The Transition from Feudalism to Capitalism

The Theoretical Significance of the Japanese Case*

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Numerous scholars have commented on the striking historical parallels that seem to have existed between Europe and Japan from late medieval times through to the development of industrial capitalism in the nineteenth and twentieth centuries. Medieval Japan has been seen as having a form of feudalism that most closely resembled European feudalism, and Japan also seemingly underwent a transition from feudalism to capitalism that was remarkably similar to the European transition to modern capitalism (Duus, 1969; Reischauer, 1956; Jacobs, 1958; J. W. Hall, 1970; T. C. Smith, 1959; P. Anderson, 1974b; Halliday, 1975). However, despite the parallels that are often drawn between the historical trajectories of Europe and Japan, virtually no scholar has ever used the Japanese case to develop a general theory of the origins of modern capitalism. All the theories that have been developed to explain the rise of capitalism have focused exclusively, or almost exclusively, on the European situation. In fact, many scholars who have discussed the transition to capitalism have seen it as a unique occurrence, possibly even as an extraordinary historical accident or "miracle" (Mann, 1986; E. L. Jones, 1987).

But what kind of miracle is it that occurs twice, in two widely separated regions of the world, and largely on an independent basis

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in each region? In this paper I argue that all major theories of the capitalist transition are deficient in one way or another, and substantially because they concentrate on Europe and ignore that other great instance of the emergence of capitalism, the Japanese case. I then present a new interpretation of the rise of modern capitalism. This theory will identify the basic similarities between Europe and Japan that made these world regions unusually well suited to the takeoff into modern capitalism at a particularly crucial juncture in world history.

THE ORIGINS OF JAPANESE CAPITALISM

Although the Japanese transition from feudalism to capitalism has been much less studied and is less well understood than the European transition, enough is now known about the development of capitalism in Japan so that a fairly detailed story can be told. Japanese culture and civilization owe much to China, but politically Japan has developed in a very different way. Japan was the one society outside Europe to develop a genuine feudal system (Anderson, 1974a). Many Japanese scholars see Japanese feudalism beginning with the Kamakara Shogunate in 1185, although it is commonly argued that the full development of feudal institutions occurred only with the establishment of the Ashikaga Shogunate in 1338 (J. W. Hall, 1970; Reischauer, 1956).[1] Edwin Reischauer (1956) calls the feudalism of the Kamakara period "protofeudalism" and argues that the period from 1338 to 1603 was the age of classical feudalism in Japan. With the establishment of the Tokugawa Shogunate in

[1] Debate has raged for decades over the nature of feudalism and its degree of generality in world history (Bloch, 1961; Coulborn, 1956; P. Anderson, 1974a; Critchley, 1978). I accept the argument made by Perry Anderson (1974a) that only western Europe and Japan have had genuine feudal systems. Anderson sees as the critical features of feudalism vassalage, the fief, and the fragmentation of political authority, or what he calls the "parcellization of sovereignty." He stresses that both European and Japanese feudalism created a "dynamic opposition" of town and country, and that as a result medieval towns in Europe and Japan maintained a striking economic autonomy. Other areas of the world at other times may have had politico-economic systems that were "feudalistic" (cf. Coulborn, 1956), but only medieval Europe and Japan were genuinely feudal in Anderson's sense.

1603 Japan entered into its late feudal period, which was to last until the middle of the nineteenth century.

During its feudal period the Japanese nobility was divided into an upper nobility, the *daimyo* or great lords, and a lower nobility known as the *samurai*, who were vassals of the *daimyo*. Japanese merchants, or *chonin*, were an important part of the economic situation in feudal Japan, but, as in all agrarian states, they were generally looked down upon, if not despised, by the nobility. As we shall see, however, they played a critical role in the economic evolution of medieval Japan.

European contact was established with Japan by the middle of the sixteenth century. Some trade was carried on between the two regions, and Christian missionaries established themselves in Japan. However, not long after the establishment of the Tokugawa Shogunate Japan began to embark on its famous policy of isolation from the West. This seclusion policy took effect in several stages (Pearson, 1991). In 1606 Christianity was forbidden, in 1623 the English left, and in 1624 the Spaniards were expelled. In 1630 Japanese were no longer allowed to engage in foreign trade or travel. The Dutch were allowed to stay, but in 1639 they were restricted to a small area and were very closely supervised. It is usually assumed that after 1639 the Japanese were almost totally isolated from the rest of the world, but Ronald Toby (1984) has shown that this is a false assumption. Japan continued to carry on important trade relations with China and other nearby parts of Asia, and was thus still involved in foreign trade. Daniel Spencer (1958: 212) suggests that this foreign trade was "still quite comparable to a good-sized colonial trade of the period." Indeed, the Sino-Japanese trade may actually have increased by the end of the seventeenth century (Atwell, 1986).

Until about the 1960's scholars of Japan generally assumed that the Tokugawa period was one of economic stagnation only overcome with the arrival of the Europeans and the reopening of Japan in the mid-nineteenth century. Recent scholarship, however, shows that this view is wrong. Many scholars now stress the economic vitality of the Tokugawa period and see it as contributing significantly to Japanese economic developments in the second half of the nineteenth century. One of the first to adopt this newer view was Daniel Spencer (1958). Spencer described a series of interrelated processes involving large-scale urbanization, commercialization of agriculture, increasing flight of peasants into the towns and cities, the worsening economic condition of the nobility, growth in the wealth and economic importance of the merchant class, increased monetization of the economy, and the beginnings of the factory system. He concluded that Japan experienced a level of economic growth during this period that paved the way for the even greater economic development of the Meiji era.

In a more recent study Kozo Yamamura (1980) has shown that the period from 1550 to 1650 witnessed an agricultural and commercial revolution. The large rise in agricultural productivity during this century was made possible by several proximate conditions: increasing effectiveness of water use, development and dissemination of higher-yielding varieties of rice, availability of inexpensive hoes, and increased use of fertilizers. Yamamura stresses the importance of improved water management: irrigation dikes, banks, and dams. Lurking behind these proximate causes of increased agricultural productivity, Yamamura claims, was a change in property rights giving peasants more individual control over their land. What Yamamura describes is the beginning of a shift toward more capitalistic land tenure. With these changing property rights a class of independent farmers arose which resembled the yeoman farmers of early modern Europe. Yamamura holds that greater control over their own land gave peasants increased incentives to make the land productive.

The commercial revolution of the mid-sixteenth century involved deliberate measures undertaken by the state to promote commerce. These measures included decrees to protect merchants, decrees designed to eliminate various restrictions on the operation of markets, active development of transportation networks and facilities (which eventually created a nationwide network of sea and river transportation), and standardization of measurements.

Yamamura is quick to point to the parallels between Japanese and English economic development in this period. Indeed, for Yamamura these parallels are very close: "What becomes increasingly evident is the fact that, as our knowledge of the earlier period of Japanese economic history increases, the crucial question which we should have asked is not why Japan was the first to industrialize in Asia, but why did the Japanese industrialization begin so late in the nineteenth century?" (1980: 104). So, from Yamamura's research we learn not only that there are important parallels between Japan and Europe, but that these parallels can be found even before the beginning of the Tokugawa period.

Sheldon (1958) has traced the rising economic importance of the merchant class throughout the Tokugawa period, but, like Yamamura, notes that important economic developments were taking place in the century before Tokugawa. Sheldon sees the Genroku period (1688–1703) as the critical one in the merchants' economic evolution. By this time there was a vigorous money economy and the merchant class had finally become strong enough to force the nobility to regard it as a serious economic competitor. John Whitney Hall (1970) sees the growth of mercantile activities during the Tokugawa epoch in similar terms, pointing out that it was during this time that a bourgeoisie first rose to national prominence. Like Sheldon, he traces the general outlines of the evolution of the merchant class:

> The merchant community of Tokugawa times went through certain stages of development in its rise to economic prominence. In the early years, the important merchants were those specially patronized by the Shogun and daimyo, the so-called "house merchants." By the eighteenth century a number of great commercial houses had grown up in Osaka and Edo [modern Tokyo] whose diversified activities focused upon moneylending and exchange. By the nineteenth century, houses based on manufacturing and cottage industry had begun to make their appearance. The growth of commercial capital is revealed in the estimate that by 1761 there were in Japan over two hundred commercial houses each valued at over 200,000 gold *ryo*.... Thus in total capital worth the great merchants had become the equivalent of many daimyo.
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> By the middle Tokugawa period most of the outstanding *chonin* houses which were to retain their status into modern times had been established (1970: 208–9).

An especially important commodity in Japan in the sixteenth and seventeenth centuries was silver ore (Flynn, 1991; Barrett, 1990). Japan exported this silver to Korea and China. Only Spanish America was a bigger producer of silver during this time (Flynn, 1991; Barrett, 1990). Flynn (1991) notes that this made Spain and

Japan major competitors in the world market. Once silver waned, Japan became a major exporter of copper, with the biggest buyer being China.

