Each chapter therefore constitutes a specific topic and debate, and can be read in its own right. However, considerable reference is made throughout to other chapters, and this relates to the question of certain running themes which pervade the book, in terms of both structure and argument. Obviously, questions of globalization, neo-liberalism, hegemony and, above all, development are central to most, if not all, of the chapters. But it will, hopefully, become clear to the reader that there are certain commonalities which connect the argument throughout the book, even if these are applied to specific topics in their respective chapters. These general issues are addressed throughout, and we return to them in summary form in the concluding chapter, which (together with Chapter 10) revisits the debates outlined and introduced in this opening chapter.

Chapter 2

Capitalist Expansion and Imperialism

In order to provide a clear understanding of contemporary globalization, we first need some historical perspective. A crucial theme of this book is the capitalist nature of contemporary globalization. Therefore, it is necessary to explain the origins of capitalism and the development of an international capitalist system. This is an enormous task and this chapter can only provide the outlines of an explanation.[1] The focus of the chapter is on the origins and development of capitalism, including a brief periodization of international capitalist development, looking at mercantile expansion (around 1500 to 1840), free trade imperialism (Europe-wide, 1850–80; specific to Britain, 1840–1914), and classical imperialism (1880–1914, and 1918–45). Central to the arguments that follow in later chapters is an examination of the historical legacy of this expansion, and an investigation of three fallacies about the nineteenth century, which have been repeated in current debates over the nature of contemporary globalization.

The Origins of Capitalist Development

Capitalism is often defined as the expansion of production for the market. This is a definition that unites both neo-liberals and some radicals. In this definition, there is an implicit view that capitalism represents a form of quantitative progress, in which there is a gradual development away from production for use, and towards production for exchange. At a certain point this develops to such a degree that market competition comes to dominate economic behaviour. At this point radicals and neo-liberals depart, the former arguing that market exchange is inherently unequal and exploitative (Sweezy 1976), the latter suggesting that it represents the most advanced social and political order (Bauer 1991).

Marxists reject this definition of capitalism, or at least regard it as unsatisfactorily incomplete (Marx 1976: 873–904). They instead argue that capitalism cannot be defined simply as quantitative expansion, because it represents a qualitatively new system of production and exchange. According to this approach, trade and the market have existed throughout history, but in capitalist society they take on a new, disciplinary form. In pre-capitalist societies, production for the market exists, but this is simply a mechanism to exchange a variety of goods, or for merchants to make profits through buying cheap and selling more expensively. In these examples the market represents an opportunity for diversifying consumption or merchant profit. For the direct producers in such societies, there is no compulsion to diversify production, or improve production methods. It is probably true that production methods improved through experience, the development of skills, and basic technologies, which all reflect the fact that human beings want to improve their quality of life, including increasing output. However, such improvements tended to be on a relatively small scale and often came at the cost of harder and longer work. In capitalist society, on the other hand, the market takes on a new disciplinary form, forcing producers to develop the most efficient methods of production, or else face the prospect of being put out of business. This is because the production of goods for the market is generalized, so that all (or most) goods are now bought and sold through the market.

Crucially, however, Marxists argue that this does not simply represent quantitative expansion and the generalization of market opportunity, but rather it reflects a set of social processes that give rise to the generalisation of production for the market – or commodity production. Most specifically, producers are deprived of access to the means to produce goods for direct use, and they are deprived of this access because they are forced from their means of livelihood. In agrarian England, where capitalism first developed, this occurred through a long process of forcing people off the land. This reflected earlier processes of peasant differentiation in which land was increasingly concentrated in the hands of wealthy tenant farmers, who bought the leases for the land from less productive and therefore uncompetitive producers, a process which intensified with the enclosures, which further forced direct producers from the land (Brenner 1976; 1982). These developments laid the grounds for the development of agrarian and then industrial capitalism, because they meant that the separation of the producers from the means of production simultaneously generalized production for the market. The direct producers could no longer produce for direct use because they no longer had access to land, their means of livelihood. They therefore searched for work on the large farms and in towns, in order to earn a wage. This wage was then used to gain access to the means of livelihood, but now this was through the buying of goods in the market. The generalization of commodity production therefore pre-supposed a social, class division between the owners of the means of production, and those who sold their capacity to labour in order to gain access to goods through the development of a wage – the working class.

