Modern Capitalism’s Multiple Pasts and Its Possible Future: The Rise of China, Climate Change, and Economic Transformation

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A JOURNAL NAMED CAPITALISM invites reflection on the significance of the term despite a nagging suspicion that any additional musing on the meaning of the concept has limited expected value in any medium of scholarly exchange. I have an historian’s reasons for looking at some of the different ways we have thought about capitalism in the past. Viewing the term with a broad lens might unexpectedly prove useful for pondering future economic change—irrespective of whether most people in fifty years think such changes constituted a transformative moment of contemporary capitalism or led to its demise. It matters far less what scholars of the future label their economy than that they supplement or supplant the ideas and institutions that forged our present-day political and economic governance practices.

Capitalism faces the twin challenges of supporting a viable geopolitical order and sustaining an economy that is both socially desirable and environmentally feasible. Since ecological crises have already entered the taxonomy of “non-traditional security” issues, and since water crises more specifically have been one of the World Economic Forum’s top ten global risks for nine consecutive years, environmental challenges to political stability and economic activities clearly cause anxieties among diverse people and at least some of their leaders. This article proposes that thinking about capitalism’s history globally could illuminate the global economy’s possible paths forward amidst the pressing challenges of climate change.
The Challenges of Linking Modern Capitalism’s Spread to Non-Western Economic Practices

I begin with a few observations regarding *The Cambridge History of Capitalism*, a project that I know both as a consumer of its chapters and a producer of one of them.¹ The project seems to me to fulfill the aspirations of its genre by offering a sweeping global history of capitalism from ancient to modern times. Together the 34 chapters that make up this collective enterprise provide abundant evidence of entrepreneurial drive, the development of productive skills, and a commitment to hard labor across many parts of the world from the first millennium BCE into the twenty-first century. Volume editors Larry Neal and Jeffrey G. Williamson have created an intellectual framing for this history of capitalism that has two key dimensions. The first volume, subtitled *The Rise of Capitalism: From Ancient Origins to 1848*, offers synoptic surveys of economies in particular times and places; it highlights various appearances of at least somewhat similar economic practices that fostered economic expansion in all of these times and places. The subtitle’s use of the word “rise” bestows a developmental dynamic on an economic history of capitalism. The second volume’s subtitle is *The Spread of Capitalism: From 1848 to the Present*. It assesses different aspects of an economic system transforming production and integrating exchange across expanding spatial scales that together came to encompass the world beginning in the mid-nineteenth century. Together the volumes juxtapose the “rise” of capitalism in many times and places before the modern era with the “spread” of industrial capitalism. Neither economists nor historians, whether writing chapters for this project or publishing research elsewhere, have done very much to consider the many possible connections between the global history of pre-modern capitalism and industrial capitalism. Rather, such efforts have largely been limited to finding links between features of early modern European history and modern European capitalism, or to considering the significance of the early modern transatlantic slave trade to modern economic practices, especially in the United States. Earlier episodes of capitalism in world regions beyond Europe usually appear as discrete instances of economic production and exchange that, in *The Cambridge History of Capitalism*, collectively compose the “rise” of a kind of economy that became increasingly familiar to people after 1850. When scholars evaluate the pre-modern economic practices particular to some non-Western region, far more often than not

¹ Neal and Williamson, eds., *Cambridge History of Capitalism*. 
they tend to supply reasons for the obstacles to economic growth people in such places encountered until and unless they managed to substitute Western economic ideas and institutions for those they had followed before. This tendency conveniently narrows historians’ search for the factors that enable a shift from the rise of capitalism to its spread in global history.

Simply put, many scholars, including those studying economic history, find it unexceptional to assume that Westerners have made our modern world through their successful pursuit of power and wealth. Economic historians in particular typically understand modern capitalism to be an economic system that Europeans developed and that spread easily to many of the societies created by white European settler colonists in other world regions. Thus, in analyzing capitalism beginning in the mid-nineteenth century, *The Spread of Capitalism: From 1848 to the Present* takes up topics that reach global scales of observation. In contrast, the first Cambridge volume, *The Rise of Capitalism: From Ancient Origins to 1848*, addresses several topics for different time-place units; these collectively make up a kind of global economic history different from the singular global history of capitalism that is the focus of the second volume. The intellectual bridge connecting volumes one and two of this project are two chapters toward the end of the first volume, one about British and European industrialization and the other on “America: Capitalism’s Promised Land.” We move from the global spaces of capitalism’s rise to the Western sites of capitalism’s spread across the world.

Explaining this Western-driven spread of capitalism remains subject to durable debate. But almost all the players on the field of intramural intellectual competition regarding the causes and the effects of the spread of modern capitalism share some measure of belief in the idea that it required people in non-Western world regions to embrace the Western ideas and institutions that enabled the rise of capitalism in European history. Less clear is how significant any economic and political principles and practices before 1850 in non-Western parts of the world might have been in shaping which places succeeded in developing industrial sectors in the twentieth century. As East Asia proved to be the first non-Western world region that developed large diversified economies with significant industry by the late twentieth century, such scenarios are perhaps particularly plausible there. In principle, several possibilities exist. First, economic outcomes or effects may have been similar in Western and non-Western cases, yet have been produced through different economic or political practices. Second, political principles different than those prized in Western examples might explain how and why people elsewhere pursued—and sometimes achieved—results similar
to those Westerners also sought. A third possibility is that non-Western people acted according to different economic or political priorities and, as a result, what they achieved was deliberately different.

That historians have, until recently, done as little as we have to evaluate the potential relevance of the pre-1850 economic history of non-Western regions—beyond finding economic, political, and social obstacles to be overcome—surprises me a bit because of the promise I felt at the early stages of global history research more than three decades ago. While global history titans such as Fernand Braudel and William McNeill were joined by economist E. L. Jones and sociologist Immanuel Wallerstein in producing major works read by many scholars, their works were mainly syntheses that sprang from their respective understandings of Europe’s economic history. Even Wallerstein, whose work before writing about the “modern world-system” was on postwar Africa, worked outward from Europe, in his case following some of the perspectives pioneered by Braudel. More significantly, we did not start accumulating a density of monographic scholarship, which was only possible once more students became familiar with the economic history of non-Western world regions produced by scholars, many from those regions, who entered the archives of those regions to do research. Collectively, we have simply just begun to learn far more than earlier generations were able to find out about many of the similarities, differences, and connections between world regions.

Those of us coming out of some “area history” specialization in the 1980s frequently found ourselves on the intellectual defensive in discussions with European specialists for two quite distinct sets of reasons, one historiographical and the other historical. Historiographically, far more empirical research had been done on early modern European history than was the case for other world regions, with the result that scholarly exchanges could often leave one feeling a bit frustrated by an inability to keep up the non-Western end of the conversation. Beyond such feelings, more significant was the ease with which some scholars moved from an absence of research on a particular non-Western area to an expectation and even a belief that no evidence therefore existed in that region of some principle or practice deemed essential to explaining a general economic phenomenon, like price-setting markets or adequate sources of commercial credit, in Europe. Compounding these challenges of historiography then and now are some very important historical facts. Many of the connections we can observe in early modern global history are the products of European moves into the Americas, Africa, and Asia. Other historical actors engaged and responded, but Europeans made most of the voyages over
very long distances responsible for etching the outlines of relationships shaping many subsequent possibilities for economic and political change. Global capitalism is the product of a European-made geopolitical order as much as it is the result of international trade and finance, both of which have evolved over the centuries as industrialization took hold in several world regions. These European moves are often presented as components of colonialism or imperialism. However, since these two terms have multiple interpretations and do not foreground the entwined pursuits of wealth and power that I wish to stress in the dynamics of change both within Europe and in Europe’s relations with other world regions, I do not rely on these categories to present my argument. I view global capitalism as the product of both economic and political factors, the impacts of which often include unintended consequences as much as those due to willful disregard for negative impacts. From early modern through modern times, these factors have jointly created a specific and problematic package that is today’s global capitalism.

