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# FROM THE "GREAT DIVERGENCE" TO THE "GREAT CONVERGENCE": THE MODERN TRANSFORMATION OF THE YANGZI DELTA'S ECONOMY IN A NEW PERSPECTIVE*

ABSTRACT

The Yangzi Delta has experienced spectacular economic growth during the past four decades and seen some parts of the country, swiftly converging with Western Europe developed in the level of economic development. This unprecedented growth is based on the economic performance of the Yangzi Delta in the long run of centuries. We can achieve a better understanding of the economic transformation of the delta only by having a better understanding of the basis created by the delta's economy during its long historical development. For this reason, we must break free of the West-centric straightjacket and study China's early modern economy from a new perspective, which will be crucial to improve our knowledge of Chinese economic performance before the modern West arrived in the mid-nineteenth century.

Keywords: the Yangzi Delta, economic growth, modern transformation, new perspective

The terms of "Great Divergence" and "Great Convergence" have come into wide use today. In the field of economics, however, the term of "Great Divergence" refers to the process by which the Western world overcame pre-modern growth constraints and emerged during the nineteenth century as the most powerful and wealthy world civilization, eclipsing China, India, the Islamic world, and other parts of the world. The term of "Great Convergence," also sometimes known as the *catch-up effect*, is the hypothesis that poorer economies' per capita incomes will tend to grow at faster rates than richer economies. As a result, all economies should eventually converge in terms of per capita income.

The two terms provide a stimulating new take on hotly contested topics in world modernization and the globalizing economy. It begins by situating what is called the "Great Divergence"—the social/technological revolution that led European nations to outpace the early dominance of Asia—in historical context over

centuries. This is contrasted with an equally powerful "Great Convergence," the recent economic and technological expansion taking place in Third World nations and characterized by narrowing inequity among nations. They are seen here as two phases of an inevitable global process, centuries in the making, with the potential for both positive and negative results [Grinin and Korotayev 2015].

The "Great Divergence" has become a hot issue in the academic world since Kenneth Pomeranz' book of *The Great Divergence: China, Europe, and the Making of the Modern World Economy* came up in 2000. The book triggered a two-decade-long debate among scholars in various disciplines, and it seems very likely that the debates will continue in the future.

Why has the debate aroused so strong attention in international academic circles? One of the major reasons is the spectacular economic growth that China has experienced during the past decades, which was called "the greatest story of our generation" by Jim O'Neill, former Goldman Sachs Asset Management chairman and chief economist, who coined the BRIC acronym in 2001 [O'Neill 2011, 45]. Two decades earlier than O'Neill, Dwight Perkins predicted: "It took two hundred and fifty years for the Industrial Revolution to begin in England in the late eighteenth century and then sweep across the rest of Europe and North America, raising the living standards in an area that today encompasses roughly 700 million people (excluding the Soviet Union), about 17 percent of the world's total. If the Soviet Union is included, the number of people rises to 23 percent of the world's total. If China's efforts to become an industrialized nation succeed, then 1.1 billion more people will live in newly industrialized countries than was the case as late as the 1950s. In the course of four or five short decades, we will have moved from a world where the great majority, three-quarters of the total, lived in poverty, mainly rural poverty, to a world where half of the people live in relatively prosperous, predominantly urban societies" [Perkins 1986, 3–4]. This prediction has come true today. In this sense, China's economic performance in the past decades can be seen as the greatest economic miracle in human history.

Thanks to the "economic miracle," China attains new importance in world history. This unprecedented growth raises the question of why this miracle has taken place. To find a good answer is an important task of scholars all over the world. The major points of the theory of the "Great Divergence" provide us with a fresh view to look at the origin of the miracle, which is crucial to our understanding of what has happened and will happen in China. Therefore, the miracle calls for a deep and comprehensive examination of China's economic performance before the arrival of the West in the mid-nineteenth century. As Dwight Perkins put it, China has changed greatly in the last decades, but China's history still clearly illuminates its present. The presence of the past can be seen in many areas. China's present is a continuity of its past or the persistence of the past [Perkins 1986].

