Working Paper 98-99
Economic History and Institutions Series 08
December 1998

Dpto. de Historia Económica e Instituciones
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BALANCE SHEETS FOR THE ACQUISITION, RETENTION AND LOSS OF EUROPEAN EMPIRES OVERSEAS

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Abstract

This paper is an attempt to assessing the costs and benefits for Europeans from their empires overseas over five centuries, in particular, the net economic gains from empire over the long 19th century when mercantilism was replaced by free trade and over the period of reintegration and de-colonisation brought by the two World Wars. Paradoxically while empires were growing, empires were at best economically irrelevant for European long run growth in a free trade world. The post-1914 era shows that the benefits from imperial trading blocs were sub-optimal solutions compared to open international trade.

Keywords: Imperialism; European development.

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This paper is based upon a collaborative research project that the authors convened for an A Session at the 12th IEHA Congre4ss (Madrid 1998). The country studies that provide empirical foundations for many of the generalisations and speculations contained here are published in Revista de Historia Económica XVI (1) (1998).

1. Introduction

Our essay will critically survey a growing volume of publications by historians which attempt to evaluate the costs and benefits for Europeans, flowing from some five centuries of involvement with empires overseas. That involvement began with the conquest of Cueta by the Portuguese in 1415 and passed through two epochs: 1415-1815 and 1815-1974. After a first conjuncture marked by the French Revolution and a quarter of a century of global warfare, Britain emerged as the hegomic imperial power in Europe and its major rivals for commerce and dominion in Africa, Asia and the Americas (Portugal, Spain, France and Holland) ceded control over parts of their possessions overseas to Britain or (in the cases of Spain and Portugal), lost sovereignty to local movements for independence in South America.

Before 1815-25 struggles for commerce, maritime bases, populations and territory overseas had persisted with frequent interludes of warfare for nearly four centuries. Thereafter, and as the mercantilist pursuit of power and profit subsided and was replaced by the liberal discourse of free trade, intellectuals began to question the whole enterprise and to construct national balance sheets for the acquisition and retention of empires overseas.[1] In historiographical terms, an overwhelming share of the published history of European imperialism and expansion overseas is concerned with the epoch of mercantilism 1415-1815[2]. Our survey proposes, however, to concentrate (vide parts 3 and 4) upon the macro-economic cost and benefits of empires as they evolved during the long 19th century, 1815-1914, and over the period of reintegration and decolonization inaugurated and brought to a close by a second conjuncture - the world wars of the twentieth century.

[1] Wood, *British Economists*

[2] See the massive bibliographies included in the new series edited by Russell-Wood, *An Expanding World*

2. Europe's Macro-Economic Gains from the First Age of Imperialism 1415-1815

The first epoch of European imperialism began with the colonization of Cueta in 1415 and ended with the Treaty of Vienna when France, Spain, Portugal (even Holland) virtually lost most of their empires overseas. Yet at that conjuncture it was obvious that without some four centuries of the expansion of European power into Africa, Asia and above all into the Americas, all the economies of Europe would have been poorer, the composition of their national products would have been more agricultural and less industrial in form and lower proportions of their workforces would have been employed in industry and resident in towns. Over time Europeans had made gains from imperialism that took the tangible form of: foodstuffs, raw materials, minerals and manufactured commodities imported from other continents that flowed into European ports - falteringly at first - but rapidly when their prices and costs fell after 1650. The list includes: tropical groceries (pepper, cinnamon, cloves, nutmegs, ginger, cocoa, coffee, tea, sugar, groundnuts and tobacco); basic foodstuffs (fish and fish oils, maize, potatoes, tomatoes, beans, chillies, rhubarb; botanical medicines (cocaine, quinine, narcotics); industrial raw materials (hardwoods, raw silk, cotton fibres, furs, wax, indigo, cochineal and other dyestuffs); manufactures (porcelain, jewels, textiles); and above all gold and silver from Southern America.[3]

Yet the macro economic significance and ramifications of these concrete manifestations of bounty from trade and empire remains difficult to analyse and impossible to quantify. Several European industries were based upon import substitution for products originally brought in from Asia and the Islamic world - including silk, cotton textiles, porcelain and jewellery. Furthermore, capital formation, the establishment of firms and the employment of labour had occurred to process the raw materials imported from other continents into European ports; and that had led on to the development of new industries including: silk and cotton textiles, the dyeing, printing and finishing of cloth, furniture made from hardwoods, sugar refining, coffee roasting, tobacco processing and chocolate making.

[3] Fischer, McInnis and Schneider (eds.), *The Emergence of a World Economy*

Imported spices, chillies, tomatoes, coffee, tea, cocoa and above all sugar, not only brought diversity into monotonous European diets but (together with the curative and energising properties of such botanical medicines as: tea, rhubarb, quinine, and fish oils) raised propensities and capacities to labour among national workforces. More significant were the calorific additions to basic food supplies and the contingent growth of populations and cities promoted by the introduction of maize and potatoes and from fish (caught in distant Atlantic waters). Feedbacks from imperial trades to the expansion of such major ports as Seville, Cadiz, Lisbon, Antwerp, Amsterdam, Bordeaux, London, Bristol, Glasgow and Hamburg, and to the shipbuilding, shipping, commercial and financial services that formed an integral part of their development and of the prosperity of their hinterlands are still visible today.[4]

Although massive imports of precious metals from the Americas and Africa are considered by historians to have constricted prospects for the long run economic development of Spain and Portugal, bullion turned out to be instrumental for the development of a European and an international monetary system.[5] Minted into coins and widely accepted as collateral for instruments of credit and paper circulation, silver and gold from Southern America and marginally from Africa, provided the basis for a necessary expansion in the supply of national and international money. Without that flexibility and because strategic goods and primary produce from Baltic economies could not be covered by commodity exports, intra-European trades from Northern to Western Europe and the Mediterranean would surely have been constrained?[6]

Trade with China, India and other parts of Asia could also have been seriously constricted because for long stretches of the sixteenth, seventeenth and eighteenth centuries, approximately three quarters of the commodities purchased in Asia could not be covered by revenues received from Europe's

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4 Braudel, *The Perspective of the World*
5 Forsyth and Nicholas, 'The decline of Spanish Industry', pp. 601-10.
6 Steensgaard, 'Commodities, bullion and services', pp. 9-24

commodity exports?[7] Bullion flowing into Iberia acted as the dollar of the day. Europeans obtained the silver they needed to trade with the Baltic, Asia and with each other because the Iberians ran deficits on their balance of payments accounts. That stabilised European economies and facilitated their gradual transformation.[8]

Furthermore, Hapsburg power (funded by American silver) checked the thrust of Ottoman imperialism in the Eastern Mediterranean and in the Balkans. (Turkish armies stood at the gates of Vienna twice: in 1529 and again in 1683.)[9] Meanwhile, the pretensions of Charles V and Philip II to universal monarchy (also backed by spoils from the New World) reinforced the traditional conviction of Europeans that politically their continent should evolve as a multi-state system and not into some new holy Roman empire ruled from Madrid, Vienna or Paris.[10] Europe's peculiar state system with its rivalries and expensively maintained balance of power contributed positively to economic growth by promoting diffusions of people and capital and of knowledge and technologies across frontiers.[11]

In complex ways the imperialism of the mercantilist era helped to place the already interconnected economies of Western Europe upon a path that, by 1914, provided their populations with markedly higher standards of living than the rest of the world. Nevertheless, arguments that reify European expansion overseas into the engine of economic progress should be strongly qualified. For example, that particular motor (conquest and trade) did little to promote industrialisation in the Iberian peninsular.[12] Historians of Spain and Portugal now seem more inclined to present their nations' early and sustained connexions with empires in Asia and the Americas as being responsible for their slow transitions to industrial market economies.[13] France (or rather its western ports and hinterlands) derived some clear benefits from investments in transatlantic trade and colonisation during the eighteenth

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7 Steensgaard, 'Commodities, bullion and services, pp. 9-24

8 O'Flynn and Giraldez (eds.), *Metals and Monies*

9 Parker, 'Europe and the wider world', pp.161-195

10 Tilly, *Coercion, capital and states*

11 Jones, *The European Miracle*, pp.104-53

12 Yun-Casalilla, 'The American empire and the Spanish economy' pp.123-57 and Pedreira, 'To have and have not', pp. 93-122.

