The Great Divergence and after: East Asian and North Atlantic development in comparative and long-run perspective

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'The Great Divergence' is a somewhat vague topic, because even if we could agree on all the facts, there would be problems of definition: do we date it from when standards of living in one place first diverged by some arbitrarily chosen amount from those in another place? By when the things that explain those differences in living standards first occurred? Or by when it becomes clear that the gap will not close quickly? One could, after all, argue that what makes for a great divergence has to be more than just an important change that happens in place A before place B – there have to be some kind of increasing returns that mean, at least for a while, that the divergence will keep growing (and thus become 'great'). The questions to what extent the gaps that open in the nineteenth century close, and to what extent that re-convergence (or lack thereof) is built into the initial divergence, are thus as much a part of our story as the more common question of why the gaps appear. So I will be looking at a very long sweep of history here – first both in Europe and China (with occasional nods to other places) and then, once the European Industrial Revolution is well underway, almost exclusively in East Asia.

The first part of this talk will summarize (while adding a few new wrinkles) an argument I have already published, which is about how surprisingly similar the economies of the most advanced regions of China and Europe were as late as about 1750, this suggests that we re-think the large differences that were apparent seventy-five years later. The second part will then suggest implications of this revised eighteenth century for China's catastrophic nineteenth century, and for the generally happier story of economic development in twentieth century East Asia – by most standards, the most successful area outside Europe and the so-called neo-Europes, and one in which some people see a distinct style of development. (Note that the idea of a distinct, but successful East Asian development path would close the divergence in the usual, quantitative sense, but leave important qualitative differences in place.) The second part will consider some limits of this 'East Asian path': both as an analytic construct and as a strategy for current Chinese development, especially in the interior –

suggesting that despite today's global flows of commodities, technologies, etc., the divergence is sufficiently 'great' that its legacies include some significant barriers to reconvergence.

Since the 1960s, European economic historians have moved away from treating industrialization as a British-centered big bang, re-inserting it in long stories of slowly-growing markets, division of labour, many small innovations, and the accumulating of small profits. Such gradual market-driven growth was surely crucial, but it did not differentiate Europe from East Asia. Smithian dynamics worked there, too, but did not transform basic possibilities: eventually, highly developed areas everywhere faced resource constraints, in part because commercialization and proto-industrialization accelerated population growth, and most food, fuel, fibre and building materials still came from the land. Britain, I argue, needed for its escape not only technology and institutions, but coal, the New World, and various favourable conjunctures – in Flanders and even Holland proto-industrialization led to results more like the Yangzi Delta or Japan's Kinai region than like England. (It is important here to compare like with like: e.g. we compare Jiangnan and England or Jiangnan and the Netherlands, as the most economically advanced areas within their respective parts of the world, not China and England. Given the size, population, ecological diversity and so on of China, it makes more sense to compare it to Europe as a whole. Other parts of China also have their European counterparts – grain-exporting but relatively poor Hunan might be worth placing side by side with Poland, and so on. Only when we are talking about government policies is it necessary to make the comparison one between political units, much less units that became modern national states.)

If even vigorous Smithian growth does not necessarily lead to industrialization, then the Industrial Revolution again becomes a discontinuity to be explained – because it is just as easy to see Europe as 'China manqué' as vice versa, or England as Flanders.

In a powerful synthesis of the gradualist story, Jan de Vries has embedded the Industrial Revolution in a larger 'industrious revolution' – an idea which helps resolve a paradox. The grain-buying power of European day wages fell sharply from 1430 to 1550, and did not return to 1430 levels until the nineteenth century – or even the twentieth, depending on which place you are talking about. But if grain-deflated wages do not suggest much early modern economic progress, other measurements do: death inventories, for instance, show significant increases in people's possessions.

This could occur because people spent more hours per year working for the market, generating cash that bought new possessions as well as stable amounts of increasingly expensive bread. People may have had less leisure, and definitely spent less time making goods for their own households – in other words, they specialize more and buy other things, some of which 'saved time' on domestic chores.