Extensive urbanization was an inextricable part of Japanese economic development during the Tokugawa era, particularly during the seventeenth century. Hall (1970) calls the urbanization of this time "astounding," and suggests that it is quite possibly without historical precedent (cf. Goldsmith, 1987). Gilbert Rozman speaks of "the unparalleled transformation within the urban sector. With Edo, Osaka, and Kyoto leading the way, new patterns of consumption and new modes of social organization developed in Japanese cities. If any period of premodern history anywhere can properly be labeled urban-centered, it is this period from about 1600 to the 1720's in Japan" (1974: 98).

The growth of Edo was truly spectacular. At the end of the sixteenth century it was not much more than a small village, but by the early eighteenth century it had reached half a million persons, and by the end of that century was well over a million in population (Spencer, 1958). Edo had become the world's largest city. Spencer (1958) estimates that in the eighteenth century between 10 and 13.3% of the Japanese population lived in large towns or cities, a remarkable figure, he suggests, when we recognize that in the United States in 1790 the urban population constituted only 3% of the total, and only 16% of the total as late as 1860. Japan was even more urbanized than Europe, which in 1800 had only 22 cities above 100,000 in population, and these cities together constituted only 3% of the total population (Spencer, 1958).

The full extent to which capitalism was emerging in Tokugawa Japan can also be seen by examining one of the most important aspects of capitalist development: proletarianization of the labor force. Gary Leupp (1992) argues that during the Tokugawa period Japan was becoming an increasingly impersonal, money-dominated society with a larger and larger part of its labor force being compensated in the form of wages. In fact, by the end of the Tokugawa period Leupp suggests that wage labor had become the major form of compensation, at least with respect to urban workers.

Thomas Smith (1959) has shown that wage labor became increasingly important during the Tokugawa period even in agricultural work, and that by the end of the period feudal peasants were no longer the predominant form of farm worker. Agricultural workers gradually became *hokonin*, workers who were part way between traditional feudal peasants and fully free workers. Smith distinguishes among three grades of *hokonin*. The least free of the *hokonin* were workers who were given to a family for an indeterminate period of time in return for a loan. The worker received no compensation other than his keep and had to work until the loan was repaid. A second type of *hokonin* was like the first except for the fact that he received at least some compensation. However, he was not paid an hourly or daily wage; instead, a sum was agreed on in advance and this sum was then deducted from the debt remaining at the end of the loan period. Obviously neither of these types of labor is much like wage labor, but nonetheless the second type does show an economic value of its own that could be rationally calculated. Moreover, both types of *hokonin* possessed at least some degree of freedom denied the traditional peasant. Smith tells us that the second type of laborer became increasingly common as the Tokugawa period advanced.

The third type of *hokonin* marked a further advance toward free labor. This type of worker was still "bound by debt for the duration of the loan, but his labor during that time constituted repayment of it in full: at the end of the stipulated period neither any part of the principal of the debt nor unpaid interest remained to hold him" (Smith, 1959: 114). Smith goes on to note that throughout the Tokugawa era there was a gradual shortening of the time for which workers were bound. It may once have been of indefinite duration, then shortened to ten or fifteen years, then to no more than three years, and then finally to only one year or possibly even a single season. Smith argues, correctly in my opinion, that this shortening of the employment period shows that work was increasingly regarded as having its own economic value (i.e., a value independent of particular social relations), and that the worker was increasingly being regarded as a hired hand to be employed just for the time his labor was needed. Eventually, true wage labor in agriculture evolved after having first been applied to industry and trade. Smith suggests that by the end of the Tokugawa era it was common, although by no means universal.

Only in recent decades have scholars recognized the deep historical roots of Japan's twentieth-century development of industrial capitalism. At one time virtually no one thought of looking earlier than the Meiji Restoration (1868) to trace Japan's modern transformation. Of course it is now recognized that the entire Tokugawa era contained major economic changes, and that many of these changes began even in the century before Tokugawa (Yamamura, 1980). But even the sixteenth century may be starting too late, for there is evidence that important economic developments were occurring in Japan as early as the thirteenth century. Several scholars have shown that Japan was deeply enmeshed in a network of foreign trade with other parts of Asia at this early period (Sansom, 1961; Reischauer, 1956; J. W. Hall, 1970). Edwin Reischauer (1956) notes that trade with China and Korea became an important part of the Japanese economy in the thirteenth century. The lead in financing the larger commercial ventures was taken by Buddhist monasteries, but these ventures had been taken over by the shogun and feudal lords by the end of the fourteenth century. During the fifteenth and sixteenth centuries foreign trade grew rapidly and trade ventures were extended to other parts of the Far East, even as far as the Straits of Malacca. Some feudal lords, especially those in coastal areas, depended on foreign trade for much of their income. Japanese traders became a virtual part of the warrior nobility and came to be renowned throughout the Far East for both their martial abilities and their commercial endeavors.

John Whitney Hall has also not overlooked the importance of the economic developments of the three centuries before Tokugawa. He notes that the fourteenth and fifteenth centuries "saw Japan emerge as a major maritime power in East Asia activated by a vigorous internal economic expansion," (1970: 113) and adds that trade with China during this time:

> reveals a great deal about the state of the Japanese economy. Exports to China were now mass commodities and artifacts such as refined copper, sulfur, folding fans, screens, painted scrolls, and above all swords. Single missions carried tens of thousands of Japanese steel swords to China. In return the Japanese ships returned with strings of cash (50,000 strings in 1454), raw silk, porcelains, paintings, medicines, and books. All of this gave evidence that Japan was no longer an underdeveloped member of the Chinese world order. In fact the

> limited trade permitted by a reluctant China was eventually to prove too restrictive for the Japanese. After 1551 the tally trade broke down, and Japanese traders in unrestrained numbers began to ply the China seas (1970: 126).

It is important to situate this early Japanese economic thrust in its world-systemic context. Japan was involving itself in a vigorous Far Eastern trade at the same time that late Sung and early Ming China was withdrawing from world trade and declining economically. These events are connected. A large economic vacuum was created, and Japan was quick to fill it (Collins, 1990); Japan picked up the Asian economic impetus where China left off.

By the end of the Tokugawa Shogunate in 1868 Japan had become an essentially capitalist society in economic terms despite retaining basically feudal social and political arrangements.[2] But this is not surprising: Superstructures commonly lag behind and change more slowly than infrastructures. I say that Japan had become essentially capitalist for several reasons. The merchant class had grown tremendously in economic importance. Japan had undergone tremendous commercialization, both in agriculture and in industry, and had become one of the most urbanized societies in the world. Spencer (1958) claims that by the end of the eighteenth century fully fifteen-sixteenths of Japan's wealth was in the hands of the merchants, a remarkable indication of the extent of the economic changes. It was the merchant class that was in economic if not political control of late Tokugawa Japan.

The rising economic significance of the merchants meant the si-

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[2] By capitalism I mean essentially what Wallerstein means: An economic system in which goods are produced for sale with an eye to earning maximum profit and the accumulation of profit (capital) over time. I do not believe it necessary to stipulate that the term capitalism must only be applied to a "mode of production," as strict Marxists require. Nor do I think that a system of wage labor is an essential defining characteristic. I would argue, as did Weber (1981[1927]), that certain degrees and forms of capitalism have existed throughout much of world history. However, also following Weber, I would argue that these earlier forms of capitalism were different from modern capitalism (i.e., capitalism after the sixteenth century) in terms of greater scale and social and economic pervasiveness of the latter. Modern capitalism has been truly "world transforming," and has penetrated into nooks and crannies of social and economic life in a way that was never the case with earlier forms of capitalism. For convenience and clarity I suggest that these earlier forms of capitalism be called "protocapitalism" (Amin, 1991).

multaneous decline of the nobility, both the great *daimyo* and the lesser samurai. The samurai eventually became little more than paid administrative officials of the *daimyo,* thus losing their former close association with the land. Both the samurai and the *daimyo* had to rely increasingly on loans from the merchants, and their indebtedness grew throughout the Tokugawa period. The worsening plight of the nobility caused many of them to go over to the merchant class, with former nobles becoming bankers, manufacturers, and other types of entrepreneur. This situation in which nobles turned bourgeois to adapt to the changing economic conditions is highly reminiscent of the situation in Europe, and yet one more important parallel between the European and Japanese transitions to capitalism.[3]

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[3] This discussion of the development of capitalism in Japan has relied exclusively on English-language sources, and almost exclusively on the work of Western historians. Undoubtedly there is a large Japanese-language literature on the subject, but very little of it has been translated. According to Gary Leupp (Tufts University, personal communication), for many decades there has existed a large Japanese-language literature written by Marxist historians, but the vast majority of this remains untranslated. Germaine Hoston (1986) has summarized a good deal of this literature in her *Marxism and the Crisis of Development in Prewar Japan.*

As Hoston notes, in the early 1930's a vigorous debate was carried on among Japanese Marxists concerning internal versus external causes of Japanese capitalistic development, as well as the degree to which Japan had achieved a capitalistic status by the time of the opening of its ports in 1853. This debate preceded by nearly 20 years the famous Dobb-Sweezy debate on internal versus external causes of the development of Western capitalism; moreover, those Japanese historians who saw a strong indigenous capitalism developing during the Tokugawa era were well ahead of their Western counterparts, who even into the 1950's continued to cling to the view that the Tokugawa period contained a stagnant feudalism that was overturned only with the opening to the West.

