

Review Essay: Capitalism by Any Other Name: Towards a synthesis of competing visions

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Abstract:

The concept of capitalism is bound up not only with how and why Europe came to dominate the globe, but also with bitter contemporary debates on modernity and global inequality. This article examines competing conceptions of capitalism as formulated by conservative social theorists and world historians in search of synthesis.

Key words: capitalism, communism, inequality, world history, Hayek, Schumpeter, Braudel, Wallerstein, Wong, Pomeranz

In 1932, Frank Knight, an economist at the University of Chicago, told his students to vote communist. “I hope,” he said, “I am not talking to mental infants... or mental invalids.” Knight was an eccentric and gifted teacher who often transformed incoming socialists into nascent libertarians, “an act of political alchemy,” wrote Angus Burgin, “often cited as the origin of the Chicago School.” Milton Friedman was among Knight's students, and many preferred to see his lecture on “The Case for Communism” as an ironic joke. Knight detested social reform, and decried “all the insane or diabolical revolutionary propaganda and most of the stupid criticisms of the ‘capitalist system’ that menace our free institutions.”¹

1 Angus Burgin, “The Radical Conservatism of Frank H. Knight,” *Modern Intellectual History* 6, no. 03 (November 2009): 513–14, 517, 533.

In *The Ethics of Competition* (1935), Knight explored the contradictions and ethical failures of the competitive economic system. The work is characterized by a fissure between, on the one hand, his scathing and all too accurate critique, and on the other hand, his refusal to advocate for change. Knight pointed out that natural liberty, however attractive in theory, is disastrous in practice. “In the conditions of real life,” he wrote, “no possible social order based upon a *laissez-faire* policy can justify the familiar ethical conclusions of apologetic economics.” Many people at the bottom of the social order perceive the competitive economic system as manifestly unfair, and their grievances are intensified by the gap between “the political rhetoric about liberty and equality on which our citizens are so largely fed, and the facts of autocracy and servitude which labouring people (rightly or wrongly) feel to characterize their actual lives.”²

Marxists and non-Marxists alike have come to think of capitalism as the phenomenon whose historical emergence was the key to the origins of western society.³ Yet scholars back to Max Weber have also discovered traces of capitalism far beyond the confines of early modern Europe. Weber believed that capitalism in some form had existed in Babylon, India, and China;⁴ and many scholars assert that capital accumulation and sophisticated economic networks are neither a European nor a modern phenomenon.⁵ The meaning of the term capitalism is debated. Is all private acquisition included, and if not how are the lines drawn? Is capitalism primarily a mentality, a system of exchange relations, a system of production relations, or some combination?⁶ The term is often opposed to communism or socialism, but these terms too have tenuous empirical underpinnings.

2 Frank H. Knight, *The Ethics of Competition*, ed. Richard Boyd (New Brunswick: Transaction, 1997), 37, 39, 41, 52.

3 R.J. Holton, *The Transition from Feudalism to Capitalism* (London: Macmillan, 1985), 12–13, 17, 32.

4 Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, ed. Anthony Giddens, trans. Talcott Parsons (London and New York: Routledge, 1992), 20–22.

5 Rupert Ian Moore, “World History,” in *Companion to Historiography*, ed. Michael Bentley (London and New York: Routledge, 1997), 930; Andre Gunder Frank and Barry K. Gills, *The World System: Five Hundred Years or Five Thousand?* (London and New York: Routledge, 1993); Deirdre Nansen McCloskey, “Measured, Unmeasured, Mismeasured, and Unjustified Pessimism: A Review Essay of Thomas Piketty’s “Capital in the Twenty-First Century,” *Erasmus Journal for Philosophy and Economics* 7, no. 2 (Autumn 2014): 106.

6 Holton, *The Transition from Feudalism to Capitalism*, 13.

Economists tend to focus on the internal dynamics of societies, while historians tend to focus on larger geopolitical forces.

If capitalism is confined to early modern Europe, then not only global commonalities but also deeper European processes are neglected; but if capitalism existed beyond these confines, then what useful work is the concept doing, and why is it important? The concept of capitalism is bound up not only with how and why Europe came to dominate the globe, but also with bitter contemporary debates on modernity and global inequality. The political implications exacerbate the difficulty of defining an already contentious term. Out of these debates, a new synthesis has recently emerged among economic historians, who are increasingly abandoning the hunt for the essence of capitalism, and instead situating the concept within a more rigorously empirical world-historical context.

