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Essays on China's Economic History of the Late Qing Empire

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Chapter 6 Conclusion and Discussion

Based on the previous chapters, this chapter draws some preliminary conclusions on the late Qing economy and China's long-term economic development and points out directions for future research.

6.1 Historical GDP and economic growth

The research in this dissertation concludes that the estimated GDP per capita for the late Qing economy ranges between 500 and 600 int. dollars in the late nineteenth and early twentieth century. According to Maddison's GDP estimation for pre-war China, the level of GDP per capita remained below 600 int. dollars in the 1930s, although it is commonly believed to have been a relatively peaceful and stable political period with a growing economy. It was not until the 1970s that China's modern economy surpassed the level of per capita GDP of 600 int. dollars when it began its rapid growth trajectory that has continued into the twenty-first century. Through comparing present-day China and its economic antecedents of the Qing Empire, we conclude that China's GDP per capita increased by more than 14 times since the late Qing period when the old nation was challenged by – and then forced to accept – a new age of globalisation and modernisation.

This research provides quantitative support for the economic stagnation in the late Qing period and presents a better description of the Qing economy of the eighteenth and nineteenth centuries. The Qing economy can broadly be described as flourishing in the eighteenth century, but subsequently faced economic difficulties and prolonged economic depression in the nineteenth century, particularly during the first half (von Glahn, 2016). Together with Broadberry, Guan and Li's (2018) GDP estimation for the early Qing period, however, we find a continuous decline since the eighteenth century and economic stagnation in the nineteenth century. The prolonged stagnation in the Qing economy started before the late nineteenth century when the Qing economy faced increasing internal and external pressures. We provide a new interpretation of economic stagnation: with all the difficulties, the economic structure in the late Qing period did not experience any significant changes. Population growth

explains a significant part of economic growth; this supports the viewpoint that the Qing economy was dominated mainly by involutionary agricultural production (Huang, 1990, 2002).

Historical GDP estimation remains of concern when considering how to interpret and use the estimated GDP in related historical and economic studies. One question often raised is whether the estimated GDP per capita accurately represents living standards in history. This research tries to deal with the representative problem by referring to evidence from other sources, such as consumption and wages. The new GDP estimation shows the average living standards at the national level. Caruana-Galizia and Ma (2016) provided a rough estimation of provincial GDP for the late Qing period and concluded that regional inequality was lower than India and some European countries. Thus, the national GDP per capita level for Qing China is still a reasonable indicator in international comparisons. Besides searching for other indicators for historical living standards, within-country differences should be another focus for future research. This research applies an indirect approach to dealing with long-term comparisons of economic development by linking the new GDP estimation with the Maddison GDP data. Other concerns for future research include whether it is reliable to use estimated historical GDP in measuring long-term economic growth and whether we can find a direct approach to measuring economic growth over centuries.

6.2 Early industrialisation and structural change

The research in this dissertation finds in the late Qing period a quick expansion in the new industrial sector with an average annual growth rate of above 8 per cent, which was predominantly driven by capital investment. Wu (2011) found that China's real industrial output in the period 1912–2008 increased annually by around 7.6 per cent. China's recent achievements in industrialisation can be traced to at least the late nineteenth century. From a long-term perspective, the trajectory of China's industrial development seems to be consistent over a century and unaffected by major social changes.

This research also shows that in the late Qing period, in contrast, the new industrial sector constituted less than 5 per cent of total GDP. At a time when the world economy began to experience a transformation towards new industrial

production, traditional agrarian production and handicrafts dominated pre-war China, jointly constituting around 70 per cent of GDP. Compared to Meiji Japan, which shifted quickly towards an industrialised economy, the slow transformation in economic structure and the delayed reaction to new opportunities in industrialisation may well be related to the economic stagnation in the late Qing period. Following this line of thinking, some questions should be addressed, such as whether the influence of industrialisation spread to Qing China's rural area and whether the quick expansion in the industrial sector in the late Qing period generated a significant and positive backward connection with the traditional agricultural sector. According to the National Bureau of Statistics of China, the GDP share of the primary sector has decreased to around 15 per cent in the recent decade. It will, therefore, be critical for future research to examine the long-term process of structural change from late Qing China to modern China.