13 Pedreira, 'La economia Portuguesa', pp. 219-52, and Thompson, and Yun-Casalilla (eds.), *The Castillian crisis*

century. Potential returns to France declined sharply, however, when the Bourbon State lost Canada and its foothold in India during the Seven Years War.[14] They dwindled to insignificance after the destruction of the rich plantation colony of Haiti and the loss of other Caribbean islands to Britain during the wars from 1793-1815.[15] For more than a century the United Provinces successful exploitation of the opportunities offered by intercontinental commerce and colonisation aroused the antagonism of rivals, particularly Britain and France, who used military and naval force to weaken the Republic's power and its economy.[16] Dutch merchants and capital then played a role in helping Britain to rise to a hegemonic position in the expanding global economy.[17]

Yet even for England (where industrialisation between the Civil War and the victory for free trade some two centuries later can be most clearly associated with imperialism), the macro economic significance of its benefits should not be exaggerated.[18] Yes: a high but not a dominant share of all the extra industrial output manufactured in Britain during the early stages of industrialisation, 1660-1815, was exported overseas; mainly to the Americas, Asia and Africa. To that we should add a proportion of the exports sold to other European countries, who derived their capacities to spend on British goods from their own participation in world trade.[19] Profits from servicing global commerce helped to fund the expansion of British industry, to promote investment in internal transportation, to develop financial intermediation, to expand distribution and other networks closely associated with industry. They promoted the growth of housing and social overhead capital required to support the extraordinary growth of London and other port towns. British merchants became successful entrepreneurs, bankers

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14 Butel and Crouzet, 'Empire and economic growth', pp. 177-194.
15 Butel, 'France, the Antilles and Europe', pp. 153-74.
16 Emmer, 'The economic impact of Dutch expansion', pp. 157-76.
17 Dr Vries and Van der Woude, 'The first modern economy'
18 Engerman, 'British imperialism in a mercantilist age', pp.195-234.
19 Cuenca-Esteban, 'The Rising share of British industrial exports', pp. 153-74.

and members of Parliament. They lobbied aristocratic governments to create the fiscal, legal and institutional conditions for the more efficient operation of commodity, capital and labour markets.

Receipts from exports procured strategic imports including (timber, pitch, tar, hemp and bar iron), as well as important raw materials - such as silk, flax, cotton, dyestuffs and sugar. Imported luxuries (tobacco, tea, alcoholic beverages and high quality textiles) provided incentives for harder work, fed customs duties into the Exchequer and funded the powerful navy required for the security of the realm, for the protection of trade and territorial expansion overseas. [20]

Nevertheless, other (and probably more significant) endogenous factors also continued to operate, including: the kingdom's highly productive agriculture, its deposits of cheap energy and the accumulation of a skilled workforce capable of inventing, developing and working with new machinery. Britain had participated in intra European trade, and in the exchange of scientific and technical knowledge for centuries before Columbus, Da Gama and other navigators embarked upon their voyages of discovery.[21] Finally, the Revolutionary and Napoleonic Wars depressed the economies, interrupted the trade and virtually put an end to the empires of all British competitors, particularly France, but also Spain and Portugal. At the Congress of Vienna an Austrian General observed that "Great Britain has no greater obligation to any mortal on earth than this ruffian (Napoleon). For through the events which he has brought about, England's greatness, prosperity and wealth have risen high. She is mistress of the sea and neither in this dominion nor in world trade has she a single rival to fear".[22]

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20 O'Brien and Engerman, 'Exports and the growth of the British economy', pp. 177-209.

21 O'Brien, 'Inseparable Connections', pp. 53-78.

22 Cited by: Kennedy, The rise and fall', p. 123.

3. European Empires during the Liberal International Order, 1846-1914

Once the Revolutionary Wars faded into history, liberal intellectuals returned to the argument that since the balance of power within Europe had been secured and because the international economic order was moving towards free trade, the retention (let alone expansion) of empires could only be counterproductive for the vitality of Europe's economies. Such arguments had appeared in the writings of Adam Smith in the 1770s and in Jeremy Bentham's considered polemic, "Emancipate Your Colonies", presented at the outbreak of war in 1793.[23] For several decades in the nineteenth century "Cobdenite" recommendations for severing formal political ties between European states and their colonies overseas received something like a sympathetic hearing from statesmen and public opinion. Unfortunately, for decade after decade following the loss of the Iberian colonies in Southern America (and particularly during the high tide of European imperialism (1882-1903)), empires continued to expand under liberal, conservative and autocratic governments alike. Denmark, Sweden and Holland sold colonies overseas to Britain, France and the United States and concessions towards local self government marked political relations between metropolitan governments and their "empires". Nevertheless, no territory was actually given up until after the Second World War. Thus, in 1815 Europe and European possessions and settlements overseas occupied 55 per cent of the world's surface, in 1878, 67 per cent, and by 1914 (when the only parts of the world that had never been colonised included China, Japan, Siam, Arabia, Tibet, Mongolia and Turkey) that ratio had risen to an astonishing 84 per cent.[24]

23 Gomes, *Foreign Trade and the national economy*, p. 63.

24 Bergesen, *Studies of the Modern World System*, p.237-238, *and* Clark, *The balance sheet of imperialism*, pp. 23-28.

Expansion overseas (and overland) came virtually to a close with the outbreak of destructive warfare among the great powers, 1914-18 - a conjuncture which marked the beginning of the end of five centuries of European imperialism. For a brief interlude between 1846 and 1914 (and in a context of a viable international order for the conduct of great power politics and peaceable conditions for transnational economic relations), the costs, as well as the benefits of empires, were analyzed in order to inform national and international debates concerned with the political, economic and moral basis of the commercial and imperial policies pursued by major European powers.[25] That discourse has latterly been revived in the writings of economic historians of Western Europe and is concerned to evaluate and to measure linkages between imperialism overseas and the vitality of several metropolitan economies. Historians have used a matrix of national accounts to analyze connexions between empires and the macro economic growth of several domestic economies including: balance of payments data, estimates of returns on private capital invested in colonies, emigration and the allocation of taxes levied upon metropolitan societies for purposes of preserving the security of states and their national possessions overseas.[26] In theory the scale and significance of such linkages (emerging through flows of: trade, capital, labour and expenditures by metropolitan governments on defence and other imperial objectives) could be quantified and assessed in terms of their impact upon the long term growth of any European economy.[27] Less direct connexions flowing from an "imperial elements" in the formulation of a (theoretically separable) set of "purely domestic" fiscal, monetary and strategic policies are usually discernible but hardly quantifiable. While more subtle influences shaped by the "infiltration" of an imperial dimension into national politics, cultures, institutions, consumer preferences, simply promote unresolvable debates in an ongoing appraisal of European empires.

