Introduction

When fifteenth-century China began replacing depreciated paper and copper currency with silver, it set into play forces that would affect remote peoples on five continents. The Chinese traded their silks to the British and the Dutch, who bought them with Spanish pesos that had been minted by African slaves in what is today Mexico and Bolivia and mined by indigenous peoples recruited through adapted forms of Incan and Aztec labor tribute. Some of the silver took the more direct route from Mexico to China via the Philippines on Spain's Manila Galleons. European pirates hovered around America's Caribbean and Pacific coasts, in the Mediterranean, and off the east coast of Africa, where they struggled with Arab and Indian corsairs who coveted the silver cargos and the silk and spices that they purchased.

The silver found its way east also through Muslim and later Christian purchases of coffee in Yemen's Red Sea port of Mocha, the world monopoly producer for more than a century. Pilgrims to Mecca spread the taste for coffee from Morocco and Egypt to Persia, India and Java, and the Ottoman Empire. Finally France's Louis XIV in his soirees introduced his Catholic aristocracy to the Muslim drink, served on Chinese porcelain, sweetened with sugar grown on the slave plantations of the African Atlantic island of São Tomé, and later Brazil, and followed by a smoke of Virginia tobacco. Some noblemen preferred chocolate, a drink of the Aztec nobility so precious that cacao beans served as money, while the English came to favor Chinese tea, also turned into coin in Siberia.

Many lands and cultures were swept into the vortex of the world economy, but that did not mean that they passively accepted its terms. In 1770 a French trader in Senegal was frustrated with local African merchants who, far from readily accepting baubles and beads, refused to trade slaves even for French furniture. The Africans demanded Dutch or British chairs and bureaus, which they found more stylish. At roughly the same time, British merchants in Canada were unable to sell Virginian tobacco to the Iroquois, who had already acquired a taste for African-cultivated Brazilian tobacco and accepted no substitutes in exchange for the beaver pelts they offered for the elegant garments of northern Europe.

In Naples, meanwhile, enraged consumers threw a shipload of potatoes overboard during a famine, convinced that the Peruvian tuber was poison. At the same time, fashionable men and ladies in London delicately sprinkled grated potato on other foods, believing that the tuber was an aphrodisiac.

Clearly the world economy has connected myriads of far-flung peoples for a long time. Although globalization has today reached unprecedented proportions, there is really nothing new about the New World Order. Nor is diversity a recent invention. The object of this book is to describe, through a series of stories, the long-standing interconnectedness of the world. We attempt to wed the insights of world systems analysis—that the local must be understood in its global context—with the perspective of local studies that see variation and local agency shaping the global.

The stories included here began as articles in a column, "Looking Back," which we wrote for the business magazine *World Trade* for more than ten years. The column focused on the history and the creation of the world economy. Steven Topik and then Kenneth Pomeranz were responsible for the column. Julia Topik contributed a guest article. This book is not simply a collection of the articles, however. Rather, it is unified by several central propositions on the nature of the world economy and the forces that shape it. We reject a Eurocentric teleology that sees Europeans as the prime movers and everyone else responding to them; instead, we see the world economy as long-standing and non-Europeans playing key roles in its development. To the extent that Europeans had advantages, they often came as much from the use of violence or from luck (as when European-borne diseases devastated New World societies, opening vast territories for conquest) as from economic precocity. Only in the latter part of our period did Europe clearly have superior productive technology, and it is not clear that it ever had a unique amount of entrepreneurship or social flexibility.

Consequently, politics have been as central to shaping international commerce as economics have been. The market structures that are basic to our world were not natural or inevitable, always latent and waiting to be "opened up"; rather, markets are, for better or worse, socially constructed and socially embedded. They required a host of agreements on weights, measures, value, means of payment, and contracts that have not been universal nor permanent, plus still more basic agreements about what things should be for sale, who was entitled to sell them, and which people could haggle about prices (and settle disputes without drawing swords) without compromising their dignity in the eyes of their neighbors. In the process of negotiating these new rules of conduct, the very goods being bought and sold sometimes became the new markers of status and carriers of meaning. Thus "natural" uses and advantages clashed with human-made meanings—as when people resisted the introduction of the potato—and associations so deeply embedded that they probably seemed natural were gradually reversed: over time, chocolate became associated with children, sweetness, and domesticity rather than with warriors, girding for battle, and religious ecstasy. In other words, goods themselves have "social lives" in which their meanings, their usefulness, and their value are in flux; "demand" and "supply" are culturally determined by people with loves, hatreds, and addictions, not by reified "market forces."

Moreover, it would be a mistake to assume that pomp and role-playing can be clearly separated from a supposedly more basic level of utilitarian behavior. Thus the Chinese tribute system helped define upper-class style, set rules for various kinds of trade, and conferred enormous value on certain goods that rulers obtained in those exchanges. It thereby provided these rulers with gifts that helped mark them as important patrons for other aristocrats back home. In setting standards both for luxury consumption and kingly behavior, the tribute system was thus able to play some of the roles we associate today with the World Trade Organization or even the United Nations (helping to stabilize rulers by recognizing them) precisely because it also played some of the roles now dispersed among fashion designers, elite schools and universities, and international media companies. Success in this complex social, political, and economic arena came to the successful, not necessarily to the most virtuous, hardworking, or clever; that is, the world economy has not been a particularly moral arena. Slavery, piracy, and sale of drugs have often been much more profitable than the production of food or other staples. Finally, it is necessary to understand both the local specificity of a transaction or event as well as its international context to appreciate its importance.

We eschew a Eurocentric position while also avoiding simpleminded anti-imperialism; that is, Europeans and North Americans were neither especially gifted, nor especially vile. Rather than focusing on just European trade with the rest of the world or concentrating on one area, we look at numerous areas and their interactions. We are telling the story of the ebbs and flows of the world economy, created by people with cultures, not by *homo economicus* or by capital itself. The creation of trade conventions, variations in knowledge and goals, the interlinking of politics and economics, social organization, and culture all are given attention.

The more things we insist are connected, the more impossible it becomes to describe them comprehensively. Rather than attempt the impossible task of covering the development of the entire world economy over six centuries, we have chosen seven central topics around which to organize chapters; what we take to be the major issues and debates relating to a topic are laid out in an introductory essay. Each chapter then contains a set of brief case studies, which are meant to be illustrative, not exhaustive. Often they are based on the insights of other scholars, though a fair number derive from our own original research or our take on lively debates. (We have included a brief bibliography at the end of the book.) Rather than providing the last word on any topic, these articles seek to open up discussion, encouraging people to think in different ways about various parts of our world that we often take for granted or that we assume have always existed and needed only to be "discovered." This in turn leads us to question widely shared (though often implicit) stories of how new ways of making and trading things born in early modern Europe knit together (for better or worse) a world that had previously been composed of separate societies often assumed to have been isolated from each other. Instead, we emphasize that complex cross-cultural networks with many centers already existed: the ways in which they were used, reconfigured, and sometimes destroyed is an essential part of understanding the new networks that came to center on Amsterdam, London, New York, or Tokyo.

The chapters are organized by subjects and chronologically. Thus, we begin with early modern markets and the institutions and conventions necessary for them to function. Then we discuss the role of violence in capital accumulation and market formation. This includes state-directed repression, private initiative, and "outlaws" such as pirates. The third chapter focuses on drugs such as coffee, tobacco, and opium and their contribution to stimulating long-distance trade. Next, we look at the variety of goods that became commodities, from the commonplace potato and corn to the coveted gold, silver, and silk; from mundane but useful industrial raw materials such as rubber to the bizarre ones such as the cochineal bug. Chapter 5 examines the role of transportation improvements in linking up distant markets and intensifying trade. The next section considers features of the modern world economy such as standardization of money, measures, and time; the creation of trade conventions; and corporations. Finally, we discuss episodes of industrialization and—to a lesser degree—deindustrialization.

Kenneth Pomeranz was trained as a historian of China, Steven Topik as a historian of Latin America; each has more recently expanded into writing (for both scholarly and general audiences) and teaching on topics that transcend these regional boundaries. In writing this book, we have allowed each author to present the topics he knows best and to make his own decisions about what to emphasize in the case studies he originally wrote. We have discovered in the chapters themselves a general unity of outlook, which we have tried to systematize in the jointly written chapter introductions, but have not insisted on precise agreement on each point in each article or on a checklist of particular examples that must be included. The result, we hope, is a set of lively vignettes that can be read separately, but which the longer, more synthetic essays reveal to add up to more than just the sum of the book's parts, just as the world economy, while undoubtedly composed of parts worth study in themselves, is more than the sum of those parts. In moving back and forth between the local and the global, the meaning of each is enriched.

