A Century of Chinese State Policies toward Industrialization

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John Fairbank’s “China’s response to the West” has proven a remarkably durable framing for most narratives of nineteenth-century Chinese history encountering the modern world. Widely promoted in the 1960s and 1970s, it was critiqued by those left-leaning scholars who argued for the evils of imperialism. Their assessments did not diminish the importance of the native-foreign axis in nineteenth-century Chinese history so much as change the assessments made of the West’s impact on China. The China-centered scholarship of the late twentieth century pushed scholarship back into the seventeenth and eighteenth centuries and gave to Chinese and Manchu actors far more agency in creating the concerns and choices shaping their world before foreigners created a new nineteenth-century context of crisis. But this scholarship has not done too much to reorient the axis of China’s nineteenth-century history away from its responses to the West. For political and economic matters, China historians still stress some combination of the strength of Western models or power and the effectiveness or more typically the inadequacy of Chinese efforts to develop Western political institutions and economic practices.

These sensibilities have been affirmed and extended into our studies of twentieth-century Chinese history, whether written in Chinese or other languages, by the scholarly embrace of the May Fourth era (c. 1920) binaries of native/foreign and traditional/modern. Our views of China’s nineteenth-century entry into what we now think of as global history takes place according to metrics of evaluation that identify progress with Western ideas and institutions and backwardness with the persistence of native customs and practices. The same or similar yardsticks are then applied to twentieth-century Chinese history as well. This kind of historiographical condition is by no means unique to the study of China, but its weight has been increased by the country’s massive economic and social transformations of the past thirty-five
years. These developments can be comfortably written as a chapter of the narrative beginning with late nineteenth-century Chinese efforts to respond to the West. Missing from most discussions of China’s economic transformation and the state’s role in promoting certain kinds of change has been the relevance of political priorities and policy strategies that existed before Chinese leaders became aware of Western technologies.

The Chinese pursuit of wealth and power, usually seen as a response to Western challenges through the adoption and adaptation of Western economic practices and political policies, was by the end of the Qing dynasty a political and social program of economic transformation and revitalization. A basic problem for us as early twenty-first observers of this period is to understand how officials of the late Qing state came to conceptualize and act upon the priorities of creating wealth and power, within which industrialization figured prominently. Consider our challenges of comprehension first at a linguistic level since it is among the easiest to appreciate. English, like many languages, typically makes a clear distinction between cyclical and secular passages of time. For instance, we distinguish in English “construct” from “reconstruct,” but in Chinese the term 建设 (jianshe) embraces both meanings. We choose one or the other when we translate Chinese expressions using jianshe as the Chinese Construction Bank and the Rural Reconstruction Movement of the 1920s and 1930s. We distinguish in English between what is newly made and something that is being redone or done again. We lose sight of the possibility that there is between the two a conceptual space of change that holds the possibility of forward movement extending as it affirms earlier patterns and processes, be these political, economic, social, or cultural in nature. I will suggest below that what Chinese in the late nineteenth and early twentieth centuries understood to be “industry” is not only nineteenth-century mechanized factory industry familiar to us as what is new about industrialization, but
also household craft industries that were basic to centuries-old practices of agrarian market
production. The actual political practice of promoting a strong state and prosperous society in
late nineteenth-century China included both policies we recognize as new efforts common to
people in many countries to respond to Western pressures and possibilities and those we would
label as particularly Chinese and anchored in traditional concerns. Rather than simply
encouraging substitutes of foreign for native or alternatives between new and old, officials in the
last decade of the Qing dynasty were envisioning an institutional platform to make the state more
competitive internationally and the society more prosperous domestically. One key link between
these two projects was an industrialization agenda that promoted different kinds of industry
across cities and the countryside.

*The Social and Political Bases of late Qing Industrialization*

The Qing state’s initial interest in modern industries during the 1870s focused on arsenals
and steamships. Officials were animated by the anxious desires to build military capacities to
fend off foreign threats. A generation ago, scholarly assessments of the efforts begun in the
1870s to build industries focused on what were deemed political or economic limitations of these
efforts. (Feuerwerker 1958; Chan 1980) Politically, the state’s response to the challenges has
often been seen to entail the devolution of power since provincial-level officials took the lead in
setting up these enterprises and thus is a sign of the weakening power of the central government,
which leads to its eventual demise in 1911. Economically, the absence of an industrialization
process like that in Meiji era Japan meant the government did little to foster economic
development. Such assessments have been anchored in a larger model of historical change that
identifies ideological and institutional features of modernity with characteristics of Western societies. While historians and other scholars have confidently rejected the sweeping narratives based on modernization theory, we have been far less successful in constructing alternative understandings of how the Qing political and economic systems were changing, and more specifically what Chinese actors themselves thought they were doing and the consequences of their actions, intended and otherwise.