In this essay, I trace competing conceptions of capitalism, from the twentieth-century work of the conservative social theorists and political philosophers (Knight, Friedrich Hayek, and Joseph Schumpeter) and of the more or less Marxist historians (Braudel, Wallerstein, Abu-Lughod, Chaudhuri, and Frank), to the recent debates sparked by economic historians Roy Bin Wong and Kenneth Pomeranz and picked up by Eric Jones and Jean Laurent Rosenthal. One ideological camp contends that capitalism has lifted hundreds of millions of people out of poverty, while the other insists that capitalism has contributed to massive global inequality and instability. The picture is distorted by the gushing of sycophantic apology and the venom of righteous outrage, sometimes explicit but always present under the surface of formal scholarly positions. This essay traces the shifts in the ways that these writers employ the term, before they finally abandon it.

The Conservative Social Theorists

A common theme in the work of Knight, Hayek, and Schumpeter is that the current system is far better than any alternative. These writers shared a horror of collectivization and a wariness of the

good intentions of reformers. Knight warned that radical critics of competition tend to underestimate how much worse things can get.⁷ Hayek was poignant in describing the irony and tragedy of the totalitarian results of the good intentions of noble men; and he stressed that we tinker with the deep machinery of society at our peril.⁸ Schumpeter introduced the concept of creative destruction, in which technological and social change creates winners and losers in the evolutionary process of capitalism; and he attacked the socialist position and argued that owners and workers do indeed have a common interest. “To any mind not warped by the habit of fingering the Marxist rosary,” he wrote, “it should be obvious that their relation is, in normal times, primarily one of cooperation and that any theory to the contrary must draw largely on pathological cases for verification.”⁹

In *Capitalism, Socialism, and Democracy* (1942), Schumpeter pointed out that many condemn capitalism as a matter of etiquette today. To disagree with socialists is to be branded as being in a position of “immoral servitude.” Yet, he argued, business does more to raise living standards than to lower them, particularly for the poor between the mid-eighteenth and mid-nineteenth centuries. “Radicals may insist,” Schumpeter wrote, “that the masses are crying for salvation from intolerable sufferings and rattling their chains in darkness and despair, but of course there never was so much personal freedom of mind and body for all.” He claimed that the horrors of child labor and sixteen-hour days were a thing of the past.¹⁰

Likewise, in *The Road to Serfdom* (1944), Hayek portrayed socialism as an aberration, a wrong turn in the evolution of western society. He elevated the concept of individualism to a guiding principle of society, and for him the government had to confine itself to creating scope for the individual. Individualism for Hayek was an attitude “of humility towards the processes by

7 Knight, *The Ethics of Competition*, 50.

8 Friedrich A. von Hayek, “Individualism: True and False,” in *The Essence of Hayek*, ed. Chiaki Nishiyama and Kurt R. Leube (Stanford: Hoover Institution Press, Stanford University, 1984), 132, 163, 167.

9 Joseph A Schumpeter, *Capitalism, Socialism and Democracy* (London: Routledge, 2005), 19.

10 Schumpeter, 63, 67, 70, 82, 126.

which mankind has achieved things which have not been designed or understood by any individual and are indeed greater than individual minds.” He contrasted this individualism to the rationalistic pseudo-individualism which traces all discoverable order to deliberate design.¹¹

Hayek posited a strict binary choice. Short of full societal meltdown, “the only alternative to submission to the impersonal and seemingly irrational forces of the market is submission to an equally uncontrollable and therefore arbitrary power of other men.”¹² Schumpeter too claimed that classical economists were “quite convinced” that the self-interest of manufacturers and traders aligned with the common good.¹³ Yet Adam Smith had profound reservations about this self-interest, and categorically stated that such self-interest often worked against the common good.¹⁴ The worldview and discipline of these conservative social theorists were very different from those of their contemporary and later historians, and thus their conceptions of capitalism would widely diverge.