We are writing this third edition of *The World That Trade Created* to further expand its geographic breadth and provide more on the twentieth and early twenty-first centuries. We have added two articles on Africa, one on China, two on Latin America, one on Europe, two that span the United States and Europe, and one that involves the United States and Asia. A couple of articles have been pared down and incorporated into a longer comparative piece, and eleven articles were removed to allow us to expand the geographic reach while keeping the book roughly the same size. A portrait of the Rothschilds' international network reflects the transition from ancient régime banking to nineteenth-century private banking houses. This is part of an increased emphasis on services that is also reflected in articles on international bond underwriting and ratings agencies and one on chain retailers. Articles on the gold and silver standard, the rise of Panama as an international center, the transition from coal dependence to oil, the effects of fair trade laws, and the international bond market bring us into the twentieth and twenty-first centuries. Finally, we have revised the epilogue to reflect the changes in the world economy over the last six tumultuous years. One map has been revised and nineteen illustrations have been added.

Chapter 1

The Making of Market Conventions

Humans might be smart, but there is little evidence that we are by nature "economically rational"—that is, that human nature drives people to maximize their independent welfare by accumulating as many material goods as possible. Many of us remember Adam Smith's dictum that it was a basic part of human nature to "truck and barter"—so basic, according to Smith, that this tendency had probably developed along with the ability to speak. Indeed, modern economics has made this a basic principle for analyzing human behavior. But Smith's juxtaposition of trade with speech has an implication that his modern disciples have often forgotten—that trade, like speech, could sometimes serve *expressive* ends. Acquiring a particular good or sending it to others was (and still is) sometimes a way of making a statement about who a person or group was or wanted to be, or about what social relationships people had or desired with others, as much as it was a way of maximizing strictly material comfort. And because economic activities are social acts, they bring together groups of people who often have very different cultural understandings of production, consumption, and trade.

It is certainly true that people have traded things for thousands of years: evidence of the exchange of shells, arrowheads, and other goods over long distances (and thus of geographically specialized production) goes back well before any written records. But in most cases we can only guess at the motives and mechanisms of trade and of the way in which the exchange ratios between different goods were determined. We have evidence that even in ancient times there were some markets in which multiple buyers and sellers competed and prices were set by supply and demand, but also we have a great many cases in which exchange reached a fairly large scale while governed by very different principles. Where supply and demand did set prices, as appears to have been the case, for instance, for many goods in ancient Greece and at roughly the same time in China, the exchange value of goods—what they could fetch in other goods—became more important than their inherent usefulness (use value) or their status. But even price-determining competitive markets were affected by the fact that they were understood to be just one of various ways of exchanging. In the second century BCE, the Chinese emperor held a debate at court about whether the state (and the people, though he cared less about them) were best served by competing merchants or government monopolies over crucial goods such as salt and iron; and though the ruler's decision for monopoly could never be fully implemented even for these goods, the debate reverberated through the centuries, shaping notions of what was and was not acceptable behavior both for unregulated merchants and their would-be regulators.

Everywhere it took a very long time for the concept of prices settled by supply and demand to overcome more traditional notions of reciprocity (equal exchange of goods and favors), status bargaining, which was more ritualistic trading between acknowledged unequals, or Aristotle's notion of a just price, set not by barter in the market but rather by ethical notions of a moral economy, of just exchanges.

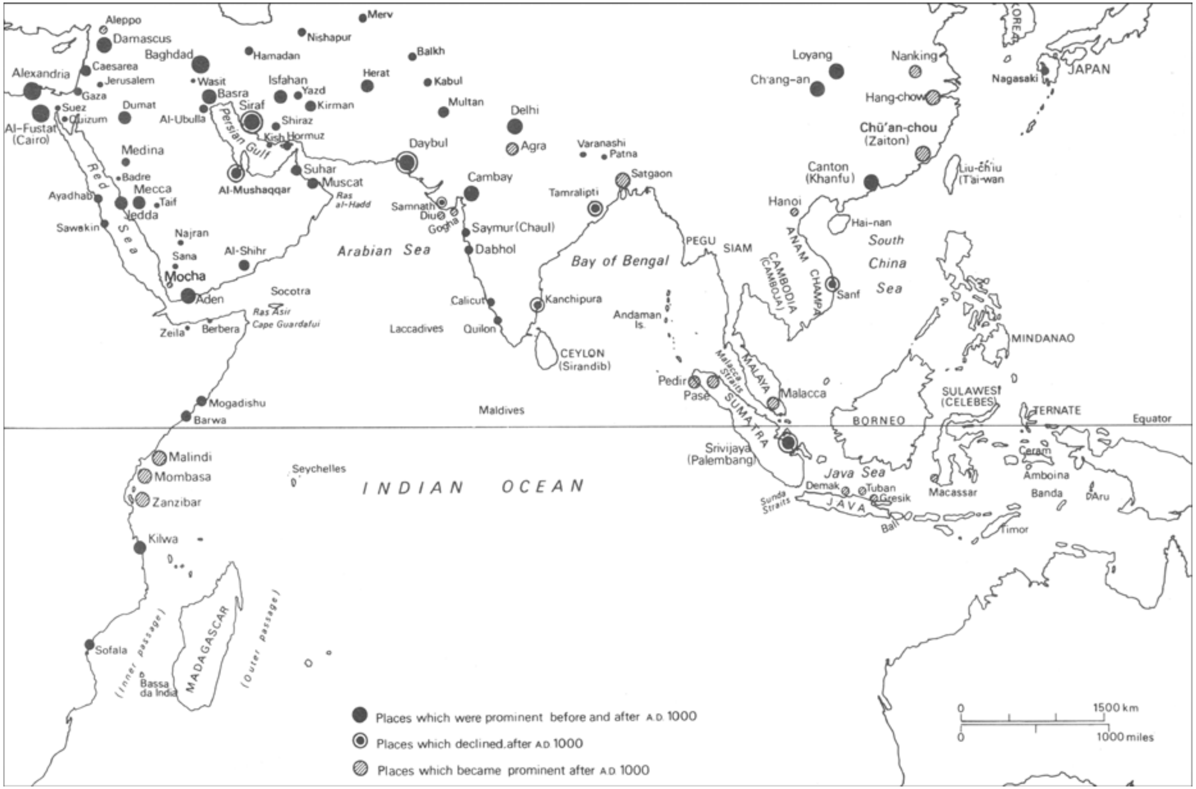
Some people resembled the fleet Ouetaca of Brazil. As we see in reading 1.8 (see page 31), they were what we today unkindly call Indian givers. The chase after the exchange was as important as the actual exchange itself. Both parties mistrusted the other, and there was only a very dim sense of property values.

Others were like the Brazilian Tupinamba, who thought the French traders "great madmen" for crossing an ocean and working hard in order to accumulate wealth for future generations. Once the Tupinamba had enough goods, they instead spent their time, according to a Jesuit priest, "drinking wines in their villages, starting wars, and doing much mischief." And among the Kwakiutl of the Pacific Northwest, giving large amounts of goods away could be either a way of procuring witnesses to one's accession to a new rank (and of outcompeting for that rank people who could not assemble enough goods to give away fast enough) or a way of deliberately embarrassing a rival; but whether the purpose was to proclaim solidarity or hostility, the giver was the winner, and goods were accumulated in order to get rid of them on the right occasion as ritual gifts or Christmas presents.

Even large-scale, interdependent civilizations were often not based on market principles. The storied Incas of Peru knit together millions of people over thousands of miles in a prosperous, strong state that seems to have had no markets, no money, and no capital. Instead, trade was based upon the familial unit known as the *ayllu* and overseen by the state. Reciprocity and redistribution were more guiding concepts than profit and accumulation. The Aztecs and Mayas of Mexico also had great empires that engaged in long-distance trade. The Aztecs (see reading 1.7 on page 29) enjoyed an enormous marketplace in their capital city of Tenochtitlán (today Mexico City), which hosted as many as 10,000 shoppers and sellers at a time. The Mayas, on the other hand, apparently had no local markets in their considerable cities. Both empires traded goods in an area that stretched from New Mexico to Nicaragua, the equivalent distance in Europe from its northernmost to farthest southern point. Yet long-distance trade was completely separate from the local markets of Aztec cities. Long-distance traders dealt in luxury goods as emissaries of their imperial aristocracies. They were essentially state bureaucrats. These sophisticated long-distance traders would completely disappear once their states collapsed and European merchants arrived.

Asia, linked by busy sea networks rather than the difficult overland routes of Peru and Mexico, had much more active private trading. As reading 1.4 (see page 18) demonstrates, diasporas of trading peoples—such as the overseas Chinese, Muslims, and Hindus—joined together an enormous and complex network of commerce (we will return to these trade diasporas shortly). Moreover, the Chinese "tribute system" (see reading 1.2 on page 12) helped provide a framework for trade across vast areas of East and Southeast Asia. Though its primary purposes were political and cultural rather than economic, it helped provide an "international" monetary system, promoted shared luxury tastes across a huge area (making the market big enough for specialized producers to target), created quality standards for many goods, and promoted at least some common expectations of what constituted decent behavior. The leaders of ethnic trading communities (see reading 1.1 on page 10) provided other elements of a shared framework for trade; so did the accumulated practices in certain long-established entrepôts (usually city-states that were convenient meeting places for East and South Asians because of the patterns of the monsoon winds [see reading 2.1 on page 55]). These trading networks were linked to states, but also they had gained a life of their own. Thus, when Europeans finally entered the waters of the Indian Ocean in the sixteenth century and tried to wrest away the trade, they found their Asian competitors resilient. We see in reading 1.4 (page 18) that for a long while Europeans were treated as simply one more competitor who had to be tolerated, but not obeyed. Unlike New World traders, Asians were less dependent upon their states and hence could persist, even thrive, in the face of European cannons.