The debate in the early 1930's was carried on among many thinkers, but the leading representatives were Shiso Hattori and Takao Tsuchiya. Hattori argued that Japan had a strong indigenous capitalism by the time the ports were opened, and that the effect of Western intrusion was only to accelerate the capitalistic development that had already been taking place for some time. Hattori thought that by mid-Tokugawa Japan had achieved the stage of capitalist manufacture. He believed that by the 1840's "capitalist production in Japan had already advanced beyond the stage of small handicraft industry and was preparing for the transition to large-scale mechanized industrial capitalism" (Hoston, 1986: 101). According to Hoston, Hattori thought that capitalism in Japan "evolved spontaneously out of mechanisms of the transition from feudalism to capitalism that Japan shared with Western Europe. To Hattori, there was no question that the course of capitalist development in Japan fit neatly the paradigm outlined in Marx's *Capital*: like England and France, Japan required no external impetus to assure its participation in the world-historical development of capitalism" (1986: 114).

Hattori's argument was attacked by Takao Tsuchiya, who argued that Japan at the time of Western contact had not gotten to the stage of capitalist manufacture, but was still stuck in the stage of the putting-out system and domestic labor, at least with

THEORIES OF THE TRANSITION TO CAPITALISM

We are now faced with the formidable task of explaining the capitalist revolution that took place in Japan (and, by implication, in western Europe as well) in the fifteenth, sixteenth, and seventeenth centuries. This is a problem which has received a great deal of attention, but has been intractable to our best theoretical efforts. Numerous theories have been set forth, but there is little consensus. Most of these theories have been constructed with only the European case in mind. I should like to run through all of the major theories in some detail, pointing out their strengths and weak-

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respect to production of silk and cotton. Oddly, though, Tsuchiya also presented examples of spinning and weaving manufactories; noted the existence of manufacture in magnetic sand refining, wax making, and the cast iron industry; and mentioned that manufacture was applied to the whale-processing industry. Apparently Tsuchiya's thinking was governed by how the textile industry was organized, but he does provide evidence of a good deal of capitalist development during the Tokugawa era.

Hattori apparently had numerous supporters, but some of his critics thought that he drew too close a connection between Japanese and Western capitalist development. Hoston has observed that Hattori's argument had a positive influence on Japanese historiography in forcing "the participants of the larger debate on Japanese capitalism to speak to the issues in more concrete terms and to lengthen their historical perspective by tracing the roots of Japanese capitalism back further into the Edo period than they had done hitherto" (1986: 124–25). At the same time, she notes that the work of Hattori's critics "also demonstrated that the existence of manufacture in general must not obscure the peculiarities of its manifestation in Japan: its extraordinarily heavy reliance on domestic labor through the putting-out system, the significant role of feudal lords in promoting capitalistic production, and the absence of thorough change in feudal landownership relations in the early stages of capitalist development" (1986: 125).

Since I do not read Japanese, I cannot know the views held today by historians in Japan concerning the process of Japanese capitalist development. However, I strongly suspect that they support what Western historians have been saying for the past three decades about Japan's precocious capitalist development. In two translated articles, Yatoro Sakudo (1990) and Satoru Nakamura (1990) argue for vigorous capitalist development during the Tokugawa epoch. Sakudo speaks of the period as witnessing the "dramatic development of commercial capital," and goes on to claim that a type of family business management system developed during the Tokugawa period that was the prototype for contemporary *zaibatsu*. Nakamura argues that "in the late seventeenth century, a new breed of large merchant, exemplified by the Mitsui house, appeared in the three largest cities of Edo, Osaka, and Kyoto," and that by "the eighteenth century [these merchants] controlled a nationwide system of commodity distribution" (1990: 84).

I am unaware of any translations of Japanese-language works that attempt directly to theorize the development of capitalism in Japan; thus, the theoretical discussion to come must rely entirely on the works of Western scholars. Even most of these theorize only about the West.

nesses, and in the end I will advance my own interpretation. This interpretation is based on the assumption that any good theory of the capitalist revolution must apply to *both* the European *and* the Japanese cases. I reject the notion, set forth by historical particularists, that different historical events must be explained by different concepts and theories. Any social science worthy of the name must push nomothetic explanation as far as it can go.

It is my view that, although there were important differences, the European and Japanese trajectories toward modern capitalism were sufficiently similar to constitute essentially the same kind of event occurring more or less independently in two different world regions at approximately the same period of world history. This cannot be an accident of history, and thus the European advance cannot be a "miracle," as some scholars have argued (E.L. Jones, 1987, 1988). I have no patience at all with the incredible dismissal by Eric Jones (1987) of the relevance of the Japanese case to an understanding of the rise of the modern capitalist world, especially since he himself has recognized the existence of important parallels between Europe and Japan. Jones may rest content with his version of Eurocentrism, but for me it is a serious barrier to understanding the rise of modernity.

Marxian Theories

A variety of contrasting Marxian theories have been put forth to explain the European transition from feudalism to capitalism. Let us start with the famous debate between the Marxists Maurice Dobb and Paul Sweezy that was conducted shortly after the end of the Second World War. In his classic *Studies in the development of capitalism* (1963; first edition 1947), Dobb set forth a theory of the transition that emphasized the internal contradictions of feudalism as a mode of production. What led the feudal system into crisis and ultimately tore it apart, Dobb argued, was the growing class struggle between landlords and peasants. By late feudal times landlords had significantly increased their exploitation of the peasantry, and this intensified exploitation provoked a peasant flight from the land that created a "crisis of feudalism" and set in motion a transition to a capitalist mode of production.

Sweezy (1976[1950]) questioned the basic logic of this theory by asserting that it improperly concentrated only on endogenous forces. He argued that there were no forces within feudalism strong enough to transform it and went on to propose as an alternative a basically exogenist theory. It was the revival, from about the eleventh century, of long-distance trade between Europe and other world regions that he saw as the impetus for the feudal crisis and the move toward capitalism. The revival of trade caused feudalism to be increasingly involved in a market economy. As towns grew in size and importance, serfs were increasingly attracted to them and they fled the land in large numbers. Moreover, feudal lords themselves were increasingly attracted by the possibilities inherent in the market economy for the generation of large fortunes. For Sweezy, a market economy was inherently superior in efficiency to a feudal one, and it is his view that this greater efficiency was clearly recognized by landlords. In a sense, then, Sweezy was saying that it was the inefficiency of feudalism that led it to be destroyed in the end by a capitalist form of economic organization.

One serious difficulty with Dobb's theory is that he provides no convincing explanation of landlords' increased exploitation of the peasantry over time. His basic argument is that nobles were caught up in a game of spiralling status emulation that required greater and greater levels of surplus extraction from the peasantry, but I do not find this argument persuasive. The game of status emulation was played by landlord classes throughout the agrarian world without necessarily resulting in increased levels of exploitation and peasant flight. Peasant flight from the land was an important aspect of the breakdown of feudalism and the shift toward capitalism, but it will need to be explained in another way.

Sweezy's purely exogenist theory suffers from a serious underappreciation of the dynamics of feudalism. Sweezy argued that feudalism was an inherently stagnant mode of production. On its own it lacked any mechanism that could transform it, and thus it could only be transformed from the outside. But as Wallerstein (1974) has argued, feudalism should not be thought of as necessarily antithetical to a system of trade. We have learned in recent years that feudalism was a lot more dynamic than was once thought. Considerable growth and change occurred within European feudalism, and not all of this can be attributed to external influences. Nonetheless, as we will see later, Sweezy's theory is particularly useful in pointing us in the direction, if only implicitly, of the importance of rising world commercialization for the transformation of feudalism.

Wallerstein has offered an interpretation of the transition to capitalism that, unsurprisingly, fits neatly into his general world-system perspective. Wallerstein (1974) gives special emphasis to the "crisis of feudalism" to which many scholars of late medieval Europe have referred. For Wallerstein, this crisis was primarily one of revenue collection on the part of the feudal nobility. The severely declining ability of feudalism to create wealth necessitated the shift to a new mode of production, and this was the creation of a capitalist world-economy based on the world market. A critical aspect of the creation of this world-economy was geographical expansion into areas outside Europe. What caused the feudal crisis in the first place? Wallerstein says it was the result of the simultaneous occurrence of three basic events. First, there was the downside of an economic cycle. The feudal system had been expanding between 1150 and 1300 but had reached a point beyond which it could no longer go, a contraction then setting in. Secondly, there was a long-term secular trend. After nearly a millennium of surplus expropriation within the feudal mode of production a point of diminishing returns had been reached. Finally, there were unfavorable climatological conditions that lowered the productivity of the soil and increased epidemics.