## 1. TODAY'S "GREAT CONVERGENCE": THE RAPID ECONOMICAL CATCH-UP OF THE YANGZI DELTA WITH WESTERN EUROPE

The Yangzi Delta (or *Jiangnan* in Chinese) has been China's most developed region, both economically and culturally, during the last millennium. This unparalleled importance gives the delta a special position in the study of Chinese economic history. It is not difficult to understand, therefore, why the economic history of the delta has been under the most intensive study in the past century. Several influential theories in Chinese economic history are drawn from the experience of the delta. In some sense, the theory of the "Great Divergence" is based on an empirical basis of the study of the economic history of the Yangzi Delta, while the theory provides a new framework of analysis to the study.

The Yangzi Delta is located in the mouth of the Yangzi River, consisting of the municipality of Shanghai, the southern part of Jiangsu Province, and the northern part of Zhejiang Province. This area has a land area of 100,200 sq km and a population of 114.2 million in 2021,[1] with an incredibly high density of 1,140 people per sq km. It is also the most urbanized area of China, boasting its great cities of Shanghai, Nanjing, Suzhou, and Hangzhou, each of which has millions of residents.

Though it has been the most economically advanced area of China for a millennium, the Yangzi Delta was much behind Western Europe before 1979 when the economic reform began in China. In the following three decades, in particular since 1992, however, the delta's economy has changed dramatically. Today, though the delta accounts for only 1 percent and 5.9 percent of the national totals in the terms of land area and population respectively, it produced 18.3 percent of China's GDP in 2021 which reached US$ 18,311.1 billion (nominal),[2] in striking contrast to US$ 44.3 billion in 1978 [Li 2015]. It is a 66-fold increase which happened in just four decades!

Since the Chinese currency is thought to be undervalued considerably, it is estimated that the 2021 GDP of the delta should reach US$ 18,268 billion. If the delta was accounted as an independent economy, it would be the seventeenth-largest economy in the world in 2021, a little smaller than Spain (US$ 1,984 billion).[3]

Thanks to the rapid growth, the gap between the delta and Western European countries has been reduced sharply in the past decades. In 1978, the GDP per capita of the delta was something like US$ 1,200, less than one-eighth of that of France (US$ 9,424), one-fifth of that of the UK (US$ 5,727) [Li 2015]. In 2021, however, the GDP per capita of the delta rose to US$ 24,191 in the official exchange rate,[4] twenty times the 1978 figure, doubling the national average (US$ 11,891). Using the PPP the 2021 GDP per capita of the delta should reach US$

38,241, which was 79 percent of that of the UK (US$ 48,693) or 75 percent of that of France (US$ 50,876), higher than that of all of the ex-communist countries with the exception of Czech Republic (US$ 43,714).[5] The narrowing of the gap between the Yangzi Delta and the major West European countries means that the delta is making a rapid catch-up with Western Europe. With this high growth rate, it is expectable that the gap will be filled up in the near future.

As part of the story of the catch-up, Shanghai is becoming a new economic center of the world. It jumped from the 160th in 1980 to the first in 2006 in the world's port ranking in terms of cargo. Its position in the world's finance has rocketed so fast that Steven N. S. Cheung, a well-known economist, has optimistically predicted that Shanghai will become one of the major international centers of finance, keeping pace with New York and London, in the coming years. Besides Shanghai, other cities of the delta also have performed very well. For example, Suzhou became the world's largest industrial city in 2021.[6]

In this sense, the catch-up of the delta can be seen as a "Great Convergence" of the two ends of Eurasia in the level of economic development.

## 2. WHAT ARE BEHIND THE MIRACLE?

Many factors contribute to the economic miracle which the Yangzi Delta has seen in the past decades. The following are seen as the most important factors by scholars and politicians: the 1979 Reform, the pouring of foreign investment, the introduction of advanced management and technology, and so on. These factors are indeed crucial to the growth, but they are not the whole story, if we have a closer look at how the factors were working. There is no dispute that they are working in the whole country, not just in the delta, and, moreover, some other parts of China, in particular Guangdong, have benefited much more from these factors. First, the reform began in Guangdong much earlier than in any other province of China, because this province was chosen as the first experimental area of the reform by the central government, while the policymakers dared not to run the risk in the Yangzi Delta, the most important source of the national revenue, when they decided to launch such a great experiment such as the 1979 Reform in this area which was unprecedented and success wouldn't be ensured. Second, because of the geopolitical and cultural links with Hong Kong, Taiwan, and overseas Chinese societies which were major sources of foreign investment, management, and technology in the 1980s and 1990s, Guangdong was far in advance of any parts of China else in receipt of foreign investment, management, and technology. Third, Guangdong has benefited greatly from much less revenue delivered to the central government. In contrast, the Yangzi Delta has been the most important source of national financial revenue and has had to pay dispro-

