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Review of Margherita Zanasi, *Economic Thought in Modern China: Market and Consumption, c.1500–1937*, Cambridge: Cambridge University Press, 2020, 252 pages, ISBN: 978-1-108-49993-4.

Studies on the economic history around the world are often Euro-centric, with the rest of the world largely ignored or underrepresented. However, modern scholars have explored the existence and operations of other economic systems that existed in various parts of the world, some of which predated those in Europe. Margherita Zanasi, a scholar of Chinese economic movements, offers a unique perspective on the evolution of Chinese economic thought over several dynasties, from the late Ming and Qing periods (the 1500s–1911) to the early days of the Republic (1912–1930s). The book challenges the chronological and spatial narrative of global economic modernization. This it does in two ways, first by using China as a case study rather than Europe and second by challenging the neoliberal narrative of economic modernization as a march toward increased reliance on an unregulated market. Factors such as the well-known Chinese frugality are analyzed in a new light not as “failure” to promote the growth of a fully-fledged liberal economic system but as a response to a particular set of circumstances, in this case, an economic decline in the nation and a worsening in the gap between the highly commercialized urban areas and the rural hinterland.

Zanasi’s approach to looking at Chinese economic systems independently and thus challenging the Eurocentric narratives about the growth of China’s economic growth and those of other non-European nations is essential in providing an unbiased report. Tamara Chin is a proponent of the approach as she warns of the dangers of approaching the study of non-European

nations' economic systems from a Eurocentric viewpoint<sup>1</sup>. There is a risk in looking at other nations' economic systems from a Eurocentric perspective using Eurocentric economic theories in that one often fails to appreciate the factors that necessitated these approaches. Chin notes that early non-western economic models should not be thought of as “as immature ‘proto’ theories” of those later developed in Europe, but rather pragmatic policies developed to deal with whatever circumstances that the respective nations were facing (p. 3). Economic systems are diverse and fluid. Therefore, policy formulators rarely have a simplistic choice between two economic systems. Rather policies are often formulated and adopted as needed when those in place stop working as required.

Most historical studies of the differences in the economic systems between the East and West have focused on “the great divergence.” The main focus of this approach is the economic policy differences between China and Europe in the nineteenth century. Kenneth Pomeranz, a scholar of “the great divergence,” notes that studies dating before the 1990s typically characterized policies pursued by European nations, which led to their impressive economic growth as advanced or modern, while all the others taken by non-European developing nations as “backward<sup>2</sup>.” As expected, these arguments failed to consider the numerous factors that influenced the differences in economic growth. However, numerous studies on economic systems have shed light on the divergence from a non-Eurocentric point of view. These studies have been vital in shedding light on the vitality of Qing China's economic systems, highlighting the pragmatism, creativity, and rationality featured in Chinese economic policy-making, all characteristics associated with modernized western economics. These studies have significantly

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<sup>1</sup> Tamara T. Chin, *Savage Exchange: Han Imperialism, Chinese Literary Style, And The Economic Imagination*, Cambridge, MA: Harvard-Yenching Institute, 2014, 33.

<sup>2</sup> Kenneth Pomeranz, *The Great Divergence: China, Europe, and the Making of the Modern World Economy*. Princeton, NJ: Princeton University Press, 2000.

reduced Eurocentrism and provided a more objective approach to studying nations such as China, saving it from a negative portrayal of its economic history.

Zanasi helps in rewriting China's history. Refuting the narrative that China's economic history was characterized by "Confucian immobility, incompetent rule, and general decline," Zanasi instead reveals China's economic growth as a complex one that needs to be studied in depth (p. 6). By providing a detailed look at China's economic history, Zanasi provides a view of a pragmatic and competent Chinese effort in addressing economic discussions and formulating policies to address various issues such as the inequalities in wealth distribution. For example, the concept of limited resources was common among traditional communities both in the East and Western communities due to their reliance on agriculture. The resources, agricultural yields, were viewed as limited based on the size and quality of land available for production. As a result, shortage of resources was a constant fear in these communities and was often addressed through advocating for frugality and storing extra harvest for lean times<sup>3</sup>. Either way, the line between life and death by starvation was thin; this state of things is reflected in the way of life and economic policies that governed the times. The re-evaluation of the potential new commercial economy during the Song Dynasty generated conflicting policies regarding grain storage and famine relief. Grain storage was the main strategy for ensuring food security and protecting the population against the ravages of famine (p. 35). Therefore there was wide support for government intervention in the production and distribution of grain, especially because of its increased vulnerability to factors like weather patterns, pests, and other natural phenomena. The Chinese historical text *Guanzi* notes the volatility of grain prices which are dictated by supply

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<sup>3</sup> Margherita Zanasi, "Frugality And Luxury: Morality, Market, And Consumption In Late Imperial China", *Frontiers Of History In China* 10, no. 3 (2015): 457–485.

and demand<sup>4</sup>. The text calls for government intervention in keeping grain merchants in check. It also advises the government to create grain reserves that can be released into the market in times of crisis to keep grain availability and pricing within the average citizen's reach.

