THE CONCEPT OF ECONOMIC IMPERIALISM

THE CONCEPT OF ECONOMIC IMPERIALISM:
WITH PARTICULAR APPLICATION TO BRITAIN
DURING THE PERIOD 1870-1914

By

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CHAPTER 1

INTRODUCTION

Since Britain's imperial development in the period 1870 to 1914 is generally regarded as "economic imperialism par excellence", the purpose of this Paper is to examine the conflicting opinions concerning the causes and effects of British economic imperialism in that period and to question whether an exclusively economic interpretation is either adequate or necessary. Chapter one defines economic imperialism and introduces the three main theories of imperialism: chapters two and three outline the two classic statements of the economic causes of imperialism: chapters four, five and six present refutations of the fundamental concepts put forward in chapters two and three: chapter seven examines the apparent special features of the period which gave rise to the concept, and chapter eight attempts to draw conclusions from the facts.

One should distinguish from the start between the economic interpretation of imperialism and economic imperialism. The one is an explanation, an essentially monistic explanation of an historical phenomenon. The latter is an aspect of the phenomenon itself: if imperialism is the dominion of one group over another, economic imperialism is the establishment or exploitation of such dominion for continuing material advantage.[1]

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1 D.S. Landes " Some Thoughts on the Nature of Economic Imperialism". J.E.H. 21: 496-512. Dec. 1961. p. 496.

Thus David Landes' definition of economic imperialism encompasses all voluntary dominion, formal, semi-formal or informal, which is established or maintained in order to yield "a recurrent harvest of profit".[2] Richard Koebner[3] examines the various meanings given to the term "imperialism" before 1902, when it was used in two main connotations, the one implying a conservationist attitude towards existing settlements, the other indicating an expansionist movement into "uncivilized" parts of the world.[4] There are as many definitions of imperialism as there are writers on the subject.[5]

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2 Loc. cit.

3 R. Koebner, "The Concept of Economic Imperialism". E.H.R. 2nd ser. II. No.1.1-29. 1949. pp 2-3.

4 C.A. Bodelsen comments upon the vagueness surrounding the word, and uses it in one sense only - namely, denoting that specifically British movement which aims at preserving and consolidating the unity of the British Empire. He traces the evolution of the imperialist spirit, as reflected in contemporary literature, in public debates and in the press, from its origin to the end of the 1890s. Studies in Mid-Victorian Imperialism, Howard Fertig Inc., New York, 1968.

5 H.M. Wright, in an attempt to bring order into semantic chaos, analyses the structure of those typical definitions of imperialism which can be used generally, in order to determine what sort of restrictive clauses in each category of the structure would be most useful to the historian. On the premise that the one essential characteristic of imperialism is inequality and that "the inequality of imperialism should be considered basically as a political matter - not economic, intellectual, religious, social or whatever", - his synthesis produces the following definition: "Imperialism is the deliberate act or advocacy of extending or maintaining, for the primary purpose of aggrandisement, a state's direct or indirect political control over any other inhabited territory which involves treating the inhabitants inequitably in comparison with the norm for its own citizens". "Imperialism: the Word and its Meaning", Social Reform. Vol.34. No.4. 660-674.1967. p.670.

The concept of economic imperialism emerged in 1902 with the publication of J.A. Hobson's Imperialism, a Study. The economic interpretation of imperialism derives from a number of separate sources, elaborating on Hobson's ideas. Koebner distinguishes three groups which he calls the Marxian, the Fabian and the American.[6] However, as Landes points out:

> they all agree on the essential: that the taproot of imperialism is the appetite for material gain: that this appetite grew appreciably in the nineteenth century as a result of structural changes in the industrial economies of Europe, and that modern imperialism is the work of monopoly capitalism.[7]

The economic interpretation explains imperial expansion in the context of a capitalist economy, in terms of the need for new markets to absorb surplus manufactured goods, the need to invest surplus or profit capital in underdeveloped areas and the need to secure supplies of key raw materials for industrial growth.

Hobson's work was precipated by his experiences in Africa during the frenetic expansion of the 1880s and 1890s; he was the first critic of imperialism to attribute the cause to economic factors, but his interest lay mainly in the social implications.[8] The alternative, and most influential economic interpretation was put forward by Lenin in 1916; Marx died in 1883 before the new imperialism had reached its zenith

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6 Koebner, op. cit. pp.3-4

7 Landes, op. cit. p. 497.

8 J.A. Hobson, Imperialism, a Study London. G. Allen and Unwin. 1902. Revised ed.1938. See chapter two below.

(the fifteen year period starting in 1884) and it was left to Lenin to voice the Marxist criticism.[9] A third mainstream theory of imperialism, Schumpeter's sociological theory propounded in 1919, stands apart from the economic interpretation whilst showing awareness of it.[10]

Schumpeter defines imperialism as the "objectless disposition on the part of a state to unlimited forcible expansion."[11] Hoselitz points out that Schumpeter searched for a basically social explanation of imperialism, and that he "does not ask 'What is imperialism?' - but asks 'Who are the imperialists?' What groups in society form the spearhead of imperialist policy? How do these groups come into being? And what makes them disappear?"[12] Schumpeter sees imperialism as an atavism in society stemming from the living conditions of the past -

> or, put in terms of the economic interpretation of history, from past rather than present relations of production. It is an atavism in the social structure, in individual, psychological habits of emotional reaction. Since the vital needs that created it have passed away for good, it too must gradually disappear ... It is from absolute autocracy that the present age has taken over what imperialist tendencies it displays. And the imperialism of absolute autocracy

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✓ 9 V.I. Lenin, Imperialism, the Highest Stage of Capitalism. (1916) in Collected Works, Vol.1.pp.673-777. Progress Publishers, Moscow. 1963. See chapter three below.

✓ 10 J.A. Schumpeter, "The Sociology of Imperialisms" in P.A. Sweezy, ed. Imperialism and Social Classes. Oxford 1951.

11 Ibid. p.7

12 B. Hoselitz, Introduction to the Meridian (1955) edition of Imperialism and Social Classes, p. vii.

flourished .. before the consequences of that revolution [the Industrial Revolution] began to be felt in all their aspects. 13

Unlike the Hobson-Lenin theories, Schumpeter's theory casts imperialism as being independent of capitalism - it is a pre-capitalist phenomenon overlapping into a capitalist age. In fact, he goes further and argues that capitalism is essentially anti-imperialist - " a purely capitalist world ... can offer no fertile soil to imperialist impulses ... its people are likely to essentially of an unwarlike disposition."[14] Instinctive survivals like the imperialist impulse are increasingly submerged under the "democratized, individualized and rationalized"[15] conditions of life which prevail under capitalism.[16]

The New Imperialism after 1870 has been widely studied and has spawned a copious literature. Most of the causes of imperialism have now been identified but controversy still remains as to the differing priorities of the causes,

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13 J.A. Schumpeter _op.cit_. pp 84-85.

14 T. Kemp, _Theories of Imperialism_. London, Dobson, (1967) p. 90.

15 _Ibid_. p. 94.

16 M. Greene rejects Schumpeter's theory as a general theory of imperialism because Schumpeter's hypothesis relies on both his specialized definition of imperialism, (the expression of the warrior-class social structure), and his specialized definition of capitalism. (Schumpeter's "true capitalism" is devoid of protection and monopoly, as in "Free Trade" England during the later half of the nineteenth century - a very special case indeed.) "Schumpeter's Imperialism - a critical note", _Social Research_, Vol. 19. 453-463. 1952. p. 453.

(obviously different for each specific act).[17] Recent re-examinations of the economic arguments no less reflect the still unsettled controversy and have furnished a re-appraisal of the economic interpretation itself.

In order to understand the evolution of the theory of economic imperialism it is necessary to study the situation prevailing at the turn of the eighteenth century and to examine Hobson's exposition of 1902. This we will do in chapter two.

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17 R.W. Winks lists no less than fifteen ascribed causes, ranging from "the need, presumed or real, for raw materials and markets" to "the search for oneself". British Imperialism: Gold, God, Glory. Holt, Rinehart and Winston. (1964). Introduction p.2.

CHAPTER 2

THE BIRTH OF THE CONCEPT - HOBSON'S CLASSIC STATEMENT 1902

Imperialism was not an innovation of the nineteenth century. There had been active colonization of the mercantilist type in the seventeenth and eighteenth centuries, accompanying the commercial revolution and after the discovery of the New World. The motivating influences of this "Old Imperialism" are epitomised in the phrase "Gold, God and Glory". England was not alone in this territorial expansion: Spain, Holland, Portugal and France all founded colonial empires and Europeanised the Americas. For all of them, the interests of the mother country dominated those of the colonies. The first wave of colonization came to an end for France in 1783, and for Spain and Portugal in the early 1820s - Britain lost the greater part of her colonial empire with the loss of the American colonies in 1783, but remained the only strong colonial empire after 1815.[1]

In the decade after 1870 there was a sudden revival of imperialism - a new wave of overseas expansion into Asia, Africa and the Near and Middle East. As before, there was a

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1 L.L. Snyder, (ed), The Imperialist Reader, New York, 1962. p.1.

multiplicity of motivations, different for each expanding country, but this time the main impulse was economic. The Industrial Revolution gave rise to a need for new markets, sources of raw materials and food, and new areas for more remunerative investment. Reinforcing the materialistic motivation, a strong nationalism urged the spread of civilization into backward countries, and as always, there were those who felt the urge to spread christianity abroad.

Why did the New Imperialism burst forth when it did? E.J. Hobsbawm[2] sets the scene admirably. The immediate benefits of the first phase of industrialization, from 1780 to 1840, wore off and the possibilities of the technological innovations of the first industrial era tended to be exhausted. This phase was more marked in Britain where the structural transformation had proceeded throughout the economy. A new phase of technology was to open up new possibilities in the 1890s, but meanwhile both old and new economies ran into difficulties of markets and profit margins. As the vacuum of demand was filled, markets tended to become saturated, for they had not increased fast enough to keep pace with the expansion of output and capacity in manufactured goods. Profits declined - squeezed between price-reducing competition and cost-increasing mechanized plant with increasingly large

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2 E.H. Hobsbawm, Industry and Empire; an economic history of Great Britain since 1750. London. Weidenfeld and Nicolson. 1968. pp 105-108, 201.

and inelastic overheads - "businessmen searched anxiously for a way out".[3]

Not only was income from domestic sources squeezed, but also income from foreign sources dried up. Prior to 1873 the foreign investment market provided an important safety valve against the possibility of capital accumulation out-stripping profitable domestic investment opportunities. Between 1867 and 1873 there had been a series of loans to Egypt, Russia, Hungary, Peru, Chile and Brazil, together with a number of special railway loans - especially to the U.S.A. and Germany. However, from the onset of the "Great Depression" in 1873, the global slowing down of economic progress threw many countries into financial difficulties. Defaults of foreign debtors in the 1870s had a substantial impact on the incomes of British rentiers. Spain became bankrupt, Turkish finance collapsed and financial crises in Austria, South America and Russia caused an abrupt paralysis of the market for foreign loans. At the same time, incomes from exports were drastically reduced. Between 1867 and 1873 demand for exports had increased by more than a third, and by 1873 total exports were eighty per cent larger than they had been in 1860. Suddenly, the tide turned, and by 1876 exports of British products had shrunk (in value) by twenty-five per cent

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3 Ibid. p.106

compared with the peak of 1872. It was not until the turn of the century that this peak was to be surpassed.[4]

The break in economic progress was not merely temporary - other countries were now producing, and even exporting, goods previously imported from Britain. Britain was ready for only one method of dealing with this situation. Other countries, (France, Germany and the USA), turned to tariffs for the protection of their agriculture and industrial home markets, but Britain held firmly to Free Trade. Other countries, (especially Germany and the USA in the 1880s), turned to systematic economic concentration in the formation of trusts, cartels, syndicates etc., but Britain had transformed her technology and business organization too completely to change both again in the 1890s. She had only one solution - to join the other competing powers in the economic (and increasingly political) penetration of hitherto unexploited areas of the world to secure privileged spheres of foreign trade and investment.

The era of the Great Depression thus also initiated the era of imperialism; the formal imperialism of the 'partition of Africa' in the 1880s, the semi-formal imperialism of national and international consortia taking over the financial management of weak countries, and the informal imperialism of foreign investments.5

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4 M. Dobb, Studies in the Development of Capitalism. International Publishers, New York, 1947. pp. 300-319.

5 Hobsbawm, op. cit. p.107.

Imperialism was traditional for Britain, but now, in the face of political competitors, she had formally to claim regions of imperial influence, often well in advance of any actual prospects of economic gain, and often too, the gains did not materialize.

Another consequence of the emergence of competing groups of industrially and economically advanced powers in the Great Depression, was the fusion of economic and political rivalries and the emergence of government backing for private enterprise, not only to give it a free hand, but sometimes to bail it out. The role of government became increasingly important in this period. Government intervention was necessary for greater welfare - demanded after the enfranchisement of the working class in 1867; it was necessary to revise British international economic policy away from the Free Trade basis as other countries industrialized; and it was necessary for protection, since world peace could no longer be taken for granted as the United States, Germany and Japan emerged as new great powers.[6]

This then, was the background against which J.A. Hobson voiced his criticism of imperialism and proffered his solution, a solution which the growth in the role of government had made feasible. Both the Hobson and Lenin theories were devised for a capitalist society. M.H. Dobb[7] points out the two outstanding

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6 *Ibid.*, pp.108,201

7 Dobb, *op.cit.*,pp.256-257.

features of the nineteenth century. First, the tempo of economic change was quite abnormal, judged by the standards of previous centuries, so that a dynamic economy came to be accepted as the norm. Second, the nineteenth century, (or at least the first three-quarters of it), presented a combination of circumstances which were exceptionally favourable to the development of a capitalist society in that technical changes rapidly augmented the productivity of labour and this was accompanied by an abnormally rapid increase in the labour force,[8] together with the simultaneous and unprecedented widening of the field of investment and the market for consumer goods. However, whereas Hobson believed that social reform measures could eliminate the need for imperialism within the capitalist system, Lenin believed that it was only the elimination of the capitalist system which would eliminate imperialism.

Hobson's theory is an underconsumptionist theory. Whilst acknowledging the old imperialistic motives he maintained that the dominant motive for imperialism was economic - the demand for markets and profitable investment, arising from

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8 Ibid.,p.257 Dobb quotes figures from Toynbee's "Lectures on the Industrial Revolution of the Eighteenth Century". viz., a fourteen per cent increase in the first decade of the nineteenth century compared with a decennial increase of about ten per cent at the close of the eighteenth century, and against three per cent as the largest decennial increase before 1751.

the growing tendency of industrial productivity to exceed the effective demand of national markets. This demand became the more urgent as it was reinforced by supply motives stemming from three sources - increasing productivity giving rise to a growing demand for raw materials; an increasing urban population giving rise to increasing demands for imported foods; and pressure for a rising standard of living giving rise to demands for a greater variety of imported consumer goods. These import requirements had to be offset either by increased exports or by income derived from foreign investment.

Hobson's study first took the measure of imperialism by listing all the areas acquired since 1870, together with, where possible, the population.[9] He thought it proper to add the "veiled Protectorate" of Egypt and the Soudan to the recognised list[10] of colonies and protectorates, but was forced to exclude the several large regions which were taken under the control of our Indian Government as native or feudatory states since, for them, not even approximate figures of area or population were available. Using Sir Robert Giffen's Board of Trade estimate of the size of our empire (including Egypt and the Soudan) at about

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9 Hobson, op.cit., p.17, (Reproduced below at Appendix 1 Table 1).

10 The Statistical Abstract for British Empire in 1903 (Cd. 2395, pub.1905), gives an area of 9,631,100 square miles and a population of 360,646,000.

thirteen million square miles, with a population of some four hundred to four hundred and twenty millions (of whom about fifty million were British and spoke English), Hobson calculated that one third of the Empire, containing a good quarter of the total population of the Empire, was acquired within the last thirty years of the nineteenth century - of this, no less than three and three-quarter millions of square miles were added during the fifteen years commencing 1884.

Seeking the motivation behind the new imperialist impulse, Hobson then sought to discover whether it was, in fact, good for trade or as an outlet for excess population - both firmly held contemporary ideas. With regard to total foreign trade, he found that this had declined in relative size and growth compared with national income. Between 1870 and 1900, national income per head of the population had increased by about ten per cent, whereas foreign trade had shown an absolute decline. Looking at trade with the Empire as a proportion of total foreign trade, Hobson presents a table[11]

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11 Hobson, op.cit., p.33. (Reproduced below at Appendix I Table 2). D.K. Fieldhouse comments on Hobson's conclusion that British trade with all colonies was declining in relation to trade with the rest of the world; "Hobson based this conclusion on figures taken from Cd.1761, p. 407 ... These were inaccurate. A.K. Cairncross (Home and Foreign Investment 1870-1913. [Cambridge University Press, 1953 p. 189.] shows that British exports to the Empire increased from 24% to 33.6% of total British trade between 1870-2 and 1890-2, and imports from 21.9% to 22.9% in the same period. Both percentages continued to increase to 1910-12. But Hobson was right in saying that the new colonies contributed little to the increased volume of intra-imperial trade".
D.K. Fieldhouse, "'Imperialism': An Historiographical Revision". E.H.R. II. Vol.XIV. 187-209.Dec.1961.p.190.n.1.

covering the latter half of the nineteen century, from which it can be seen that, apart from the abnormal increase of exports to the colonies during the Boer War of 1900 to 1903, the proportions of our external trade had changed very little during the half century. Thus he arrives at :

> the central truth, viz., that imperialism had no appreciable influence whatever on the determination of our external trade until the protective and preferential measures taken during and after the Great War.12

Examining the commercial connection between Great Britian and the colonies from the colonial standpoint, in order to ascertain whether the external trade of our colonies tends to a closer union with the mother country, he comes to the conclusion that :

> As for the territories acquired under the new imperialism, except in one instance, [The Malay Protected States], no serious attempt to regard then as satisfactory business assets is possible.13

With regard to the arguments in favour of the colonies being necessary for emigration purposes, Hobson denied the existence of a general over-population problem in Britain at that time, maintaining that Britain was not over-populated compared with certain prosperous industrial areas in Germany, the Netherlands and China, and that the increase in wealth had kept pace with the increase in population. There was no mass exodus from Britain - emigration actually declined during

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12 Hobson, op.cit., p.32

13 Ibid., p. 38

the imperialistic years - and of those who did go, less than half settled in British possessions and an "infinitesimally small fraction"[14] settled in the new acquisitions. In support of his argument, he presents an Official Table[15] giving the statistics of emigration from 1884 to 1903, noting that the figures have an upward bias, both from the inclusion of travellers and casual visitors who were not real emigrants, and from the fact that they are not offset by the immigration figures. Net emigration during the years 1895 to 1900 averaged about thirty thousand per annum.

Since imperialism was good neither for trade nor for emigration, Hobson concluded that "by far the most important economic factor in imperialism is the influence relating to investments"[16] - the domestic pressure for new investment, or for the security of existing investment, overseas. Without colonization there would be no outlet for surplus capital and the domestic interest rate would fall.

Although the new imperialism had not brought benefits to the nation as a whole, it had been highly profitable for certain sectoral interests, and chief amongst these were the great finance houses who directed government policy and the overt imperialists from behind the scenes, using their politi-

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14 Ibid., p.43

15 Ibid., p.44 (Reproduced below at Appendix 1 Table 3)

16 Hobson op.cit. p.51

cal power for their own interests.

Hobson's third main concept was that exploitation, whether by appropriation of land or the use of cheap labour, had been a general feature of all empires, and was an almost certain concomitant of colonization.

Hobson's economic interpretation saw imperialism as a misguided policy to correct the inherent capitalist problem of under-consumption by the wage-earner and excessive investment by the capitalist. He maintained that the correct solution lay in social reform to bring about redistribution of income in order to increase the buying power of the workers, giving them a higher share of the profits of industry.

> It is not the industrial progress that demands the opening up of new markets and areas of investment, but the mal-distribution of consuming power which prevents the absorption of commodities and capital within the country ...[17]

That is, imperialism would be unnecessary if home markets were used more intensively. "Everywhere the issue of quantitative *versus* qualitative growth comes up. This is the entire issue of empire".[18]*

Hobson's ideas were to be extended later by Lenin and in the next chapter we shall examine Lenin's refinement of the theory of economic imperialism.

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17 Hobson, *op.cit.*, p.85

18 *Ibid.*, p. 92 (Hobson's italics)

* D.K. Fieldhouse, in " 'Imperialism': An Historiographical Revision" critically analyses Hobson's theory and finds it unconvincing, especially the idea of a sudden and vast discontinuity in history.

CHAPTER 3

THE LENIN REFINEMENT 1916

Marx never explicitly stated a theory of imperialism. His ideas on the subject have been inferred by the Marxists from what he had to say about colonialism;[1] clearly he regarded colonization as a stage in pre-capitalist development, not merely a political policy. It was in studying the reason for the continued survival of capitalism inspite of Marx's prediction of imminent collapse, that the Marxists came to their theories of capital accumulation and of imperialism.

In Marx's theory capital accumulation is finally self-defeating because the capital stock grows faster than the productive labour force, the size of which determines the labour value of current output.[2] This situation leads to a state of absolute over-production of capital, and capitalism must collapse because the profit rate will decline. (Marx used "capital" for both money capital and real capital.)[3]

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1 Karl Marx, Capital. [1896] Moore's and Aveling's translation, Chicago 1909. Vol.1. Chapter "The Modern Theory of Colonization".

2 Marx. Capital. Vol.3. Ch.5. sect.3.

3 H. Neisser, "Economic Imperialism Reconsidered", Social Research 27: 63-82. April 1960, p.67.

He maintained that surplus value was the incentive force behind capitalist production; and capital accumulation was the means of augmenting this surplus value. Division of labour had hastened capital accumulation, especially through the increased use of plant and machinery, but competition of large and expensive plant must lead to monopoly as a protective device to maintain the profit rate. However, this could be only a palliative, profit rates would eventually fall, necessitating the introduction of more machinery, displacing more workers and eventually affecting the standard of living of the workers. This would bring about social revolution and the demise of capitalism with the advent of socialism. The falling profit rate could be occasionally checked by temporary measures such as the more rigorous exploitation of labour or increase of foreign trade - but the end result was inevitable. (It was Lenin who added the forcible seizure of foreign markets and turned Marx's theory of capital accumulation into a theory of economic imperialism).[4]

There is no single Marxian theory of imperialism except as regards the fundamental belief that imperialism in modern times springs entirely from capitalism. Apart from this general concensus, the Marxists exhibit wide differences in emphasis in the details of their analyses and criticisms.[5]

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4 W.H.B. Court, "The Communist Doctrines of Empire". p.297 in W.K. Hancock (ed.) Survey of British Commonwealth Affairs, Vol.II. Part I. App.1. 293-305. O.U.P. (1940)

5 E.M. Winslow, "Marxian, Liberal and Sociological Theories of Imperialism". J.P.E. Vol.39. No.6. 713-758. Dec.1931. p.716.