Something similar happened in China (and maybe elsewhere). Rice-deflated day wages mostly fell after about 1100, but in circa 1750 earnings for farmers and textile producers in the Yangzi Delta still matched up well against England. (In agriculture rough parity in labour productivity per day lasted into the 1820s.) Our very limited evidence suggests that nutritional standards held up, and did not lag Europe's. Rough nutritional parity is also suggested by Chinese life expectancies, which were close to England's (and above most of the Continent's) until almost 1800, and indirectly by birth rates. Contrary to mythology, Chinese birth rates were apparently no higher than European ones between 1550 and 1850, while population grew a bit faster, suggesting that Chinese death rates were at least no higher.

Perhaps even more interesting though, is the evidence of increased consumption of 'non-essentials' by ordinary Chinese between about 1500 and 1750: from travellers' accounts, elite complaints about popular consumption, etc. For those commodities where I could construct measurements, China in circa 1750 stacked up well against Europe, and Jiangnan against England.

But of course these parallels did not last. Between 1750 and 1900, production, consumption, and specialization all jumped forward in Europe, while in China per capita non-grain consumption declined. Figures from 1900 for cloth and sugar, for instance, are below even my most conservative estimates for 1750.

Much of the difference is ecological, but not in the sense that 'population pressure' was producing more serious problems within Chinese cores than in European ones. I have reconstructed nitrogen fluxes from dry-farming areas of North China and England, in circa 1800, and they do not show more severe soil depletion in China: if I threw in South China's paddy rice regions the comparison would lop-sidedly favour China. Even for deforestation, there is no clear Western European advantage circa 1750, despite its much sparser population – the Chinese used land and fuel very sparingly and efficiently, and they were probably doing just as well at meeting people's daily fuel needs. Moreover, their situation seems to have

been deteriorating less rapidly, though energy was, very expensive in eighteenth century China, and the potential for economic breakthroughs based on using much more of it were poor. A feature of Western Europe's nineteenth century breakthrough that is too little remarked on, is that some important ecological variables stabilized despite unprecedented growth in both population and per capita consumption, while much slower early modern growth had produced serious accelerating strain. Archaeological evidence points to serious soil degradation in eighteenth century France and Germany, which confirms reports of stagnant or declining yields; forests shrank dramatically, sandstorms became more common, etc. Why did much of this stabilize in the nineteenth century?

One crucial factor was the switch in a few areas to sub-terranean energy sources: above all, English coal. But there was a lot of luck in this: Chinese coal deposits are just too many land-locked miles away from core regions to be economical before railways; and mines so remote from concentrations of skilled artisans were not well-positioned for technological change, anyway. Moreover, in eighteenth century Chinese coal mines, being mostly in very dry areas, people wrestled with sudden gas explosions, not (as in England) with flooding. And it was pumping water which created perfect conditions for refining a bulky, initially very inefficient steam engine. The early ones converted less than 1% of the energy they used to motion, and in 1800, 80% of them were at the pit-head, where fuel was virtually free. However, having some place where they were worth deploying also made them worth improving, eventually creating a machine that transformed any number of processes. (Many of the improvements in steam engine construction were also spin-offs from advances in armament production; for instance, techniques that greatly improved the pistons, and thus the perfection of the temporary vacuum in the engine, were originally developed for the precision-boring of cannon barrels. This is one of several ways that Europe's unusually intense military competitition, quite destructive in the short run, provided some accidental but important benefits in the longer run.)

The Yangzi Delta, by contrast, lacked all kinds of energy – coal, timber and water power. The Yangzi is quite flat across its last several hundred miles, and also extremely seasonal, with high and low water in many places differing by as much as sixty meters – which did not make the use of water power impossible, but did make it less likely to be widely pursued. (The region also has almost no metallic ores.) In some ways the

Delta, and coastal China more generally, adapted quite successfully by finding ways to conduct daily life with limited energy use, rather than by generating more energy. However, this did not put it on the road to a modern world of energy intensity; for instance the region simply never developed much heavy industry; it simply was not advantageous for kinds of production that required lots of energy to locate in that region, and few did. In Guangzhou in 1704, the general cost of living was about 20% of the London level in silver, while charcoal cost 528% of its London price. Under the circumstances, why would you look for ways to use more energy as a substitute for labour?

Secondly, Western Europe benefited from soaring imports of land-intensive products, especially from the New World. As demand for food, fibre, building materials and fuel – Malthus's 'four necessities' – grew with population, cores everywhere, to one degree or another, had to acquire these land-intensive products by trading with a periphery that wanted the manufactures, mostly textiles, that cores produced.