The industrial revolution challenged the scarcity of resources mentality and changed people's consumption habits. Society moved from only having the elites owning luxuries to more people accessing and affording luxuries. At the same time, increased opportunities for economic advancement through employment and business allowed a larger percentage of the population to prosper compared to the agrarian times. These changes also led to cultural shifts. Although the timelines between these developments in Europe and China differ, as do the policies that accompanied the changes, the results are more or less similar, with China achieving massive economic growth over the last few decades.

The book is organized chronologically, giving a comprehensive look at China's economic policies over the different dynasties to the Republic's early years. Chapter One introduces the Qing period highlighting the terminology and critical ideas of the period. It also highlights the importance of often neglected imperial policies aimed at "nurturing" and "pacifying the people" (*yangmin* and *anmin*). *Tianming* "Mandate of Heaven" dictated that the emperor had a paternalistic duty to foster the welfare of his subjects (p. 16). As a result, Yangmin "nurturing the people" formed the core of the legitimacy and political stability of the various Chinese dynasties. *Yangmin* incorporated two main policies, *Minsheng* and *Jiaomin*, ensuring people's livelihood and promoting societal virtue. Chinese leaders grasped the danger presented by a starving and disgruntled peasantry to the nation's stability and the importance of economic prosperity in

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<sup>4</sup> Richard von Glahn, *The Economic History of China: From Antiquity to the Nineteenth Century*. Cambridge: Cambridge University Press, 2016, 120 – 126.

ensuring a stable tax base. The two tropes worked hand in hand with *Jiaomin* ensuring that impoverished peasants were less likely to be indoctrinated with revolutionary ideas. The importance of these tropes in creating and maintaining a stable political environment is also discussed by historian Lillian Li<sup>5</sup>. Li notes that far from simply being a Confucian moral ideology unique to China, recognizing the dangers of an impoverished society was also a key factor in shaping economic policies in Western nations. Zanasi argues that understanding these policies is critical to understanding the Chinese imperial government's political and economic objectives. The chapter also looks at the pro-market trends that promoted commercial growth during the Song Dynasty, which would lead to fully fledged commercialization observed during the late Ming and early Qing Dynasties.

Although the Chinese practice of “honoring frugality and eliminating extravagance” (*chong jian chu she*) remained in place till the late Ming Dynasty, changes in the economic scene necessitated a change in the nation's policies. The late Ming Dynasty saw a commercial revolution and expansion of agricultural production, which led to a waning of the scarcity narrative and the emergence of increased consumerism (p. 46). During this period, the feeling that competition among businesses was more effective at regulating the market than state intervention abounded. Zanasi highlights the similarities between the Industrial Revolution in China and Europe despite the differences in the timeline. While Europe's Industrial Revolution took place in 1650-1850, China's Industrial Revolution occurred much earlier in the mid-1500s. However, the factors accompanying the Industrial Revolution are similar. Zanasi notes:

“Although distant from each other, both geographically and chronologically, these industrious economies shared some crucial factors, including increased

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<sup>5</sup> Li, Lillian M., *Fighting Famine in North China: State, Market, and Environmental Decline, 1690s–1990s*. Stanford, CA: Stanford University Press, 2007.

productivity, increased availability of consumer goods on the market, the rise and marketization of the service industries (especially in relation to leisure and travel), the expansion of luxury consumption to include the “middle man,” the inclusion in daily consumption of what had earlier been considered “superfluous things” (luxury items), and the ability of small businesses (especially manufacturers of luxury goods, shopkeepers, and providers of entertainment and other pleasure activities) to thrive while relying exclusively on expanded market demand.” (p. 12).

These similarities are explored in detail in Chapter Two, which looks at how the respective economies started challenging the thought of scarcity of resources. The effects of the expansion of the pro-market trends that started in the Song Dynasty are highlighted, including the increased consumption of “new luxury” goods in the late Ming and early Qing Dynasties. The first two chapters thus set the groundwork for understanding the flexible nature of the Chinese discourse on economic policies and the nation’s ability to adapt to changing circumstances. This approach is important in challenging the narrative that China experienced intellectual immobility due to Chinese Confucian ideology.

