

Identify the main differences between the economies of Europe and China in the three centuries before 1800. What factors can account for these differences and what were their implications on economic wellbeing?

INTRODUCTION

There are differences between Europe and China which have led to there being different implications upon the economic wellbeing of both regions. This essay will highlight the main differences between both the European and Chinese economies whilst discussing the reasons behind them and indicate the impacts they made upon economic wellbeing. Section 1 will discuss the main differences and the factors that led to there being these differences. Both Europe and China will be compared based on categories which are Environmental, Demographic, Trade, Technological and Political differences. Section 2 will highlight the impacts that these differences had upon economic wellbeing, it will show how both regions improved their economic wellbeing individually.

1 SECTION 1: THE DIFFERENCES BETWEEN THE EUROPEAN AND CHINESE ECONOMIES

1.1 THE ENVIRONMENTAL DIFFERENCES

The Environment of both Europe and China could be argued as being uneven; various regions within Europe and China had different levels of rain and temperature. Europe had an uneven climate with Western Europe having more rainfall compared to Eastern Europe which had warmer temperatures. Whereas China had a much wetter and warmer climate, as a result of this they chose to specialize in rice production. The warm climates in Europe made it ideal for crop growth and they were also able to grow livestock easily.

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Due to their varying climates both Europe and China had different approaches in dealing with endemic diseases. Europe's climate was colder meaning that the frequency of disease outbreaks such as the Black Death was not as high. This however led to the population not having a disease resistance, when the Black Death arrived from Asia it caused a major pandemic. Cities with dense populations such as London were greatly affected, the 1347 outbreak killed roughly 25% of its population and the second outbreak in 1655 killed roughly 15%. (*Carlo Cipolla 1978: page 34*). China was also affected by diseases however this was due to farming and poor levels of hygiene. China was regarded as the "*world reservoir of lung, liver and intestinal flukes, this being the penalty for a dense population operating irrigation agriculture in a warm climate*" (*Eric Jones 2003: page 6-7*). This helps to illustrate the environmental differences between both Europe and China and it shows how they were able to deal with the impacts caused by these differences.

1.2 DEMOGRAPHIC INFLUENCES

Both Europe and China had a rising population which in turn led to there being resource constraints.

Regarding China, David Landes in his book *The Wealth of Nations* said "*The land is scarce and the people are many*". China's rising population was the result of old customs where people married at a young age and had more children and larger families, this led to there being a greater strain on the economy.

European population growth was occurring rapidly which led to fears as the Malthusian model suggested how the eventual rise in population will reach a point where the economy is unable to sustain the population. In order to prevent this from happening there were actions now being taken in Europe, new agricultural methods were now used such as crop rotation in order to maintain a healthy crop which could be cultivated all year around. China began to use Champa rice which grew in half the time but lacked the nutritional value. The rise in population did come with benefits as it did mean that labor was now in high numbers, the Chinese was able to utilize this and were able to have a large quantity of people who were able to maintain the rice crops. From this we can see how there was a similar issue

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between both Europe and China due to the rising population, and they were both able to address the issue of a resource constraint

1.3 TRADE IMPACTS

Europe had adopted the Mercantilist method of trade, this meant that there were import restrictions and there was a greater emphasis on expanding exports. The main thought was to “strengthen the external and internal positions of the state” (*E.Damsgaard Hansen 2001: page 63*). Externally it was based on having a functioning military and internally it was based on establishing effective business laws and common standards on manufactured goods. This policy was different amongst different European nations, France and England had varying degrees of restrictions. The British policy was more protectionist whereas the French were more in favor towards setting and maintaining manufacturing standards. One example of British protectionism is the Navigation act of 1651 which stipulated that goods could be imported into English territories only by English ships. The French however ensured that their produced goods met stringent standards that the Government issued, “*The Government issued decrees stating the specifications of more than a thousand goods in great detail*” (*E.Damsgaard Hansen 2001: page 64*).

During the 15th century China was more open to international trade, this was during the era of the Ming voyages. In order to allow the Merchant class to become richer and there to be a greater level of private trade, the Chinese allowed the Portuguese to make Macau to become a trading hub. By 1526 the British East India Company was given access to the south China seas, one of main exports that they provided was tea. China in particular began to specialize in the export of luxurious goods such as spices, porcelain and tea. However after the fall of the Ming dynasty around 1644 there was a change in the level of trade, during the era of the Qing dynasty the Canton system was imposed. This was a system whereby all

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foreign trade coming into China was to be only held in Canton and there were strict regulations that were imposed on foreign traders.