portionately large revenue to the central government. The control of the central government over the delta has been much stricter than any other part of the country. As a result, in the first decade of the reform era, the delta was in a comparatively unfavorable position which led to the economic growth of the delta being slower than the nation's average[7] and hanging much behind its major competitor—Guangdong. But as soon as a better policy was given, the great force hidden in the delta was unleashed immediately and the delta performed much better than any other region of China. In 2021, the GDP of the delta was almost 1.5-fold bigger than that of Guangdong Province (US$ 14,612 billion in PPP). Of the top ten richest cities in the terms of GDP per capita, seven were located in the Yangzi Delta.[8] It is clear, therefore, that this great success cannot be attributed only to the factors listed above.

Among the factors besides, the legacies that the past economic performance left are the most important. Though China had many difficult times in the late nineteenth and most of the twentieth centuries, which were full of foreign invasions and internal dissensions, destructive wars and civil wars, large-scale social upheavals and political persecutions, the Maoist radical re-organizations of society and economy, etc., some major legacies survived which have proved to be invaluable to the post-1979 economic growth. Among all the parts of China, the Yangzi Delta was best prepared for modern growth.

The legacies are multiple, and each of them plays a different role in economic modernization. Here I focus on two ones of them: some "traditional" institutions and the human capital that the past left the Yangzi Delta.

## 2.1. The Return to Some Major "Traditional" Institutions

Douglass C. North said: "History matters. It matters not just because we can learn from the past, but because the present and the future are connected to the past by the continuity of a society's institutions. Today's and tomorrow's choices are shaped by the past" [North 1990, vii]. Accordingly, the Yangzi Delta's present economic performance is connected to the past by the continuity of its institutions. Specifically, then, what kinds of institutions the past left help the present growth?

The 1979 Reform is crucial to the successful economic growth of the Yangzi Delta in the past decades. But the reform is by no means without foundation. Some policies of the reform came from the "traditional" institutions. For example, the centuries-long practice has proved that the pattern of "One man works ten *mu*" and "Man ploughs and woman weaves" was the best management in agriculture in the Yangzi Delta, and rural industry was the indivisible part of the rural economy. But out of the beliefs in "large management must be better than small management" and "the separation of farming and manufacturing will promote the productivity in economic performance" which was introduced from the

Soviet Union, the policymakers on the top launched a series of reform in the 1950s, 1960s, and 1970s to reorganize China's rural economy and society. But the reform led to a three-decade-long stagnation of the rural economy in the Yangzi Delta in the terms of GDP per capita. The 1979 Reform led to the end of collectivization and communization, which actually is to return to the "traditional" economic practices in some sense and some conservatives regarded the reform to be a "return to backward petty peasant farming" [Li 1998, chap. 9]. Generally, it is based on the legacies that the 1979 Reform initiated. In his book of *Keywords: A Vocabulary of Culture and Society*, Raymond Williams argued: the term of *reform* originally meant "restore the original form" of something. From the eighteenth century to the end of the twentieth century, the meaning of *reform* changed several times, but the term has continued to be used, even when the policies it described consisted of the dismantling of earlier *reforms* [Williams 1976]. This definition absolutely applies in the case of the Yangzi Delta. The 1979 Reform is a rejection of the major policies carried out during the three decades before 1979, because they blocked economic development in China in general and in the Yangzi Delta in particular. More specifically, in the three decades, traditional family farming was uprooted, and rural handicrafts and other sideline activities were restricted strictly, all of which were seen as "backward" in the Maoist era. With the 1979 Reform, however, the policies were made to revert to the former state, and to some extent returned to its pre-1850 form. But, surprisingly, the return has ushered a new era of indisputable great development. The reviving tradition has made a great contribution to rural economic modernization in the delta. It is fair to say, therefore, that today's achievements are a result of the adaption of some growth patterns which prevailed and proved to be successful in the past to new conditions of the present day. In the other words, the Yangzi Delta was better prepared for modern economic growth than other regions of China. The 1979 Reform just gave this chance.