The late nineteenth century in Europe and the United States was an era of capitalist triumph. A market economy based on private property and political institutions to support this economic order fostered the formation of large concentrations of capital to build large enterprises in new industries from railroads, to chemicals and other heavy industries. For their part, the Japanese formed industrial and financial business conglomerates in the late nineteenth century that were basic institutional components of their economic development. China certainly lacked any of the institutional formats for developing industry important in other parts of the world. Chinese political economy had long valued markets and commercial exchange, despite the persistence of stereotypes of Confucian disdain for merchants. Long-distance trade organized by sophisticated merchant networks spanned the empire’s many provinces; local marketing systems provided sites at which agrarian households sold crops and crafts. What Chinese officials frequently opposed in the early modern era, especially regarding food supplies, was monopoly or oligopoly control over markets. Officials were suspicious of interference with what they deemed free flows of commodities according to supply and demand conditions, whether by rich merchants or by local and provincial officials who sought to restrict grain exports from their jurisdictions in order to protect the supplies of their subjects. (Wong 1999) The only government sanctioned monopolies were for salt and the merchants licensed to trade to Westerners at Canton.
The relatively small number of very wealthy Chinese merchants who made their fortunes through salt or foreign trade was subject to official expectations that they would be a source of resources in times of fiscal need. Sometimes termed “contributions” (捐 juan), these transfers from rich merchants to officials met the social expectations of officials for rich merchants to help maintain social stability and order. These official expectations of particularly wealthy merchants were elements of a larger set of understandings between officials and elites more generally that committed both to joint efforts at sustaining institutions of local social order, including in the eighteenth century some water control activities, schools, and granaries. Officials were themselves members of a local elite in their home areas and also participants in larger networks of influence spanning larger spaces. Official capacities to monitor, let alone control, social order across a largely agrarian society in which a county magistrate, the lowest level of the bureaucracy, often was responsible for several hundred thousand residents, were inadequate without the cooperation of elites. Elites and common people alike could pursue much of their daily activities without either the helping hand or extractive grasp of officials making much of a difference to them. From this set of relations we can gain a useful perspective on the social and political bases of late Qing industrialization.

The challenge of funding and organizing new industrial enterprises represented a concrete indication that the achievement of a secure society no longer depended solely upon successfully implementing an effective domestic agenda of rule. Attention to foreign threats created a distinct set of responses that could be mounted, at least initially, through the efforts of officials and elites together. Rich merchant elites were natural allies of officials as sources of capital and managerial talent for mounting new enterprises. Initial appeals for capital included awards of honors to those who invested. (Wang Jie 2008: 163-70) The subsequent development
of domestic demand for government bonds drew upon this kind of sense of social obligation to undertake what were seen as much as contributions or loans as they were an interest-bearing financial instrument. For their parts, officials turned to taxes collected on domestic and foreign trade to mobilize resources to start new enterprises. (Zhou Zhichu 2002: 208) Together officials and merchants were able to fund the formation of modern industries. In the last decade of the Qing dynasty, differences between official and merchant interests became clearer—both continued to pursue wealth and power but the competition between their concerns became more visible than their continued bases of complementary effort.

The late Qing began a process of involving elites more directly in government functions after the Taiping Rebellion. In some areas bureaus headed by elites began to collect taxes; elites had been involved in tax collections more informally in earlier times but the bureaucracy was creating organs designed to make elite involvement more explicit. The establishment of Chambers of Commerce in 1904 was an important example of this trend to define more formal organizational bases for elite involvement with government activities. For officials, the expected Chambers of Commerce were to help them manage commercial affairs, much as merchants had done more informally in earlier decades and centuries. But as government demands on merchants, especially for taxes, were rising, Chambers of Commerce also became vehicles through which merchants attempted to negotiate with officials to protect and promote their interests, a kind of interest group representation more familiar to us as what we expect merchant groups to do. (Ma Min and Zhu Ying 1993) Less visible to us is the older and continuing logic of complementary roles regarding economic matters that the Chambers and officials played. One basic example of this older logic being pursued concerns commercial dispute resolution, a process that previously had relied greatly on merchants themselves to resolve their differences,
turning to officials only when they were unable to agree upon matters of credit, disposition of goods, and the like.\(^1\) Where economic historians like to contrast the formal development of courts and contracts as a particular European development in contrast to Islamic reliance on informal institutions, Chinese evidence suggests how commercial dispute resolution involved both formal and informal mechanisms working together. (Greif 2006) Even if the stark contrast posed between European and Islamic institutions is not exaggerated, Chinese practices confirm the possibility of combining elements of both formal and informal in a single system. The late Qing evolution of the relationship between formal and informal institutions is a window on the kinds of political and economic relationships that emerged between officials and economic elites.

The different ways that officials and elites engaged each other in the late nineteenth century drew upon a repertoire of practices developed over several centuries and offers a different vantage point from which to evaluate official-merchant relations regarding the management of enterprises than is typically utilized. Officials have often been criticized for interfering politically with the economic management of firms. But we can also see some of the efforts that the government made to utilize the efforts of both officials and entrepreneurs in an integrated fashion. For example, the government sought to subject capital to the same principles of use irrespective of its origins from official taxation or merchant contributions. The underlying assumption of such efforts were that officials and merchants shared an agenda for creating new industries that was part of a broader set of principles of political economy. We can appreciate

\(^1\) This subject is part of the dissertation *Complicated Matters: Commercial Dispute Resolution in Qing Chongqing from 1750 to 1911* by UCLA graduate student Maura Dykstra who is carefully reconstructing the ways in which late Qing era merchant groups in Sichuan’s city of Chongqing became a site for commercial dispute resolution expected to fit into a longer set of possible steps also involving officials to resolve incomplete and contested transactions.
more adequately this larger framework of political economy by turning to late Qing policies
toward agriculture, the bedrock of economic prosperity in previous centuries.