At the same time, faced with the prospect of being out-competed by competitors through the cheapening of goods sold in the market, the owners of the means of production – the capitalists – had to find ways to lower prices. One way was to invest in new technologies that increased the productivity of labour, which laid the grounds for an unprecedented accumulation of capital and the development of the productive forces, including new technologies.

This brief account of the origins and development of capitalism has been subject to a number of criticisms. Some have questioned the 'uniqueness' of North-West Europe and especially England in the seventeenth century. This debate has been revived through the development of 'new global history', much of which suggests that Europe was at a level of development similar to parts of Asia up until as late as the eighteenth century (Pomeranz 2000). Some have even argued that Europe was behind Asia, and that this historical fact will re-occur in the twenty-first century (Frank 1998). These arguments are problematic however, and most evidence points to an earlier divergence that can be explained through the development of capitalist social relations in parts of Europe, particularly England (Allen 1992; Wrigley 1994). Contrary to the claims made by some 'global historians', this does not constitute a Eurocentric argument, but rather an explanation for the historical fact that Europe did at some date develop at a faster rate than the rest of the world. At times, these historians come close to arguing that recognizing this historical fact is a Eurocentric argument (see, for instance, Blaut 1993; Hobson 2004). This is ironic given that they too recognize that divergence did take place at some point, but also because this account fails to recognize the historical specificity of capitalism (Wood 2002).

Having said that, what the account of capitalism presented above fails to do is to relate these developments to a theory of 'the international'. In this respect, the new global historians have a valid argument, and they rightly criticize a tendency to theorize 'capitalism in one country' (McCauley 2001). However, the rest of this chapter will suggest that this account of capitalism can provide a theory of the international, and an account of how this has developed through a number of periods (Rosenberg 1994; Teschke 2003). In doing so, it will explicitly draw on – and where necessary, criticize – the arguments of the new global historians. It will also give some brief attention to the views of 'liberal historians' (Landes 1998; Ferguson 2003) who argue that capitalism and colonialism were progressive developments in history.

Periodizing International Capitalist Development

This section outlines three periods of international capitalist development: the mercantile era, the free trade era, and the era of classical imperialism. As will become clear, these three periods do not neatly follow from each other, and the second period only really applies to the (briefly) hegemonic power of the time, Britain. Moreover, this period of free trade crosses over into the era of classical imperialism, when Britain continued to adopt free trade policies, which were quite unlike the policies adopted by other imperialist powers.

Mercantile expansion

Given the definition of capitalism outlined above, it should be clear that the expansion of merchant *capital* does not in itself constitute *capitalist* expansion. Indeed, as many of the new global historians have pointed out, there have been many periods in history in which trade across localities and regions has expanded (Rodney 1972; Abu-Lughold 1989; Frank 1998). But mercantile expansion is important in that, from the seventeenth century at least, it coincided with the development of capitalism in Europe. Indeed, for under-development and world systems theories, it was precisely this expansion that *caused* the development of capitalism in the core (European) countries (Williams 1987; Frank 1969; Rodney 1972; Wallerstein 1974). The new global historians have qualified this argument, suggesting that there were a number of possible causes, like abundant raw materials such as coal (Pomeranz 2000), but they also argue that Europe's contact with the New World was central to the industrial development of the former (Blaut 1993; Frank 1998).

