

Conclusion:
***The Sporadically Integrated Market,
A Primordial Stage In
Market Development In China***

The conclusions of this book stand in opposition to the model of Jiangnan economy prevailing in the literature. That model assumes that in the early eighteenth century "proto-industrial" development in the Yangzi delta had displaced agriculture and created in that region a deficit in food, resulting in yearly and sizable importations of rice from the middle Yangzi valley. The model also assumes that through the exchange between industrial goods from the delta and agricultural goods from its peripheral regions, a unified national market gradually emerged. To many historians, these two developments demonstrate that China, like other countries at that time, had been on the path to capitalism.¹

The obvious question follows: why did capitalism, or a capitalistic mode of production, not fully emerge? Historians have provided different explanations, such as an impairment of domestic household industries in light of the massive import of western industrial goods, an absence of technological breakthrough in China, the delta's difficulty in importing the natural resources, especially rice and timber, necessary for sustaining its industrial growth, and so on.² Instead of taking issue with these

¹ Vladimir I. Lenin argued that these two developments led to the emergence of capitalism in Russia during the nineteenth century. According to him, the growth of a home market enlarged commodity circulation, and stimulated commodity production, which led to the development of a large-scale machine industry, and equally important, the divorcement of an ever-growing part of the population from agriculture, i.e., the growth of the industrial population at the expense of the agricultural population in nineteenth-century Russia. See Vladimir I. Lenin, *The Development of Capitalism in Russia* (Moscow: Foreign Languages Publishing House, 1956), pp. 606-60.

² See Xu Dixin and Wu Chengming, ed., *Zhongguo ziben zhuyi de mengya* (Beijing: Remin chubanshe, 1985), p. 731; Elvin, *The Pattern of*

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answers, this study has sought to demonstrate that the two aforesaid assumptions on which the question is based are exaggerations.

It is beyond doubt that the Yangzi delta led industrial development in late imperial China. From 1500 onwards, its flourishing silk export brought an influx of silver from Japan and Manila; and the delta became the centre of market development in its home market. In return for silver, silk cloth, and other industrial products, neighboring regions sent their rice or other local produce to the delta. The home market expanded quickly and sustained the growth of the weaving industry, even though its silk export gradually declined in the mid-seventeenth century. As a result of this industrial and commercial development, the non-agricultural population grew in the delta. Accompanied by this growth was a flourishing rice import from the middle Yangzi valley in the eighteenth century.

But as we have seen, the delta was still agriculturally rich in the eighteenth century, so rich that it was able to provide enough rice for its own growing population whenever it reaped a bumper harvest. The question of whether the delta bumper harvests were a new development is worth investigating. Bozhong Li argued that rice yields rose quickly in the early and mid-Qing due to a more rational use of agricultural resources like cultivated land and water, human labor, and animal labor, and by more intensive production; that is, by increasing the amount of labor and capital invested in a given area of cultivated land.³ While I do not oppose the idea of a general agricultural development, especially in the late eighteenth century, I am cautious about attributing what we see in this study to this factor. The process of agricultural development would likely be gradual and consistent, but the good years in the lower Yangzi—in 1756-57, 1767-68, 1772-73, 1777-78, and 1782-83—were sudden and intermittent (although there was a sustained period of good harvests between 1788 and 1795). What this shows is that, even in the last decade of

the Chinese Past, pp. 285-319; Pomeranz, *The Great Divergence*, pp. 246-51, 289-90.

³ Li, *Agricultural Development in Jiangnan, 1620-1850*, pp. 10-1, and more elaborations in pp. 57-97.

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the eighteenth century, the lower Yangzi was able to feed its own population through local rice production. I do not argue that the region no longer needed to import rice. As a matter of fact, in many other years in the second half of the century and also after 1795, the lower Yangzi continued to import a large amount of rice from the middle Yangzi. But the key to the pattern of the rice trade was weather, and the lower Yangzi climate in the second half of the century was better for growing rice than it had been in the first half; as a result, the flow of rice from the middle Yangzi slowed to a trickle.

Once we suppose that the size of the rice trade in the Yangzi depended on the harvest in the delta, we can rethink the difficulties of rice farming in the middle Yangzi region. Instead of meeting a demand from a stable and growing non-agricultural population in the delta, middle-Yangzi farmers faced a very variable demand, one that changed from year to year depending upon the vagaries of the weather. Rice farming in the middle Yangzi was risky. Although farmers were able to make big profits when the delta suffered from drought, flood, or famine, they could lose all of their capital in a year when the delta had a bumper crop of rice.

