

THE CAMBRIDGE WORLD HISTORY

*

VOLUME VII

Production, Destruction, and Connection,
1750–Present

Part I: Structures, Spaces, and Boundary
Making

*

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The economic history of the Pacific

LIONEL FROST

In the three centuries after Vasco da Gama made the first direct voyage from Europe to India in 1499, the value of world trade grew by 1 per cent per annum. This was achieved in spite of political barriers and trading monopolies that stifled trade. After 1800 these restrictions were reduced by falling transport costs, technological change and the use of force – explicit and implied – to open markets. For European trading nations, import demand – domestic demand minus domestic supply – was increased by economic growth, the need for raw materials for industrial production and shifts in income distribution that favoured the importation of ‘exotic’ luxuries. For non-European trading regions, export supply – the level of supply minus domestic demand – was increased by population growth, greater mobility of capital and labour, productivity improvements and the settlement of previously unexploited frontiers. As a result, world trade boomed, growing at 3.7 per cent per annum between 1800 and 1992.¹ The growth in transpacific trade was a key feature of the world economy after the Second World War. In 1965 the value of this trade was 59 per cent of that of transatlantic trade (between Europe and the United States and Asia); by 1985 the figure was 124 per cent.² In this essay on the economic history of the Pacific, the focus is on demand and supply shifts and the removal of obstructions to trade in three countries: China, Japan and the USA. The essay is geographically selective, with less attention paid to other regions of the Pacific – the Pacific coast of Latin America, the rest of Asia, Pacific Russia, Canada, Australia and New Zealand – that were affected by forces of economic and political change emanating from the Pacific’s major powers.

1 Kevin H. O’Rourke and Jeffrey G. Williamson, ‘Once more: when did globalisation begin?’, *European Review of Economic History* 8:1 (2004), 112.

2 Kaoru Sugihara, ‘The Second Noel Butlin Lecture: labour-intensive industrialisation in global history’, *Australian Economic History Review* 47:2 (2007), 142.

In 1750, China and Japan's total population was 244 million – almost double that of Europe (140 million) and around 86 per cent of the total population of the Pacific region.³ The prosperity of the 'High Qing' era was underpinned by imports of silver and new crops such as peanuts, maize and sweet potato from the Americas, the settling of new territories in Manchuria and the Far West, trade with the states bordering the South China Sea, an independent market-oriented peasantry and the skill and energy of the imperial government and its bureaucracy, which levied low taxes and invested in high levels of public goods.⁴ Japanese commercial and trading activity, agricultural productivity and levels of nutrition and life expectancy were comparable with that of Europe.⁵

To European traders, these were rich markets that could supply luxuries such as silk, porcelain and tea in exchange for silver and other products. The Portuguese controlled the Southeast Asian trade in pepper and fine spices but their only gateway to the Chinese market was at Macao, on an estuary of the Pearl River sixty-five miles below Canton (Guangzhou), where they obtained rights in 1535 to anchor ships and develop a port. Japan allowed Portuguese traders to operate from Dejima, an artificial island on Nagasaki Bay, in 1569, but expelled them in 1639. Seeking a westward route to the Orient from the silver-rich vicerealties of New Spain and Peru, Spain founded Manila as an entrepôt in 1571 and realised arbitrage opportunities through transpacific trade – usually only one voyage a year – from Acapulco to silver-starved China. But Spain's vision of acquiring a Macao-like enclave on the coast of China, let alone its grand plan of conquering China itself, came to nothing.⁶ In the early seventeenth century the Dutch East India Company turned the

3 Colin McEvedy and Richard Jones, *Atlas of World Population History* (Harmondsworth: Penguin, 1978), pp. 18, 167, 181.

4 William T. Rowe, *Saving the World: Chen Hongmou and Elite Consciousness in Eighteenth-century China* (Stanford University Press, 2001), pp. 1–2; Kenneth Pomeranz, *The Great Divergence: China, Europe, and the Making of the Modern World Economy* (Princeton University Press, 2000); R. Bin Wong, *China Transformed: Historical Change and the Limits of European Experience* (Ithaca, NY, and London: Cornell University Press 1997); Jean-Laurent Rosenthal and R. Bin Wong, *Before and Beyond Divergence: The Politics of Economic Change in China and Europe* (Cambridge, MA: Harvard University Press, 2011); Andre Gunder Frank, *ReORIENT: Global Economy in the Asian Age* (Berkeley, CA, and Los Angeles: University of California Press, 1998); Robert B. Marks, *Tigers, Rice, Silk, and Silt: Environment and Economy in Late Imperial South China* (Cambridge University Press, 1998), pp. 163–176.

5 Susan B. Hanley, *Everyday Things in Premodern Japan: The Hidden Legacy of Material Culture* (London: University of California Press, 1997).

6 Manel Ollé Rodríguez, 'Early Spanish insertion into Southeast Asia: the Chinese factor', in Peter Borschberg, ed., *Iberians in the Singapore-Melaka Area (16th to 18th Century)* (Wiesbaden: Otto Harrassowitz KG, 2004), pp. 23–34.

Muslim trading post at Jakarta into a fortified town (renamed Batavia) and took Malacca. Fort Zeelandia on Taiwan was established as the Dutch base for trade with China. Dutch traders worked from a 'factory' (commissioned warehouse and offices) at Dejima and contact with the Japanese people was highly restricted. England's East India Company operated from factories in enclosed precincts outside the walls of China's ports and was supervised closely by a group of brokers who conveyed the orders of the imperially appointed superintendent of customs. In 1757 the Qing government attempted to reconcile its wariness of foreigners with its need for revenue from the export of tea and increased shipments of silver by making Canton the only official port of entry for Western traders. The existence of a single 'window' port suited foreign traders because it was conducive to predictable customs duties and other fees, and the reliable assembly of cargoes made up of products obtained from hinterland regions by Chinese merchants.⁷

While Europeans enjoyed naval superiority on the high seas, Asian states had the advantage in coastal waters, where flat-bottomed junks and other smaller craft could control access to ports. In the nineteenth century the use of steam-powered riverboats and improved guns gave Europeans the ability to wage war successfully on rivers and shallow coastal waters.⁸ The Chinese empire, widely admired by European Enlightenment thinkers as an enlightened form of government and possible model for civilisation, came to be viewed with contempt by an increasingly aggressive West.⁹ After the Opium Wars of 1839–1842, Britain forced open five Chinese ports and established a colony at Hong Kong. The arrival of Commodore Matthew Perry's four 'Black Ships' in Edo Bay in 1853 secured a treaty that allowed the United States free access to two Japanese ports.