The problem with this argument is that it implicitly rests on a definition of capitalism that reduces it to the expansion of trade. As a result, there is nothing distinctive about capitalist trade, and therefore there is no explanation for why there is a tendency to develop the productive forces in one part of the world – Europe – but not (or not at the same level) in other parts of the world. In other words, trade may take place between different regions, but only under capitalist social relations is there a compulsion to invest in productivity-enhancing technologies. The effect of trade in different parts of the world will therefore depend in part on the social relations in those different parts of the world. Certainly there was colonial plunder, but this was only turned into capitalist investment in those countries where capitalist social relations were most developed. Thus, England's plunder of the New World was at times used to facilitate further investment, but this was not the case for Spain, where capitalist social relations developed at a later date. Even if we leave aside the social relations of production that led to re-investment, the evidence suggests that trade relations between Europe and the New World were not so central that they can be considered the real engine of growth for the former. In 1700, Britain exported only about 8.4 per cent of its national product, and by 1801, this had increased to only 15.7 per cent. Moreover, colonial trade was only a small proportion of total foreign trade (Bairoch 1993; Engerman 1994). Britain was dependent on the New World for some products, particularly sugar, timber and cotton. However, as Britain industrialized it shifted its dependence on sugar and timber to Europe (Duchesne 2001/2). Cotton was more crucial because Britain was totally dependent on imported raw materials, and the cotton and textiles industry was central to the industrial revolution. However, in 1770 the industry accounted for only 1 per cent of total industrial production, and by 1841 it still accounted for only 7 per cent of Gross National Product (O'Brien 1991: 302). Moreover, prices paid for these New World products were actually *above* world market prices, which again suggests that it was not trade itself that promoted the development of the core and the underdevelopment of the periphery. Rather, it was the different ways that different parts of the world responded to international trade, and this was a product of very different social relations of production (Brenner 1977). This suggests that assigning causality to trade – be it development or underdevelopment – is problematic, an argument to which we will return throughout the book.

It should be clear then that the development of international trade through networks of merchant capital cannot explain the rise of capitalism. However, while international trade was not the engine of growth that fuelled the industrial revolution, neither was it irrelevant. In the period from 1688 to 1815, exports from Britain increased, and the Americas, Africa and Asia became major markets for British manufactured goods, at a time when its European markets temporarily fell (Solow and Engerman 1987: 9–10). This development led to all kinds of favourable spin-offs, including new ports, networks of merchant activity, new supplies of food and raw materials, and markets for British manufacturers. But perhaps more important than this was the way in which the colonial encounter helped to forge the development of British hegemony, not least through the further development of a fiscal–military state and dominant naval and sea power. In other words, the development of state power was intimately connected with colonialism (O'Brien 1999).

However, most important of all is the point that while colonization, trade and plunder cannot be identified as the main causal factors behind the industrial revolutions in Europe, the fact remains that such contact had devastating effects for the periphery. This included contact with

European diseases, the mass murder of indigenous populations, and the expansion of systems of forced labour such as slavery. These practices undermine the argument that the eighteenth-century empire was a progressive development for the periphery. Moreover, even if we only focus on the narrower question of economic development, similar conclusions can be reached. If we return to the definition of capitalism outlined above, and link the development of the productive forces to historically specific class relations, then we can see that European contact with the periphery did not lead to 'development' for the latter. Instead, the nascent capitalist powers of Europe drew on existing systems of forced labour such as slavery. There were of course indigenous merchants and landowners who benefited from the triangular trade. West African slave traders were happy to buy European goods in return for slaves, while New World landowners bought European goods in return for the products of various systems of forced labour. Already then, an international division of labour was in place which served the interests of powerful indigenous classes in the periphery, and at the same time hindered capitalist development along European lines.

Free trade imperialism

Nineteenth-century free trade imperialism applied only to Britain, the hegemonic power of the time. Following earlier criticism by Adam Smith, after 1815 a number of prominent economists criticized the costs of Empire (Ward 1983). This was often linked to the idea that free trade between nations would increase wealth, through countries exercising their respective comparative advantages, and that greater commercial interdependence would facilitate peace between nations. The former argument was linked to David Ricardo's theory of comparative advantage, which, as we saw in the introductory chapter, suggested that specialization and free trade could increase world output, and therefore any countries that entered the world market could mutually benefit from trade. Ricardo said that this argument held even when one country held an initial advantage in, say, two goods over another country. This country could forgo production in that good which had the higher opportunity cost, and specialize in the good in which it had a lower opportunity cost, and thus through specialization could exchange the surplus of the good in which it had a comparative advantage for another country's surplus. This would work for the benefit of both countries, although as we have also seen, Ricardo (1981) suggested that this applied only under certain conditions, including full employment, similar levels of production, and capital immobility, an argument that tended to be ignored by later proponents.

The latter argument was often made by free trade's principal advocate in the nineteenth century, Richard Cobden (1903), who argued that free trade could lead to the replacement of the mercantilist international relations of war with a new form of international relations based on mutually beneficial commerce and therefore peace. In this respect the movement towards free trade was linked to earlier ideas of cosmopolitanism and the promotion of the universal interest of all humanity (Kant 1983). We will see in later chapters that this argument was revived under US hegemony after 1945, and is closely associated with the globalization debates of the 1990s and beyond.