Regarding the significance of changes within Europe, some historians of Asia have stressed similar processes of change in order to signal the existence of autonomous social changes or at least historical dynamics in which non-European actors were the principal agents. At the same time, some European specialists went on to reaffirm what they deemed to be key differences between Europe and other world regions regarding the conditions for modern economic growth most basic to industrial-era capitalism, stressing in particular the early modern European origins of nineteenth-century economic growth. Such scholars highlighted evidence that industrialization was slow to emerge and made little quantitative impact on per capita incomes for several decades after 1800—a shift in perspective from that of earlier generations of economists and historians of Europe, who saw an industrial revolution taking place in the same period when American and French political revolutions marked the demise of the old regime. Some of the most influential early modern European history stressed the burden of the Malthusian pressure of population growth running up against finite agricultural resources, with the English achieving Malthus’s “preventive check” through a kind of prudential foresight that limited births to avoid the “positive check” of famine and destruction reducing population numbers to fit the resource limitations of the land. Industrialization clearly marked off the economic dynamism of Western countries

2 Lombard, Le carrefour javanais; Lieberman, Strange Parallels.
3 Le Roy Ladurie, The Peasants of Languedoc; Wrigley and Schofield, The Population History of England.
from the relative stagnation of societies subject to the Malthusian pressures of population growth given finite environmental resources. Since the pre-modern rise of capitalism outside Europe does not figure very visibly in The Spread of Capitalism, little of what we might learn from that volume seems helpful in explaining the emergence of modern era capitalism in non-Western world regions. The connections between capitalism’s pre-industrial rise and its industrial-era spread continue to appear to be forged largely by Western actors or by local actors wise and talented enough to learn the skills instrumental to the initial successes of a relatively small number of Europeans.

Recalling the historiographical context in which the initial wave of scholarship that has become global history began, I may have been unreasonably optimistic in expecting that there would be efforts to consider how non-Western peoples’ early modern pasts might have mattered to their modern economic changes in any positive way—“positive” in the sense of being consequential in more than just negative or obstructive terms. In our current moment of understanding the past and thinking about the future we must confront globally, the principles and practices that have influenced peoples’ former approaches to economic activities could prove consequential even today. We know this to be true for many of the political principles and economic practices at work in Western settings and accept their presence more or less unthinkingly, even when some of us become anxious to find ways to revise or reform them. For scholars to think that the economic priorities and political practices developed before the spread of capitalism might actually matter to economies that have only recently risen in size and global impact, we must go well beyond the contributions of cultural historians who have made clear the multiple life-worlds people have constructed and the diverse cultural practices they have fashioned as they have connected their local conditions to the global situation in both the past and the present. We must tackle an issue that appears to be far more difficult: discovering how

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4 For efforts by economists whose early modern European history research broadened to stress social and cultural factors to explain the origins of modern economic growth, see McCloskey, The Bourgeois Virtues, Bourgeois Dignity, and Bourgeois Equality; Mokyr, A Culture of Growth. Quantitative estimates of rates of economic growth and their causes further suggest an early modern era of preparation for nineteenth-century capitalism and the emergence of industrialization; see Harley, “British and European Industrialization.” In related moves, Nobel laureate Douglass C. North’s pioneering advocacy for a new institutional economics argues for the crucial role of particular European political and economic institutions in enabling economic growth; see North, Structure and Change in Economic History; Institutions, Institutional Change and Economic Performance; and Understanding the Process of Economic Change; North, Wallis, and Weingast, Violence and Social Orders.
different pasts pre-dating the nineteenth-century formations of modern capitalism might have endowed people in some world regions with their own strategies for engaging the industrial capitalism created by Europeans. We continue to be unprepared to figure out how different ideological and institutional endowments may have affected the ways in which different domestic economies developed and crafted changing relations to modern industrial capitalism. Becoming equipped to make these efforts would allow us to reformulate the menu of social theories that continue to inform, even when only implicitly, what we deem desirable subjects of research. That, of course, would be a payoff realized in a largely uncharted future.

Returning to focus directly on the issues introduced above, the uncertain relationship between capitalism’s pre-industrial rise and its industrial-era spread are suggested by the wide-ranging responses to Kenneth Pomeranz’s *The Great Divergence: China, Europe, and the Making of the Modern World Economy*. The perspectives these responses adopt depend in part on different understandings of the author’s purposes. Some reactions, both positive and negative, view the work as in the tradition of Immanuel Wallerstein’s landmark publications on the modern world-system. Such observers typically understand the spread of capitalism either in terms similar to those used by Wallerstein or by Pomeranz, or in terms different from either of theirs. Wallerstein explicitly conceives of the modern world-system as European in its origins and as beginning in the late sixteenth century and being consolidated during the early modern era, while Pomeranz views the modern world economy as an economy with industrialization that emerged out of a world of multiple cores initially sharing common ecological constraints on growth. Another family of reactions to the “great divergence”—again including both some who endorse his findings and others who propose alternative arguments and cite additional evidence—sees Pomeranz’s book as explaining the origins of modern economic growth, which centers on industrialization as a process. Such views address the “rise” of capitalism more than its “spread.” The alternative readings of what is at stake in *The Great Divergence* are understandable. They also call for some understanding of their differences. Here is a brief sketch of my own understanding; in seeking to account for both the origins of the modern world economy and of modern economic growth, we could consider the following. Europeans began moving into other world regions in the late fifteenth century for multiple motives, but with important economic and

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5 Pomeranz, *The Great Divergence*.
6 Wallerstein, *The Modern World-System*.
political consequences, both intended and unanticipated. One of the unanticipated consequences was that European industrialization, in particular that of the United Kingdom, initiated a fundamental economic change in the early modern global trade system. The modern global economic system that took shape through industrialization bore the imprint of the geopolitics that emerged out of early modern antecedents. To put it briefly, the modern global economy is the product of an industrial capitalist political economy owing its origins to both early modern geopolitics spawned by the European search for power in other world regions and maritime commercial capitalism that pre-dated nineteenth-century formulations of a modern global economy.

While *The Great Divergence* has food for thought to nourish interpretations of it as addressing both modern economic growth and the global economic order, for the intellectual diet enriched by this work to remain a healthy one, it seems prudent to heed the purpose announced in the book’s subtitle: “the making of the modern world economy.” Pomeranz is not seeking to account for all instances of modern economic growth. Instead, this work explains that the origins of modern economic growth and of the modern world economy lay in Britain’s ability to escape ecological constraints on production by exploiting coal conveniently located near sites of industrialization as well as agricultural land across an ocean. The combination of “coal and colonies” particular to Britain allows Pomeranz to distinguish it from other “cores” in the pre-industrial world that lacked this combination. This ability to exploit coal and cotton enabled Britain to become the center of the modern world economy through the nineteenth century.