Like Sweezy's theory, Wallerstein's is not Marxist in any orthodox sense. It contains some obvious Marxian elements but also imports notions foreign to the Marxian tradition. It has been severely criticized by more orthodox Marxists for concentrating on "exchange relations" rather than relations of production (Brenner, 1976, 1977; cf. Holton, 1981, 1985; Mooers, 1991). In two famous articles, Robert Brenner (1976, 1977) has referred to Wallerstein as a "neo-Smithian Marxist" for his alleged neglect of production (class) relations in favor of exchange relations. Brenner's own preferred interpretation stresses the role of class relations and levels of class power. The breakthrough to the self-sustaining development of capitalism was made possible by the creation of a set of capitalist class relations, and this in turn depended upon the outcome of class struggles within feudalism.

My sympathies lie much more with Wallerstein rather than Brenner. Brenner seems to view class relations as somehow self-levitating inasmuch as he ignores the larger social, economic, and political context in which they emerge, exist, and get transformed. He has made a shibboleth of the Marxian notion of class struggle. I do, however, see two problems with Wallerstein's argument. First, there is what I regard as his undue emphasis on the role of a feudal crisis. As we shall see more clearly later, it is sensible to talk of the existence of a feudal crisis in Europe between approximately 1300 and 1450, but the extent to which this crisis was critical for the transition to capitalism is by no means clear. Doubt is cast on this possibility when we recognize that there was no feudal crisis in Japan, at least of the sort that occurred in Europe. Secondly, the capitalist world-economy seems to be virtually a creation *ex nihilo.* Wallerstein discounts the prior role, emphasized by Sweezy, of long-distance world trade as an explanation of the expansion of European commerce in the sixteenth century. This trade, Wallerstein says, was based on preciosities, and only a trade in bulk goods could have sustained the expansion of the Atlantic economy and the formation of something as large as a capitalist world-economy. Perhaps so, but the earlier world trade, which had become globally both extensive and intensive by the thirteenth century, could still have provided *a context for* the kind of expansion that Wallerstein is talking about. I will show the significance of this point in the presentation of my own interpretation of the rise of modern capitalism.[4]

Weberian Theories

Numerous Weberian interpretations of the rise of modern capitalism have been presented. Of course, the most famous is the one offered in 1904 by Weber himself in *The Protestant Ethic and the Spirit of Capitalism* (1958[1904]). This argument is so well known that it needs no elaborate elucidation. Weber's basic point was that the rise of capitalism was a unique Western occurrence that bene-

[4] In a recent essay, Wallerstein (1992) has somewhat altered his argument. He now offers what he calls a "conjunctural" explanation in which feudalism disintegrated via the simultaneous collapse of the economy, the state, and the Church. Although this argument is different from his original one, it still relies on the notion of capitalism as a solution to a "crisis of feudalism." Indeed, the notion of feudal crisis has been broadened and thus looms even larger. Moreover, the rise of capitalism is still seen as a uniquely European phenomenon.

fited greatly from the Protestant Reformation of the sixteenth century. The Protestant work ethic, particularly in its Calvinist form, stimulated an entrepreneurial attitude toward the world on the part of believers because it glorified hard work, devotion to one's "calling," frugality, avoidance of ostentatious display of wealth, and continuous reinvestment of profits in one's business. Success in the world of business through strict adherence to the work ethic did not gain one salvation, but it nonetheless served as a sign from God that one had been placed among the elect. Weber, of course, never argued that Protestantism was the sole cause of the rise of capitalism, only that it was one crucial stimulus among others.

Robert Bellah (1957) has applied Weber's thesis to Japan in order to explain its unique economic development in the Asian world. He claims that the Japanese versions of Buddhism and Confucianism displayed a strong inner-worldly asceticism of the type Weber closely associated with Protestantism, and that this religious outlook had a powerful effect in conditioning an entrepreneurial attitude. Bellah's argument is a somewhat ironic twist on Weber inasmuch as the latter considered Eastern religions to hold to an otherworldly outlook that inhibited economic development.

There are good reasons for being highly suspicious of Weber's argument and its extension to Japan. One of the early core powers of European capitalism was France, a predominantly Catholic country. Moreover, Jere Cohen (1980) has shown that Renaissance Italy, the heartland of Catholicism, gave rise to a vigorous merchant capitalism that contained most of the elements of modern rational capitalism pointed to by Weber. So Protestantism could not have been a necessary cause of capitalism. Moreover, Janet Abu-Lughod has suggested that it is difficult to draw much of a connection between religion and economics. She has pointed out that "Christianity, Buddhism, Confucianism, Islam, Zoroastrianism, and numerous other smaller sects often dismissed as 'pagan' all seem to have permitted and indeed facilitated commerce, production, exchange, risk taking, and the like. And among these, Christianity played a relatively insignificant role" (1989: 354–55).

Wallerstein is also skeptical of drawing too close a connection between religion and economics, but suggests that if there is one it is more likely to be one in which the causal arrows are pointing from economics to religion:

> It seems to be true in general that any complex system of ideas can be manipulated to serve any particular social or political objective.... There is little reason at the abstract level of ideas why one couldn't have written a plausible book entitled "The Catholic Ethic and the Rise of Capitalism." ... By a series of intellectually accidental historical developments, Protestantism became identified to a large extent in the period of the Reformation with the forces favoring the expansion of commercial capitalism within the framework of strong national states, and with the countries in which these forces were dominant. Thus when such forces lost out in Poland, or Spain, or "Italy," or Hungary, Protestantism declined too and often rapidly. The factors which favored the expansion of export agriculture favored the reassertion of Catholicism (1974: 152–53).

Weber's Protestant ethic argument was put forth relatively early in his career, and in later work he seems to have given the Protestant ethic a smaller role and moved in the direction of emphasizing the role of the nation-state (Collins, 1980). In his *General Economic History* (1981) he gives the nation-state a prominent role in the development of capitalism because it rationalized law, freed land for the capitalist market, eliminated barriers to markets, and standardized taxation and currencies. The nation-state also helped lay the foundations for a reliable system of banking, investment, property, and contracts. In general, it was key to developing the basic institutional structures of modern rational capitalism (Collins, 1980).

This later theory, though, has its own difficulties, the most significant being that it begs the question as to what gave rise to the modern state. Weber argues that the early-modern nation-state arose because it was the most effective means available of pacifying a large territory (Collins, 1980). Such an argument, though, leaves us wondering why this kind of highly efficient state did not arise in other places and at other times. It would seem just as logical, if not more logical, to argue that the early-modern nation-state was the product of a system that was already becoming capitalist.

The spirit of Weber has been kept alive in recent years by various scholars who have proposed neo-Weberian interpretations of the rise of modern capitalism. Daniel Chirot (1985, 1986) offers a multidimensional explanation that emphasizes three main factors: Europe's unique geographical conditions, the highly decentralized character of feudalism, and the increasing rationalization of law and religion in late feudalism. Similar interpretations have been offered by John A. Hall (1985) and Michael Mann (1986), who give particular emphasis to the role of religion. Both go beyond the Protestant ethic thesis to claim that it was Christianity in general, and not just Protestantism, that played a major role in the emergence of capitalism. Mann claims that Christianity was important because it led to the "normative pacification" of Europe, which allowed economic activity a freer rein, and because it contained an ideology or spirit of "rational restlessness." This restlessness, Mann claims, stimulated a strong orientation toward rational human action in the world, one part of which was religious action.

These theories contain some insights, but in general their highly eclectic nature seems to complicate unnecessarily the search for a coherent and parsimonious understanding of the transition to capitalism. This is carrying multidimensionality too far. And serious doubts can be raised about some of the proposed factors, especially Christianity. As we have already noted, there is no necessary connection between religion and economics, and other religions besides Christianity have been seen to stimulate forms of rational economic growth. It is also difficult to accept Chirot's claim that capitalism was spurred along by some sort of spirit of rationality that was unique to Europe. This argument simply begs the question as to the origins of such a spirit. What is to prevent us from arguing that it was capitalism itself that spurred along a new spirit of rationality?

World-Systems Theories

Some of the most recent and provocative theories of the rise of capitalism employ a world-systems approach similar to Wallerstein's (Schneider, 1977; Ekholm, 1981; Abu-Lughod, 1989; Frank, 1990, 1991). These theories are similar to Sweezy's in emphasizing the importance of world trade external to Europe, but they go considerably further.