Besides the aggregate level of industrial output, this research provides a benchmark estimation for the historical level of manufacturing labour productivity for Qing China relative to the US level. In the 1910s, the comparative labour productivity in manufacturing for Qing China was 4.5 (USA=100). This new indicator facilitates a new way of examining the historical trajectory of China's on-going industrialisation. Comparative real GDP per person engaged in manufacturing for modern China was around 4.5 in 1987 and increased quickly in the 1990s, although the figure remained at around 8 on average (USA=100). China's achievements in industrialisation over the twentieth century thus seems to be very limited. The distance in manufacturing output per worker between China and the US has remained the same since the late nineteenth century. This argument may be surprising considering the role of modern China as one of the centres of world manufacturing. To take a closer look at the discrepancy of productivity, one approach should be to search for better indicators for historical industrialisation and suitable for measuring long-term development.

This research emphasises within-country differences in China's early industrialisation from both private and public perspectives by looking at private manufacturing industries of the 1910s and state-invested programmes of industrialisation of the 1860s–1910s, respectively. The calculation of regional manufacturing labour productivity in this research shows the regional distribution of China's early industrialisation in the 1910s. We may expect a better performance in manufacturing industries in coastal regions; however, this research shows that some

inland provinces with natural resources for agriculture and mining and some early commercialised regions had a higher level of comparative labour productivity in the period concerned. Moreover, the correlation between regional labour productivity in manufacturing and regional GDP per capita was insignificant in the 1910s. Similarly, this research quantifies the regional differences in the Qing state investment in industrialisation accumulated during the 1860s–1910s. Although with high regional inequality, most provinces had been involved in the Qing state investment in industrialisation until the 1910s. Thus, it is not reasonable to exclude the effect of the Qing state in studying the long-term process of China's industrialisation. Further investigation into regional industrialisation in Qing China and the related political institutions will help to understand regional economic development in modern China.

6.3 The role of the Qing state in the economy

Different from the mild policies under the Qing regime's agrarian paternalism before 1850 as summarised by Vries (2015), this research tries to reveal a different side of the Qing state. Here, the Qing state seemed to show a clear intention to supervise and intervene in the economy, for instance by monitoring market activities as a measure of famine relief or to invest in new technology in order to secure the national defence. These actions may have helped to support the Chinese economy, particularly in the late nineteenth century, which recalls Mancur Olson's description of a benevolent dictator (Olson, 1993). However, in the period concerned, the role of the Qing state in economic growth is generally believed to be negative. Some argue that the problem in the Qing economy might not be related to what the Qing state did not do, but what the Qing state actually did. This research looks at direct economic outcomes of political arrangements in the Qing period, rather than long-term influences of political institutions. Two political arrangements are evaluated in this research: the state civilian granary system and the Qing state investment in the Self-Strengthening Movement.

The research in this dissertation finds a positive economic influence of the state civilian granary system in the mid-Qing period: grain storage in the granary system helped to stabilise seasonal price fluctuations in local rice markets. However, the effect of granary storage on price fluctuations is economically insignificant. This

research also demonstrates a complicated picture of the influence of the Qing state investment at provincial levels. Although on average the Qing state investment in industrialisation had a negative impact on provincial industrial performance, we find a positive influence in a few provinces and particularly on the heavy industry. Limitations in the above research are apparent, such as the problems of endogeneity in econometric analysis. Taxation relevant to these political arrangements can also affect the economy; however, this research looks at the role of the Qing state only from the public expenditure side. Spillovers and side effects, although different to measure, can be crucial in the evaluation, rather than direct economic outcomes. After all, promoting economic growth was never the first target in consideration of the Qing state.

According to the studies on the above two political arrangements, we find that the Qing state's influence on the economy through public expenditure might not always be negative, but on average its ability to affect the economy seemed to be very weak, especially in the late Qing period. We also find that the implementation of a political arrangement and accordingly the influence on the economy are regional-specific, again especially in the late Qing period. The increasing imbalance between central and local governments in the late Qing period could be one explanation for regional differences. Our knowledge on the role of the Qing state in China's economy of the eighteenth and nineteenth century is far from reaching a definite conclusion.

Questions left for future research include why the Qing state investment in infrastructure failed to support local industrial development, how to explain the regional differences in political arrangements, and whether the Qing state's influence on the economy persisted in the pre-war period. Government intervention remained a part of China's economy of the 1930s and could be a driver of the "golden decade" of China's industrialisation in the period 1927–37. Although controversial, modern China's economic development could have been shaped by direct government intervention and specific industrial-promoting plans. China's economic history presents an important case with which to study the relationship between the state and economic development. Studying political arrangements in the Qing period will provide a historical context to understand modern China's policy design, the direction of China's on-going industrialisation and recently increasing regional imbalance in economic development.