The Late Qing State’s Agenda for Agriculture

For students of Chinese history, the state’s concern for agriculture is a well known and
basic feature of political philosophy and government policies. Social stability and political
viability were routinely predicated upon a prosperous society of peasant households able to
support themselves and the people who ruled them. The state’s fiscal viability was tied to the
well-being of the common people since for most of the two thousand years of dynastic history,
Chinese states relied more on agriculture as a source of revenue than on trade or craft industries.
As a consequence officials took a strong interest in promoting production, managing food supply
instabilities, and assuring the flow of resources and goods through the empire’s markets. From
the perspective of two millennia of history, the eighteenth century was a high point of
government efforts to settle people on uncultivated land, to manage diverse water control
projects, collect and disseminate information on crop varieties and cultivation techniques,
maintain civilian granaries to serve both urban and rural populations hit by harvest shortfalls, and
monitor market institutions to mitigate friction slowing down the flow of transactions. Chinese
political economy and government more generally presumed a close association between
economic prosperity and social stability, and understood the countryside to be the locus of
potential social unrest that could challenge and even topple imperial regimes.

With such a history, it shouldn’t seem all that surprising that late nineteenth-century
intellectuals and officials continued to see agriculture as a fundamental focus of state concern.
Only a narrow insistence on privileging indicators of economic policies aimed toward industrialization can explain the relative lack of scholarly interest in late Qing policies toward agriculture. And when such policies are considered by authors who recognize their importance to late Qing political economy, they are presented as modern and thus different from earlier traditional policies. For instance, Wei Wenting (魏文亭) begins his studies of agricultural associations (农会) between 1924 and 1949 with an assessment of traditional rural institutions which he contrasts to modern forms of organization; these organizations were initially formulated in the last decade of the Qing dynasty along side chambers of commerce. Traditional forms of rural organization were based on either kinship or native place and were organized by local people, not by the state; they therefore lacked a larger structure. Moreover, they lacked any legal basis for engaging officials in negotiation; instead they depended on official acceptance of their activities. Finally, they lacked “the desire and goal of the right to petition”( 权益诉求的意愿及目标). (Wei 2009: 28-29) This interpretation implicitly equates the two binaries of traditional/modern and domestic/foreign, thereby obscuring the presence of so-called traditional elements in forms labeled modern, such as the agricultural association. It is no doubt true that the formation of agricultural associations was influenced by the models being used for organizing merchants and industrial entrepreneurs. (Wang Jie 2008: 289) But a more basic point is that both industrial-commercial and agricultural associations drew upon policy principles and political logics of social organization joining officials and elites present in earlier centuries, captured by an expression used in the late Qing era of 官民一心 (the officials and people have a single heart). (Zhu Ying 1996: 52)
For agricultural associations specifically, Wang Jie’s research has observed that the government expected these groups were to be established by the people themselves for the purposes of promoting agricultural education, new methods of agronomy, and cooperation among farming households. More concretely these associations experimented with seed varieties, took on water control projects, organized opening new land, monitored harvest conditions and grain prices, and responded to subsistence crises. (Wang Jie 2008: 285, 299) All these items were matters pursued in earlier centuries, even if the organizations mounting these efforts were not called agricultural associations. Not only were many of the activities familiar to generations of officials and the people they governed, but in addition much in the organizational format of agricultural associations and the logic of their formation were also similar to previous practices.

Despite the call for people to establish agricultural associations on their own, Wang Jie states that a combination of officials and gentry elites were the active forces behind their formation across the empire’s many counties. They were organized in a vertically integrated system with provincial-level associations (总会 zonghui) reporting to the central government. (Wang Jie 2008: 287-88) This vertically integrated system with bureaucratic oversight resembles the format used by eighteenth-century community and charity granaries (社仓,义仓)in several notable ways. The rhetoric behind the formation of community and charity granaries stressed voluntary action by local people—the idea goes back to the Song dynasty and includes the master Zhu Xi himself calling for people to form granaries. But the actual practice of expanding these granaries depended on a mix of official and local elite efforts, the relative importance of which varied by locale. (Wong 1997b) Moreover, the monitoring of the grain reserves during much of the eighteenth century was achieved at the central level by gathering
monthly reports from provincial-level officials who summarized the information they received from county and prefectural levels of government. (Will and Wong 1991: 63-72)

Chinese officials and local rural elites expected to pursue a jointly mounted Confucian agenda of sustaining local social order in late imperial times. There was certainly room for disagreement and disputes as well, but this agenda of rule included both local institutions for social order and an ideology to guide their formation and maintenance. (Wong 1997a: 105-26). At least part of the story of late Qing agricultural associations fits within this logic of shared efforts, as do the more visible and intense efforts to suppress opium. (Wong 2000) This political campaign mobilized elites to serve as extensions of the bureaucracy. Governments in other times and places, of course, also rely on private citizens to take on the responsibilities of political authorities—Americans, for instance have their nineteenth-century Texas Rangers as part of a tradition of deputizing upstanding local men to help sustain social order in Western frontier areas lacking much government infrastructure. In China however this kind of relationship develops without the tradition of official and elite negotiation so basic to European state making. (Wong 1997a: 93-101) Chinese do not develop the European ideological and institutional constructions of state and civil society within which the principles of right of petition and the practice of legal defense become formulated.