A rather extreme version of this kind of theory has been developed by Andre Gunder Frank (1990, 1991; Gills and Frank, 1991). Frank rejects the very notion that there was a qualitative shift from feudalism to capitalism in the sixteenth century, claiming that there has been a continuous process of capital accumulation within a single world system for some 5,000 years. He even argues against continued employment of terms like feudalism or capitalism to identify distinct modes of production in world history. What happened in Europe in the sixteenth century was simply the quantitative continuation of a very long-term historical process. Frank puts his case most forcefully:

> Is it still possible or sensible to argue that there was a qualitatively different "transition" to and creation of a "modern-world-capitalist-system" around 1500? Or that this "transition" arose essentially out of the "transition from feudalism to capitalism" in Europe? No! and No again! It is time to relegate the latter debate to the parochial European history to which it rightly belongs....
>
> Then is it still sensible to hold on for dear life to the supposedly scientific historical categories of... feudalism, capitalism, socialism—or indeed any such "scientifically" defined "modes of production" or ideologically defined "systems" and "isms?" I believe NOT! (1991: 24).

So for Frank there really is nothing special about the sixteenth century, and thus nothing particularly worth explaining concerning that time. What is worth describing and explaining in great detail is the general process of world capital accumulation since 3000 BC.

A more typical world-system approach to the rise of the modern world is that of Janet Abu-Lughod (1989). In her *Before European Hegemony*, Abu-Lughod argues that Wallerstein's world-system argument starts too late and that a major world-system was in effect as early as 1250. For Abu-Lughod this system was truly global and consisted of eight interlocking subsystems combined into three regional trade networks. The core of the system was Asia, especially China, and Europe was in a peripheral position. By 1350 the system had substantially disintegrated, with China withdrawing from participation and declining economically. To understand the rise of Wallerstein's capitalist world-economy in the sixteenth century we cannot focus our attention only on Europe, as has typically been the case. There was nothing special about Europe, and indeed concentration on it has reflected a kind of obsessive Eurocentrism. To understand the emergence of the modern world-system we must look at the global system that preceded it. Europe rose not because of any internal characteristics that made it special, but because of major geopolitical shifts within the world as a whole. The "rise of the West" was simultaneously the "fall of the East." Trade links between the eastern Mediterranean and the Orient were ruptured at the same time that trade relations between the Mediterranean and northwest Europe were deepening. These phenomena were not independent events but simply two different sides of the same world geopolitical coin.

These theories are especially valuable in calling our attention to the importance of world trade networks prior to the sixteenth century. Frank's argument is particularly important in that it points to an important process of world commercialization going on for several millennia. Nonetheless, his argument goes much too far in identifying this process as one of capital accumulation essentially like the process of capital accumulation after 1500. It also goes too far in rejecting the notion of a qualitative shift in the sixteenth century, as well as the notion of distinct feudal and capitalist modes of production. While in some sense what happened after the sixteenth century was a quantitative extension of what had been going on for a very long time, in another sense there was a massive break with the past. There was a huge acceleration of the intensity of commercial activity and the shift to a mode of economic production in which capitalism became the *dominant* activity for the very first time. A truly "world-transforming" capitalism was coming into existence and it would set in motion processes never seen before in the world. There is indeed something vital about the sixteenth century that has to be explained.

Abu-Lughod's analysis is more measured, and her notion that there was a thirteenth-century world-system is of great importance. However, the real problem with her explanation of the sixteenth-century transition is that it is really no explanation at all. It is simply a new way of *describing* certain processes. If the relations between the eastern Mediterranean and the Orient frayed while those between the Mediterranean and northwest Europe deepened, then we need to know *why* such geopolitical shifts occurred, and Abu-Lughod never tells us. To identify the existence of a system within which different things go on at different times is only the beginning of the analysis. To stop things at that point is to make no contribution to a *theory* of economic development. Moreover, Abu-Lughod is wrong when she suggests that there was nothing distinctive about Europe. It was indeed different from the rest of the world, or at least most of it, since Japan was different too. It is not a matter of distinguishing the West from the East, but of distinguishing the particular combination of characteristics found in Europe and Japan on the one hand from the rest of the world on the other. No Eurocentrism in that!

Demographic Theories

A prominent line of thought concerned with the breakdown of feudalism and the rise of capitalism in Europe has been devoted to demographic factors. A demographic explanation has been put forward by such scholars as Postan (1972), Wilkinson (1973), Le Roy Ladurie (1974), Harris (1977), and Perry Anderson (1974b). The argument is not always completely clear, but it seems to go something like this. From about the eleventh until the end of the thirteenth century, European feudalism was undergoing significant economic, ecological, and demographic expansion. As population grew, new and more marginal lands were increasingly brought under cultivation until eventually Europe became "filled up." By about 1300 a serious state of population pressure had been reached, and this led to declining yields from the land and increasingly severe economic difficulties for both landlords and peasants. An economic, ecological, and demographic "crisis of feudalism" had developed. Nonetheless, in a sense the demographic aspect of this crisis turned out to be its own "cure." Increasing famine, malnourishment, and other disease—especially the Black Death that first swept Europe in 1348–50—led to a sharp population decline that continued until around 1450. The demographic collapse generated a severe labor shortage, which caused a dramatic fall in the incomes of the landlord class and shifted the balance of class power in the direction of the peasantry. Economically, this made matters even worse for the feudal nobility. The nobles reacted to their worsened economic fortunes in a number of ways, but especially by expropriating the peasantry from the land and turning their estates over to the raising of sheep in order to sell wool. Landlords were moving more in the direction of becoming capitalist farmers. The increasing power of the peasantry allowed many peasants to flee into the towns where their labor was much in demand by the merchants, whose economic power was growing. However, many of the peasants who stayed on the land did not do so as traditional serfs (feudal social relations were essentially dead by 1450, at least in England). They were transformed into wage-earning farmhands who assisted their former landlords in running a capitalist agricultural enterprise. Some peasants even became transformed into capitalists—yeoman farmers—themselves.

A critical question concerns why the demographic and economic crisis of feudalism got resolved in the particular way that it did. Why did the nobles react to their worsening economic situation by gradually transforming themselves, and many of their serfs, into capitalists? Why did they not respond to the growing power of the peasants by intensifying their repression and exploitation of this class? Michael Mann (1986) suggests that landlords did in fact try repression, and to some extent it worked. Nonetheless, the landlords'

> victory proved hollow. The lords were compelled not by the peasants but by the transformed capitalist market and by opportunities for profit, and threat of loss, within it. The weak state could not implement legislation without the local cooperation of the lords; it *was* the lords. And individual lords gave in, leased out their demesnes, and converted labor services into money rents.... The feudal mode of production was finally broken by the market (1986: 411).

Marvin Harris (1977) has asked a similar question. Why, Harris wants to know, did the demographic decline of the fourteenth and fifteenth centuries not become part of a cyclical process of demographic and economic ups and downs? Why was there not a return to feudalism instead of a forward movement into capitalism? Harris's answer is that a new economic path had already been set and under the circumstances it was more rational to follow the logic of that path than to return to the earlier path. And Mann shows us one of the major reasons why: The changes within late feudalism were occurring within the context of an expanding world economic market—a major new phase of world commercialization that developed after 1000 AD—and this market drew feudal lords into it like a magnet.

One difficulty with the demographic argument is that it is never completely clear whether the demographic crisis of feudalism was due to overpopulation, underpopulation, or both. Harris (1977) seems to be giving more emphasis to overpopulation, while Postan's (1972) analysis seems to focus more on the underpopulation that occurred after 1300 (cf. Brenner, 1976). Perry Anderson (1974b), on the other hand, seems to be talking about both. This question is especially critical in view of the different demographic patterns displayed by Japan throughout its feudal and early capitalist periods.

Less work has been done on the demographic history of Japan than on Europe, but we now seem to have a fairly good picture of the former. Between the end of the twelfth and the end of the sixteenth century the population of Japan essentially doubled, rising from approximately 9.75 million in the period 1185–1333 to about 18 million in the period 1572–1591 (Taeuber, 1958). Major population growth continued throughout the first half of the Tokugawa era, with the population increasing to perhaps 30 million by 1725 (Jannetta, 1987). It used to be thought that population stagnated after this time throughout the remainder of the Tokugawa period (Hanley, 1972), but a new consensus has emerged that population continued to grow, albeit more slowly, from 1721 to 1868 (Hanley and Yamamura, 1972). Hanley and Yamamura (1972) estimate that during the period 1721–1872 the Japanese population grew at an average annual rate of 0.16 percent.