The good years between 1788 and 1795 in the delta must have been difficult ones for the middle-Yangzi farmers. Interestingly, I have found no private or official report of social unrest due to a grain surplus in the region. This may not indicate a total absence of such unrest, but it is certain that the problem was not severe enough to arouse the central government's attention. But how did the middle-Yangzi farmers manage in these years? Bin Wong, who first drew attention to the Hunan rice storage figures, found that reserves in the Hunan government granaries, or ever-normal granaries, increased in the last two decades of the century; and the trend of increasing reserves is, of course, the opposite of the trend for disbursal. Wong argued that the decline in granary use in Hunan, despite increased reserves, was the result of an official decision, suggesting that the intensive grain mobilization of the late 1770s and early 1780s had overburdened the granary managers and officials, who had to monitor such large amounts of grain. The rejection of regular official monitoring at the turn of the century lifted this bureaucratic burden off the

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shoulders of local officials and placed it onto local leaders, encouraging them to establish civilian granaries, known as "community granaries" in their own communities.⁴

I suggest an alternative answer to the phenomenon: In the last years of the century, especially between 1788 and 1795, in order to absorb an excess of local rice, Hunan officials halted grain disbursal while substantially increasing grain reserves. If this is true, then Qing officials were still actively intervening in the grain flow, and the ever-normal granaries continued to function well into the late eighteenth century. In the last decade of the eighteenth century, the major problem for Hunan farmers was still how to sell their excess rice when there was a bumper harvest in the delta.

In this light, the question of industrialization in the Yangzi delta is worth rethinking. I would suggest that the current model of Jiangnan economy, which assumes that high industrial growth in the delta caused an extraordinarily prosperous long-distance rice trade, is exaggerated, and we must be cautious about applying the concept of market integration to the subject of economic exchange. Before historians can speak with confidence of an integrated national market, we have to examine the actual flow of goods. The reality was that though the Yangzi Valley formed a high-level integrated market throughout the eighteenth century, the trade volume of rice varied greatly from year to year. In addition to this, the market was also regional in scope. Fujian and Guangdong had their own rice-supplying districts and needed no rice from the Yangzi. Nor was much Yangzi rice sold to northern China. It is true that a flourishing economic exchange between central and northern China was formed, with the Grand Canal as the major transport route, but throughout the eighteenth century merchants carried little rice to the north. Apart from the high transport costs on the Canal, the northern expansion of the Yangzi rice market was obstructed by the grain tribute transport, which made Beijing, the largest consumption area, a closed market to commercial rice from the south. A minor alternative to

⁴ R. Bin Wong, "The political economy of food supplies in Qing China," pp. 273-86. See also Wong's work in Will and Wong with Lee, ed., *Nourish the People*, pp. 75-98.

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this would be to choose to think of this as a sporadically integrated market, indicating that China was at an early stage of market development.

One may argue that state policies prevented the formation of an integrated national market. This is true in some respects, especially in that the regular distribution of tribute rice in Beijing discouraged rice merchants from the south, even though the Grand Canal facilitated the transport of rice.

At the same time, however, the emergence of a relatively prosperous long-distance trade, especially in the first half of the eighteenth century, was equally a result of state intervention. While classical economists have considered that free trade comes from non-intervention, Karl Polanyi has demonstrated that obstacles to long-distance trade included arbitrary trade barriers set by local bullies or officials, and that removal of such barriers was hardly possible without state intervention.⁵ In the eighteenth century, local governments, who feared escalating grain prices in their own provinces, often attempted to impose export bans when the harvest was poor. Free rice trade on the Yangzi was maintained thanks to repeated orders from the central government, who upheld the principle of “*hutong youwu*” (exchange between places that have and those that have not).

In sum, China was in its primordial stage in market development in the eighteenth century. The market in rice, the single most important commodity, was sporadically integrated. But this does not imply that the market would have become more integrated or would have expanded nationally in the next century. While many new technological developments—like the introduction of steam engines, telegraphs, and railways—reduced transport costs and contributed to an advanced market development in many countries, in the nineteenth century China lacked the strong imperial government which had in the previous century been able to maintain free inter-provincial trade.

⁵ Polanyi, *The Great Transformation*, pp. 60-3