Whiggish scholars celebrated the spread of 'civilisation' to the non-European world and revisionists decried the violence and ecological devastation of European imperialism. These schools share a Eurocentric perspective

7 Leonard Blussé, *Visible Cities: Canton, Nagasaki, and Batavia and the Coming of the Americans* (Cambridge, MA: Harvard University Press, 2008); John L. Cranmer-Byng and John E. Wills, Jr, 'Trade and diplomacy with maritime Europe, 1644–c. 1800', in John E. Wills, ed., *China and Maritime Europe, 1500–1800: Trade, Settlement, Diplomacy, and Missions* (Cambridge University Press, 2010); Paul A. Van Dyke, *Merchants of Canton and Macao: Politics and Strategies in Eighteenth-century Chinese Trade* (Hong Kong University Press, 2011).

8 Daniel R. Headrick, *Power Over Peoples: Technology, Environments, and Western Imperialism, 1400 to the Present* (Princeton University Press, 2010), p. 88.

9 Ashley Eva Miller, 'Revisiting the Sinophilia/Sinophobia dichotomy in the European Enlightenment through Adam Smith's "duties of government"', *Asian Journal of Social Science* 38:5 (2010), 716–737.

based on models of colonisation ‘which assume that the technological inferiority, economic backwardness, and political conservatism of oriental cultures spelled their inevitable defeat by European colonisers’.¹⁰ This posits Europe as the privileged ‘Inside’ from which innovation was diffused to the non-European ‘Outside’.¹¹ In fact, Asian traders, navigators, pirates, investors and merchant-princes remained effective competitors with their European counterparts for longer than earlier scholars thought. Asian patterns of production, trade and governance shaped economic change in ways that cannot be understood through an analytic separation of European intrusion and Asian response.¹² The increased presence of foreigners in Asia and the new technology they brought are most appropriately seen as exogenous factors that provoked a diversity of responses, due to the influence of locally specific traditions and institutional frameworks of governance (Map 23.1).

Americans and the Pacific

After Captain James Cook ‘discovered’ Hawai’i and explored the North American coast as far as the Bering Strait in the 1770s, independent British and American whalers and hunters of seals and sea otters converged on isolated communities, disrupting traditional trading patterns and transmitting deadly epidemic diseases. Until the Louisiana Purchase (1803) much of the territory west of the Mississippi was in French hands. New Spain and later Mexico extended west of the Continental Divide. Almost a thousand vessels stopped in New Spain’s Alta California between 1786 and 1848 and most of them continued on to Nootka Sound or Sitka, where valuable sea otter furs could be bought cheaply, or Hawai’i, which became the centre for American whaling and trade in the Pacific world. Before the United States gained Pacific shores under the Oregon Treaty of 1846 the American Far West was part of an internationalised free trade waterscape.¹³

Americans at first tended to see East Asia through European eyes – lying at ‘the eastern extremity of the globe’ as a Boston merchant put it.¹⁴ Before

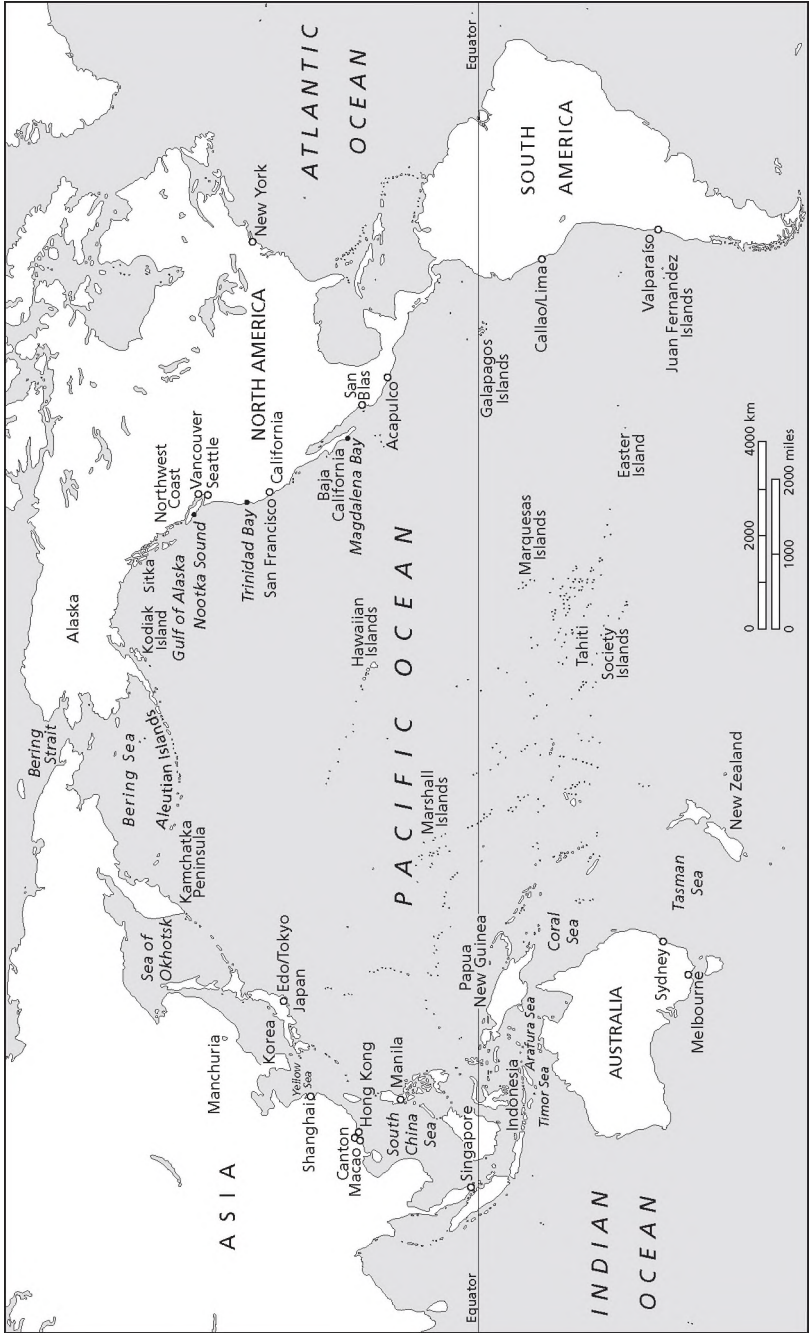
10 Robert Markley, ‘Riches, power, trade and religion: the Far East and the English imagination, 1600–1720’, *Renaissance Studies* 17:3 (2003), 494.

11 J. M. Blaut, *The Colonizer’s Model of the World: Geographical Diffusionism and Eurocentric History* (New York: Guilford Press, 1993).