## 2.2. Human Capital

Another significant legacy that the past left is human capital. Human capital is a measure of the economic value of an employee's skill set. The concept of human capital recognizes that not all labor is equal and that the quality of employees can be improved by investing in them. Understanding the impact of human capital investment, therefore, is perhaps the most important question of all in economics, as it has the power to explain why some societies thrive and others fail. It's well understood that having a lot of natural resources or financial capital isn't enough to guarantee success in the long run. Conversely, many countries succeed without great resources or financial capital to begin with. Therefore, investment in human capital has more explanatory power.

In major aspects of human capital investment identified by Schulz [Savvides and Stengos 2009, 16–17], the Yangzi Delta has performed better than any other area of China. During the centuries before the mid-nineteenth century, the delta followed a demographic pattern which was different from traditional patterns: lower birth rate, later marriage, smaller scale of family, and longer life expectance. The people of the delta enjoyed the highest standards of living in China. Literacy was extremely high by any pre-modern standards because of the high value placed on education and literacy by most members of society, the majority of male adults had received some years of schooling in their childhood. As female workers, a big part of them was working in the textile industry and they were trained for two to four years in their early teens to become capable spinners and weavers [Li 2000, chap. 9].

Dwight Perkins put it very clearly: the Chinese people had many values and traits that prepared them for modern economic growth once it came. And these values and traits had in large part arisen out of accumulated Chinese experience with a complex pre-modern society. Even ordinary peasant farmers well understood, mortgages, deeds to land, formal contracts, and interest. Few of the people of the delta lacked the drive to get ahead materially, poverty and limited resources of land did not affect just the willingness to work [Perkins 1975, 3–7]. The quality of the labor force was so good that when the Western entrepreneurs arrived in the delta in the late nineteenth century, they looked at their local workers not as a problem, but as a valuable resource. These values and traits are typified best in the people of the Yangzi Delta. From their centuries-long experience of commercialization which reached a very high level in the mid-nineteenth century, the people of the delta gained rich commercial talents. In short, the past created an army of hardworking, readily trainable, and well-disciplined labor force and a large number of entrepreneurs, professionals, and skillful merchants. In this aspect, the Yangzi Delta boasted of its high-quality human resource which has been seen as among the best ones in China for centuries [Li 2000, chap. 9].

## 3. THE ECONOMIC HISTORY OF THE YANGZI DELTA IN A NEW APPROACH

Though the Yangzi Delta has been under intensive study for a century, our knowledge of the performance of the delta's economy in early modern times remains fragmented and not well organized. We know much about many aspects of the economy but we do not know much about how all these aspects were connected and what the economy as a whole really looked like. We also don't know what the result of the economic performance of the delta really was, which was embodied partly in the living standards of the people. The views of scholars were polarized

on the living standards of the people of the delta during the early modern times. Many of them think that this area was "the richest in the world" (*fujia tianxia*) where the people enjoyed the highest living standards, while others believe that this is an abysmally pauperized area where the people lived at a "minimum substance level" of living for millennia before the 1949 Revolution. Marxist scholars attribute the abysmally low standards of living to the "ruthless feudal exploitation" (rents, corvee, taxation, etc.), while many Western scholars believe that the heavy and ever-increasing population pressure was responsible for poverty.

To achieve a more complete and comparable picture of the economy of the Yangzi Delta in early modern times, the GDP approach is very helpful. The approach has some advantages over other approaches. First, though the GDP analysis is only one method to measure the size of an economy, it surely provides us with a more complete picture of the economy. Second, because the methods of GDP studies are quite elaborate and standardized, they can provide a coherent macroeconomic framework covering the whole economy. Third, since GDP methods are "universal" in some sense, they can be used widely and consistently, and there can be confidence that the same thing is being measured in each area and period.

Within Western scholarship, the study of GDP has also been applied to pre-modern economies. The major methods used are SNA, roughly what are used in measuring GDP today, including the three major approaches: production, expenditure, and income. These approaches are all applied in this study.

The study of GDP requires a definite space-time range of an economy under study. I chose the area of Huating-Louxian (Hua-Lou in short) and the period of 1823–29 as the spatio-temporal extent of the object of the study, because the best-available data of the economy of the pre-twentieth century Yangzi Delta exits in this extent. I took an area with a definite space-time range as the object of the study.