Chinese agricultural associations, like chambers of commerce, pursued priorities and purposes that Chinese officials and elites had promoted in previous centuries. In both cases the new organizations made more formal what had been pursued more informally in the past, including new techniques and methods to address long-standing concerns. Agricultural associations could embrace scientific information about crops and promote new technologies as part of an older agenda to promote agricultural education. Such efforts could even be extended
to Chinese participation in world expositions where the government selected special agricultural products to display (Wang Jie 2008: 302). New practices can be extensions and complements to older ones that form larger patterns because older practices are open and flexible to change. Efforts at agricultural innovation and dissemination existed side by side the industrial promotion efforts. A key link between them were craft industries that had been largely part of countryside and became features of small towns, the production from which joined newer kinds of industrial commodities turned out in urban factories employing large and expensive technologies.

*Chinese Industry: from craft to factory, from countryside to city*

Knowing that Chinese officials promoted the display of Chinese agricultural products at international expositions, we might well expect that they also were eager to promote their industrial wares as well. We might also be skeptical that they would have much success since they were only recently beginning to develop modern industries. As matters turned out, Qing officials promoted what they considered to be their industrial products, which a mere century earlier were indeed the manufactures that were among the world’s most sophisticated; Chinese silks, porcelain and tea were key export commodities at a time that Europeans relied to a considerable extent on silver and by the turn of the nineteenth century on opium to balance their trade with China. But by the late nineteenth and early twentieth centuries, Chinese wares were examples of handicraft production, quaint representations of a foreign culture to be observed and categorized through the taxonomies of the emerging disciplines of anthropology and ethnography. Chinese journalists at the 1904 St. Louis World Exposition were therefore humiliated by the reception of the Qing state’s displays for showing the backwardness of their country. (Fernsebner 2002: 17-63). Chinese craft products struck American fair goers as exotic
indicators of a foreign culture seemingly innocent of the industrial transformation creating modern society. When we turn to some of the Chinese who were directly involved in world expositions, we gain a different perspective as Mae Ngai has demonstrated. Much more was going on than the interpretation of the “other” by the hegemonic discourse of the powerful at world expositions, if we consider the human agency of the Chinese transnationals who created the Chinese village at the 1893 Chicago Exposition. Theirs was an effort at cultural translation and the construction of a apprehensible and meaningful depiction of Chinese life for an audience innocent of such a social world. (Ngai 2005) But pondering the Chinese journalist reactions to what their government had fashioned a decade later in St. Louis involves a different set of actors than those Ngai examined and encourages us to be mindful of the particular Chinese actors who had quite distinct vantage points from which to mount their presentations of Chinese artifacts. Not only are there clear differences in the perspectives of Chinese transnational businessmen who funded the Chicago display of a Chinese village and the Qing government that mounted the exhibit of Chinese manufactures in St. Louis, but the Chinese reaction of national shame also contrasts sharply with the deliberate celebration of craft knowledge and production by the Japanese at world expositions and their subsequent formulation of a folk craft movement. (Aso 1997) This early twentieth-century movement helped to prepare a foundation for the post-World War II development of cultural honor and financial support by the state for great craftsmen producing ceramics, textiles, lacquerware, paper, dolls, metalwork and woodwork. In contrast to this Japanese scenario which rests upon a distinction between crafts and the industries and technologies being displayed by other countries at world expositions, the Chinese appear to have considered their craft industries to merit admiration along side the technologically sophisticated
forms of production being displayed by Americans and Europeans according to a common metric of value.

It would be easy to dismiss the Qing government’s understanding of what it attempted to display at the 1904 St. Louis World Exposition, but to do so would lead us to ignore how they made this effort, how the effort fit within a broader set of policies, and how the principles of political economy they worked with emerged out of a tradition, consequences of which can be seen in the late twentieth century. Many Chinese craft industries failed to develop along a path of aesthetic innovation anchored in the maintenance of distinctive skills as the Japanese chose to pursue for a select few crafts. This contrast captures two somewhat different bodies of craft production, a wide range of Chinese crafts and a narrow range of highly skilled Japanese artisan products. But this contrast suggests a larger difference in how Chinese and Japanese leaders conceived the relationship between craft and factory production. Some rural Chinese craft industries survived into the mid-twentieth century and by the late twentieth century, much of China’s rapid industrial growth occurred in villages and small towns in small-scale labor-intensive settings, some of which were akin to craft workshops on an earlier era.

Encouraging Chinese participation at international commercial and industrial expositions was part of a larger early twentieth-century Chinese government effort to encourage the development and spread of best practices using new technologies. These were hardly the first efforts Chinese government officials had made to promote the development and use of best technologies. The eighteenth century in particular witnessed especially large imperial efforts to gather knowledge on a variety of subjects, including agronomy and crafts and disseminate that knowledge through books placed in libraries around the empire; some officials were especially keen to take with them knowledge of crops and cultivation techniques as well as craft
technologies that they gathered at one location to their subsequent bureaucratic postings. Nothing in these efforts led to a parallel or connected scientific revolution and thus we tend to assume such was not possible in China. (Wong 2013) But even if this proves a persuasive argument, we shouldn’t lose sight of the ways in which these practices became augmented after some of the advances of Western science and technology entered late nineteenth and early twentieth century China. The organizational capacities to assemble and spread useful knowledge were, needless to say, more limited in mid-eighteenth century China, than they would become at the turn of the twentieth century, but again we witness the extension of intentions and their embrace of new technological possibilities rather than the substitution of one set of production modalities by another. The promotion of new technologies included those feasible within small factories as well as those requiring more capital and plant operations on a larger scale. The issuing of awards to some 32 firms in 1905 which officials had identified as innovators was meant to stimulate a change in social attitudes toward business enterprises through political recognition of its importance. (Wang Jie 2008: 167-70)