12 John E. Wills, Jr, ‘Maritime Asia, 1500–1800: the interactive emergence of European domination’, *American Historical Review* 98:1 (1993), 83–105.

13 David Igler, *The Great Ocean: Pacific Worlds from Captain Cook to the Gold Rush* (Oxford University Press, 2013).

14 John Curtis Perry, *Facing West: Americans and the Opening of the Pacific* (Westport, CT: Praeger, 1994), p. 47.



Map 23.1 The Pacific Rim

independence, Americans were bound by the Navigation Acts, under which ships could only arrive and depart from British ports if they were British-owned and manned. The first US ship to sail to China, a decommissioned Revolutionary War vessel that had been renamed the *Empress of China*, left New York in 1784. The fifteen-month round trip carrying silver, ginseng, lead and other products to Canton via the Cape of Good Hope was a risky venture but one that generated high returns when the ship returned fully laden with tea, porcelain and silk.¹⁵ After this success, American merchants dealt with China on an increasing scale, commercially hunting and harvesting sea otter pelts, sandalwood and *bêche-de-mer* (sea cucumbers) and assembling cargoes in Hawai'i for shipment to Canton.¹⁶ Lower shipping costs allowed American merchants to undercut their British rivals, who exported Bengali opium to balance its trade with China. In 1839 Lin Zexu, the imperially appointed maritime commissioner in Canton, acted to end trafficking by ordering the surrender of 1,500 tons of opium and destroying it by mixing it with salt and lime in large water-filled trenches.¹⁷ With the *Nemesis*, a flat-bottomed steamboat with superior guns that could sail up the Yangzi River, the British seized control of the Grand Canal and imposed a free trade treaty on China. The increasing presence of American shipping in the northern Pacific prompted Commodore Perry to envisage Japan as a stopping place on 'a highway for the world', running across the United States to California, then to Hawai'i and Shanghai.¹⁸

The period between the opening of Chinese treaty ports to American merchants in 1844 and the completion of the first transcontinental railroad in 1869 saw the United States at its historic peak as a commercial maritime power. Gold had been discovered in January 1848, just over a week before the peace treaty under which the United States acquired the territory from Mexico was signed. The news that 'the earth was spitting up cash' was kept a secret until May and most Americans did not learn of the Californian gold strikes until November.¹⁹ By that time, people from across the Pacific were already at work in the fields. A schooner from San Francisco had relayed the

15 John W. Swift, P. Hodgkinson and Samuel W. Woodhouse, 'The voyage of the *Empress of China*', *Pennsylvania Magazine of History and Biography* 63:1 (1939), 24–26.

16 J. R. McNeill, 'Of rats and men: a synoptic environmental history of the island Pacific', *Journal of World History* 5:2 (1994), 299–349.

17 Maurice Collis, *Foreign Mud: Being an Account of the Opium Imbroglia at Canton in the 1830s and the Anglo-Chinese War that Followed* (New York: New Directions Books, 1946).

18 Perry, *Facing West*, pp. 59–60.

19 T. J. Stiles, *The First Tycoon: The Epic Life of Cornelius Vanderbilt* (New York: Alfred A. Knopf, 2009), p. 171; H. W. Brands, *The Age of Gold: The California Gold Rush and the New American Dream* (New York: Doubleday, 2002), pp. 45–47.

news to Honolulu and from there word was spread to ports throughout the Pacific. New York was 16,000 nautical miles from the Golden Gate; Acapulco, Callao, Valparaiso, Honolulu, Canton and Sydney were all less than half that distance away. The fastest sailing ship from Sydney could reach San Francisco in ten weeks; the route from eastern America around the Cape of Good Hope could take up to five months.²⁰ By taking a steamer from New York to Panama, a dugout canoe up the Chagres River, a mule train across the mountains, and then a steamer from Panama City, a person could reach San Francisco in around seven weeks. This was a more expensive route and the risk of contracting tropical diseases was high. An estimated 75,000 people arrived in San Francisco by one of the sea routes and over 100,000 made the gruelling journey overland.²¹ In 1850 work started on a railroad across Panama, financed by an American shipping magnate. The railroad was only forty-seven miles long and took five years to build, but proved to be highly profitable. Diggers who returned after trying their luck on the Californian goldfields accelerated the search for gold in Australia, the discovery of which in 1851 turned Melbourne into the world's fastest growing city.²² American clipper ships with wide sails were built to meet the demand for fast travel to Australia. When the winds were favourable, ships that had carried gold seekers to Melbourne could sail quickly to China and return with more immigrants and cargoes of tea.²³ Around 25,000 Chinese, mostly from the Pearl River delta region, were in California by 1852 and roughly the same number was at work on the Victorian goldfields in 1857. Chinese companies based in California, and later Chinese and Japanese ones operating in Seattle and Vancouver, drew on language skills and transpacific networks to recruit labour to lay tracks for the United States and Canadian transcontinental railroads. Asian merchants based in North America facilitated access to Chinese and Japanese markets, and Chinese immigrants in both California and Australia provided valuable agricultural labour.²⁴ In 1881 gold was found in Alaska, territory that the United States purchased from Russia in 1867.

20 Geoffrey Blainey, *The Tyranny of Distance: How Distance Shaped Australia's History* (Melbourne: Macmillan, 1966), p. 140.

21 Karen Clay and Randall Jones, 'Migrating to riches? Evidence from the California gold rush', *Journal of Economic History* 68:4 (2008), 999–1000.

22 Geoffrey Blainey, 'A theory of mineral discovery: Australia in the nineteenth century', *Economic History Review* 23:2 (1970), 289–313; Graeme Davison, 'Gold-rush Melbourne', in Iain McCalman, Alexander Cook and Andrew Reeves, eds., *Gold: Forgotten Histories and Lost Objects of Australia* (Cambridge University Press, 2001), pp. 52–66.

23 Blainey, *The Tyranny of Distance*, pp. 174–205.

24 Kornel S. Chang, *Pacific Connections: The Making of the U.S.–Canadian Borderlands* (Berkeley, CA, and Los Angeles: University of California Press, 2012); David

Despite America's burgeoning wealth, Britain maintained a position of leadership in the world economy throughout the century preceding the First World War. After the Napoleonic Wars, which had destabilised world trade and slowed the growth of the British economy by crowding out private capital formation, Britain was free to seek new markets and sources of raw materials.²⁵ By the 1840s British steamships served Valparaíso and Callao, where British merchants played a central role in the export of wheat, copper and guano.²⁶ Between 1850 and 1869 Britain resumed its position as the world's leading shipbuilding nation through innovations in steamship design – the screw propeller replaced the paddle wheel, iron plating was used instead of wood and compound engines cut coal consumption. American shippers clung to sail and wood. Until the completion of the Suez Canal in 1869 Britain's trade with China was handled by sailing ships because steamships could not carry enough coal to make the trip. Within a decade British steamers using the Canal had forced American clippers out of the China tea trade.²⁷ International freight rates fell by around 1.5 per cent per annum between 1840 and 1913 and price mark-ups in European markets for commodities from Asia were reduced by the development of alternative sources of supply.²⁸ Telegraph cables connected China's coastal cities and provided fast information about price differentials that triggered trade and capital flows. The founding of Singapore by Sir Thomas Stamford Raffles as a trading station in 1819 and the colonization of the Falkland Islands, near Cape Horn in 1833, gave Britain effective control of access to the Pacific.