But saying that Asian trade was more independent of the state than that of the Incas or Aztecs does not mean that it operated in a purely economic realm outside politics and culture. On the contrary, even "merchants" often derived more profit from state concessions and monopolies than from clever entrepreneurship. Muhammed Sayyid Ardestani (see reading 1.12 on page 41) amassed a huge fortune as a tax farmer and a contractor for government purchases. The importance of good relations with government officials was obvious even to the representatives of the English East India Company (see reading 1.13 on page 44). In order to impress the Indian princes with whom



Map of trading ports and cities in the Indian Ocean, 618–1500. *(Adapted from K.N. Chaudhuri,* Trade and Civilisation in the Indian Ocean: An Economic History, *1985)* they dealt, agents of the company spent lavishly to maintain themselves in the lifestyle of local princes and made frequent shows of military power. Being a successful trader required spending as much as accumulating: minimizing costs was not a consistent high priority.

Success for many Europeans in Asia also demanded intermarrying with the local population. Agents of the Dutch East India Company took Malay, Javanese, Filipina, and especially Balinese wives (see reading 1.10 on page 36) to implicate themselves in the local market and society. Even though the British and Dutch agents represented some of the first modern capitalist enterprises organized as joint stock companies, they relied on the traditional means of business alliances: marriage. But while a high-level European marriage generally linked two "houses" in which males controlled the capital and managed the business by exchanging a woman—almost as if she were a trade item herself—in Southeast Asia it was often the bride herself who had the liquid funds and the business acumen (her aristocratic male relatives considered themselves above such haggling). Some European men were delighted to get a domestic partner and a business partner in the same person; many more seem to have found the independent spirit of these women irksome. But for a long time they had little choice but to adapt if they wished to prosper. In fact, the European sojourners often indirectly reinforced the importance of these women even while they (and the missionaries who accompanied them) complained about it. Not being used to the tropics, these men tended to die well before their "local" wives; with inheritances in hand, these women then had even more bargaining chips for their next venture or next marriage.

Europeans had to "go native" in the first centuries of contact because of their own weakness and because of the variety of local laws and traditions that governed commerce. A diversity of states, religions, and trade diasporas and no agreed-upon commercial law left room for violent disputes. As we see in reading 1.11 (page 39), the intensification of trade in the sixteenth and seventeenth centuries led to greater contact and increasing agreements on trade conventions. The spread of Islam also provided an ethical basis for conflict resolutions. But a convergence of practices was not inevitable. In fact, a depression in the late seventeenth and early eighteenth centuries led to a reversal of the trend, at least in what is now Indonesia; commercial customs again became more local and disparate.

Moreover, "native" was a relative term. The typical Asian port housed Gujaratis, Fujianese, Persians, Armenians, Jews, and Arabs, just as European trading centers housed separate groups of Genoese, Florentine, Dutch, English, and Hanseatic merchants. Only the most nearsighted European could fail to see that these groups differed. (The greatly increased power of Europeans in the nineteenth century encouraged such myopia and allowed more Europeans to get away with it, but earlier traders, lacking the aid of a colonial state, could not survive if they were that obtuse.) The individuals who made up these trade diasporas may have expected to leave someday, but the accumulated knowledge, contacts, and ways of operating that each group created was much more enduring—sometimes more important and lasting than the laws of the supposedly rooted local authority.

Under the circumstances, it is not surprising that trade diasporas remained the most efficient way of organizing commerce across much of Afro-Eurasia and the Americas until the nineteenth century, as they had been for centuries. Trade diasporas made sense from many points of view. In an era when contracts could be hard to enforce, especially across political boundaries, it helped to deal with people who came from the same place you did. You were likely to understand them better than you did strangers: not only did you speak the same language, but you shared an understanding of what was good merchandise, of when a deal could (and could not) be called off, and of what to do in embarrassing but inevitable situations such as bankruptcy or accident. If you traded with somebody with whom you did not share these understandings, you ran a higher risk of trouble, including having to deal with the culturally alien, sometimes arbitrary, principles of the local ruler's courts. And in case your trading partners were tempted to cheat you, it helped that their relatives and yours lived near each other. If worse came to absolute worst, there were people to take your anger out on, but more often a shared home base enforced honesty in a less physical way. Somebody who eventually hoped to return home, to inherit his parents' business or to marry his children to members of other elite families in his home territory, would think twice before hurting the reputation of his family back home. The same principles not only kept traders abroad—two Gujaratis doing a deal in Melaka, for instance—honest with each other; it worked even better to keep either one from enriching himself at the expense of his partners or employers back home. One practice used by Fujianese in early modern times drew particularly heavily on social rank at home to enforce honest dealings abroad. Great merchant families often sent their indentured servants off to manage their most far-flung business interests, especially in Southeast Asia. (Among other things, they may have wished to keep their actual sons at home—for company, for safety, to maximize the chance of grandchildren, or to protect the family's other interests by managing their land or training to become government officials.) The servants understood that only if they returned home having done well would they be given their freedom, adopted into the family as a son, and furnished with an elite bride selected by their new parents. Until they succeeded, there was not much point in going home.

The rulers of port cities also found it convenient to have trade handled this way. Concentration of wealth in the hands of aliens was less threatening than concentrations of wealth in the hands of, say, local aristocrats who might have the right blood and connections to make a bid for the throne; and if many of the aliens came from the same place, they could be assigned to keep each other orderly. Even Stamford Raffles (see reading 2.6 on page 66), who saw himself as a child of the English Enlightenment and professed a belief in the rule of law, not men, found it convenient to organize Singapore (which he founded in 1819) as series of separate ethnic quarters, with a few leading merchants in each quarter responsible for governing according to the customs they were used to. Twenty-five years after that, the founders of the International Settlement in Shanghai initially imagined an all-white settlement where they would rule only themselves; it took a civil war, which brought wealthy Chinese refugees who sent rents soaring, to trump the desire for racial separation and create a mostly Chinese community under Western rule.

In the best of all possible worlds, a ruler might even convince a key figure in a trade diaspora to pay a handsome sum to be named "captain" over his ethnic fellows: if the ruler chose the right person, he got revenue, a grateful (and wealthy) follower, and good government in the merchant quarter at no cost to himself. With so many advantages, trade diasporas remained an indispensable way of organizing trade until full-fledged colonial rule (and with it Western commercial law) was established across much of the globe in the nineteenth century. Even then—and in fact today—such networks remain an important part of global trade. Condemned by much of Western social theory as nepotistic, irrational, "traditional" (and thus hostile to innovation), groups of Fujianese, Lebanese, Jews, and Armenians continue to organize trade through ethnicity and to compete successfully with allegedly more rational ways of doing business. When the past thrives in the present, it is a sure sign that reality is more complex than the blackboard diagrams of either economists or sociologists.

Even when distant areas conformed to European standards of law and values, many other impediments stood in the way. Reading 1.9 (see page 34) reveals the difficult business conditions for an English merchant in Brazil in the years right after its 1822 independence. By this time, European military power was far greater, allowing Europeans to force some reluctant people (and their land and goods) into the kind of market they wanted. Moreover, Europeans had made a quantum leap in methods of producing some goods (such as cloth) at low prices, allowing them to trade on very favorable terms with anyone who wanted those goods. Meanwhile, conventions of trade (and ways of thinking about trade), which fit well with our notions of profit maximization, had come to the fore in Europe, so that Europeans had a much clearer idea of what market conventions they wished to impose in Brazil and elsewhere. Even so, the creation of a world economy was far from finished.

Just how far will become clear in Chapter 6, which describes the institutions of *modern* world trade.

1.1 The Fujian Trade Diaspora

Any trader knows that personal contacts matter. But before the age of telecommunications, enforceable commercial codes, and standardized measures, it was even more important to have some nonbusiness tie with your partners, agents, and opposite numbers in other ports. So all over the world, trade was organized through networks of people who shared the same native place—and thus a dialect, a deity (or several) to swear on, and other trust-inducing connections. Genoese, Gujaratis, Armenians, Jews (though for the latter the shared "native place" had long been lost), and others fanned out across the world and linked its cities to each other.

The Fujianese diaspora, based on China's southeast coast, has been among the largest and most durable of these. (In 1984 Fujian's Pujiang county had just over 1 million residents—and over 1.1 million known descendants abroad.) It also has an unusual feature. While most of the other trading diasporas were purely urban, Fujian also sent millions of its children to clear land and grow crops elsewhere: from the Chinese interior to Southeast Asia, the Caribbean, and California. Yet oddly enough, the two diasporas had little to do with each other until the late nineteenth century, and then largely under the aegis of Western colonialists.