At the same time as we can identify components to the promotion of industry in the late Qing dynasty that could not have existed 150 years earlier, there are also features of the efforts that resonate strongly with earlier practices that are missed if we are focused simply on finding new practices. They are not necessarily less important for being present before. A key element in the late Qing state’s efforts to gather information about industrial production across the empire depended on the establishment of industrial arts bureaus (gongyi ju). As with other vertically coordinated systems established by late imperial Chinese officials this project aspired to establish bureaus in each of the empire’s more than 1300 counties and have bureaus at the provincial level assemble information from their jurisdictions to forward to the central
government. The bureaus, like many other late Qing government efforts, were to be formed by the joint efforts of officials and gentry. (Wang Jie 2008: 217) The technologies these bureaus covered included weaving, cloth dyeing, wood products, leather goods, lacquer, magazine production, and color printing; they included but were not limited to technologies imported from abroad. (Wang Jie 2008: 221) There is no sharp and important divide between what is modern and what is traditional. The traditional was being transformed by modern elements rather than being universally displaced.

A 1904 account of establishing bureaus in the northern province of Zhili, Initial compilation of industrial arts in Zhili (直隶工艺志初编 Zhili gongyi zhi chubian) put together by the General Bureau of Industrial Arts (工艺总局 gongyi zongju) makes clear the integration of industry into rural production. The principles of compilation of information on industrial production presented in the first chapter of the report states that “industrial production, no matter how precious or coarse, large or small, many or few” is to be included. A similar understanding of how to present conditions continued to hold in north China in the 1920s and 1930s. In Ding County, famous as a site for both study of village life and efforts of Western educated Chinese beneficiaries of American philanthropy to promote improvements, a survey of village industry recounts the importance of craft production, estimating that some 15,000 men and more than 65,000 women out of a total of 400,000 working people were engaged in household industrial pursuits. (Zhang Shiwen 1935: 1) In north China more generally, rural craft industries seem to be integrated into the seasonal labor demands of agriculture. Such a connection does not in fact necessarily mean the crafts would be pursued at home. Early stages of manufacturing in both England and France had seasonal patterns of production tied to the rhythms of the demand for agricultural labor. (Sokoloff and Dollar 1997; Postel-Vinay 1994) In some Chinese cases, textile
industries could thrive through the adoption of technologies developed abroad for use in Chinese village homes. For example, the north China county of Gaoyang, the 1932 site of the first Communist effort to establish a base area in north China was also a county in which a thriving cotton textile industry developed. Among the key ingredients was an iron gear loom technology introduced from Japan and then replicated in China for use by rural weaving households who produced a variety of cotton goods adapting production to changing supply and demand conditions relayed to them by merchant networks selling their goods across north China. (Grove 1975; Grove 2006)

The evolution of Jiangnan craft industries differed from the north China examples mentioned above since urban industries, principally in Shanghai, created a different economic context. European and American industrialization experiences as well as the theories of economic development formulated after World War II, lead us to make a comfortable equivalence between rural and agricultural and between urban and industrial. From such vantage points, Shanghai’s development of urban factory-based industries across a variety of light industrial commodities, including textiles, flour, matches, cooking oils, could easily lead us to expect the demise of rural craft industries. Add to these the critiques of imperialist powers importing commodities to displace domestically produced goods and there seems little reason to expect Jiangnan craft industries to survive the twin onslaught of foreign competition and modern urban production. Yet, based on wage data in Jiangsu, a reasonable argument can be made for economic growth spanning both the urban center of Shanghai and the towns and villages that had for several centuries been producing craft products for sale through a dense market network. (Rawski 1989: 299-307)
The vitality of textile industries in the Jiangsu province portion of the Jiangnan region comes through a county-level survey of economic activities made in the spring of 1919 by the provincial government entitled *Jiangsu sheng shiye shicha baogao shu*. In the section labeled “industry” (工业 gongye) a range of conditions emerges across different counties. (*Jiangsu sheng shiye shicha baogao shu* 267-301) Some have a few factories (工厂 gongchang) which are in small towns; among these some are officially sponsored (官办 guanban), while others are not. Other counties do not have factories and some have instead some non-factory industry labeled “minjian gongye,” in which the adjective “minjian” in other contexts contrasts with activities of the government, and hence means non-official or in yet other contexts refers to some common and popular activities such as folk art, literature and dance. In identifying a category of “industry” that is not based in a factory, the survey is referring to kinds of craft industry that people have pursued as material production much in the manner of the cultural production with which the term “minjian” is more typically associated. This survey thus documents the survival of folk industries amidst the growth of urban factory manufacturing in Shanghai. This means some craft industries, like fan making and sewing bags to hold rice, persist as other rural industries, like rural textile weaving, are transformed by their connections to urban production, in this case machine-made thread.