Ann Bowman Jannetta (1987) claims that in 1600 Japan already had one of the world's most densely settled populations, and it would appear that this pressure intensified during the Tokugawa era. There is evidence of infanticide during this time, and, as in Europe, considerable land reclamation was carried out. Hanley and Yamamura (1972) have summarized the evidence for a generally increasing rate of land reclamation from before the beginning of the Tokugawa period. Between 1551 and 1600 there were 28 *shinden* ("new fields") created. This number rose to 243 during the period 1601–50 and to 434 during the period 1651–1700. During the eighteenth century the number of *shinden* dropped sharply, but then rose again to 788 during the period 1801–68. Land reclamation during the Tokugawa period approximately doubled the amount of arable land. As in Europe, it is likely that a large portion of this land reclamation was due to population pressure, although a certain amount would have resulted from economic changes such as the growing commercialization of agriculture, or from the government's efforts at increasing its tax base (Hanley and Yamamura, 1972).

The picture so far of Japanese demographic change is remarkably similar to the European picture before 1300. But at this point the picture changes drastically. There never was a period of significant decline in the Japanese population even remotely comparable to the European demographic collapse of 1300–1450 (Jannetta, 1987). The reason for this appears to be that Japan was never subjected to the two great killer diseases that beset medieval Europe, bubonic plague and typhus. The absence of these diseases no doubt stems from Japan's relative isolation from Europe. The black rat that carried the flea responsible for bubonic plague followed the overland caravan trade, and there was no caravan trade to Japan (Jannetta, 1987).

The demographic regimes of Europe and Japan are different, then, in one crucial respect. And this means that a "crisis of underpopulation" that would have shifted the balance of class power away from the nobility in favor of the peasantry could not have been a causal factor in Japan's capitalist transition; that should make us doubt that the population crash of late medieval Europe played an important role in the European transition. However, it is still possible that *over*population could have been a factor in Japan, and in the European capitalist transition as well.

A NEW INTERPRETATION

All of the theories we have discussed have significant weaknesses that preclude any one of them offering a satisfactory explanation of the transition to capitalism. However, some of the insights of these theories can be drawn on in constructing a new interpretation. I proceed in a twofold manner. I begin by identifying several basic characteristics of Europe and Japan that I think operated as important preconditions facilitating their transition from a feudal to a capitalist economy. These preconditions, however, did not operate in a vacuum, but occurred only within the context of a particular historical juncture that marked the conclusion of a great historical trend. It was the interaction of these factors—the five preconditions on the one hand and a major historical trend on the other—that combined to produce the transition to modern capitalism when and where it occurred.

Five Similarities between Europe and Japan

SIZE

Japan and two of the three leading capitalist countries of early modern Europe—England and the Netherlands—were small, and as such contrast with China and India, which were large empires. This is very significant. Fernand Braudel (1984) has argued that the reason France lagged behind England and the Netherlands in her capitalist development was because she was "a victim of her size." France was thirteen times as large as the Netherlands and three or four times the size of England. Braudel points out that France's size created problems of transportation that England and the Netherlands did not have. Moreover, it is costly to maintain a large state because resources are drained away that could be used more directly for economic development. I think there is a parallel situation with large Asian societies like China and India. They were simply so big that obstacles were put in the way of economic development. In Asia Japan's much smaller size gave her a decided advantage.

GEOGRAPHY

Japan and the leading capitalist countries of northwest Europe were located on large bodies of water that allowed them to give predominance to maritime rather than overland trade. Samir Amin (1991) has noted that the societies containing the greatest amount of capitalism (what might be more accurately described as "protocapitalism") in the long agrarian era tended to be those which carried on maritime trade. And Braudel has pointed to the greater capitalist possibilities of maritime trade specifically with respect to Japan:

> If Japan seems rather different from the rest of eastern Asia, it is in the first place because it is surrounded by the sea, which made communications easier; the Seto no Uchi was a tiny Japanese Mediterranean and a very lively one. (Imagine an inland sea between Lyons and Paris.) I am not seeking to

> explain the entire development of Japan by the virtues of salt water—but without them, the processes and sequences of events in this singular history would be almost impossible to imagine (1982: 582).

The protocapitalism of China tended to be located along its southern coast, and the great Indian Ocean trade linking the Mediterranean and East Asia between the rise of Islam in the seventh century and the beginnings of early modern Europe was indeed centered precisely there—in the Indian Ocean (Chaudhuri, 1985). And where was the greatest economic development in late medieval Europe concentrated but in the city-states of Italy on the Mediterranean? The presence of maritime trade by itself determines nothing, but it is a very important precondition for capitalist development.

CLIMATE

Europe and Japan both had temperate climates. This is important when we recognize that the bulk of the world colonized by Europe had tropical or subtropical climates. These regions were most suitable for the development of the kinds of peripheral economic activities—production of raw materials for export using forced labor—European states wanted to pursue in those zones. Alfred Crosby (1986) has argued that an important reason for the economic success of the British settler colonies—the United States, Canada, Australia, and New Zealand—was the fact that the settlers were inhabiting regions climatologically similar to western Europe. Most of North America and Australia had climates poorly suited to peripheral economic activities (the southern United States is the exception that proves the role: Its warm climate was suitable for plantation agriculture, and it *was* peripheralized). Japan may have escaped peripheralization by Europe at least partly because of its climate or its distant northerly location. In any event, it wasn't climatologically suited for peripheral development.

DEMOGRAPHY

Both Europe and Japan underwent dramatic population growth during their feudal regimes. The buildup of population pressure *may* have contributed to the declining efficiency of feudalism and the shift toward capitalism.

POLITICAL STRUCTURE

Europe and Japan had the only true feudal regimes in world history (Anderson, 1974a). In fact, there is more similarity than that. The feudal systems of Europe and Japan arose at about the same time in world history and persisted for remarkably similar lengths of time. If we use the earliest and latest dates ordinarily given for feudalism in Europe and Japan, we arrive at the following results. The earliest date ordinarily given for the emergence of feudalism in Europe is 768, the beginning of the Carolingian state (Anderson, 1974b), and it is generally agreed that feudalism proper did not last beyond 1450. This gives a feudal period lasting 682 years. For Japan, the earliest date given is normally 1185, the beginning of the Kamakura Shogunate (Sansom, 1961; Reischauer, 1956; J.W. Hall, 1970). It is a bit difficult to date the end of Japanese feudalism, but everyone would agree that it was finished no later than 1868, the year of the Meiji Restoration. This gives a feudal period lasting 683 years, remarkably only one year more than the length of feudalism in Europe! Now I am not suggesting that we can really date the length of Japanese and European feudalism that precisely, but a striking similarity is clearly there.

The significance of the feudal experiences of Europe and Japan lies in the substantial freedom they gave to their merchant classes to operate economically. As I shall show later, there is widespread agreement that large bureaucratic empires stifle mercantile activity because it is a threat to the tributary mode through which the state extracts surplus. Europe and Japan were strikingly different from the rest of the agrarian world. Their high levels of political decentralization meant that mercantile activities could not be controlled as they normally were in large bureaucratic states. Anderson (1974a,b) has called attention to the freedom of the towns in medieval Europe and Japan, their remarkably independent role within the total economies of these societies. Likewise, Norman Jacobs (1958) has stressed the remarkable freedom and independence of Japanese merchants in contrast to the tight control of merchants in China. Indeed, it was not just that the Japanese merchants enjoyed considerable economic freedom, but that the whole conception of the importance of mercantile activity was distinctive in Europe and Japan. As Jacobs has remarked by way of a comparison of China with Japan and Europe,

> in China, commerce—and its successor, industry—were viewed as necessary but morally inferior, and not primary to the operation of the division of labour. The occupational interests of commerce were subordinate to those of the literati and agriculture....
>
> In Japan (as in western Europe) in contrast, the significance of commerce and of the merchant, even under feudalism, derived from an appreciation of the role of the merchant and his money in the struggle for control of independent political or economic power. Consequently the merchant, and his successor, the capitalist-industrialist, received in return a respected and sought-after position in the division of labour (1958: 118–19).

In my view, the freedom given to merchants was the most important of the five preconditions that helped push Europe and Japan forward as the first states to undergo a capitalist revolution.

Differences Between Europe and Japan

There were of course differences between Europe and Japan, the two most important of which are the following:

1. There was no demographic collapse in late medieval Japan as there was in late medieval Europe. The Japanese population remained large and dense and continued to grow throughout the Tokugawa period.
2. One does not really get a sense of a crisis of feudalism in Japan that corresponded to the European crisis. Perry Anderson (1974a) suggests that there was a feudal crisis in early-nineteenth-century Japan, but what he is describing looks more like a crisis of *capitalism*, probably induced by the relative isolation of the country from foreign markets. In any event, even if there was a Japanese crisis, it could not have been of the same type as the European crisis.

These differences between Europe and Japan provide some suggestions about what won't work in explaining the capitalist transition. The absence of an underpopulation problem in Japan raises doubts about the importance of such a factor in Europe. There was a labor shortage in Japan in Tokugawa times, but it was not the result of insufficient population. Rather, it was an urban rather than a rural problem and stemmed from the rapid commercialization and urbanization of the country.