It is not necessary here to discuss the various Marxian theories which were evolved before Lenin's classic statement of 1916, but it is desirable to indicate the main schools of thought and some of the ideas which were prevalent when Lenin produced his theory of imperialism.

On the basis of his writings in 1898,[6] Karl Kautsky claimed in 1915[7] that he had been the first to give a socialist explanation of the new colonial policy as opposed to the old, although E.M. Winslow[8] warns that "not too much stress should be laid upon Kautsky's importance in the history of the socialist theory of imperialism" since his editorial duties for Neue Zeit projected him into the role of prolific commentator - and he became something of a "post hoc" seer. In November 1914 and in 1915 Kautsky attacked Lenin's definition of imperialism when he said that imperialism must not be regarded as a phase of the economy but a definite "preferred" policy of finance capitalism. (In this he was supported by Hilferding, Bakharin and others).[9]

Kautsky's views differed from Lenin's in several

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6 K. Kautsky, "Aeltere und neure Kolonialpolitik", Neue Zeit, Vol.16.No.1. (1897-8), noted in Winslow, op.cit. p. 719.n.7.

7 K. Kautsky, Neue Zeit, Vol.33, No.2. 110, (1915) noted in Winslow, loc. cit.

8 Winslow, op. cit., p. 719, n.8.

9 H. Shizuta, "Imperialism as a Concept", Kyoto University Economic Review, 33, No.1: 1-13, April, 1961, p.4.

other respects - he related imperialism to "highly developed industrial capital" and to the annexation of agrarian areas - not extending his concept to include industrial areas, as Lenin did;[10] then, during the war, he came to the conclusion that imperialism was not inevitable or unalterable under capitalism, but may attain a higher synthesis, an "ultra-" or "super-imperialism" under a peaceful policy. (Hilferding thought this possible economically, but not politically).[11] Kautsky also differed from Lenin upon the problem of when imperialism was established - Kautsky considered that it was established in the period 1870 to the 1880s when the competing powers struggled for colonial acquisitions, but Lenin emphasized that the first years of the twentieth century was the relevant period, having regard to the establishment of capitalistic monopoly and finance capital.[12] However, Kautsky agreed with Lenin that under the old imperialism, capitalist products were exported, whereas under the new imperialism, it was capitalist production itself in the form of the export of capital, or production goods, which greatly encouraged tying contracts between the lending and borrowing countries, and other forms of imperialistic ties.[13]

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10 K. Kautsky, "Der Imperialismus", Neue Zeit, 32, No.2.(1914), 909, noted in Winslow, op.cit., p.721 n.10 and p.722.

11 Winslow, op.cit. pp.729-30.

12 Shizuta, op.cit., p.4.

13 Winslow, op.cit. p.720

Rosa Luxemburg shared Kautsky's general views, although more radical than he.[14] Her study on the accumulation of capital was published in 1912.[15] She undertook to "correct Marx in such a way as to account for modern capitalist imperialism - by attempting to prove that capital accumulation is impossible in the closed capitalist system. Luxemburg and Sternberg simply combined Rodbertus' concept of underconsumption with the "iron law of wages" rigidly applied, with Marx's idea of underconsumption created by the displacement of workers by machinery.[16] Her theory assumed that current savings were always invested in full in the same sector, therefore foreign markets were very important. (But these markets could not relieve technological unemployment, nor explain why unemployment had been so small since the publication of the first volume of Kapital).[17]

Thus Luxemburg thought that empire was essential to the continuance of capitalism, since capital accumulation was possible only if non-capitalist peoples bought capitalistically produced goods - but as the territories of the globe were limited, this would lead to imperialist wars and the end of capitalism. (Protection is seen as a device to retain exclusive use of internal non-capitalist markets). Both

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14 Winslow, op.cit., p.723 n.16.

15 R. Luxemburg, Die Akkumulation des Kapitals, ein Beitrag zur ökonomischen Erklarung des Imperialismus, [1912] Vereinigung Internationaler Verlags-Anstalten, Berlin,1922.

16 Neisser, op.cit., p.69

17 Neisser, op.cit., p.69

Luxemburg and Lenin concentrated study on capital accumulation - the one emphasizing the export of consumer goods - the other emphasizing the export of capital; but whereas Lenin stressed the monopolistic organization of capital in its serach for profits, Luxemburg stressed the competitiveness of capitalists in their search for markets.[18]

However, the Luxemburg theory is erroneous in that in discussing expanded reproduction she implicitly retains the assumptions of simple reproduction. Her theory is based on the false premise of the constancy of consumption in expanded reproduction, whereas, in fact, additions to the stock of the means of production typically involve increases in variable capital and consumption increases because the workers spend their additional income on consumer goods. Given this false premise, logic leads to Tugan-Baranowsky's erroneous conclusion that production and consumption are independent. Bukharin criticises her theoretical structure thus:

> If one excludes expanded reproduction at the beginning of a logical proof, it is naturally easy to make it disappear at the end. It is simply a question of the simple reproduction of a simple logical error.[19]

In contrast to Rosa Luxemburg, Otto Bauer contended

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18 Court, op.cit., p.301

19 N.I. Bukharin, Der Imperialismus und die Akkumulation des Kapitals. Verlug für Literatur und Politik, Wien Berlin. 1926. p.20 (Bukharin's italics). Quoted in P.M. Sweezy, The Theory of Capitalist Development: Principles of Marxian Political Economy. New York. O.U.P. (1942). pp.204-5.

that capitalism can expand indefinitely in isolation and that colonies are not absolutely but only relatively necessary.[20] He maintained that capitalism exploits the extensive regions as a matter of choice, not necessity; therefore imperialism is a policy, not a necessary stage of capitalism.[21]

Marxian thought on imperialism reached a high-water mark in Rudolf Hilferding's Finanzkapital.[22] Hilferding, noting the growth of monopolies since Marx's time, claimed to extend Marx's theory to include the recent developments of cartels, trusts, protective tariffs and the emergence of the finance capital element which had its source in the great banking institutions. It was this finance capital, transformed into industrial capital, which formed the connecting link between capitalism and imperialism, and also gave the new imperialism its characteristic feature. Hilferding regarded imperialism as a policy, not a stage, of capitalism - moreover, a policy of finance capitalism, not "highly developed" industrial capital, as Kautsky thought. Imperialism was still self-destructive, but now it is the mutual destruction of rival capitalist powers, pursuing aggresive

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20 O. Bauer "Die Akkumulation Des Kapitals". Neue Zeit, Vol.31. No.1. (1913). pp. 873-4. Bauer's chief contribution appeared as Die Nationalitätenfrage und die Sozialdemokratie. Marx-Studien. 1907. 2nd ed. 1924.

21 Winslow, op. cit., p.725.

22 R. Hilferding, Finanzkapital, ein Studie über die jüngste Entwicklung des Kapitalismus, Marx-Studien. No.3. 1910.

policies to secure new territories.[23]

Nikolai Bukharin was writing about the same time as Lenin[24] and expressed similar ideas. Bukharin maintained that imperialism was a policy and ideology of finance capital which is characterized by being simultaneously banking and industrial capital.[25]

Lenin combined and extended the theories of Hobson and Hilferding in his book Imperialism, the Highest Stage of Capitalism[26] written in the first half of 1916, and this came to be the most influential statement of the nature of economic imperialism. Lenin considered the root cause of imperialism to be not underconsumption but over-investment which had its source in the surplus value inherent in capitalism and which was especially fruitful under monopolistic capitalism - a situation irremediable from within, eradicable only with the collapse of the capitalist system

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23 Winslow, op. cit., pp. 726-9.

24 N.I, Bukharin, Imperialism and World Economy, [1917.] London, Martin Lawrence Ltd., 1929. An introduction to Bukharin's book was written by Lenin in December 1915 and published for the first time in January 1927. Bukharin's book had its own preface when it was published in November 1917.

25 Ibid., 1929 edition, p.110.

26 V.I. Lenin, Imperialism, The Highest Stage of Capitalism: A Popular Outline. Collected Works, Vol.1. pp. 673-777, Progress Publishers, Moscow, 1963. First published in mid-1917 in pamphlet form by Zhim i Znaniye Publishers, Petrograd. The translations are taken from the English edition of V.I. Lenin's Collected Works in forty volumes prepared by Progress Publishers, Moscow. Changes have been made in accordance with the 5th Russian edition of the Collected Works.

itself. This would be brought about automatically by revolution of the working classes in the underdeveloped countries during the unsettled periods after imperialist wars of redistribution - with the consequent establishment of a socialist society and the elimination of imperialism. Lenin's theory shifted the ground of imperialist theory to under-developed countries - where Marx and Engels thought the revolution would occur in the rich countries, Lenin saw that is should occur in the poor countries. Lenin identifies imperialism as both a stage and a policy: the particular stage of capitalism when free competition is replaced by capitalistic monopoly, and the expansionist policy of finance capital. In discussing Kautsky's errors, Lenin says:[27] "The characteristic feature of imperialism is _not_ industrial _but_ finance capital". And again, "the characteristic feature of imperialism is precisely the fact that it strives to annex _not only_ agrarian but even the most industrialized regions ..."

Lenin, in his "briefest possible definition of imperialism says : "imperialism is the monopoly stage of capitalism."[28] Whilst recognizing the conveniences of a brief definition, he also recognises the inadequacy of implicit specifications, and therefore seeks a more explicit

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27 _Ibid._, Ch.7, para, 7, p.747. (Lenin's italics).

28 _Ibid._, Ch.7, para, 2, p.745.

definition which will incorporate the following five basic features of imperialism:

1. The concentration of production and capital, developed to such a high stage that it has created monopolies which play a decisive role in economic life.
2. The merging of bank capital with industrial capital and the creation, on the basis of this "finance capital", of a financial oligarchy.
3. The export of capital as distinct from commodities acquires exceptional importance.
4. The formation of international monopolist capitalist associations which share the world among themselves.
5. The territorial division of the whole world among the biggest capitalist powers is completed.

Lenin's classic detailed definition incorporates these five essential features.[29]

Both the brief and detailed definitions interpret imperialism from its economic aspect only, neglecting the political and sociological aspects, but Lenin admits the possibility of different definitions for different purposes:

> We shall see later that imperialism can and must be defined differently if we bear in mind ... the historical place of this stage of capitalism in relation to capitalism in general, or the relation between imperialism and the two main trends in the working class movement. 30

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29 Lenin, Imperialism, Ch.7, para 3, pp. 745-6.

30 Ibid., Ch.7, para 4, p. 746.

He recognizes also that there are different versions of imperialism, keeping pace with the varying social structures which chronologically follow one after the other:

Colonial policy and imperialism existed before the latest stage of capitalism, and even before capitalism ... 'general' disquisitions on imperialism which ignore, or put into the background, the fundamental difference between social-economic systems, inevitably degenerate into the most vapid banality ... Even the capitalist colonial policy of a previous stage of capitalism is essentially different from the colonial policy of finance capital. 31

He himself, never used the term "imperialism" in a single, unvarying meaning, as a synonym for monopoly capitalism.[32]

Monopolies are quite fundamental to Lenin s concept of imperialism - referring to the period 1900 to 1903 he says : "Cartels become one of the foundations of the whole of economic life. Capitalism has been transformed into imperialism."[33] The character of capitalism had changed since Marx's time. Marx did not regard monopolies as basic elements of capitalism and abstracted from them in his study of the fundamental structure of capitalism. Engels commented on the growth of monopolies during the 1880s and 1890s, but did not attempt to incorporate monopoly into the body of

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31 Lenin, Imperialism, Middle of Ch.6., p. 740. (Lenin's italics)

32 Shizuta, op.cit., p.7, Shizuta, in "A Note on the Theory of Imperialism", in A Collection of Treaties on Economics, Kyoto University Press, 1959, pp. 427-56, has pointed out that certain definitions, other than that of monopoly capitalism, disregarding the conditions of time, mostly in the sense of colonialism or expansionism, are also encountered in Lenin's works.

33 Lenin, op. cit., Middle of Ch.1. p.690.

Marxian theory. Hilferding was the first to do this, but treated monopoly as a quantitative not a qualitative change in the capitalist economy. Lenin did not try to integrate monopoly into the fundamentals of Marxian theory, but he did base his theory of imperialism on the premise that monopoly is a basic feature of advanced capitalism.[34]

Lenin draws special attention to the four main aspects of monopoly which are characteristic of the period under discussion:[35]

1. Monopoly which grew out of the concentration of production - the capitalist associations, cartels, combines and trusts.
2. Monopolies have accelerated seizure of the most important sources of raw materials, and this has sharpened the antagonism between monopolised and non-monopolised industries.
3. Monopoly has sprung from the banks. The banks have changed from modest intermediary enterprises into the monopolists of finance capital. Some three or five of the biggest banks in any of the most advanced capitalist countries have achieved a "personal union" of industrial and banking capital and have become a financial oligarchy

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34 P.A. Baran and P.M. Sweezy, Monopoly Capital, Monthly Review Press, New York and London. 1966. p.5. (c.f. Luxemburg, who saw monopolies as merely symptoms of overproduction. Winslow, op.cit., p. 732.)

35 Lenin, op.cit., Beginning of Ch.10, p. 773-4.

creating a close network of ties of dependence upon all the economic and political institutions of contemporary society.

4. Monopoly has grown out of colonial policy. To the numerous "old" motives of colonial policy, finance capital has added the struggle for the sources of raw materials, for the export of capital and for spheres of influence - a particularly intense struggle for the division and redivision of the world.

Lenin acknowledged that Britain differed from other countries where protective tariffs facilitated the formation of cartels - he held that the monopolistic stage of capitalism occurred in Britain, in the majority of cases, when the number of chief competing enterprises had been reduced to "a couple of dozen or so".[36]

Monopolies in the rich and powerful nations exploiting the small or weak nations, form a distinctive characteristic of imperialism which compels Lenin to define it as "parasitic or decaying capitalism"; yet he says the tendency to decay does not preclude rapid growth, but the growth is manifestly uneven - particularly in those countries, like Britain, which are richest in capital.[37] The economic essence of imperialism (monopoly capitalism) similarly compels him to define imperial-

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36 Lenin, op.cit., Ch.1, para. 12, p. 688.

37 Ibid., Ch.10, p. 774.

lism as "capitalism in transition, or, more precisely, as moribund capitalism"[38]- transition, that is, from the capitalist system to a higher socio-economic order.[39]

Lenin saw imperialism as an inevitable and final stage of capitalism; - inevitable, because surplus or profit capital is inherent in a capitalist economy; - final, because the system was doomed to self-destruction from proletarian revolution brought about by increasing industrial concentration and increasing misery.[40]

The fundamental difference between the Hobson and Lenin theories of imperialism is that whereas Hobson thought that underconsumption could be eliminated by social reform at home, rendering imperialism unnecessary, Lenin made imperialism an inherent and unavoidable stage in the development of capitalism, which could not be reformed. On the other hand, they both agreed that the explanation of imperialist expansion after 1870 lies in the pressure from

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38 *Ibid.*, Ch.10, pp.775-6.

39 *Ibid.*, Ch.10, pp.772-3.

40 Lenin's ideas about the collapse of capitalism were obtained from the first volume of *Capital* - where Marx thought capitalism would collapse from the laws of increasing concentration and increasing misery, not from the law of declining profit rate which he later propounded in the third volume.
Neisser, *op.cit.*, p.69.

finance capitalists for overseas investments.[41]*

The Marxist emphasis on surplus profits seeking overseas outlets is so fundamental to the theory of economic imperialism that we must now examine the proposition in detail.

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41 D.K. Fieldhouse, " 'Imperialism': An Historiographical Revision", p. 193.

* M.Blaug, in "Economic Imperialism Revisited", Yale Review (N.S.). 50: (1960-61) 335-349, draws attention to both historical and economic errors in Lenin's thesis.

CHAPTER 4

INVESTMENT THE MAINSPRING OF IMPERIALISM

It is not surprising that so much attention was paid to the export of capital after 1870, because of the sheer magnitude of the volumes involved. Standard statistical sources for the pre-1914 years show only net capital exports of all types, but this gives a reasonable impression of the size of long-term capital exports since both short-term flows and long-term imports were probably small.[1] All sources show that British investments abroad increased tremendously during this period. The bulk of investments were made in the late '60s and early '70s, in the years immediately prior to the Baring Crisis in 1890 and particularly in the decade prior to 1914. After 1874, a good deal of this new investment came from reinvestment of part of the income from previous loans.[2] Cairncross has collected and revised estimates of

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1 A.G. Kemp, "Long Term British Capital Movements", Scottish J.P.E. Vol.13. 136-159. Feb. 1966. p.136.

2 S.B. Saul, Studies in British Overseas Trade 1870-1914. Liverpool University Press, 1960. p.67.
Sir A. Salter held that the increment in Britain's foreign assets from 1880 to 1913 was due wholly to the reinvestment of part of the income from earlier investments. "Foreign Investment", Essays in International Finance. Princeton University, Feb.1951. pp.9,53.

the export of capital from 1870 to 1913,[3] and has also brought together a number of estimates of Britain's investments in particular countries at dates between 1870 and 1914, excluding investments on the Continent which cannot be accurately assessed.[4] The impact of this flow of overseas investment is indicated by Imlah's estimates of the accumulating balance of credit abroad which increased from £699.5 million in 1870, to £3,975 million in 1913.[5] In 1913, British holdings abroad of about £4,000 million compared with less than £5,500 million owned by France, Germany, Belgium, Holland and the United States put together.[6]

Overseas investment represented on average a substantial portion of national income. In the nineteenth century and up to 1930, net capital exports as a proportion of national income fluctuated in a fairly regular cyclical pattern, usually constituting just over one per cent of gross national product at the bottom of the cycle, and six to seven per cent at the peak.[7] (Since 1945 the pattern has been

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3 Reproduced at Appendix I, Table 4 below, from A.K. Cairncross, Home and Foreign Investment 1870-1913, p.180.

4 Reproduced at Appendix I, Table 5, below, from Ibid. p.185.

5 A.H. Imlah, "British Balance of Payments and the Export of Capital 1816-1913" E.H.R. 2nd ser. Vol.5, No.2. 208-239. 1952. pp. 237-9.

6 E.J. Hobsbawm, Industry and Empire, p.125

7 Kemp, op.cit., p.137
Saul summarises the fluctuation of overseas investments linked with fluctuations in home investment. Op.cit. p.94

less regular, and foreign investments have declined in relative importance, averaging about 1.5 per cent of gross national product since 1952). Before 1914 net foreign investment frequently exceeded gross domestic fixed capital formation.[8] (The situation is now reversed. In 1964, a year of record capital outflow, long-term capital exports amounted to only nine per cent of gross domestic fixed capital formation).[9]

That is, in the second half of the nineteenth century ending in 1914, Britain invested overseas about four per cent of her national income, and in the latter part of the period, (1905-13), the ratio was as high as seven per cent. Putting this into today's perspective, Nurkse comments:

> If the United States today were to devote similar percentage portions of her national income to the same purposes, she would be exporting funds to the tune of twelve billion dollars, or, if we apply the higher percentage, some twenty billion dollars each year. These figures are almost absurdly large and tend to confirm the view that there was something unique about Britain's foreign investment.[10]

Hobson certainly thought there was something unique about it, and conscious also of the sudden burst of imperialist expansion, he linked the two in his theory of a predominantly

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8 Saul shows that this occurred from about 1884-8, 1891-2, and especially from about 1907-13. Op.cit. Fig.3, p.92.

9 Kemp, loc.cit.

10 R.Nurkse, "International Investment Today in the Light of Nineteenth Century Experience", Economic Journal, Vol.64. 744-758. Dec. 1954. p.745.

economic motive for the imperialism of this period. He believed that "the drive to acquire colonies after 1870 was the direct and necessary result of the need of the capitalists to export capital."[11] Recent writers think that the need was not so pressing. Court says that it is not uncommon for unexplained temporary shortages of purchasing power to occur in highly industrialised economies, but a persistent low level of consumption is more likely to choke off or stem completely the accumulation of capital rather than generate an over-supply of it.[12] This argument is reinforced by Neisser, who says that Hobson, Luxemburg and Sternburg went too far. Capitalism would not have succumbed from over-saving, without the safety valve of overseas investment, because saving potential in Western countries exceeded domestic investment opportunities only occasionally - not generally.[13]

By aligning a schedule of overseas acquisitions with a schedule of overseas investment, Hobson deduced a caused relationship. He postulated a special relationship between the financiers and the other imperialists - that while the expansionary driving force was personified in explorers, missionaries, engineers, political pressure groups and empire-minded politicians, these were merely the pawns of

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11 D.K. Fieldhouse "Imperialism: an historiographical revision" p.196.

12 W.H.B. Court, "The Communist Doctrines of Empire", p.302.

13 H. Neisser's rejoinder to S.P. Schatz in "Economic Imperialism Again". <u>Social Research</u> Vol.28. No.3. 355-358. Oct.1961. p.358.

financiers.[14] But Hobson's investment schedule was classified only into "Foreign","Colonial", "U.S.A." and "Various". He arbitrarily assumed that the new colonies attracted a high proportion of the investment called "Foreign" (i.e. before they were annexed) or "Colonial" (subsequent to annexation) - which was not the case. Fieldhouse refutes the supposed connection between investments made overseas and the territories acquired contemporaneously. He says that Hobson reversed the caused relationship between the imperialists and the investors. In fact, the latter emerged as a result of the former, not the reverse. Financiers were induced to invest in the new possessions once political control has been imposed for other reasons.[15]

The other reasons were political and ideological. In the years after 1870 Germany and France each became involved in a system of alliances to maintain the balance of power. The race for colonies arose out of diplomacy, and thereafter the process could not be checked. The fear of being left out of the race overrode all practical considerations. Britain joined reluctantly because she realised the low substantive value of the disputed lands and because, for

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[14] J.A. Hobson, Imperialism, a Study. p.59.