Fujian has long been crowded and rocky, so that, as one Chinese official put it, "men have made fields from the sea"; it has been a center of boatbuilding, fishing, and trade for over 1,000 years. Even after deforestation forced boatbuilding to move to places like Thailand, Fujianese remained the principal shippers and traders of Southeast Asia: many also became tax collectors, harbor masters, and financial advisers in the region's kingdoms, and later in Europe's colonies there. As transportation improved in the nineteenth century, the networks extended further—most of the Chinese who came to gold-rush California, for instance, came *not* from the counties hardest hit by poverty and violence, but from counties in Fujian and neighboring Guangdong whose commercial networks gave their sons access to superior information and start-up capital for venturing abroad. The firms that managed these overseas activities were usually organized on family lines and used those connections strategically. The opportunity to return home to a carefully selected bride was often used as an incentive to make a sojourning family member produce and remit a certain level of profit; some young men without families were entrusted with difficult ventures and told that their adoption would be formalized when they returned successful. Lineages often specialized in particular lines of trade and passed on valuable techniques to their members; and affection and loyalty made the sometimes vague boundary between personal and firm assets much less important than it might otherwise have been.

Meanwhile, Fujian also produced agricultural migrants who fanned out across both China and Southeast Asia. Here, too, the home base's resources could help in getting started, and important skills could be transferred to new locations. Fujian has grown sugar for hundreds of years, and Fujianese brought the crop (and/or new ways of growing it) to many new places: Jiangxi and Sichuan in the Chinese interior, Taiwan, Java, and parts of the Philippines. Indeed, Fujianese were so known for their skill in growing sugar that Europeans deliberately sought them out as sugar-growers for their plantations, from Sri Lanka to Cuba to Hawaii.

Where Fujianese farmworkers went, a few Fujianese merchants usually followed—providing retail goods (including the right kinds of rice and condiments, and sometimes opium), credit, and help in sending money back home. But given the strength of Chinese merchant groups in Southeast Asia, the vast undeveloped tracts of potential farmland, and the crowded conditions back home, what is striking is that the two diasporas were not more tightly linked—in particular that Chinese merchants very rarely tried (except on Taiwan) to develop overseas farms with labor from home. As early as 1600, Chinese Manila was as big as New York or Philadelphia would be in the 1770s, and there was plenty of unused farmland nearby—but no significant rural Chinese settlement. Why?

One simple but important factor was that the Chinese state would not support such ventures. It appreciated that commerce helped keep South China prosperous, but distrusted those who would leave the center of civilization for long. The compromise was a ban on people staying abroad for more than a year—a mere inconvenience for merchants (who sometimes had to pay bribes to return after two trading seasons), but a very strong deterrent for farmers, who would have to stay abroad much longer before their travels paid off and they could return home rich (as sojourners generally hoped to do).

Just as importantly, the Chinese state's indifference to colonization meant that its subjects overseas had little security. Anti-Chinese violence was not infrequent, and though the Qing occasionally made gestures in support of their "good" subjects who were abroad temporarily, they would not even do that for "bad" subjects who had been gone longer. The best security for Chinese overseas was the ability to run and/or make payoffs—both much easier for a relatively liquid merchant than for even a very successful farmer.

Not only was the Chinese state unwilling to flex its muscles to provide law and order for its subjects abroad, it would not help merchants do so themselves. European countries, of course, licensed private companies (the East and West India Companies, for instance) to themselves use force, conquer overseas areas, provide government, and move in settlers; and some Chinese merchants—such as the Zheng family, whose seventeenth-century empire extended from Nagasaki to Melaka—had the skills to do that, too. What they did not have, though, was any incentive. European companies that bore the high start-up costs of creating a colony could recoup those costs because they had a guaranteed market back home for whatever exports they could generate: tobacco, sugar, and so on. Even when high taxes and profit margins were tacked on, the goods faced very little competition in Europe: revenue-hungry governments gladly kept out other countries' colonial exports, and climate and geography decreed that there would be no home production of sugar or tea. But the Chinese state was under less pressure to increase its revenues—it had no neighbors of comparable might, and it ran big budget surpluses through most of the 1700s. Even if it had wished to work with overseas merchants to create a stream of heavily taxed colonial imports, it would have found this difficult: China had tropics within its borders and grew plenty of sugar and other overseas goods. Faced with domestic competition, people exporting back to China could not charge spectacular markups—and so had no reason to risk lots of money starting overseas settlements that would eventually increase their supplies.

Things changed after 1850, when European colonial rule became more secure and demand back in industrializing Europe soared. Then a new generation of overwhelmingly white investors took the steps to match sparsely populated tracts of the tropics—from the newly drained Mekong Delta to Hawaii—with vast numbers of Chinese (and Indians) whose good farming skills were available cheap since they had so little land back home to farm. Fujianese traders were involved again—as labor recruiters, grocers, pawnbrokers, writers of letters home—but not as the prime movers and not as the people who profited most from the sweat of their countrymen. Having lost the chance to create new "homelands" for themselves, these two Chinese diasporas would both spend the next century as essential but underpaid helpers of those who were aggressive enough to do so—for a while.

1.2 The Chinese Tribute System

When nineteenth-century Europeans came banging on the gates of China, one of their most vociferous demands was the abolition of the "tribute system," in which foreign trade was licensed as part of an elaborate set of diplomatic exchanges in Beijing. While part of their hostility was due to the way in which tributary diplomacy was symbolically different from diplomatic exchange among equals—John Quincy Adams even claimed that the demand that foreign diplomats kneel was "the true cause" of the Opium War—they also ridiculed the tribute system for forcing the practical matters of trade into a straitjacket of ritual. To a nineteenth-century Western European, convinced that humans naturally sought economic gain above all, no further proof could be needed that China stifled normal human impulses and would be better off if it was "opened up" to laissez-faire—even by violence.

But were pomp and pragmatism really at odds in the tribute system? A closer look shows that they complemented each other—but only once we recognize that economics is always embedded in cultural and social practices.

For the Chinese court, "foreign" and "domestic" trade were not distinguished in the same way as today. Their world was not one of sharply separated sovereign nations, each with its own laws, customs, and relatively stable boundaries. Instead, they saw one true civilization—their own—which was based on principles appropriate to all people, wherever they came from, and one ruler—the Chinese emperor, or "son of heaven," who represented all humanity before the heavens. Those who were ruled directly by the emperor and by officials he hired and fired composed an inner circle of humanity; they paid compulsory taxes, though they might also offer (theoretically) voluntary "tribute." Those who lived under partially assimilated native chiefs or kings (even if they occupied the hill country in China itself, with Chinese settlements and military garrisons in the valley all around them) and followed at least some customs and laws of their own constituted a second circle: their representatives brought tribute frequently, and private trade in virtually any articles was encouraged as well. A further circle of less assimilated rulers brought tribute less frequently, received fewer gifts in return, and had more restrictions on their private traders. An outermost group of "barbarians" who did not pay even lip service to Sinocentrism was excluded from the tribute rituals entirely; they were either allowed very limited trading rights at one or two specific border spots (the British at Canton in the eighteenth century, the Russians at Kiakhta) or traded indirectly by having their goods included in the tribute offered by somebody else. (Portuguese goods, for instance, might be purchased by a Siamese ruler and included in his tribute offerings.)

By exchanging gifts with these emissaries, the emperor confirmed his approval of them as rulers, but also he made clear who was the superior and who was the inferior in this relationship. The foreign emissaries, even if they were kings themselves, bowed to him, but not vice versa. Moreover, the nature of the goods exchanged was heavy with symbolic importance. The goods foreigners presented were supposed to be exotic and were valued more for what owning them said about the emperor than for any use value: by including exotic animals in their zoo, for instance, Ming rulers reinforced their claims to universal overlordship. The goods given by the emperor in return were symbols of refinement and civilization: books (especially the Confucian classics), musical instruments, silk, porcelain, paper money (a uniquely Chinese product for several centuries after its creation in the 1100s), and so on. Many were most useful to the rulers of tributary states as gifts that they could give to their followers, creating clients and reinforcing their right to rule by reminding other aristocrats back home that they were the ones with a special pipeline to the court that defined elegance for much of the world.

Clearly, then, the design and basic dynamics of the system came from concerns about culture, politics, and status, not about profit maximization. But at the same time, the system defined the ground rules for a vigorous trade. When the Qing rewarded Siam's "civilized behavior" in shipping rice to Canton (rather than a frivolous good such as sugar, much less opium) by expanding tribute trade (which was more profitable for the Siamese than the rice shipments), they were rewarding political loyalty—but also they were keeping South China food prices down.

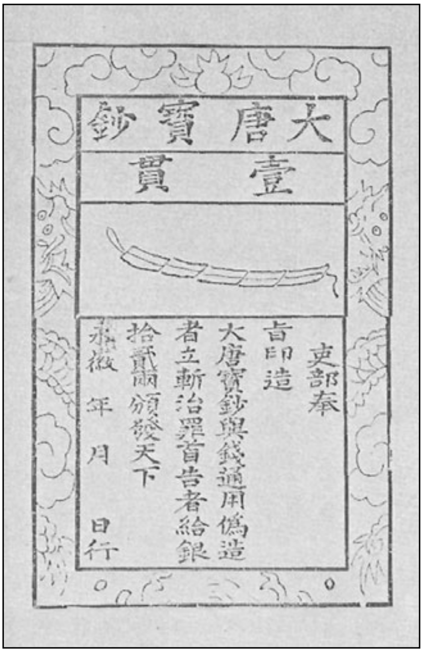
When we look closely at the tribute missions themselves, moral order and economic profit prove to be linked in many ways. Not only did merchants accompany the tribute mission, bringing trade goods that they could sell privately while in Beijing; even gifts from the emperor were often quickly recycled. (Indeed, Chinese traders joined some foreigners in complaining that the court did not give the foreigners enough gifts; they knew well that it was a portion of these gifts, quickly off-loaded for cash, that gave foreigners the wherewithal to buy other Chinese goods.) And the tribute exchanges established value for many Chinese goods, making them valued luxuries abroad *because* they were the sorts of things that emperors gave.