Social Change in Agrarian States

In order to introduce the second major part of my theory, a long digression is necessary. This digression concerns the most important forms of social change that occurred during the some 4500 years between the rise of the first agrarian states and civilizations and the sixteenth-century capitalist takeoff. Once this digression has been completed, the second half of the theory can be connected with the first half and the entire theory made plain.

AGRARIAN STATES: GROWTH VERSUS EVOLUTION

I should like to introduce a distinction between *social growth* and *social evolution*. Social growth occurs when there is a quantitative change in one or more dimensions of a system of social organization. Increases in, say, the size of a population, military might, technological efficiency, or political power may be regarded as social growth so long as they do not lead a society into a structurally new mode of organization. By social evolution, on the other hand, I mean the attainment of just such a structurally new mode of organization—in other words, a *qualitative* transformation, or the development of something *new* rather than simply something *greater*. The crucial question obviously becomes: Was there much social evolution during the so-called agrarian era? The answer is: No, there was not. There was considerable social growth in the spheres of political power, military force, economics, and technology, a lot more in fact than is ordinarily supposed. But throughout some 4500 years there was no leap forward to a structurally new form of social organization.

This theme of the absence of any real "evolutionary potential" to agrarian states has been enunciated by numerous scholars, indeed, has become the standard wisdom. Standard wisdom has an explanation for this "evolutionary inertia," arguing that it resulted from the peculiar system of social stratification and state power so characteristic of these societies. This point of view was adopted by

Max Weber (1981[1927], 1976[1896/1909]) early in this century, and has been promoted by such recent social scientists as Immanuel Wallerstein (1974), John A. Hall (1985), Gerhard Lenski (1970), Dietrich Rueschemeyer (1986), John Kautsky (1982), and E.L. Jones (1988). The argument is essentially that the two basic social classes, the aristocracy and the peasantry, had no incentive to alter the underlying mode of economic production. The aristocracy had no incentive for change because they benefited enormously from the prevailing tributary arrangements. Indeed, commercial activity or technological advancement could threaten their means of extracting wealth from the subject population. They therefore kept a close watch on the activities of specialists in production for exchange, the merchants, and generally acted so as to keep their activities within certain bounds. On the peasants' side, they too had little incentive for change because whatever improvements they may have introduced into the productive process would have benefited their lords rather than themselves. Many scholars have focused on technological advancement when addressing this issue, but others have spoken specifically of *capitalist* development. In *The Agrarian Sociology of Ancient Civilizations,* Weber argued that agrarian bureaucratic states stifled capitalism in a number of ways, but most importantly by virtue of "the general limitation imposed by public administrations on the profits of private capital, and thereby on capital formation.... The ancient monarch and members of his court were always great agrarian lords" (1976[1896/1909]: 62-63).

I see no reason to challenge this conventional view of agrarian empires, but I would add one important point. Assuming that the movement out of the stage of agrarian society was going to be a movement into a specifically capitalist system of social and economic life–and historically, of course, this is the way things have worked out–it needs to be stressed that the emergence of capitalism could not be some sort of sudden leap forward to be achieved in a few dozen or even a few hundred years. It was an economic transformation that required a long period of time because of what might be called the "threshold effect." Because of capitalism's requirement for extensive markets (both foreign and domestic), and because of the general hostility of agrarian elites to it, it could emerge only slowly, and as such would require a lengthy period of incubation before it could reach a kind of "critical mass" essential to a tipping of economic power in its favor. In retrospect we know that the time period actually required was approximately 4500 years from the beginning of the first agrarian states. What remains to be shown here is the process whereby agrarian societies gradually built up the critical mass needed for eventually crossing the threshold into a genuinely (i.e., world transforming) capitalist system.

FORMS OF SOCIAL GROWTH IN AGRARIAN SOCIETIES

There have been three major forms of social growth during the era dominated by agrarian states: political growth, which involves both an increase in the size of political units and in the concentration of power within these units; technological growth, with respect to both economic subsistence and military force; and economic growth, which has primarily been manifested in an increase in the level of world commercialization. I regard this third form of growth as the most important and, because of space limitations, shall concentrate on it.

Economic growth during the agrarian era involved an expansion in the scale and importance of economic exchange, which can be assessed by size and density of trade networks. John Kautsky (1982) has drawn a distinction between "traditional" and "commercialized" aristocratic empires, noting that there has been a general trend for the former to give way to the latter. He suggests that, given enough time, virtually all of history's traditional aristocratic empires have tended to become commercialized; he describes this process as almost inexorable. Along similar lines, Andre Gunder Frank (1990, 1991; Gills & Frank, 1991) argues for a long-term process of capital accumulation, based mainly on trade, that has occurred at an increasingly global level since the origin of the first Mesopotamian states 5,000 years ago. Frank sees this process as the central developmental process of world history, which explains developments in the non-economic spheres of agrarian societies, as well.

There are three major stages in this process of expanding world commercialization (McNeill, 1982; Curtin, 1984). The first stage begins around 4000 BP and ends around 2200 BP. During this phase trade was largely local or, at best, regional in scope. By 2200 BP there emerged the first truly long-distance trade with the establishment of a trade axis that ran all the way from China to the Mediterranean. After about 1000 AD there was another big leap forward in which trade networks expanded and deepened, especially in the period 1250–1350.

The emergence of a worldwide trade axis after 2200 BP corresponds closely to a sudden surge in the size of agrarian empires (Taagepera, 1978). The two are undoubtedly causally related, for, as E. L. Jones (1988) has argued, truly long-distance trade networks only became possible with the rise of very large empires. Only empires of that size had developed the technology of communication and transportation needed to facilitate worldwide trade.

Philip Curtin (1984) has described some of the basic characteristics of the worldwide trade network that was in effect between 2200 BP and 1000 AD (cf. Chaudhuri, 1985). As he notes, during this period trade became regularized between the Red Sea/Persian Gulf region and India, between India and Southeast Asia, and between Southeast Asia and both China and Japan. In the middle Han period, Chinese merchants traveled to the west through central Asia and established an overland trade route between East Asia and Europe. Chinese trade with India was extensive by the first century AD, and Chinese goods were sold widely in the Roman empire. During Roman times trade between India and the Mediterranean was carried on through three different routes: an overland route through Parthia; the Persian Gulf combined with an overland route; and the Red Sea combined with an overland route to Egypt or some part of the Fertile Crescent region. Maritime trade flourished in the South China Sea and the Bay of Bengal, and Canton was an important port for trade to the south.

William McNeill (1982) has described a major burst of world commercialization beginning around 1000 AD, centering on China. During this time China had its greatest burst of economic activity prior to modern times, one that lags behind only late medieval Europe and Tokugawa Japan in scale and scope. Mark Elvin (1973) has referred to this as an "economic revolution," during the period of the Sung dynasty (969–1275 AD) involving agriculture, water transport, money and credit, industry, and trade (both domestic and foreign). Elvin argues that improvements in agriculture gave China by the thirteenth century the most sophisticated agricultural system in the world, which provided a foundation for major thrusts forward in commercial activity. Commercial activity was also greatly aided by improvements in water transport, such as the construction of better sailing vessels, and the building of canals and removal of natural obstacles to navigation in streams and rivers. Industry flourished, especially the production of steel and iron. The economy became much more monetized. There was a greater volume of money in circulation, and the money economy penetrated even into peasant villages. Foreign trade, especially with Southeast Asia and Japan, flourished. Markets proliferated and became hierarchically organized. At this time China was the world's most economically advanced society, and many observers have suggested that it was on the brink of the world's first industrial revolution. However, beginning in the fourteenth century China began to decline and stagnate economically and to withdraw from foreign trade. It became isolated and inward-looking, a process that had become fairly complete by the middle of the fifteenth century. The reasons for this economic downturn are still unclear.

McNeill sees the enormous economic growth in Sung China as part of a larger picture of world commercialization. As he says, "China's rapid evolution towards market-regulated behavior in the centuries on either side of the year 1000 tipped a critical balance in world history" (1982: 25). After the eleventh century the scale of long-distance commercial activity expanded enormously, not only in China and other parts of Asia, but in Europe too (as well as between Europe and Asia). In Europe, commercial activity was centered on Italian city-states such as Venice and Genoa, which:

> brought most of peninsular Europe into a more and more closely articulated trade net in the course of the next three hundred years. It was a notable achievement, but only a small part of the larger phenomenon, which, I believe, raised market-regulated behavior to a scale and significance for civilized peoples that had never been attained before....
>
> It was precisely in the eleventh century, when China's conversion to cash exchanges went into high gear, that European seamen and traders made the Mediterranean a miniature replica of what was probably happening simultaneously in the southern oceans.... These separate sea networks were then combined into one single interacting whole after 1291 (McNeill, 1982: 53–54).