Californian and Australian gold increased the amount of money in circulation and allowed overseas countries to pay for British products. British investors then pumped funds back into the world economy through government bonds and railway building in new primary producing regions. Stable property rights, the rule of law and democracy, and falling migration costs

Haward Bain, *Empire Express: Building the First Transcontinental Railroad* (New York: Penguin, 1999), pp. 205–208; Yong Chen, *Chinese San Francisco 1850–1943: A Trans-Pacific Community* (Stanford University Press, 2000), p. 52.

25 Jeffrey G. Williamson, 'Why was British growth so slow during the Industrial Revolution?', *Journal of Economic History* 44:3 (1984), 687–712.

26 W. M. Mathew, 'Peru and the British guano market, 1840–1870', *Economic History Review* 23:1 (1970), 112–128.

27 Max E. Fletcher, 'The Suez Canal and world shipping, 1869–1914', *Journal of Economic History* 18:4 (1958), 561.

28 Kevin H. O'Rourke and Jeffrey G. Williamson, *Globalization and History: The Evolution of a Nineteenth-century Atlantic Economy* (Cambridge, MA: MIT Press, 1999), pp. 35–36; Jan de Vries, 'The limits of globalization in the early modern world', *Economic History Review* 63:3 (2010), 728–729.

increased the flow of free settlers to these regions.²⁹ San Francisco, Melbourne and other cities grew by processing and trans-shipping rural produce, while investing in railways and the development of primary industries in their hinterlands.³⁰ Profitable farming depended on innovative environmental reforms and management that increased the supply of meat, dairy products and fruit for external markets. Through trial and error, small farmers and large firms responded to environmental challenges and new technical information was diffused in a transpacific exchange through newspapers and agricultural societies.³¹ This resource bounty created new production possibilities for Western economies, allowing Britain and America to shift resources from agriculture to the manufacturing sector.

Treaty ports and Asian economic development

The Treaty of Nanking (1842) was an expression of Britain's willingness to use force to protect the rights of merchants to trade freely in China. Hong Kong became a British colony and rights to trade were granted in five ports – Canton, Amoy, Shanghai, Ningpo and Foochow – with changes to tariff rates requiring British assent. Treaties that extended these concessions to the United States and France were signed in 1844. As a funnel for the trade of the Yangzi valley, Shanghai quickly became the major centre for overseas trade and British merchants continued to sell opium to finance the growing trade in tea and silk. During the Second Opium War (1856–1860) British and French troops bombarded and occupied Canton and later marched on Peking (Beijing), looting and burning the emperors' Summer Palace. Under the treaties that followed, more ports were opened to British, French and American merchants and Russia obtained territory where it built a Pacific port at Vladivostok.³² After the arrival of Perry the government officials who

29 Timothy J. Hatton and Jeffrey G. Williamson, *Global Migration and the World Economy: Two Centuries of Policy and Performance* (Cambridge, MA: MIT Press, 2005).

30 Lionel Frost, "Metallic nerves": San Francisco and its hinterland during and after the Gold Rush', *Australian Economic History Review* 50:2 (2010), 129–147.

31 Ian Tyrrell, *True Gardens of the Gods: Californian–Australian Environmental Reform, 1860–1930* (Berkeley, CA, and Los Angeles: University of California Press, 1999); Lionel Frost, 'The Correll family and technological change in Australian agriculture', *Agricultural History* 75:2 (2001), 217–241; Douglas Sackman, *Orange Empire: California and the Fruits of Eden* (Berkeley, CA, and Los Angeles: University of California Press, 2005); David Iglar, *Industrial Cowboys: Miller & Lux and the Transformation of the Far West, 1850–1920* (Berkeley, CA, and Los Angeles: University of California Press, 2001); Steven Stoll, *The Fruits of Natural Advantage: Making the Industrial Countryside in California* (Berkeley, CA, and Los Angeles: University of California Press, 1998).

32 John J. Stephan, *The Russian Far East: A History* (Stanford University Press, 1994).

argued that Japan was in no position to resist the West prevailed. Between 1858 and 1869 Japan signed 'unequal treaties' with most European powers that established open ports at Yokohama, Nagasaki, Hakodate, Osaka and Kobe. The French began their conquest of Indochina in 1858, Britain gradually consolidated its administration of Malay states from 1874 to 1895 and the Dutch increased their control over Java and set up colonies in Sumatra, Borneo and the Moluccas. Siam (Thailand) remained under indigenous administration but a treaty with Britain signed in 1855 obliged the government to open the country to Western imports.

In the treaty ports foreigners were subject solely to the jurisdiction of their own consul. They lived in 'foreign settlements' or 'concessions' – small European-style towns that were adjacent to but separate from the established city – which offered protection for Westerners and limited their cultural impact on the local population.³³ While foreigners were convinced of their own superiority, they and the merchants who did business with them were subject to violence from the native population. 'Every merchant in Japan is aware that a sword is hanging over him', an observer noted in 1863. In 1870 a Tianjin mob killed twenty-one foreigners. Hundreds of foreigners in northern China were killed in the Boxer Rebellion (1900).³⁴ Japan resisted further Western demands for market access and sought to end the 'unequal treaties' through a 'Rich Nation, Strong Army' approach to economic development. Similarly, China's 'self-strengthening' movement of the 1870s and 1880s – a set of reforms to develop military capacity in response to the Western powers – carried the slogan 'Enrich the State and Strengthen the Military'.³⁵ In Southeast Asia, there was little if any difference in the economic structure and ethnic composition of the major commercial cities. In independent Bangkok and colonial Saigon, the finance, processing and transport of indigenous commodity production was the preserve of immigrant Asian communities.

33 Marie-Claire Bergère, *Shanghai: China's Gateway to Modernity* (Stanford University Press, 2009), pp. 32–36; Linda C. Johnson, *Shanghai: From Market Town to Treaty Port, 1074–1858* (Stanford University Press, 1995), pp. 320–321.

