The great divergence debate history essay

During the last decades, there has been a deep and intense debate on the origins of the Great Divergence between the Economies of Europe and China. This paper aims to retrace the thesis elaborated by different authors over the time. We will start considering classical economists and then move to the California School and its main historian, who was Kenneth Pomeranz. To conclude, we will briefly consider some thesis that intend going further Pomeranz.

Classical economists

1. 1 Adams Smith: The classical liberalism

Adam Smith (1923-90) can be considered the father of economics and classical liberalism. He explored this topic in his book titled “ An Inquiry into the Nature and Causes of the Wealth of Nations”, written in 1776. According to Smith, the keys to human prosperity were free trade, limited government, competition, and open markets. He suggested that a minimal government (with few policies) led to free trade regulated only by the “ main invisible”, which was a metaphor conceived by Adam Smith to describe the self-regulating behavior of markets. The openness to trade generated by this model (and a higher division of labor) led to a surplus of products making decrease prices. Thus, anyone could afford more and the total wealth increased (the so-called “ universal opulence”). To conclude it is clear that, according to Smith, will succeed those nations (or areas) presenting a minimal government that will led to the openness to trade and finally to a wealth increase.

1. 2 Malthus: Differences in marriage paths

Thomas Robert Malthus (1766-1834) suggested another hypothesis about the causes of the Great Divergence, linked to the different marriage paths that characterized each area. His work on marriage (written in the early 1800s) was a kind of milestone because it suggested the idea that marriage was young and universal in the Western Europe past and that age at marriage and celibacy had increased over the time. He thought that the younger was marriage, the more was population growth and, consequently, the less were the possibilities to achieve income growth. Thus, Western Europe escape from the so-called Malthusian trap thanks to this change in marriage paths over the time. At the opposite, China did not experience this growth because there were not a change in population behavior. In this cases Malthus theorized postponement of marriage in order to reduce fertility and enhance evolution. To conclude, it is important to remark that nowadays Malthus is considered the main responsible for the creation of the myth about different marriage paths because successive empirical evidences (in the 60s) show that the Northwest European pattern of late marriage and extensive celibacy had existed for centuries in this area.

1. 3 Marx: Capitalism versus other production models

The thesis of Karl Marx (1818-1883) is really well known. Capitalism and free trade (proposed by Pomeranz) will concentrate authority and assets in the hands of few people leading to social division in two classes: workers and capitalists. Marx highlighted the differences between the capitalist mode of production and that of other countries as for example the Asiatic mode of production. He concluded that Western Europe was the first area to

experience the transit from feudalism to capitalist economy and those European countries, the more developed, would have the greatest inequalities. Thus, he explained differences among countries by considering the production model, which in turns depends on the social structure of each nation.

The California School

2. 1 Kenneth Pomeranz: Great Divergence started from 1800

Pomeranz (1958) discussed his thesis about the Great Divergence in his book titled “ The Great Divergence: China, Europe, and the Making of the Modern World Economy”. The central question that he tried to answer concerned the main reasons that led Western Europe (especially Britain) to have such a unique path of economic development. He used a different research methodology if compared with the past. In fact, he focused on regions of comparable size, population, and economic vitality in Eurasia in order to avoid distortions of scale when using nation-state as a unit. Furthermore, he decided to focus on income levels and living standards for demonstrating his thesis.

Kenneth Pomeranz suggest the Great Divergence started after 1750-1800. Empirical evidences that do not show many differences between the most advanced parties of both Western Europe (Britain) and China (Yangzi) reinforce this thesis. Thus, since 1800 it is reasonable to think that the two areas were almost equals in terms of income, technology and development.

Pomeranz, in order to better sustain its thesis, first criticizes three false common reasons for the divergence and then suggests its causes. The first

common reason regards accumulation. Since Europe had higher livestock per capita, it means it had more capital, with positive implications for agriculture, transportation and nutrition. Surely, this is not true, because Pomeranz argued that income and living standards were close until 1800. The second regards technology. However, Pomeranz shows that there is no evidence on higher productivity gains in Europe during the pre-Industrial Revolution. Furthermore, several non-European societies were ahead in technologies such irrigation or the use of energy. The most important European innovation regarded land-saving techniques and fossil fuels. The third concerns institutions. Pomeranz minimizes the importance of institutions in explaining the divergence, because even China had competitive markets and elaborated legal systems of property rights. Furthermore, he suggests that China provided a freer marketplace than mercantilist Europe did. The last evidence makes clearer the Pomeranz thesis.