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25 Porter, *Critics of empire*.

26 Nunez (ed.), *Debates and controversies in economic history*

27 Davis and Huttenback, *Mammon and the pursuit of empire*.

Meanwhile, shares of commodity exports and imports sold to and purchased from several European empires seems to be the only comparative indicator currently available to compare the economic significance of dominions, colonies and dependencies before 1914. Trade flows and other partial indicators reveal that the macro economic significance of empire for the rise, growth and decline of the British economy remained far greater and persisted for longer than it did for any other nation in Europe with the possible exception of Portugal.[28] The loss of colonies in Southern America, which severely curtailed the involvement of the Spanish economy with empire after 1825 may even have had beneficial effects upon Spain's long run rate of economic growth.[29] Although the Spanish State retained and renewed its commitment to its remaining colonies for several decades in the 19th century, any potential for gains from colonialism dwindled to insignificance after further losses of Cuba, Puerto Rico and the Philippines - to the United States in 1898. Since the economic consequences of these losses now look "small", Spanish historians can suggest that the gains from their retention over the 19th century were of comparable significance.[30] In the twentieth century Spanish colonies included some limited and some poorly endowed territory in north and central Africa but the nation's long tradition of imperialism left a malign heritage of protectionism, nationalism and militarism, which did much to prolong the retardation of the Spanish economy until the 1960s.[31]

French aspirations to rival Britain as an imperial power suffered serious setbacks in the wars of 1756-63 and 1793-1815. Thereafter France regained ground and assets in Africa and Asia and over the century to 1914 rebuilt an empire which in area, natural resources and population, ranked a poor second to Britain.[32] In terms of macro economic significance the post 1815 French empire may have

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28 Bairoch, *Economics and world history.*

29 Prados De La Escoura, *De imperio a nación crecimiento*

30 Fraile and Escribano, . 'The Spanish 1898 disaster', pp. 265-90

31 Clarence Smith, 'The economic dynamics of Spanish colonialism', pp. 71-88

32 The British empire was nearly three times the area of the French empire - Clark, *The balance sheet of imperialism*, pp. 23-28

contributed even less to domestic economic growth than the empires of Holland and Portugal.[33] For the majority of European economies (particularly Italy, Germany and Belgium) who entered into imperialism in its final phase 1892-1903, but also for other states which had retained rather small and economically insignificant territories and populations overseas) the economic case for any involvement in colonization over the 19th century now lacks any expost credibility.[34] Even at the time economic justifications for imperialism looked spurious simply because the shares of their national wealth and populations included within the boundaries of the poorly endowed empires of latecomers was tiny and any potential losses of national income (emanating even in worst case scenarios from disengagement) could only have been negligible.[35]

Liberal observations that the overall scale of imperial enterprise had become rather tangential for Italian, German, Belgium, Spanish, Portuguese and French economic progress, carried less currency for the Dutch and even less conviction for the British cases - if only because the material gains from empire looked tangible for certain regions, industries and for politically powerful groups within those Protestant kingdoms. Nevertheless the overall economic significance of empires for the long run development of these two economies (indeed for any national economy) is best exposed by a three column tabulation designed to show the relative scales (ratios) of commodity, factor and fiscal flows within the home economy compared to flows to and from the domestic economy and its empire which can in turn be contrasted with flows between the home country and the rest of the international economy. In every European case, for which data is available, interconnexions through (i) the export and import of goods and services, (ii) migration, (iii) net flows of funds on invested overseas (interest, profits and dividends) and other economic links with the rest of the world economy look immeasurably more important than links with empires. Even for Britain (the European economy most interconnected with its colonies and dominions overseas) economic relations with countries and territories outside the

33 Brunschwig, *Mythes et realités de l'imperialisme colonial francais*

34 Snyder, *Myths of empire*

35 Especially for Italy see Federicko 'Italy's late and unprofitable forays into Empire' pp. 377-402

empire remained more important by a large, if diminishing, margin throughout the long nineteenth century, 1815-1914.[36]

This data is relevant for the counterfactual question of how and to what extent might the development of particular economies have changed if European states had relinquished political control over their colonies and dependencies overseas sometime before 1914? Probable sequences can only be discussed by specialist historians with the empirical knowledge required to engage in conjectures about paths and patterns of national (including colonial) economic histories that they understand. Pessimistic scenarios generate assertions that: colonies granted independence could have fallen into anarchy (a popular British perception of India in Victorian times); that independence would have led to higher tariffs against exports from metropolitan and other European economies; that colonies uncoupled from imperial rule could only have developed more slowly and thereby lowered overall levels of world trade.[37]

Some combination of protectionism with slower growth seems to be a more realistic conjecture to pursue. On this assumption a paradigm paper by Edelstein offers estimates for the short term decline in national income that might *counterfactually*, have followed from loss of political control over the very largest of European empires overseas - the British empire. His estimates come to somewhere between 1.6 per cent and 4.3 per cent of national income for 1870 and 4.9 per cent to 6.5 per cent for 1913. These ratios are not small. They depend, however, upon a specified set of assumptions about tariff rates, elasticities of demand and levels of trade that might have been obtained in the absence of British rule and influence. This implies they are upper bound numbers because the resources used to produce exports for the colonies are assumed to have zero opportunity cost and are not reallocated, in Edelstein's heuristic model to their second best alternative uses.[38] Yet the example of Spain after the loss of Cuba, the Philippines and Puerto Rico in 1898 shows how quickly Spanish exporters recovered from the

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36 Bairoch, *Commerce extérieur* is the best source for European data we used - see Nunez (ed.) *Debates and controversies*, pp. 42-53

37 The taxonomy of these arguments is critically appraised in Cain, 'Was it worth having', pp. 351-376

38 Edelstein, 'Imperialism: cost and benefit', pp. 197-216

sudden loss of protected markets.[39] There is no reason to suppose that the more flexible and efficient export industries of Britain, France and Germany (even Portugal) would not have adjusted even more readily to a "phased withdrawal" from empire or any involvement in imperial enterprise over the second half of the long nineteenth century.[40]

For that period it is, moreover, difficult to find examples of imports from European empires that could not be procured from non imperial sources at similar and (for several 'exploited' European populations) at lower prices. To sum up: plausible estimates for the net benefits derived by the British and other economies from trade with their empires suggest that after mid century the net benefits could not have been other than "small" - possibly as low as 2 per cent of gross national products. If that argument can be sustained for Britain, it follows that during the liberal order, the gains from trade accruing to European economies with a far more limited involvement with empires (especially Italy, Germany and Belgium) but also Portugal, Spain, France (and even for Holland) could be represented as negligible and dispensable.[41] This conclusion does not preclude interesting variations across countries, changes through time or deny that colonial markets and sources of supply could be important, for some European regions (such as rural Castile); for some cities (e.g. Barcelona and Amsterdam) and for particular industries, (Catalan cotton textiles, Portuguese shipping and for ship building, and textile production in Holland) and the fact that the gains accrued elite groups in Europe who profitted from the retention of empires.[42] The multiplication of local examples does not, however, aggregate to macro economic significance.