The Hua-Lou region is 40 kilometers away from the center of the present-day Shanghai Municipality. In the Ming and Qing Dynasties, the prefectural seat of the Songjiang Prefecture was located in this area and this area was the political and economic center of the Eastern Yangzi Delta.

Using the SNA methods, I made a two-decade study of the economy of the Hua-Lou area in 1823–29.[9] In the study, a few significant findings were made:

First, agriculture accounted for only 30 percent of the economy of the Hua-Lou area from 1823 through 1829, both in terms of GDP and labor force, while the shares of industry and services were considerably higher. This is sharply contrary to the perceived view that agriculture constituted the bulk of the pre-modern economy of the Yangzi Delta.

Second, land rent accounted for only one-eighth of national income in this area during the period under study. This calls into question the long-held view

that this factor had been the most important component of national income, without exception, in pre-modern China.

Third, the volume of external trade accounts for 29 percent of the GDP. This result is much higher than previously thought by scholars. In addition, the urbanization of this area was also surprisingly high, reaching a level of 40 percent for the period.

Based on the results of the study, I arrived at a more objective estimate of the standards of living in the early nineteenth-century Yangzi Delta, which were apparently higher than those in most of the twentieth century, in the terms of the daily per capita nutrient intakes of the people in this area during the 1820s, 1930s and 1950s–70s. Moreover, the 1820s' figures for the Hua-Lou area are higher than the national averages in 1959, 1982, 1992, and 2002 and reached the world's averages in 1990 and 2000. These estimates were tested and verified with historical evidence.

Moreover, we should note that this period was not a "normal" one in climatic and economic terms, and the GDP estimated is most likely to have been lower than the periods prior to and after this particular period. As such, the added values of rice and cotton cloth, the two top staple goods produced in this area, should be more on the conservative side and may well be adjusted higher. In any event, the real GDP in this area should have been considerably higher in the first decade of the nineteenth century or in the last decades of the eighteenth century as compared to that in the years 1823–29.

All these findings challenge the conventional wisdom that the economy of the Yangzi Delta before the mid-nineteenth century was still a "traditional" one in which agriculture was the bulk of the whole economy. The fact is that it was a kind of "modern economy" in which industry and services dominated. This conclusion can be verified in a comparative study from a global perspective.

Everyone knows the importance of the comparative study. But it is a big problem how to choose comparable objects for the study. Here I choose the economies of the Yangzi Delta and the Netherlands in the early nineteenth century as the objects of my comparative study. The two objects shared some significant similarities which are crucial to a comparative study:

- Physical size
- Geographical location
- Water transportation system
- Population density
- Economic growth
- Meeting the turning point of economic change in the early nineteenth century.

Moreover, the two regions are under intensive study and rich academic results are available, which provide the comparison of the two economies with a better base of knowledge. Based on Jan Luiten van Zanden's study of the Dutch economy and my study of the Yangzi Delta's economy, Van Zanden and I made a comparative study of the economies of the Yangzi Delta and the Netherlands in the early nineteenth century [Li and Van Zanden 2012]. From the comparison, it is found that significant similarities and differences which existed in the economies of the Netherlands and the Yangzi Delta at the beginning of the nineteenth century.

From the comparisons, we can see some similarities and differences between the two economies. The major similarities:

- Agriculture accounted only for less than half of both of GDP and of the labor force.
- The urban population accounted for more than one-third of the whole population.

And the major differences:

- The share of foreign (external) trade in the GDP was much bigger in the Netherlands.
- The share of industry in the GDP was obviously bigger in the Hua-Lou area.

By comparison, the similarities are certainly more fundamental. These similarities suggest that the two economies of the Netherlands and the Yangzi Delta in the early nineteenth century were not "traditional, rural, and self-sufficient," but "modern, urban, and commercial."

In his study of the early modern economy of the Netherlands, Jan de Vries argued: "The Dutch experience, when viewed in an international suggests that a modern, urban, commercial economy continuing to rely on premodern, rural-agrarian techniques adjust its population to its economic environment" [De Vries 1985, 682]. In the other words, economies based on industry and commerce are no longer traditional economies, but modern economies. Accordingly, Jan de Vries and Ad van der Woude argued that the Dutch economy had been a "modern economy" by 1815 in their book of *The First Modern Economy: Success, Failure, and Perseverance of the Dutch Economy, 1500–1815* published in 1997. Because there were so many similarities and commonalities between the economies of the Netherlands and the Yangzi Delta in the early nineteenth century, it is justifiable to call the economy of the Yangzi Delta another "modern economy," if we agree with De Vries and Van der Woude that the economy of the Netherlands in

this period a "modern economy."