[15] Fieldhouse, op.cit. pp 190-1.

reasons of trade, she had a vested interest in maintaining the status quo. Statesmen were conscious of the pressure groups, but what made it seem as if the latter were influencing policy, was the fact that their interests were now in accord. If Britain did not take action, a rival would step in. The pressure groups became an asset - the visible justification for action which was politically desirable. The interests of the financiers were subservient to those of the politicians, the reverse of the roles assigned by Hobson. Moreover, imperialist ideology had become an international creed. In Britain, as elsewhere, those who supported a "forward" policy were in the majority. To millions of people, empire had become a matter of faith.[16] Professor E. Staley confirms Fieldhouse's opinion that national advantage took precedence over private investment matters:

> Where investments can be regarded as economic aids to established lines of foreign policy, they were supported most vigorously; investments receive less vigorous political backing where they are not in any sense tools of national policy or where they run counter to national policy.[17]

Lenin's theory of the influence of monopolistic finance capitalists went further than Hobson's. He assumed that the finance capitalists had dictatorial powers, whereas

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16 *Ibid.*, pp. 205-7.

17 E. Staley, *War and the Private Investor*, Chicago, 1935. pp 387-8, quoted by Fieldhouse, *op.cit*.p.206.

Hobson believed that the imperialists had influenced public opinion through the power of the Press. This device was unnecessary in Lenin's opinion, even in democratic Britain. To him, the basic economic environment must dictate political policy.[18] Court considers that the history of the South African war presents "forceful proof in the history of the nineteenth century for Lenin's thesis"[19] concerning the impact of finance on politics. But it may be argued that the South African war was a special case and provides uncertain grounds for generalisation.

There is little doubt that the financiers were powerful, but were they monopolistic? Both Fieldhouse and Blaug maintain that this was simply not true of Britain. British capital was not then controlled by a few trusts or even cartels. It was still competitive on Lenin's definition of monopoly in Britain's case being "a couple of dozen or so" competing enterprises.[20] Moreover, as Court points out, not only does Lenin ignore the vast foreign investment during the first half of the nineteenth century when economic organisation in Britain was highly competitive and colonial expansion was not in public favour, but also the great finance houses handling foreign investment remained

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18 Fieldhouse, op.cit. p.193.

19 Court, op.cit., p.299.

20 Fieldhouse, op.cit., p.197
M. Blaug, "Economic Imperialism Revisited", p.341.

independent of the rest of the money market, which financed itself in the provinces until after the First World War. Further, foreign investment went mainly to areas outside the control of British policy.[21]

Lenin postulated a two-pronged explanation for the outflow of capital in imperialist ventures. First, what may be called the "low-profit push" of late stage capitalism, based on the notion that the rate of profit on capital tends to fall through time. This he demonstrated by the arbitrary assertion that profit per man can never rise as fast as capital per man.[22] The finance capitalist - the banks and trusts who now largely controlled capital itself, found that under monopoly conditions it was more profitable to employ surplus capital abroad, since increased domestic production would lower prices and raise wages. The logical solution was to export capital to raise the marginal productivity of remaining capital.[23] However, contemporary neo-Marxists refute the falling profit theory.[24] The second, and more

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[21] Court, op.cit., p.300

[22] Blaug, op.cit., p.336.

[23] Fieldhouse, op.cit., p.192

[24] P.A. Baran and P.M. Sweezy show the tendency of surplus to rise. Monopoly Capital, chapter 3. M.Bronfenbrenner, "Monopoly Capitalism: a Revised Revisionism", J.P.E. Vol.74. 500-505. 1966. P.501, notes that this leaves the tendency to overproduction, or underconsumption, as the prime mover leading to capitalist stagnation. This reinforces Sweezy's earlier arguments in chapters X and XII of The Theory of Capitalist Development.

plausible, part of Lenin's explanation was the "high-profit pull" thesis, based on the argument that the yield of capital is necessarily higher in backward areas because capital is scarce and labour is artificially cheap.[25] This led to imperialism because for highest returns it was necessary to have political control over the areas in which the investment was made.[26]

Blaug argues that this line of reasoning may have had some a priori appeal when foreign investment was a substantial portion of total investment, but it fails to explain the actual pattern of foreign investment, and why investment did not flow in greater quantity to backward countries even in the nineteenth century. Nor does it explain why domestic savings in underdeveloped countries are often hoarded or exported to the advanced capitalist countries. If the rate of return is so high in backward countries, why do local capitalists not emerge?

The fact is, that the yield of capital is generally higher in capital-rich countries than in underdeveloped countries because complementary social overhead facilities are already well established. Public investment in infrastructure is a necessary prerequisite for private investment. Lenin assumed that these "elementary conditions for industrial development" were already in existence in

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25 Blaug, op. cit., pp. 337,339.

26 Fieldhouse, op.cit., p.192.

backward countries, but, in fact, it is their very absence which inhibited investment and kept them backward.

A higher rate of return on overseas investment is indicated by the fact that capital was exported in the face of natural preference for domestic investment, but the differential should not be over-estimated. After discounting for risk and possible default, Blaug estimates that the differential yield on exported capital was probably no more than one or two per cent higher than earnings at home.[27] R.A. Lehfelt[28] shows that market forces were operating to allocate investment between home, colonial and overseas opportunities. Britons investing abroad were attracted, not by a higher interest rate per se, but by a differentially higher rate compared with comparable domestic stocks.[29]

Thus capital was not exported by the push of finance capitalists to maintain artificially high interest rates, but by the pull exerted, not by the backward countries, but by the urgent need for capital in the newly developing

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27 Blaug, op. cit., pp 339-40.

28 Quoted by Fieldhouse, op.cit., pp 198-9.

29 J.F. Rippy's empirical study British Investment in Latin America 1822-1949, shows that the average annual income from the entire British investment of nearly 1,000 firms in Latin America seldom exceeded 5 or 6 per cent of the par value of the investment. This was quite comparable to British stock yields during the past century. Latin American bonds were yielding 8% but almost half of these were in default by the close of the century. British Investments in Latin America, 1822-1949: a case study in the operations of private enterprise in retarded regions. U. of Minnesota Press. (1959).
Quoted by Blaug, op.cit. p.340

countries, who, because of their higher potential productivity, and because markets were available for their products, could afford to pay higher interest rates than those obtainable in Britain.[30]

How did imperialism tie in with this movement of capital? Recent studies have shown that there is no evidence to support the theory that imperialism was the result of demand for new investment or the protection of existing investment. Vast amounts of capital were exported in the fifty years prior to 1914 but the peak periods of investment occured before and after the time of ostensible imperialism.[31] Moreover, capital did not flow mainly to areas under imperialistic control.[32] The high-profit pull was not in territories annexed after 1870.

Feis' figures published in 1930[33] show that in 1913, of the estimated total of £3,763.3 millions British overseas investment, the British Empire held only 47.3 per cent. Of this, 44.6 per cent was in Canada and Newfoundland (13.7%),

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30 Fieldhouse, op.cit., p.198.

31 A.J.P. Taylor, "Economic Imperialism" in Englishmen and Others, London. Hamish Hamilton. 1956. p.78

32 Fieldhouse, op.cit., p.199.

33 H. Feis, Europe, the World's Banker, 1870-1914. Newhaven: Yale University Press. 1930. p.23. His figures are revisions of estimates originally made by Sir G. Paish in 1921. ("Great Britain's Foreign Investments". Journal of the Royal Statistical Society, LXXIV, 167-200. Jan.1911).

Australia and New Zealand (11.1%), India and Ceylon (10%) and South Africa (9.8%). Of the 52.7 per cent invested outside the Empire, 40.1% was shared by Latin America (20.1%) and the United States (20%). By contrast, West Africa, the Straits Settlements and the remaining British possessions received only marginal sums. (1.0%, 0.7% and 1.0% respectively).[34] Admittedly, one per cent of total investment amounted to about £37.6 million in absolute value, and, as Fieldhouse says, these were "by no means negligible amounts, and indicate clearly that in some at least of the tropical dependencies which had recently been acquired, British finance was finding scope for profit and investment".[35]

Paish, Cairncross and Nurkse[36] have also shown that Hobson was wrong in assuming that the colonies acquired after 1870 received substantial investment. Hobson did not show the geographical distribution of investment as he did for trade; had he done so, it would have been evident that investment, as Nurkse says, tended to bypass the primitive tropical economies and flowed mainly to the regions of recent settlement outside as well as inside the

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34 Saul, op.cit., p.67 supplements Feis' estimates and confirms his approximate distribution of British overseas investment in 1913. Saul's figures are given below at Appendix I, Table 6.

35 Fieldhouse, loc.cit.

36 G Paish, "Great Britain's Foreign Investments". pp 180, 182-184.
A.K. Cairncross, op.cit., p. 185. (Appendix I, Table 5 below)
R. Nurkse, Patterns of Trade and Development, (Stockholm 1959). p. 19.

British Empire.[37] Roughly two-thirds went to the newly settled regions in the temporate zones. These were the most successful investments. About one quarter went to tropical or sub-tropical areas, often densely populated, sometimes with peoples of ancient civilisations. These were less successful investments. The rest went to Continental Europe.[38]

On the basis of the pattern of distribution of overseas investment, Blaug contends that, with regard to Britain, Lenin was wrong in projecting a picture of capital exported to low-income, staple-producing areas under direct political control. He was also wrong in picturing investment concentrated almost exclusively in the extractive industries. The extraction of mineral and plantation products for export to the industrial countries was thought to be the typical imperialistic pattern of international investment, but this type of investment played a minor role in the period before 1914. The demand for foreign capital came mainly from public development schemes.[39] In 1914,

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[37] Nurkse, loc.cit.

[38] R. Nurkse, "International Investment Today in the Light of Nineteenth Century Experience", p.745.

[39] About 70 per cent of the aggregate funds supplied by British investors to the rest of the world was channelled into social overhead capital.
M. Simon, "The Pattern of New British Portfolio Investment 1865-1914", p.290. International Economic Association Round Table Conference on Capital Movements and Economic Development, July, 1965.

thirty per cent of Britain's overseas investment consisted of loans to public authorities, forty-five per cent was in railway securities to finance construction undertaken by governments in the borrowing country, leaving only twenty-five per cent for the strictly "colonial" type of investment in agriculture, industry and mining.[40]

If we accept that the great increases in overseas investment were not linked with the great increases in imperialist expansion, that both were "independent products of British confidence and strength",[41] then we must look elsewhere for the cause of the vast capital outflow. Investment abroad sometimes followed purely fortuitous events, such as the discovery of precious metals; or the search for, and development of, primary products in response to changes in supply and demand. As we have said, investment was directed mainly into public utilities, and especially to build communications. It was sometimes undertaken for military reasons, as occurred in the construction of railways in India

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40 Blaug, op.cit., pp 341-2.
Simon, in his analysis of the enterprise composition of new British portfolio investment found that overseas private enterprises obtained 55 per cent of the funds supplied by the British capital market throughout the period 1865 to 1914. Governments took more than 35 per cent and mixed enterprises less than 10 per cent. Within these average respective shares, the private business share more than doubled over the period, the government share halved, and the mixed enterprise share more than halved. This was an indication of the growing strength of private capitalists throughout the world, reflected in new issues.
Simon, op. cit., pp.282-6.

41 Taylor, op.cit., p.78

after 1845; or as a result of technological changes, such as the introduction of the steamship which lowered freight rates and stimulated investment in Australia and New Zealand. But most of all, it was induced by emigration.[42] Labour and capital moved together to the "regions of recent settlement" in the temperate latitudes. Sixty million people moved to these regions, and capital responded to the growth potential. As Nurkse says,[43] "Labour and capital are complementary factors of production and exert a profound attraction on each other. The movement of labour to the new regions attracted capital to the same places at the same time ... and the flow of capital stimulated the migration of people to those places".[44]

Then too, the export of capital was a necessary concomitent of the pattern of British trade and development.[45] Imlah shows that interests and dividends were important to

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42 Saul, op.cit., pp.209-11.

43 Nurkse, "International Investment Today", p.745.

44 Cairncross comments that the parallel nature of the two factor movements shows itself in the close agreement of variations in capital exports and emigration from Britain from decade to decade between 1870 and 1910. Home and Foreign Investment 1870-1913, p.209. Quoted by Nurkse, op.cit., p.746. n.1.

45 Fieldhouse, op.cit., pp 197-8.
Court, op.cit., p.301 says that the trade incentive remained operative throughout the period which Lenin describes as that of finance capitalism.

cover the deficits on trade, business services and other items on the current account.[46] In twenty eight years of the forty-four year period from 1870 to 1913, Britain would have had a current account deficit without the inflow of interest and dividends, notably in the six years after 1875 and more so in the sixteen years from 1891 to 1906. The position would have been worse without the positive balance of trade with India, which offset trade deficits elsewhere. Cairncross makes the point that investment going to the "new" countries was, in a sense, investment in the primary sector of the British economy, because these countries needed capital to increase production of primary materials required by the British economy. The return to Britain on these investments was not entirely in monetary terms, but in cheap and plentiful raw materials and food.[47]

In the light of these recent studies, it would appear that Hobson and Lenin were wrong in their basic premise that investment was the mainspring of imperialism. There _were_ massive capital exports, but they were not significantly more remunerative than domestic capital, and they did not go mainly to the colonies. Britain did not need to _acquire_ territories in order to invest profitably abroad.

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[46] A.H. Imlah, _Economic Elements in the Pax Britannica: studies in British foreign trade in the nineteenth century_. Cambridge, Harvard University Press (1958). p.65. Reproduced at Appendix I Chart 2.

[47] Cairncross, _op.cit._, p.188. Quoted by Fieldhouse, _op.cit._ p. 198.

Let us now turn to the question of overseas markets and examine the role of the colonies as suppliers of raw materials and buyers of finished products.

CHAPTER 5

THE PARALLEL PUSH TO OVERSEAS MARKETS

Lenin's Marxist concept of imperialism is that of a policy which seeks political and economic control over backward areas to guarantee an outlet for idle savings and surplus manufactured goods in exchange for strategic raw materials. Chapter four has shown that Lenin was mistaken with regard to the necessity of imperialism for the placing of idle savings. Was he also wrong about the parallel raison d'être of imperialism - new markets and sources of raw materials? Marxist theory asserts that in a closed capitalist system the absolute growth of savings leads to a deficiency in aggregate effective demand, and this fundamental inbalance can be corrected only by the opening of foreign markets. Thus their basic tenet that imperialism is "an inherent feature of mature capitalism".[1] Lenin says "In the old type of capitalism, that of free competition, the export of <u>goods</u> was the most typical feature."[2] He goes on to say that in the modern capitalism of monopolies the export of <u>capital</u> becomes the typical feature.[3] Nevertheless, Lenin's

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1 M. Blaug, <u>Economic Imperialism Revisited</u>, p.336.

2 V.I. Lenin, <u>Imperialism, the Highest Stage of Capitalism</u>, p.47, Lenin's italics.

3 Lenin, <u>loc. cit</u>. Beginning Ch.IV.

picture of foreign investment included "deliberate dumping of excess supplies upon restricted colonial markets".[4]

The overall picture of nineteenth century Britain is that of a trading nation:

In 1870 British trade per capita (excluding the 'invisible items') stood at £17. 7s. 0d. as against £6. 4s.0d.for each Frenchman, £5. 6s. 0d.for each German and £4. 9s. 0d. for each citizen of the U.S.A.[5]

Of the industrial states, only Belgium had figures comparable with Britain. By the early 1870s, domestic exports as a percentage of national income had risen from about thirteen per cent at the end of the eighteenth century, to about twenty-two per cent and thereafter averaged between sixteen and twenty-two per cent up to 1929.[6] Total international trade had increased by thirty per cent during the first thirty years of the nineteenth century but between 1840 and 1870 it multiplied five times over to more than £2,000 million.[7] After 1860 the pattern of Britain's overseas trade changed. If we look at Mitchell and Deane's 1962 figures for Principal Exports, 1700-1830 (official values)[8] and Exports from the

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4 Blaug, op.cit. p.341

5 E.J. Hobsbawm, Industry and Empire; an economic history of Great Britain since 1750, p.111.

6 Loc.cit.

7 Op.cit. p.114.

8 Appendix I, Table 7, Reproduced from P. Mathias, The First Industrial Nation: an economic history of Britain 1700-1914. London, Methuen (1969). p.467.

United Kingdom, 1830-1938 (current prices)[9] we see that Britain major exports have always been textiles - woollen and worsted in the first half of the eighteenth century, then, as these tailed off from mid-century, a steady growth in the export of cotton goods, until total textile exports reached a peak of eighty per cent of total exports in the decade 1820-9; sixty-two per cent of these were cotton goods. After 1860 British exports ceased to be based essentially on textiles, and increasingly shifted to more expensive capital goods and raw materials - iron, steel, coal, ships and machinery.[10] During the great imperialist era, 1870-1914, the pattern of trade which emerges is that of a nation mainly exporting textiles (fifty-five per cent of total exports at the beginning, and forty per cent at the end of the period - of which thirty-three and twenty-five per cent respectively were cotton): iron and steel etc. manufactures (sixteen and twelve per cent) with a growing market in machinery which was to reach ten per cent on the eve of the First World War; coal increasing from four per cent to ten per cent and an incipient market in vehicles. Total exports were valued at £218.1 million in the decade 1870-9 rising to £504.6 million in the decade 1910-19. As the relative importance of cotton goods for export declined, so too did the need to import textile raw materials especially after 1860. The pattern of imports

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9 Appendix I, Table 8, *ibid.* p.468.

10 Hobsbawm, *op.cit.* p.118.

for the years 1870-1914 reflects this trend.[11] Textile raw materials accounted for twenty-seven per cent of total imports at the beginning of the period, falling to nineteen per cent at the end; other raw materials increased from twelve to sixteen per cent; the main food items, (grains and flour, groceries, and meat and dairy products), represented thirty-five and thirty-one per cent and there were signs of increasing purchases of manufactured goods whose percentage rose from two to seven. Total imports were valued at £360.6 million in 1870, increasing to £937.5 million in 1919 (and to a massive £1,259.2 million by 1929).

The first to industrialise, and trading nation though she was, Britain did not enjoy export surpluses - she was a net importer.[12] Her extraordinary accumulation of overseas credits[13] which more than quintupled from 1870 to 1913 accrued, not from the export of manufactured goods, but from the earnings from business services[14] and the income

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11 Appendix I, Table 9, Imports to the United Kingdom, 1854-1938, Mitchell and Deane, 1962, reproduced from Mathias, op.cit. p.467.

12 Appendix I, Table 10, col.(c), Imlah's figures from contructed and real values, reproduced from Mathias, op.cit. p.305.

13 Appendix I, Table 10, col.(g) loc.cit.

14 Appendix I, Table 10, col.(d). Net balances of the United Kingdom on business services by quinquennial averages, 1816-1913 are shown at Appendix I, Chart 1, reproduced from A.H. Imlah, Economic Elements in the Pax Britannica: studies in British foreign trade in the nineteenth century, p.55.

from her foreign investments, [15] the latter growing twice as fast as the former in this period.

Clearly investment and trade were linked in the national accounts, especially since "capital export has often taken the form of advances of consumers' goods"[16] - but were they linked geographically and how important was the Empire in providing markets for commodity trade? S.B. Saul[17] discusses the role of Empire in shaping the changing structure of British trade:

The key determinant of the nature, extent and timing of developments in Empire trade was the investment of capital by Britain, but it was by no means the only important factor.

He points out that investment played a small part in encouraging the export of cottons to India, and failed to revive the trade in the early years of the twentieth century. Climatic conditions and the size of harvests were of great importance in determining the level of trade with India and the trade with Australia during the great droughts at the turn of the century. Also the low level of incomes in backward territories like India and South Africa restricted the market for cheap mass-produced goods. Modifications in Empire trade were also caused by changes in the pattern of

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15 Appendix I, Table 10, col.(e). Net balances of the United Kingdom on interests and dividends and on current account by quinquennial averages, 1816-1913 are shown at Appendix I, Chart 2, reproduced from Imlah, *ibid.* p.65.

16 R. Pares, The Economic Factors in the History of Empire. *E.H.R.* I. VII. 118-144 (1937). p. 138.

17 S.B. Saul, *Studies in British Overseas Trade, 1870-1914.* Ch.IX.

trade and investment of foreign countries: Canada's trade with Britain was influenced more by American internal demand for foodstuffs than by Imperial Preference[18] and the growth of Europe's exports of sugar beet to Britain had devastating effects on the West Indian colonies.[19] Saul's studies show that investment was important in creating markets, but it was the indirect effects of investment in promoting long-term growth that had a greater impact than the direct consequences, either through the purchase of British goods with the funds made available or through the immediate multiplier effects. He shows how British exports responded to direct and induced changes in the fortunes of the major Empire countries - India, Australia and New Zealand, South Africa and Canada.[20] Even at the peaks, 1900-1904 and again 1910-13, exports to the major Empire countries barely exceeded thirty per cent of total exports.

For the Empire as a whole, the picture is even more clear. Cairncross[21] has collated figures to show the relative importance of markets for British exports and sources of supply for British imports at three discrete

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18 S.B. Saul, "The Economic Significance of 'Constructive Imperialism' " J.E.H. XVII. No.2. 184-186. (June 1957) p.183.

19 For a detailed account of the West Indian sugar trade during Joseph Chamberlain's tenure of the office of Secretary of State for the Colonies, from 1895, see ibid., pp.176-181.

20 Saul, Studies in British Overseas Trade. p.214.

21 Appendix I, Table 11. A.K. Cairncross, Home and Foreign Investment, p.189.

FIGURES

points in the period 1870 to 1912. At the first point, (1870-72), the entire British Empire took only twenty-four per cent of total exports; at the second point, (1890-92), about thirty-five per cent and at the third point, (1910-12), almost forty per cent. It was the industrialised countries, the United States, Germany, Holland, Belguim and France, which were the major customers at the beginning of the period, taking about forty-two per cent between them although their share had dropped to about twenty-six per cent by the end of the period when Argentine and Brazil were together taking seven per cent; that is more than the United States at that time. These figures support Saul's contention that it was economic growth which enabled countries to buy our exports, although they also reflect the growing protective measures of other industrialised countries after 1880. The Empire was even more disappointing as a source of supply for our imports. At the first point, its share totalled only about twenty-two per cent of total imports, at the second point, about twenty-three per cent and at the third point had managed to reach twenty-five per cent. Oddly enough, it was the same group of industrialised countries which supplied the lion's share, averaging about forty-five per cent over the period.

The Empire countries together made no great contribution to trade, but there was one important exception - India, which had always been part of the "formal" Empire.