“Coal and colonies” addresses features particular to Britain’s path to industrialization and its prominence in nineteenth-century international trade, especially in the cotton textiles that were also so central to its initial industrialization. “Coal and colonies” does not work as well as a key for explaining modern economic growth in general beyond Great Britain, however well it succeeds in making clear that China and Europe played different roles in making the modern world economy. Nor does *The Great Divergence* intend to systematically unpack the reasons how and why the British both wanted to develop and were able to create factory industry, let alone the politics of how Britain came to have colonies to exploit. Those two subjects are each very large and explaining their causes continues to be contentious. Pomeranz does offer reasons why other well-developed commercial economies that were unable to escape ecological constraints as Britain had faced far greater challenges in initiating modern economic growth. But he neither contrasts the political particularities of Britain’s maritime movements with
those of other European powers, nor examines closely the fact that many reasons Europeans had for venturing widely into other world regions were irrelevant to the Chinese. Pomeranz’s takeaway for understanding the origins of the modern world economy is that Britain had a political economy able to take advantage of both coal and colonies at a time when commercially advanced areas of China lacked similar possibilities. How that modern world economy would go on to develop, the subject of The Spread of Capitalism, is a distinct chapter in the narrative of capitalism’s industrial development. Separate too from the origins of the modern world economy would be the later story of China’s rise as an industrial economy.

Late nineteenth-century economic integration represented the first peak of industrial-era globalization, the end of which was definitely marked by the Great Depression of the 1930s. In the opening decades of the twentieth century—as Britain was losing its place as Europe’s largest economy to Germany and as the world’s largest economy to the United States—the political and economic changes taking place within Western countries varied, but collectively they shared common features that distinguished them from those occurring elsewhere. Politically, most of Africa, the Middle East, and Asia were formal colonies or subject to other kinds of formal and informal Western political power. Without delving into the specific mechanisms scholars have proposed, most of us probably agree that the spread of capitalism did not mean many countries that became parts of the world economy in the two decades before and after 1900 displayed much evidence of modern economic growth.

The reality of industrialization as an almost entirely Western experience in the nineteenth century is a well-known fact captured by Steve Dowrick and Bradford Delong’s term “the convergence club.” In his chapter of The Spread of Capitalism, economist Robert C. Allen explains how industry developed globally through what he calls the “standard model” composed of four elements—a large domestic market, tariffs to protect domestic industries’ development against British imports, a banking system able to stabilize currency and facilitate industrial investment, and education for workers. Globally, Japan was the one exception to Western locations for industrialization around 1900. What explains Japan’s ability to enter Dowrick and Delong’s convergence club? Kaoru Sugihara has developed an important argument, based initially in Japanese economic history and subsequently generalized to include other sites in Asia, that distinguishes an Asian path of

7 Dowrick and Delong, “Globalization and Convergence,” 192.
8 Allen, “The Spread of Manufacturing.”
industrialization from that pursued in Europe. According to Sugihara, European industrialization was capital- and resource-intensive compared to Asian industrialization, which was more labor- and skill-intensive.9 Others emphasize the policymaking role of the Japanese government, including its strategic decisions about where to invest capital in order to anticipate the structural development of the economy and enable sustained industrial growth.10 For his part, Allen suggests that late nineteenth-century Japan enjoyed two of the four elements of his standard model—a national market made possible by building a railroad network in the 1870s and universal primary education beginning in 1872. Japan did not, however, achieve tariff autonomy until the early twentieth century and a banking system able to perform the tasks Allen deems necessary for developing manufacturing until the 1920s.

The term “developmental state” was coined by the political scientist Chalmers Johnson to highlight postwar Japan’s policy efforts to move from economic recovery to development.11 Allen contrasts the government’s more modest role in early twentieth-century Japan with what the Japanese state did after World War II, which is one of his three examples of “big push industrialization.”12 If we combine the insights on Japanese capitalism’s development that Sugihara and Allen offer, the post-World War II “miracle” actually fits a more general pattern of the spread of industrialization. Over the long nineteenth century, beginning in the late eighteenth century and stretching at least to 1914 and the beginning of World War I, what marked all successful episodes of industrial development and economic growth was a set of successful linkages between the ways in which people organized economic production and exchange, on one hand, and the policies and structures that the state enacted to facilitate economic growth as policymakers came to learn how to counter cyclical downturns, on the other. These linkages themselves are key, no matter how much the particular policies differed or how dissimilar the institutional contexts in which people organized production and exchange were.13 The fit between top-down state policies and the bottom-up organization of economic activities by diverse economic actors became a basic trait in success stories under a broad political economy of industrial capitalism. Significantly, the specifics of which policies mattered and

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9 Sugihara, “Global Industrialization,” “Monsoon Asia,” and “Varieties of Industrialization”; Sugihara and Wong, “Industrious Revolutions in Early Modern World History.”
10 Mass and Miyajima, “The Organization of the Developmental State.”
11 Johnson, MITI and the Japanese Miracle.
12 Allen, “The Spread of Manufacturing,” 39–46.
13 Wong, “Possibilities of Plenty and the Persistence of Poverty.”
how varied among countries, in part because of their varied positions within broader present or potential patterns of trade and investment; so too, the ways in which the institutions of domestic economies made possible reasonably effective commercial exchange also varied. What they shared was some kind of fit between top-down policies and bottom-up economic organization.

This fit between top-down and bottom-up economic decision-making as a driver of modern economic growth also fits the post-World War II Japanese experience. It offers one way of separating the major examples of convergence within the capitalist global economy from those places unable to achieve the potential benefits of economic development across both the nineteenth and twentieth centuries. Additional growth in the second half the 1980s and into the early 1990s, along with the collapse of the Soviet Union, made Japan the world’s second-largest economy. Its earlier reliance on export markets for its expanding industrial production was emulated by Taiwan and South Korea, each of which also had government officials who crafted policies designed to enable certain business sectors to thrive and achieve international competitiveness. State policies encouraging industrial growth to produce goods for international trade became a key component of the late twentieth-century East Asian “economic miracle.”

Scholarly debate about the relative importance of market institutions and state policies to explaining East Asian economic growth can obscure the crucial presence of both, and how they can be tied together in ways distinct to each national situation. These late twentieth-century East Asian narratives expand the range of possibilities for development within the political economy of industrial capitalism. Earlier episodes of growth were made possible by the elaboration of rules and practices either agreed upon by multiple parties or forced upon some by others. In several countries, continued global growth was propelled in the late nineteenth-century moment of unprecedented movements of capital and labor as well as the exchange of goods according to divisions of labor working on different spatial scales. Such scales of movement declined in the first half of the twentieth century only to begin a separate cycle of expansion to a new scale of globalization in the late twentieth and early twenty-first centuries.

Within this system, we see multiple “rises” of capitalism, some of which caused pockets of decline in other countries. As Allen notes, Japan’s post-World War II “miracle” and the industrial decline of the rust belt in the midwestern United States were closely connected to each other.14 This synchronicity

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14 Allen, “The Spread of Manufacturing,” 42.
alerts us to a structural tension: capitalism’s development in one country may contribute to economic decline in part of another country as the system of capitalism spreads. Allen’s other two cases of “big push industrialization” do not expose global capitalism to this tension because they occurred outside the modern capitalist world economy.15 Soviet Russian and Communist Chinese “big push industrialization” occurred in socialist planned economies in which market institutions were virtually non-existent and what would have been private firms in a capitalist economy were instead state-owned enterprises subject to economic plans. These two cases signal at least a temporary divergence between capitalism’s spread and the creation of industrial development.