The comparison also indicates that the income per capita of the Yangzi Delta was quite high in the early modern world. Measured in PPP and converted in the 1990 US dollar, the Yangzi Delta's income per capita was around US$ 1,015, the Netherlands' was US$ 1,838, while Western Europe's was US$ 1,232 [Maddison 2006, 264]. In other words, the Yangzi Delta roughly matched Western Europe as a whole in the 1820s. It is clear from the comparison that the Yangzi Delta was among the high-income areas in the early nineteenth-century world, though it was considerably behind the Netherlands, which enjoyed the highest income in Europe [Maddison 2006, 77].

Therefore, the comparison between the two advanced pre-industrial economies of the Yangzi Delta and the Netherlands leads to a conclusion: the economy of the Yangzi Delta in the early nineteenth century was an early modern economy, instead of a "traditional economy" as it was thought.

It is noteworthy that both of the Netherlands and the Yangzi Delta failed to produce their own industrial revolutions. As a result, the Netherlands was the productivity and technology leader of the Western world during the seventeenth century, but it gradually lost ground to the British economy during the eighteenth and nineteenth centuries. During the nineteenth century, the productivity growth in the Dutch economy was clearly below the Northwestern European average. Likewise, the Yangzi Delta was the productivity and technology leader of the East Asian world, but it gradually lost ground to the Japanese economy during the nineteenth century. During the nineteenth century, the productivity growth in the Yangzi Delta's economy was clearly below the Japanese one. In this sense, we can say the two once-most-advanced economies shared the same fate: both of them were failures in the great modern economic transformation which was triggered by the Industrial Revolution.

## 4. "TRADITIONAL" VS "MODERN": A KEY TO UNDERSTANDING THE ECONOMIC PERFORMANCE OF THE YANGZI DELTA

To link the "Great Divergence" between the Yangzi Delta and Western Europe to the "Great Convergence" which has taken place in the past four decades, we need to know what contents the term of "modern economic growth" has.

The modern economy is based on the market which is the hub of the activities in the economy. In the economy, the driving force behind economic improvements is productivity gains attending division of labor and specialization. By producing what they are best suited to produce and exchanging their products with others, people capture the benefits of comparative advantages in the marketplace. Division of labor is limited only by the extent of the market. As the market ex-

pands, the opportunities for growth increase accordingly. A decentralized price system widens the scope of the market and extends the advantages accruing from the division of labor [Blaug 1985, 61; Wong 1998, 16]. In other words, the market was the major driving force behind modern economic growth. The bigger and more integrated the market, the stronger the force. In this sense, a big and integrated market is key to modern growth at this stage. The market played a crucial role in modern economic growth.

This economic modernity is significant to the latecomers of economic modernization in their actual process of economic modernization. A transition may be comparatively easy from an economy which well experienced early modern growth to an economy which is modern industrialization that began at the advent of the Industrial Revolution, if other major factors are available. It partly explains why the Yangzi Delta performed much better than most regions of China in economic modernization after modern technology and institutions were introduced from the West in the late nineteenth century. In China, a national market emerged in the mid-sixteenth century and was growing rapidly in the following centuries. By the mid-nineteenth century, the market had developed into the largest market, in terms of size, in the world of the day [Li 1999]. It is a major driving force behind China's excellent economic performance in the long eighteenth century before the modern West arrived.[10] Since it was located in the center of this national market, the Yangzi Delta benefitted much more from the huge market than any other part of China [Li 1999]. Small wonder that the delta became the center of China's fledging modern economy, commercial, industrial, and financial after the modern West arrived in China in the 1840s.The Yangzi Delta has enjoyed an edge over most of its oppositions in the aspects above, which has made the delta better prepared for the Kuznetzian growth if the chance is given. This chance includes the availability of some basic factors crucial to modern industrialization which was inadequate or lacking in the Yangzi Delta, among which energy, minerals, and technology might be the most important [Li 2010, chap. 9]. If these factors become available, it would be possible for the delta to proceed with modern industrialization. This possibility gradually became reality in the twentieth century in the Yangzi Delta.