But on the other hand, there was also a recognition that the universal interest was not incompatible with British interests. With Britain the workshop of the world, it was argued that there was little need for direct colonial rule. Britain's productive and competitive supremacy was such that it could out-compete other powers in a 'level playing field' of open access to markets. At the same time, Britain's links to its colonies actually became less significant, and its trade with other capitalist powers increased. From 1790 to 1860 the share of British exports to imperial markets fell by about 50 per cent. From 1860 to 1913, the percentage of imports from the Empire rose from 20 to 36 per cent, but much of this came from the white settler dominions such as Canada and Australia, rather than the colonies of the periphery (O'Brien 1999: 64). Moreover, Britain's trade with its colonies was unusually high, and the figures for other European powers were much lower (Barratt-Brown 1970).

The growing marginalization of the colonies did not mean the end of an imperialist relationship between colonizer and colonized. The increase in exports to the periphery, particularly after the onset of the industrial revolution, led to widespread de-industrialization. While Europe and the United States protected themselves through imposing high tariffs on British imports, India was not allowed to pursue such a policy. When the colonial government in India imposed very low tariffs in 1859, Britain reciprocated. African and Middle Eastern countries, although starting from lower levels of industrialization, suffered similar fates. In Latin America, independence initially made things worse as British pressure opened up Latin America's markets to cheap imports from European – and especially British – producers, a policy supported by the dominant landowning classes in the region and enforced through a series of 'unequal treaties' from the early to mid-nineteenth centuries. In Latin America at least, from the end of the nineteenth century, tariffs were imposed in order to protect local producers from foreign competition, a course of action unavailable to the formal colonies, and indeed China, which also entered a number of unequal treaties with Britain from the 1840s, a policy enforced by the 'gunboat diplomacy' of the

British (Semmel 1970). This violent enforcement of 'liberal' free trade thus undermines the basic contentions of the 'liberal peace' thesis associated with Cobden (Barkawi 2006: ch. 2).

Thus, the idea that free trade represented the interests of all countries in the world, and that growth and prosperity could be secured for all so long as each exercised its comparative advantage, ignores the force involved in incorporating different parts of the world into the international economy. Moreover, it also ignores the very different growth experiences of different regions, and the ways in which some parts of the world shifted away from free trade in order to promote what later came to be called development. For a brief period in the mid-nineteenth century, Britain successfully convinced other European countries that free trade represented their interests – for instance, the Anglo-French (Cobden–Chevalier) treaty of 1860 liberalized French trade, and tariffs in Germany tended to go down from the 1850s to 1870s. Between 1861 and 1866, almost all European countries entered into what became known as the network of 'Cobden treaties', named after Britain's foremost advocate of free trade (Bairoch 1993: 22–4). But by the late 1870s and early 1880s (and earlier in the US), there was a marked shift back towards protectionism. For these new challengers to British hegemony, free trade ultimately represented British interests. It was these same protectionist countries – in western Europe and the United States – that most effectively caught up and overtook Britain, a development that has some important parallels with the emergence of the East Asian newly industrializing countries in the late twentieth century.[2] It was also these same countries in Europe and the United States that promoted a new period of imperialist expansion in the late nineteenth century.

The era of imperialism

From 1870 to 1900, a few core states added 10 million square miles of territory and around 150 million people – one-tenth of the world's population – to their already existing colonial empires. By 1900, 90 per cent of the African continent was in European hands, and by 1913 the European colonies controlled 11 times the amount of land and 18 times the number of people that were directly ruled within the European states themselves (Cohen 1973; O'Brien 1997). This colonization process was carried out by just a handful of core states: Britain, which increased its territories by 4 million square miles; France, which had an increase of 3.5 million square miles; Germany, Belgium, Italy (1 million); United States and Japan (100,000 each); and Portugal (300,000) (Hobsbawm 1987: 59). In the context of this new era of colonial expansion and the build-up to the First World War, Marxists attempted to develop a theory of capitalist imperialism. These theories linked the rivalry between imperialist powers before 1914 to what they perceived to be a new stage of capitalism. Thus, Lenin argued that imperialism had five characteristics: concentration of capital, which led to monopoly; the merger of bank and industrial capital (financial capital); the export of capital; the formation of trusts and cartels; and the territorial division of the world (Lenin 1975). Monopoly was for Lenin a key characteristic and this was linked to the concentration of production, seizure of raw materials, the rise of national banks and colonial policy. This tendency towards monopoly did not mean the end of competition but rather its intensification. Bukharin (1973) further developed this contention, arguing that the world economy was dominated by competing blocs of nationally organized capital.