But that trade tended to run into one of two problems. In a place like Eastern Europe, with many barriers to factor mobility and many people outside the cash economy, the response to external demand is limited – and indeed, the Baltic trade plateaued by 1650, at a fraction of the size of China's long-distance staple trades. But over the longer haul, the freer trade of advanced Chinese regions with their interior also hit limits. With hinterland families more or less free to allocate their own labour, the export boom and commercialization stimulated population growth in places like North China and the Middle Yangzi during the eighteenth century; and as the best land filled up, some labour switched into handicrafts, reducing raw materials surpluses for export and reducing demand for imported textiles. What had been by far the world's largest long-distance staple trade plateaus and then declines as the peripheries gain population and develop more handicrafts; moreover, the terms of trade shift sharply against manufactures and thus against the Yangzi Delta: the same day pieces of cloth bought half as much rice in 1840 as in 1750. This constrained the development of the core regions: Yangzi Delta population barely grew from 1750 to 1850, and the share of labour in non-agriculture probably fell slightly. (Moreover as the Delta became a smaller part of China's population, its relatively high consumption levels had less weight in Chinese aggregates, which helps explain how those aggregates could fall significantly without observers in particular places noticing a marked decline.)

The Americas, however, were different. Smallpox etc., depopulated the region, and much of the labour force was replaced by slaves – who were purchased from abroad. Moreover, New World slaves engaged in less subsistence production than coerced cash-crop workers in old world did; thus despite their poverty, they were a significant market for coarse cloth etc. Consequently, the circum-Caribbean slave region (from Brazil to what became the US south) became the first periphery to look like a modern one – spending a lot on imported capital goods (in this case human, kidnapped, capital goods) and a fair amount on mass consumer goods, paid for with continually growing land-intensive exports. Meanwhile, the Yangzi Delta ran into problems with import substitution in at least some of its peripheries. Somewhat similarly, Japan's advanced Kinai and Kanto regions have no population growth from 1720-1860, while various outer Han gained population, developed their own handicraft industries as domainal monopolies lapsed, and saw their rice surpluses shrink significantly. So East Asia's most advanced regions may have suffered from markets working very well while factor endowments were not different enough among regions: this led to an increasing dispersion of proto-industry and an ecological *cul de sac*, while Europe reaped benefits from limits on markets and import substitution (e.g. bound labour, colonial monopolies).

Normalizing China this way, suggests the importance of relaxing land constraints – both through mining and the New World – for British and later Northwest European growth. Even in 1830 – before the great mid-century boom in North American grain, meat, and timber exports, and the tenfold increase in England's sugar consumption over the rest of the century – local substitutes for Britain's New World imports would have required about 23,000,000 acres (mostly to replace cotton imports). That figure exceeds even the 15,000,000 acres of forest that Wrigley estimates were rendered unnecessary by coal production circa 1815; it also exceeds Britain's total arable and pasture land put together. Without such new resources, ecological constraints might have hobbled English growth, much as the filling up of the Chinese interior hobbled the Yangzi Delta.

Jeff Williamson and Kevin O'Rourke have recently offered confirming evidence for this argument using a rather different method. In a 2005 paper, they look at British wage to rent ratios to see when and how a more or less Malthusian world – in which population growth drove this ratio down relentlessly – gave way to a modern one, in which the value of labour could rise faster than that of land even as population grew.

Essentially, they find that after 1730 wage/rent ratios started to decline a bit less than a Malthusian model would predict; after 1800, a lot less, and after 1840, they began to improve substantially, rising 394% by 1936 when they 'should' have fallen by another 54%. What is truly striking, though, is their finding that the expansion of Britain's trans-Atlantic trade – they do not even factor in other trans-oceanic trade, or the effects of emigration in easing population pressure – accounted for almost half of this divergence from the predictions of a Malthusian model – as much as technological change, organizational innovation, improvements in worker health and education, and all other productivity-enhancing changes put together. Without insisting on this precise measurement, I think this strongly confirms the point that access to primary products from elsewhere (which, as I have emphasized, essentially substitute for land at home, and in Williamson and O'Rourke's model prevent rents from skyrocketing with demand for basic commodities) is a very important part of explaining how technological changes could lead to *sustained* growth without creating unbearable environmental strains.