34 J. E. Hoare, *Japan's Treaty Ports and Foreign Settlements: The Uninvited Guests 1858–1899* (Folkestone: Japan Library, 1994), p. 10; J. K. Fairbank, 'Patterns behind the Tientsin massacre', *Harvard Journal of Asiatic Studies* 20:3/4 (1957), 480–511; John E. Schrecker, *The Chinese Revolution in Historical Perspective*, 2nd edn (Westport, CT: Praeger, 2004), pp. 162–163.

35 Kozo Yamamura, 'Success illgotten? The role of Meiji militarism in Japan's technological progress', *Journal of Economic History* 37:1 (1977), 113–135; Richard J. Samuels, 'Rich Nation, Strong Army': *National Security and the Technological Transformation of Japan* (Ithaca, NY: Cornell University Press, 1994); Schrecker, *The Chinese Revolution*, p. 143.

The major commercial institutions – banks, shipping offices and merchant houses – were controlled by Europeans.³⁶

Before Perry's ships arrived in Edo in 1853, Japan's central government (the *Bakufu*) had installed cannons and a system of coastal watch towers and forts in preparation for an invasion of foreign ships.³⁷ Regional specialisation and coastal shipping underpinned Japanese living standards, but the Tokugawa did not allow foreign travel and pursued a policy of nearly complete isolation. In 1868 a group of samurai destroyed the rigid Tokugawa class system and restored a young emperor as the nominal ruler. A policy of free trade and borrowing from the West was pursued, with Japan's comparative advantage based on traditional rural activities where increasing units of skilled labour were applied to a fixed supply of land. Most of Japan's industrialisation took place in modernised cottage industries that were generally located in rural areas where infrastructure costs were low and human and social capital had accumulated. Here labour was not simply cheap, but cheap relative to its efficiency.³⁸ Other Asian markets took increasing quantities of Japanese-manufactured consumer goods in exchange for agricultural products. During the Meiji period, Japan's terms of trade improved by a factor of six or more due to rising export prices for silk and tea and decreases in the relative price of imported cotton cloth and yarn and iron products.³⁹

This industrialisation was based on both private and public sector activity. Openness allowed Japan to benefit from the products of the Industrial Revolution, such as steam engines and advances in mechanical engineering, which could be adapted and applied in ways that made best use of Japan's labour cost structure. The capital-intensity of European and American machinery was reduced by Japanese adjustments such as the replacement of steel with wood in power loom frames. As incomes rose,

36 Ian Brown, *The Élite and the Economy in Siam, c. 1890–1920* (Oxford University Press, 1988); Porphant Ouyyanont, 'Underdevelopment and industrialisation in pre-war Thailand', *Australian Economic History Review* 52:1 (2012), 43–60.

37 Robert G. Flershem, 'Some aspects of Japan sea shipping and trade in the Tokugawa period, 1603–1867', *Proceedings of the American Philosophical Society* 110:3 (1966), 182–226.

38 Sugihara, 'The second Noel Butlin lecture', 130–135; J. I. Nakamura, 'Human capital accumulation in premodern rural Japan', *Journal of Economic History* 41:2 (1981), 263–281.

39 J. Richard Huber, 'Effects on prices of Japan's entry into world commerce after 1858', *Journal of Political Economy* 79:3 (1971), 614–628; Daniel M. Bernhofen and John C. Brown, 'An empirical assessment of the comparative advantage gains from trade: evidence from Japan', *American Economic Review* 95:1 (2005), 208–225; Yasukichi Yasuba, 'Did Japan ever suffer from a shortage of natural resources before World War II?', *Journal of Economic History* 56:3 (1996), 544–545; Jeffrey G. Williamson, *Trade and Poverty: When the Third World Fell Behind* (Cambridge, MA: MIT Press, 2011), p. 47.

patterns of consumption based on housework activities changed, creating new demand for food-processing and cooking products, and sewing and dress-making equipment.⁴⁰ In industries such as shipping and merchandising, *zaibatsu* – large family-owned conglomerates – reaped economies of scale that allowed diversification and investment in new technology.⁴¹ The Meiji government's Ministry of Public Works, established in 1870 and headed by a Scottish engineer, was in charge of all fields of engineering through direct investment in railways, lighthouses, dockyards, harbour construction and shipyards.⁴² From the early 1880s, the military pursued a goal of 'weapons independence' that led to the creation and expansion of publicly funded arsenals, shipyards and factories that acted as centres for the absorption of Western technologies and skills. These boosted demand for the products of private firms in the shipbuilding, machinery and machine-tool industries. At least until 1894, Meiji economic success was not so much a product of heavy public spending, but rather due to strategic investment in public goods such as education and infrastructure while letting 'the private sector develop on its own initiative'.⁴³

In China, as in Japan, trade became a more important component of the economy in the late nineteenth century. In both countries, exports made up less than 1 per cent of GDP in 1870, less than any other Asian or Latin American country. By 1913, China's export share grew by a factor of 2.6, higher than the Asian or Latin American average. This performance is modest only in comparison to that of Japan, where the export share grew by a factor of 8.3.⁴⁴ Thus while inland weaving centres developed in North China, where imported cotton yarn was woven by female workers on traditional looms, their growth was not as rapid or extensive as that of similar enterprises in Japan.⁴⁵ Both countries found it difficult to raise

40 Masayuki Tanimoto, 'The role of housework in everyday life: another aspect of consumption in modern Japan', in Penelope Francks and Janet Hunter, eds., *The Historical Consumer: Consumption and Everyday Life in Japan, 1850–2000* (Basingstoke: Palgrave Macmillan, 2012), pp. 27–55.

41 John P. Tang, 'Technological leadership and late development: evidence from Meiji Japan, 1868–1912', *Economic History Review* 64 (2011), 99–116.

42 Masami Kita, 'The Japanese acquisition of maritime technology from the United Kingdom', in A. J. H. Latham and Heita Kawakatsu, eds., *Intra-Asian Trade and the World Market* (London and New York: Routledge, 2006), pp. 46–74.