Lenin was certainly right to point to increased territorial expansion, capital export and inter-imperialist rivalry. But his account of the (causal) links between them is largely unconvincing. Britain did not have close links between industry and finance, and the British state maintained its commitment to free trade. Indeed, British colonial acquisition was intended to defend free trade against the more exclusive trade policies of its rivals, and British finance played a prominent role in financing competitors. Moreover, there was no close link between foreign investment and colonial expansion. The proportion of investment in the Empire increased from 36 per cent in 1860–70, to 47 per cent by 1901–10, and then declined slightly to 46 per cent from 1911–1913. However, the Dominions and India (that is, existing colonies) accounted for most of this investment. The proportion of total investment in Africa (excluding South Africa) stood at only 2.5 per cent in 1913. From 1900–1913, the US accounted for 20 per cent, Latin America around 22 per cent, and Europe 6 per cent of British foreign investment. In terms of British exports, the Empire accounted for 34 per cent from 1881–1890, 34 per cent (1901–10) and 36 per cent (1911–13), but again the Dominions (18 per cent in 1911–13) and India (11.5 per cent in 1911–13) were far more important than Africa (2 per cent). On the eve of war, Europe (36 per cent), South America (12 per cent) and the US (9 per cent) were also more important (Barratt-Brown 1970: 110).

In the case of other imperialist powers, trade *between* these countries was more important than trade with the colonies. In 1913, 68 per cent of France's trade was with other 'Northern' countries, while the figure for Germany was 53 per cent, the US 74 per cent, and other western European countries 70 per cent. As a whole, in the period from 1880 to 1938, only 17 per cent of total developed world exports went to the periphery, and of these, only half went to the colonies (Bairoch 1993: 72–3).

These shares took place in the context of growing international trade, which from 1870 to 1913 grew at an annual average of 3.5 per cent (Bairoch and Kozul-Wright 1996: 8). This fact is used by some writers to support the idea that this was a period of early globalization, characterized by open trade and high rates of growth (Sachs and Warner 1995; Desai 2002), and is usually linked to an optimistic thesis about the developmental potential of globalization in the early twenty-first century, discussed in Chapter 7. Thus, Lindert and Williamson (2001: 18) argue that pre-First World War globalization 'looks like a force equalizing average incomes between participating countries', implying that late nineteenth-century globalization was a progressive force so long as countries were prepared to adopt policies that could reap the benefits. The idea that globalization can be a marginalizing force is thus discounted from the outset, and the divergence between countries is assumed to be the product of insufficient globalization, a weak argument that we will return to in due course. Even leaving this aside for the moment, the fact is that the evidence for an open economy in the nineteenth century is unconvincing. In 1913, average tariff rates were high in all the advanced capitalist countries except Britain, which had a free trade policy of open access and therefore zero tariff rates. In contrast, average tariffs on manufactured goods in Austria–Hungary were 18–20 per cent, in France 20 per cent, in Germany 13 per cent, in Sweden 20–25 per cent, and in the United States 44 per cent (Bairoch and Kozul-Wright 1996: 8).