India was exceptional in that she had trading surpluses with the rest of the world, especially through the export of opium to the Far East enabling her to support a substantial market for British cotton goods. Her trade and bullion deficits with the United Kingdom were over £10 million in 1880/1 and this had increased to over £52 million by 1911/12.[22] It was this surplus with India that helped Britain to cover her trade deficits with North America.[23] This triangular pattern of trade was vital to Britain during the nineteenth century. Not only this, but India had boosted her cotton supply to Britain during the 1860 American cotton famine and had again been her commercial saviour during the Great Dression of 1873-96 when she took forty to forty-five per cent of Britain's exported cotton goods.

So, with the singular exception of India, overseas trade was not a great impetus for imperialism. Investment and trade were linked geographically. As capital flowed to the New World "the greater part of British manufactured exports likewise flowed to regions of recent settlement"[24] - it was not the backward regions which provided the dumping ground for surplus goods.

We have shown that imperialism was not necessary either for overseas investment or for overseas trade. Let

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22 Saul, op.cit., p.204.

23 Appendix I, Chart 3.

24 Blaug, op.cit. p.342.

us now look at the theoretical aspect of the persistent[25] emphasis in Marxist theory, upon the notion of surpluses seeking outlets in the colonies - the underconsumption theory. Was underconsumption a necessary concomitant of the mature capitalist system? In dealing with the question whether imperialism was necessary, we incidentally sidetrack the seemingly unending arguments about whether imperialism is a stage (final or otherwise), a process or a policy or, indeed, any combination of these. For, as Shizuta says, whether imperialism is a stage or policy is immaterial - what matters is "whether or not the stage of monopoly capitalism, the imperialist policy, is unavoidable ..."[26]

If Marxist theory is correct, then only a socialist society can survive without imperialism. If, on the other hand, a closed capitalist system can expand indefinitely on its own resources then imperialism was not necessary to sustain that system. Blaug has shown that it is not the absolute but the relative growth of savings and consumption that is important.[27] Lenin reasoned in absolute terms,[28] but the mature capitalist system runs into difficulties only if savings grow or consumption declines in relative terms, that is, as a fraction of total income. The long-run

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25 Even Baran and Sweezy, Monopoly Capital, 1966, retain this notion although they completely redefine the term "surplus value" into "economic surplus" and do concede that there are surplus absorbers which can operate for an indefinite period.

26 H. Shizuta, Imperialism as a Concept, p.8.

27 Blaug, op.cit. pp.336-9.

28 Marx did not assume absolute growth of savings.

consumption function can be expected to shift upwards as the growth of income generates wants. Savings make investment possible and investment creates purchasing power without creating goods which must be bought by workers. The capacity created by investment is required to service the upward shift in the consumption function brought about by the increased purchasing power induced by investment. There is no inherent inbalance; theoretically the closed capitalist system can expand indefinitely on its own resources. As a matter of fact, the consumption-income or saving-income ratio has remained remarkably stable over long periods of time in mature economies. The Marxist underconsumption theory stemmed from two entrenched doctrines: the conviction of the absolute impoverishment of the working class and the hypothesis that the rate of profit tends to fall in the course of capital accumulation. In fact:

> real wages have risen continuously in all capitalist countries ... labour's relative share of income has increased over the last century, and... the rate of return on capital over the same period shows only a mild downward tendency.[29]

Bronfenbrenner gives the following analysis of surplus with regard to the United States:

> For the United States, prototype of monopoly capitalism, the surplus was 46 per cent in 1929; it fell during the depression to nearly 40 per cent (1933), rose during World War II about 70 per cent, and has remained about 54 per cent since 1959.[30]

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[29] Blaug, op.cit. p.338.

[30] M. Bronfenbrenner, Monopoly Capitalism: A Revised Revisionism, p.501.

It would seem that both theoretically and from empirical evidence, the underconsumption theory is untenable.

We now turn our attention to a topic equally entrenched in Marxist doctrine - the belief that one of the main driving forces of imperialism is the exploitation of subjected economies.

CHAPTER 6

EXPLOITATION

Hobson considered the theory of underconsumption to be his main intellectual achievement.[1] He considered that the capitalist system itself was exploitative in that maldistribution of income put too small a share in the hands of the working classes. When capitalism spread itself overseas in the process which is called capitalist imperialism, then it followed that the indigenous peoples in the dominated areas were also exploited. In his chapter "Imperialism and the Lower Races[2] Hobson argued that exploitation, whether by appropriation of land, or by use of cheap labour - forced or nominally free - in mines, farms and factories, had been a general feature of the colonies of all European powers and an almost certain concomitant of imperialism.[3]

Lenin did not explicitly discuss exploitation. As a Marxist he accepted as an established principle that all

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1 D.K. Fieldhouse, "Imperialism: An Historiographical Revision", p.189.

2 J.A. Hobson, Imperialism, a Study, pp 223-84. References are made to the third edition (1954).

3 Fieldhouse, op.cit., p.192.
Hobson ignored semi-colonies and thought of finance operating in a free-trade environment. Ibid. p.193, note 1.

workers were exploited by capital and imperialism merely extended the scope of exploitation to foreign lands. The theme is fundamental to the Marxist doctrines of both capitalism and imperialism, yet not exclusive to capitalism. Pares writes that both capitalist and pre-capitalist imperialism has always tried to exploit, control and create markets outside the capitalist system.[4] Strachey even strove to show that the economic exploitation aspect of imperialism has been a characteristic of all empires at all times, from the mediaeval to the modern, and only the means of exploitation has differed - wage slaves under the capitalist system, enslavement, plunder, extraction of revenues or trade on unequal terms. He believed the impetus came from capital (surplus value) rather than from underconsumption as Hobson thought.[5]

Landes points out that imperialism gave capitalist countries the ability to use force for gain and that it is a premise of Marxist theory that the interests of the business classes are best served by imperialism.[6] But effective exploitation presumes the existence of a cohesive business class "conscious of a common economic interest"[7] and also

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4 Richard Pares, "The Economic Factors in the History of Empire". p.137.

5 J. Strachey, The End of Empire, 1959 New York: Random House, 1960.

6 D.S. Landes, "Some Thoughts of the Nature of Economic Imperialism", p.499.

7 *Ibid.* p.498.

that the state was in the power of the business class.[8] Neither of these conditions obtained. The "bourgeoisie" were, in fact, divided:

> ... on any and every issue, economic and non-economic. It could not agree as a class on tariff questions, the suffrage, the tax system, public works, or factory laws; why should it be expected to agree on colonial policy? 9

Neither do facts support the assumption that the state was in the service of the business class. There are:

> ... numerous instances of governments refusing to annex territory or bring pressure on weaker states in order to protect or further the material interests of their nationals. Britain in particular repeatedly rejected the importunities of empire builders and businessmen, partly on moral grounds, partly because of economic principles ...10

- the persistence of the free trade, free enterprise ideal. The refusal of Kimberley's appeal for the establishment of a protectorate over Zululand in 1884 was typical of the British attitude to international relations. On the other hand, the government did sometimes obtain concessions for legitimate trade in return for political support. For example, in the same year the Shah of Persia was asked to open the rivers of Persia to British trade as a quid pro quo for support against Russian encroachment.[11] But officials were not always as sympathetic to business interests and often paid lip-service

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8 _Ibid._ p.506

9 _Ibid._ p.499

10 _Ibid._ p.506

11 _Ibid._ p.507

to the importance of trade whilst nevertheless rigidly controlling trading operations in the area under their command. Oliver shows how Sir Harry Johnston, "Commissioner and Consul-General for the territories under British influence to the north of the Zambesi" adopted a dictatorial role with regard to the operations of the British South Africa Company.[12] Notwithstanding the numerous instances of collaboration between economic interests and the state, the relationship was by no means one-sided, and it was often business which was subservient to diplomacy.[13]

Exploitation is an emotive word, used with various meanings. Landes selects a precise definition linked to the exercise of political domination, formal or informal; a phenomenon deriving from the exercise or threat of superior force:

> Imperialist exploitation consists in the employment of labor at wages lower than would obtain in a free bargaining situation; or in the appropriation of goods at prices lower than would obtain in a free market. Imperialist exploitation, in other words, implies nonmarket constraint.[14]

He argues that, so defined, exploitation was by no means the universal concomitant of imperialism that Hobson and Lenin thought. He says that it is nonsense to talk of exploitation by oil companies in Venezuela or sugar refineries in Cuba

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12 Roland Oliver, Sir Harry Johnston and the Scramble for Africa, New York: St. Martins. (1958). p.198f.

13 Landes, op.cit. p.508.

14 Ibid., p.499.

when these pay a freely negotiated wage which is higher than that in the sector of indigenous enterprise. Nor can one attribute to exploitation any fall in price which results from the normal interplay of supply and demand. Nevertheless, even in the strict sense, exploitation has been a widespread concomitant of imperialism. With regard to labour, he points to the discharge ticket system in Malaya, the head taxes of Africa, and the plantation gangs of Angola and the Congo.[15] The worst instances of exploitation occured where immigrant workers for capitalist colonial enterprises were recruited from the Orient by contractors of their own nationality "whose rapacity and cruelty far surpassed those of the white planters or European corporations who were the ultimate employers".[16] A current example of imperialistic exploitation of labour is evidenced in Portugese dominated Mozambique where the government issues permits to allow native workers to leave the country to work in Rhodesian mines. The workers receive less than half their wages whilst in Rhodesia, the balance is paid to the Portugese government in gold which is then sold commercially at enormous profit, the workers being paid the balance of their wages in local currency on their return home.

With regard to commodities, Landes illustrates his

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15 Ibid., p.500.

16 Landes, op.cit. p.502.

argument by reference to the notorious "Culture System" of the Dutch East Indies whereby the peasants were forced to devote part of their land to cash crops which had to be delivered to the government at fixed prices, but comments that, since this system was difficult to 'police' and the benefits accrued to the occupying authorities rather than to the imperialist power:

> ... economic imperialism prefers direct occupation and cultivation of the soil, whether by plantation-sized estates or small homesteads; and if there is to be exploitation, it prefers exploitation of labor to forcible appropriation of commodities.[17]

However, it is not necessary forcibly to appropriate commodities if the same result can be obtained through the mechanism of international trade. It has been suggested [18] that Britain's surplus profits stemmed from the use of her 'industrial monopoly' rather than from direct colonial exploitation because her productivity differential enabled her to amass wealth from trade. But Mandel holds that it was this very trade which was the mechanism of exploitation, operating through the single prices fixed in world commodity markets.[19] These prices often represented an exchange of unequal quantities

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17 Ibid., p.501

18 Engel's opinion supported by modern writers like Barrat Brown, in After Imperialism. London: Heinemann, 1963.

19 E. Mandel, "After Imperialism?" New Left Review, No.25.17-25. 1964.p.22.
cf Sweezy says trade can affect distribution of value within either or both trading countries but cannot transfer value from one to the other. Theory of Capitalist Development, p.291.

of labour and ensured that backward countries remained producers of primary products and this permanently retarded their economic development. Gallagher and Robinson present the case that trading policies were used as instruments of British expansion throughout the nineteenth century. For example, the mercantilist techniques of formal empire were being employed to develop India at the same time as informal techniques of free trade were being used in Latin America for the same purpose.[20] Macdonagh takes issue with the latter premise, arguing that the two foremost proponents of free trade, Cobden and Bright, were staunch anti-imperialists; the peak of acceptance of free trade and the peak of popularity of imperialism were not chronologically coincident; neither were free trade and imperialism coincident in the enthusiasms of the powerful men of the period.[21] Even so, to say that free trade treaties helped to develop informal empire is not to say that they were instuments of exploitation; benefits accrued to both sides.[22] With regard to Imperial Preference,

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[20] J. Gallagher and R.E. Robinson, "Imperialism and Free Trade", E.H.R. 2nd ser.,VI. No.1. 1-15 (1953). p.6.

[21] O. Macdonagh, "The Anti-Imperialism of Free Trade", E.H.R. II.14: 489-501. Apr.1962. p.500.

[22] J.M. Price, commenting upon R.P. Thomas's study "A Quantative Approach to the Study of the Effects of British Imperial Policy upon Colonial Welfare:Some Preliminary Findings" J.E.H. 25: 615-638. Dec.1965.(which finds no case for a claim of exploitation of the American colonies), indicates Thomas's omission to ascribe any measurable value to the simple presence of the colonies in the wider free trade area of the British Empire. "Origins of Modern Economic Life: Comparative Illustrations", J.E.H. 25:655-659.Dec.1965.p.656.

we have already seen that this was more useful to the colonies than to Britain. If we accept Penrose's definition of exploitation from the point of view of the producing countries rather than from the point of view of optimum use of the world's resources:

> ... foreign interests use their superior political and economic power to prevent the exploited country from making the most profitable use of its own resources.23

then in so far as imperialism imposed unfair terms of trade upon colonial trading partners, then it may be accepted that there was some exploitation.

Exploitation was not an implicit incentive to economic imperialism because it was not always the most remunerative arrangement. There are numerous examples of abstention from dominion on the grounds that it would not pay or was unnecessary. For example, the directors of the British East India Company regarded territorial ambitions as a bottomless pit draining both men and money. Moreover, employers preferred to recruit labour from the open market because slavary and other more subtle forms of bondage proved unsatisfactory in that the quality and quantity of such labour was often inadequate.[24] Landes considers that in the long run:

> Exploitation is no more a rational motor of imperialism in nonindustrial areas than it is in industrial ones; ... and while not all merchants, manufacturers and planters dealing with or working in colonial areas were prepared to recognise this, many did. 25

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23 E.T. Penrose, "Profit Sharing Between Producing Countries and Oil Companies in the Middle East", E.J.69: 238-254. June 1955. p.248.

24 Landes, op.cit. p.501.

25 Ibid. pp.504/5.

Where Landes holds that exploitation, although irrational, was nevertheless widespread in colonial countries, especially with regard to labour, Blaug maintains that the Leninist concept of foreign capital ruthlessly exploiting native labour is a myth, and says there is no evidence to support the suggestion that the high standard of living of workers in the advanced countries is due to the 'exploitation' of the colonial masses.[26] Lenin's idea of a 'labour aristocracy'[27] sharing in the super profits of imperialism is unclear and unsupported, since the marginal extra yield of foreign over domestic investment is insufficient to account for the trebling of real wages over the last century, and there is no proof that the improved wages and general working conditions in the advanced countries has been accompanied by a complementary deterioration in the living standards of the colonies; Kuczynski carried out a series of statistical studies designed to verify this latter theory, but abandoned the project after one inconclusive volume on the British Empire.[28] A few years earlier, Pares had unequivocally claimed that the secondary effects of imperialism upon the mother-country tend to create a 'Labor aristrocracy'

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26 M. Blaug, "Economic Imperialism Revisited", p.342/3.

27 The first Marxist to question the'labour aristocracy' theory was Fritz Sternberg in his book Der Imperialismus, Berlin, 1926.

28 J. Kuczynski, A Short History of Labour Conditions under Capitalism, London: Frederick Muller, 1942-7.

and a rentier nation by the expansion of industrial towns and increase in ground rents resultant from the development of industries which flourished on capital export. He says that the returns on capital invested abroad had an even more pronounced effect in stimulating the luxury trades at home.[29] Later Marxist writers tend to abandon the 'labour aristocracy' theory; for example, Barrat Brown presents a convincing array of evidence against the idea[30] and Mandel substantially shares his 'revisionism' on this point but with the reservation that Lenin was correct in stating that colonial surplus profit injected into certain capitalist countries created big reserves which explain the general operation of 'bourgeoise democracy'. He affirms that:

> The term 'labour aristocracy' is ... a correct description of those layers of the labour movement which can easily find a satisfying niche for themselves within the framework of bourgeoise democracy, and thereby 'solve' the social question at least for their own families; high trade union officials; MP's and municipal administrators; journalists, writers, and lecturers; and in general all kinds of 'labour statesmen' ... There is no doubt in my mind that there exists a definite relationship between surplus profits (both colonial and monopolistic), and the reformist integration of some of the leading strata of the *organised labour movement* into capitalist society.31

Mandel points out that Lenin drew extensively on Engels' famous introduction to the second edition of *The Conditions*

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29 R. Pares, *op.cit.*, p.143.

30 M. Barrat Brown, *op.cit.*

31 Mandel, *op.cit.* p.19, Mandel's italics.

of the Working Class in England in which he wrote that conditions had improved only for two groups of the working class, whom he then represents as an 'aristocracy of labour': the factory workers who enjoy a legally limited working day, and the unionized workers. But Mandel goes on to say that it is obvious that as a result of economic transformations which took place not long after Engels wrote, the majority of the working class came to be included in these two categories, at least in most of the industrialised imperialist countries. Mandel comments that the difference in living standards between the best paid and the lower paid workers inside a particular capitalist country has always been much less pronounced than the overall difference in income between all the workers of one country and all the workers of another country, especially between workers of the imperialist countries and the workers of the colonial countries. Nevertheless, he denies that the labour aristocracy theory holds even for the working class of the imperialist countries as a whole compared with the workers of the colonial world.[32]

Another possible interpretation of the exploitation theme is that unemployment in the major capitalist countries would have been much worse in the absence of imperialism. In the years 1870-1914 Great Britain invested abroad about half her domestic savings, whose interests and dividends

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[32] Ibid, pp 19/20

amounted to one-tenth of her national income. Blaug queries whether the transfer of so much saving can be presumed to have reduced potential domestic deflationary pressures and to have stabilised income. He contends that the savings which went overseas may not have existed at all without capital exports: foreign investment, by stimulating exports, generates income and hence saving just as much as domestic investment. Without foreign investment, British income would have grown more slowly but so would domestic saving.[33] Also after 1870, foreign investment became largely self-supporting - it consisted mainly of reinvested undistributed profits on previous investment, incorporating very little domestic saving. Economic development in capitalist countries did not depend upon surpluses seeking outlets in the colonies. Germany and the Scandinavian countries achieved high levels of per capita income without the benefit of colonies and the United States, Japan, Russia, Sweden, Canada, Australia, New Zealand and South Africa achieved high levels of growth over decades with the aid of substantial capital imports and then maintained high income levels without significant exports of capital.[34]

There is no substance in the idea that the British

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33 Hans Neisser agrees that without the abundant and varied flow of cheap primary products engendered by European investment, western real-income capabilities would not have been as high as they were. "Economic Imperialism Reconsidered". p. 73.

34 Blaug, op.cit. p.344.

working class were exploited to sustain the capital outflow. Cairncross argues that capital exports strengthened the British economy and increased the living standards of the working class by creating demand for British products and at the same time kept up the level of profits at home, kept down the level of unemployment and maintained wage levels.[35] Neither can it be assumed that the benefit to the British economy was at the expense of colonial workers. Chapters four and five have shown the importance to Britain of capital exports and markets, but also that neither were dependent upon imperialism. Besides, the benefits of capital movements are not a one-way affair. Nurkse describes them as "a means whereby a vigorous process of economic growth came to be transmitted from the centre to the outlying areas of the world.[36] In so far as savings were the limiting factor to capital formation in most Empire countries, then British capital undoubtedly made a substantial contribution to economic growth.[37] For example, Australia and New Zealand and other countries of recent settlement did not possess adequate capital reserves in the early stages of their development. In some countries the absence of financial institutions and incentive to accumulate and mobilise savings for industry created a barrier to

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35 A.K. Cairncross, Home and Foreign Investment,1870-1913, p.188.

36 R. Nurkse, Patterns of Trade and Development, p.14.

37 S.B. Saul, Studies in British Overseas Trade, p.211

economic development,[38] and it was British capital which helped break down this barrier and set the mechanism for growth and domestic saving in motion. Moreover, most Empire countries needed loans from overseas to cover deficits in their current account and these loans helped to create the conditions under which the repayments could be made by raising incomes within the borrowing countries.[39] The provision of funds in various ways was not intended to be a complete solution to overseas development problems. Its role was to act as a spur to, not a substitute for, internal investment and private investment was expected to follow from other countries, for example, the American and Canadian investments in the British West Indies.[40] It is significant that China, India, tropical Africa, and Central and South America (excepting Argentine), which were little 'exploited' by British capital remained undeveloped.[41] Certainly, capital exports tended to contribute to the general development of overseas countries rather than to investment in staple industries (before 1914) which might compete with the mother-country[42] and what capital went into the colonial mining and extractive industries did little

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38 J. Knapp, "Capital Exports and Growth" E.J. LXVII.(1957) pp 432f.

39 Saul, op.cit. p.212.

40 Saul, "The Economic Significance of 'Constructive Imperialism' " p. 189.

41 Blaug, op.cit. p.344.

42 Pares, op.cit. p.142.

to advance the general economic development of the borrowing countries because the British colonial administration were not prepared to allow these enterprises to be heavily taxed.[43]

Apart from the impact of capital imports, the less developed countries benefited from the economic penetration of western enterprises which raised the incomes of the native population directly employed, provided tax receipts for local government, constructed roads, railways and power stations and, not least, conveyed technical skills and knowledge.[44] Even the monopolies and trusts became forces for international cooperation. The larger they became, the more they realised the advantage of sharing resources and markets rather than fighting over them. Oil is perhaps the best example of this - even in so closed a colony as the Dutch East Indies more than half the investment in extraction and refining came from Britain and France.[45] The imposition of European civilisation in backward countries also had some beneficial results in the promotion of education (witness the unifying effect of the English language in India), improvement of the living

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43 Saul, Studies in British Overseas Trade, pp.212/3. E.G. Charle, Jnr. describes the exclusive commercial privileges of the Royal Niger Company from 1886 and of the British colonial government after the cancellation of the company's charter in 1900, with respect to the mining and shipment of tin and columbite ores in Nigeria. "An Appraisal of British Imperial Policy with Respect to the Extraction of Mineral Resources in Nigeria". Nigerian Journal of Economics and Social Studies 6: 37-42.Mar.1964.

44 Blaug, op.cit. p.349.

45 Landes, op.cit. p.504.

conditions in some areas and the development of native commerce and industry.[46] For example, Blaug comments that, thanks to the British legacy, India and Egypt are the two backward countries most likely to achieve self-sustaining growth in the near future.[47] With regard to Lagos, Hopkins says:

> The penetration of West Africa speeded the liberation of the subordinate elements in indigenous societies. It marked the decline of the pre-industrial quasi-feudal rulers, and the beginning of the rise of a new generation of petty capitalists, both producers and traders, who responded rapidly to the opportunities offered by the colonial powers. This social revolution was one of the most significant aspects of imperialism in West Africa. 48

However, the results were not always innocuous. In Indonesia for example, the Dutch system of legal pluralism and the dual civil service combined with discriminatory treatment of native entrepreneurs did almost irreparable damage.[49] Too often the indigenous culture was disrupted without anything being put in its place with the result that the colonial countries were arrested in their development and often actually regressed.[50] It is true that the colonized countries tended to be retarded in their economic development, but it is not clear that this

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46 L.L. Snyder, (ed) The Imperialist Reader, p.3.