The significance of rural industries to villages and small towns in Jiangnan was stressed by China’s best known anthropologist, London-trained Fei Hsiao-tung (Fei Xiaotong), in his famous English-language study, *Peasant Life in China: A Field Study of Country Life in the Yangtze Valley*, published in 1939. He subsequently published in 1957 an essay criticizing the destruction of rural industries in the 1950s, expressing a view which would not be popular until a quarter century later when he once again began writing on the subject. These essays were among
those subsequently translated into English and published in 1989 as *Rural Development in China: Prospect and Retrospect* when it was possible within and beyond China to recognize the importance of rural industries to what was then becoming a key component of industrial expansion in the reform era. The explosion of village and township enterprises in the late twentieth century produced a diverse range of light industrial consumer commodities typically in small factory settings that utilized new technologies; these firms used large amounts of previously under-employed labor, and capital mobilized through a variety of channels and were responsible for creating more than half the country’s industrial growth during the 1980s, continuing to be significant into the 1990s. Unlike Fei Xiaotong, many domestic and foreign observers of China’s recent economic transformation have been unaware of the clear connections between China’s earlier pattern of rural industry and the expansion of township and village enterprises toward the end of the twentieth century. A simple neo-liberal market view sees the changes as a natural outcome of markets growing when unfettered by a repressive state. Interpretations embedded in a closer evaluation of the political conditions under which TVE were promoted tend to highlight the roles of local party officials as key actors. Neither perspective quite explains how and why this broader pattern of industrial change emerged.

It is of course impossible not to consider the fundamental importance of party-state policies in making the growth of rural industries possible, any more than it is reasonable to ignore the fundamental role that state policies had in dismantling a once vibrant craft industrial practices that had made their way to the mid-twentieth century before being destroyed. Indeed, Lynn White’s work on the Shanghai area has documented the growth of small-scale industrial enterprises outside the city well before the reform era was inaugurated by centrally approved policy changes in agriculture in the fall of 1978. White explains the decisions taken by Shanghai
officials in the early 1970s to allow enterprises to seek some of their industrial outputs outside the state plan by turning to factories in nearby counties able to produce inputs. Officials were aiming to achieve credibility with local stakeholders and hence regain political legitimacy. (White 1998) Such possibilities only existed however because of long-standing and diverse connections between urban and rural forms of industry from earlier decades of the twentieth century. Those relationships in turn were forged in the wake of late Qing policies that envisioned rural industry as a form of industrial activity that contributed directly to the material well-being of agrarian populations and composed a key element of China’s industrialization process.

*Wealth and power in late Qing China*

Chinese patterns of economic development since the 1980s have connections of considerable importance typically ignored because we focus on features closer to the surfaces of change that we recognize as important, often because they are similar to those in more familiar histories that dominate our perceptions other societies, like China. Digging beneath the topographies of the present can reveal some of the reasons China’s recent economic changes have been unprecedented in both in speed and spatial spread. But Chinese political economy generally, and especially its late Qing formulations more specifically, share important similarities with more familiar kinds of political economy that are not always adequately appreciated. The pursuit of wealth and power as twin goals of state makers is basic to the mercantilist vision shared across much of early modern Europe. Political leaders aspired to make their countries richer and stronger by producing more and selling more abroad in order to amass larger amounts of money. These aspirations for money and resources were thus expressed
both economically and politically. States and their merchants aimed to monopolize trade with their colonies and sources of new early modern commodities like spices, sugar, and tea. A political and economic competition among early modern European state makers and their merchant classes powered key components of the historical dynamics we have come to recognize more generally to be the formation of modern states and the development of capitalism.

The late Qing pursuit of wealth and power was indeed to make the country stronger and more prosperous by making both the Chinese state and the Chinese economy more competitive with those of Western countries. But we have mis-apprehended their efforts for two basic reasons. First, the standards by which we evaluate late Qing political economy are typically not related to a mercantilist logic but standards for states and economies that emerged in nineteenth-century Europe. Second, the differences between late Qing political economy and either nineteenth-century capitalist or early modern mercantilist political economies have not been adequately accounted for from the vantage point of the priorities and policies of late imperial Chinese political economy.

Factory-based industry served the aims of achieving both wealth and power, heavy industries made the state stronger and light industries produced consumer goods for the market. Part of the late Qing political economy thus included an explicit response to imperialism at the same time as a component affirmed and extended the ambit of previous efforts to embrace new kinds of economic activity. The expenditure demands added by the desire to form new factories and bureaucratic posts to respond to foreign challenges meant a shift from the early modern era fiscal precept of “revenue determines expenditures” (量入为出) to “expenditures determine revenues” (量出为入). In other words, rather than limiting expenditures to fit within the means available from revenues, the state’s expenditure needs drove officials in create new mechanisms
to amass resources. This late nineteenth-century Chinese challenge was in fact familiar to those faced by early modern European state makers. Like early modern European state makers (and indeed like Han and Southern Song officials before them), late Qing officials relied on revenues from commerce. Officials also learned about the mechanisms first formulated by Europeans to tap domestic wealth and foreign financial markets to raise money through loans and bond issues. Much was changing in Chinese political economy because of the unprecedented challenges and institutional options created by the political and economic engagements of Chinese and foreigners. These new features have dominated our view of late Qing conditions to the virtual exclusion of consideration of the ways in which these efforts were actually part of a larger program in which older domestic concerns remained basic to Chinese political economy.