This applied not only to things like ivory chopsticks (even in countries where people ate with their hands), but to money itself. When Chinese governments printed too much paper currency (as they often did), the tribute-bearers who were given some had little to gain by swapping it for goods within China; but back home it still had cachet, and so value (even if that value was unrelated to what denomination was printed on the currency). So was somebody who brought his paper currency home chasing a useless status symbol, or was he, like any good trader, simply not disposing of it where there was already a glut? And was the man who carried silk home that different? True, printed Chinese silks could be worn, unlike paper money, but also they were—like paper money—an acknowledged store of value that was almost as hard to counterfeit then as a greenback is today; and they were also a status symbol, even if one never wore them. So silks became both the fabric of the elite and a form of money: in many areas one could (or even had to) pay part of one's taxes in silk. (Until roughly 1600, this was true in China itself—and Ming rulers often used a substantial portion of this silk to buy peace with the Mongols and other potential invaders.) So the tribute system—which so clearly subordinated economic gain to other priorities—at the same time helped define a vast common market, giving it its currencies, defining tastes that helped create markets worth producing for, and creating the standards (both of fashion and of behavior) by which its elites recognized in each other the people they could deal with without either lowering themselves or running too much risk of default. Today, we may have dispersed those functions among many seemingly unrelated players—from the International Monetary Fund to Yves Saint-Laurent—but we have not dispensed with any of them. When they were centralized in Beijing, the tribute trade was no less commerce for being ritualized—and no less ritualized for being commerce.

1.3 Funny Money, Real Growth

Endless books have been written about the dangers of governments printing too much money. But for centuries the opposite problem was just as common: governments often could not mint enough coins (or the right coins) to meet their subjects' needs. When currency famine struck one of the most dynamic premodern economies—that of Tang (645–907) and Song (960–1127) China—it spawned innovations that ranged from coins made of lead and pottery, on the one hand, to the world's first paper money, on the other. Surprisingly, the awkward coins survived longer than the modern-sounding paper money. Therein lurks a surprising lesson: a single convenient currency is not always what a complex economy needs.

The basic problem was simple: "medieval" China's economy was growing and commercializing too fast for both its political institutions and its metal supply. The Chinese had used copper, bronze, and (more rarely) gold coins for centuries, but the dizzying speed of economic change meant that too many exchanges were happening for the supply of coins. The eleventh century alone saw a twentyfold increase in the annual output of government mints, plus lots of private coinage—and it still was not enough. Lead and iron coins were used locally where those metals were plentiful, despite their inconvenience; and silk, tea, and other luxury commodities were regularly used as "money" for large transactions. Then, to avoid the costs and hazards of transporting commodity "money," both tax collectors and long-distance traders began printing commodity-based notes: thus somebody delivering, say, salt to Hangzhou could receive not silk or copper to take home, but a piece of paper that could be exchanged for silk or copper once he got home. Then the government—concerned about the confusion, fraud, and high transaction costs created by the wide variety of moneys—began issuing more notes of its own, making them exchangeable for *any* commodity, and insisting that mer-



Examples of paper money from the Tang and Northern Song dynasties.

chants use those notes instead of printing others. By 1024—centuries before anything comparable in the West—we find Chinese governments printing recognizable paper money.

Just one more step—issuing standard notes in small denominations to replace most of the varied mass of coins—would have created the kind of currency system we are used to. So why did not this happen? The problem was that "money" had at least three distinct functions in this period, which often clashed. It was the way of settling accounts for large, long-distance transactions: forwarding taxes from the provinces to the capital, provisioning armies, and buying rare luxuries. It was the essential lubricant for the millions of small daily transactions in a society far more market-driven than the Europe of its day. And, as something that the Chinese made more skillfully than others in East and Southeast Asia (who trailed in both printing and minting technology), it was an export good in high demand.

Paper money was ideal for large-scale domestic trade and made considerable headway against coins of all sorts. High-quality copper (and some gold) coins were good to export, since foreigners could test their reliability more easily than paper and remint them if they chose. As a result, paper, gold, and copper shared a tendency to disappear from *local* circulation—

especially in areas that imported necessities (such as salt) from elsewhere in China or had trouble meeting their tax bills. Those areas suffered frequent liquidity crises and adjusted by minting whatever was at hand. In fact, for such areas, very awkward currencies—lead, iron, pottery—were actually ideal; since it would not be very profitable to carry such bulky currencies away, it was better for merchants who sold in these markets to take home commodities. Thus "junk money" not only ensured that there would be some money around to fuel local circuits of exchange in poor areas; it also provided a hidden subsidy to the "exports" those areas needed to balance their "imports." (In areas that exported necessities like salt, "bad" money was not needed and seems to have been much less common.) So while one reformer after another sought to curb these local moneys, it was no accident that none ever succeeded—and it would have been disastrous if they had. Instead, sophisticated markets developed in which local currencies could be exchanged for more standard moneys, but only in limited quantities—a solution that balanced the needs of a huge interdependent economy with the protectionist needs of poorer localities.

In the long run, paper money proved more vulnerable than clumsy coins. Since paper was supposed to be trustworthy enough to circulate over huge distances, periodic printing press inflation compromised its usefulness much more than overminting damaged local currencies. And as the currency designed for large, long-distance transactions, paper money became far less useful when political disruptions—particularly the wars that accompanied the collapse of Mongol rule in the mid-1300s—obstructed long-distance trade. Long-distance trade recovered and then reached new heights in the 1500s, but by then a new medium of exchange was available: silver, which came first from Japan, Vietnam, and Burma and then, in unprecedented amounts, from the New World. For the next 300 years, perhaps one-third of the world's silver production found its way into China's money supply, joining but not replacing other local coins, while becoming the standard for long-distance trade. Meanwhile the rest of the world enjoyed silks, porcelain, and other goodies they could not have purchased had China's experiment with paper money not proved abortive.

Only after the nineteenth-century opium trade reversed this silver inflow did the Chinese government return to printing paper money. And as poorer areas once again found silver and copper scarce, bronze, iron, and other local coins again proliferated, much to the dismay of foreigners. But what Westerners thought was monetary chaos permitted by a government that had never cared enough about trade to create a reliable currency was really something very different: the return of mechanisms that mediated the many levels of a complex economy in a way that no one currency could do.

1.4 When Asia Was the World Economy

Every schoolchild knows that Columbus was looking for India when he stumbled upon the Americas. But the Portuguese actually reached India by sea in the 1490s. And while they did not overwhelm the societies they encountered as the Spanish did in the New World, they did help to undermine a vast commercial system centered on the Indian Ocean.

This Asia-centered world economy had been taking shape since the rise of Islam in the seventh century. As the first Arab converts conquered much of the Byzantine world (especially Egypt and Syria) to their west and the Sassanid lands (Iran and Iraq) to their east, they laid down few economic rules; both the converted and unconverted (mostly Jewish or Christian) traders of Cairo, Damascus, Baghdad, and Tashkent continued business as usual. The conquest meant that a single power, the Islamic caliphate, could guarantee safe passage between two worlds—the Mediterranean and the Indian Ocean—separated since the decline of Rome.

As later generations extended the Islamic conquests from Spain to Somalia, West Africa, and Java, the networks of Hindu and other traders were welded to those of the West and Near East. Commerce boomed. At the edges of the empire, merchants dealt with a still larger world. Traders bought Chinese porcelain and silk in Canton and Malaysia. Europeans shipped Indonesian spices via the Red and Mediterranean Seas. From eastern Europe, Turkey, and sub-Saharan Africa came other crucial imports: gold (principally for coining money), iron, timber, and slaves both white and black.