47 Blaug, op.cit. p.347.

48 A.G. Hopkins, "Economic Imperialism in West Africa: Lagos, 1880-92" E.H.R. 2d.ser. Vol.21. No.3. 580-606. 1968. p.604. A.B. Aderibigbe confirms that the imposition of 'Pax Britannica' over the land of the warring Yorubas opened up a new vista of communal possibilities. Both imports and exports increased in range and volume. "Trade and British Expansion in the Lagos Area in the Second Half of the Nineteenth Century", Nigerian Journal of Economics and Social Studies,4: 188-195. Jul. 1962. p.193.

49 Blaug, op.cit. p.348.

50 Mandel, op.cit. p.18.

was due to imperialistic exploitation. It must be remembered that climatic (most of the colonies were in tropical zones with a high incidence of malnutrition), religious, political and cultural barriers can inhibit economic growth. Productivity has improved less rapidly in primary production than in manufacturing industries and this is reflected in the adverse terms of trade which have for so long faced the primary producing countries and resulted in the polarization of the rich industrial and poor rural nations. Again, where capital gravitates to the exploitation of natural resources, as in the Middle East, then a dual economy is created - a highly developed foreign sector and a discrete subsistence sector. The poverty of the local consumers and lack of social overhead facilities militate against investment in domestic manufacture.[51] In these circumstances, the imperialist countries have been singularly remiss in implementing any kind of constructive planning to spread balanced growth through all sectors.

Charges of exploitation have been most frequently made with regard to India,[52] and it will be useful to examine the

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51 Blaug, op.cit. p. 348

52 This example is particularly poignant to the writer, who, some years ago, when travelling in North America, was accosted by a complete stranger of Indian nationality who had heard her English accent and, to the accompaniment of a physically prodding forefinger, accused: "Your country ruled mine for one hundred and fifty years". The irony completely escaped him that, had this not been so, he would probably not have been able, at least in the English language, to voice his emotional discomfiture.

charge that England systematically destroyed the industries of India and reduced her from a manufacturing to a raw material producing country.[53] Pares traces the evolution of the change which is undeniable, but he comments that it is less certain that it was deliberate.[54] The East India Company maintained its command on the Indian cotton-weaving industry by almost feudal means, it was intensely conservative in its operations but this very conservatism gave the Indian weavers some sort of protection and when the private traders succeeded in obtaining the abolition of the East India Company's trade monopoly in 1813, the immediate result was a rush of English cotton goods to India, the cessation of India's cotton textile exports to England, and a gradual increase of her exports of raw materials, especially raw cotton. But it would be extravagant to claim that agriculture was substituted for industry in India by the policy of the English government. India was not an industrial country to begin with, and only the finest weaving was destroyed - the coarser kind survived. The fine weaving industry was destroyed mainly by English competition in neutral markets. Indian weavers did not depend even principally upon the English market, but exported more to the United States, Portugal and the Far East and it was the failure of these markets about 1818 that did so much damage. Britain could hardly be blamed for underselling

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53 Noted in Pares, op.cit. p.133. Confirmed with some asperity by Hobsbawm, Industry and Empire, p.123

54 Pares, op.cit. pp 133-136.

in neutral markets. Nevertheless, England could be for the heavy transit duties imposed in India before 1836, which crippled the development of manufactures, and the protective duties levied in England against the importation of Indian silks and cottons. With regard to the imports of raw cotton, in the early part of the century these were not so much stimulated by England as diverted from other markets. During the American cotton famine of the eighties, production was stimulated leaving India with a serious over-production when American cotton was again available. But this was partly because Indian cotton was not always suitable for the Lancashire machines, which is shown by substantial re-exports of Indian cotton at the height of the famine. The only compensating factor was that the glut of cotton probably helped the Bombay spinners to develop their industry.

Duties again came to the fore in the seventies, this time the duties which the Indian government levied on cotton imports as a means of raising revenue, although at the same time they were protective for the Indian industry which was beginning to develop on a large scale. However, the will of Lancashire prevailed and the duties were abolished. Then again, in 1894-5, the British government forced the Indian government to impose a countervailing excise duty on Indian yarn to mitigate Lancashire's aversion to the reimposition of the cotton duties. It cannot be said that Lancashire deliberately used these tariffs to force India out of industry and into agriculture, but they did inhibit fair competition between England and India. The case of India is, of course, exceptional because the imperialist country and the colony shared a very similar export industry.

There are other grounds for the charge of exploitation of India - what Pares chooses to call 'the tribute of India', which included the very heavy military charges paid by India, the gains by private individuals from privileged though illicit trade and the very generous salaries and pensions of servants of the East India Company.[55] It is not surprising that the Indian peoples are convinced that their country was used by the imperialist power for its own gain and to the detriment of the economic development of India. Dadabhai Naoroji conceived of economic drain from India as an external-cum-internal drain. It was a kind of built-in mechanism which extorted resources out of a low-level colonial economy and the surplus thus generated through a complicated process was drained out of the economy through a process of external trade, the dynamics of which was supplied by the unilateral transfer of funds in an equally complicated kind of way.[56] Bipan Chandra points

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55 Pares, op.cit. p.143.

56 In his paper "England's Debt to India" read before a meeting of the East India Association, London, on 2 May,1867. Reference from B.N. Ganguli "Dadabhai Naoroji and the Mechanism of External Drain" Indian Economic and Social History Review 2: 85-102, Apr. 1965. p.85.

out that the drain theory was not an isolated criterion but part of the assessment of Indian leaders, of the official policies towards industry, railways, foreign trade, foreign capital, currency and exchange, land revenue, labour and taxation and expenditure. The leaders all agreed that the British Administration in India was inimical to the economic growth of the country.[57]

It is not necessary for exploitation to be deliberate policy - imperialism can hinder economic development by default. For example, in writing of Ghana today, Dalton says:

> The heritage of Ghana from the British is not one of bitterness, exploitation and misery as such. It is a heritage of a certain sort of economy, one which worked passably well according to the standards set for it: the earning of sufficient revenue to run a government, to provide for order and promote the exports necessary to pay for imports from the metropolis. In Ghana's case, cocoa made this work relatively well from the last years of the nineteenth century.[58]

Dalton contends that British policy in Ghana was inadequate and deficient, patronizing, undignified and half-hearted rather than vigorously exploiting, but the enduring damage comes from 'neo-colonialism' which he defines as "the persistence of old economic ties, patterns and results, the lingering effects of inherited economic and domestic

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57 B. Chandra, "Indian Nationalists and the Drain,1880-1905", Indian Economic and Social History Review 2: 103-144. April. 1965. p.131.

58 J.H. Dalton, "Colony and Metropolis: some aspects of British rule in the Gold Coast and their implications for an understanding of Ghana today." J.E.H. 21: 552-565. Dec. 1961. p.555.

structures".[59] This is the unconscious, long-term exploitation of imperialism. It has been said that the imperialists failed in the fulfilment of their duties to the colonial peoples, to the West, and to the world as a whole.[60]

The question remains - did imperialism pay? Landes concluded that most informal imperialism paid because the use of power was minimal and the outlay of funds was based on rational grounds. Formal imperialism rarely paid for the opposite reasons. Yet for some people, imperialism always paid - energetic traders, enterprising officials and manufacturers of cheap, colourful wares. There was no need for a cohesive business class or an economic system - just a few interested people who could 'pull strings'. However, he says that the colonial contribution to the economy of the imperialist country - should not be over-estimated, it was great for small countries like Belgium and Holland, but less important for Britain.[61] And then there were the costs - the enormous unproductive costs. Some individuals in the colonizing countries made enormous profits but for the average citizen the colonies were a white elephant; for them there was just the burden of increasing taxation to pay for the maintenance of strong military and naval forces and the heavy costs of administration.[62] But what writers tend to

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59 Ibid. p.565.

60 A.H. Khaled, "The Colonial Problem: Economic and Political Aspects", L'Égypte Contemporaine, 46 (No.279) 1-34. Jan., 1953. pp 16-25.

61 Landes, op.cit. p.505.

62 Synder, op.cit. p.3.

ignore is that the biggest part of the cost was borne by the colonies - the opportunity cost - the neglect of opportunities for real development which could enrich the whole population of the colony and indirectly benefit other countries and their peoples, too.[63]

Having examined the origin and content of the theory of economic imperialism we must now turn to the special features of the years 1870-1914 which made this period apparently unique - sufficiently so, to give rise to the theory.

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63 H.B. Davis, "Imperialism and Labor: An Analysis of Marxian Views", Science and Society 26: 26-45. No.1. 1962. p.43.

CHAPTER 7

1870-1914 WAS NOT UNIQUE

Although the classical theory of Hobson and Lenin was wrong in envisaging a capitalist system generating domestically indigestible surpluses, this does not invalidate the economic motive for Britain's remarkable expansion of 1870-1914. The economic motive was there throughout the nineteenth century[1] combined with all the old motives for expansion - the theory of economic imperialism errs simply in the emphasis placed upon it.[2] What made the period after 1870 seem different was that in the years preceding, free trade had apparently made political control no longer a prerequisite for economic exploitation of an undeveloped area, but the evidence of continuity of policy and motive with earlier periods suggests that there was nothing unique about the forty-five years before the First World War.[3]

Fieldhouse, in broadly surveying the four centuries since the early Portugese discoveries, points out that

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1 E.J. Hobsbawm, Industry and Empire: an economic history of Great Britain since 1750. See Chapter 2 above. Most writers on the topic of imperialism acknowledge some element of potential material gain.

2 Hobson and Lenin considered non-economic factors subservient.

3 M. Barratt Brown merges this period into his second classification, 1815-1914. After Imperialism.

although the motives for European acquisition of colonies were very complex, they can be divided into two main categories. First, there was the economic motive aimed at creating a lucrative trade for the metropolitan country, which was reflected in the trading base or factory secured by agreement with a local ruler, or territorial expansion such as occured into the sugar islands of the Caribbean, the spice islands of the East, the fur-producing parts of North America and the silver mines of Peru. Second were political and military rivalries epitomised in the struggles for America, India and strategic bases on the routes to the East. This dichotomy was complicated in the early nineteenth century by the additional new element of humanitarianism. Evolution of imperial practices from 1815 to 1870 seemed, at the end of the century, to have constituted a clear break with earlier methods. The American colonies had achieved independence towards the end of the eighteenth century and Britain had adopted a free trade policy which made it appear that the possession of colonies no longer provided any economic advantage. Moreover, the colonies had ceased to play an important part in diplomacy. But the break was short-term, corresponding with a temporary change in world conditions. Hobson misinterpreted the change in methods as a change in the nature of imperialism.

There had been, in fact, no break in the continuity of imperial development - the British acquisitions of 1840-1871 are comparable with those of the succeeding thirty years. The underlying motivations continued to be the acquisition of trading bases, internal expansion, rivalry with other major powers, the need for military security, for administrative efficiency or for the protection of indigenous peoples on the borders of existing colonies.

For the bulk of the acquisitions after 1870, Hobson did not need a new theory in explanation, they were mainly the extension of the same colonial frontiers. In this respect, the late nineteenth century expansion was mainly a continuation of a process which had begun centuries before. However, the 'Contiguous Area' theory does not account for all the new acquisitions, and for the rest, Fieldhouse, while not denying the co-existence of economic imperialism,[4] suggests that the main motive was political. The change after 1870 constituted a reversal of early nineteenth century policy - a throwback to eighteenth century attitudes when political considerations took precedence over the economic.[5] Fieldhouse dates the new political imperialism with its emphasis on military strength, from 1884-5, when Germany took formal control over parts of West and South West Africa and of New Guinea, although he acknowledges that the 'imperialism of free trade' was not seriously weakened until the mid 1880s.[6]

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4 Described fully by R. Pares, "The Economic Factors in the History of Empire."

5 D.K. Fieldhouse, "Imperialism: An Historiographical Revision", pp 200-4.

6 Ibid. p.204.

Thus in many respects there was no break in continuity after 1870. Many acquisitions resulted from the situation of existing possessions; the rapid expansion of commercial and financial influence - the true economic imperialism - did not change in character. The real break was the rapid expansion of 'formal' control over widespread areas of Africa and the East and this was a specifically political phenomenon - the outcome of European political rivalries.[7] By 1900 the colonies were recognised to be something of a 'white elephant' but, by then also, another new element had entered the picture - the ideological fervour of aggressive nationalism and to this had succumbed all rational economic considerations.[8] There can be no doubt that the element of nationalism loomed large; there was a general 'climate of imperialism' in this period.[9]

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7 The view that political and military rivalries were significant is shared by M. Blaug, "Economic Imperialism Revisited"; G.D.H. Cole, Introduction to Economic History, 1750-1950, London: Macmillan, 1952; W.H.B. Court, "The Communist Doctrines of Empire"; R.J. Hammond, "Economic Imperialism: sidelights on a stereotype" J.E.H. 21: 582-598 Dec.1961; D.S. Landes, "Some Thoughts on the Nature of Economic Imperialism"; R. Pares, op.cit., and A.P. Thornton, Doctrines of Imperialism. New York: John Wiley. (1965).

8 Nationalism as a driving force towards imperialism after 1870 is particularly stressed by G.D.H. Cole, op.cit.; J.A. Schumpeter, "The Sociology of Imperialisms" in P.A. Sweezy, ed. Imperialism and Social Classes; L.L. Snyder, ed., The Imperialist Reader and, with reference to South Africa, N.G. Carson, "British Imperialism and the Coming of the Anglo-Boer War", South African Journal of Economics 30: 140-153. Jun.1962. and J.S. Marais, The Fall of Kruger's Republic, Oxford: Clarendon Press, 1961.

9 N.G. Garson says that it was public opinion at home and abroad, mobilised towards national power, prestige and prosperity, which led to the Anglo Boer War - not the colonial and diplomatic rivalries of statesmen. Op.cit.

The theory of discontinuity in nineteenth century history is regarded as fallacious also by Gallagher and Robinson who show the fundamental continuity of British expansion throughout the century, whether by means of 'informal empire' or by acquiring dominion in the strict constitutional sense.[10] Again, they point to the source of the fallacy as the belief that mid-Victorian 'indifference' and late-Victorian 'enthusiasm' for empire were directly related to the rise and decline in free-trade beliefs.[11] Lenin considered 1840-60 to be the years when free competition was at its height and the liberation of the colonies was most considered to be 'inevitable and desirable' by British politicians.[12] Professor Schuyler, on the other hand, considers the decade 1861-1870 to be the zenith of decolonization sentiment when the Manchester School was at the height of its influence,[13] while Professor Langer attributes the sudden resurgence of imperialism in the last quarter of the nineteenth century to the failure of free trade to maintain export markets.[14] However, Gallagher and Robinson maintain that this creed was made plausible only by concentration upon formal empire and by disregard of the expansion of informal influence. Even so, they argue that the formal acquisitions of the decade 1841 to 1851 were qualitatively substantial

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10 J. Gallagher and R. Robinson, "The Imperialism of Free Trade", pp 2-3.

11 Ibid.p.2.

12 V.I. Lenin, Imperialism, the Highest Stage of Capitalism. V.P.71

13 R.L. Schuyler, The Fall of the Old Colonial System: a study in British free trade 1770-1870. O.U.P. New York,1945.p.45.

14 W.I. Langer, The Diplomacy of Imperialism, 1890-1902, New York (1935). pp.75-6.

although quantatively less than in the period after 1870, and when the extension of informal influence is added, the earlier period is seen to be no less imperialistic than the latter. They show that the 'expansionist' era after 1870 did not introduce any significant novelty - it was really the successful exploitation of the formal and informal empire:

> ... which was then coming to fruition in India, in Latin America, in Canada and elsewhere. The main work of imperialism in the so-called expansionist era was in the more intensive development of areas already linked with the world economy, rather than in the extensive annexations of the remaining marginal regions of Africa.[15]

In other words, economic imperialism was active throughout the nineteenth century but subject to pragmatic considerations about the form it assumed. In mid-century the form was predominantly informal, towards the end of the century, the reintroduction of overt formal measures contributed to what appeared to be a spectacular era of expansionism.

Professor Landes supports the continuity theory, regarding the expansion of the nineteenth century as:

> ... only the last phase of a millenial explosion that goes back to that turning point of the Middle Ages ...[16]

However, whilst regarding the economic interpretation as important and primary in the period under discussion, he puts forward a more general theory of imperialism which transcends all time and place. His is a psychological/

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15 Gallagher and R.E. Robinson, <u>op.cit</u>. p.15.

16 D.S. Landes, <u>op.cit</u>. p.512.

biological opportunist explanation which embraces all economic motives. Landes suggests that imperialism stems from an 'inner logic of dominion' which is inherent in the nature of man and makes him take advantage of any opportunity to exercise his power. The enabling opportunity occurs in any situation where disparity of power exists. Disparity of power creates an unstable relationship because the weaker party will never permanently accept his inferiority and ceaselessly strives to overcome it while the stronger party must ceaselessly protect its position by ever-widening fortifications, limited only by the balance of power.[17] This natural inner logic of dominion over-rides any acquired ideals, (for example, the nineteenth century ideals of freedom and self-determination), and is operative on two levels. First, in the context of any given area of imperialistic influence, individuals or agents of imperialism[18] act on their own initiative regardless of the policy of the imperialist nation. If the individual's action threatens the prestige or security of the dominant group then corrective action is inevitable, either to restore the previous equilibrium or eventually to procure a new, more secure,

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17 D.S. Landes, op.cit. p.510. This imperialism of the turbulent frontier is described by J.S. Galbraith, "The 'Turbulent Frontier' as a Factor in British Expansion", Comparative Studies in Society and History II, 150-168. (1960).

18 A.G. Hopkins' 'unofficial mind', for example, the local merchants, local officials, Chambers of Commerce, or the intellectual advocates of a wider Britain. op.cit. p.583. Professor R. Aron notes the sectional interests at work in each particular colonial conquest. War and Industrial Society, London: O.U.P. 1958. p.26

equilibrium. Second, the inner logic of dominion operates in the context of international relationships of imperial powers. Here an analagous situation prevails, each nation operates in an environment shared by other nations, and its actions are determined both by their moves and its own objectives. Tactical necessity becomes the decisive factor, both in minor incidents as in mid-century Egypt, when Britain found herself obliged to follow other European powers in extorting advantages for her nationals - if only to maintain her prestige in the area, or in major incidents as in the 1880s when, to thwart the ambitions of other European powers, Britain adopted a policy of pre-emptive veto on the acquisition of any of the inland areas of the world.[19] Thus Landes, like Marx, sees imperialism as inherent and irremediable - but not in a system - imperialism is inherent in man himself, awaiting only the opportunity to exercise itself. In the nineteenth century, concomitant with strong economic motives, this opportunity occured through technological changes that increased the disparity of power between Europe and the rest of the world.[20]

That the motives for imperialism are complex, there

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[19] D.S. Landes, op.cit. pp 510-11.

[20] R.E. Robinson and J. Gallagher with A. Denny, in examining the partition of Africa, present a balance of power analysis modified to take account of nationalist motives in Africa as well as diplomatic motives which were strong in Europe. Africa and the Victorians. London: Macmillan. 1961.

is no doubt and opinions differ with regard to the relative strengths of particular motivations for the last quarter of the nineteenth century. Schumpeter [21] gives a sociological interpretation; Langer[22] examined the diplomatic aspects of the problem; Thornton,[23] Semmel[24] and Koebner[25] have investigated the intellectual foundations and popular appeal of ideas of imperialism; Sir John Seeley[26] expounded on the idea of trusteeship and Court[27] discerned psychological needs. Blaug[28] considers that the political and cultural aspects have been neglected and points to the decolonization after the Second World War as evidence that political considerations were more important than the economic, while Thornton indicates the unchanging character of human nature and its drive for power, "In imperialism was invested as much emotion as money",[29] - an opinion supported by Hammond,[30] who considers that

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21 J.A. Schumpeter, op.cit.

22 W.L. Langer, op.cit.

23 A.P. Thornton, The Imperial Idea and its Enemies: a study in British power. London: Macmillan, 1959.

24 B. Semmel, Imperialism and Social Reform: English social-imperial thought 1895-1914. Cambridge: Harvard U.P.(1960).

25 R.Koebner and H.D. Schmidt. The Story and Significance of Imperialism: A Political Word, 1840-1960. Cambridge U.P.(1964)

26 J.R. Seeley, The Expansion of England. London: Cambridge, Macmillan, 1883.

27 W.H.B. Court, op.cit.

28 M. Blaug, "Economic Imperialism Revisited".

29 A.P. Thornton, Doctrines of Imperialism, p.7.

30 R.J. Hammond, op.cit.

the thirst for prestige and power, not profit, underlies the imperialist urge. Taylor discounts the economic motive in favour of power and missionary zeal:

It is the high-minded and inspired, the missionaries not the capitalists who cause most of the trouble. Worst of all are the men of power who are missionaries as well.31

On the other hand, there are those who consider the economic motive to be predominant[32], and yet, it is only in specific instances that one can clearly judge the economic motive to be uppermost, for example, in the case of India[33] Lagos[34] and perhaps less convincingly, Egypt.[35]

To encompass this complex 'motivational mix' an inter-disciplinary explanation is needed, which presents difficulties because the drives which initiate observable human behaviour are not quantifiable, and the 'mix' varies for every imperial act. Obviously no single explanation will suffice. The classical theory of economic imperialism was

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31 A.J.P. Taylor, "Economic Imperialism" in Englishmen and Others. London. Hamish Hamilton, 1956.

32 E.J. Hobsbawm, op.cit. L.L. Snyder, op.cit.; J. Gallagher and R. Robinson, op.cit.: L.Woolf, Empire and Commerce in Africa: London: Labour Research Dept., Allen and Unwin,1920; N.G. Garson, op.cit; and A.H. Khaled, "The Colonial Problem; economic and political aspects".

33 Detailed analysis in E.J. Hobsbawm, op.cit. and S. Ambirajan, "McCullouch on India", Manchester School of Economics 33: 125-140. May, 1965.

34 A.G. Hopkins, op.cit.

35 M.K. Issa forcefully represents the need for raw cotton as the direct cause of the occupation of Egypt in 1882, although other writers give more weight to strategic considerations. "The Economic Factor Behind the British Occupation of Egypt in 1882" L'Égypte Contemporaine, 55, (No.318): 43-57. Oct. 1964.

unnecessary. The economic interpretation accounts for only part of the facts and, as any monistic explanation, is inadequate.

