

Reviews

Paths toward the modern fiscal state: England, Japan, and China

By Wenkai He. Cambridge, MA, and London: Harvard University Press, 2013. Pp. x + 313. 1 b/w illustration, 7 graphs, 1 table. Hardback £42.95, ISBN 978-0-674-07278-7.

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This ambitious study charts the evolution of the modern fiscal state in three different countries and three different time periods. The book first examines the English experience from 1642 to 1752; it then turns to Japan in the years between 1868 and 1895; last is the story of China from 1851 to 1911. In the introductory chapter, the author distinguishes what he terms the traditional fiscal state by the government's reliance on decentralized fiscal institutions to collect specific revenues streams which are then allocated to particular spending needs such as the military. While the traditional fiscal state might seek to raise loans for, say, emergencies, it is central to He's argument that it is not permanently involved with financial markets which are likely to be very undeveloped. The modern fiscal state, in contrast, centralizes tax collections and allocates expenditures from a consolidated revenue account. It then uses centrally collected revenues to leverage long-term loans from financial markets. The transition from the traditional to the

modern fiscal state is thus dependent on the level of commercial development in the economy for at least two reasons. First, the use of speedy credit instruments such as bills of exchange allows the government to remit tax revenues from the regions to the centre. Second, a commercialized economy allows the state to extract indirect taxes such as customs duties, excises, and sales taxes. A modern fiscal state can emerge in an economy with only a small industrial base, such as England in the seventeenth century or Japan in the nineteenth century, but is unlikely to appear in a purely agrarian economy with a low level of financial development.

Why does Wenkai He choose these three countries and time periods in particular? To begin with, he argues that all these countries had long and continuous histories of state formation before the emergence of the modern fiscal state, and none were colonies (even though there were both internal and external constraints on the pace of fiscal reform within them). He draws on studies by Peter Mathias, Patrick O'Brien, John Brewer, and others to argue that the creditworthiness of the English government in financial markets rested on its ability to extract tax revenue; by the early eighteenth century England was one of the most heavily taxed countries in Europe. The rapid expansion of indirect revenues was the result not just of accelerated economic development in England after the Civil Wars, but also of administrative reforms which created a centralized bureaucracy staffed by salaried officials.

For the Japanese case, he emphasizes the sophisticated market economy that had evolved during the Tokugawa era, which contrasted with the rather primitive fiscal system inherited by the Meiji reformers. As is well known, in the years after 1868 land taxes played an important role in state revenues but their importance declined as the central government was able to increase revenues from indirect taxes, including excises on alcohol. Over the 1880s, the newly established Bank of Japan was charged with managing government treasuries across the country, which facilitated the collection of central taxes. Fiscal centralization in turn permitted the government to float domestic loans, as happened earlier in England.

Both the English and the Japanese cases have been extensively analysed; He draws on the large secondary literature in English and Japanese to develop his arguments about the evolution of both the public finances and financial markets in the two countries. But the part of the book which is likely to be of most interest to students of fiscal development is his detailed analysis of the Chinese case in the period from 1851 to 1911. These six decades saw considerable unrest in various parts of China, leading to population declines as well as probable declines in real output, at least in some areas. Although not a formal colony, China increasingly fell under the control of foreign powers and in 1895 was defeated in a war with Japan, which led to the loss of Taiwan and the payment of a large indemnity to the Japanese government. But He makes a strong case that, in spite of these setbacks, late Qing China could have established a modern fiscal state. The annual average tax revenue more than doubled from the 1830s to the 1890s and became more diversified, shifting away from land taxes and towards customs duties and taxes on domestic consumption. He rejects the view that China was simply too big and too chaotic, and the late Qing state too

weak, to have modernized either the fiscal or the financial system.