43 Yasuba, 'Did Japan ever suffer from a shortage?', 549.

44 Williamson, *Trade and Poverty*, p. 47.

45 Linda Grove, 'International trade and the creation of domestic marketing networks in North China, 1860–1930', in Shinya Sugiyama and Linda Grove, eds., *Commercial Networks in Modern Asia* (London: Curzon Press, 2001), pp. 96–115.

agricultural productivity in the face of population growth. Between 1750 and 1850, as China's population rose from around 215 million to 380 million, people seeking land moved up hillsides or close to flood-prone reclaimed lakes, or migrated to Taiwan.⁴⁶ Qing spending on flood control on the Yellow River was cut back and deaths from famine, floods and other natural disasters totalled 17 million between 1840 and 1911, with 90 per cent of these occurring after 1875.⁴⁷ Perhaps 25 million people died and the Yangzi valley was devastated during the Taiping Rebellion. Suzhou and Hankow, both with an estimated 1 million inhabitants, were razed.⁴⁸ After the Sino-Japanese War (1894-1895) Taiwan was ceded and new concessions allowed Germans, Belgians and other foreigners to invest in railways and mines deep into the treaty port hinterlands.⁴⁹ Elite and popular dissent coalesced and the Qing dynasty collapsed after provincial governments declared their independence in 1911. Japan was the only non-Western colonial power in the era of modern imperialism seizing neighbouring territories to create strategic zones that would provide cheap food and create markets for Japanese exports.⁵⁰ As Mark Peattie observes, domestic reform created a template for Japanese 'dreams of transforming decaying and corrupted Asian civilizations'. Inherent in Japan's creation of 'cordons of advantage' radiating from the home islands was the need to occupy territories and preserve sovereignty through control of further distant buffer zones. 'Thus, in its quest for security, the empire became involved in a series of strategic "problems" that were to torment Japan's domestic politics and imperil its foreign relations.'⁵¹

46 McEvedy and Jones, *Atlas of World Population History*, p. 170; G. William Skinner, 'Sichuan's population in the nineteenth century: lessons from disaggregated data', *Late Imperial China* 8:1 (1987), 75.

47 Kenneth Pomeranz, 'Chinese development in long-run perspective', *Proceedings of the American Philosophical Society* 152:1 (2008), 91.

48 Peter J. Carroll, *Between Heaven and Modernity: Reconstructing Suzhou, 1895-1937* (Stanford University Press, 2006), p. 4; William T. Rowe, *Hankow: Commerce and Society in a Chinese City, 1796-1889* (Stanford University Press, 1984), pp. 38-42.

49 John E. Schrecker, *Imperialism and Chinese Nationalism: Germany in Shantung* (Cambridge, MA: Harvard University Press, 1971), pp. 220-225.

50 Samuel Pao-San Ho, 'Colonialism and development: Korea, Taiwan, and Kwantung', in Ramon H. Myers and Mark R. Peattie, eds., *The Japanese Colonial Empire, 1895-1945* (Princeton University Press, 1984), pp. 347-358; Chih-ming Ka, *Japanese Colonialism in Taiwan: Land Tenure, Development, and Dependency, 1895-1945* (Boulder, CO: Westview Press, 1995); Mitsuhiro Kimura, 'The economics of Japanese imperialism in Korea, 1910-1939', *Economic History Review* 48:3 (1995), 555-574.

51 Mark R. Peattie, 'The Japanese colonial empire, 1895-1945', in Peter Duus, ed., *The Cambridge History of Japan*, Vol. 6: *The Twentieth Century* (Cambridge University Press, 1988), pp. 220-221.

The Pacific War and its aftermath

Japan's annexation of the Korean peninsula in 1910, having removed the Chinese and Russian presence there in the wars of 1894–1895 and 1904, gave rise to debate about expansion into China. While moderates favoured expansion through investment and trade in co-operation with Britain and America, 'at the other end were the expansionists and militarists, who were prepared to go to war if necessary to suppress Chinese nationalism and resistance and drive England and America off the Asian continent'.⁵² To the expansionists, population pressure and shortages of domestic raw materials and fuel impelled military expansion, but these did not present obstacles to Japanese economic growth until after 1930.⁵³ Japan's export trade was dominated by the products of light industries, with raw materials for those industries providing the bulk of imports. Iron ore and coal were imported from other Asian countries, and the near universal use of electric motors in medium- and small-scale firms reduced demand for imported natural resources. Military build-up promoted the growth of resource-intensive heavy industries when supplies of resources from Asia were uncertain. Manchukuo was prized by the Japanese for its industrial potential and its strategic location for a future war with the Soviet Union. In 1937 Japanese forces invaded China, and after a three-month battle for Shanghai moved towards the capital at Nanking. When Germany invaded the Soviet Union in June 1941, Japan attempted to outflank the Chinese by sending troops to Indochina and demanding guaranteed supplies of oil and other resources from the Dutch East Indies. Embargoes on oil exports and the freezing of assets presented Japan with the choice of fighting the Americans, English and Dutch, or accepting defeat in China.

Recognition of imperial authority by the Japanese people was the basis of the almost complete freedom with which army and navy general staffs exercised their power. Through intimidation and punishment of cautious observers, the Japanese military seized the right to interpret what the interests of the nation were. Most conscripts were from villages where values of total loyalty to the state and the subordination of individual interests were preserved through social sanctions of ostracism.⁵⁴ As Iris Chang observes in

52 Saburō Ienaga, *The Pacific War, 1931–1945: A Critical Perspective on Japan's Role in World War II* (New York: Pantheon Books, 1978), pp. 9–10.

53 Yasuba, 'Did Japan ever suffer from a shortage', 550–556.

54 R. P. Dore and Tsutomu Ōuchi, 'Rural origins of Japanese fascism', in J. W. Morley, ed., *Dilemmas of Growth in Prewar Japan* (Princeton University Press, 1971), pp. 181–209.

her account of the Rape of Nanking, just beneath the surface of unrestrained military adventurism lies pure evil.⁵⁵ Japan imposed its authority on China and Southeast Asia through merciless and dehumanising violence. Amongst the Allies this sowed the seeds of a refusal to accept anything less than the total defeat of a deeply loathed enemy.⁵⁶ Drawing on racial stereotypes of weak Chinese and selfish Americans and Englishmen, the Japanese military had expected that war would demoralise its enemies. On 7 December 1941 Japanese planes struck at Pearl Harbor and its armies invaded Malaya, leading to the surrender of British and American forces at Singapore and Manila.