New Challenges to Global Capitalism after the “End of History”

It was possible during the Cold War era (1947–1991) for both policymakers and academics to attempt to address issues of economic competition within capitalism separately from global geopolitics, in which capitalism and socialism were pitted against each other. Capitalist states began to address economic competition among different actors within and across the sectors of their domestic economies as well as competition with international economic actors. Economic concerns simultaneously created both domestic and international political issues. Negotiation, compromise, cooperation, and conflict attended capitalism’s modern rise within societies and its spread across the globe. With the fall of the Soviet Union, what was initially heralded as the “end of history” turned out to be the end of a particular historical era, and what followed during late twentieth and early twenty-first-century globalization brought to the fore at least two kinds of challenges that capitalism had not faced previously.

These two new challenges—the rise of China and climate change—are usually addressed separately because their immediate contexts appear to policymakers and scholars alike as not much related. Both challenges have emerged as capitalism is no longer solely shaped by political and economic dynamics that we understand to emanate largely from Western world regions. Asian world regions have become increasingly important as sites of economic growth, creating the conceptual space to ponder the future of capitalism, which depends in part on how different histories of economic development and change in non-Western world regions may affect future

15 Allen, “The Spread of Manufacturing,” 39–46.
global economic relations. The rise of China is an economic challenge to Western economies and their governments. Between the 1980s and 2010s, China’s rapidly industrializing economy entered international trade and finance, in part relying on ideological principles and institutional practices deeply different from those stressed by previous successful economies and their governments; this has raised questions about what the acceptable norms of economic governance are. The rise of a non-Western political power that is increasingly consequential to the global economy also presents geopolitical uncertainties for Western powers, reminding us of the continuing connections between power and wealth first formulated by early modern Europeans during the era when they began their global pursuit of power and wealth. Climate change, the second new challenge to capitalism, has also become increasingly recognized since China’s rise began and poses difficulties to China at least as severe as those it presents in Europe and in many other world regions. The dire environmental impacts of industrialization have raised questions about how norms of economic governance globally can and must change to address the physical limitations on economic production and exchange imposed by climate change.

While these geopolitical and environmental challenges have certainly emerged as distinct issues, they both affect the global economy. Together, they test whether the principles and practices used to build modern industrial capitalism can provide adequately for its future. In order to face these two challenges effectively, people and their leaders may well have to revise or at least broaden their views of how economic and political governance might be changed, beyond the practices we can easily find in the history and economics of the spread of capitalism. Unexpectedly, perhaps, I think we could discover some future possibilities by recognizing more clearly how some approaches to governance formulated in non-Western regions before 1848 continue to influence contemporary approaches to economic and political governance today.

China’s growing economic and political presence across many world regions marks the first time a non-Western power has ascended to such an important role on the global stage. This has caused considerable anxiety and criticism among some Western states. Less obvious to many observers is how to understand the relationships between China’s economic rise and global geopolitical security issues involving environmental challenges to sustainable development. These relationships will be better understood when more scholars consider the linkages between the historical evolutions of a global geopolitical order and a global capitalist economy, mindful of how dynamics of political and economic change operate in both similar and
different ways across countries. While I make brief mention of some of the issues related to this subject, it is far too large to address in even a superficial manner. I therefore limit my focus for the balance of this article to the opportunities and challenges that China’s economic rise and climate change jointly present. First, I highlight some features of China’s economic transformation over the past four decades, examining them with an eye to their connections to China’s economic challenges and anxieties in earlier historical periods, which I fit within the broader framework for explaining episodes of economic development that I sketched earlier in this article. Then, I ask how industrial economies today face the challenges of climate change by focusing specifically on water governance, because water matters to all forms of life, including agricultural products, as well as to industrial production. I consider how the path that China’s economy has followed since its early modern past has resulted in its own distinctive set of approaches to addressing environmental challenges—approaches different from those of the world’s two largest economies, the European Union and the United States. I spend far more space on China because the country’s global economic and political importance is not matched by a general understanding of the ways in which its approaches are similar to and different from those in the West.

In the chapter on China in volume 1 of The Cambridge History of Capitalism, I argue that China did not, in fact, have capitalism before 1850—it did, however, have three of the four traits editor Larry Neal uses in his definition of capitalism.16 China had price-setting markets, private property rights, and enforceable contracts. The Chinese economy did not have a “supportive government” of the sort I understand Neal to have in mind because, in my view, the geopolitics that frames his expectations for what actions a government takes with respect to its economy were deeply different from those in pre-industrial China. In the terms of its own geopolitical framework, the early modern Chinese state created policies intended to promote economic production and exchange across an empire in a decidedly insecure natural world subject to the shocks of floods, droughts, and disease. Today, China’s global economic activities have led some analysts and observers to consider the Chinese economy capitalist, but others have criticized the Chinese government for policies they deem to deviate from established norms of the capitalist system. How, then, should we understand the country’s late twentieth-century rise?

By the 1990s, China’s economic reform era, which had begun in 1978, was ushering in dramatic structural changes to Chinese economic institutions and

16 Wong, “China Before Capitalism”; Neal, “Introduction,” 2.
policies that fostered record economic growth. This rise in turn transformed the shape of the global capitalist economy through flows of capital, labor, products, and services that previously had not included a socialist economy as a key actor. There are many useful ways to understand China’s economic rise. Sugihara has suggested that Chinese industrialization followed in basic outline the labor-intensive and skill-intensive path he sketched for Japan and other Asian countries. While Kenneth Pomeranz has agreed that Sugihara’s framing is relevant for understanding the rise of China’s coastal areas, which are most connected to the global economy, he also notes that the same labor-intensive and skill-intensive features seem less present in the rest of China.17 Yuen Yuen Ang’s How China Escaped the Poverty Trap offers an important account of how economic reforms in the 1980s created the social spaces for bottom-up economic activities, followed by the state providing new institutional frameworks and revising older ones in the 1990s.18 Ang shows that, in 1980s China, the economy experienced industrial growth and commercial expansion before the state began to construct more formal institutional rules—a situation that historians familiar with China’s commercial economy of earlier times can connect to practices present well before 1949.19

In the 1980s, China lacked legal institutions to protect private property rights. The new small-scale industrial enterprises, called township and village enterprises (TVE), were defined as “collective” and seen as distinct from state-owned industrial enterprises operating under the planned economy. TVE were both outside the planned economy and without the legal framework deemed not simply desirable but also necessary by Douglass North and others who stress the need to establish particular kinds of formal institutions in order to initiate growth. At the same time, agreements were made and markets established that blurred the distinction between town and countryside previously created by a planned economy that made industry into a largely urban phenomenon and stripped rural areas of much of their craft production and trade, leaving them to focus on agricultural production. These initial reform-era changes in some ways re-established the connections between town and countryside forged during the early modern era and broken in the first three decades of the People’s Republic. With the continued growth of industrial production in the twenty-first century and

17 Pomeranz, “Water Energy Politics.”
18 Ang, How China Escaped the Poverty Trap.
19 Wong, “The Political Economy of Chinese Rural Industry and Commerce in Historical Perspective.”
an increase in rural population densities, villages became towns and many towns became cities. What had been increasing numbers of small-scale labor-intensive factories in the 1980s and 1990s became or were replaced by better organized, more efficient, and more capital-intensive firms in the twenty-first century.