Consider the European standards implicitly employed to consider self-strengthening and the late Qing New Policies. In Europe, by the nineteenth century the mercantilist fusion of political and economic purposes became generally disavowed by the most successful states and economies. The British state was the model of a modern state and the country’s economy the world’s leading economy; state officials and private entrepreneurs performed institutionally distinct roles. The late nineteenth-century Chinese efforts failed to meet modern norms epitomized by the British because the Chinese did not adequately distinguish the political roles of officials from the economic roles of elites. Enterprises were bedeviled by inadequate institutional supports for private property and exchange transactions. Commercial dispute resolution lacked a court system able to adjudicate competing claims. What the late Qing state failed to provide were not general features of early modern era European mercantilism. Some of what they attempted to achieve paralleled early modern European aspirations for mercantilist competitiveness. Some economic historians, those who follow a particular interpretation of
Nobel laureate Douglass North’s institutional economics, stress that England began to develop the relevant institutions in the early modern era and thus their subsequent nineteenth-century successes are prepared for by their early modern effectiveness. But the British case can hardly serve as a more general characterization of what occurred across nineteenth-century Europe where states often played a larger and more direct role, sometimes to mobilize capital directly, to help set up enterprises, to promote the development of new technologies, and to encourage patterns of foreign trade favorable to domestic interests against the British championing of free trade. Nineteenth-century European economic history reminds us of the limits of the British model and thus it should be not terribly surprising to realize that the application of metrics to late Qing policies that are implicitly derived from British norms are inadequate to evaluate practical possibilities for China since they don’t do all that well for other parts of Europe. This important limitation on our understanding is straightforward and easy to recognize. The second reason we have a hard time evaluating late Qing political economy because it differs from both early modern and modern European forms of political economy is however far less easy to identify and address. Late Qing political economy responded to the unprecedented challenges of Western imperialism in ways that built upon and extended important Chinese political and economic policy principles and values.

One of the standard critiques of the self-strengthening movement of the 1870s was its effort to combine the Chinese system or body with Western instrumental methods; seen as a contrast of a Chinese essence and foreign technologies, the notion of “tiyong” (体用) has been viewed as a sign of the limited Chinese understanding of the requirements of modern societies. Some subsequent late Qing intellectuals and policy makers produced additional political changes that have been approvingly perceived by historians as signs that late Qing reformers recognized
the practical limitations of the *tiyong* dichotomy. Yet, if we think of the Chinese system, body or essence as including certain basic political economy precepts, primary among them the promotion of popular material well-being, then late Qing reformers expanded their repertoire of methods to achieve these ends by embracing a new category of “industry” (*gongye*), which included both factory-based production with imported technologies and household craft production that existed long before the category of “industry” was created. Craft production remained part of an agrarian social order supported materially by agriculture, to which the late Qing state also paid considerable attention and began institutional innovations related to those undertaken in industry and commerce. Putting agriculture, industry and commerce all under a single ministry suggests the late Qing state’s ability to build a key part of its New Policies on a foundation rooted in the soil according to an intellectual architecture that spanned an older agrarian social order and a newer urban society—industrialization was a process understood to promote people’s material well-being in both.

Our conventional contrast of Chinese in the first decade of the twentieth century either advocating either reform or revolution with a small number cleaving to some conservative backward looking view of their society and culture poses too simplistic a set of choices. It misses the basic openness of Chinese political economy to accommodate new practices, like industrialization, to serve purposes familiar to Chinese political leaders. Moreover, the menu of choices historians serve to locate the views of late Qing political and economic actors doesn’t adequately contextualize the fluid relations between officials and elites within an understanding of Chinese society and its history, but imposes the norms forged through European historical experiences in which a separation of state and civil society has been a key feature, realized in
different ways across Europe to be sure, of the construction of early modern and especially modern states.

The Chinese approach to governance expects to influence and even promote certain kinds of social organization and activity that can at certain times and places be quite autonomous but with the latent potential to be utilized to pursue officially determined aims. Whether we are looking at the roles of the chambers of commerce or agricultural associations, these are organizations that are assumed by officials to share an agenda of priorities with the state. While late Qing officials were certainly mistaken to ignore the distinct economic interests of those in urban and rural organizations, the scholarly search for examples of competition and conflict to the exclusion of how officials and elites often played complementary roles is also misguided and less forgivable since our choice to employ an analytical lens ground to focus on European phenomena shouldn’t be expected to yield a sharp image of Chinese practices. We have blinded ourselves to apprehending the ways in which late Qing political economy affirmed some basic beliefs of long-standing political priority at the same time as it responded to imperialism. Those most committed to affirming the long-standing logic of promoting the material well-being of the common people were not entangled in any rhetoric of domestic decline. Rather they understood, far better than most all who have subsequently examined their efforts to respond to imperialism, that such efforts were part of a larger agenda that had served the empire in the past and would continue to influence political thinking after the empire no longer existed.

The pay off from getting clearer how Chinese officials, intellectuals, and economic elites understood their situations and the efforts they made to address their challenges matters not only to the historian’s comprehension of this particular case but exemplifies an approach toward reformulating the ways in which social theory moves beyond large-scale structural accounts, the
flaws of which have been acknowledged by more than two decades of critique, to understand the political fates of Eurasian empires, the impacts of their transformations on the societies they governed, and the logics of economic change taking place within each of them and across all of them.