Japanese aggression and the likelihood of further attacks galvanised the Allies. The Second World War created a sense of community and participation that transcended group and individual loyalties. War mobilisation activated latent resources by directing labour and capital to the war effort. After Pearl Harbor, inmates at San Quentin State Prison volunteered to manufacture military textiles and furniture and weave submarine nets, while those at Alcatraz did the Army and Navy laundry.⁵⁷ In Melbourne, where the Allies' Southwest Pacific command under General Douglas MacArthur was initially based, tens of thousands of people volunteered for civil defence positions and rented rooms to military personnel and manufacturing workers.⁵⁸ Since the gold rushes, Californians and Australians had reinvested the wealth generated from resource extraction in productive areas, stimulating population growth and the expansion of manufacturing and service activity. These economies became less reliant on resource-based industries in the first half of the twentieth century, as manufacturing of consumer durables and fast-moving consumer goods and entertainment and leisure industries became more profitable due to technological change.⁵⁹ The opening of the Panama Canal in 1914 and the boom in shipbuilding during the First World War heightened a sense of economic opportunity in the cities of America's Pacific

55 Iris Chang, *The Rape of Nanking: The Forgotten Holocaust of World War II* (New York: Basic Books, 1997), p. 4.

56 John W. Dower, *War Without Mercy: Race and Power in the Pacific War* (New York: Pantheon, 1986).

57 Roger W. Lotchin, *The Bad City in the Good War: San Francisco, Los Angeles, Oakland, and San Diego* (Bloomington, IN: Indiana University Press, 2003), pp. 51–52.

58 Kate Darian-Smith, *On the Home Front: Melbourne in Wartime, 1939–1945*, 2nd edn (Melbourne University Press, 2009).

59 Richard Walker, 'California's golden road to riches: natural resources and regional capitalism, 1848–1940', *Annals of the Association of American Geographers* 91:1 (2001), 167–199; David Merrett and Simon Ville, 'Tariffs, subsidies, and profits: a re-assessment of structural change in Australia 1901–39', *Australian Economic History Review* 51:1 (2011), 46–70; Ian W. McLean, *Why Australia Prospered: The Shifting Sources of Economic Growth* (Princeton University Press, 2013), pp. 176–183.

coast. Several cities competed to establish naval bases when the Navy sent half of its fleet to the Pacific in 1919.⁶⁰ Government investment in expanding these industrial bases was decisive in the Allied counter-offensive against a resource-weak Japan. As Carl Abbott observes, 'In an era when one thousand dollars could buy a very good car, Houston, Fort Worth, Wichita, Seattle, Portland, San Francisco, Los Angeles, and San Diego all received more than one billion dollars in war-supply contracts from 1940 to 1945.'⁶¹ On vacant land at Richmond, next to the deep waters of San Francisco Bay, Henry Kaiser built shipbuilding yards that by V-J Day had employed 250,000 workers and produced 1,490 ships.⁶² When American and Australian plants and workers were reconverted to peacetime activity, they helped to overcome acute housing shortages and supplied markets that boomed with the release of pent-up demand for family formation.⁶³

After the unconditional surrender of Japan in 1945, the US Army under the Supreme Command of MacArthur occupied the devastated nation and imposed what the victors and vanquished called a 'democratic revolution from above'.⁶⁴ Constitutional reform liberated Japan through demilitarisation and the guarantee of civil liberties, including the extension of suffrage to women.⁶⁵ For Joseph Dodge, a Detroit banker who was authorised to stabilise the economy, Japan was 'an important border in the worldwide clash between Communism and Democracy and . . . only a self-supporting

60 Roger W. Lotchin, *Fortress California, 1910–1961: From Warfare to Welfare* (Urbana, IL, and Chicago: University of Illinois Press, 1992).

61 Carl Abbott, 'The federal presence', in Clyde A. Milner II, Carol A. O'Connor and Martha A. Sandweiss, eds., *The Oxford History of the American West* (Oxford University Press, 1994), p. 482.

62 Mel Scott, *The San Francisco Bay Area: A Metropolis in Perspective*, 2nd edn (Berkeley, CA, and Los Angeles: University of California Press, 1985), pp. 245–246; Mark S. Foster, 'Giant of the West: Henry J. Kaiser and regional industrialization, 1930–1950', *Business History Review* 59:1 (1985), 9.

63 Gerald D. Nash, *The American West Transformed: The Impact of the Second World War* (Bloomington, IN: Indiana University Press, 1985); Marilyn S. Johnson, *The Second Gold Rush: Oakland and the East Bay in World War II* (Berkeley, CA, and Los Angeles: University of California Press, 1993); Paul W. Rohde, 'After the war boom: reconversion on the U.S. Pacific Coast, 1943–49', NBER Working Paper No. 9854 (2003), www.nber.org/papers/w9854, accessed 27 March 2012; Kate Darian-Smith, 'World War 2 and post-war reconstruction, 1939–49', in Alison Bashford and Stuart Macintyre, eds., *The Cambridge History of Australia*, Vol. 2: *The Commonwealth of Australia* (Cambridge University Press, 2013), pp. 105–109.

64 John W. Dower, *Embracing Defeat: Japan in the Wake of World War II* (New York: Norton, 1999), p. 69.

65 Eiji Takemae, *The Allied Occupation of Japan* (New York: Continuum International, 2002); Mire Koikari, 'Rethinking gender and power in the US occupation of Japan, 1945–1952', *Gender & History* 11:2 (1999), 313–335.

and democratic Japan can stand fast against Communism'.⁶⁶ Dodge's US Aid Counterpart Fund operated in a similar way to the Marshall Plan, with funds from the purchase of American imports being transferred to the Japanese budget to provide long-term low-interest loans to priority industries. New agencies of the Japanese government were created to boost the private export sector – notably the Ministry of International Trade and Industry (MITI) in 1949. At a time of rampant inflation, Dodge shrank the public sector to balance the national budget and curbed the power of trade unions. The Korean War and the resulting US demand for military products stimulated an economic boom in Japan. From 1950 to 1953 Japan received US\$2.3 billion in US 'special procurements' – more than the total amount of US aid received between 1945 and 1951.⁶⁷ By the time the occupation ended in 1952, Japan was permanently disarmed and liberal ideals were embedded in law.

During the Cold War Japan continued to focus on labour-intensive industries that were efficient due to a high-quality workforce and economy of resource use. The Korean War boom revived Japan's steel, shipbuilding and motor vehicle industries and encouraged many companies to upgrade their equipment and embrace the American technique of quality control. Throughout East Asia a 'flying geese pattern of economic development' emerged through the diffusion of Japanese technology and the commercial skills of the overseas Chinese.⁶⁸ Rising wage costs in Japan and political instability in China resulted in labour-intensive, low-technology industries such as textiles being transferred to South Korea, Taiwan and Hong Kong, where labour costs were lower. Domestically, Japan began to shift resources to higher value-added industries such as consumer electronics. When they had been colonies of Japan, South Korea and Taiwan benefited from investment in infrastructure and education. Now, Cold War alliances that attracted military and economic aid and boosted trade were accompanied by land reform that favoured peasant farmers and boosted agricultural production.⁶⁹ Textile and other manufactured exports grew rapidly, drawing on skilled, low-cost labour forces and high savings rates. By the 1980s resources were increasingly allocated to price-elastic electrical and electronic goods, as American companies sought cheaper locations and suppliers who were fast and reliable. Following the Japanese example, South Korea challenged

66 Quoted by Howard B. Schonberger, *Aftermath of War: Americans and the Remaking of Japan, 1945–1952* (Kent State University Press, 1989), p. 201.

