

THE GREAT DIVERGENCE *VINGT ANS APRÈS*:  
TOWARD A MEDIUM-TERM SYNTHESIS?

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ABSTRACT

In the last twenty years the researches inspired by a global approach have given a fundamental contribution to the debate on the origins of 'modern economic growth' and of the so-called Great Divergence between the West and the Rest. However, the emphasis placed on the short-term conjuncture or accidental factors, such as the distribution of strategic resources, has led to an underestimation of the impact of cultural, political, social and economic developments in Europe during the two or three centuries preceding the Industrial Revolution.

**Keywords:** Global History, Great Divergence, Industrial Revolution, Modern Economic Growth.

Until the last decade of the 20<sup>th</sup> century almost all the theories that tried to answer the question "Why are we so Rich and they so Poor?" (Landes 1990) belonged to the family of "long term lock-in theories" (Morris 2010: 13). However different they may be, these theories on the origins of "modern economic growth" (Kuznets 1966) shared the notion of Europe or the West as having deep and lasting features that go back thousands of years and give it some inherent advantage over Asia or the Rest.

Scholars have looked for an answer in demography, geographic environment, endowment of strategic resources and in cultural and religious traditions and political institutions. The interpretation proposed by Max Weber is probably the most authoritative and influential 'lock-in theory' on the origin of modern industrial society. It is a very long-term theory that traces the origins of European primacy back to the Greek, Roman and Jewish roots of Western rationalism.

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Then something changed. Given the impressive development of East and South Asian economies, scholars became less confident in the ‘manifest destiny’ of Western hegemony. Western dominance suddenly appeared fragile and questionable in regard not only to the future but also the past. Consequently, a cluster of ‘*short term accident theories*’ began to compete with mainstream historical explanations.

Because of its shorter evolutionary history, the group of ‘short-terminists’, although far from uniform, appears on the whole more homogeneous than that of its rivals. Indeed, it is termed the *California School* by virtue of the fact that many of its exponents, such as Kenneth Pomeranz, Roy Bin Wong or Richard von Glahn, worked in Californian universities.

Californians interpreted the Great Divergence (Pomeranz 2000) between the West and the Rest of the world as a recent, unpredictable phenomenon – “the most freakish of accidents” (Goldstone 2001) – whose explanation lies in a short-term conjuncture and in fortuitous circumstances. The distribution of strategic resources, like coal, played a key role in the emergence and shaping of the modern world. Even more important, however, is the emphasis placed on global connections and political and economic interdependencies among different world regions.

In opposition to various versions of European or Western exceptionalism, the Californians stressed the similarities among the advanced ‘organic’ (Wrigley 1988: 34) civilisations, like Western Europe, China or even India, whose levels of development were in the early modern period quite comparable. The preindustrial world was “*a world of surprising resemblances*” (Pomeranz 2000: part I).

Even developments that might seem utterly Western, the expression of a specific form of rationality, such as the Scientific Revolution or the Enlightenment, are then reinterpreted as the result of a collective transnational activity and of the “cognitive and cultural challenge” (Conrad 2016: 21) represented by the transcontinental interactions that imposed a reorganization of Western knowledge. Rather than move *vertically* in the “tunnel” (Blaut 1993: 3) of European or Western history it is a matter of constructing a plurality of *horizontal* (Frank 1998: 226) connections among different spaces, economies and civilisations.

It is highly debatable whether this global, multicultural, short-term theory of modernization really became the “new politically correct orthodoxy” that Landes deplored (Landes 2006: 3), replacing the traditional Eurocentric, endogenous, lock-in theories. Anyhow, in the last ten years the pendulum swung again.

Many scholars believe that the ‘Californians’ underestimated Europe’s cultural, social, political and economic peculiarities. They find it difficult to accept the “episodic and atomistic view of social change” propounded by

the revisionist paradigm (Bryant 2006) and to regard Western ascendancy, the Industrial Revolution and the resulting Great Divergence, as ‘freakish’, unpredictable accidents:

We do not consider the European nineteenth-century breakthrough as a really unexpected development, we rather view it as a fairly long process that continued from the fifteenth to the nineteenth century during which in some respects (e.g. military-technical and scientific) Europe was already ahead of the advanced countries of Asia, whereas in others (such as the level of craftsmanship) it still lagged behind (Grinin-Korotayev 2015: 10).

The choice of the fifteenth century as the starting point is not shared by all scholars. Some of them opt for an earlier dating:

The success of the economies of Flanders, Brabant, Holland and England in the late medieval and early modern periods was rooted in institutions that emerged in the High Middle Ages, the crucial transformative period when Western Europe emerged as a dynamic, innovative economy (Zanden 2009: 11).