China's ecological problems became severe in the nineteenth century – not primarily in the densely populated cores, but in areas like the over-logged northwest and southwest, and the North China cotton country. There was also a sharp drop in the water table in the semi-arid North and West as their populations grew: by the late 1700s we have many reports that wells had to be re-dug, and over the next century we see many lakes shrinking or disappearing. So the basic picture is one of European and Chinese cores that had much in common, but were hitched to very different kinds of peripheries. China's cores were filling up, turning to handicrafts, hitting ecological constraints, and exporting fewer primary products; Europe's were vastly expanded, ecologically rich, and set up institutionally in ways that encouraged a continued export orientation. So New World trade – shaped by smallpox, slavery, and various other peculiar conjunctures – was critical after all. This was not because it was super-profitable, as dependency models claimed, but because it offered a special kind of trading partner – one which allowed European cores to change labour and capital into land-saving imports in a way that expanded trade closer to home could not, and in a way that Jiangnan and Lingnan were finding it harder to do.

Turning back to East Asia, we know that after the mid-nineteenth century shocks, Japan's economy began to grow faster than ever, benefiting both from importing (and adapting) new technologies and from having new

trading partners with different factor endowments. China had a much rougher late nineteenth and early twentieth century. Some of the reasons are rooted in the complexly interwoven systems of land tenure, demography, migration, and fiscality that had shaped its eighteenth century successes.

To greatly oversimplify, most farmers in China's poorer regions were small-holders. In the most advanced areas, there were far more tenants, but most of them had relative security of tenure; this helped keep rents rising a bit more slowly than yields over the long haul. (Wage labourers, fully dependent on the market for access to the means of production, were about 10% of the Yangzi Delta population, versus over half of the eighteenth century British labour force, and a 'very substantial minority' in the Netherlands.) With strong usufruct rights, tenants, though to Western eyes 'propertyless' earned far more than wage labourers: about 2.5 times as much, according to estimates with eighteenth century data from the Lower Yangzi and coastal Fujian. (The same ratios emerge from the much better data in 1920s and 1930s surveys.) Consequently, while Chinese wages may well have already lagged Western European ones significantly by the 1750s, there was probably no 'great divergence' in average living standards until much later.

Consider a few consequences of this huge difference between the large tenant class and the very small class of labourers. For one, while tenants earned enough to support a family, landless labourers did not – and in a society with a shortage of marriageable women (due to concubinage and sex-selective infanticide) most rural proletarians (often called 'bare sticks') did not reproduce. In some sense, this stabilized the system, because the ranks of the dispossessed maintained despite on-going commercialization: some hapless smallholders and tenants became rural proletarians in each generation, but since the existing labourers did not reproduce themselves, they remained about 10% of rural folk all the way to 1949. In another sense, however, these alienated 'bare sticks' had so little to lose that they sometimes did threaten social and political peace – as did those who over-reacted to them.

Equally critical, this huge gap between rural wages in the strict sense and the earnings of the vast majority also kept urban labourers' wages low, and meant that tenants had no reason to head for the cities unless they could expect to find something much better than unskilled labour there: this kept rural-urban migration low, even though the agricultural surplus could feed many non-farmers. (Even in the 1930s, less than 1% of Shanghai

rickshaw pullers came from the nearby Yangzi Delta countryside, though migrants from there dominated many skilled jobs). Industry instead developed as rural industry, with its work force embedded in farm families. It also meant that people from other parts of the empire would gain little by moving to the wealthiest regions unless they could put down a substantial tenancy deposit: though per capita income in Jiangnan was probably about 50% higher than the empire-wide average in the 1700s, unskilled wages were no higher there. This explains the otherwise puzzling fact that for centuries, net migration was away from the richest parts of the country: for those near the bottom of the heap, it was better to head for the frontier where hard work could often get you a land title (or later, go overseas) than go to places that were richer but offered few footholds for outsiders without capital.

Large inter-regional income differences fit with a fiscal system in which the Lower Yangzi paid by far the highest taxes in the empire, while also providing almost all of its own public services. The Delta's 'extra' taxes subsidized social, economic and ecological stabilization in poorer regions: flood control on the Yellow River (while communities along the Yangzi paid for their own flood control), subsidies for well-digging in the semi-arid North and Northwest, an emergency granary system that focused on poorer and less commercialized regions (assuming that rich areas could handle their own food security), and so on.