Pomeranz argues for the importance of two factors causing the Great Divergence, essentially exogenous “ shocks” outside the price system that had important effects on the economy: the distribution of energy-generating resources and the accident that Europe discovered the New World, whereas China did not. As someone said, “ Geology is destiny”, and in fact the site and the availability of coal deposits determined the viability of industrialization. Coal was the driven factor, the main cause of Industrial Revolution. In the European context, Britain was the sole to present a large availability of coal and the lowest transportation costs, thanks to the ready availability of efficient water transport. At the opposite, Chinese coal miners

were situated in the northwest that was far away from the manufacturing and populated centers of the southeast. It means that mining was more expansive than it was in Britain. Thus, Britain was actually luckier than China. The second cause concerns the New World. Again, it was a fortuitous case, for Europe, the discovery of the Americas and China could not rely on such similar and huge advantage. For instance, this led Europe to access to cheap raw materials, the use of slave workforce and an inflow of precious metals rather than other products such as cotton, sugar, timber, and tobacco. Briefly, it help to break that land-labor constraint that China did not do.

To conclude, Pomeranz argues that the divergence between development and involution in Europe and China did not occur until after 1800. This divergence is explainable in terms of both geographical lucky and fortuitous discoveries rather than differences in income, population, technology or even institutions.

After Pomeranz

3. 1 Philip C. C. Huang: A review of Pomeranz

Philip C. C. Huang (1940) wrote “ Development or Involution in Eighteen-Century Britain and China?” that is a review of “ The Great Divergence: China, Europe, and the Making of the Modern World Economy” of Pomeranz. He argues against the hypothesis explained in the book by highlighting different problems and new ideas. The review focuses on the differences between England (the Europe’s richest country) and the Yangzi delta (the China’s richest area).

Huang highlights a new factor, not considered by Pomeranz, which is the English agricultural revolution. According to other scholars (mainly Wrigley and Allen), there was an increase of labor productivity level in England between 1700 and 1800 revealed by a decrease of the output per head ratio in agriculture. This is partly linked to the technological changes that happened in England but a relevant part depends on the different density levels of these areas. In 1800 the Yangzi area had a population of 12 million and agricultural land of 2. 5 million acres while, conversely, England had a population of 8. 66 million and 35. 6 million acres. It means that the Yangzi area had a high population density. Thus, the continued population pressure without technological change drove out animal husbandry to allow for maximizing output per unit of land but inevitably through less use of capital per unit of labor and hence also of lower productivity per unit of labor. It results that the Yangzi delta was a crops-only economy while the English agricultural output consisted of equal parts of crops and livestock (which is meat, milk and cheese).

Huang argued even that Pomeranz did not discuss the differences in labor intensity, farm size, and agricultural land per capita that tell crucially about involution and development not only in farming but also in rural industry, rural incomes, and consumption. Huang highlights three different types of labor intensification that are human consumed grains, animal-feed crops and use of pasture. English agriculture of eighteen century combined the use of pasture with animal-feed crops while the Yangzi delta agriculture did not use pasture and made a little use of animal-feed crops. Furthermore, there were significant differences in degree of labor intensity in cropping itself.

Moving to the implications of having different agricultural regimes, Pomeranz ignores contrast between small family farms (Yangzi delta) and enlarged enclosed farms (England). In fact, according to Huang, involution implicates resistance to laborsaving capitalization and the possibility to achieve economies of scale.

Huang resumes the industrious revolution model of Jan de Vries to explain lower wages and higher total consumption at the same time (consumption revolution). Pomeranz stated the model is useful for the Yangzi delta and he confused and perhaps overlapped the Vries' industrious revolution with Huang's involution. Huang accused Pomeranz to have missed some crucial information, to have overlapped the two terms and finally he argued the model do not fit with the Yangzi delta.

Pomeranz stated that industrial revolution mainly depended on the availability of both coal and steam. However, Huang somehow reversed the problem arguing that the lack of industrial demand explains the non-development of china's coal industry, so that delayed industrialization is not because of non-availability of coal.

To conclude, many factors supported industrialization in Britain (not only coal) while the Yangzi delta remained characterized by high land productivity and low capitalization, without many big changes as seen in England. Furthermore, the suggestion of the author is that of being more careful as possible about empirical data.

