed by imperialism. While the empire never became a formal colony of any foreign power, the compromises and constraints created by a new constellation of foreign relations made the maintenance of an eighteenth-century like empire impossible and the possibilities of exploiting new sources of economic growth unlikely at best.

It is little wonder that the political economy of growth across an agrarian empire that was present in the eighteenth century was no longer pertinent by the late nineteenth century. After 1911 and the fall of the Qing dynasty, such a political economy became completely irrelevant as the Chinese mainland was politically fragmented for most of the years preceding the founding of the People's Republic in 1949. Even in the decade between 1927 and 1937 when the Nationalists claimed to rule China, they could collect agricultural taxes from only five provinces. Their rule over many areas depended on understandings with military warlords, while they could claim in name only sovereignty over other parts of the former Qing empire, such as Tibet. Finally Taiwan, which had been settled by Chinese immigrants centuries earlier and had been incorporated administratively by the eighteenth-century state, was no longer a part of China, but a formal colony of the Japanese.

Political competition and military conflict were chronic features of Republican-era China. The kinds of conditions fostering economic growth in the empire that we have examined in earlier chapters of this book were largely lacking. Instead, political conditions in China resembled more closely the warring competition and chronic fiscal shortfalls of early modern Europe. If European history had supplied all the lessons, we could have expected the Chinese mainland to become a set of states in competition with each other. Chinese political development could then have been presented as a late copy of dynamics that worked themselves out in Europe centuries before. The Chinese stage for state making competition, to be sure, was set by imperialism more than any other factor, but absent strong colonial initiatives, we might expect dynamics similar to those in early modern Europe to have played a decisive role. We would have further reason to expect the Chinese mainland to remain politically fragmented since none of the other landed empires survived very far into the twentieth century. Yet whether generalizing from European history or putting Chinese empires into a common category with other landed empires, we would fail to explain what did in fact happen—the reconstitution of the most all the population and territory once ruled by the Qing dynasty by the People’s Republic of China.

The failure of the Qing dynasty to persist turned out to be distinct from the possibility of a large-scale polity re-emerging after a period of disunion. In one sense, such an event lends credence to those who suggest that the Communist Party is simply the most recent “dynasty” in a long line of rulers who have controlled the Chinese mainland. But in another sense, the Chinese state that emerges after 1949 is one that can take advantage of practices begun by earlier generations who had managed to adapt and adopt a variety of foreign economic, social and political ideas and institutions. That little advantage was in fact taken of this legacy until thirty years after the founding of the People’s Republic does not make those earlier experiences any less relevant to understanding how and why China has grown so rapidly since the early 1980s. Understanding how spatial scale of a polity matters to economic growth today is however a question quite different from the significance of variations in the spatial scale of polities in China and Europe before the nineteenth-century divergence that has occupied our attention in this book. We have offered an abbreviated sketch of some features of

Chinese political change in the nineteenth and twentieth centuries to remind the reader of the durability of a spatially large polity on the Chinese mainland. Empire, as we have used the term, has survived in China, at the same time as Europe has since the 1950s been moving more explicitly toward a political and economic unification. We have for so long taken the narratives of European national state making to supply the norms for political development that it becomes a bit disorienting to realize that Europe has been moving in certain ways more toward a Chinese norm of political scale than China has been moving toward becoming like any particular European state.

Conclusion: Political Competition and Growth in History

In asking why Europe has had nearly two millennia of political fragmentation and while China patiently constructed a vast unified political space we have skirted two issues of importance. The first is the extent of political and economic variation within the two regions and the second is the extent to which these two different histories were related to the aggregate economic outcomes. These two different questions have taken on a greater relevance in contemporary social science as many different regions of the world are engaged in the construction of more integrated economic space and Europe itself has embarked on a course towards greater political integration.

Although the two ends of Eurasia achieved radically different political equilibria, the dominant underlying political economy analysis used to explain both is remarkably similar. For Europe, scholars emphasize the importance of institutions of parliamentary representation and inter state competition for growth; conversely, for China, and despotic governments more generally, we find economic stagnation. In Europe the advent of the good institutions was thought to be responsible for the onset of sustained growth, while in China the stifling oppression of the omnipotent emperor led to a population living near the Malthusian minimum. As the reader has discovered, our thesis is rather different. At the aggregate level, inter-state competition was quite costly and it certainly had a negative impact on the size of the market, while we see emperors surviving in part because they cared about their subjects' welfare. Nevertheless, the superiority of a particular form of governance should not be overstated because well into the nineteenth

century massive variation in political structure remained within Europe and massive variation in levels of well being characterized both within China and within Europe.

In China, scholars have been recently uncovering mounting evidence of regional differences in income prior to the twentieth century that is not consistent with an empire whose subjects eke out barely more than subsistence. Moreover, imperial policies do not seem to have been so extortionary as to have led to low levels of investment or to massive poverty. On the contrary it seems that these policies aimed at expanding the regions of prosperity across the realm.

The evidence for Europe is even more damning, given that representative governance was not consolidated until the last quarter of the twentieth century (even in the parts of Europe that were not behind the Iron Curtain). To be sure one could argue (and we have done so elsewhere) that it was not in the private interest of rulers to adopt the more efficient structures of governance; but that amendment would be insufficient. The level of economic growth in Wilhelmine Germany was remarkably robust even though by English or French standards it was an incomplete democracy. Equally problematic, the levels of economic achievement of England had few echoes in Ireland (though it was formally part of the same polity) during the 120 years in which the union between the two countries prevailed. And these examples are small matters relative to examining either Austria-Hungary or the Iberia peninsula. In short the logic where by the competitive state system provides great rewards does not have much sway in Europe. States that transformed themselves may have garnered a higher rate of economic growth, but their territorial expansion in Europe was nil—to the extent that there was a reward it came in the form of colonial empires.

This is not to say that efficient forms of governance do not prevail in the long run, but rather that the pressure to reform are weak and the impact of reform is dramatically different across space. This is not to say that there is no connection between political regime and economic growth. Rather it is to emphasize that in historical terms political regimes were adopted largely for fiscal reasons. Furthermore, the conflict over representation was a struggle over the control of expenditures and the level of taxes. Hence, one cannot argue that representation was promoted by individuals who wanted to

reduce the distortions inherent to despotic taxation. Rather these individuals wanted to strip the power of choosing the level of taxes and the distribution of expenditures from the sovereign. The European dynamics of political transformation did matter for economic growth because, as Chapter 2 argued, the competitive state system was directly (though unforeseeably) responsible for Europe's adoption of capital intensive methods of production, and China's peaceful empire privileged recourse labor intensive methods. How the spatial scale of polities matters to economic growth after that initial divergence occurred is a separate question to which we now turn.