Braudel and the World-Systems Theorists

Fernand Braudel, the great historian of the Mediterranean, believed that the origins of capitalism lay in exploitation and long-distance trade in the medieval and early modern world; and many scholars have followed his example.¹⁵ Immanuel Wallerstein coined the term “world-system” and initiated a new stage in the vigorous debates on the origins of the modern world. Paying homage to his intellectual forebears, he began his book *The Modern World System* (1974) with quotes from Marc Bloch, Fernand Braudel, and Karl Marx. He argued for a fundamentally new nature of Europe beginning in the late fifteenth and early sixteenth centuries, yet also acknowledged that the world-

11 Friedrich A. von Hayek, *The Road to Serfdom* (London and New York: Routledge, 2006), 13, 37; Hayek, “Individualism: True and False,” 135, 153.

12 Hayek, *The Road to Serfdom*, 210.

13 Schumpeter, *Capitalism, Socialism and Democracy*, 75.

14 Adam Smith, *The Wealth of Nations*, 1776 (New York: Collier, 1902), 372.

15 Fernand Braudel, *Capitalism and Material Life, 1400-1800*, trans. Miriam Kochan (London: Weidenfeld and Nicolson, 1973); Peregrine Horden and Nicholas Purcell, *The Corrupting Sea: A Study of Mediterranean History* (Oxford and Malden, MA: Blackwell, 2000), 97–98; Quentin Van Doosselaere, *Commercial Agreements and Social Dynamics in Medieval Genoa* (Cambridge and New York: Cambridge University Press, 2009), 9.

economy was not an invention of the modern world. He contrasted the older system of empires with the capitalist world economy. Though modern capitalism was prepared through a long apprenticeship of long-distance trade and involvement with the Islamic Mediterranean world, Europe alone embarked on a path of capitalist development.¹⁶ His arguments regarding the relative merits of Europe and China would later be an inspiration for Wong and Pomeranz, and Wallerstein's contradictory statements on capitalism and modernity likewise persist throughout the trajectory of the debate.

The three-volume *Civilization and Capitalism* drew upon Braudel's previous work (volume one is largely based on *Capitalism and Material Life, 1400-1800*, published in English in 1973) yet is also a response to Wallerstein's world-system model (volume three in particular engages closely with Wallerstein's arguments). Braudel posited three layers of structure: material life, market economy, and capitalism. In distinguishing between the market economy and capitalism, he described “the zone of the anti-market, where the great predators roam and the law of the jungle operates. This – today as in the past, before and after the industrial revolution – is the real home of capitalism.”¹⁷ Braudel followed Wallerstein in calling the European world-economy the matrix of capitalism, but diverged from Wallerstein in pushing its origins into the thirteenth century. He spoke of the ancient capitalism of the caravan routes, and asserted that one cannot distinguish between commercial, industrial, and finance capitalism. Yet he also wrote of the coming of capitalism, situating in in the context of the rise of Europe.¹⁸

In *Before European Hegemony* (1989), Janet Abu-Lughod reacted against Wallerstein and the implication that the European world-system of the long sixteenth century came from nowhere. This book explored the thirteenth-century world-economy, which enabled “pandemic prosperity”

16 Immanuel Maurice Wallerstein, *The Modern World-System* (New York: Academic Press, 1974), 15–17.

17 Fernand Braudel, *Civilization and Capitalism, 15th-18th Century*, trans. Siân Reynolds, vol. 2 (London: William Collins, 1982), 230.

18 Fernand Braudel, *Civilization and Capitalism, 15th-18th Century*, trans. Siân Reynolds, vol. 3 (London: William Collins, 1984), 57, 608.

for rulers throughout Afro-Eurasia. How was it forged, and why did it falter? She was more circumspect than Wallerstein and Braudel regarding definitions of capitalism, calling the debates over the origins of true or modern capitalism unproductive. Her aim was to identify not the origin but a crucial moment, and she argued that the century from 1250 to 1350 was a fulcrum or turning point in world history. In this period, there were similarities and parallels between Asian, Arab, and Western forms of capitalism.¹⁹ She agreed with Wallerstein that Europe pulled ahead in the sixteenth century; but this seemingly innocuous contention would later be attacked by Wong and Pomeranz (see below).