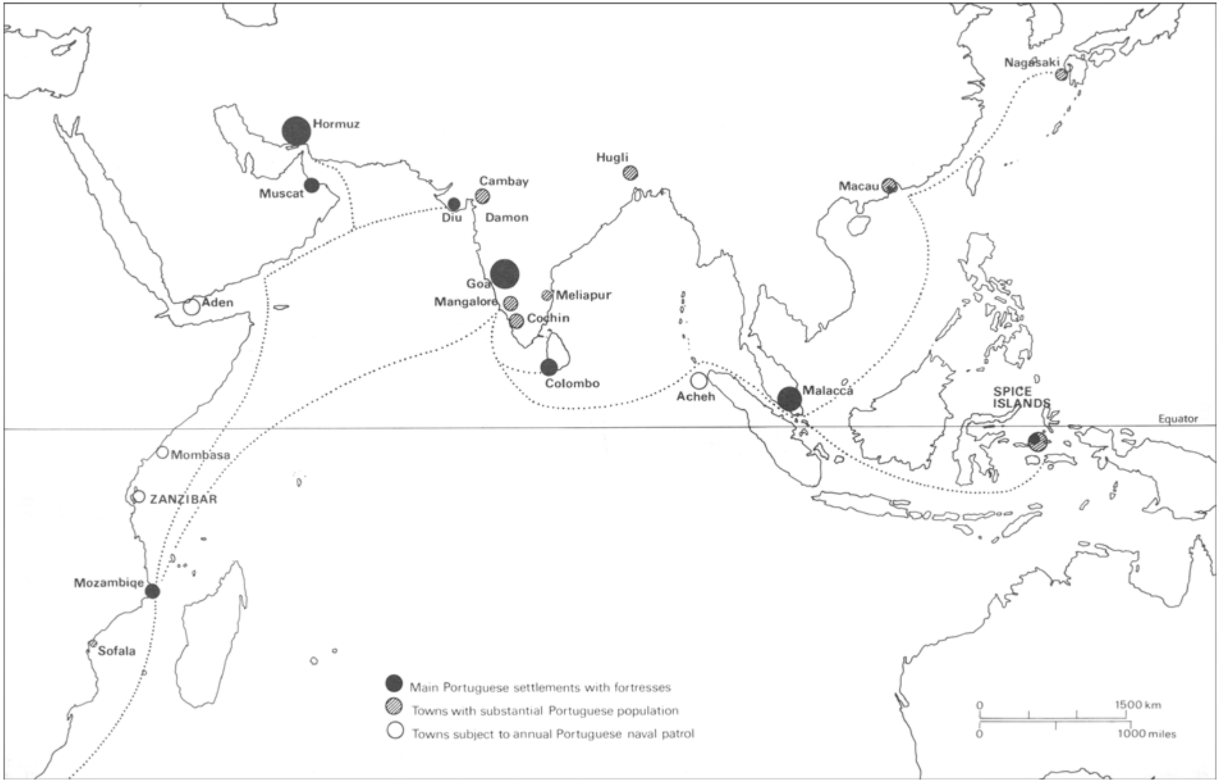
The limited unity that the caliphate created—particularly in currency—was essential to this burgeoning trade. So was the urban elite's insatiable demand for exotica. But the looseness of Islamic rule was even more important: as long as tribute was paid, local rulers were allowed to do much as they pleased. Most rulers allowed traders of all faiths to move freely from port to port. Wars were frequent, but usually limited to land, while the seas remained open. Merchants who encountered problems in one port simply moved to another. Piracy was common, but manageable. Merchant groups, often organized on ethnic or religious lines, maintained insurance funds to ransom any members captured at sea. Kidnapping became so pervasive a business pursuit that, in the 1200s, a standard ransom rate prevailed throughout the Mediterranean.

Within this cosmopolitan world, businesses spanned vast areas. The letters of one group of Jewish merchants, found centuries later in a Cairo synagogue, reveal a family firm with branches in India, Iran, Tunisia, and Egypt. Moreover, a complex international division of labor developed: the soldiers who resisted the Crusades wore chain mail from the Caucasus and carried steel swords smelted in India from iron mined in present-day Tanzania. Not only luxury goods, but bulky necessities such as flour and firewood were exchanged across huge distances. The density of exchange also favored the worldwide diffusion of knowledge and products. Rice-growing, which had spread slowly from eastern Asia to India and parts of Mesopotamia, was now adopted in Egypt, Morocco, and southern Spain; sorghum spread from Africa to the Mediterranean. Cotton was introduced from India to Iraq as early as the 600s; from there it followed the trade routes to Syria, Cyprus, Sicily, Tunisia, Morocco, Spain, and eventually to the Nile Valley. Islamic trade routes brought papermaking from China to Europe and Greek medicine back into a Europe that had lost it.

By the time the Portuguese arrived, this system was already in trouble. Invasions, ecological problems, and revolts by slaves, overtaxed peasants, and the urban poor had led to economic contraction and fragmentation. Yet the volume of trade was still enormous, and the basic rules by which it was conducted still held. The Portuguese government was the first to attack the principle—common throughout the region—that the sea belonged to no one, and the first to use force to redirect trade. Within twenty years of sailing into Asian waters, the Portuguese created forts at two of the three places where major westbound trade routes could be blocked: Malacca, in the straits that connect the Indian and Pacific Oceans, and Hormuz, at the entrance to the Persian Gulf. (They failed to take Aden, at the mouth of the Red Sea, but succeeded in blockading it during the annual sailing season.) They also built numerous coastal forts, mostly in India. They claimed a monopoly in the pepper trade and the right to board or sink any ship in the hemisphere to which they had not issued a pass, or *cartaz*. The *cartaz* was cheap, but the buyer also had to agree not to trade in certain commodities and to boycott certain ports.

Portugal's pretensions far exceeded its power. Portuguese settlements were always vulnerable because they were not self-sufficient. Indeed, most survived only because they were obviously too weak to threaten major land powers; thus nearby kingdoms felt free to feed the Portuguese in return for *cartazes* and safety at sea. And though Portuguese ships dealt harshly with those whom they caught violating their monopoly—sinking ships, bombarding ports, and burning crops—they could not truly rule the ocean.

By the middle 1500s, the counterattack began. The sultan of Acheh led an offensive on land and sea, reopening the Red Sea trade routes in the 1540s with the help of Indian merchants, and besieging Malacca (with Turkish help) over and over in the late 1500s. Before long, more powerful Europeans appeared: the Dutch and English. By the early 1600s, the Portuguese Empire in Asia was in irreversible decline. But the age of mercantilism, trade wars, and a Europe-centered world economy was just beginning.



Map of the Portuguese empire in the Indian Ocean, ca. 1580. *(Adapted from K.N. Chaudhuri,* Trade and Civilisation in the Indian Ocean: An Economic History, *1985)*

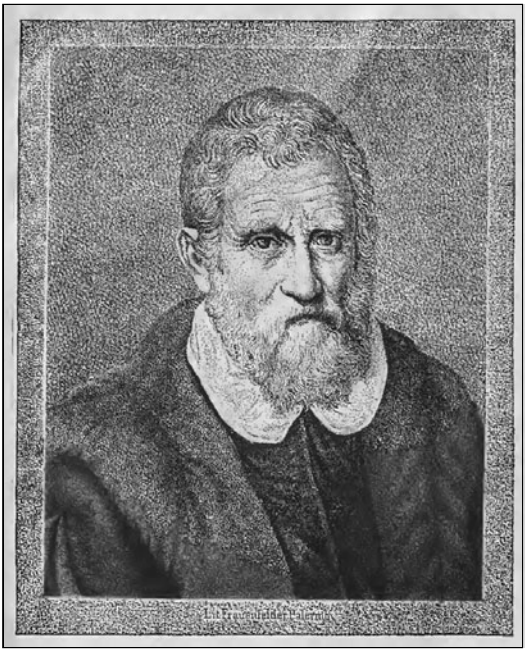
1.5 Treating Good News as No News

Imports from Asia to Europe date back to Greek times, if not earlier. The writings of Roman moralists contain diatribes against patricians "wasting" valuable gold and silver to clothe themselves in Chinese silk. Most people today associate East–West trade before 1500 with one name above all: Marco Polo (1254–1324), the Venetian trader who spent twenty-five years in China and other parts of Asia. To his contemporaries, Polo seemed more a crank than a trailblazer. Undoubtedly Polo, his father, and his uncle had done something right while in Asia, since they returned with enormous profits, but too many of Polo's stories clashed with European preconceptions for him to be believed.

Polo's *Travels* are today the most famous account of international trade ever written. They have gone through hundreds of printings and have been the basis of movies; a recent list of scholarly studies runs 354 pages. Most of what Polo told his readers about China, Persia, Sumatra, and elsewhere has since been substantiated. (He was less reliable about Japan, Java, and other places, for which he relied on hearsay.) But for a long time his accounts were treated less as a medieval Fodor's than as fantasies.

Polo told his stories to his cellmates after he was captured by Genoa in one phase of its centuries-long war with Venice for commercial and maritime dominance; and it was one of these fellow prisoners, a professional writer of romances, who wrote out and published the *Travels*. For a good 200 years thereafter, Polo's *Travels* were usually classified as romances as well. Beginning shortly after Polo's death, carnivals in Venice featured a clown named "Marco of the Millions" (a nickname for Polo himself) who amused the crowd by telling increasingly outrageous stories; "a Marco Polo" became a proverbial English expression for lies. Meanwhile, the "travel diaries" of John Mandeville, a fourteenth-century scholar who never left Europe, went through far more editions and were far more widely believed, even well beyond the days of Columbus and Magellan. Though Mandeville carefully borrowed accurate accounts from numerous other travelers (including Polo), he also borrowed much well-worn nonsense: eighty-foot-tall cannibals, giant ants that mined gold for their human master, and so forth.