Some others, like the neo-institutionalists Daron Acemoglu and James Robinson (Acemoglu-Robinson 2012) or even the ‘Californian’ Jack Goldstone (Goldstone 2008), identify the decisive turning point in the institutional framework that emerged in England from the Glorious Revolution. Almost a neo-Whig *interpretation of history* (Butterfield 1931).

Whatever the periodization chosen, the Great Divergence no longer appears to be the result of fortuitous circumstances, but rather the point of arrival of a ‘Long Road’. The Industrial Revolution should not be considered the result of a ‘vertical take-off’; instead it required a quite long ‘runway’. There is a clear continuity between this school of thought and the ‘revolt of early modernists’ of the late 20<sup>th</sup> century.<sup>1</sup> Both in fact emphasize not only the ‘striking differences’ (Vries 2013: 401) between Europe and Asia during the early modern age, but also those between the various European regions: that is to say, the preindustrial ‘little divergence within Europe’ (Zanden 2009: 95).

Analysis has focused mainly on three areas: market integration and allocative efficiency, human capital and scientific and technical development, and the role of the state.

Regarding the first aspect, the evidence points to a significant advantage in comparison with India:

The overall “macro” comparison between India and Europe showed a picture of distinct differences. First, the level of market integration was distinctly higher

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<sup>1</sup> VRIES 1994: 249-270; ZANDEN 2002: 619-641.

in Europe throughout the entire examination period ranging from the eighteenth to the early twentieth century. Moreover, this difference varied greatly over time. Europe started with a considerably higher level of market integration than India, experiencing early and steady expansion of market areas, so that the extent of trade and the level of integration were radically different in these two regions by the end of the early modern period (Studer 2015: 179).

A comparison with China on the eve of the Industrial Revolution, however, yields less flattering results for Europe: “According to the evidence presented in this paper, as for the period right before the Industrial Revolution took place in Western Europe, grain markets did not perform uniformly better” (Shiue-Keller 2007: 1205). Market performance in England – the most advanced European region – was anyway higher than in the Yangzi Delta, the most developed region of the Qing Empire.

Empirical evidence also shows that living standards in India, China and Japan lagged behind those in Europe (Allen 2005; Broadberry and Gupta 2006). Consequently, most scholars now reject the ‘Californian’ claims that Asia was as economically developed as Europe before the Industrial Revolution and suggest that “the divergence between Western Europe and at least India needs to be shifted back to the seventeenth century” (Studer 2015: 149).

However, integrated, efficient markets may be a necessary condition for the emergence of Modern Economic Growth, but not a sufficient one. A Schumpeterian technology-driven economic development must integrate a ‘Smithian’ market-driven growth. An institutional framework – that is clear and respected property rights, enforceable contracts, law and order, a low level of rent-seeking, and a high degree of inclusion in political decision-making – is never sufficient.

As Joel Mokyr remarked, “better markets, more cooperative behaviour, and more efficient allocations simply do not in themselves account for modern economic growth” (Mokyr, 2012: 5). Modern economic growth required a scientific and technological revolution that in Western Europe occurred in the period from the sixteenth to the eighteenth century. Pomeranz himself gave to the advantages that Europe had “in certain, though not all, areas of science and technologies” the first place in a short list of “big differences favouring Europe” (Pomeranz 2006: 246)

This revolution arose from a set of not only political and institutional developments but also of radical cultural, almost anthropological, changes:

One may [...] argue that such critical junctures require a switch in people’s *cosmology*. And such a critical juncture was reached in Europe around 1600 AD through the fundamental alteration in people’s mode of thinking about the future [...] the future as a manageable entity had now entered the European economic mindscape (Rössner 2016: 49-50).

This distinctive European feature “is driven by deep cultural and institutional differences, but they have to do with the basic organization of society, not the metaphysical differences between Confucianism and Judeo-Christian religions” (Mokyr 2017: 296). We should therefore look for an answer in the European institutional framework and particularly in the political fragmentation of Europe. This pluralism provided unorthodox intellectual and innovators with a – relatively – open and competitive market for ideas. This point complement the traditional view of Western Institution as less ‘extractive’ than the Asian ones.

But where the traditional institutionalist approach emphasizes the benefits of the limits of state power, recent scholarship insists on the proactive role of the state in direct or indirect promotion of technical and economic development.