Both Chinese and foreign policymakers and analysts agree that China has an economy and a state different from those found in an industrial democracy. In contrast to the Chinese view of their system, which was described by Chinese leader Jiang Zemin in 1992 as a “socialist market economy,” the White House more recently criticized China’s “state-led mercantilist approach to trade.”20 These alternative formulations both acknowledge that the Chinese state plays a role that is institutionally absent from other industrialized economies. By stressing what they see as the socialist nature of their market economy, the Chinese can reject its characterization as a capitalist economy. The alternative formulation, that China pursues a “state-led mercantilist approach to trade,” leaves open the possibility of calling it a capitalist economy, since early modern commercial capitalism, after all, also took a state-led mercantilist approach to trade. The United States’ use of “mercantilist” in a critical way, unintentionally no doubt, alerts us to the persistence of possible practices that academics, following nineteenth-century claims by historical actors, believe vanished. In fact, the persistent interweaving of economic gain and geopolitical advantage marks the modern expansion of capitalism, but such ties have been obscured because actors and observers have been able to focus on each independently of the other for many specific subjects. Rather than pursue what might seem a diversion to many readers, I refrain from considering how European mercantilism’s demise did not sever the ties between the geopolitical and economic agendas of Western actors who pursued wealth and power in overlapping ways. The Chinese encounter with connections between power and wealth did not have to await the United States government’s discovery of such practices, but goes back to the late nineteenth century, to which I briefly turn in order to elaborate this framework for understanding China in the contemporary global economy.

20 “Full Text of Jiang Zemin’s Report at 14th Party Congress,” Beijing Review (March 29, 2011), http://www.bjreview.com.cn/document.txt/2011-03/29/content_363504.htm; United States Trade Representative, 2018 Report to Congress on China’s WTO Compliance (February 2019), https://ustr.gov/sites/default/files/2018-USTR-Report-to-Congress-on-China%27s-WTO-Compliance.pdf, 15–16.
China’s Approach to Wealth and Power: Tensions in Contemporary Global Capitalism

Early modern mercantilism was part of intra-European political and economic competition that played out across many world regions without necessarily much affecting non-European political economies. More consequential changes would come in the nineteenth century when those countries that escaped formal colonization pursued a variety of “self-strengthening” efforts to enable their governments and economies to compete politically and economically with Western powers.21 By the 1890s, China and Japan used related terms in their discourses about economic and political competition with Western countries: “wealth and power” (fuqiang 富强) in China and “wealthy country and strong military” (fukoku kyōhei 富国強兵) in Japan, the latter phrase originating in a Chinese classic composed some two millennia earlier. These terms were indeed ways to frame the mix of economic and geopolitical challenges faced by late nineteenth-century China and Japan as a result of intra-European competition that began in the early modern era. For China, the ability to formulate—let alone pursue—economic and political goals that would fit in a “wealth and power” rubric proved elusive if not impossible for much of the first half of the twentieth century. Chinese industrialization in this period was largely limited to some privately initiated light industrial development in a few cities. World War II prompted the Nationalist government to take on a much more direct role in managing the industrial sector, adopting industrial policies that formed part of the context in which the Communists subsequently began their efforts at industrial development after defeating the Nationalists in 1949.22 In the socialist planned economy that China developed in the 1950s, all industrial-sector enterprises were state-owned by the mid-1950s and remained so until the late 1970s.

Without private enterprises or markets, China’s post-1949 socialist planned economy had basic institutional differences from Western economies. Some of these important differences persist today. Neither they, nor other differences that no longer exist, were relevant to the global economy until Chinese global trade dramatically expanded beginning in the 1980s. The differences between Chinese and Western practices have become more visible in the twenty-first century as increasing amounts of foreign direct investment by the Chinese extended their economy’s influence to countries

21 Wong, “Self-Strengthening.”
22 Hou, “Economic Development and Public Finance in China, 1937–1945”; Rawski, Economic Growth in Prewar China.
in Africa, Asia, the Middle East, and Latin America, leading to the promotion of China’s Belt and Road Initiative beginning in 2013. Chinese economic institutions have dramatically changed since the 1980s and continue to do so today, as President Xi Jinping promotes the country’s pursuit of “wealth and power” in the “Chinese Dream.”23 This “wealth and power” is a contemporary Chinese version of ideas used to characterize both China’s late nineteenth-century self-strengthening efforts and early modern European mercantilist pursuits.24 Today China’s pursuit of wealth and power includes not only protecting the interests of state-owned enterprises, but also pursuing a broader approach to political economy via practices akin to those of early modern European states as well as the late nineteenth-century Chinese state.

At stake today in global debate about China’s rise are the current rules of economic competition, which delimit the roles that are acceptable for states to play in fostering the competitiveness of their firms. The general issue is hardly new. In some ways it began with nineteenth-century British advocacy of free markets, which was met with only qualified and fluctuating degrees of acceptance by other European states that used tariff policies to protect infant industries from British competition. While the effectiveness of tariff protection policies continues to merit research and elicit debate, the intent of policymakers to protect their economies from foreign competition is well established.25 In that era of non-agreement on what free markets should mean, the countries most unable to protect their infant industries were not in Europe, but did include China and Japan, which were subjected to treaties limiting their abilities to set tariffs. Many decades later, first Japan and then China fostered industrialization drives in which state guidance—and in the Chinese case, for three decades after 1949, state control—proved a key component of economic governance. Some of the critiques of the Japanese developmental state’s approach to post-World War II industrialization rested on neoliberal economic assumptions that free markets most efficiently allocate factors of production as well as goods and services. Today’s critiques of the Chinese state for exhibiting a “mercantilist approach to trade” expand on this line of reasoning, perhaps inadvertently reminding any who can recall the historical context of early modern European mercantilism that what is of concern to the United States government is China’s geopolitical as well as its economic competitiveness. China’s rapid

23 Brown and Bērziņa-Čerenkova, “Ideology in the Era of Xi Jinping.”
24 Schwartz, In Search of Wealth and Power; Findlay and O’Rourke, Power and Plenty, 227–310.
25 Dormois and Lains, Classical Trade Protectionism.
“rise” has been powered by intense policy efforts to broaden and deepen Chinese participation in global trade and finance in a way that benefits Chinese interests even as it acknowledges the interests of other parties. The jolt caused by China’s early twenty-first-century expansion has already altered the constellation of forces making up the contemporary political economy of global capitalism, dislodging the United States from its position as the pole star around which the global economy seems to move. Of course, the position of the pole star has changed over time and the same seems possible regarding the global economy as well.