In *Asia before Europe* (1990), Kirti Narayan Chaudhuri proposed a theory for writing comparative world history, applying Braudel's methodology for Mediterranean societies to the societies of the Indian Ocean. This work responded to Wallerstein's arguments with a Braudelian framework informed by Foucault. Chaudhuri spoke of capitalism as an artificial construct “not directly visible as part of the social reality.” He used the societies of the Indian Ocean to debunk the theorized transitions from a “classical mode of production” to feudalism, and from the commercial capitalism of the sixteenth and seventeenth centuries to industrial capitalism of the nineteenth.²⁰ He argued that the history of maritime trade in the Indian Ocean since the rise of Islam must be understood in the context of the role capital has played. He found examples of capitalistic production in most areas that he studied, yet he cautioned that owners of capital in Asia did not enjoy the strict protection of law, and were often plundered by rulers. The same, however, could also be said for merchants anywhere in Europe.

Though he became a historian, Andre Gunder Frank had studied at the University of Chicago under Milton Friedman. Frank came to harshly criticize his former advisor and to reject Eurocentrism in all its forms. He asserted the unity of Afro-Eurasian history and attempted to

19 Janet L. Abu-Lughod, *Before European Hegemony: The World System A.D. 1250-1350* (Oxford and New York: Oxford University Press, 1989), 4, 9, 15.

20 Kirti Narayan Chaudhuri, *Asia before Europe: Economy and Civilisation of the Indian Ocean from the Rise of Islam to 1750* (Cambridge and New York: Cambridge University Press, 1990), 37–38.

introduce the term “humanocentric.”²¹ He believed that the contemporary world system has a history of at least five thousand years, and that the dominance of the west is recent and fleeting. In *ReOrient: Global Economy in the Asian Age* (1998), Frank dismissed the entire intellectual lineage of Marx, Weber, Toynbee, Braudel, and Wallerstein, calling them ideological and anti-historical. Yet he too became mired in the common terminological problems, positing that capitalism began when Columbus landed, but then doubting whether there is such a thing as capitalism at all. He seems ultimately to assert that it began in 1800, but that the world system began much earlier. Before this, Europe was neither more important nor more advanced “in any way.”²²

These historians all broke from the triumphalist narrative of the conservative social theorists, and identified fundamental injustices at the center of the contemporary geopolitical landscape. Focusing less on the internal dynamics of societies, these historians strove to decenter Europe in the story of capitalism and to deconstruct facile explanations for western dominance. All struggled in this task, however, as they continued to equate capitalism in some way with the rise of Europe. This ambiguity would continue into the next stage of the debate, as economic historians began to systematically examine the rise of Europe from a comparative world-historical perspective.

World-Historical Comparisons between Europe and China

In an attempt to distill that which was unique about the developmental path of Europe, Roy Bin Wong and Kenneth Pomeranz, both economic historians of China, asserted that the resources of the American colonies were a critical element within the kaleidoscope of causes and conditions of European industrialization. This thesis ignited a furious debate, and has withstood sustained attack; yet their other main contention – that no significant differences existed between Europe and China

21 Frank and Gills, *The World System*, 11.

22 Andre Gunder Frank, *ReOrient: Global Economy in the Asian Age* (Berkeley: University of California Press, 1998), xvi–ii, xix, 5.

until the late eighteenth or early nineteenth century – has not, as Wong himself later concluded.

Though this body of literature is a tight cluster of historical scholarship in intense dialogue, it is also characterized by a cleft, as the later works avoid the term capitalism altogether. Instead of invoking this contentious term, these scholars reformulated their arguments and began to chart more carefully the empirical basis of the developmental path of Europe.

In *China Transformed* (1997), Wong challenged conventional assumptions of East Asian cultural or economic backwardness, and asserted the existence of “Smithian dynamics” in China from the sixteenth through the nineteenth centuries, in more complex markets and in the expanding cotton and silk industries of the lower Yangzi region near Shanghai. He concluded that if all the components of capitalism that had existed in Europe prior to industrialization had existed also in China, then these components could not account for the emergence of industrialization. The prime causes were rather Europe's colonial expansion and the resulting ecological windfall, as contrasted with resource depletion and land exhaustion in China. Though Wong admitted important differences of political economy in earlier centuries, the spectrum of possibilities at both ends of Eurasia were broadly similar until the “fundamental discontinuities” of the nineteenth century.²³