However, although the concept of economic imperialism was not wholly justifiable for the period 1870-1914, it still retains some validity in the context of the world today. This hypothesis will be examined in the next chapter.

CHAPTER 8

ECONOMIC IMPERIALISM IN THE WORLD TODAY

In view of the foregoing, it is pertinent to ask whether economic imperialism is a useful concept. We have seen that an economic interpretation of imperialism is inadequate but it is useful to explain an integral part of the whole. One may argue with Hagel that "The whole is the truth", but understanding a part increases our understanding of the whole.[1] Marxist theory does not fully explain the imperialism of the period after 1870 to the First World War, but where it is relevant it is valid. For example, there is forceful proof in the history of the nineteenth century for Lenin's thesis of the impact of finance on politics and ample evidence that loans may be fatal to borrowing people and states.[2] Moreover, if Strachey is right and there is an economic exploitation aspect in all empires, then we must understand the economic exploitation

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1 c/f Fieldhouse's view that the imperialism of 1870 to 1914 cannot be explained in economic terms because it had become irrational.
D.K. Fieldhouse, "Imperialism: An Historiographical Revision", p.209.

2 W.H.B. Court, W.K. Hancock(ed), Survey of British Commonwealth Affairs , "The Communist Doctrines of Empire", p.299.

aspect, an integral part of Lenin's concept, in order to understand imperialism.[3] One must conclude with Hopkins that:

> The theories of Hobson and Lenin, inspite of their weaknesses, still retain considerable value because they draw attention both to the global nature of imperialism and to the importance of economic factors. 4

The concept of economic imperialism is not only useful in so far as it has some validity for the specific era for which it was designed but also it can be extended to the changed world environment of today. Barratt Brown affirms that Lenin's theory was already correct in its application to Germany before the First World War, to most imperial countries after the war and that its general characterization retains its overall validity.[5] Baran and Sweezy find confirmation of Lenin's ideas in:

> The Great Depression of the 1930's [which] accorded admirably with Marxian theory and its occurrence, of course, greatly strengthened the belief that similar catastrophic breakdowns were inevitable in the future. 6

Keynesian economics was to be instrumental in largely forestalling these breakdowns but in today's world of the large

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3 J. Strachey, The End of Empire.

4 A.G. Hopkins, "Economic Imperialism in West Africa: Lagos, 1880-92" p.603. P.M. Sweezy revised Lenin's definition of imperialism to a stage in the world economy. The Theory of Capitalist Development: Principles of Marxian Political Economy. 1942.

5 E. Mandel, "After Imperialism?" p.18 referring to M. Barratt-Brown's After Imperialism.

6 P.A. Baran and P.M. Sweezy, Monopoly Capitalism, p.3.

corporation (Galbraith's 'planned' part of the economy), failure to match performance in related parts of the economy may well be the source of future breakdowns.[7]

The Marxist theory was defined for a capitalist system with imperialistic profits accruing to private enterprise, but it can be redefined to accord with a non-capitalist system. For example, so defined, it describes the territorial acquisitons of Russia after the Second World War.

Leninist theorists say that the theory of economic imperialism still applies, especially with regard to the United States today. Baran and Sweezy redefined basic Marxian theory to include monopoly. They recognise competition, which was the predominant form of market relation in the nineteenth century, no longer holds that position in the capitalist world where today the typical economic unit is the large-scale enterprise producing a significant share of the output of an industry or even several industries and able to control its prices, the volume of its production and the types and amounts of its investments. This internal power of the large corporations gives them monopolistic attributes which are equated with the "interests groups" of standard Marxian theory.[8] Baran and Sweezy have constructed a model of the

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7 J.K. Galbraith, Economics and the Public Purpose, Boston: Houghton Mifflin, 1973. Ch.XIII.

8 P.A. Baran and P.M. Sweezy, op.cit. p.6.

monopoly capitalist system - a model in which the major component parts are corporations of Max Weber's "ideal type" and they draw attention to three characteristic features of these corporations. First, that control rests in the hands of management, that is, a board of directors plus the chief executive officers. Outside interests MAY be represented on the board, but the real power lies with the full-time managers of the corporation.[9] Second, management is a self-perpetuating group. Third, each corporation aims at, and normally achieves financial independence through the internal generation of funds. The corporations may borrow from financial institutions but are not normally bound to do so - in this they are different from the big businesses of the nineteenth century.[10] The location of power inside rather than outside the typical giant corporation renders absolute the conception of the "interest group" as a fundamental unit of the structure of capitalist society.[11] To this financial autonomy, Galbraith adds operational autonomy. The mature

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9 This accords with Galbraith's view of large-scale corporations as oligopolistic enterprises controlled by a"technostructure" - a complex of specialists including scientists, engineers and technicians, sales advertising and marketing men, public relations experts, lobbyists and lawyers as well as managers and executives. J.K. Galbraith, op.cit. p.82.

10 Galbraith points out that if the corporations are driven to the market, their requirements are usually so large that a single institution is unlikely to be able to accommodate them, and thus they achieve a position of monopsony in their external borrowing. J.K. Galbraith, op.cit.p.103.

11 P.A. Baran and Sweezy, op.cit. pp 6-18.

corporation resists all intervention external to the techno-structure -- from owners and creditors, from workers through unions, from consumers and government.[12]

The compound effect of the technological progress and growing markets, caused by the increasing population and the increasing living standards in the United States has been to favour large organisations incorporated in that country. The essence of the American industrial structure is to be found in the giant corporation: General Motors, Standard Oil, Prudential, American Telephone and Telegraph, Sears, Lytton Industries and other such huge firms. They are able to make use of the labour force to the highest degree of specialization that is possible with modern production and management technologies. And they have enough influence to control the forces that affect their business environment, their supplies and their customers. J.K. Galbraith stresses the autonomy of the firm which, according to his theory, is a natural outgrowth of modern technology which requires long periods of planning and preparation because of its complexity, and which needs, therefore, a business environment where quantities supplied and demanded and prices are as predictable as possible over a span of years. Such security cannot be achieved in a free market: thus, the large firm makes every effort to control the market. It manages its sources of supply by using its bargaining power as a very large purchaser, by signing long-

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12 J.K. Galbraith, op.cit. p.93.

term contracts with its suppliers, and by becoming its own supplier through vertical integration. The firm can use the same tactics to assure its own steady demand if it sells to other firms. But if it sells to the consumer, the firm must seek to assure its demand by less direct, but not necessarily less effective, means - such as advertising, building brand loyalties, making product design appealing and controlling retail outlets. With the supply of its materials and the demand for its products well secured, the firm can shift into high gear, plan for years ahead, and begin to use the complex technology to the fullest extent, all of which will make it one of the most efficient producers in the world.[13] The big corporations are not more profit oriented that the individual entrepreneur but are better equipped to pursue a policy of profit maximisation.[14] Whilst seeking to show an annual improvement in their earnings, their main concern is growth - their aim is to become the largest in their field.

Thus the autonomy and size of large corporations allows them to control the environment in which they operate. Market prices no longer obtain, important costs and prices are kept under control and, more important, supplies at

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13 J.K. Galbraith, The New Industrial State, 2nd ed.Rev. Boston: Houghton Mifflin, 1971.

14 James Earley, American Association for the Advancement of Science, Papers and Proceedings, 1956. p.27.

15 J.K. Galbraith, Economics and the Public Purpose, p.100

controlled prices are assured. It also allows general cost increases to be passed on to the consumer or buyer.[16] Monopoly profits accrue to the corporation, allowing higher remuneration to be paid to the technostructure at the expense of the worker, the consumer and the co-existent market economy.[17] This "domestic" exploitation, inherent in the structure of modern large corporations, becomes imperialism when the operations of the corporation extend beyond national boundaries and the large enterprise becomes a multinational corporation.

Professor Dunning, in his study of the multinational corporation[18] notes that until fairly recently,

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16 Ibid. p.122.

17 In his book, American Capitalism, the Concept of Countervailing Power, Boston: Houghton Mifflin, 1952. J.K. Galbraith suggests that in all markets where there is original power and no excess demand, the automatic market system is replaced by "the self-regulatory mechanism based on countervailing power". p.196. Monopoly profits are transferred from the original power to the countervailing power, (the latter generated with government assistance if necessary), and thence to the consumer. That is, monopolistic power is neutralised by countervailing power. For a criticism of this concept see Tom Kemp, "Galbraith a Prophet of American 'Neo-Capitalism'', Science and Society, 29. 385-400. 1965. and also A. Schweitzer, "A Critique of Countervailing Power", Social Research, Vol.21. No.3. 253-284. 1954. Galbraith does not suggest that countervailing power operates in the "planned economy" of today's large corporations.

18 J.H. Dunning, "The Multinational Enterprise", Lloyd's Bank Review, July, 1970, Professor Dunning defines a multinational corporation simply as an enterprise which owns or controls producing facilities in more than one country. He distinguishes such an enterprise from one which is owned or controlled by economic agents of more than one nationality.

most international transactions had two things in common. First, each was generally undertaken independently of the other and by different economic agents. Second, most transactions were between unassociated buyers and sellers and were concluded at market or "arm's length" prices. However, from about 1920 and particularly since 1950, a new and separately identifiable vehicle of international economic activity has emerged: production by the rapid expansion of foreign direct investment. The distinctive features of foreign direct investment are twofold. First, it embraces, usually under the control of a single institution, the transfer of separate, but complementary, factor inputs - notably equity capital, knowledge and entrepreneurship - sometimes of goods as well. Nowadays, direct investment accounts for seventy-five per cent of the private capital outflows of the leading industrial nations, compared with less than ten per cent in 1914. The second unique quality of direct investment is that the resources which are transferred between countries are not traded. They are simply moved from one part of the investing enterprise to another; no market transaction is involved.[19]

From most standpoints, the distinction between foreign direct investment and the operations of the multinational company is not an easy one to draw, especially as the multi-

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19 Ibid. pp 19-20

national enterprises do not generally form an identifiable statistical category - they certainly do not in the United Kingdom.[20] Nevertheless, there are some obvious differences. First, direct investment can be made by economic agents other than enterprises, although, in practice, the amounts are small. Second, it covers investment by all firms, irrespective of the extent to which they are involved in foreign activities (or in the domestic market). Third, and most important - while the value of direct investment includes only the capital of the foreign company actually owned by the investing enterprise, the economic role of the multinational corporation is better expressed in terms of all the resources under its control, including those of local origin. The increase in the contribution of these concerns to world industrial output is one of the most impressive economic features of the last twenty years. Though about three-quarters of this growth has originated from American-and British-owned and controlled enterprises, the greatest percentage increases have been recorded by Continental Europe and Japanese firms, which seem almost certainly to be increasing their share still further. In 1968, the book value of total assets owned by these firms outside the countries in which they were first incorporated, was about ninety-four billion dollars, and their total foreign sales (both exports and local output) were reckoned to exceed in

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20 Text of an address given by the Governor of the Bank of England at the University of Nottingham on 11th April,1973. Reprinted in the Bank of England Quarterly Bulletin, Vol.13 No.2. June 1973.

value the gross national product of any country except the United States and the USSR. About fifty-five per cent of these international assets were owned by United States enterprises, twenty per cent by British firms and the rest largely by European and Japanese companies. About half of the American companies with world-wide sales of more than one billion dollars in 1966 owned at least a quarter of their assets or derived at least a quarter of their sales from outside the United States.[21]

The foreign output of multinational corporations is currently expanding at the rate of ten per cent per annum, twice the rate of growth of world gross national product and forty per cent faster than world exports. Moreover, since these concerns are concentrated in the technologically

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21 An area of concern of financial interest is the ability of these companies to shift liquid assets around in times of crisis in such a way as to protect their interests. The United States Tariff Commission puts a figure of two hundred and sixty-eight billion dollars on the liquid assets (at the end of 1971) of bodies participating in the international money markets, of which some seventy per cent were held by United States multinational corporations and banks. Not all these funds are freely available for transfer - the assets of one body may be the liabilities of another; and working capital has to be retained or made good from somewhere. But two hundred and sixty-eight billion dollars was more than twice as large as total world reserves at that time (one hundred and thirty-three billion dollars) and the sudden redeployment of even one per cent of this total may be sufficient to cause a noticeable disturbance in the exchange markets. The recent dollar crises have led to renewed comment on the role of multinational enterprises in these recurring surges of short-term capital. <u>Ibid</u>. p.188.

advanced and faster-growing industries, their share of world output is almost certain to rise in the future. Some observers predict that by the turn of the century the largest two hundred or three hundred multinational businesses will account for more than half of the world's output.

Another outstanding feature of multinational corporations concerns financial and industrial concentration. In 1967, twenty-one per cent of the plant and equipment expenditure by United States manufacturing enterprises was undertaken by their overseas subsidiaries. But eight-five per cent of this was in four main sectors: vehicles, chemicals, mechanical engineering and electrical engineering. While certain industries throughout the world - rubber tyres, oil, tobacco, pharmaceuticals and motor vehicles - are almost completely dominated by multinational firms, in others - cotton textiles, iron and steel, aircraft - they are largely absent.[22] For more than eight years now the one hundred and ninety leading corporations in the United States with subsidiaries in at least five countries have accounted for more than a third of the sales of manufactured goods on their home markets, half of American exports of such goods and three-quarters of direct American investment in other countries. In Britain, eighty per cent of overseas investment is made by one hundred and sixty-five large companies, in West Germany seventy per cent of investment in other countries is by eighty-two companies. Naturally, these are also the concerns that have the most weight inside their own nations. The industries

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22 J.H. Dunning, <u>op.cit.</u> pp 19-20

that they control are usually the most advanced, dominating technological progress, and those which manufacture the major consumer products. The word "control" is used advisedly: according to a survey conducted in Britain and France, three-quarters of those employed in the subsidiaries of American multinationals work in sectors where the leading competitors produce eighty per cent of output. The largest concerns can, therefore, easily step up or slow down activity in these sectors, which are, in many cases, the prime movers in the economy.[23]

With regard to the geographical origin and distribution of international direct investment, countries which invest abroad fall into one or more of three types. First, there are those who do so primarily to exploit market potentialities. Faced with a limited home market, enterprises within these countries seek to grow by diversifying their territorial interests. Switzerland and Holland are the classic examples here. Second, are countries which invest mainly to secure materials for their manufacturing industries - a powerful inducement in many industrial nations today. In 1968, the United States obtained one third of her imports of raw materials from her foreign subsidiaries, mostly Canada and the developing countries. Third, there are countries which invest largely to exploit a comparative advantage which they

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23 J. Grapin, "Industry: There's Cash in Crises for the Multinationals", Europa, London Times, June, 1974.

have, or have acquired, in the ownership of certain kinds of resources and, hence, in the production and/or marketing of certain types of products. This kind of capital export is mainly horizontal within secondary industry, and is often two-way in character. While most post-war United States investment in Europe, for example, reflects her comparative advantage in the innovation of research-intensive products, European investment in America reflects her relative abundance of certain types of labour, and her more heterogeneous markets.

Again, it should be remembered that the foreign capital owned by international companies is by no means identical with the resources under their control. Since 1967, for example, the direct flow of capital from America to finance the growth of American companies in Europe has slowed down, but the rate of expansion of assets controlled by the United States affiliated companies has been maintained, as an increasing proportion of the resources have been recruited locally or from the Euro-dollar market. Probably not more than one-third of the growth of American subsidiaries since 1967 has been financed by new capital from the United States and reinvested profits. Many multinational firms apparently aim to invest the minimum amount of equity in their foreign operations, and to use this capital as a means of obtaining most of their funds locally. Obviously, this kind of "geographical" gearing of capital has important implications for the balance of payments of the host and investing countries.

What are the contributions of these businesses - or their subsidiaries - to the economies of which they are part? One can calculate with a reasonable degree of accuracy, the contribution of inward and outward investments to such magnitudes as gross national output, capital formation and the balance of payments. It is thus possible to classify countries, or sectors within countries, in three ways. First, countries which are substantial net colonizers of multinational activity, that is, where the extent of the foreign operations of domestic companies exceed, by a substantial margin, those of foreign enterprises within a country. Switzerland and the United States come into this category. Second, countries which are both colonized and are colonizers; they are important both as capital importers and capital exporters. Britain and Holland are the best examples of long-standing two-way investors. Other European countries, for example, Sweden and Germany are more recent illustrations. Third, countries which are colonized, on balance, by foreign-owned companies. These are of two kinds. First, the high-income, but low-populated countries - like Canada and Australia where, inspite of substantial indigenous resources and highly-skilled labour, small markets make it difficult for certain industrial sectors to operate at the scale necessary to exploit their full potential or adequately to finance research and development. Second, the less developed countries, where investment is in intermediate technology industries and in the exploitation of resources. To this list, a fourth group of countries may be added which, for one reason or another, neither attract investment nor invest overseas themselves. These include some developing countries, most communist countries and, until recently, Japan.[24]

With regard to the "net colonized"countries, for the advanced countries multinational corporations have been a source of growth but for the smaller economies and the backward countries, the result has been increased dependence upon the developed countries.

The spectacular rise of the multinational corporation can be largely attributed to post-war new technology which is much more international than the older technology and requires firms large enough to obtain sufficient capital to develop it and take advantage of pre-empting the field in other countries. The multinational corporation in turn, requires markets and sources of supply for raw materials. Economic imperialism is traditionally associated with the need for markets and the multinationals are greatly concerned with overseas markets, but their efforts are almost exclusively concentrated on markets in the other industrialised countries. Partly, this reflects the need for the international stabilization of markets, but equally, or more important, economic development and rising standards of living have made imperial

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24 J.H. Dunning, _op.cit_. pp 24-25.

concern for markets in poor countries largely obsolete, since markets there are still confined to a rather limited range of elementary consumers' goods and producer equipment. At the same time, economic development has increased the need for raw materials.[25] The underdeveloped countries are of more interest to the multinational corporations as sources of crude petroleum, iron ore, copper, bauxite, electricity for electrochemical purposes, natural gas and forest products than as markets for finished goods. In spite of increased efficiency in use, the quantities of raw materials used in the last few decades vastly exceed the total consumption in all previous time. However, supplies have shown a parallel tendency to increase and the substitution of synthetics has also eased the supply situation. With the exception of oil, supplies of raw materials tend to be abundant and this is reflected in their prices, which are further cheapened by the low labour costs and weak bargaining position of the sypplying countries. Galbraith suggests that this defines the imperialism of Third World. As with the market system in the developed country, abundant supply, slight or no control over prices, a labour supply that lends itself to exploitation - all mean adverse terms of trade. The result

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25 For the detailed account of the importance of raw materials for modern capitalism see Harry Magdoff, The Age of Imperialism: the economics of U.S. foreign policy. New York: M.R.P. 1969

is the same tendency to income inequality between developed and underdeveloped countries as exists within the industrial country between the planning and market systems.[26] The multinationals are in the developed countries; the under-developed countries continue to conform to the market model. So the transnational system accentuates the inequality in development between the presently developed world and the rest.[27]

We shall examine the effect of multinational corpor-ations upon underdeveloped countries, but first we shall examine the position of the United States with regard to her demand for external sources of raw materials, her share of exports of manufactured goods and her role as leading capital exporter. Up until the 1920's, the United States was a net exporter of minerals but the situation reversed significantly during the war years and by 1961, fourteen per cent of domestic consump-tion had to be imported.[28] Even the demand for common minerals greatly outgrew domestic production from the beginning of the Second World War until, by 1966, the United States was heavily dependent upon imported iron ore, copper, lead, zinc, bauxite and petroleum.[29] With regard to strategic materials, for more than half of these items, eighty to one hundred per

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26 J.K. Galbraith, Economics and the Public Purpose, pp.123-5.

27 Ibid. p.175.

28 Net imports compared with consumption of minerals. Appendix I, Table 12.

29 Selected minerals imports compared with consumption. Appendix I, Table, 13.

cent of the supply in the United States depends on imports.[30]

Estimates of the shares of five industrial nations in world export trade in manufactures for the period from 1899 to 1967,[31] apart from showing Italy's "economic miracle" of the last two decades and Japan's increase in trade, also show that while Britain's share declined from thirty-three per cent to twelve per cent over the period 1899 to 1967, the United States increased her share from about twelve per cent to over twenty per cent.

However, export trade figures do not reveal the full story because, beginning with the First World War, and at a faster rate after the Second World War, production facilities were initiated abroad. A more revealing picture is obtained from an examination of the relative positions of the leading capital exporters, in 1914, 1930 and 1960.[32] At the earlier date the United Kingdom was the outstanding foreign investor, accounting for half of the total external investment of the seven leading countries. But while the United Kingdom share declined by more than half by 1960, the United States had increased its foreign investments from six to sixty per cent of the world total over the same period. These data apply to both portfolio and direct investment. Since direct investment - the ownership of branches and subsidiaries - was

30 The import dependency of strategic materials is shown at Appendix I. Table 14.

31 Share of exports of manufactured goods. Appendix I Table 15.

32 Appendix I. Table 16.

the most important factor in the expansion of United States investment, the United States' share would be even larger if data were shown for direct investment alone.[33]

The pattern of American direct investment today is the result of the essential difference between the present day environment of international investment as compared with the nineteenth century. Capital and labour were mutually attracted in the nineteenth century but now, in the twentieth century, to some extent capital movement tends to substitute for labour movement: United States capital and "know-how" is sent to combine with cheap immobile labour in backward countries.[34]

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33 Marxist writers suggest that one of the general reasons for the expansion of foreign capital during the 1950's and 1960's, especially capital organised by the giant American international corporations, is the generation of more economic surplus than can be absorbed at home. See P.A. Baron and P.M. Sweezy, Monopoly Capital, pp 104-8. A more detailed analysis is provided by J. O'Connor, The Meaning of Economic Imperialism: Radical Education Project, Ann Arbor, 1968. pp 12-21. For a critique of the surplus capital abstraction and suggestions for more significant analysis of current developments, see P.A. Baron and P.M. Sweezy "Notes on the Theory of Imperialism" in Problems of Economic Dynamics and Planning. Essays in honour of Michal Kalecki, Oxford,1966. Reprinted in Monthly Review, 15-31. Mar.1966.

34 Even in the management structures of international corporations, there is no attempt to internationalize management. There are two broad classes of managers in the international company. One is the national of the parent company, working either somewhere in the domestic operations, abroad, or at headquarters; and second, an inferior class of indigenous executives manning the foreign outpost. John Thackerary "Not So Multinational After All", p.23. This article forms part of a symposium under the general title "The Multinational Corporation: The Splendours and Misery of Bigness". Reprinted in Monthly Review, Vol.XXI.No.5.Oct. 1969.