All this sounds extremely stable, but by 1850 the system had crashed. As we saw before, population growth in the interior shrank the primary products for light manufactures trade with coastal cores, and worsened the terms of trade for the coast. This made the Lower Yangzi's fiscal burdens increasingly painful, while hinterland population growth made ecological stabilization in poorer regions ever more challenging: Yellow River control alone took 10-20% of Qing revenues in circa 1820-1850. Meanwhile, the coming of the West (marked by the Opium War of 1839-1842) forced the Qing into new and expensive commitments on another coastal kind of frontier. The result was a political/economic/ecological perfect storm and a very grim century indeed.

But we should also note that, after surviving its mid-century shocks – shocks which were much greater than Japan's, for these and other reasons – China's most advanced regions also resumed economic growth, imported some new technologies, and benefited from new trading partners that provided primary products no longer available from internal hinterlands.

Rice from Southeast Asia, for instance, began to feed Shanghai, Canton, and other coastal towns, replacing the shipments from the interior that had shrunk by over 80% circa by 1750-1900. Coastal areas began to get timber and other land-intensive products from overseas. New destinations for both emigrants and light manufactured exports opened up (including 'native products' sold to the emigrants themselves). The parts of China that remained in chronic crisis were some of its hinterlands.

Some interior regions, like the Middle Yangzi, resumed earlier patterns of growth after the mid-century rebellions and then plateaued. Others, especially in the North, had real catastrophes, in part because ecological and political problems fed on each other. As the Chinese state began to recover from mid-century incursions and rebellions, it changed its priorities, refocusing on newly strategic coastal regions and encouraging 'modern' development there. Conversely, it reduced the 'reproductive' commitments I described earlier: using revenues from rich regions to underwrite flood control, granary reserves, irrigation, and other efforts to stabilize family farming and Confucian society in more fragile areas. Spending on the Yellow River, for instance, fell by over 50% from 1850-1937, even while total taxes collected rose by roughly 1,000% (both measured in gold); despite some gains in dollar for dollar effectiveness, the results of such cuts were horrific. Thus, certain interior areas suffered simultaneously from declining inter-regional trade, population growth, and losing state services needed in ecologically fragile areas. A vicious circle of political, social, economic and ecological decay followed, reflected not just in poor Gross National Product (GNP) performance but even more in vastly intensified mortality crises, and social instability which ultimately affected almost all institutions in inland areas. Xia Mingfang's figures indicate that a dozen times as many Chinese starved between 1865 and 1937 as between 1644 and 1800 – almost all of them in the North and Northwest.

Thus, one sees in this period a severe case of a phenomenon much discussed with respect to recent years: a decoupling of coastal and interior China, involving both the re-orientation of the coast toward external trading partners and a decline in once-crucial inter-regional transfer payments. Coastal China, both the parts seized by foreigners – Taiwan, Hong Kong, the treaty ports, and more briefly Manchuria – and the rest, achieved substantial per capita growth (possibly even rivaling Japan's growth rates in the interwar Lower Yangzi), despite serious violence and dislocation. (They

did not, however, experience any structural transformation like Japan's, in part due to much weaker public services.) Interior regions, meanwhile, experienced considerably worse disorder, and little or perhaps negative growth; and, as the figures on disasters show, GNP trends greatly understate the degree of distress.

In larger regional terms, we see in this period the emergence of an East/Southeast Asian littoral economy which, despite huge problems, achieved fairly impressive economic growth and increasing integration. Intra-Asian trade grew faster than world trade, 1880-1937, albeit off a lower base; industries in Japan as well as coastal China (and for that matter, Bombay, too) found their principal markets in that intra-Asian trade, not in the West. Moreover, many of the industries had a substantial rural component – Japanese silk and Chinese 'native' cotton cloth are the most obvious, but also modern goods like matches, which in both countries often had the heads glued on the sticks by peasant girls.

On one level, the integration of maritime East and Southeast Asia continued, at an accelerated pace, growing connections that date back to the late eighteenth century. The emergence of clearer landed property rights in parts of Southeast Asia, cheaper transport, and so on, encouraged immigration, the growing of cash crops for export, and so on; all these trends had eighteenth century roots but accelerated after about 1865. (The same was true in Manchuria, where a process of settlement going on since seventeenth century also sped up after 1860, as the Qing eased restrictions, and even more so after 1905.)