67 Dower, *Embracing Defeat*, p. 542. 68 Sugihara, 'The Second Noel Butlin Lecture', 140.

69 Robert Wade, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization* (Princeton University Press, 1990), pp. 82–84.

America's automobile industry with affordable, well-made, Italian-designed cars.⁷⁰

China's participation in this growth was delayed until policies of openness and decentralisation stimulated trade and foreign direct investment in the late 1980s and the 1990s. After the fall of the Qing, warlord armies fought for control of territory. The Nationalist government – the Kuomintang (KMT) – that ruled China from 1927 to 1937, struggled to exert its authority in the provinces, but regional autonomy promoted economic growth, especially in Shanghai and its Lower Yangzi hinterland.⁷¹ Entrepreneurs and skilled workers fled China after the establishment of the People's Republic in 1949 – Hong Kong's population grew from 600,000 in 1945 to over 2 million by 1950.⁷² China was isolated internationally by the Korean War and was dependent on the Soviet Union for technical and financial assistance. Mao Zedong's building of a heavy industrial base rested on a state-run industry, five-year plans and prices that were fixed rather than freely determined. Foreign trade was a state monopoly and autarky was a goal, except for imports of producer goods from other communist regimes. State enterprises provided housing, education, health care and guaranteed jobs for workers. During the Great Leap Forward (1958–1962), 130 million family farms were transformed into 26,000 people's communes with an average size of 6,700 workers. Workers were not allowed to leave the communes and there were no incentives to increase production. Three years of harvest failure resulted in around 30 million excess deaths and 33 million lost or postponed births.⁷³ After this catastrophe statistical information became scarce and was distorted for political reasons during the 1960s and 1970s, which makes evaluation of China's economic performance difficult. Maddison estimates that China's per capita GDP grew at a modest rate of just over 2 per cent per annum in 1952–1978, mainly due to the

70 David Halberstam, *The Reckoning* (New York: Avon Books, 1986).

71 Wong, *China Transformed*, pp. 166–177; Thomas G. Rawski, *Economic Growth in Pre-war China* (Berkeley, CA and Los Angeles: University of California Press, 1989); Ronald Suleski, *Civil Government in Warlord China: Tradition, Modernization and Manchuria* (New York: Peter Lang, 2002); Debin Ma, 'Economic growth in the Lower Yangzi region of China in 1911–1937: A quantitative and historical analysis', *Journal of Economic History* 68:2 (2008), 355–392.

72 E. G. Pryor, 'A historical review of housing conditions in Hong Kong', *Journal of the Hong Kong Branch of the Royal Asiatic Society* 12 (1972), 108–109.

73 Angus Maddison, *Chinese Economic Performance in the Long Run: Second Edition, Revised and Updated, 960–2030 AD* (Paris: OECD, 2007), p. 19; Justin Yifu Lin, 'Collectivisation and China's agricultural crisis in 1959–1961', *Journal of Political Economy* 98:6 (1990), 1228–1252; Wei Li and Dennis Tao Yang, 'The Great Leap Forward: anatomy of a central planning disaster', *Journal of Political Economy* 113:4 (2005), 840–77.

increased application of labour resources to production processes.⁷⁴ Higher education collapsed during the Cultural Revolution (1966–1969), but the quality of the labour force was boosted by increased enrolments at the primary and secondary level and improvements in health.

After Mao's death in 1976, China joined Asia's 'flying geese' by opening itself to foreign trade and investment in tax-favoured special enterprise zones. Controls on agricultural production were relaxed and market-based incentives allowed the movement of labour from rural to urban areas, releasing constraints on the growth of the service sector. Rising farm incomes generated domestic savings and created demand for improved housing and a range of consumer goods. China's per capita GDP grew at an annual average of 6.6 per cent between 1978 and 2003 – almost exactly the same rate as Japan's between 1952 and 1978.⁷⁵ While per capita incomes increased overall, the benefits of economic growth were concentrated in China's coastal cities and their hinterlands.⁷⁶ Past social safeguards in health care and housing were abandoned. Tension between those who were ready for change and those who clung to old ways boiled over during the suppression of student and worker protests in the 1989 Beijing massacre. Although the path to economic reform was maintained, the Party failed to address human rights abuses, high levels of female infant mortality and environmental damage.

Conclusion

The transformation of the world economy in the century preceding the First World War due to falling trade costs and the establishment of open markets allowed consumers and producers around the world to reap the maximum benefits from commercial exchange. When markets worked on the basis of voluntary interaction between buyers and sellers, the well-being of participants and society in general was maximised, as Adam Smith predicted. Buyers revealed their preferences for the products that trade made available by accepting or rejecting the price nominated by sellers. Sellers adjusted production to meet the expectations and changing wants of consumers at the lowest possible cost. In this period, and again after the Second World War, greater freedom of movement of goods, capital, people and ideas across and

74 Maddison, *Chinese Economic Performance in the Long Run*, pp. 67–68. 75 *Ibid.* p. 68.

76 Ravi Kanbur and Xiaobo Zhang, 'Fifty years of regional inequality in China: a journey through central planning, reform, and openness', *Review of Development Economics* 9:1 (2005), 87–106.

around the Pacific increased levels of real incomes and reduced their volatility.

The growth of trade in the Pacific was not a benign or frictionless process. It spread disease, destroyed traditional ways of life and was used to condone violence and war. Opening markets was contingent on British and American industrialisation, which provided the motive and means for exercising power over societies for which participation in overseas trade had hitherto been limited. Trading companies and independent merchants, with the support of their national governments, were able to use their superior resources to deploy power to achieve their own ends. Mass migration, settlement of new primary producing regions and the capital generated by gold discoveries increased the power imbalance in Europe's favour. In Meiji Japan, free trade and access to Western technology allowed the nation to draw on traditional skills and networks of social relationships to expand trading activity and become a colonial power in its own right. Japan's invasion of China and attack on Pearl Harbor set in motion a chain of events that would generate economic opportunities around the Pacific. The Allies' federal government spending on the war effort expanded their industrial capacity, which played an important role in an unprecedented postwar economic boom. The US occupation of Japan and continuing aid fostered technological change that was diffused to other parts of Asia. A Chinese diaspora spread commercial skills around the Pacific. Since the mid-eighteenth century, the history of the Pacific has been shaped by exogenous shocks that provide openings for institutional change that shape subsequent economic and social conditions in path-dependent ways.

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