Since the domestic market is small in low-income areas, direct business investment tends to concentrate on extractive industries - mines, plantations, oil wells - producing raw materials for export mainly to advanced countries. This "colonial" type of investment played only a minor role in the nineteenth century when about three-quarters of British overseas investment went into public or public utility investments and the rest was in banking, insurance, manufacturing as well as raw material extraction.[35] Nurkse's figures for American direct investment at the end of 1952[36] show the differing investment patterns between investments in Canada and Europe and investments in all other countries, which, with few exceptions, are economically backward. Only twenty-three per cent of total investments in Canada and Europe, but sixty per cent of the total in other countries, was in the extractive industries; while sixty per cent of total investments in Canada and Europe, but only twenty per cent of investments in other countries, was in manufacturing and trade.[37]

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35 R. Nurkse, "International Investment Today In the Light of Nineteenth Century Experience", pp 746-7.

36 <u>Ibid</u>. 753. Details at Appendix I Table 17.

37 Twenty-four per cent of United States overseas investment in manufacturing occurs in Latin America. This investment is mainly in light manufacturing industry, including the processing of native food materials. Manufacturing in the durable goods field, such as automobiles, takes the form of assembly plants. This

Professor Nurkse considers that the character of direct investments by American firms has drawbacks for the underdeveloped host country. First, it tends to create not only a dual economy, but also a dual society in which conditions for the diffusion of Western technology may be the reverse of favourable. Second, techniquest must be adapted to local conditions if the benefits are to be of wide and permanent use, yet imported techniques are often too standardized for adaptation. Third, enterprises which mainly produce raw materials for export tend to promote unbalanced growth and with in-built instability arising from dependence on foreign demand for one or two staple products. (There is no assurance of any long-term demand for certain minerals). Fourth, the high level of business high level of business profits at home threaten continued

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37 guarantees the export market of components and parts and also contributes to stabilising the market for these United States products. H.Magdoff, "Aspects of U.S. Imperialism, Monthly Review, No.27. 10-43. Nov. 1966. pp 28-9.
cf. In India there has been a major growth of investment in manufacturing enterprises, often in partnership with local capital. In India the new forms of colonial investment are most advanced, but collaboration not only blocks the development of technology, but also causes a net drain of resources from the country. M. Kidron's detailed study of changes which have taken place in foreign investments in India studies the new pattern and contributes to an understanding of the New Imperialism. M. Kidron: Foreign Investment in India. O.U.P. 1965. Quoted in Hamza Alavi, "Indian Capitalism and Foreign Imperialism. New Left Review No. 37. 77-85. 1966. p.78.

expansion of investment abroad - but conditions may change. To remedy the damage to backward countries which present patterns of American direct investment are causing, Nurkse suggests that a revival of the public or public utility type of investment is needed.[38]

> A critical element of the market pattern which helps to perpetuate the underdeveloped countries as dependable suppliers of raw materials is the financial tribute to the foreign owners who extract not only natural resources, but handsome profits as well. [39]

Summations of data for the years 1950-1965 clearly show this process with regard to only one type of drain - the income from direct investments transferred to the United States.[40] Almost three times as much money was taken out as was put in to the underdeveloped regions, at the same time the value of assets owned in these regions multiplied: in Latin America investments owned by United States business during this period increased from four and a half to ten billion dollars; in Asia and Africa, from one and one-third to more than four and a half billion dollars. [41]

Western Marxists continue to insist upon the unreformed nature of contemporary imperialism and its inherent animosity

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38 R. Nurkse, op.cit. pp 752-4.

39 H. Magdoff, "Aspects of U.S. Imperialism", p.27

40 Appendix I, Table 18.

41 Loc. cit.

towards economic growth in backward countries.[42] The French have coined the term "Neo-Colonialism" to represent the present phase of imperialism, in which the former colonies have gained political independence but continue to be subjected to economic domination and exploitation by foreign companies.[43] Leninist doctrines today hold that "the real nature of today's so-called 'mixed economy' in Western Europe ... is in reality a classical form of monopoly capitalism" and the assumption that a managerial revolution has eliminated owners of capital from the control of the big oligopolistic trusts, is incorrect.[44] There is ample evidence to support these views. As one writer points out:

> United States, European and Japanese international corporations presently own or directly control between twenty and thirty per cent of the monetized resources in the underdeveloped countries (including Canada). Indirect control of local capital, 45 control of subcontractors and other suppliers, 'management contracts' which afford foreign capital day-to-day control of joint ventures, and licensing agreements which restrict the use of technology by prohibiting "fundamental investigation and research' extend the sway of foreign capital still further, and multiply the quantitative impact of the international corporations on the misutilisation of resources. 46

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42 M. Blaug, "Economic Imperialism Revisited", p.345, commenting on P.A. Baran's The Political Economy of Growth, London : Calder, 1957.

43 E. Mandel, "After Imperialism", p.18.

44 Ibid.

45 As of 1964, ninety-five per cent of U.S. investments in Canada were raised from Canadian sources. As of 1957, seventy-four per cent of U.S. investments in Brazil were raised from Brazilian sources. J.O'Connor, "International Corporations and Economic Underdevelopment", Science and Society, Vol.34. No.1. 42-60. 1970. p.42

46 Ibid. p.42.

Integrating more and more resources into their own structure, the international corporations are able to mobilize, transform, and dispose of capital on a regional, or even world-wide scale - in effect, constituting themselves as extra-territorial bodies.[47] Production goals and techniques, investment policies, labour relations, prices, profit allocation, purchasing, distribution and marketing policies are all decided from the standpoint of the profit goals of the international corporations, irrespective of whether these goals are consistent with local economic development. Thus international corporations can actually cause underdevelopment, restrict technical change and cause a heavy and increasing burden on the local balance of payments.[48]

Although few studies are available concerning the impact of international corporations on underdeveloped countries, what evidence we do have suggests that :

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47 Ibid. p.46.

48 Ibid. pp 46-53.
cf. R. Bailey, "International Corporations and Developing Countries", National Westminster Quarterly Review, Aug. 1970, who takes the view that aid to the underdeveloped countries is inadequate and they require private direct investment on the scale of twenty to thirty per cent of national income and it does not matter whether it is foreign capital which develops the private sector. Multinational corporations are good for development since they supply the missing international linkages for the country's trading and financial system. Professor Bailey also considers that if there is a challenge to underdeveloped countries, it is not an 'American Challenge' but an 'International Challenge'. Nevertheless, he is aware of the problem of polarization within an underdeveloped country and the need for balanced growth.

> ... the development of the large corporations at home and abroad, and hence the development of advanced capitalist countries, causes the underdevelopment of the economically backward countries and regions. The relationship between the developed and underdeveloped poles in the world capitalist system thus has not been fundamentally changed, even though many of the forms of exploitation have been altered. 49

Even when colonial lands become independent and industrialised, financial empire is likely to endure because it is the only kind of empire that remains appropriate.[50] Economic imperialism is not dead - financial imperialism is alive today. The message for the developed world is clear - the gap between the developed and the underdeveloped countries is widening, not closing, and waiting for history to run its course could lead to global disaster.[51]

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49 J. O'Connor, op.cit. pp 56-7.

50 R. Pares, "The Economic Factors in the History of Empire", p.144.

51 G. Myrdal, Asian Drama: An Enquiry into the Poverty of Nations. New York: Pantheon (1968)

Table 1

Appendix I

THE MEASURE OF IMPERIALISM

	Date of Acquisition.	Area Square Miles.	Population.
EUROPE—			
Cyprus	1878	3,584	237,022
AFRICA—			
Zanzibar and Pemba	1888	1,000,000	200,000
East Africa Protectorate	1895		2,500,000
Uganda Protectorate	1894–1896	140,000	3,800,000
Somali Coast Protectorate	1884–1885	68,000	(?)
British Central Africa Protectorate	1889	42,217	688,049
Lagos	to 1899	21,000	3,000,000
Gambia	to 1888	3,550	215,000
Ashantee	1896–1901	70,000	2,000,000
Niger Coast Protectorate	1885–1898	400,000 to 500,000	25,000,000 to 40,000,000
Egypt	1882	400,000	9,734,405
Egyptian Soudan	1882	950,000	10,000,000
Griqualand West	1871–1880	15,197	83,373
Zululand	1879–1897	10,521	240,000
British Bechuanaland	1885	51,424	72,736
Bechuanaland Protectorate	1891	275,000	89,216
Transkei	1879–1885	2,535	153,582
Tembuland	1885	4,155	180,130
Pondoland	1894	4,040	188,000
Griqualand East	1879–1885	7,511	152,609
British South Africa Charter	1889	750,000	321,000
Transvaal	1900	117,732	1,354,200
Orange River Colony	1900	50,000	385,045
ASIA—			
Hong Kong (littoral)	1898	376	102,284
Wei-hai-wei	—	270	118,000
Socotra	1886	1,382	10,000
Upper Burma	1887	83,473	2,046,933
Baluchistan	1876–1889	130,000	500,000
Sikkim	1890	2,818	30,000
Rajputana (States)	since 1881	128,022	12,186,352
Burma (States)		62,661	785,800
Jammu and Kashmir		80,000	2,543,952
Malay Protected States	1883–1895	24,849	620,000
North Borneo Co.	1881	31,106	175,000
North Borneo Protectorate	1888	—	—
Sarawak	1888	50,000	500,000
British New Guinea	1888	90,540	350,000
Fiji Islands	1874	7,740	120,124

Reproduced from : J.A. Hobson, Imperialism : A Study, p.17.

Table 2 — Appendix 1

COMMERCIAL VALUE OF IMPERIALISM

PERCENTAGE OF TOTAL VALUES

Annual Averages	Imports into Great Britain from		Exports from Great Britain to	
	Foreign Countries	British Possessions	Foreign Countries	British Possessions
1855-1859	76.5	23.5	68.5	31.5
1860-1864	71.2	28.8	66.6	33.4
1865-1869	76.0	24.0	72.4	27.6
1870-1874	78.0	22.0	74.4	25.6
1875-1879	77.9	22.1	67.0	33.0
1880-1884	76.5	23.5	65.5	34.5
1885-1889	77.1	22.9	65.0	35.0
1890-1894	77.1	22.9	66.5	33.5
1895-1899	78.4	21.6	66.0	34.0
1900-1903	77.3	20.7	63.0	37.0

This table (Cd. 1761 p. 407) refers to merchandise only, excluding bullion. From the export trade, ships and boats (not recorded prior to 1897) are excluded. In exports British produce alone is included.

Reproduced from : J.A. Hobson, Imperialism : a Study p.33

Table 3 APPENDIX 1

NUMBER OF OUTWARD BOUND PASSENGERS OF BRITISH AND IRISH ORIGIN, FROM THE UNITED KINGDOM TO COUNTRIES OUT OF EUROPE[1]

Year	Passengers to					Total
	United States	British North America	Australia and New Zealand	Cape of Good Hope and Natal	Other Places	
1884	155,280	31,134	44,255	-	11,510	242,179
1885	137,687	19,828	39,395	-	10,724	207,644
1886	152,710	24,745	43,076	3,897	8,472	232,900
1887	201,526	32,025	34,183	4,909	8,844	281,487
1888	195,986	34,853	31,127	6,466	11,496	279,928
1889	168,771	28,269	28,294	13,884	14,577	253,795
1890	152,413	22,520	21,179	10,321	11,683	218,116
1891	156,395	21,578	19,547	9,090	11,897	218,507
1892	150,039	23,254	15,950	9,891	10,908	210,042
1893	148,949	24,732	11,203	13,097	10,833	208,814
1894	104,001	17,459	10,917	13,177	10,476	156,030
1895	126,502	16,622	10,567	20,234	11,256	185,181
1896	98,921	15,267	10,354	24,594	12,789	161,925
1897	85,324	15,571	12,061	21,109	12,395	146,460
1898	80,494	17,640	10,693	19,756	12,061	140,644
1899	92,482	16,410	11,467	14,432	11,571	146,362
1900	102,797	18,443	14,922	20,815	11,848	168,825
1901	104,195	15,757	15,350	23,143	13,270	171,715
1902	108,498	26,293	14,345	43,206	13,370	205,662
1903	123,663	59,652	12,375	50,206	14,054	259,950

1 Number of passengers for the years 1912-1934 are given in the Appendix, p.374.

Reproduced from : J.A. Hobson, <u>Imperialism: A Study</u>, p.44.

Table 4 APPENDIX 1

EXPORT OF CAPITAL (in £m.), 1870-1913

Year	Total 'Shipping earnings'	Interest on foreign investment	Other invisibles (including ships)	Excess of imports	Net export of bullion and specie	Net export of capital	Balance of payments on income account
1870	37·9	42·0	18·0	59·2	−10·6	28·1	38·7
1871	40·9	45·0	19·2	47·4	+4·3	53·4	57·7
1872	43·9	48·0	23·9	40·1	+0·7	76·4	75·7
1873	49·6	52·0	26·8	60·3	−4·7	63·4	68·1
1874	50·7	55·3	23·4	72·4	−7·5	49·5	57·0
1875	46·4	55·7	21·5	92·3	−5·7	25·6	31·3
1876	47·5	52·8	20·0	118·3	−7·6	−5·5	2·1
1877	50·7	54·0	21·1	142·1	+2·6	−13·7	−16·3
1878	46·6	53·7	23·2	123·3	−5·7	−5·5	0·2
1879	47·0	53·8	22·1	114·2	+4·4	13·1	8·7
1880	51·0	56·2	24·3	124·8	+2·6	9·3	6·7
1881	55·8	57·4	28·0	99·9	+5·6	46·9	41·3
1882	57·0	59·8	30·2	106·3	−2·6	37·1	39·7
1883	56·7	63·5	30·4	121·5	−0·8	27·3	28·1
1884	51·6	65·2	26·4	94·0	+1·6	50·8	49·2
1885	46·3	69·1	23·6	99·5	−0·2	39·3	39·5
1886	45·2	73·0	23·6	80·9	+0·6	61·5	60·9
1887	46·3	77·5	25·9	81·9	−0·7	67·1	67·8
1888	53·2	82·5	27·9	89·0	+0·6	75·2	74·6
1889	63·7	86·0	34·8	112·0	−2·0	70·5	72·5
1890	60·0	91·5	35·3	92·4	−8·8	85·6	94·4
1891	58·7	90·0	30·7	127·1	−1·6	50·7	52·3
1892	51·0	91·0	27·6	132·2	−3·4	34·0	37·4
1893	50·4	91·0	28·3	127·6	−3·6	38·5	42·1
1894	50·8	88·0	26·4	134·5	−10·8	20·1	30·9
1895	48·6	90·5	27·9	130·9	−15·0	21·1	36·1
1896	52·6	92·5	31·8	145·4	+6·4	37·9	33·5
1897	54·6	93·0	32·4	156·8	+0·8	24·0	23·2
1898	62·0	98·5	35·9	176·5	−6·2	13·7	19·9
1899	59·3	99·0	38·9	164·7	−9·8	22·7	32·5
1900	68·7	99·0	40·7	177·3	−7·5	23·6	31·1
1901	58·0	103·0	40·4	183·3	−6·2	11·9	18·1
1902	58·6	105·0	36·5	185·0	−5·3	9·8	15·1
1903	62·6	108·0	36·8	186·5	+0·2	21·1	20·9
1904	61·6	108·5	36·4	184·4	+0·7	22·8	22·1
1905	68·8	121·5	37·8	162·8	−6·2	59·1	65·3
1906	78·2	130·0	47·1	155·9	−1·8	97·6	99·4
1907	82·5	140·0	53·3	137·8	−5·3	132·7	138·0
1908	73·5	146·0	45·0	146·9	+6·8	127·4	120·6
1909	75·8	153·5	41·2	161·1	−6·5	102·9	109·4
1910	79·7	166·0	49·4	152·9	−6·7	135·5	142·2
1911	89·1	171·0	46·2	128·9	−6·0	171·3	177·3
1912	110·7	181·5	51·3	152·7	−4·6	186·2	190·8
1913	105·0	194·0	(56·0)	144·9	−11·9	198·2	210·1

Reproduced from : A.K. Cairncross, Home and Foreign Investment 1870-1913. p.180

Table 5

BRITISH INVESTMENTS IN FOREIGN COUNTRIES BETWEEN 1871 and 1941 [SIC] (£m.)

Beginning of year	U.S.A.	Canada	Australasia	India (including Ceylon)	Argentine	Brazil	South America (total)	Russia	Spain	Peru	South Africa
1871	200 [a]	—	73 [b]	153 [c]	5 [d]	11 [d]	—	50 [d]	15 [d]	17·5 [d]	—
1875	—	—	—	—	—	—	—	—	—	16·25 [e]	—
1876	—	—	—	—	35 [e]	43 [f]	(50) [g]	—	—	—	—
1880	—	—	133 [h]	—	—	—	—	—	—	—	—
1881	(100) [i]	—	—	180 [k]	—	—	—	—	—	—	—
1884	—	112 [l]	200 [l]	260 [l]	—	—	—	—	—	—	34 [l]
1886	—	—	—	—	46 [f]	46·6 [f]	115·5 [f]	—	—	5·6 [f]	—
1888	—	—	285 [h]	—	—	—	—	—	—	—	—
1899	525 [m]	—	—	—	—	—	—	—	—	—	—
1900	—	—	389 [h]	—	200 [n]	—	—	—	—	—	—
1902	—	205 [o]	—	—	—	—	—	—	—	—	—
1911	688 [p]	373 [p]	380 [p]	351 [p]	270 [p]	94 [p]	587 [p]	38 [p]	19 [p]	32 [p]	351 [p]
1914	755 [q]	515 [q]	—	379	319 [q]	148 [q]	722 [q]	—	—	—	—

[a] Hobson, op. cit. p. 132; sources quoted in Bullock, Williams and Tucker, 'The balance of trade of the United States', *Harv. Rev. Econ. Statist.*, Preliminary vol. no. 3.

[b] Coghlan, quoted by Roland Wilson, *Capital Imports and the Terms of Trade*, p. 108.

[c] Based on Jenks, op. cit. pp. 219, 225, 425; Hobson, op. cit. p. 136; Inland Revenue figures and R. L. Nash, loc. cit.

[d] Government bonds only: based on issues in London as given in *Fenn on the Funds*, 12th ed. (1874). (See also Ingall's *Foreign Stock Manuals*.)

[e] *The Economist*, 1 April 1876. Market value in April. Face value £25·5 m.

[f] *The Economist*, 23 January 1886. Market values. 1876 figures only approximate.

[g] Mulhall, *English in South America* (*private* capital only).

[h] Wilson, op. cit. p. 44.

[i] R. L. Nash, op. cit. p. 129: United States rails only (minimum estimate).

[k] Ibid. This estimate includes only £12 m. for British holdings of rupee paper and excludes private capital and unguaranteed railways.

[l] *The Economist*, 9 February 1884. Figure for India includes £30 m. of rupee paper and £60 m. for banks, plantations, etc.

[m] N. T. Bacon (*Yale Review* for 1899). Estimate is for 1 January 1899 and includes life-insurance premiums.

[n] Tornquist and Co. (quoted J. H. Williams, *Argentine's International Trade*, p. 150). J. H. Williams (p. 103) puts foreign liabilities (nearly all to Britain) at $922·5 m. for 1 January 1892, i.e. nearly £200 m. 85 % of this was borrowed after 1880 and 70 % after 1885.

[o] F. Williams-Taylor ('public' investments only), quoted by Viner, *Canada's Balance*, p. 118.

[p] Sir George Paish, *J. R. Statist. Soc.* 1911.

[q] Paish, *Statist Supplement*, February 1914.

Reproduced from : A.K. Cairncross, Home and Foreign Investment 1870-1913. p.185.

Table 6

APPENDIX 1

DISTRIBUTION OF BRITISH INVESTMENT IN 1913 *

GRAND TOTAL		£3,780m.
Total British Empire . . .		£1,780m.
Of which		
Canada and Newfoundland . .	£515m.	
Australia and New Zealand. .	£415m.	
South Africa	£370m.	
India and Ceylon . . .	£380m.	
Total Foreign		£2,000m.
Of which		
United States	£755m.	
Latin America	£760m.	
Of which		
Argentina	£320m.	
Brazil	£150m.	
Europe	£220m.	
Of which		
Russia	£110m.	

* Sir George Paish 'Exports of Capital and the Cost of Living', The Statist, Supplement, February 14, 1914, and H. Feis, Europe the World's Banker, New Haven, 1930, p.23. These figures do not include private investment which presumably would bring the total nearer to Imlah's figure of £4,000m.

Reproduced from : S.B. Saul, Studies in British Overseas Trade, 1870-1914. (Liverpool University Press, 1960) p.67.

PRINCIPAL EXPORTS, 1700-1830 (official values)

Year	Total Textile Exports £'000	%	Total Cotton £'000	%	Total Woollen, Worsted £'000	%	Iron Steel Manufacture £'000	%	Non-Ferrous Metals £'000	%	Total Exports British Products £'000	%	Total Re-exports
1700-9	3,190	72	13	0	3,095	70	71	2	231	5	4,405	100	1,656
1710-19	3,344	70	8	0	3,222	67	100	2	279	6	4,841	100	2,150
1720-9	3,247	66	16	0	3,116	64	133	3	249	5	4,937	100	2,840
1730-9	3,727	65	15	0	3,581	63	189	3	338	6	5,858	100	3,200
1740-9	3,677	56	11	0	3,453	53	301	5	427	7	6,556	100	3,572
1750-9	4,764	54	88	1	4,239	48	424	5	441	5	8,760	100	3,504
1760-9	5,340	53	227	2	4,448	44	594	6	582	6	10,043	100	4,790
1770-9	4,865	52	243	3	3,991	43	677	7	629	7	9,287	100	5,136
1780-9	4,921	48	756	7	3,518	35	659	6	731	7	10,200	100	4,262
1790-9	9,015	52	2,631	15	5,234	30	1,215	7	1,160	7	17,520	100	9,350
1800-9	17,090	67	9,995	39	5,982	24	1,323	5	1,011	4	25,380	100	12,150
1810-19	25,940	74	18,712	53	5,617	16	1,579	4	954	3	35,050	100	11,680
1820-9	37,178	80	28,800	62	5,553	12	2,042	4	1,113	2	46,530	100	9,980

Figs, England and Wales to 1791) annual averages per decade.
Great Britain, 1791-1829)

Groupings for categories listed:
Total textiles: cotton, woollens, worsteds, linen, silk
Iron, steel manufactures: iron and steel, hardware, cutlery, machinery.

Official values: See note to Table 14

Source: Mitchell and Deane, 1962, pp.279-81, 293-5.