The demise of “mercantilism” as a concept relevant for understanding the relations between geopolitics and economics, captured by the twin pursuits of power and wealth, may well be particular to the modern era. During the nineteenth and twentieth centuries, as the complexity of political governance for states and of economic governance for firms increased, the relationships between capitalism’s spread and the evolution of a global geopolitical order became far more difficult to see clearly. In some ways, the demands on European states and their economic elites, both domestically and internationally, meant that the development of modern industrial capitalism and modern European state-making and consolidation could often be considered separately, rather than requiring a basic understanding of their many-stranded interrelations. Later, in the post-World War II world, many issues of geopolitics and economics could be conceptually separated because the main geopolitical enemy was not part of the global capitalist order. The utility of such an intellectual division between geopolitics and the economy became less persuasive beginning in the late twentieth century and today seems a positive hindrance, particularly when the United States government’s accusation that China has a “state-led mercantilist approach to trade” proved to be among its tamer claims.

Focusing on whether China is now “capitalist” is not a very useful question because it assumes that we can know and agree upon what “capitalism” is. China does not have capitalism if we mean by the term a particular set of private market institutions through which most of an economy’s capital moves. In such an economy, capital is concentrated in the hands of a few economic actors whose activities generate great profits for themselves, while those of lesser wealth who nevertheless have savings they can invest for others to use as capital also typically benefit generously compared to those whose sources of income are limited to wage labor and selling crops or commodities that they produce. If, however, we think of capitalism as a system that takes a variety of forms due to differing institutional features,
but in which decisions are all guided in significant ways by market principles, then China’s exclusion from capitalism becomes trickier. Resolving the question of whether to categorize China as capitalist does not help us understand either of the two new challenges to the modern system of global capitalism: the rise of a non-Western geopolitical power with global reach, and the increasing vulnerability of the economy everywhere to the physical limits of future economic possibilities in a degraded natural environment that people have created through their economic choices.

The first challenge would not have emerged so suddenly without China’s rapid late twentieth-century economic development, and the second challenge was certainly accelerated by China’s industrialization in particular. China’s rapid economic development has features similar to those of early modern European development as well as late nineteenth-century Chinese aspirations based on those European experiences. The country’s current environmental plight shares traits with conditions in other world regions as well. On both accounts, Chinese experiences fit within larger sets of historical changes. Yet the specifics of China’s recent economic rise also matter. Focusing on these two challenges, I offer a way to understand the relevance of China’s economic rise to at least some of the ways in which China is approaching both its engagements with other countries and the challenges of climate change and sustainable development.

**Global Implications of Domestic Priorities:**

**Geopolitics and Climate Change**

In the 1980s and 1990s, China became the workshop of the world, producing a wide range of light industrial exports as it developed more sophisticated production processes through Chinese joint ventures with foreign firms eager both to utilize relatively cheap Chinese labor for products destined for sale abroad and to gain access to China’s potentially huge domestic market. On the heels of the 2007–2008 global financial crisis, the Japanese-led Asian Development Bank (ADB) issued a report in 2009 calling for Asian investment in national infrastructure totaling $8 trillion, along with $290 billion in regional infrastructure projects in transport and energy. Such expanded and improved infrastructure would increase market access for many regions unable to take advantage of resource and product flows and thus create welfare gains.26 While Asian government public finance efforts fell woefully short of

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26 Asian Development Bank, *Infrastructure for a Seamless Asia.*
the targets outlined by the ADB, over the next five years a Chinese-led effort to establish the first investment bank dedicated specifically to infrastructure projects ended up creating, in 2015, the Asian Infrastructure Investment Bank (AIIB), a new multilateral development bank with both Asian and European countries’ participation. Despite initial opposition from Washington, this bank has succeeded in attracting over 80 members and another 20 prospective members. The United States and Japan, two of the largest economies in the world, have chosen not to apply for membership, as each leads one of the two long-established multilateral development banks, the World Bank and the ADB respectively.

Jeffrey Wilson, an Australian international political economy specialist, has reviewed China’s changing strategy in guiding the AIIB and counseled recognition that China’s evolving role in global economic institutions makes it unwise to label its government’s goals definitively. Rejecting the criticisms that China is pursuing a revisionist agenda, he states:

However, the flexibility in China’s AIIB strategy indicates claims regarding putative revisionism should be moderated. The Chinese government certainly held revisionist aspirations for the AIIB; yet it was also willing to shelve these aspirations when faced with the compromises required for successful multilateral leadership. Rather than singularly classifying China as either a revisionist or status quo power, the case of the AIIB demonstrates Chinese foreign policy is flexible, pursues multiple agendas, and is capable of accommodating the interests of its partners.²⁷

A subsequent Congressional Research Service report on multilateral development banks, updated in February 2020, echoed a cautious attitude toward evaluating Chinese intentions as an international economic leader, noting President Xi’s pledge during his 2015 White House visit to increase China’s contributions to the World Bank and his affirmation that AIIB conforms to the highest international environmental and governance standards. The report advises that “Congress may want to continue to exercise oversight of the Trump Administration’s policy on and engagement with these new MDBs [multilateral development banks].”²⁸ As United States President Donald Trump’s trade war with China suggests, however, at stake in China’s economic rise globally are geopolitical anxieties as well. Kevin Rudd, former

²⁷ Wilson, “The Evolution of China’s Asian Infrastructure Investment Bank,” 171.
²⁸ Congressional Research Service, “Multilateral Development Banks,” 21.
Australian prime minister and president of the Asia Society Policy Institute, wrote in an August 2020 *Foreign Affairs* opinion piece about the dramatic deterioration in United States-China relations during the previous half year:

The question now being asked, quietly but nervously, in capitals around the world is, where will this end? The once unthinkable outcome—actual armed conflict between the United States and China—now appears possible for the first time since the end of the Korean War. In other words, we are confronting the prospect of not just a new Cold War, but a hot one as well.29

How is this economic and political competition between China and the United States related to the ways in which economic governance must accommodate the physical limits to economic activities identified by environmental science? To begin answering this question, we can consider how environmental governance has to be achieved through both political and economic governance. The two forms of governance can be seen as complementary, with the economy working through markets and politics working through government to address public needs. An economist who conceives of military expenditures as a “public good” recognizes the fact that individual consumers typically cannot buy their military hardware on the market, but instead pay taxes to a government that answers their need for national security by providing military defense. Of course, this economic logic does some violence to the political reality that military hardware is used for offensive as well as defensive purposes—for overseas ventures as well as domestic defense. The economic calculus for such operations does not explicitly exist, even as power and wealth remain as difficult to disentangle as they have been since European moves into other world regions beginning in the late fifteenth century brought the two together.

Capitalism pushes the virtues of markets for allocating goods and resources most efficiently. For capitalism to foster economic development and improvements in people’s standards of living, it needs repeated innovations to create a stream of technological changes that enable higher levels of labor productivity. In the late eighteenth and early nineteenth centuries, English producers of cotton textiles were able to displace Indian handicraft production when machine-based factory production allowed their products to achieve market advantage in a larger context that included Pomeranz’s “coal and colonies.” But in the era of the spread of capitalism, America’s late nineteenth-century

29 Rudd, “Beware the Guns of August.”
industrialization featured contrasting caricatures of its major business leaders as “captains of industry” and “robber barons.” The twentieth-century German cartels and Japanese zaibatsu also organized limited numbers of firms in major markets. Neo-classical theory can explain divergence from market ideals and thus accept some of these late nineteenth-century changes because of the capital investments needed to create firms big enough to achieve efficient production of certain goods and services. This logic accommodates natural monopoly as the extreme situation when the market for a good or service can be most efficiently supplied by a single firm. Quite separately, late nineteenth-century Western governments began supplying goods and services to the communities they served, leading to the presence of what have been called “public service industries” in the twentieth century; their development has been linked to the democratic political practices examined in Peter Lindert’s Growing Public. The logic for creating such public services and social spending more generally was political. Public finance theory can connect public service industries to natural monopolies by recognizing those public service industries that are most efficient. But if public service industries exist for political reasons that are distinct from economic ones, then they are subject to principles drawn from an alternative form and focus of governance, and the principles according to which they are formed and operated may or may not result in what might be called a natural monopoly by economic reasoning. Together with the example of a public finance explanation of military expenditures as the purchase of a public good, the inability to integrate the principles and practices of economic governance with those of political governance in Western traditions exposes people to uncertainties about how best to address issues of climate change and sustainable development.