On a global level, these patterns of growth reflect East Asia having found a particular niche within an Atlantic-centered world economy. East Asian countries and colonies did not contest Western dominance of the high value-added and militarily critical industries of the second Industrial Revolution (steel, heavy chemicals, machine tools, electrical equipment) nor of high finance and insurance, nor the privileged Western access to lands with the best population to resources ratios (obtained through colonialism and maintained in part through discriminatory immigration policies). On the other hand, East Asians never became raw materials exporters themselves, and as long as they focused on light industry, faced relatively open global markets; as Cain and Hopkins remind us, the City of London shaped British foreign economic policy much more than manufacturers did, and was happy to see Osaka and Shanghai grow as long as the Hong Kong and Shanghai Banking Corporation or Jardine and Matheson helped arrange the trade.

This does not mean, however – as descriptions of this 'gentlemanly capitalism' sometimes suggest – that once the 'opening' of East Asia was over, imperialism became just a benign matter of free trade. We have already seen how the fiscal demands of survival amidst predatory foreign powers helped destabilize much of the Chinese interior and decouple it from the coast; the massive sufferings caused by each successive stage of the opium epidemic are well known; and when Japan was no longer prepared to concede heavy industrial and military superiority to the West, and sought control of the required oil, rubber, etc., the results were cataclysmic.

Under the circumstances, it is not surprising that the Maoist political economy, while undoubtedly revolutionary in many ways, also mimicked certain features of the high Qing. Formally speaking, collectivization made everyone a proletarian, but rural commune members, like smallholders or secure tenants, had guaranteed access to farm work; they earned incomes based on their average, not their marginal product, and were able to have families. (Combined with the end of infanticide, this also ended the problem of male 'bare sticks' – at least for a generation.) Massive (if sometimes counterproductive) efforts were made to industrialize the countryside, rather than assuming that higher living standards would have to come from moving people out of the countryside; in fact, migration to cities was essentially banned from 1960 to about 1985. State funds were again directed from wealthier to poorer regions, and (in spite of the disasters of the Great Leap Forward) considerable emphasis was placed on insuring a basic level of security for poor people and fragile regions. Some of the biggest successes of the Maoist period – Yellow and Huai River control, and the massive implementation of tube well irrigation, all focused on North and Northwest China – echoed Qing initiatives, albeit with more powerful techniques. Though per capita Gross Domestic Product (GDP) growth did not match those of the post-Mao years, life expectancy nearly doubled between 1950 and 1976, literacy soared, and so on.

An enormous amount has changed since 1978, but not everything. For all the glitter of Shanghai and Shenzhen, the heart of the boom, until the mid-1990s, was in rural industry, some of which built on the earlier development of healthy, disciplined, and sometimes skilled labour. Despite rapid urban growth, China remains more rural than other comparably industrial countries, past or present: it is only slightly more urban today than Britain in 1840, though it is far more industrial. Rural income is now more

than ⅔ from non-agricultural activities, close to the figure for Taiwan in the 1980s; in South Korea, by contrast, only 20% of rural income comes from non-farm activities, and in India 45%. In absolute terms, rural population kept growing until about 1998 – far longer into industrialization than in most of the West and much more like the experiences of Japan and Taiwan. Even today, the government continues to promote this pattern of development; significant obstacles to urban-rural migration remain, and 'leave the farm but not the village' remains a common (though increasingly threadbare) slogan. Lots of industrial and service households have somebody who works at least part-time in agriculture; and despite low returns to farming, many families want to keep that toehold, for security and other reasons. Rural non-farm income is also supposed to supply the capital for improvements to agriculture, and in some localities for welfare subsidies to farmers.

And if we look at things regionally, we again see familiar patterns, but taken to new extremes: this rural industrialization is again very concentrated in coastal areas (though it takes in somewhat more of the coast than before): as of a few years ago, over half of them were in three provinces. And those areas are again more oriented towards a wider world than towards the rest of China; the ratio of foreign trade to GDP for China's richest provinces now far exceeds the highest levels reached in Japanese history, for instance. Both exports and imports play a role here, as coastal China is importing hugely increased amounts of oil, metals, raw cotton, lumber, and so on – just as Japan, Taiwan and Korea have come to do. (Meanwhile the coast is also catching up to other East Asian economies in using resources efficiently – its energy consumption per dollar of GDP for instance, has dropped almost to South Korean levels, while in the Western provinces it is 2.5 to 3 times higher.)