3. 2 Robert Brenner and Christopher Isett: Critiques and alternatives to Pomeranz

Even Brenner (1943) and Isett discussed this topic, through their book titled " England's Divergence from China's Yangzi Delta: Property Relations, Microeconomics, and Patterns of Development". They started by criticizing the thesis of Pomeranz, especially about the possible starting point of the Great Divergence. According to the authors, England began to have such a unique path of economic development (different from both the rest of Europe and the Yangzi delta) from the early modern period (1500-1750). Finally, this existing divergence can really explain the Great Divergence. From that point, the Yangzi delta experienced a Malthusian patter while Britain experienced a sort of virtuous cycle of growth, the so-called Smithian pattern.

Was Pomeranz all wrong? Not at all. The Great Divergence may be did not started in the eighteen century as he supposed, but some evidences were right. Even if the two causes (the American colonies with their land-saving staple crops and the coal availability) he pointed out were not essential in the change of Britain's path, they were surely important in speeding the process of divergence between the two areas.

Thus, what was the real trigger cause? The authors suggested that China undertook the Malthusian path because there were strong peasant farmers and weak capitalist farmers. This led to the decline of agricultural labor productivity and living standards, as shown by the dropping long-term trend in real wages. At the opposite, Britain experienced the Smithian path because there were weak peasant farmers and strong capitalist farmers. This, in turn, led to many enclosure and farming innovations that permit a

rapid agricultural growth making increase the total wealth. Finally, this increase in wealth led to the Great Divergence.

Robert C. Allen: Challenging the California school

Allen (1947) debated about the thesis of Pomeranz, and suggested his own thesis, in his book titled “ The Great Divergence in European Wages and Prices from the Middle Ages to the First World War”. His aim was to define the trend of prices and wages in Europe from the fourteenth century to the First World War. He tried to explain four main points in his paper, which were about the consumer revolution (the shift to marketable goods), the history of heights, the origin of mid-nineteenth century income gap and the implications of the standard of living debate in the international and long-term context. In other words, origins and causes of the Great Divergence through empirical analysis.

Allen suggested that this divergence has been originated during the pre-Industrial epoch, between 1500 and 1750. However, he found that English wages did not increase over the time but they remain stables while they fell in most European cities. In fact, real wages started to rose above medieval levels only after 1870. To be brief, we want to focus on a particular interpretation of Allen, which differs from other authors. He showed that the process of enclosure and the consequent replacement of small-scale farmers by those larger had quite influence to the English economic success. In fact, enclosures and large farms enriched landowners without positive effects toward consumers, workers or farmers. Thus, small-scale farmers were largely responsible for the productivity growth.

Another point of discontinuity from other authors is the thesis for which income in the Yangzi delta were noticeably higher than England in 1620. However, Allen supposed that Yangzi delta agricultural labor productivity was static between 1600 and 1800, while English and Dutch productivity caught up. He estimated that, in early 1800s, agricultural labor productivity in the delta was at 90% of English levels.

3. 4 Gregory Clark: The survival of the richest

Clark (1957) suggested an interesting thesis for explaining the divergence in his book titled " A Farewell to Alms". He studied the relationship between income and birth rates by analyzing English wills. He found that rich people had a reproductive success if compared to poorest classes. Since this kind of divergence started from the Middle Ages, the share of rich people obviously increased over the time leading to the so-called " survival of the richest" (instead of the fittest, as suggested by Darwin). This abundant of rich people had then to slide down the social hierarchy to find work, because during the Malthusian period population and wages were constant over the time. Consequently, Clark suggested that today's population is largely descendent from the economic upper classes of the Middle Ages.

The consequences of this theory are surprising. According to Clark, the genes linked with those classes began to spread and population became better mentally equipped. Consequently, man was genetically adapting to the modern world and properly this genetic change led to the Industrial Revolution. This final thesis can be considered somehow racist, but other authors found even some empirical evidences against it. However, we will not focus on that.

To conclude, Clark explained the origins of the Great Divergence through a change in the structure of the English population that started from the Middle Ages. At the opposite, he suggested that Chinese richer classes were infertile and did not experience a reproductive advantage. For this reason, Chinese economy and living standards remain lower than those of Britain.

Conclusions