

# The Americas, armed trade and cheap energy: review of Kenneth Pomeranz's "The Great Divergence"

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Branko Milanovic, September 1, 2018

Yes, I am 18 years late. I have read quite a lot about Pomeranz's "Great Divergence", both laudatory and dismissive reviews, papers that continued in his footsteps and others that did not, but I have not read the original book. So I decided to correct the omission at the end of this Summer.

It is a great book. And it is not surprising that it became famous. It presents what was then (year 2000) a largely new view on the causes of the Great Divergence, proves methodically, one by one, insufficiency of all other plausible explanations, and presents a logically taut and cogent case for its own hypothesis.

That hypothesis is by now so well known that I will just sketch it here in the briefest terms possible. Pomeranz argues that around 1750-1800 Western Europe, China and to a lesser extent India were at the same or similar levels of development in all relevant respects that could have led to the Industrial Revolution (technology, protection of property rights, development of markets, institutions in general, demography and family formation). If anything, China was ahead of Western Europe in being much more of a competitive Smithian market economy: land was easier to sell than in Europe (p. 73), labor market was well-integrated with greater migration of labor (pp. 84-4, 90), state interfered less with merchants and granted them fewer privileges (p. 170), there were only two state monopolies (p. 196).

There is thus no apparent reason why only Western Europe would develop further while the others stagnated or declined. The real reason was, Pomeranz argues, in the role played by the Americas that (i) provided the silver with which Europe could satisfy insatiable Chinese demand (as China was undergoing the process of remonetization) and thus provide wherewithal to pay imported Asian luxuries, and (ii) more importantly, grow food and cotton for which Europe had no sufficient land or climate. Americas thus helped Europe remove the Malthusian trap, or more accurately, helped it avoid the cul-de-sac development into which China and India fell due to the lack of land on which to grow food for their increasing populations. In addition, England was helped by having access to relatively cheap energy (coal)—a fact which interestingly does not receive in the main text of the book the attention that later reviewers gave it.

The origins of the Great Divergence are thus not endogenous to Europe: they cannot be found in some features unique to Europe—be it culture or institutions, or the division of the continent in many warring states or more advanced technology—but are exogenous. Without the Americas, there would not have been (modern) Europe, nor the Industrial Revolution.

The book is not exactly fun to read. The problem does not lie in bad writing or misorganization. In fact, the writing is excellent and very clear. The problem lies in the fact that Pomeranz needed first to dispose of all alternative interpretations for the European take-off, that is to show that none of them can prove Europe's "difference" from China decisively, and thus to convince us of "surprising similarities" between Western Europe and most of China around 1700-1750. But to do so Pomeranz had to rely on a multitude of very partial and fragmentary observations or bits of data (here, a piece of evidence about the cost of land in a town in China around 1770, there, a guessestimate of Chinese cotton production around 1720 based on information about the "usual" yields in somebody's diary). None of that makes for an exciting reading and had we better and more consistent data, both for Western Europe and China, most of this discussion could be safely relegated to annexes. But under that scenario, most of Pomeranz's book would be in annexes. This makes of course for a very tedious reading livened up, however, from time to time, by some excellent observations or unusual facts.

It is only when we come (in the third part of the book) to Pomeranz's own hypothesis that the text picks up pace and becomes more engaging. Pomeranz's Introduction that runs to some 20 pages is also commendably lucid. I read it after having read the book (as I normally do, since I think that we can understand general line of an argument much better after having read the nitty-gritty) and for those who do not agree with me and are interested in the main argument only, the Introduction may suffice.

Let me now mention two points I found interesting...and puzzling: armed trade and sources used. "Armed trade", that is, trade carried in the shadows of the threat, or actual use, of force or even pure piracy was the European way to prevail in Asian trade (p. 182). State-linked (or coercion-intensive; both terms are Pomeranz's) European capitalism was not only key for the conquest of the Americas but projected European power across the world, including in Asia. Pomeranz thus argues that whenever European refrained from the use of force, they failed to squeeze out Chinese merchants from Southeast Asia; only when they resorted to armed trade, did they take control. While European merchants worked with the state, or were themselves (like East India Company or the DutchVOC) quasi states, the Qing China was uninterested in protecting its overseas traders, failing even to react to their massacres in Batavia and Manila (pp. 202-3).

But the question one can ask is, why was the trade war fought on what may be thought to be Chinese home-turf? Were there some reasons that uniquely enabled Europeans to project their power and to trade in Asia, and that prevented the Chinese to do likewise in the Atlantic or the Mediterranean? Was the willingness to use force the only reason? Thus while I find plausible or even convincing that the Dutch, Portuguese, Spanish or English could not outsell the Chinese in Indonesia or the Philippines except when ready to use force, I still do not understand what led Europeans to get there in the first place and prevented Chinese to send similar ships to the Atlantic. Was that something "endogenous" to Europe?

Second. It is striking how few contemporary Chinese sources we have (or are quoted in the book), compared to contemporary European sources, or even European travel writers in

China (nothing similar exists in China: no Chinese travelers in Europe are cited). I suppose that Pomeranz who is a China scholar knew most of the then-extant sources. Further, we surely have more sources today than almost twenty years ago. There is an enormous archival research work going on in China. But the disproportion is, it seems, still large. If we take the period 1500-1700, there are thousands of documents, notes, memoranda, books and treatises in Western Europe that deal with economic matters. It does not seem that anything similar existed in China. And although researchers are finding new data in Chinese household stashes and archives, and that particular paucity of numbers may be alleviated, the paucity of scholarly discussion of economic matters is unlikely to be remedied because if such texts existed in China, we would have known of them by now. So the question is, if scholars or bureaucrats in China were uninterested in matters economic, and scholars and bureaucrats in (Western) Europe were, does not that too show that there were some “endogenous” differences?