39 Fraile, *Industrializacion*

40 Lains, *A Economia Portuguese*

41 The Dutch case is perhaps almost analgous to the British - Van der Eng, 'Exploring exploitation', pp. 235-264

42 Doyle, *Empires*

Proponents of empire (then and now) insist, however, that the diffusion and maintenance of a liberal international economic order depended on the Pax Britannica, which in turn rested upon the existence of a British Empire, and that Europe's gains from trade (flowing from the survival of that empire) must have been correspondingly greater. They will claim that local economies in Asia, Africa and Southern America could have become less developed and more delinked from international trade and specialisation in the absence of colonial rule.[43] Writing after decolonisation, historians from other continents dismiss these views as Eurocentric and are inclined to counterfactuals that posit optimistic scenarios for the growth of decolonized territories.[44]

Other elements of the balance sheets include the flows of benefits accruing from the migration of labour and the investment of capital in Europe's empires overseas. For labour, the British empire acted as a safety valve for the unemployed and source of upward mobility for ambitious and potentially unruly Celts from Scotland and Ireland. As places of settlement for underemployed agricultural labour, Italian and Spanish colonies turned out to be disappointing venues for emigration and the large scale migration to Cuba only occurred after that colony became independent. Return flows of remittances seem to be higher from migrants employed in the United States and the independent republics in Southern America.[45]

Two features of intercontinental <u>factor flows</u> now seem reasonably clear. Firstly, neither colonies nor dominions emerge from British, Dutch, French and Italian statistics as particularly well favoured destinations for emigrants or for the flow of savings placed outside their home economies by British or Dutch, let alone by French, Portuguese and Spanish investors.[46]

Secondly, the admittedly sparse data from business history lends no support to Leninist assertions that by the late nineteenth century imperial outlets had become necessary to stave off

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43 Kennedy, *The rise and fall of the great powers.*

44 See Blaut, *The Colonizers model of the world,* and Adas, *Machines as the measure of men*

45 Sanchez Alonso, Las causas de la emigracion

46 Baines, *Emigration from Europe.*

diminishing returns to capital invested within Western Europe.[47] It also undermines the counterpart assumption that "supernormal" profits accrued to funds placed within safer imperial locations, where, in theory at least, colonial power could have been deployed to secure "exploitative" rates of profit for European capitalists.[48] Tabulations for British, French and Dutch stocks of capital invested overseas in the early twentieth century do not display any marked preference on the part of European investors for imperial compared to foreign locations.[49] And although there are examples of extremely high profits accruing to risky private ventures in several European empires, modal rates of return on either portfolio and/or direct investment do not seem (on admittedly limited evidence) to have been extraordinary.[50]

Meanwhile, there is, a much debated view that the massive outflows of investible funds allocated to the rest of the world (including the British and French empires) operated to retard the structural adjustments required for the long term growth of domestic industry in Western Europe. In short there is now a presumption for the United Kingdom and France (and perhaps also for Portugal and Holland) that significant shares of both public and privately funded capital formation undertaken to acquire, develop and defend imperial possessions overseas may have generated sub optimal returns and slower growth for some European economies. That is why Hobson's prediction, (made as early as 1902), that investment at home (or overseas in independent countries outside European empires) would turn out to be a superior allocation of capital for a nation's economic growth seems unequivocally clear for Germany and Italy whose imperial assets were expropriated without compensation following defeats in the two world wars of the twentieth century.[51] Spanish property in Cuba, the Philippines and Puerto Rico was not expropriated by the United States in 1898 and the measurable losses from that defeat do not appear to have been particularly large.[52]

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47 Barratt Brown, *The Economics of imperialism*
48 Fieldhouse, *Economics and empire*
49 Davis and Huttenbuck, *Mammon and the pursuit of empire*
50 Bairoch, *Economics and world history*
51 Hobson, *Imperialism* and Federicko, 'Italy's late and unprofitable forays into empire'.
52 Fraile and Escribano, 'The Spanish 1898 disaster', pp. 265-90.

Fiscal balance sheets must also be scrutinized. After 1873 taxes levied to retain, expand and defend the British, French, Portuguese and Dutch possessions overseas increased at rates which worried governments and strengthened the case made by liberal critics that the costs of empires to metropolitan taxpayers may have exceeded the benefits that they received by discernible and growing margins.[53] Alas (and despite an abundance of budgetary records), for most states the "fiscal burdens" of empire are not simple to define, amenable to measurement and are certainly not easy to relate to compensating streams of economic, strategic psychic and other benefits from empire accruing to metropolitan economies and societies over time.

Annual outlays made by metropolitan governments on behalf of their empires can usually be estimated. Very large shares of public expenditure for this purpose consisted of the military and naval costs of imperial conquest, pacification, and thereafter for law and order and the defence of colonies and dominions from threats of enemy attack. Initial or threshold costs of acquiring territory, bases, populations and resources overseas usually appear in national fiscal data as once and for all outlays on warfare (e.g. as the costs of say an Algerian, Maori or Ethiopian war). Pacification could, however, take many years and the opportunity costs of manpower and other resources "used up" in conquest are usually regarded as bygones by governments, prone to draw lines under past records of profligacy. Unless expenditures by upon conquest had been funded by borrowing, they matured in official perceptions and accounts into "sunk" costs and usually disappear from view.[54] Except that is, in the British case where the presence throughout the liberal era of a extraordinarily large national debt with massive debt servicing obligations (absorbing 56 per cent of tax revenues in the 1820s), serves to remind historians how costly the acquisition, extension and retention of the British empire had been.[55]

53 Thornton, *The imperial idea and its enemies*

54 Hobson, *The wealth of states*, contains an excellent discussion of these problems

55 O'Brien, 'The security of the realm', pp.61-72

Although acceptable assumptions can be made in order to estimate governmental allocations for their empires, the problems of reclassifying the military and naval expenditures made by European states into annual outlays "required" for the defence of the metropolis and its overseas trade on the one hand, and expenditures incurred for the protection of possessions, located beyond the borders of national states on the other, are not easily surmounted. What seems clear (with the possible exceptions of India and Indonesia) is that the economies and populations of nearly all European colonies and dominions contributed very little towards the costs of their own defence from external aggression or from internal insurrection. Furthermore, in some cases (e.g. Italy and Portugal) a scrutiny of budgetary accounts reveals that the taxes levied upon indigenous populations and economies covered only fractions of all public expenditures incurred for civil administration and public investment in infra-structural facilities and services required for their governance.[56]

Expenditures by the European governments on troops, sailors, weapons, equipment, fortifications, bases, warships, etc. might in theory be divisible into the proportions required for the defence of the metropole and its trade on the one hand and allocations for the protection of its dominions and colonies overseas on the other. In practice that distinction became more blurred in the perceptions of kings, statesmen, admirals and generals responsible for strategic planning. Furthermore, historians of the Romanov and Habsburg empires are prone to argue the distinction is without real historical meaning or sense for empires overland.