Wong employed the term capitalism in myriad and sometimes confusing ways, and he himself admitted the “terminological and empirical uncertainties.” He began with Braudel's argument that force and monopoly are inherent to capitalism; yet he asserted that Braudel's three levels of the economy exaggerate the gap between market exchange and capitalism. Wong also argued for a critical distinction between commercial capitalism and industrial capitalism. Capitalism is, he wrote, “a particular constellation of market relationships and social relationships to the means of production, developed in many parts of early modern Europe, but not in China.” Elsewhere he asserted that capitalism had indeed existed outside Europe, yet backed away from a claim of commercial capitalism in China. He also disagreed with Chaudhuri's argument for commercial

23 Roy Bin Wong, *China Transformed: Historical Change and the Limits of European Experience* (Ithaca: Cornell University Press, 1997), 6, 17, 49, 127–28.

capitalism in south Asia. In asserting that Europeans brought armed force into “peaceful Asian trading networks,” Wong linked capitalism to European class conflict and colonial exploitation.²⁴

Despite the terminological confusion in *China Transformed*, Wong's arguments challenged the scholarly consensus that the origins of the contemporary world stem from European expansion across the globe, and from the economic transformations wrought by a capitalist system of European origins. He sought to dislodge European state-making and capitalism as universalizing themes in world history; to find similarities between Chinese and European dynamics; and to compare the two master processes of modern European history – the development of capitalism and the formation of nation-states – to Chinese economic and political changes. Rather than take the western trajectory as a given, Wong proposed to return to the European empirical record, and to reconstruct the dynamics of non-western trajectories, setting himself the task for the Chinese case.

China Transformed greatly influenced Kenneth Pomeranz's *The Great Divergence* (2000). Pomeranz adopted Wong's resource-based argument in seeing broad similarities between England and the Yangzi delta into the eighteenth century, and a contingent late irruption of western Europe.²⁵ The American colonies were the key to European dominance, and whatever other advantages Europe had were not enough to escape ecological conditions limiting all Eurasian core areas.²⁶ The American silver windfall financed European imports from the rest of Eurasia, the silver flowing mostly into China. More important, sugar, cotton, and timber exports from the Americas took massive pressure off European land. Pomeranz introduced the concept of “ghost-acres” to illustrate the effects of this resource windfall, and contended that the American colonies helped Europe move away from an ecologically constrained labor-intensive development path which it shared with Japan and China, and onto a more transformative path.

²⁴ Wong, 47, 51, 147.

²⁵ Kenneth Pomeranz, *The Great Divergence: China, Europe, and the Making of the Modern World Economy* (Princeton: Princeton University Press, 2000), 3–4, 16, 31.

²⁶ Pomeranz, 4, 24, 264.

Like Wong, Pomeranz followed Braudel in stressing the commonality among preindustrial Eurasian merchants, who engaged in virtually all the practices that might be called capitalist. The European deviation from free markets allowed for accumulation and concentration of capital, and the great merchant-bankers of the fifteenth through eighteenth centuries flourished in imperfect markets skewed in their favor. Pomeranz acknowledged some evidence that western European capital markets were the most efficient in the world in the eighteenth century, but stressed that profits were largest where coercion mattered most, in the Atlantic economy.²⁷

The Reaction to Wong and Pomeranz

Great political implications loomed over the debate which followed. The Wong-Pomeranz thesis came to be associated with the so-called California school, as Wong is at UCLA and Pomeranz at the time was at UC Irvine. In response to *The Great Divergence*, Philip Huang of UCLA wrote a review almost forty pages long, almost entirely devoted to Pomeranz's interpretation of the empirical data for agriculture in England and the Yangzi delta. Huang accused Pomeranz of conflating land productivity and labor productivity, and asserted that Pomeranz had overlooked a massive difference in economies of scale between England and the Yangzi delta in the late eighteenth and early nineteenth centuries.²⁸ Pomeranz wrote a spirited sixty-page response.²⁹

Historians have only begun to grapple with the California school's revision of world history, and to reexamine the utility of the concept of capitalism. The economic historian Eric Jones attacked the claims of Pomeranz in two books, the third edition of *The European Miracle* (2003) and *Locating the Industrial Revolution* (2010). Jones made explicit the political implications of the debate, contending that the true aim of the California school was to deny any special features or

²⁷ Pomeranz, 162, 166, 169.

²⁸ Philip C. C. Huang, "Development or Involution in Eighteenth-Century Britain and China? A Review of Kenneth Pomeranz's 'The Great Divergence: China, Europe, and the Making of the Modern World Economy,'" ed. Kenneth Pomeranz, *The Journal of Asian Studies* 61, no. 2 (2002): 501–538.