*Chinese Industrialization in East Asian Context*

The Chinese understanding of “industry” spanning a spectrum from new capital-intensive heavy industries through urban factory-based light industries to labor-intensive crafts pursued in the countryside with improved technologies looks quite different from what we conventionally think of as “industry” based on European and American experiences of industrialization. But if we look within an East Asian context and consider Japanese industrialization experiences beginning in the 1870s with the Meiji Restoration and moving toward total war mobilization in the 1940s we can find striking similarities, if we look beneath the surface of conventional contrasts of a successful Japan and a failed China.

Governments in both China and Japan formulate self-strengthening strategies by the 1870s. In the Japanese case the government’s lack of revenues in the early 1880s leads them to sell off those enterprises they funded and managed to wealthy businessmen who developed the large and visible firms in heavy industries where larger capital outlays were required and in large factory light industry, most especially cotton textiles. Four large business groups, zaibatsu, were composed of interlinked companies that combined financing, production and trade. They guided the economy’s expansion in production and development of export markets; for instance three major Osaka cotton textile mills formed an export cartel and used the Mitsui trading company to sell their material in Korea. The Mitsui group was further involved with bringing
back to Japan raw materials and agricultural crops. The four zaibatsu more generally formed the
top tier of a two-tier industrial structure. Below them were a multitude of small firms who
operated on competitive markets with many buyers and sellers.

As late as 1929 firms with less than four employees accounted for 20% of total
production, while firms with five to 99 employees produced 40% of total production. These
small-scale enterprises relied on labor-intensive production processes, much as was the case in
China in the opening decades of the twentieth century. Similar too was the Japanese
government’s promotion of improvements in small-scale industrial operations across a country in
which the majority of the population continued to live outside of large cities through the first two
decades of the twentieth century. The effectiveness of commercial economies composed of
many small firms and peasant farms was the economic foundation of both Chinese and Japanese
societies for the half century after the start of government self-strengthening in the 1870s.
Small-scale factory industrialization emerged in this context common to China and Japan.

Differences in territorial size and population made the similarities between these
dynamics of economic change in parts of China and in Japan difficult to appreciate. The larger
size of China made it less likely that business groups similar to the four Japanese zaibatsu would
emerge across China generally. This difference in size also meant that Japan, not unlike Britain
a century earlier aspired to create export markets for its manufactured goods, with China
providing a partial parallel to mainland Europe in the sense that pockets of industrialization
emerged on the continent shortly after Britain’s Industrial Revolution in the decades around 1800
just as they did in China in the decades around 1900. What both the British and the Japanese did
more than other Europeans or Chinese entrepreneurs was create business groups that built up
their capitalist economies through a combination of domestic production and export trade.
In terms of government aspirations in succeeding decades, both Chinese and Japanese governments wanted to push the development of heavy industries, most importantly to forge larger military capacities—in the Japanese case to support their colonial ambitions and in the Chinese case to defend themselves against the threats Japanese expansion posed. They did not enjoy similar successes however. The Japanese succeeded in creating a growing industrial sector in the 1930s with a stress on heavy industries under the control of new zaibatsu formed in this period. The Chinese Nationalist government formed in 1927 with varying degrees of control over much of the former Qing empire was unable to translate its economic aspirations into reality. During the 1940s however, the Chinese government expanded its control over industries as part of its response to war with the Japanese and being driven to flee far inland to Chongqing to establish a wartime capital. As a result, the Nationalist government bequeathed to the Communists, whose victory in the civil war following the defeat of Japan established them in power in 1949 across the mainland, a congenial context for promoting state-owned industries.

In the 1950s the political economies of China and Japan bear little in common. But if one compares instead the Japanese economy the 1950s and 1960s with the Chinese economy in the 1980s and 1990s one can see some partial but important parallels that distinguish both from Western paths of economic development. In Japan effective political decision making in the formulation of economic strategy guides an economy that continues to have a two-tier industrial structure of large zaibatsu and far smaller firms which continue to rely on labor intensive forms of production. In the first two decades of China’s reform era, the state formulates an economic strategy and retains control over large firms as it promotes the expansion of a commercial economy in which many small-scale firms are established, both through the township-and-village industries and through the subsequent formation of small firms in urban settings. In both cases,
the periods of rapid growth depended on an effective integration of top-down economic planning and bottom-up entrepreneurial initiatives. Large-scale firms that dominated important sectors mattered in both cases—these were private firms in Japan and state-owned in China. The property rights regime differences mattered less than the similar market power each has exerted both domestically and internationally.

By pointing out similarities between Chinese and Japanese political economies at various key moments of developmental change in each, I do not mean to suggest that differences in territorial size, population, political structures, and economic institutions do not matter to explaining important differences. Those, however, are conventionally recognized and have tended to obscure what is less commonly appreciated to be similar in the two East Asian cases. Indeed one could go further to include both South Korea and Taiwan as examples of places with political economies of industrialization that combine some version of a developmental state with effective bottom-up institutions of small scale labor intensive production and commercial exchange.

Placing the Chinese development of its modern economy in multiple frames of reference allows us to appreciate the ways in which China’s economic transformation shares one set of similarities and differences with changes in European history and yet another with other countries in East Asia. Together such exercises help us understand the path of transformation from early modern to modern in Chinese history and its possible directions into the future.

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