1.4 TECHNOLOGICAL ADVANCES

The European level of innovation can be argued as one of the main factors to how they were able to expand their reach across the world. The innovations mainly came in the form of new ship designs and advancements in rigging techniques. The new designs had been inspired by the English voyages across the world, an example of such a design was the Caravel which was inspired by the Arabic ships which were able to maneuver faster and travel for greater distances. The rigging techniques that were developed enabled the ships to travel off the wind allowing for greater periods of travel.

Technological innovation within China could be seen with the use of paper money. China had previously invented the block printing and the use of paper money was just a byproduct of this. There were benefits with this as it meant that they no longer had to use their gold and silver reserves in order to mint more coins.

One form of technological advancement in which both China and Europe benefitted from was the invention of Gunpowder. Gunpowder was invented around the 10th Century by accident by Chinese alchemists when trying to find an elixir for immortality, from then onwards it was used in theatre productions and in fireworks. From there it spread around Asia and eventually came to Europe, it was here that the Europeans added their own flair to Gunpowder. Through the addition of moisture they could use the powder in a granular form which reduced the risk of unwanted explosions. This now meant that gunpowder could now be used in military combat and it enabled European nations to have canons which were capable of using gunpowder. This explains how the European and Chinese economies were influenced by these advances and to what degree were they able to impact both economies.

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1.5 POLITICAL AND CULTURAL DIFFERENCES

Both Europe and China had differing views within politics and this played a large role on how the population of both regions were being affected as a result. When looking between the years 1650-1800 we are able to see that China “under the Qing ruler ship China was a large integrated political society. Europe however was severely fragmented” (*Rosenthal Wong 2011: page 208*).

The Qing dynasty was a time of strict governance. The empire grew to more than double the Ming dynasty which came before it, but it implemented far stricter laws. One such law was that all men had to have the same haircut and they had to wear a uniformed color scheme. There were stricter laws and regulations even on trade as previously mentioned the Canton system deeply affected European trade with China. These laws and regulations were the result of a change in ruler ship, as previously the Ming dynasty was an era of expansion and voyages whereas the Qing was more isolated and centralized. This change in the political system that was governing China led to there being arguably somewhat adverse impacts on society.

Within Europe during the 16th century there was a state of political unrest, England had a civil war in 1642 and by 1688 there was the glorious revolution which led to a weakening of power that the Monarchy had. Whereas Denmark after years of poor military power and major financial trouble there were revolutions against the monarchy. The main issue between the monarchy and the society was the right of taxation. The English were different and thanks to the glorious revolution there was now a rise in the dominance of power of the English Parliament.

2 SECTION 2: THE IMPACTS THESE DIFFERENCES HAD ON ECONOMIC WELLBEING

2.1 EUROPEAN ECONOMIC WELLBEING

Europe made efforts to adapt and change its economy and how the way trade and manufacturing was conducted. *“By 1700 the seeds of a capital intensive, machine using economy was sprouting in Europe” (Rosenthal Wong 2011: page 129)* this was mainly occurring in England.

One of the main factors that helped to contribute towards European wellbeing was the fact that in Europe there were economic institutions. Before the 15th century there were still institutions, however it was mainly after the 1500's did they begin to spread. Central banks had been established slowly, these banks acted as lenders to other banks who were at their last resorts. The Swedish Risk bank is regarded as being the first central bank, till 1668 it was a private bank until it was taken over by the state and became centralized (*Hansen, 2001: page 71*). Another new economic institution was the corporate form. There was a development of joint stock companies whereby shareholders can purchase and own various stocks. The reason for this was due to the new patterns of trade that arose from the voyages of discovery. Companies were granted monopolies to trade in specific regions and they were still able to trade and be involved with shipping. This shows how these economic institutions played a large role in how trade was being conducted.