He points out that, by the mid nineteenth century, there was a large pool of funds under the control of merchants who would have been prepared to buy government securities had they been confident of prompt interest payments. It is also suggested that it was at least possible for China to have established a central bank in Shanghai in the latter part of the nineteenth century along the lines of the Bank of England. There would have been support for such an institution from the ruling dynasty in Beijing and from the powerful merchant classes in different parts of the country. Why then did this not happen? Why did both the fiscal and monetary systems remain decentralized and poorly integrated through to the final collapse of the Qing dynasty in 1911? According to He, the main reason was that, prior to 1895, there was no really serious crisis which could have forced the government to centralize further revenue collections in order to mobilize funds through government borrowing. Tellingly, according to his analysis, the successful payment of the indemnity to Japan after 1895 shows that institutional arrangements were in place that the government could have used to consolidate a modern fiscal state. The government was already collecting a range of indirect taxes, and there were plenty of people able and willing to purchase government bonds had they been confident that the government possessed the financial resources to pay interest on them. While this argument seems to run counter to the prevailing view that the real problem was the weakness of the late Qing state, it deserves serious consideration in future studies of the Chinese economy in the latter part of the nineteenth century.

Whatever one might think of He's reasons for China's failure after 1850, his book ought to be of interest to students of fiscal development, not just in the three countries analysed but in other areas of the world too. It raises a

number of important questions which ought to stimulate further research. To what extent did a modern fiscal state develop in other Asian countries such as India, Indonesia, or the Philippines, which were under colonial rule until the aftermath of the Second World War? If it did not, was this the result of colonial policies or of failings within indigenous society? Few countries in Asia and Africa apart from Japan and China escaped direct colonial rule in the latter part of the nineteenth century. But those that did – the most prominent examples are Thailand and Ethiopia – were not successful in emulating the English and Japanese in building a modern fiscal state. Nor were most of the independent states in Latin America. He's carefully researched book suggests fascinating and promising avenues for investigating the evolution of both fiscal policy and financial institutions in different parts of the modern global economy.

The last blank spaces: exploring Africa and Australia

By Dane Kennedy. Cambridge, MA: Harvard University Press, 2013. Pp. 353. 15 b/w illustrations, 2 maps, 1 table. Hardback £25.00, ISBN 978-0-674-04847-8; paperback £16.95, ISBN 978-0-674-50386-1.

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Publications by explorers of Africa were among the great bestsellers of the nineteenth century. The likes of Mungo Park, David Livingstone, and H. M. Stanley became household names, and were often the subjects of multiple biographies. By contrast, in Britain at least, Australian explorers had a lower profile. Australia was certainly further away, but it also

failed to arouse the historic and romantic resonances of Africa, the continent that sat astride the Mediterranean, Atlantic, Middle Eastern, and Indian Ocean worlds, a continent replete with a great variety of tsbenvironments and diverse and apparently colourful peoples, a continent associated with a repudiated slave trade, and above all a continent brimming with the most striking wild animals. Exploration of such themes remained central to popular works until a generation or so ago, usually replicating the triumphalist narrative which opened up the supposedly dark places of the world to modernity. In this vein, explorers continued to be celebrated as heroic, tragic, or inspirational figures.

More recently, however, explorers and their activities have been subjected to more sceptical analyses. Historical geographers led the way here, and the bicentennial of Livingstone's birth in 2013 produced a crop of new work by a number of scholars. Of these, there can be little doubt that Dane Kennedy's *The last blank spaces* is the most extensive and subtle, not only appraising the better-known African exploration in strikingly fresh ways but also suggesting important points of comparison with the exploration of Australia (which aroused excitement among Australian settler communities almost equal to that stimulated in Britain by Africa). Among the many merits of Kennedy's work is that he situates continental exploration in genuinely global contexts, linking it to maritime explorations down to the eighteenth century, as well as to other forms of exploratory activity that followed in the twentieth.

Kennedy is well aware of the major differences between the exploration of the two continents of Africa and Australia: for example, in the modes of subsistence of the peoples among whom the explorers travelled (with Africa providing better sources of food); in the extent to which animals could conveniently be used for transport (more so in