²⁹ Kenneth Pomeranz, "Beyond the East-West Binary: Resituating Development Paths in the Eighteenth-Century World," *The Journal of Asian Studies* 61, no. 2 (2002): 539–90.

prolonged sequences of development to Europe or England. Though it is perhaps unfair to elevate this denial to Pomeranz's overarching aim, Jones was not mistaken in sensing these implications lurking in the background. He accused the California school of “Euroenvy,” and asserted that Pomeranz's striving to elevate the economic performance of Ming and Qing China to the level of Europe and England in 1800, or even beyond these, was a fantastical departure from the empirical record. Jones was unabashedly Eurocentric when the issue at hand is how and why Europe became powerful; and he criticized those who portray England as merely the first of the criminal states, or else lucky.³⁰

Jones contended that differences within Europe, and between Europe and elsewhere, were apparent well before 1800; and that the “deeper springs” of Europe's growth trace back before 1400. Competition between European polities kept rulers smaller and nimbler, and better able to react to circumstances than rulers of eastern polities. Jones believed that part of Europe's success stemmed from this competition amongst the various polities, and from the geography of Europe which made political centralization more difficult. Institutions were another key, and Jones asserted that the middle-class merchants and officials of late preindustrial Britain or the Netherlands had no counterpart in East Asia. Sophisticated institutions contributed to the ability of northwestern European polities to take advantage of the resource windfall; and Jones accused Pomeranz of neglecting ideas, governance, and institutions and their role in economic development.³¹

Yet even as Jones rejected the main argument of the California school, he acknowledged much common ground with Pomeranz. He admitted that Pomeranz's finding of high living standards in China was a worthy contribution to knowledge, and noted that Europe and China both had integrated commodity markets. Jones's arguments in many ways aligned with those of Pomeranz: both scholars criticized economic historians for not treating systematically the

30 Eric L. Jones, *Locating the Industrial Revolution: Inducement and Response* (Singapore and Hackensack, NJ: World Scientific, 2010), 21, 26–27; Eric L. Jones, *The European Miracle: Environments, Economies, and Geopolitics in the History of Europe and Asia* (Cambridge and New York: Cambridge University Press, 2003), 249.

31 Jones, *The European Miracle*, xxvi–xxvii, 250; Jones, *Locating the Industrial Revolution*, 25, 74.

premodern and early modern world, and for taking the nation-state as the sole economic unit. Both scholars shared the intention to examine the preindustrial period with a world-historical comparative approach, seeking other standards by which to understand European dynamics.

Abandoning the Concept of Capitalism

Despite the unity and consistency of Jones's arguments, there exists a divide between *The European Miracle* and *Locating the Industrial Revolution*. In *The European Miracle*, Jones struggled with the usual terminological problems, asserting that capitalism “in the sense of commerce and profit-seeking” was already well-entrenched in the late middle ages, but that this “vague” term cannot explain the European trajectory. He followed Etienne Balzac in making Europe in the sixteenth and seventeenth centuries the birthplace of capitalism, and crediting capitalism as the driver of industrialization.³² In *Locating the Industrial Revolution*, however, Jones abandoned the term altogether. Though he continued to fight his corner of the debate against the California school, the index for this book contains no entry for capitalism.

Similarly, in Rosenthal and Wong's *Before and Beyond Divergence* (2011), the term capitalism appeared only in the titles of works cited. The authors instead preferred the term “modern economic growth.”³³ It is significant that, within this tight cluster of scholarship, and even in the thought of two of these writers, this sharp break occurred. The arguments of Wong and Pomeranz were subjected to withering critiques from Jones and others, spurring Rosenthal and Wong to confront these critiques and develop a more sophisticated argument. In the process, both camps abandoned the term capitalism, instead formulating their arguments without reference to such a contentious and nebulous term.

32 Jones, *The European Miracle*, 149, 202.

33 Jean-Laurent Rosenthal and Roy Bin Wong, *Before and Beyond Divergence: The Politics of Economic Change in China and Europe* (Cambridge, MA: Harvard University Press, 2011), ix, 2.