In 1936 Grover Clark produced some data designed to show that annual expenditures by the British, French, Italian, German and Japanese governments on the formation of capital in their colonies and upon the armies and navies required for the protection of imperial commerce exceeded by a large margin any possible gains from imperial trade. For example in one of his calculations, Clark assumed that the expenditures by the French government on the military and naval capacity required to protect

[56] Lains, An account of the Portuguese African empire', pp.235-264 and Federicko, 'Italy's late and unprofitable forays into empire', pp. 352-76

commerce with its empire would be proportionate to the share of total French trade conducted with the colonies between 1894 and 1934. To that sum he added direct expenditures by the French government on civil expenditures in the colonies. His figures show that total outlays funded by taxpayers amounted to 21% of the gross value of the total colonial trade.[57] Other historians have complicated and lengthened the fiscal balance sheet by arguing that the "voluntary" contributions of manpower and other resources made by the dominions and colonies towards the defence of France and Britain in the course of four years of warfare against Germany and the Central Powers, 1914-18, represented some recognition that the metropole had borne the burdens of imperial defence in peacetime and could not be expected to meet the entire cost of repelling German armies and navies in wartime.[58]

Loyalty to the motherlands matured into priceless assets, but that does not imply that empires carried "disproportionate" shares of the costs incurred to defeat the Kaisereich, or that wartime contributions from the colonies and dominions somehow (and in clear economic terms) compensated for the higher levels of taxation imposed on British, French, Dutch and other citizens for imperial defence for many decades before 1914. Furthermore, persistent obfuscation of any clear distinctions between defence of motherlands and the protection of imperial assets overseas led to a political and cultural context in which for several decades before the Great War, Britain's strategic planning remained too detached from involvement with the balance of power on the mainland of Europe. British statesmen failed to forge the diplomatic alliances and to build up the military forces required to deter German aggression. On this kind of open-ended diplomatic accountancy, British, French and Dutch pre-occupations with empire overseas can be represented as failures of the liberal imagination, which added up to the most costly strategic error in European history.[59]

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57 Clark, *The balance sheet of imperialism.*

58 Offer, "The British Empire, 1870-1914', pp. 215-38.

59 Beckett and Gooch, (eds.), Politicians and defence.

These arguments will run and run. Meanwhile, it is surely pointless to deny that the extension and defence of European empires against threats of external aggression and internal subversion cost metropolitan taxpayers real money; and that throughout Europe such burdens increased following the unification of Germany in 1871. Furthermore, the incidence of such taxes was not calibrated to fall upon the incomes of taxpayers who derived most of the material gains from state expenditures on possessions overseas. All in all the fiscal costs of European empires are not easily defined or measured because public goods, like defence and diplomacy cannot be readily accommodated into a framework of cost-benefit analysis. There seem to be several unknowns, too many unpriceable externalities and strategic ramifications that are too widespread for the categories to contain measurable, as distinct from plausible, propositions about the allocations of metropolitan taxes for purposes of acquiring and maintaining empires overseas.

Resources could certainly be wasted in futile imperial conflicts and squandered in unprofitable diplomatic incidents (e.g. the wars between the United States and Spain in 1898 and Russia and Japan in 1904 as well as the Moroccan crises of 1905 and 1911) [60] Yet before 1914 the volume of resources allocated year after year by European governments specifically and clearly for the maintenance and defence of empires could not have constituted anything other than smallish shares of their national products. Represented in the most unfavourable light as lost opportunities for investment within metropolitan economies, the shares of domestic capital formation hypothetically foregone must have been relatively large in the British case and much smaller for other European powers.[61]

To sum up: between 1846-1914 European powers extended, maintained and defended empires overseas "on the cheap". Radicals at the time suggested, (probably correctly) that a phased withdrawal from formal rule would not have resulted in diminished gains from trade, lower returns on investment overseas, or any closure of opportunities for emigration. Historians now recognize that some (but perhaps no sharp) reductions in tax burdens might have followed from decolonization. In a free trade

60 Keyler, *The twentieth century world*
61 Hobson (1997), see 28 above

world of integrating factor markets and stable arrangements for international payments, at best empires had become economically irrelevant for the long run development of Europe. [62] Paradoxically, empires were growing. Colonial disputes certainly played their part in the slide towards the most costly war in our continents history basically by obstructing and obfuscating the formulation of diplomatic and strategic in policies required to maintain a balance of power in Europe.

4. Global Warfare, Neo Mercantilism and the Reintegration of European Empires from 1914 to the Treaty of Rome

The Great War, which effectively brought European expansion overseas to an end, can be represented as the third significant conjuncture (after 1492 and 1789) in the history of imperialism. Four years of destruction ended with Treaties of Versailles and Sevres, which (like the Treaty of Vienna a century earlier) redistributed the provinces and colonies of defeated nations (this time Germany and Turkey) among the victors, France, Britain and Italy; dismembered the Hapsburg Empire and created the independent republics of Poland, Finland, Latvia, Lithuania and Estonia from territories of the Romanov Empire.

In 1919 victorious European states assumed responsibility for larger empires and dependencies at a time when the international economic order began to move rapidly away from the unregulated arrangements for commodity trade, capital movements, technology diffusion, labour migration and transfers of payments across frontiers that had characterised international commerce for several decades before 1914. Of course, tendencies towards a "new protectionism" can be observed in the laws effecting foreign trade and payments promulgated by several governments between 1876 and 1914. Almost everywhere, (including Britain), lobbies and ideologies, worked to undermine the liberal order that had promoted integration and more efficient international economic relations for three decades after 1846. Although free trade had existed only as an "untried utopia" and political constraints on flows of

62 Williamson, 'Globalization, convergence and history', pp. 277-306

commodities, services, capital, labour and technology around the world economy certainly increased over the last quarter of the nineteenth century, in general tariffs and other controls remained bounded enough to allow for the continued expansion of international commerce and factor mobility right down to the outbreak of war in 1914. Indeed the years 1899-1913 witnessed an upswing in the growth of trade, capital flows and migration that was only surpassed in scale and intensity by the famous, long boom, 1948-73, that formed the economic background to decolonization after the Second World War. [63] Before the Great War opportunities to trade and invest within the international economy as a whole continued to be relatively unconstrained and economic arguments for closer imperial integration that emerged even before the end of the nineteenth century, did not seem compelling enough to shift European commercial policies in radically new directions. For more than a decade after la fin de siècle, the appeal of empire looks more atavistic and xenophobic than material.[64]

Unfortunately, the Great War pushed almost all European economies towards autarky, constricted the political boundaries of commodity and factor markets and reintroduced serious military considerations into the discourse about the costs and benefits of empires. That occurred because during and in the wake of war, sales of exports, the procurement of food, raw materials and military goods, the recruitment of manpower from protected and secure sources of supply provided by colonies had become "strategic necessities".

Colonial contributions to the metropolitan war effort cannot have accounted for more than a small fraction of the resources allocated by the victorious alliances of Britain, Russia, America, France and other European powers to defeat Germany and the Central Powers in the First World War. Nevertheless, a war on that scale is not easily factored out of economic assessments of empire. At very least, the course, costs and consequences of the Great War altered European perceptions and changed the and parameters within which the economics of empires came to be discussed. First and foremost

63 O'Brien, "Intercontinental trade and the development of the third world pp. 75-133

64 Betts, Europe overseas

ideological and popular support for strengthening imperial connexions became far stronger as a result of bonds forged during four to five years of shared sacrifices for the defence of mother countries. Ties with kith and kin and an already deepening sense of responsibility towards "our" people and territories overseas all intensified in wartime. Secondly, the war disrupted intra-European trade and factor flows and promoted moves towards autarky across countries and led to greater degrees of reliance on imperial trade and investment among those European nations (Britain, France, Belgium, Holland, Italy, Spain and Portugal) who could opt for alternative possibilities for trade - within the frameworks of political security, protection, commercial regulation and monetary arrangements provided by networks of colonies, dependencies and dominions overseas. Thirdly the enormous costs incurred by European economies to mobilise for war and to demobilise for peace, the massive destruction of capital assets and the lost generations of dead and disabled workmen amounted to a sum roughly equivalent to four to five times Europe's national output for 1913. [65] Even on the most favourable assumptions about prospects for renewed growth after the war, losses of that magnitude would have taken a generation to make up. More rapid rates of recovery often depended upon importing capital goods, raw materials and skilled manpower, which rendered foreign trade and/or capacities to borrow on international money markets even more important after than they had been before the Great War.