In terms of development and wellbeing trading can be seen as being a crucial factor as the trade of goods can allow for a country to gain greater levels of economic growth and power, and the import of goods allows for greater consumer choice. European trade was heavily influenced by the Mercantilist thought, this played a large role in the level of wellbeing that was occurring. As one aspect of it was a sense of protectionism with stricter regulations to reduce the level of imports, it meant that there was greater emphasis in prompting exports to help increase growth and thus lead to a rise in development

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and wellbeing. However in certain aspects this complete restriction to imports was not an effective strategy, hence tariffs were in place. When looking at England they placed a tariff on fishing imports from the Dutch (*Findlay & O'Rourke, 2007: page 239*). This was an effective solution as the English could not produce the same quantities of fish as the Dutch, hence they relied on the Dutch imports.

The voyages of discovery led to Europe having a constant inflow of spices, this was the result of both the British and Dutch East India Companies. With these two companies dominating the spice trade it meant that the Europeans now had a constant flow of spices allowing both nations to become prosperous. The Dutch Government was able to recognize the potential of this and therefore their East India Company was state controlled. Whereas the English was left to private forces and were able to go against Government orders, benefitting them during "glorious revolution" the company was still able to thrive as a private company. This meant that the English were able to become even more prosperous and also meant that by "1662 they were free to trade precious metals" (*Davis 1973: page 309*). This further adds to the idea of mercantilism which was being followed in Europe and allowed the English to accumulate large reserves of gold and silver, hence allowing their wellbeing to improve.

Furthermore European economies were developing fast and by 1750 England had the most developed financial system in Europe. (*Rosenthal Wong 2011: page 130*). The financial systems in Europe allowed them to develop and gave them the opportunity to have more capital driven growth. The reason behind this was that financial institutions lowered the cost of securing investment and also capital required high rates of savings which the European institutions had. This shows that the European level of economic wellbeing was high and was constantly developing.

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2.2 CHINESE ECONOMIC WELLBEING

The Chinese political structure was heavily state controlled leading to them playing a large role in factors such as trade and technological innovation. At times the state could be seen as being helping to improve wellbeing whereas at other times it was seen as being more of a hindrance.

Within China the innovations that were created for shipping were backed by the Government after realizing the potential benefits of overseas trade. The number of ship yards had now increased and this meant that there could be a greater level of innovation as it was state controlled. By the Mid Ming period China had *"28 national highways, 53 main roads and 120 main land and water transportation hubs"* (Gang Deng 2007: page 108). With such technological advances during the Ming era, it is no surprise that it was able to last so long. People's wellbeing would have risen *"Given that China was considered prosperous at the close of the middle ages"* (Rosenthal Wong 2011: page 39). Hence showing that technological advances played a role to make society prosperous.

However after this period it can be argued that there was a decline in the level of technological advances and also trade advances. One of the main reasons for this was the political change between the Ming and Qing dynasties as mentioned earlier. With China being a hub for innovation and technology it took them a while to become fully industrialized, one reason for this delay was that Political institutions were now following a sense of Taoism. This is a belief whereby certain values of culture and tradition should remain within the society, hence there wasn't a spread of culture or literature as these thoughts and ideas were kept away in the monasteries. Such cultural views were followed by political institutions which ultimately led to there being a lack of innovation and development. The Chinese state did not take many initiatives, leading to some to believe that the Chinese was close to being under governed, the improvements in infrastructure were just enough to support long term development and wellbeing. (Jones 1988, page 141-2).

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During the 15th century when the inflow of European trade in China was high there were benefits emerging to the local population. The tea trade within China had resulted in there being positive externalities, *“there was an increase in the supply of tea, where 50-70% came from the Fujian province. This brought in seasonal migrant labor and enterprise to that region”* (Findlay & O’Rourke 2007: page 293). This resulted in there being employment for the local people and the level of output was rising resulting in there being a rise in economic growth and development. Furthermore this sort of trade showed a unity between both Europe and China. However after this there was a decrease of overseas trade especially with the Canton system established in 1715 making it difficult for foreign trade to enter. This shows that political institutions in China played a role in determining the extent to which there was economic wellbeing.

CONCLUSION

Both Europe and China were improving in terms of their economic wellbeing and it was clear to see that both of them took very different approaches in ensuring that their regions and that their societies were well off. When looking at trade for example the Europeans had their own methods such as adopting the notion of mercantilism. Leading to a greater expansion of exports and in some cases a greater level of protectionism. Similarly China took a more centralized and protected view of trade, even though at first they were open to overseas trade. Eventually restricting trade and innovation and adopting the Canton system of trade and following a sense of Taoism. Clearly both regions did have their differences but it was these differences that allowed these regions to improve their economic wellbeing in their own time.

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