EXPORTS FROM THE UNITED KINGDOM, 1830-1938 (CURRENT PRICES)

Year	Textiles (total)		Cottons		Iron and Steel etc		Machinery		Coal		Vehicles etc.		Total
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%	£m
1830-9	31.7	72	20.9	48	5.0	11	0.3	1	0.3	1	-		44.0
1840-9	38.6	70	25.0	45	8.2	15	0.8	1	0.9	2	-		55.4
1850-9	59.9	60	35.6	36	17.9	18	2.4	2	2.3	2	-		100.1
1860-9	98.5	62	57.6	36	24.0	15	4.6	3	4.5	3	-		159.7
1870-9	118.6	55	71.5	33	34.9	16	7.7	4	8.8	4	-		218.1
1880-9	114.1	49	73.3	32	35.3	15	11.8	5	10.5	5	-		230.3
1890-9	104.3	44	67.2	28	32.5	14	16.1	7	17.5	7	1.1	0	237.1
1900-9	126.2	38	86.4	26	45.7	14	23.8	7	32.9	10	8.4	3	333.3
1910-19	200.5	40	135.0	25	62.9	12	27.0	5	50.0	10	9.1	2	504.6
1920-9	287.7	36	192.5	24	96.5	12	58.1	7	65.2	8	29.4	4	791.4
1930-8	106.0	24	62.9	14	54.1	12	41.8	10	37.7	9	22.4	5	438.8

Annual averages per decade.

Groupings for categories listed:
Textiles (total): cotton, woollens, linen, silk, hats, haberdashery, apparel etc.
Iron and Steel; iron and steel, hardware, cutlery, non-ferrous metals and manufactures
Vehicles etc.: vehicles, aircraft, new ships and boats.

Source: Mitchell and Deane, 1962. pp.303-6.

IMPORTS TO THE UNITED KINGDOM, 1854-1938

Year	Grain and flour £m	%	Groceries £m	%	Meat, dairy produce £m	%	Textile raw materials £m	%	Other raw materials £m	%	Manufactured goods £m	%	Total Imports £m
1855-9	19.6	12	24.7	15	5.0	3	50.4	30	26.3	16	2.8	2	169.5
1860-9	31.9	12	33.9	13	12.0	5	90.7	35	32.1	12	5.0	2	260.9
1870-9	52.0	14	49.4	14	23.4	7	95.8	27	44.2	12	9.9	3	360.6
1880-9	55.1	14	44.7	11	36.8	9	94.9	24	45.5	12	12.3	3	393.6
1890-9	55.1	13	42.1	10	51.7	12	89.8	21	52.0	12	15.7	4	435.8
1900-9	66.1	12	40.0	7	73.2	13	107.2	19	77.4	14	31.7	6	570.4
1910-19	105.6	11	70.3	8	116.9	12	178.7	19	149.8	16	52.1	6	937.5
1920-9	116.2	9	101.2	8	165.7	13	210.6	17	202.7	16	68.3	5	1259.2
1930-8	63.5	8	68.4	8	116.7	13	92.9	11	150.8	18	58.1	7	836.1

Computed values 1854-70, declared values 1871-1938.

Annual averages per decade.

Groupings for categories listed:
Groceries; coffee, sugar, tea, wine, tobacco.
Meat/dairy produce: includes animals
Textile raw materials: cotton, wool, silk, yarn, flax, hemp, jute, dyewoods.
Other raw materials: oils etc, rubber, hides and skins, paper materials, petroleum.
Manufactured products: iron and steel, machinery, non-ferrous metal products.

Source: Mitchell and Deane, 1962, pp.299-301.

Table 10 Appendix I

BALANCE OF PAYMENTS AND EXPORT OF CAPITAL IN THE UNITED KINGDOM, 1796-1913

Year (annual average for 5-year period)	Net imports (a)	Exports of British products (b)	Balance of commodity trade (c)=(a)+(b)	Income from services (d)	Income from interest and dividends (e)	Balance on current account (f)=(c)+(d)+(e)	Accumulating balance of credit abroad (g)
1796–1800	36·6	32·9	−3·7				
1801–1805	47·9	39·9	−8·0				
1806–1810	54·0	42·2	−11·8				
1811–1815	50·3	42·9	−7·4				
1816–1820	49·3	40·3	−9·0	14·5	1·7	7·2	46
1821–1825	45·4	37·3	−8·1	14·2	4·2	10·3	98
1826–1830	48·7	35·9	−12·8	10·6	4·6	2·6	111
1831–1835	53·6	40·5	−13·1	14·1	5·4	6·4	143
1836–1840	73·8	49·8	−24·0	18·6	8·0	2·6	156
1841–1845	71·0	54·0	−17·0	15·4	7·5	5·9	185
1846–1850	87·7	60·9	−26·8	22·0	9·5	4·7	209
1851–1855	116·4	88·9	−27·5	23·7	11·7	8·0	249
1856–1860	158·0	124·2	−33·8	43·5	16·5	26·2	380
1861–1865	201·2	144·4	−56·8	57·1	21·8	22·0	490
1866–1870	246·0	187·8	−58·2	67·9	30·8	40·5	692
1871–1875	301·8	239·5	−62·2	86·8	50·0	74·6	1,065
1876–1880	325·9	201·4	−124·5	93·0	56·3	24·9	1,189
1881–1885	336·5	232·3	−104·2	101·0	64·8	61·6	1,497
1886–1890	327·4	236·3	−91·1	94·6	84·2	87·6	1,935
1891–1895	357·1	226·8	−130·3	88·4	94·0	52·0	2,195
1896–1900	413·3	252·7	−160·6	100·7	100·2	40·3	2,397
1901–1905	471·5	297·0	−174·5	110·6	112·9	49·0	2,642
1906–1910	539·6	397·5	−142·1	136·5	151·4	145·8	3,371
1911–1913	623·2	488·8	−134·4	152·6	187·9	206·1	3,990

1. All columns save final are annual averages. Final column (g) represents total in final year, in each quinquennium.
2. All figures in £m and in current prices.
3. Income from services includes shipping credits, insurance, banking, emigrant funds, tourist spending, profits from foreign trade, etc. Columns (d) and (e) represent net figures
4. Bullion transfers and ship sales not included.
5. Source : A.H. Imlah, Economic Elements in the Pax Britannica.

Reproduced from : P. Mathias, The First Industrial Nation. p.305.

Table 11 Appendix I

RELATIVE IMPORTANCE OF MARKETS FOR BRITISH EXPORTS AND SOURCES OF SUPPLY FOR BRITISH IMPORTS (IN £m)

	British exports			Total British imports		
	1870-72	1890-92	1910-12	1870-72	1890-92	1910-12
British India	8.2	12.6	11.4	9.1	7.5	6.7
Australasia	5.0	9.2	8.9	4.5	7.1	8.2
Canada	3.7	3.0	4.8	2.7	3.1	3.9
Rest of Empire	7.1	8.8	9.8	5.6	5.2	6.2
United States	15.2	11.7	6.5	16.8	24.2	18.1
Germany, Holland and Belgium	20.3	14.4	14.6	13.4	16.6	17.4
France	6.9	6.5	5.3	11.0	10.4	7.3
Russia	3.0	2.2	2.9	6.9	4.9	5.8
Argentine and Brazil	4.1	5.7	7.2	2.8	1.9	6.4
Other foreign countries	26.5	25.9	28.6	27.1	20.1	20.0
All countries	100.0	100.0	100.0	100.0	100.0	100.0

Reproduced from : A.K. Cairncross, Home and Foreign Investment 1870-1913. p.189.

UNITED STATES

MINERALS: NET IMPORTS COMPARED WITH CONSUMPTION*

Annual Averages in Millions of 1954 Dollars

Period	Imports	Exports	Net Imports**	Apparent Domestic Consumption	Net Imports At Percent of Consumption**
1900-1909	$ 323	$ 374	$ - 51	$ 3,313	- 1.5%
1910-1919	534	694	-160	5,135	- 3.1
1920-1929	915	863	52	7,025	0.7
1930-1939	792	749	43	6,812	0.6
1940-1944	1,494	922	572	10,802	5.3
1945-1949	1,653	990	663	12,064	5.5
1950-1959	3,103	1,026	2,077	16,170	12.8
1961	3,647	1,145	2,502	17,894	14.0

* All minerals except gold.

** A Minus sign means that exports were larger than imports.

Source: U.S. Bureau of the Census. Working Paper No.6, "Raw Materials in the United States Economy: 1900-1961" (Washington, D.C. 1963)

Reproduced from : H.Magdoff, "The Age of Imperialism: The Economics of U.S. Foreign Policy". Monthly Review, June, 1969. p.47.

Table 13 | Appendix I

UNITED STATES

SELECTED MINERALS: NET IMPORTS AS A PERCENT OF DOMESTIC MINE OR WELL PRODUCTION

	1937-39 Average (percentages)	1966 (percentages)
Iron Ore	3	43
Copper	- 13	18
Lead	0	131
Zinc	7	140
Bauxite	113	638
Petroleum	-4	31

Net Imports equals imports minus exports.

Source: 1937-39. Calculated from data in U.S. Bureau of the Census, Statistical Abstract of the United States: 1939, Washington, D.C. and ibid.1940.
1966. Calculated from data in U.S. Department of Interior, Minerals Yearbook, 1966, Washington, D.C. 1967.

Note: These data do not deal with total consumption. The latter includes refining from scrap and use of inventories. This table only represents the change in the dependency on imports as compared with use of domestic natural resources.

Reproduced from : H.Magdoff, "The Age of Imperialism: The Economics of U.S. Foreign Policy", Monthly Review, June 1969. p.48.

Table 14 | Appendix I

UNITED STATES
CLASSIFICATION OF STRATEGIC INDUSTRIAL MATERIALS
BY DEGREE OF DEPENDENCE ON IMPORTS

Number of Materials	Ratio of Imports to New Supply (percent)
38	80-100
6	60- 79
8	40- 59
3	20- 39
7	Less than 20
62	

Source: Percy W. Bidwell, Raw Materials, New York, Harper & Bros, 1958. p.12

Reproduced from : H. Magdoff, "The Age of Imperialism: The Economics of U.S. Foreign Policy", Monthly Review, June, 1969. p.50.

Table 15 | Appendix I

SHARE OF EXPORTS OF MANUFACTURED GOODS

(in percentages)

	1899	1913	1929	1937	1950	1967
United States	11.7	13.0	20.4	19.2	26.6	20.6
United Kingdom	33.2	30.2	22.4	20.9	24.6	11.9
Germany	22.4	26.6	20.5	21.8	7.0*	19.7*
France	14.4	12.1	10.9	5.8	9.6	8.5
Italy	3.6	3.3	3.7	3.5	3.6	7.0
Japan	1.5	2.3	3.9	6.9	3.4	9.9
Others	13.2	12.5	18.2	21.9	25.2	22.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

* West Germany only. A comparable figure for West Germany alone, in 1937, is estimated at 16.5%

Source: A.Maizels, Industrial Growth and World Trade, Cambridge, England, 1963, - except for the 1967 data (Data for 1899 and 1913 exclude the Netherlands.) 1967 data: National Institute, Economic Review, February, 1968.

Reproduced from : H.Magdoff, "The Age of Imperialism: The Economics of U.S. Foreign Policy", Monthly Review, June 1969, p.55.

Table 16 Appendix I

FOREIGN INVESTMENTS OF LEADING CAPITAL EXPORTING COUNTRIES

	1914	1930	1960
		Percent of Total	
United Kingdom	50.3	43.8	24.5
France	22.2	8.4	4.7*
Germany	17.3	2.6	1.1
Netherlands	3.1	5.5	4.2*
Sweden	.3	1.3	.9*
United States	6.3	35.3	59.1
Canada	.5	3.1	5.5
Total	100	100	100

Source: Calculated from data in William Woodruff, Impact of Western Man, New York, 1966, p.150, except for the items with asterisk.
* The data for 1960 are very broad estimates, made solely to simplify the presentation on relative change of the U.S. position.

Reproduced from : H. Magdoff, "The Age of Imperialism: The Economics of U.S. Foreign Policy", Monthly Review, June, 1969, p.56.

<u>Table 17</u> <u>Appendix I</u>

AMERICAN DIRECT INVESTMENT 1952

	PERCENT OF TOTAL	
	Canada & W. Europe	All other Countries
Extractive Industries	23	60
Manufacturing & Trade	60	20
Public Utilities	6	17
Miscellaneous	11	3

Source: Survey of Current Business, December, 1952. Quoted in R. Nurkse, "International Investment To-Day in the Light of Nineteenth Century Experience", E.J. Vo.64. Dec. 1954. p.753.

Table 18

Appendix I

UNITED STATES 1950-1965

OUTFLOW OF INVESTMENT: INCOME TRANSFERRED TO U.S.

(Billions of Dollars)

	Europe	Canada	Latin America	All other Areas
Flow of direct investments from U.S.	\$ 8.1	\$ 6.8	\$ 3.8	\$ 5.2
Income on this capital transferred to U.S.	5.5	5.9	11.3	14.3
Net	+\$2.6	+\$ .9	-\$ 7.5	-\$ 9.1

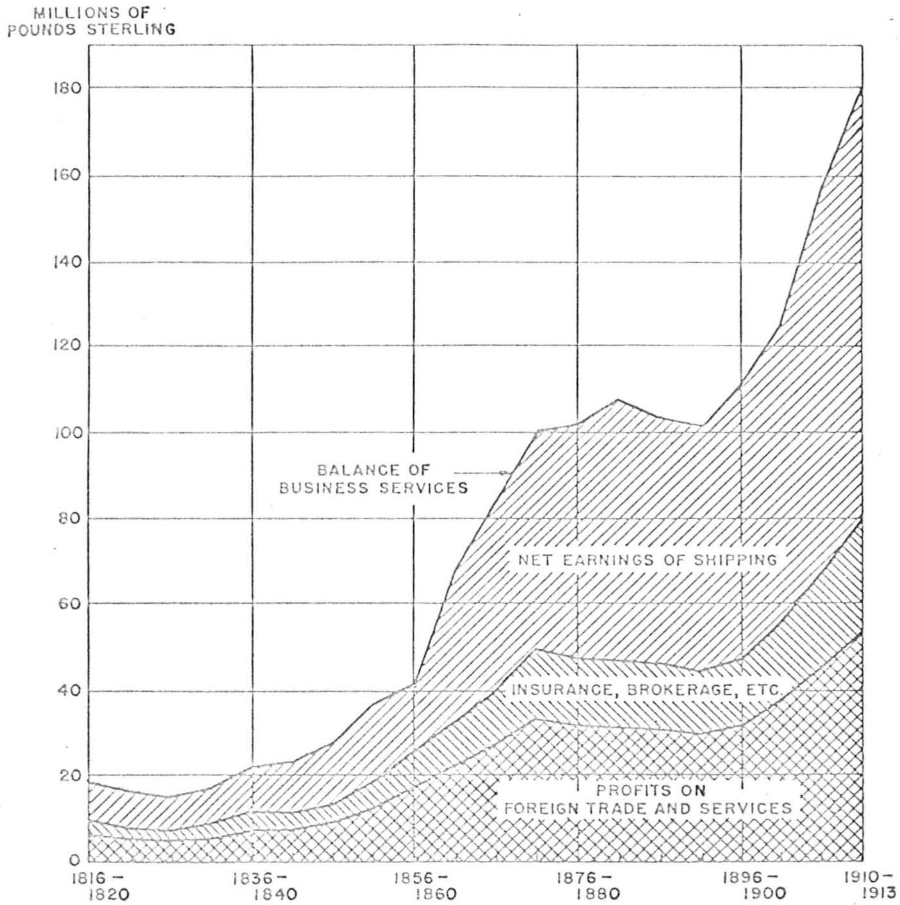
Source: These are summations of data presented for 1950 to 1960 in U.S. Department of Commerce, Balance of Payments Statistical Supplement Revised Edition, Washington, D.C., 1963. The data for 1961 to 1965 appear in the review articles on foreign investment in various issues of the Survey of Current Business from 1962 to 1966. The first line in the text table represents net capital outflows of direct investment from the United States. The second line is the sum of dividends, interest, and branch profits, after foreign taxes, produced by direct investments abroad. It does not include the earnings of corporate subsidiaries (as distinguished from branches) which are retained abroad.

Reproduced from: H. Magdoff, "Economic Aspects of U.S. Imperialism", Monthly Review, No.27. p.27.

CHART I

APPENDIX I

NET BALANCES OF THE UNITED KINGDOM
ON BUSINESS SERVICES BY QUINQUENNIAL
AVERAGES, 1816-1913

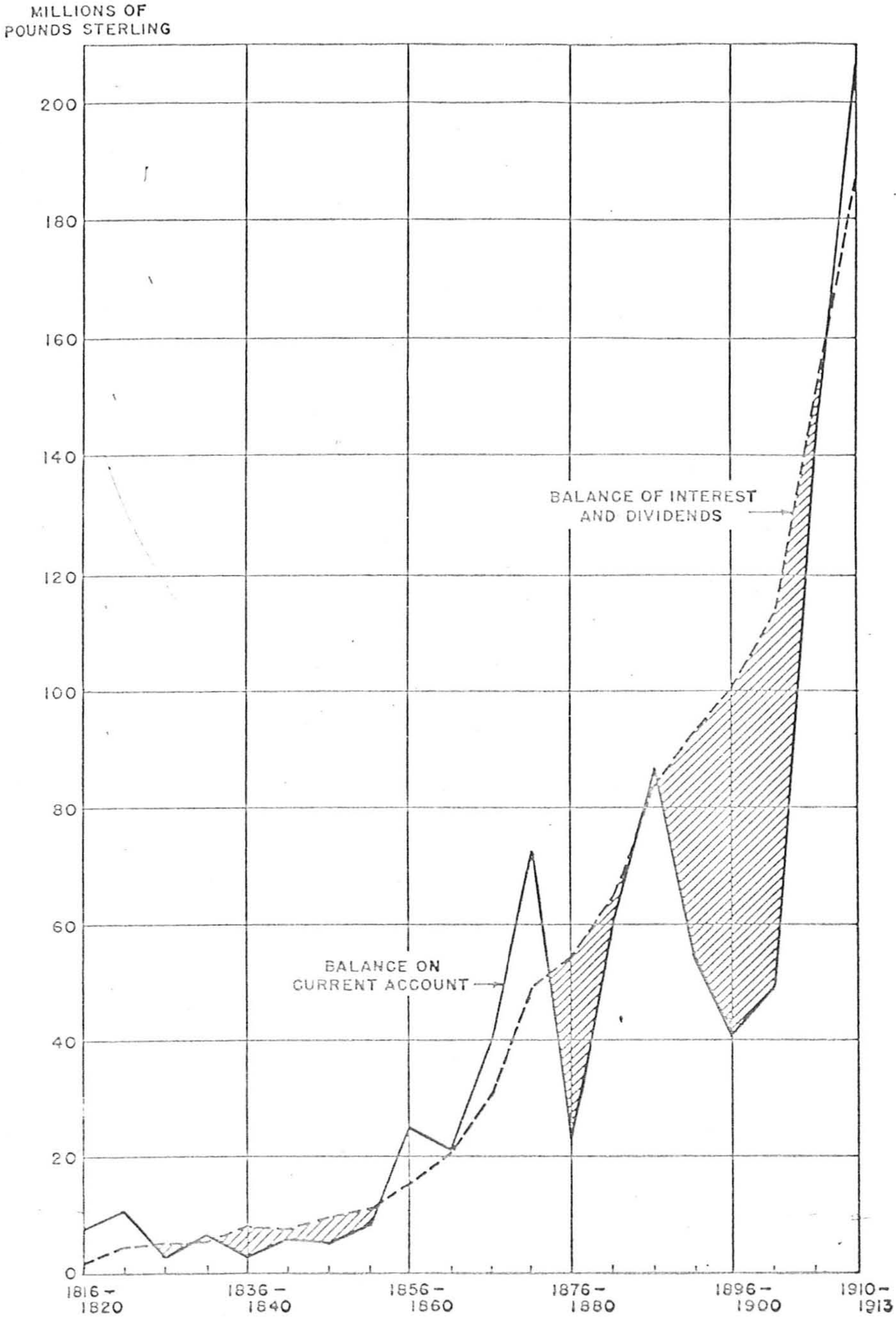


Reproduced from : A.H. Imlah, Economic Elements in the Pax Britannica. p.55

CHART 2

APPENDIX I

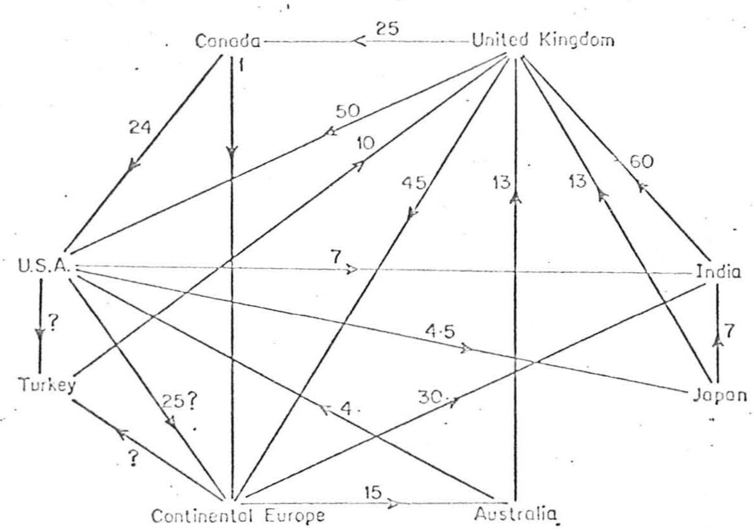
NET BALANCES OF THE UNITED KINGDOM
ON INTEREST AND DIVIDENDS AND ON CURRENT ACCOUNT
BY QUINQUENNIAL AVERAGES, 1816-1913
(Shaded areas between bands represent deficits on trade, business services, and other current items covered by interest and dividends)



Reproduced from : A.H. Imlah, Economic Elements in the Pax Britannica. p.65.

CHART 3 APPENDIX I

PATTERN OF WORLD SETTLEMENTS AND BRITISH TRADE BALANCES, 1910
Figures in £m. per annum, representing balances of trade.
Arrows point towards countries in surplus.



Debit		*Credit*	
U.S.A.	50	India	60
Continental Europe	45	Australia	13
Canada	25	Japan	13
Straits Settlements	11	China (incl. Hong Kong)	13
South Africa	8	Turkey	10
New Zealand	4	Uruguay	6
Argentina	2	British West Africa	3
Total	145	Total	118

Source: S.B. Saul, Studies in British Overseas Trade. p.58

Appendix 2

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