Unfortunately that expensive conflict not only depleted Europe's stocks of physical and human capital but seriously dislocated the system of international trade and payments upon which investment and future growth had depended. For many years after 1918 international economic relations continued to be afflicted by the consequences of the Versailles Treaty, by state controls enacted to wage war and above all by the malign legacies of financial strategies pursued by governments to fund massive expenditures on their armed forces between 1914-18. Although taxes per head had more than doubled in real terms) European states had borrowed most of the money they needed for warfare from their banks. Thus the problems of how to squeeze inflation out of the system and how to bring national price levels

65 Bogart, *Direct and indirect costs of the Great War*

and paper currencies back into some kind of sustainable relationship with one another emerged as the major preoccupation of statesmen and central bankers in the post war years. [66] Their difficulties were compounded by the conjoined problems of inter-allied debts and German reparations. Political disagreements about the status of these debts led to recrimination among former allies (as well as deep resentment in Germany), which complicated the already difficult task of reconstructing an international trade and payments system. [67]

War also reinforced tendencies to protectionism, latent but evident before 1914. For example, the Versailles Treaty provided for the dismemberment of three multinational free trade empires and the creation of new states in Europe with autonomous control over tariffs and foreign trade. Cut off by blockades and exorbitant transportation costs from supplies of manufactured imports, a long list of countries embarked upon programmes of accelerated import substitution. At the close of hostilities when nationalist governments found their young industries under threat from renewed international competition, they raised tariff barriers. Self sufficiency in foodstuffs and raw materials, which also became a matter of national security in wartime, proved politically difficult to reverse once peace returned. [68]

While it would be impossible to predict how the international order might have developed without the catastrophe of the Great War, from the vantage point of that long boom in the world economy, from 1899-1914, there would seem to be no need to be other than optimistic about future prospects. Growth rates for production and foreign trade, for migration and capital flows across frontiers, had attained record levels. European economies seemed to be adjusting to the realities of international competition, including the appearance of Japan but more importantly to the rapid rise of the United States, which as early as the 1890s had emerged as the hegemonic industrial power of the twentieth century.

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66 Feinstein (ed.), *Banking, currency and finance in Europe*
67 Trachtenberg, *Reparations in world politics*
68 Capie, *Tariffs and growth*

Europe's decline in relative terms became much more of a problem after a war which had witnessed massive destruction of human and physical capital, the exhaustion and pillage of the German and Austrian economies and the economic chaos which attended revolution in Russia. Meanwhile, wartime shortages had promoted the more rapid rise of several new industrial economies: notably the United States but also Canada and Japan and several economies in South America.[69] Called upon to face discontinuous jumps in the competitive position of American industry at a time of disorder in international economic relations, heightened levels of protection and recovery from the most costly war since Napoleon proved in the event to be too difficult for European capitalism and liberalism. By the 1930s the system had succumbed to depression, communism, fascism and to the implementation of programmes for imperial integration.[70]

Such programmes, forged during the war and evolving throughout the 1920s, came to the top of political agendas in the wake of the Great Depression and after the failures of statesmen and central bankers to reconstruct a viable international economic order, free from inflation with stable rates of exchange, moderate levels of protection and minimal interference by governments with flows of commodities, capital and labour across frontiers. Thus for several European economies (Britain, France, Portugal, Spain and Italy) imperial integration appeared as a viable substitute for a more open international order at a time when the growth of world commerce had slowed right down and trade across frontiers became afflicted with degrees of risk and instability not witnessed since the mercantilist era.[71]

69 Feinstein, Temin and Toniolo (eds.), *The European economy between the wars*
70 Maier, *Recasting bourgeois Europe*
71 Zieburg, *World economy and world politics*

Then for the third (or perhaps the fourth time if thirty years of conflict over religion, 1618-48 is included in the chronology) another world war and its aftermath during the 'forties led on to rapid closure in the long history of economic political relations between European states and their colonies, assets and possessions overseas. Most of the changes in nature and scale of these connexions that flowed from the Second World War, 1939-45, (and the post war period of recovery) mirrored the experience of the Great War and its aftermath.[72]

For example, Spain and Portugal had remained neutral during both world wars. But in the great depression in the 1930s and during the period of warfare and recovery from destructive warfare that afflicted the international economy in the 1940s, their dependence on colonies as markets and as sources of supply for food, raw materials, minerals and fuel, increased as markedly as anywhere else in Europe. [73]Although Spain's connexions with its empire was much less than Portugal's, Franco's military rebellion which plunged Spain into civil war and isolation was launched from (and during its early stages funded with hard currency provided by) Spanish colonies in Africa.[74]

Between 1939-45 the manpower and resources of the entire British Empire were once again mobilised to defeat the armed forces of Germany, Japan, Austria, Italy and other axis powers on battlefields, airways and sea lanes in Europe, Asia, Africa and the Americas. Such assistance in times of grave national danger had always been deeply appreciated but its magnitude has not yet been measured in terms that might provide us with a precise idea of its economic significance. Meanwhile, the heritage and frequently revived memory of the empire's contribution to: victory in two world wars; to the stabilisation of the home economy during periods of instability and depression between the wars; and to Britain's recoveries after 1918 and again after 1945 evolved into omnipresent parts of the political culture informing and moulding strategic, monetary, fiscal and commercial policies pursued by

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72 Van der Wee, *Prosperity and Upheaval: The World Economy*

73 Lains, 'An account of the Portuguese African empire', pp. 235-64

74 Balfour, *The end of the Spanish empire*

successive British governments between the wars and for several decades after 1945.[75]

Imperial preferences, fiscal subsidies and exemptions, sterling areas, commercial treaties, bilateral arrangements, programmes of aid and development and exchange agreements all became a much stronger and a steadily more constricting framework of "imperial" laws, rules and regulations within which the British economy operated after 1914.[76]

Responding in more or less similar ways to changes in the balance of power, to seminars and prolonged disruptions, to the liberal international economic order and to the existence of industrial might on the continent of North America, governments in France, Belgium, Portugal, Spain and Italy also embedded their domestic economies in treaties, regulations, agreements, regulations and monetary blocs designed to foster imperial integration.[77] For some continental societies (notably France but also Belgium) the heritage of empire and the positive role played by their colonies in the defeat of Germany again formed part of popular sentiment in favour of "France outre mer".[78] In other countries, especially Britain (but also Italy under Mussolini), pretensions to great power status were conceived to be dependent upon the possession of empire or upon the traditions and influence required to "line up" a commonwealth of states that had once been colonies.[79] For long stretches of the 20th century the cultures and politics of imperialism reinforced strategic and economic pressures on European governments to make much more of their empires.