It is not the ‘extractive’, despotic character of the Ming or Qing empires that is responsible for Chinese ‘failure’ but, rather surprisingly, its fiscal sobriety and ineffectiveness. Reversing the conventional image of an omnipotent state, recent studies have shown that in fact in China the central state had a reduced grip on society and in many respects did not have the tools for effective interventions. In fact, there is little doubt that the level of taxation was much higher in ‘inclusive’ England than in ‘extractive’ and despotic China, and it is for this reason that “Great Britain became a state with far more infrastructural power than Qing China” (Vries 2015: 420):

The striking conclusion of our comparative empirical analysis must be that Britain, the first industrial nation, was a fiscal-military, mercantilist and imperialist state that did almost everything that mainstream economists think a country wanting to grow should not do. Taxes were high, as was public debt. There was an extensive bureaucracy and a government that intervened quite often in economic affairs. Expenditures for the army and navy were staggering. The country was very protectionist and not exactly democratic (Vries 2013: 433) .

The staggering expenditures for the army (and the navy) bring us back to the global, ‘systemic’, dimension. Among the consequences of the revival of the long-term approach, there has undoubtedly been the re-focus on the endogenous dimension of the Industrial Revolution and the Great Divergence. This led, in some cases, to rehabilitation of Weber’s perspective, the *bête noire* of the California School’s revisionism,<sup>2</sup> and also to some forms of eurocentric *revanchisme*,<sup>3</sup> Also Wong has recently offered an explanation of Divergence that looks more “at traits particular to Eu-

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<sup>2</sup> See VRIES 2013: 436.

<sup>3</sup> FERGUSON 2011; STARK 2015.

rope rather than the relationships of Europeans to other world regions” (Wong 2016: 78).<sup>4</sup>

The growing fiscal-military effectiveness of European states derived from their being part of a highly competitive international system, and from the 16<sup>th</sup> century onwards it became one of the essential factors for an effective extra-European political and economic expansion (Hoffman 2015). The world market that emerged from the 16<sup>th</sup> century was the driving force behind the first phase of modern economic growth, as even non-revisionist scholars recognize: “Both the Netherlands and England expanded rapidly because they managed to capture increasingly large shares of international services (trade, transport and finance) and enlarged their share of key export industries” (Zanden 2012: 291). ‘Power’ was not a sufficient but certainly a necessary condition for ‘Plenty’. (Findlay and O’Rourke 2007)

In conclusion, empirical research has questioned the most bold and optimistic revisionist statements about the incomes and technical and scientific development of non-Western countries on the eve of the Industrial Revolution. Due attention has also been paid to the consequences of cultural and institutional differences, particularly to the impact of the European ‘fiscal-military state’. About twenty years after *China Transformed* (Wong 1997) and the *Great Divergence*, the two manifestos of the ‘California School’, the endogenous explanations of the Great Divergence have therefore regained some of the lost ground.

However, simply returning to the *status quo ante*, the old, essentialist, ‘long term lock-in theories’ is no longer an option. The contribution of the California School reconfigured the debate on ‘the Rise of the West’ and the “Old clichés about Asia’s economic past are no long tenable” (Vries 2013: 58). It is also widely accepted that the process of modernization must be analysed in a global perspective as the result of the interaction of civilisations and economies having *approximately* the same level of complexity and development.

A new paradigm is thus taking shape; a paradigm whose structure is greatly indebted to the traditional theories of modernization but that “selectively incorporate those revisionist contributions that offer greater analytical comprehension or enrich our range of empirical reference”. (Bryant 2006: 404). We could define it as a ‘medium-term theory’, path dependent but non-deterministic. We can no longer regard capitalist, industrial and scientific modernity as the necessary (or inescapable) outcome of European or Western history since the fifth century B.C. (o even A.D.) due to

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<sup>4</sup> Wong refers to ROSENTHAL and WONG 2011.

‘essential’, congenital, characteristics of Western civilization. Yet, explanations dating the Divergence from the late 18<sup>th</sup> century and based on ‘fortuitous’ or even ‘freakish’ accidents are no longer convincing:

The social formations are pervasively integrated and interdependent structures of institutional and cultural configuration; and [...] the historical processes variably reproducing and transforming those structures are not random or irregular, but unfold in path-dependent sequences that give rise to catenated trajectories of varying temporal duration (Bryant 2008: 150).

In a medium-term perspective, the trajectories of European and non-European countries since the end of the 15<sup>th</sup> century assume distinctive importance. These were the centuries of the ‘space revolution’ that intensified and reshaped the relationship between civilizations and within Europe; these were the centuries of the Scientific Revolution that made *Enlightened Economy* (Mokyr 2009) possible and the political revolutions that laid or consolidated the socio-institutional foundations of modern economic growth.

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