

# **Ideology and Economic Change: The Path to the Modern Economy in China and Japan**

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## *Abstract :*

What explains economic changes, or lack-thereof, in China over the tumultuous century 1850-1950? Why was Japan's economy able to pull far ahead of China in this period, despite starting without an advantage? This paper highlights the critical role of ideology and ideological change induced as a response to Western impact following Qing China's forced opening during the mid-19th century. We argue that Imperial Qing's highly centralized and absolutist political regimes and traditional dominance in a China-centered world order encouraged resistance to new intellectual resources and a failure to recognize the impending crisis in the new world order. This contrasted with Japan's decentralized daimyo system under the Tokugawa shogunate, which encouraged (though unintentionally) ideological competition between various sources of power. By laying out the quantitative profile of Chinese and Japanese economic change during 1850-1950 and reviewing the main historiography, this paper builds a new analytical framework linking ideology with economic change. It delineates three phases of economic changes in light of the specific timing of intellectual and ideological transformation during this period and embeds our narrative with two specific cases of commercial and financial developments.