Rosenthal and Wong blended the strongest critiques into the previous arguments of Wong and Pomeranz. They believed that their approach integrated more social science and history than Pomeranz had, and they acknowledged the strength of the critics' arguments, admitting that by 1500 the European and Chinese economies were on “structurally different paths.” They continued to assert that, before 1700, Smithian growth had existed in both Europe and China; yet they also acknowledged causes of the divergence beyond the natural and geographic. They also incorporated the arguments on the importance of political fragmentation in Europe and centralization in China. Rosenthal and Wong argued that war was a prime driver of Europe's urban manufacturing, and that this tendency produced a high rate of capital investment and the adoption of machinery in Europe. They contrasted this to China's “peaceful economy.”³⁴

This debate has converged, at least temporarily, on four points: first, a rejection of the revisionist argument that no significant differences existed between Europe and China before industrialization in the late eighteenth and early nineteenth centuries. Wong and Pomeranz have made an essential contribution to our knowledge of Chinese living standards and sophisticated market economy; but a consensus has emerged that well before industrialization, parts of Europe were embarking on a novel path. Second, there is a recognition of the importance of institutions and of a society's internal dynamics, which affect that society's ability to capitalize on external opportunities. Pomeranz did explicitly acknowledge these internal dynamics, yet he also argued forcefully and consistently that there was no internal European advantage before industrialization. This allowed his critics to caricature his position as “coal and colonies.”³⁵

Third, following Schumpeter's concept of creative destruction, there is growing awareness of the geopolitical importance of war and competition in driving innovation. Rosenthal and Wong adopted the thesis of Jones and others that political fragmentation in Europe drove a more dynamic development than China was capable of. Fourth, scholars are abandoning the search for the essence

34 Rosenthal and Wong, 6–9, 12, 40, 100–102, 105, 123.

35 Pomeranz, *The Great Divergence*, 3, 16, 107.

of capitalism in favor of a comparative and global approach. More economic historians are avoiding the term capitalism altogether. Like Rosenthal, Wong, and Jones, Avner Greif in his *Institutions and the Path to the Modern Economy* (2006) used the term only in titles cited.³⁶

Conclusion

Intense disagreement continues over the political and historiographical stakes with which the term capitalism remains entwined. Eric Jones resembled Hegel or Weber perhaps too much in seeing the “defining characteristics of north-western European society” as “a culture and institutions that routinely applied effort to solving problems of all kinds.”³⁷ Meanwhile, R. Bin Wong in both of his works stressed the peaceful nature of Chinese trade networks and economy, opposing these to exploitative European practices. This assumption of a global utopia prior to European expansion is widespread, yet Sanjay Subrahmanyam has rebutted the assumption of the “non-violent character of Asian history.”³⁸ The historian of Latin America Barbara Weinstein wrote that western domination is “so fraught with anger or guilt as to be almost untouchable.”³⁹ Yet in the dialogue of the deaf between sycophantic apology and righteous outrage, it is precisely these political implications that must be wrestled with.

Capitalism has been a valuable signpost in this lively debate, but it has lately become a hindrance, allowing each side to talk past the other, as the term is freighted with different meanings to different ideological camps. There are losses as well as gains in abandoning this term. The narratives of both camps will suffer. The apologist camp must search deeper into what has made Europe's developmental path unique, and must confront the Wong-Pomeranz thesis of colonial exploitation. Meanwhile, the camp of the perennially outraged will be deprived of an all-purpose

36 Avner Greif, *Institutions and the Path to the Modern Economy: Lessons from Medieval Trade* (Cambridge and New York: Cambridge University Press, 2006).

37 Jones, *The European Miracle*, 251.

38 Sanjay Subrahmanyam, *The Career and Legend of Vasco Da Gama* (Cambridge and New York: Cambridge University Press, 1997), 109–11.

39 Barbara Weinstein, “History Without a Cause? Grand Narratives, World History, and the Postcolonial Dilemma,” *International Review of Social History* 50, no. 1 (April 2005): 87.

term of abuse, and must focus more carefully on precisely what they believe is wrong with the world. But there is also much to be gained. The energy spent in tussles over the meaning of capitalism could instead be employed in a deeper exploration of the underlying processes to which the concept supposedly refers. The valuable work of the California school and of its critics has made increasingly untenable the uncritical use of the term, even as we grapple more closely with continuing reverberations of the rise of Europe, colonialism, and industrialization.

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