Why the credibility problem? The question is even more puzzling because earlier Europeans had known much of what Polo's contemporaries would not believe. Though Europe had traded with East Asia for centuries, it had always been done through intermediaries, and political changes had made the European role increasingly marginal. After the collapse of the Eastern Roman Empire and the rise of Arab and Persian power, the amount of silks and spices moving by land across Central Asia had declined; instead, these goods



An artistic depiction of Marco Polo.

moved by land and sea to Alexandria. From the tenth century on, Venice had obtained a virtual monopoly on the transshipment of spices from Alexandria to Europe and thus had no interest in seeing other Europeans develop alternatives to Alexandria. (This intimacy with Arab traders made the Venetians something of an exception in the age of the Crusades; when they went so far as to begin their contracts with the Egyptians with "In the name of God and Mohammed," the pope drew the line. Few Venetians stopped making such contracts, but many atoned on their deathbed by willing their profits to the Catholic Church.) It was only with the consolidation of Mongol power in Central Asia that the northern trade routes reopened, bringing Polo and other Europeans back into Central Asia for the first time and into direct contact with China for the first time ever.

Thus, many of the physical wonders Polo described—such as the Baku oil fields in present-day Armenia—had been used by the Romans; however, the use of oil for heating had lapsed with the empire and did not return to the Mediterranean until the 1700s. (Petroleum-based bombs had also been used in war, but had been banned as inhumane in 1139; the ban was largely obeyed until napalm made its appearance in the twentieth century.) Few people knew this in Polo's day, and his accounts of wonders like the black stones that could be burned for heat (coal) struck many as implausible. However, the greatest doubts were reserved for his stories of life in China, which had become the heart of the Mongol Empire.

Europeans certainly knew of Mongol military power, since the armies of Genghis Khan had conquered as far as Poland and Hungary before turning back in 1222 (due to a succession crisis at home). European traders and missionaries had encountered dependents of the Great Khan ruling many parts of India, Persia, and Central Asia; after the slaughter that accompanied the early Mongol conquests, most of Asia lived relatively peacefully under their rule, allowing the Polos and others to revive land-based commerce. But to most Europeans, the fabled eastern land of wealth and wonders was India; they were simply unprepared for the wealth and sophistication that Polo reported in China. Tales of cities of perhaps 2 million people (Quinsay, or present-day Hangzhou); a canal over 1,000 miles long; and an economy that ran on paper money were simply too much for Polo's fellow Venetians (who had just built their first mint in his absence) to believe.

Most confusing of all, though, were probably Polo's claims that public safety and commercial honesty were far better maintained in China than in Europe, without Christianity as a basis for morals. Europeans had long believed that a fabulously rich quasi utopia existed in the Far East, founded by an itinerant Christian named Prester John, but a non-Christian kingdom as excellent as Polo's version of China was something else again. (The Prester John story died hard, even after Polo and other European travelers debunked it; before long, common belief simply moved this utopia to uncharted parts of Africa.)

Some merchants and missionaries did follow Polo to China, drawn to a field where (unlike in India) they faced little Muslim competition. But the opportunities Polo described did not last long. Within a generation of Polo's death, the Mongol Empire was breaking into separate warring states, the trade routes across Central Asia became treacherous again, and several of the great cities Polo had seen on his way across Eurasia all but disappeared. In China the Ming dynasty reestablished order, but on a far less cosmopolitan basis. As outsiders themselves, the Mongols had been perfectly happy to deal with other non-Chinese; Polo himself had served Kublai Khan during his stay in Asia. The Ming dynasty saw no need for foreign officials and before long was taking steps to restrict many kinds of foreign contact.

Between European blindness and Asian tumult, Polo's *Travels* seemed destined to remain more a curiosity than a business guide. His fellow Venetians even ignored his notes from a stop he made in Sumatra on the way home; this, he noted, was where the spices that Europeans coveted actually came from, and where they could be bought for a fraction of the prices Venetians paid in Alexandria.

It was left for Venice's rivals to take the hint. The first map to use Polo's information was made in Catalonia; Prince Henry ("The Navigator") of Portugal read the *Travels* avidly; and a copy of the book is preserved today in Seville, with notes made in the margins by a Genoese—Christopher Columbus.

1.6 Pearls in the Rubble: Rediscovering the Golden Age of Quanzhou, ca. 1000–1400

For most of its long history, China's capital has been in the north; and it has beckoned to merchants, both as a huge market for some luxuries from elsewhere and as a place to obtain other goods that were in demand outside China. But northern China has very few decent natural harbors, and even those that it did have were separated from the capital by extensive flatlands that frequently became almost impassable mud. So the country's great ocean ports grew up on more hospitable coasts further south, from where the Yangzi runs into the sea, near Shanghai, to where the Pearl River does the same, near Guangzhou. (Great inland ports grew up where key tributaries met the Yangzi and along the Grand Canal, which linked the Yangzi valley to the capital region after about 600 CE.) Those two river deltas have such enduring advantages that they have almost always had great port cities: Guangzhou has been a major international port for most of the last 1,300 years.

But on the hundreds of miles of coast in between, no one place had decisive natural advantages over others, so a succession of ports rose and fell for political, social, and cultural reasons. Few have more colorful histories than Quanzhou, on the Fujian coast. A second- or third-tier city today, it was one of the world's greatest ports from about 1000 to 1400. The Arab traveler Ibn Battuta, arriving in 1345, said the city—then also called Zayton—was "the greatest harbor in the world." Marco Polo (see reading 1.5 on page 21), who left from Quanzhou in 1292, called it one of the world's two greatest ports (along with Alexandria) and said it was "impossible to convey an idea of the concourse of merchants and the accumulation of goods" there. Yet both these famous travelers were visiting long after the port's golden age, which had probably been in the 1100s. In its heyday, the port's foreign merchants included Muslims, Hindus, Theravada and Mahayana Buddhists, Catholic and Nestorian Christians, Jews, and Parsees; one can still find in the city images of Shiva and Vishnu, the ruins of a twelfth-century Muslim cemetery endowed by a merchant from the Persian Gulf, a tenth- or eleventh-century Hindu stone phallus (delicately redesignated a "Stone Bamboo Shoot" in Chinese texts), and a bilingual Tamil/Chinese religious inscription notable because while it espouses Hindu teachings, the carver (judging from the relative quality of the writing in the two languages) was almost certainly native to China. (Hinduism never caught on in China to even a fraction of the extent that another Indian export, Buddhism, did, but it left a mark on Chinese culture nonetheless.)

During the Tang dynasty (645–908) it was Guangzhou that was the great port, while the Fujian coast was mostly undeveloped: the poet Han Yu, passing through in the eighth century, described it as a desolate land of fog, malaria, and crocodiles. But with the bulk of China's population still in the north, there were real advantages to landing goods further north than Guangzhou, especially during the political unrest that characterized the late Tang; Quanzhou really flourished during the chaotic years between the Tang dynasty and the Northern Song (960–1127, followed by the Southern Song from 1127–1279), when it enjoyed the protection of a relatively stable regional kingdom. When the Song dynasty took over, it neglected to create an office to oversee Quanzhou's trade, which made it technically illegal. That also meant that the government neglected to impose the 15 percent tax that was assessed where foreign trade was legal. By the time the Song officially recognized the port in 1087, it was the busiest in the empire and perhaps in the world. Pearls, incense, cotton cloth, pepper, rare woods, naval stores, and exotic foods and medicines (such as sea cucumber and bird's nest) arrived from sources ranging from Arabia to Borneo; porcelain, silk, coins, and other metal items flowed out. Trade going from the Indian Ocean into the South China Sea (and vice versa) was large enough to justify cutting multiple canals across the Malay Peninsula to expedite it (and lure it to particular ports), to provide the financial base for kingdoms, and to sustain any number of pirate lairs. The Chinese traveler Wang Dayuan—who left Quanzhou and went as far as Sri Lanka, India, and East Africa—described one such lair, shared by Malays and Chinese, that he visited about 1330: it is the oldest known account of what is now Singapore.

Such massive trade made many people rich. Quite a few were foreigners, but foreign nationality was no bar to gaining power as well as wealth. Rich merchants of any origin often had some of their sons educated in the Chinese classics so they could take the exams for government office; eventually, Quanzhou ranked sixth out of roughly 300 prefectures in the number of its sons passing the highest-level exams. Though in theory scholar officials were the top class in Song society, and merchants the lowest, in fact the wealthiest merchants mixed freely and intermarried with officials' families; the most successful lineages usually combined both occupations (though not necessarily in the same generation). The Song court also began sponsoring trade missions and backing selected private merchants. That so many officials hailed from Quanzhou and many were related to merchants helped both the merchants' families, and the city as a whole. Meanwhile, Quanzhou merchants helped build a new city wall; numerous temples, mosques, and churches; and other urban public works. They also financed some of the rural terrace building that made the most out of southern Fujian's limited agricultural potential.