Meanwhile, the Cobdenite discourse in favour of free trade and for disengagement from empires faded but it did not die away. Indeed antipathies to empire embodied in classical liberalism became complemented by socialist doctrines with their sympathies for movements for colonial freedom that emerged in Asia, Africa and the Caribbean between the wars. Nevertheless, the post 1914 climate of hostility and suspicion among states, the depressed state of world trade and the almost universal trend

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75 Cain and Hopkins, *British imperialism*

76 Alford, *Britain in the world economy*

77 Fieldhouse, Colonial empires

78 Betts, *France and decolonization*

79 Federicko, 'Italys late and unprofitable forays into empire, pp. 377-402

towards the political regulation of international economic relations, all combined to lead governing elites to conceive of empires as solutions to their strategic problems and domestic economic difficulties.[80] Cobdenite prescriptions for disengagement from empires became as remote from centres of power and policy as the sermons of socialists preaching for colonial freedom.

For every set of national data that is available related to commodity trade, to the sale and purchase of services, to flows of investment and labour overseas, (as well as national surveys on the operation of monetary systems and payments), evidence of closer integration between metropolitan economies and their colonies and commonwealths overseas seem unmistakable. Of course, degrees of integration varied and became far less obvious in, say, the Dutch than the French case.[81] Nevertheless, on most indicators, trends towards imperial integration (which began during the Great War) gained momentum during the world depression of the 1930s. They reached their apogeé during and for roughly a decade after the Second World War, when a dislocated international economy and severe shortages of hard currencies (especially dollars) increased the dependence of European powers on their colonies and commonwealths.

Thus, during more than four decades of warfare, neo mercantilism and instability, 1914-58, European states turned (perhaps in the long stream of history we should say returned?) to their colonies and dominions for strategic help and economic assistance. Perhaps the availability of easy imperial options diverted the attention of statesmen away from the more difficult problem of reconstructing an international order? Nevertheless, contributions from empires to the security of mother countries and to the stability and growth of metropolitan economies was perceived at the time (and has been represented by many historians since) as positive and significant. For long stretches of the twentieth century, as agendas, Cobdenite and socialist prescriptions against empires looked increasingly unreal.[82]

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80 Rogowski, *Commerce and coalitions*

81 Van der Eng, 'Exploring exploitation', pp. 291-321 and Fitzgerald , 'Did Frances colonial empire make economic sense?', pp. 373-85

82 Maier, *In search of stability*

Simply as a prelude to European decolonization, imperial reintegration still seems worth considering within the matrix of national accounts because it can only be represented as a *second best* solution to problems created by war and to the dislocation of the liberal international economic order. Thus, intra-imperial trade and flows of investment conducted within systems of preferential tariffs, currency blocs, multi-lateral bargaining and political arrangements, which prevailed for roughly forty years after 1914, can be represented as sub-optimal solutions, compared to open international trade. Such systems certainly generated some gains from exchange and specialisation. Imperial commerce did, moreover, represent an improvement on the dominant alternative of the period - national and regional tendencies towards autarky - particularly when colonies could be induced (or even forced) by metropolitan governments to participate in exchanges on wider markets. Nevertheless, the benefits derived from trade creation within imperial trading blocs are unlikely to have exceeded the costs of trade diversion, simply because disparities in political power between metropolitan and local authorities (included within European empires or commonwealths) normally attempted to promote complementarity across economies, countervailed competition and maintained national and regional comparative advantages within historical and broadly static patterns of specialisation. More often than not systems of imperial preference operated to sustain Europe's traditional staple industries or segments of European agricultures that were inefficient compared to competitors from elsewhere in the world economy. At the same time some metropolitan populations (and especially French and Portuguese families) paid relatively high prices for the privilege of consuming food and raw materials from their colonies. Empires normally supported divergent but complementary patterns of interregional trade.[83] However politically constructed, as institutional frameworks for specialisation, they could not become as efficient for European growth and development as customs unions and free trade areas which sustained competition and lead to convergence and differentiated patterns of specialisation among

83 Johns, *Colonial trade and international trade*

economies that are geographically contiguous, culturally homogeneous and not too dissimilar in structures and levels of industrial development.[84]

Unfortunately research in twentieth century business history has not yet produced the samples of case studies required to test the proposition that the observed reallocation of metropolitan investment towards imperial (compared to domestic and foreign) locations may have generated sub-optimal returns for European economies. Extraordinary rates of profit certainly accrued to some British, French, Dutch, Belgian, Spanish and Portuguese companies engaged in prospecting for and the mining of minerals and crude oil. Cash crop plantations are another sector where European investors are perceived to have made supernormal profits. Examples of favourable leases and other contracts and concessions for land and mineral rights, under which European owned companies operated for several decades after 1914, often originated in political contexts of colonial governance and mandatory power. Nevertheless, comparable returns on investments in Asia, Africa and Southern America seem to have accrued to American, Swiss, German and other European companies and investors without the privileges (and the costs!) involved in formal imperial rule. As yet there is too little evidence that colonial power was directly and systematically used to secure "economic rents" for metropolitan capital placed in Europe's colonies, protectorates and dependencies. In the absence of hard statistics rates of profit earned on such capital might still be plausibly represented as "normal" for investments of comparable risk located within the borders of sovereign European and/or foreign states.[85]

Furthermore, once indigenous movements for colonial freedom emerged as serious threats to colonial rule and the military and political capacities of European states to resist had been undermined, by democratic antipathies towards empires, the risks (indeed the recorded losses) of European capital from violence and expropriation increased enormously.[86] By mid century there were few places left

84 Crafts and Toniolo, *Economic growth in Europe since 1945*
85 Reynolds, *Economic growth in the third world 1850-1980*
86 Lipson, *Standing guard*

where European capitalists could depend for long on colonial authorities to help them obtain "exploitative" rates of profit. With decolonization under way, European governments concentrated (usually without success) upon securing compensation for the fixed assets that their nationals lost through forced transfers and nationalizations of property that followed almost everywhere from the end of empires. Whatever the flows of psychic or strategic benefits might have been there can be little doubt that the fiscal costs of maintaining imperial rule increased dramatically during and after the First World War. Burdens levied on metropolitan taxpayers to meet expenditures incurred by European states for the external defence, for the maintenance of internal order and for the economic and social development of their colonies and protectorates went up and up.[87]

Furthermore, such burdens could not be easily shared. Britain's dominions, to take one example, continued to resist pressures to contribute a greater share towards the costs of imperial defence. Mindful of the sacrifices that they had made during the First World War, London did not push that demand too hard. Meanwhile, the failure of the Treaty of Versailles to restore the balance of power in Europe and the predatory intentions of Germany, Italy and Japan towards the empires of Britain, France, Holland and Portugal in Africa and Asia became ominous and maintained expenditures to deter threats from external aggression at relatively high levels. British and French strategic planners became more aware, however (than they had been before 1914) of the tensions involved between the defence of homelands in Europe and the protection of far flung possessions against attacks from such potentially effective antagonists as Germany and Italy in Africa and Japan in Asia and the Pacific.[88]

At the same time, and stimulated by Wilsonian ideals of self determination, Marxist theories of exploitation and older European ideas of democracy, movements for colonial freedom began to raise the costs of maintaining internal order, particularly in India but also in Africa. After the foundation of the League of Nations, "progressive" statesmen and colonial administrators saw European imperialism as entering a phase of responsibility for the economic and social development of indigenous peoples.