But therein lie several problems. For one, China – being six times the population of Japan, Korea, and Taiwan – cannot ever import the quantities of primary products per capita that they do. And energy efficiency – one relatively good gauge of resource saving efforts – has started worsening again after 20 years of significant improvement. For another, there is deep concern about the unprecedented extent of regional inequalities in China – and agricultural incomes now lag so far behind that guaranteed access to land is no longer enough to keep people in rural areas that lack industry – as many rural regions in the North, West, and Southwest do. (The gap between marginal labour productivity in city and countryside in China is

among the largest in the world; by contrast, in much of Latin America, where extreme inequality in landholding led people to head for the cities whether there were jobs there or not, that gap is close to zero.) Until recently, most Chinese urbanization was what sociologists call 'urbanization in place': villages turning into towns and towns into cities without most people moving far. But now the predominant motor of urbanization is migration: a net flow of about 14 million people a year leave the countryside, expected to exceed 20 million a year in the next decade. And while up to now, China has largely avoided creating vast urban slums without basic infrastructure – like those that ring Manila or Mexico City – this achievement will become increasingly difficult to sustain. To use a different comparison, China's recent and projected urbanization rates roughly track Japan's, with a 50 year lag – but when Japan began its really rapid urbanization in the 1950s, its unemployment rate was 2%, so even as the cities bulged, everyone found jobs. Nobody is certain what China's unemployment rate is, but it is a lot more than 2%.

One response to these looming crises has been the 'go West' initiative: a massive government-funded campaign emphasizing mining, hydropower construction, and other capital-intensive, resource-oriented projects in Western China, designed to jumpstart regional growth and generate primary products for the East. Han Chinese migration to these areas (long restricted to avoid provoking resentment) is now being encouraged in part to fill skilled jobs in development projects – and as we saw last past spring in Tibet, this provokes plenty of resentment. Areas once off-limits for development are now being opened, often over local protests. In general, a long-standing paternalism towards minorities here (which, granted, has been eroding for some time) is now being decisively pushed aside, replaced by a bet that there is a consumer inside everyone, and its karaoke bars rather than cultural protection, that will reconcile Tibetans, Uighurs, and other minority nationalities in Western China to the Peoples Republic China. This initiative also carries huge ecological risks: logging at high elevations where regrowth is slow and erosion fast, quick and dirty mining, diversion of water from the Himalayan snow melt, and so on. Over half of all hydro dams in Tibet built since 1949 are now silted up, and many new ones throughout China are expected to last less than 20 years.

In one sense, of course, 'go West' is an effort to stitch the country together, both in terms of increasing interdependence and reducing economic (and perhaps eventually ethnic) differences. But for now, it also

raises the possibility of other differences. 63% of industry in coastal provinces is now privately-owned – and some of the new rich are now shaping local society more generally. Meanwhile the far West is seeing a revival of state (often military)-led development (less than 20% of its industry is private); so it is not hard to imagine increasing political, as well as economic dualism. Amidst the radical changes on the coast, one sees interesting continuities with earlier iterations of an 'East Asian path'; but rather than spreading across the country, this pattern seems to be stimulating interior developments that instead evoke colonial enclave economies, some Maoist campaigns, and crash development efforts in Soviet central Asia and Siberia.

So East Asian patterns of development – marked both by distinctive factor endowments, and particular kinds of markets and other institution – have surely mattered and continue to do so. But over time their articulation with a global economy has become increasingly important, and many of their distinctive features – a focus on rural development, property rights that slowed urbanization and encouraged rural light industry etc., have been altered, while others – such as trading these light industrial products for primary product imports, subsidizing continued farming of semi–arid areas, and filling up internal frontiers – are now reaching limits, with much of the country still poor. Thus the possibilities for spreading the 'East Asian' path across the Chinese interior may be limited by environmental and social contradictions that ultimately resemble those which have also limited the diffusion of the very different North Atlantic path to modernity: and the 'Great Divergence' of the coming decades may be less between China and the West than between China's own coastal East and interior West.