Still, politics and security were recurrent problems. Quanzhou's decline seems to have begun when a branch of the royal family, displaced from northern China by Jurchen invaders, settled in Quanzhou and began demanding that the city support them lavishly. That problem proved temporary, but pirates were a more persistent threat. Numerous coral reefs and islands forced ships headed for Quanzhou to hug the coast much of the way, and the rocky shoreline was full of inlets where raiders could hide easily. Ocean-going merchant "junks" were beautifully designed to minimize costs and minimize damage in accidents, but they were slow and not very maneuverable, making them easy prey for pirates. The Song government, busy repelling a succession of nomadic invaders (including eventually the Mongols), offered little help; it spent over 80 percent of its revenues on the military, but that was overwhelmingly for an army of more than 1 million men deployed along its northern land borders to fight the invaders, not to combat pirates. Some merchants armed themselves; some cut deals with pirates so at least the costs would be predictable; but nobody fully solved the problem.

Security on land increasingly fell to the merchants as well, so they organized and paid for impressive forces. Persian merchants seem to have been particularly active. The largest contingent of mercenaries was labeled "yisipa," apparently from a Chinese rendering of the same Persian word that the British in India would much later render as "sepoy." That both the troops and their paymasters were often foreign-born seems not to have bothered the residents of Quanzhou or even the sometimes xenophobic Song court, as long as they did the job—for a while.

Indeed it was Pu Shougeng, an Arab-Chinese Muslim merchant whose family came to Quanzhou from Champa (present-day southern Vietnam) and who had been decorated by the government for suppressing pirates (as had some of his ancestors), whose private navy rescued the Southern Song court when its capital (at modern Hangzhou) fell to the Mongols, bringing the Song to Quanzhou in 1276. But Pu was a practical man, and the remnants of the Song, in their desperation, were behaving irrationally and alienating even their allies; just a few months later, Pu turned on them, massacring perhaps 3,000 imperial relatives and arranging the otherwise peaceful handover of Quanzhou to the Mongols.

Now rewarded by a second dynasty, Pu Shougeng held high provincial posts in Fujian until his death in 1296; so did his son and grandson. A daughter married a Bahrain native, also heavily involved in shipping aromatic Middle Eastern incense (what Shakespeare would call "the perfumes of Arabia") to China on a fleet of eighty merchant ships. (Pu Shougeng himself may have had over 400 ships.) The Mongols, who certainly had no aversion to foreigners in China, encouraged trade in Quanzhou. The city enjoyed a second commercial peak (though lower than the first) under their rule—which is when it impressed Marco Polo and Ibn Battuta. Some of the most lucrative and longest-distance routes, to the Indian Ocean and beyond, were reserved for merchant associations locked into patronage relations with Mongol princes and heavily tilted toward non-Chinese; Chinese merchants, however, seem to have kept control of the lower-profile, but still highly profitable trade to Southeast Asia.

The 1300s were turbulent across much of Eurasia (partly, it seems, because the climate turned colder and the monsoons weaker); Quanzhou was not spared. Mongol rule became increasingly unstable, rebellions shook the countryside, and a hard-pressed government printed endless paper notes, setting off hyperinflation; trade probably contracted; poorly maintained dikes broke, causing floods; and what may have been bubonic plague struck Quanzhou in 1345, shortly before it ravaged Europe and the Middle East. (Scholars still disagree whether Europe's Black Death originated in China, but there is no doubt that deadly epidemics struck various parts of China shortly before plague entered Europe via merchant ships that had picked up flea-infested rats in Crimea.) By 1354 the Yuan dynasty (1273–1368) was breaking up, and regional warlords were becoming increasingly dominant; some still professed loyalty to the Mongols, while others supported various rebels or were themselves pretenders to the throne.

In 1357 Quanzhou's mercenaries revolted, too; four years later the city essentially seceded from the Mongol Empire, ruling itself until 1366. Foreign merchants, including at least one member of the Pu family, played central roles. One might have thought that this break with the Mongols would allow Quanzhou's elite to weather another dynastic transition by coming to terms with the rural-based rebels who would eventually create the Ming dynasty (1368–1644), but this time, things turned out very differently.

In 1366 Chen Youding, a regional warlord still loyal to the Yuan, conquered Quanzhou; for three days thereafter, his soldiers massacred Muslims and other "foreigners" (including some who had lived in China all their lives, and some people with no foreign roots at all who had the bad luck to "look foreign"). Two years later, amid more killing and looting, Chen's forces were ousted by the emerging Ming dynasty. Ironically, Chen was apparently both strongly antiforeign and deeply loyal to his Mongol superiors; when, after his defeat, he was offered a high position by the Ming emperor, he said he preferred death.

Quanzhou's troubles did not end with Chen Youding. Sporadic violence against foreigners flared repeatedly over the next forty years, despite official edicts of toleration. It remains unclear, given our limited sources, how far hostility to Muslims or to outsiders in general—as opposed to, say, anger at those who had served the Mongols, or any number of other local grievances—was the driving force. For generations thereafter, those of foreign descent found it prudent to keep a low profile in Quanzhou. (Some are now reasserting their foreign ancestry.)

In many ways, this attitude suited the new Ming rulers, who envisioned a realm as standardized, homogeneous, and neo-Confucian as possible. Much commerce was discouraged, and for a while overseas commerce was banned (though it never fully stopped). Many signs of Quanzhou's cosmopolitanism were erased: hundreds of stone images of Hindu deities, for instance, were reused as building materials and not rediscovered until twentieth-century urban renewal projects unearthed them. Foreign trade would boom again in the sixteenth century, but other ports got the greatest share. Quanzhou remained strongly linked to the outside world, both by trade and by emigration—some counties in the region today have more living descendants overseas than current residents—but it never regained its former prominence or its status as a wildly diverse magnet for immigrants.

Indeed, many people found Quanzhou's early diversity hard to believe, despite the clear evidence of modern excavations and scholarship. Even though many overt signs of the city's early cosmopolitanism were erased, Quanzhou's glory days left vital, if sometimes invisible, marks on China that went far beyond the city itself.

Champa rice, a Southeast Asian variety that ripens faster and resists drought better than native Chinese varieties, probably entered China through Quanzhou. It had an enormous impact. Not only did it make rice-growing possible in many new places, but because it matured quickly, it enabled farmers to grow two (or in a few places even three) crops a year on the same piece of land. This practice became ever more important over the centuries as population grew and the average size of farms shrank. Another transformative crop—cotton—also may have first entered China (from India) through Quanzhou, though the evidence is ambiguous. Indian cotton goods appear in Chinese records as far back as 500 CE as a coveted luxury; as late as the mid-1300s, high-quality cotton still cost several times the price of silk in China. (Since Chinese silk fetched premium prices in India, the situation begged for arbitrage; it also reminds us that silk is not "naturally" any more valuable than cotton.) But by the 1300s, the plant was indigenized on various parts of the coast, breakthroughs had recently been made in spinning and weaving techniques, and cotton was in the process of becoming the cloth of ordinary people across the empire—as Chinese as, well, double-cropped rice fields.

The huge volumes of trade with the outside world had also led merchants to use paper notes with each other, as far back as the tenth century; combined with the export of metals, this led the government to follow suit and create the world's first paper money (see reading 1.3 on page). Paper, invented in China about 100 CE, was just barely reaching southern Europe in 1000 and would not spread north of the Alps for another 300-plus years. Nor, of course, had China seen the last neither of Fujian merchants and laborers venturing abroad, nor of returning investment from these "overseas Chinese" (see reading 1.1 on page 10). Even in culture and religion, where the Ming tried especially hard to remove traces of "impurities" from overseas, influences lingered. The Kaiyuan temple—Quanzhou's most famous Buddhist site—still features an image of the Hindu monkey god Hanuman, one of the sources for the Chinese hero Sun Wukong, or "Monkey King." Made famous in the classic Ming novel *Journey to the West*, about pilgrims going to India (and based very loosely on a real monk who traveled west overland, but came home by sea), Monkey has become the hero of countless operas, folk tales, comic books, and TV shows: as recognizable a hero as any in Chinese culture. Given his association with foreign travel and his habitual disrespect for authority, there is something exactly right about his Indian ancestor hiding in plain sight in a Quanzhou monument often refurbished by merchant donations. Many other Chinese ports eventually surpassed Quanzhou, especially once modern engineering made the coast's geography more malleable, but even today few are as truly cosmopolitan as Quanzhou was almost 1,000 years ago.

1.7 Aztec Traders

When Europeans finally arrived in the Indian Ocean and the South China Sea, they discovered thriving Arab, Indian, and Chinese trade networks. It would take centuries for the Europeans to break the dominance of these traders in Asia, the Middle East, and Africa. But in the Americas, the Spanish and the Portuguese immediately controlled long-distance commerce. Why did the indigenous peoples of the Americas so quickly and easily cede trade?

The Europeans had theories that explained the Indians' failure in commerce. Indians were racially inferior, lazy, and, most of all, uninterested in profit. With a strong sense of communal property and a desire for self-sufficiency, Indians were uninterested in European goods and the broader world. While soothing to European consciences, these explanations had little truth in the historical record.

In fact, pre-Columbian Indians traded extensively. It was no fluke that Columbus early in his first voyage discovered an Indian canoe from an island he had just visited already paddling to a neighboring people with the Spanish goods they had just acquired for trade. Caribbean islanders had frequent commercial intercourse.