Janet Abu-Lughod (1989) has picked up the story where McNeill left off. She describes in great detail for the period 1250–1350 the structure and operation of a vast worldwide trade network from western Europe to East Asia. This huge "world-system" contained eight overlapping subsystems that can be categorized into three larger circuits centering on western Europe, the Middle East, and the Far East. Abu-Lughod claims that this world trade network "was substantially more complex in organization, greater in volume, and more sophisticated in execution, than anything the world had previously known" (1989: 353), and that it provided the basis for the development of modern capitalism after about 1500.

As already indicated, it is my view that expanding world commercialization was the most important form of social growth that occurred during the approximately four and a half millennia of the agrarian epoch, at least in terms of its ultimate world-transforming significance. We are now in a position to connect this great historical trend with the five preconditions shared by Europe and Japan in order to understand the precise combination of circumstances that triggered the great economic takeoff that we acknowledge as the birth of the modern capitalist world.

Explaining the Capitalist Takeoff

My explanation of the transition to capitalism is this: Modern capitalism resulted from the interaction among the five preconditions discussed earlier–small size, location on a large body of water, temperate climate, population growth, and feudal political relations permitting mercantile freedom and independence–and the process of long-term historical expansion of world commercialization. The level of world commercialization had finally built up in the centuries after 1000 AD to a critical density sufficient to trigger a massive capitalist takeoff. A threshold of commercialization as the result of expanding urban networks and extensive and intensive trade density had been achieved, and this led to an explosive capitalist takeoff in those two regions of the world, western Europe and Japan, that were most hospitable to capitalist activity.

The increasing level of world commercialization over the very long run is the truly critical factor in all this, for as Fernand Braudel has said, "There could be no world economy until there was a dense enough urban network with trade of sufficient volume and regularity to breathe life into a central or core zone" (1984:96).

Braudel is speaking of Europe, but the same argument applies to Japan. Although Japan did not trade with Europe in the centuries before Tokugawa, and although it was isolated from the West during most of the Tokugawa epoch, it did carry on significant trade with East Asia during this period, and it has been described by several economic historians as one of the great maritime powers of East Asia in the thirteenth, fourteenth, and fifteenth centuries (J.W. Hall, 1970; Braudel, 1982). The seeds of capitalism had clearly been sown by Ashikaga times (i.e., after 1338) (Jacobs, 1958; Braudel, 1982). Of the preconditions that interacted with this expanding level of world commercialization the most important was the freedom given to mercantile activity by feudal political relations. Although the other conditions were certainly important in stimulating commercial activity, European and Japanese merchants could not have gotten as far as they did at the time that they did without a favorable political climate.

Note well that my theory holds that *capitalism would eventually have developed anyway* given enough time for the further buildup of world commercialization. Europe and Japan were the first to have genuine capitalist takeoffs because they had the most suitable preconditions, and because these conditions allowed them to contribute to the whole process of expanding world commercialization, but even if there never had been any feudal societies in the world an explosive capitalist spurt would eventually have occurred. It may have taken a good deal more time—possibly even another millennium or two—for capitalism to emerge because of the lack of favorable preconditions, but the expanding level of world commercialization would eventually have gotten its way. It was a force that could be slowed down, but not stopped. Eventually the level of world commercialization would have become such that the tipover into world-transforming capitalism would have occurred even under generally unfavorable preconditions. Capitalism was a force that could not be denied; its emergence was inevitable.

The rise of capitalism was a matter of the *growing economic power* of the mercantile classes, a matter of these classes insinuating themselves into the tissues of agrarian-coercive societies with their tributary modes of production and finding the best home they could. Since merchants were disdained (indeed, often despised) by agrarian ruling classes, their advancement could only be difficult and slow. Nonetheless, agrarian elites could not dispense with merchants because they provided desirable goods and services. Merchants had to be tolerated, if not encouraged. And merchants took whatever they could get. Some anthropologists have said, correctly, that in egalitarian band and tribal societies "inequality is always struggling to get out" (cf. Cashdan, 1980). By analogy, I would say that in agrarian-coercive societies "capitalism is always struggling to get out." Merchants could be hemmed in here and there, could have their wealth expropriated by this and that bureaucratic elite, but they could not be denied forever. Gradually their economic power grew, until, some 4500 years after the origins of the first states and quite probably the first genuine merchants, they were able to conquer and subdue the very kind of society that gave them birth. It wasn't easy, and it took a long time, but eventually it happened. It happened first in western Europe and Japan, but if it had not happened there it would have happened somewhere else at a later time. The capitalist takeoff was inevitable.

One aspect of my argument that is still a little cloudy is the role of demographic growth. I doubt this was a major factor in the capitalist transition, but it may have played some role. How large a role is not completely clear. Population pressure was surely a problem in China and India at the time in history that we are considering, but since we see no evidence of a capitalist takeoff it is difficult to give population pressure an important role. But in a larger sense it does not really matter all that much, for in the long run, as I have said, even the other preconditions were not necessary to the end result.

I regard this interpretation as a highly parsimonious one that accomplishes the following things:

1. It explains why capitalism first emerged when and where it did.
2. It explains why it took a full 4500 years for capitalism to emerge. This is an especially important accomplishment because the question as to why it took so long for capitalism to emerge after the rise of the first agrarian states has always been central.
3. It explains why there was such remarkably similar timing in the emergence of capitalism in Europe and Japan. The buildup in world commercialization, especially in the

centuries after AD 1000, was the critical context for capitalism. Some might think it a "coincidence" or a mere "historical accident" that the transition to capitalism was made in two distant parts of the world at, on a world-historical time scale, almost the same moment. But for any nomothetically-oriented scholar the timing is too close to be explained as coincidence.

4. It dispenses with the hoary debate concerning whether the rise of capitalism in Japan was the result of endogenous or exogenous factors. Clearly it was both. The external factor was the intensified level of world commercialization, the internal factors were the five basic preconditions. Perry Anderson (1974a) claims that Japan made its capitalist transition only as a result of the forced reopening of the country in the middle of the nineteenth century, an all too common view. Frances Moulder (1977) also claims that Japan never could have made the transition under its own impetus. Both scholars seriously underappreciate Japan's internal strengths and the degree to which it had already become essentially capitalist by the time of Commodore Perry's arrival in 1853. Norman Jacobs (1958) and Fernand Braudel (1982) show that there was a substantial endogenous evolution toward capitalism in Japan. As Braudel puts it:

> An early form of Japanese capitalism, clearly self-generated and native to the country, did nevertheless appear of its own accord.... [E]verything conspired to produce a kind of early capitalism which was the product neither of imitation of foreigners, nor of initiatives by any religious community....
>
> In short, this capitalism emerged in the first instance from the development of a market economy which was long-standing, lively, and expanding: markets, fairs, sea-voyages, and exchange (if only the redistribution of fish to inland towns) and finally long-distance trade which was also an early development, particularly with China, and which yielded fantastic rewards (1100% on the first voyages of the fifteenth century) (1982: 591–93).

What would have happened in Japan if it had not been forcibly reopened by the West? Moulder's (1977) answer is that it would have stagnated under archaic feudal relations. My answer is that by the mid-nineteenth century Japan was extremely close to opening itself up under its own volition. In the nineteenth century the Japanese had enormous interest in Western technology, and Japan was ripe for the shift to industrial capitalism. If this shift had not begun in the late nineteenth century, as we know it actually did, then it would not have taken much longer. Japan would have opened itself up voluntarily, inserted itself into the world capitalist market, and begun its own independent process of industrialization.

Consider what happened in China in the fourteenth and fifteenth centuries. It withdrew from world trade and declined economically, short circuiting the advance toward capitalism that some scholars think was soon in store for it. Contrast this with what happened in Japan when it embarked on its isolationist path in the seventeenth century. During the more than two centuries of its isolation it underwent enormous expansion, surely an indication of the strength of the endogenous forces pushing it toward capitalism.

Some readers may be wary of my theory because the notion of capitalism's slow but inevitable emergence will conjure up for them an underlying image of "economic man" who has a tendency to "truck, barter, and exchange." The theory may be branded as yet another type of "neo-Smithian" argument. This would be a serious misreading of my intent. I do not hold to a view of human nature that says that humans have an inborn tendency to exchange things for profit. Humans are not inherently "capitalistic." Indeed, if I thought such a thing shouldn't I expect capitalism to have appeared much earlier than it did, and shouldn't there have been much less resistance to it? My argument is that, when after a certain historical point mercantile activity became feasible (about 3000 BC), at least *some* people wanted to pursue it and at least *some* other people wanted it maintained because they could benefit from it. Once in existence, mercantile activity expands of its own accord, and thus the economic power of the merchant classes slowly, but surely, increased. And at some point it reached a level beyond which it could no longer be stopped.

I take no particular pleasure in holding this view, which should not be interpreted as "procapitalist." I am just as aware as my Marxist friends of the unpleasant and objectionable features of the capitalist mode of production. To explain the rise of capitalism is one thing, to evaluate its moral and political significance quite another.

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