Chinese Governance Traditions and Contemporary Approaches to Sustainable Development

Enter into these considerations the subject of natural capital, which includes not only the stock of natural resources like fossil fuels, water, and land, but also made possible ecosystem services, such as clean water and fertile soil, that have only recently received some economic valuation. Some kinds of natural capital are subject to more than one form of institutionalized governance practice. The fossil fuel industries, for instance, consist of both private firms pursuing profit and state firms seeking to create public revenues. When those revenues are used to supply goods and services to those living under a state’s rule, that state can make available what people in other countries have to buy on markets or pay
taxes and fees for. Economic and political governance of other kinds of natural resources also varies and, in the case of water, suggests both similarities and differences among China, the European Union, and the United States.

To compare China and the European Union with some brief mention of the United States means considering how economic and political governance affect water use in similarly large economies. My purpose is show that China and the European Union each take environmental imperatives into account to ensure the futures of their economies using ideas and institutions that have histories tied to capitalism’s multiple pasts. Significantly, the United States, the other economy among the world’s top three, has no national-level framework for water governance, let alone efforts to formulate the kinds of water governance reform that are clearly believed necessary both in China and the European Union. This set of contrasts qualifies the assumption that the world’s three largest economies have political differences that make the authoritarian one necessarily more of a threat to the global order in all ways than either of the more democratic ones.

The EU’s ambitious Water Framework Directive (WFD), promulgated in 2000 for implementation beginning in 2003 and lasting until 2030, creates a blueprint for restoring the health of all freshwater bodies in the European Union. Each member state fulfills its sovereign responsibilities for creating laws and regulations that implement the directive’s objectives. China, in contrast, relies far more on bureaucracy than laws for administering its water policies. Its 2011 “No. 1 Central Document,” the first policy document jointly released every year by the Central Committee of the Communist Party of China and the State Council, concerns water governance reform and makes such reforms a highlighted priority intended to promote major changes over two decades of implementation. Ideologically, the document stresses as the primary guiding principle putting minsheng (民生), or people’s well-being and livelihood, first; this ancient term has a history of twentieth-century use in political discourse. In the 2011 “No. 1 Central Document,” the use of the term minsheng makes clear that the Chinese state sees the issues of water governance and ecosystem health as related directly to decision-making on sustainable development. For its part, the European Union’s approach to

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30 Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32000L0060.
31 No. 1 Central Document for 2011. The official English translation of this document is titled “Decision from the CPC Central Committee and the State Council on Accelerating Water Conservancy Reform and Development” (2010).
water governance in terms of the environmentally desirable traits of aquatic ecosystems leaves aside, as a separate cluster of issues, how economic governance mechanisms must change in order to fit new environmental standards. This difference is part of a larger contrast in the methods deployed in the two systems to revise economic and political governance practices in order to confront the challenges of climate change.

The WFD is a legal document composed of a series of articles that sets a series of tasks for European Union member states to translate into action through new laws and policies, supported by the bureaucratic capacities necessary to implement them. In contrast, the 2011 No. 1 Document seeks to persuade all people who use water in some way—in other words, everyone in the government, Party, economy, and society at large—to improve their water governance practices to meet new standards of water use efficiency, to limit the quantity of water they use, and to maintain the quality of the water they return to the aquatic ecosystem from which it was drawn. The last paragraph of the Chinese document opens with a call to make more efforts to expand public awareness of water issues with subsequent public service advertising. It calls for water governance education in schools and especially for officials, much as the early modern state sought to influence social behavior and educate officials to understand important subjects. The document states that individuals and organizations that make major efforts to improve water governance at local, provincial, or higher levels should be recognized publicly by the state—echoing the symbols of official recognition that the early modern Chinese state granted to those who contributed to granaries used to combat harvest shortfalls or who helped organize and pay for the river dredging needed to make rice paddy irrigation viable. Similar inducements were recommended in the early twentieth century to encourage private capital investments in industry. The No. 1 Document presents a policy vision that calls on the state’s many bureaucracies and society’s many organizational actors to mount a campaign motivated by their material interests and persuaded by the moral appeals of leadership to improve water governance.32 Political campaigns mobilizing people and resources to support livelihoods, such as dredging rivers and expanding granary reserves for use in times of bad harvest and famine relief, were undertaken by the

32 For examples of education’s uses, see Wong, *China Transformed*, 113–16; on symbolic recognition with monetary contributions for degrees, see Will and Wong, *Nourish the People*, 28–30; on late Qing symbolic awards to entrepreneurs for large capital investments, see Zhu, “On Late Qing Economic Laws.”
eighteenth century, long before campaigns became an especially powerful instrument of the Communist Party after 1949, with broader scope and greater scale than ever imagined in earlier centuries.

The Chinese tools for addressing water governance specifically and sustainable development more generally have certainly changed since earlier centuries, but then so too have European tools. While both Chinese and European toolkits for economic and political governance have expanded since the early modern era—and though in principle we can imagine putting tools from one box into the other—we should also recognize that more than one tool can be used to fix the same problem so that the utility of a particular tool may be less obvious in another context. Methods of water governance in China and the European Union reveal different approaches to common challenges. It may take considerable effort to appreciate the virtues and vices of each approach by some set of criteria that is not simply a list of the traits deemed desirable and effective in one or the other.

Water governance spans both economic and political governance; the linkages between the two are quite different in China and the European Union. These differences reflect the evolution of distinct sets of political principles and economic institutions beginning in the early modern era. European approaches to water draw on long legal traditions that affirm the division of domestic property rights between public and private, as well as treaty-making practices among rulers to establish agreements on certain kinds of transborder water governance. The Western political tradition also deploys legal frameworks to punish economic actors who violate water governance rules. This use of law is a key part of Western political solutions to the more general economic problem of negative externalities that attend decisions affecting water governance. In contrast, Chinese decisions about water are made by officials who themselves must incorporate administratively expressed priorities, goals, and regulations regarding water use, as they are responsible for encouraging and enabling sustainable development. These officials—whether acting through their positions in the Party, the government bureaucracy, or both—take on contemporary responsibilities for creating social order by seeking to ensure people’s material security, which is now understood to mean sustainable development.

The contemporary Chinese and European approaches to water reflect two traditions of governance. I suggest we acknowledge the potential positive results that practices anchored in both governance traditions might achieve, even as we recognize the difficulties of changing economic governance more generally to serve sustainable development in a world of
geopolitical competition and conflict that owes its historical origins to European movements across the early modern world. The specific features of water governance in China, the European Union, and the United States differ. They draw upon distinct histories of governance beginning well before the nineteenth-century spread of capitalism.