87 Kopchan, *The vunerability of empire*

88 French, *The British way of warfare*

Ideas of trust, of mission, of mandate appeared and built upon older Christian traditions of paternalism towards backward and poorer peoples.[89] Although colonial expenditures on infra-structural development and social welfare did not leap forward during the years of fiscal constraint that followed the Great War, the sense that supranational responsibilities would inevitably cost European taxpayers real money, led to a new wave of questioning and writing on the theme of Do Empires Pay? With the spread of democracy in Europe people began to perceive and to vote on the assumption that they might not and a spate of reports by journalists and intellectuals exposing the costs, injustices and occasional brutalities of colonial rule strengthened their doubts about the value of the entire imperial enterprise.[90]

5. Decolonization and the Malign Legacies of European Empires Overseas

Global warfare from 1939-45 postponed discussions about the economic value of Europe's empires. In the event the Axis powers suffered total defeat and lost, without compensation, all the national assets acquired through expenditures on conquest followed by years or (in the Italian case) decades of investment in facilities for defence and internal order, infrastructures, fixed capital formation in colonial agricultures, industry and services and expenditures upon the acculturation, training and education required by local workforces in order to establish productive and stable commercial relationships between a metropolis and its colonies overseas. Neither Italy nor Germany (nor Japan) ever recouped more than a fraction of their investments in colonisation. There can be little doubt that, except perhaps in psychic terms, the accumulated material benefits accruing to Italian, German (and Japanese societies) from their engagement with empires overseas fell short of the costs of conquest and investment in colonial infrastructures by very large margins. Fortunately, their fiscal expenditures and public and private investments in colonies does not seem to have been massive and prolonged enough to have constrained their long term rates of economic growth to any significant degree.

For other European countries, including France, Holland, Belgium and Portugal, with deeper traditions of colonisation and cultures permeated by imperialism, tendencies towards closer integration

89 Havinden and Meredith, *Colonialism and development*

90 Kupchan, *The vunerability of empires*

of domestic and colonial economies overseas that had reappeared between the wars became even stronger and more popular and matured into one of the more malign political legacies of the Second World War.[91] For example, the involvement of the French, Dutch and Portuguese states in fighting wars in order to reclaim and pacify their empires from indigenous nationalist movements in Morocco, Tunisia, Algeria, Indo China, Indonesia, Congo, Angola, Mozambique and elsewhere outside Europe, turned out to be futile and very expensive. When all the accounts come in and the expenditures upon a long series of late colonial rearguard actions fought by European armies and navies in Africa, Asia, the Middle East and the Pacific, will surely be represented as "all costs and no benefits". That conclusion will be reinforced when historians add to the unprofitable legacy of attempts at imperial renewal, quantified conjectures for the economic value of metropolitan property destroyed and expropriated by nationalist movements, as well as the costs of the disorder and depression that invariably afflicted former colonial economies for many years after their armed struggles to "seize" independence. (Algeria has now become simply the most dramatic case in point.)[92]

Given the size of its empire, the United Kingdom decolonized more cheaply than other imperial powers. Furthermore, Britain had also drawn far more heavily than any other European nations upon the resources of its empire and commonwealth to defeat Germany and (through the sterling area) to assist the home economy to recover after the Second World War.[93] Nevertheless, the imperial contribution towards victory in Europe, the security of the realm and post war recovery needs to be compared with resources supplied to wage war by the kingdom itself, by Russia and other allies and above all by the United States. Historians might well regard any attempt to draw distinctions between imperial and national defence as moot, economists will realistically suggest that Britain's dominions and the colonies participated in a "virtual alliance" of quasi autonomous political units constructed and funded to protect their own independence and integrity against the predatory intentions of Germany and

91 Holland, *European decolonization*
92 Lynch, *France and the international economy*
93 Darwin, *Britain and decolonization*

Japan.[94] If this "economistic representation" is valid, then the imperial contribution need not be depicted without as altruistic and important for the survival and continued development of Britain and France during the world wars of the twentieth century. Furthermore, the cultural legacy of imperialism which gave credence and support to repeatedly reasserted claims for the material significance of empire might at the end of the century be represented as persistent constraint upon the adjustments required for the competitive vitality of the British economy.[95] For example, the legacy of empire permeated the formulation of the kingdom's strategic fiscal, monetary and commercial policies in ways that retarded and hampered the adaptation of the economy to the realities of international power and competition after 1945.[96] Only Portugal and, to a more limited extent, France seems to have been economically afflicted (and not to the same degree) by the cultural and political legacies of empire.[97]

How economically superior modern history might have turned out for Britain and the rest of imperial Europe if Cobden's and Hobson's recommendations for decoupling from empires had occurred in the late nineteenth rather than at the end of this turbulent century? Meanwhile, the thrust of our essay has been concerned to challenge, the widespread perception that European economies made gains from conquest and colonisation in Africa, Asia and Southern America that were somehow indispensable or at least hugely significant for their long term development.

In conclusion it may be interesting to offer some speculations as to why imperialism turned out to be less than profitable for several European states most actively and consistently involved in expansion and enterprise overseas?

Since European governments together with private investors persisted with various forms of colonial rule on and off for nearly five centuries, it must be the case that they believed that their policies and actions would pay. With hindsight, historians can now suggest that time and again statesmen, generals, admirals, projectors, entrepreneurs and investors involved in the promotion of Europe's

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94 Offer, 'The British empire', pp. 215-38

95 Feinstein, 'The end of empire', pp. 212-33

96 Webb, *The Political Economy of Policy Coordination*

97 Lynch, France and the international economy

imperialistic enterprises overseas underestimated the expenditures and risks involved. Costs of conquest often turned out to be much greater than first anticipated. Prospects for loot and plunder promoted ventures overseas and could produce immediate and sometimes large gains. Nevertheless the pacification and persistent coercion of native populations overseas denuded the economic basis for long term exploitation of the natural resources, tradeable commodities and markets that Europeans hoped to turn into flows of material benefits for themselves, their societies and their power within the international order of competing states.[98]

Furthermore, and until very late in the day, European governments, merchants and businessmen failed to invest at anywhere near the levels required in the infrastructural facilities and human capital formation in order to ensure that their political rule over colonial populations, natural resources and under-exploited assets in Africa, Asia, and South America became really profitable. North America was another story but the discovery and exploitation of that sub continent crowded out European investment elsewhere in the world economy.

Meanwhile, and for two reasons, the costs of rule (including coercion and the extension of incentives designed to secure collaboration between the colonised and the colonisers) increased through time. Even among the more ruthless of imperial states, capacities for control remained geographically, politically and economically constrained by the resources and instruments for the exercise of power at their disposal. When the technologies for stronger more intrusive government gradually improved, they faced growing resistance from nationalistic movements for colonial freedom which raised the costs of coercion within empires and also at home within the metropolis.[99]

Local resistance certainly mattered particularly when it came to time to depart and when the reluctance to leaving by some European governments inflicted a final round of heavy costs upon several metropolitan economies. Finally, throughout the five centuries or more of European expansion overseas, the context of great power politics within which imperialism occurred promoted rivalry,

98 Landes, *Wealth and poverty of nations*

99 Liberman, *Does conquest pay?*

mercantilism and warfare among the states which is perhaps the major reason why the potential gains to Europe from overseas expansion, colonisation and trade were dissipated and at this end of the twentieth century look so disappointing.

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