In the previous scholarship, the Yangzi Delta's economy was labeled "traditional" before the modern West arrived in the mid-nineteenth century, which could be transformed into "modern" only under the impact of the West. The impact of the West is really very important to the transformation of the Yangzi Delta's economy, but if the economy had not been ready for the transformation, it would not be imagined how and why the impact could cause strong and positive responses in the Yangzi Delta. As we know that the same impact has caused very different responses in different parts of the world. In fact, the responses are very passive or even disastrous in many areas.

The Yangzi Delta made a very positive "response" to the "impact" after the mid-nineteenth century. Modern industry was successfully established as soon as it was introduced. In the mid-1930s, the "lower Yangzi" (Shanghai, Nanjing, Jiangsu, and Zhejiang) produced 66 percent of total factory output in China Proper (excluding Manchuria). In the 1920s and 1930s Shanghai became the largest city in East Asia, hosting the biggest cotton textile industry in the world, as well as being one of the world's financial centers.

If the Yangzi Delta's economy had not been ready for the transformation before the West arrived, it would not be imagined how and why the "impact" of the West could cause so strong and positive "responses" in the Yangzi Delta. Therefore, the major source of today's "Jiangnan economic miracle" should be found in the Yangzi Delta itself. The miracle can only be properly understood from the perspective of long-term historical change. Therefore, the conclusion that the Yangzi Delta's economy in the early nineteenth century was already an early modern economy is crucial for our understanding of today's "Jiangnan economic miracle."

More concretely speaking, with centuries of experience in industrial and commercial activities, the Yangzi Delta was better prepared for modern economic growth than other regions of China if the chance was given. The 1979 Reform just gave this chance. It is fair to say, therefore, that today's achievements are a result of the adaption of some factors which proved to be successful in the past to new conditions of the present day. It just proves what Johann Wolfgang von Goethe, a great German writer, wrote in 1816, "We think Dante great, but he had a civilization of centuries behind him; the House of Rothschild is rich but it has required more than one generation to attain such wealth. Such things all lie deeper than one thinks."[11]

This conclusion is also significant in changing our understanding of China's "traditional" economy before the coming of the West. A popular topic in recent international economic history research is examining the pre-industrial economy from a new perspective. In previous scholarship, the prevalence of the Eurocentric "pride and prejudice" against the past held by modern people meant that "traditional" had always been synonymous with the old and outdated. In recent years, with more challenges to Eurocentric perspectives, many of our previously held extreme views on the "traditional" also need revision. We need to provide society with a better knowledge of China's past economic performance.

## NOTES

* This article is based on my lecture of the same title given at Toyo Bunko, Chuo University, and the University of Tokyo in January 2019.

1 "Quanguo ge dijishi renkou paiming" 全国各地级市人口排名 (Population ranking of the prefecture-level cities), Honghei renkou ku 红黑人口库, accessed Sept. 5, 2022, https://www.hongheiku.com/category/shijirenkou?ivk_sa=1024320u.
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6 "SKEMA China Campus: Suzhou, World's Largest Industrial City in 2021," SKEMA Business School, Feb. 14, 2022, https://www.skema.edu/skema-news/suzhou-worlds-largest-industrial-city-in-2021-.
7 See Li [2015].
8 Diyi caijing 第一财经, "2020 nian chengshi GDP30 qiang: 23 cheng chao wanyi, Xi'an zengsu diyi" 2020年城市GDP30强：23城超万亿，西安增速第一 (Top 30 city GDP in 2020: 23 cities over a trillion, Xi'an growth rate first), Baijiahao 百家号, Feb. 8, 2021, https://baijiahao.baidu.com/s?id=1691136467993722405. In descending numerical order, the ten cities are Wuxi, Beijing, Nanjing, Suzhou, Shenzhen, Shanghai, Hangzhou, Guangzhou, Ningbo, and Nantong.
9 The results of the research are in Li [2010, 2022].
10 Angus Maddison [2007, 21]: "The Ch'ing dynasty performed extremely well in terms of its own objectives from the end of the seventeenth to the beginning of the nineteenth century . . . Chinese GDP grew faster than that of Europe in the eighteenth century."
11 Cited from Ferguson [1999, 39].

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