The Chinese approach to sustainable development—elements of which emerge out of ideological principles and institutional strategies long predating both the Chinese Communist Party and modern democratic societies—may now influence the future of the global capitalist economy. Such a possibility of positive impact was highlighted in Xi Jinping’s speech to the 2019 Belt and Road Forum for International Cooperation (BRF), when he stated, “We all want to make Belt and Road cooperation development-oriented, and all support global development, particularly the implementation of the United Nations 2030 Agenda for Sustainable Development, and will strive for clean, low-carbon and sustainable development.”

But even if we acknowledge the possibility that Chinese commitments to sustainable development might be positive for environmental sustainability, there are limits to what we can anticipate as plausible in the future. China’s increased economic footprint calls into question how competition and cooperation will be managed under contemporary global capitalism. Capitalism is now a global system no longer solely led by Europeans and their historical offspring in white settler societies of other world regions.

How will China’s entry into a global economic and political order created by Westerners proceed? The modern order emerged out of early modern European moves into other world regions that had political as well as economic motives. As this order matured in the modern era, a changing compound of competition and cooperation was fashioned with elements of violence and coercion as well as reason and persuasion. How will China’s move into other world regions today create geopolitical problems that some consider troubling and possibilities that others find reassuring? How will those unhappy with China’s larger presence express their disappointment or frustration? China’s global trade and investment activities are causing economic and geopolitical outcomes that are beneficial to some and threatening to others, in ways that make balancing competition and cooperation across political and economic relations among actors in different world regions more complex than before.

33 Xi, “Working Together to Deliver a Brighter Future for Belt and Road Cooperation” (Beijing, April 26, 2019), https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1658424.shtml.
China’s impacts on global economic and geopolitical systems include the growing consequences of how it manages its environmental governance. The state’s overall approach uses the phrase “ecological civilization” (shengtai wenming 生态文明). According to Hansen, Li, and Svarverud, the term looks back on Chinese history and makes the country’s environmental policies a cornerstone of a Chinese vision for our global future. It is far too early to make any confident assessment of how effective China’s commitments to environmental governance will be at a global level compared to those of the world’s other two largest economies. From the perspective of this article, a Chinese effort to justify their approach to the future as both based on their past and relevant to the world at large could be compared with similar efforts made by political leaders in the world’s two other largest economies in the post-World War II world, when the marked spread and continued growth of industrial production resulted in the Great Acceleration. Historians have long been aware of how industrialization in the West has relied on the exploitation of natural resources and has been tied to other world regions, as Pomeranz’s “coal and colonies” affirms for the foundational episode of the modern world economy. It should therefore not be altogether surprising that China’s economic development has related kinds of features, even if they might appear very different to many observers because they occur in such different moments in global history.

The Domestic Origins of Governance Principles and the Future of Global Capitalism

Economic governance under modern-era industrial capitalism was only possible because a key set of natural resources—fossil fuels—did not have to be recognized as a limited form of natural capital. This proposition became increasingly untenable as those resources were used on an ever-greater scale. One of the resulting quandaries was which economic or political governance logic should determine the allocation of fossil fuel resources and distributional equity of access to them across wealthy and poor societies. These questions are now augmented by concerns about other forms of natural capital, water among them. I have contrasted Chinese and European Union approaches to water governance because both have been conceived to meet the challenges of sustainable development by prompting changes

34 Hansen, Li, and Svarverud, “Ecological Civilization.”
35 Steffen, Crutzen, and McNeill, “The Anthropocene.”
in water use and administration to meet environmental requirements that each has set for water. The different approaches each adopts, I have argued, clearly show historically conditioned governance choices.

For water governance in particular, it matters that some issues of riverine water management that would have been understood as bureaucratic issues in the Chinese Empire were necessarily seen as international issues in early modern Europe and were addressed through treaties. These early treaties were arguably the ancestors of the European Union’s more formal and comprehensive approach to water governance in the twenty-first century. That history is also responsible—through the spread, forced and otherwise, of European legal principles and practices to other world regions—for creating a set of procedures for sovereign countries to negotiate water rights to shared international waters. The Chinese Empire, while it was certainly affected by nineteenth-century Western imperialism, was not colonized, and this allowed China to avoid the European legal approaches to water rights and governance that became parts of the political and natural landscapes of other countries. Challenged now by other sovereign states to negotiate water rights in a part of the world where water scarcity is a pressing issue, China has very little history of applying the principles of international law to inter-state decisions about water governance. China’s failure to adjust to the norms expected by its downstream neighbors has caused considerable consternation. Its domestic tradition of using bureaucratic means coupled with social and political mobilization to manage water governance is ill-suited for inter-state water negotiations. China’s dam-building, much of it for hydroelectric power generation to serve its domestic efforts at sustainable development, directly constrains the future options of other countries. The scale of this Chinese expansion of dams in a global context is stark: “According to the World Commission on Dams (2000), before 1950, there were 5,196 large dams worldwide, but only 22 were in China. However, the speed of dam construction in China increased so rapidly during the second half of the twentieth century that after 1982, China was building more dams than all other countries combined.”

There is a troubling divide between China’s domestic and international water governance. Domestically, water governance fits within its promotion of an ecological civilization. Internationally, Chinese dam-building reduces

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36 Wescoat, “Main Currents in Early Multilateral Water Treaties.”
37 Singh, “Water Becomes a Weapon.”
38 Wang, Dong, and Lassoie, The Large Dam Dilemma, 25.
river flows downstream into neighboring countries, which creates additional sustainable economic development challenges for them. For China to achieve its aspiration of providing a positive model of sustainable development, it will need to subject its domestic development of hydroelectric power to consideration of the cost for people in countries lying downstream. The issue is thus geopolitical as well as economic. It is part of a larger set of regional uncertainties and anxieties that include China’s military moves in the South China Sea. Complicating these regional geopolitical and economic issues are extra-regional claims of concern made by Western powers, most especially those of the United States.

Capitalism faces at least two challenges unimaginable at the end of World War II. First, the accumulated destruction of the environment caused by human beings has reached levels that could spell disaster of a scale and scope previous generations never had to contemplate. Second, the geopolitical and economic order that has been fashioned over the five centuries since 1500 now includes major actors whose histories allotted their ancestors no significant roles on the global stage. Among them, China embraces its new opportunities and challenges armed with knowledge of its recent economic successes and ongoing economic challenges, its diverse actions shaped by perspectives and priorities made possible by Chinese history and contacts with others. At present, China’s rise evinces both the nationalistic pursuit of power and wealth and the international promotion of sustainable development through its Belt and Road Initiative. Certainly, China’s growing geopolitical and economic competition and conflict with the United States, accelerated and exacerbated by the Trump administration’s initiation of a trade war, hardly seems hospitable for initiatives that encourage greater efforts to create ecologically sustainable principles and practices of economic governance. But for there to be more effective environmental governance, it may well prove necessary for people, their political leaders, and their policymakers to enact rules that take us all off the paths of the pursuit of power and wealth that began with European mercantilism, and that remain components of the roadmap we consult to plan our travels into the future. Whether people and their political and economic elites succeed in fashioning new paths forward out of capitalism’s multiple pasts will certainly matter to capitalism’s possible future and, as we all can readily appreciate, to so much more.
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