In Chapter Three, Zanasi highlights the changing circumstances that saw a return to the limited resources ideology and thus a decline in the acceptance of the liberal market as a promoter of economic growth. Although Qing rulers had embraced the idea of letting market forces regulate the distribution and pricing of commodities, as showcased by reduced government intervention in grain storage and supply, factors such as an increase in corruption forced the government to once again intervene in the production and supply of basic necessities (p. 107). Additionally, worried about the increasing gap between the economic development of the urbanized industrial areas and the agrarian rural hinterlands, the Chinese state turned to state intervention in producing and distributing resources. Although Chinese policymakers still believed in the importance of consumption in promoting economic growth, they also saw the need to move production and consumption away from luxury products and focus on basic

necessities for poverty alleviation purposes. The sharp economic decline experienced in the early 19<sup>th</sup> century called for a re-analysis of earlier policies to identify possible causes of the decline. The economic crisis led to a resumption of the scarcity mentality and the view that all spending on luxury goods was a waste of resources (p. 109). Emperor Jiaqing's ascension to the throne in the late 18<sup>th</sup> century thus focused on increased calls for frugality as the way to economic success. The Xianyu Reforms (*xianyu weixin*, 1799–1805) became the face of this movement back to frugality and fight against the corruption of government officials. The calls for frugality were thus aimed at increasing capital accumulation for national growth and the redirection of efforts from luxury goods towards basic goods to alleviate poverty. The chapter also explores the interaction between the Westernized school of economic liberalism with the Chinese communist one and how the interaction of the two schools of thought brought about changes in some of the terminologies used by Chinese policymakers. The entry of Western imperialism into the Chinese market and the lack of international trade balance between the two led to policies aimed at increasing the consumption of domestic products over imported ones (p. 111). Western trade policies heavily penalized Chinese exports while giving western imports an unfair advantage led to the creation of a negative perception of consumption of luxury goods, and contributed to the increased calls for frugality and consumption of locally-produced products to aid in capital building.

The final chapter, Chapter Four, looks at the political and economic ideas of the 1920s and 1930s that marginalize the market. The scarcity of resources ideology that had seen a return in the early 19<sup>th</sup> century continued even up to the early decades of the establishment of the People's Republic (p. 158). The nation's continued underproduction despite its massive population and new imperialist threats in the form of Japan's invasion continued to reinforce the



calls for frugality as the primary means of the capital building. At the same time, the discourse surrounding China's economic policies started to be framed as "us vs. them" or "backward vs. modernity" and became the starting point of "the great divide" type of discourse that continually compared China against European nations. Despite the linear format of these discussions, the meaning and form that development should take in China as a nation continued to be a source of debate. Some of the movements highlighted in this chapter include Kai-shek's New Life Movement (*xinshenghuo yundong*) and various economic cooperation movements, including the Cooperative Society Movement, which saw an increase in the tensions between the consumerist trends and poverty in the rural areas. The end result was an effort to balance economic liberalism and state intervention to direct the nation's growth. Western influences, such as the popular book by Frederick W. Taylor, "*The Principles of Scientific Management*," influenced Chinese scholars on strategies for improving production<sup>6</sup>. Strategies advocated for by Taylor, such as providing workers with incentives and better tools, training, and working conditions, were implemented to increase the nation's production. The chapter also looks at how the increasing need to develop the nation as a whole led to an increased admiration of Fascist models featuring "controlled economies." The economic depression of the early 19<sup>th</sup> century and the rampant corruption exhibited by government officials when the government reduced state intervention in regulating the market made the Fascist economic models appealing during the 1920s-1930s. The importance of rationalizing the market and the efforts geared at finding a balance between China's production and consumption are also covered in this chapter.

Zanasi gives a compact yet comprehensive look at the shaping of China's economic thought over the years. Rather than focusing on the nation's economic growth like most scholars,

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<sup>6</sup> Taylor, Frederick Winslow, *The Principles of Scientific Management*. New York, NY: Productivity Press, 2017.

Zanasi focuses on the circumstances at play that shaped the various policies adopted over the years. This approach paints a picture of a nation that was creative and logical in its formulation of policies and further rescues China's image as a nation that faced economic stagnation due to Confucianism ideologies. Policies that might be misunderstood from a Western perspective are given a context that showcases the rationality behind their formulation. Zanasi's work joins the growing ranks of publications making an effort to reduce Eurocentrism in studies of other nations' economic histories and development.

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