If Marxist theories of imperialism – especially those associated with Lenin and Bukharin – suggest that there is a close connection between monopoly capital, capital export, and colonial expansion, then the figures above seriously undermine this argument (Warren 1980). But this argument is perhaps one that may not have been made by Lenin and Bukharin, and rather it is one taken up by their later followers (Brewer 1990). Certainly Lenin barely mentioned the scramble for Africa and he explicitly rejected the argument that colonialism and imperialism were one and the same. In this respect, Lenin was concerned less with explaining how the world had been divided, and more 'to show the disastrous effects of competition between various blocs of capital upon a world *already divided up*' (Etherington 1984: 135). Bukharin also drew out the contradiction involved in the practice of each state protecting its own state (and colonies) through tariffs, while simultaneously demanding the right to sell freely in other territories. Britain did attempt to continue a policy of business as usual, and promoted free trade, but, with the development of new industrial rivals who themselves were expanding their empires, the context had changed and there was clearly a new era of inter-imperialist rivalry.[3] It was this conflict that, for Lenin and Bukharin, made war necessary. Indeed, this era of protectionism was closely linked to territorial expansion, as, Britain apart, the colonial powers exercised protectionist policies designed to secure the raw materials and markets of their newly acquired territories. As Rudolf Hilferding (cited in Hobsbawm 1987: 72), another classical Marxist theorist of imperialism put it, 'tariff and expansion became the common demand of the ruling class'. In this respect at least, the views of Lenin and Bukharin, as well as Hilferding, were convincing.

Having said that, both Lenin and Bukharin link imperialism – including the export of capital to the colonies and semi-colonies – to the necessity of renewed capital accumulation, suggesting that this opened up new fields for surplus capital in search of new profits. Certainly the new imperialist wave of the late nineteenth century took place in the context of the prolonged recession from 1873 to 1896, but this does not mean that this recession was overcome by exporting capital to the colonies and semi-colonies. Lenin's own evidence showed that most capital was exported to other core countries, which supposedly suffered from an excess of surplus profits. This suggests that the new era of imperialism was the product not of a stagnant, decaying capitalism in the core countries, but rather of a new era of capitalist expansion, even if this was one that started in a recessionary phase (Olle and Schoeller 1982).

If this is the case, then this leads us back to the question of the impact of such expansion on the colonies and semi-colonies. For if it was a new era of expansion, did this lead to the promotion of capitalist development in the poorer areas, and therefore did it lead to progressive liberal modernization? This is the question asked by 'liberal' apologists for Empire (Ferguson 2003: Lal 2004) as well as some Marxists who not only argued that capitalism was progressive compared with pre-capitalist modes of production, but who also suggested that such expansion promoted capitalism in the periphery (Warren 1980). Paradoxically, the figures above undermine not only the so-called Leninist position on imperialism, but also the idea that imperialism was a modernizing force, for as we have seen, most capital investment and trade stayed in the already developed regions. This both reflected and exacerbated an unequal international division of labour which was 'suited to the requirements of the chief centres of modern industry' and which 'converts one part of the globe into a chiefly agricultural field of production, for supplying the other part which remains a chiefly industrial field' (Marx 1976: 520). What then of the capital investment that did go to the colonies?

Much of this was invested in secure, low-risk ventures such as transport and infrastructure, and this in turn was used to secure important raw materials that were used as inputs for the new wave of industrial expansion, or were luxuries consumed by the wealthy in the developed world. This included rubber from West Africa, Latin America and Malaya, tin from Asia and South America, gold and diamonds from southern Africa and copper from Chile and Peru. Oil became increasingly important in the early twentieth century, and although the US was the major supplier, there were also important sources from within the developing world. Much of the production of these and other goods was carried out by peasant or forced labour, with the result that (apart from appalling work conditions) the colonies essentially rested on relatively stagnant production, in which the producers were vulnerable to fluctuations in market prices and/or the systems of taxation imposed by colonial states (Phillips 1987; Nzula et al. 1979).

These developments also left longer-term political and economic legacies. Colonial states often not only reinforced but actually intensified pre-colonial social hierarchies, magnifying previously fluid and changeable social divisions. This policy was carried out in order to ensure that minority colonial rule could be more easily controlled by the colonial power, and so access to land or political office was often determined by 'race', 'tribe' or ethnicity (Mamdani 1996; 2001). Previously fluid social categories such as Hutu and Tutsi, and Tamil and Sinhalese, were thus fixed, and the colonial power consciously favoured one social group over another, a legacy that persists in various forms to this day.[4] Economically, the effect was to leave the colonies marginalized through their dependence on the export of one or two primary commodities, almost all of which were sold to the metropolitan countries, while European and other core states tended to invest and trade with each other far more than with their colonies (see above). This meant that the colonies and semi-colonies were far more dependent on the metropoles than the metropoles were on the colonies. This fact did not reflect the burden of the colonial powers as many imperialists (then and now) contend, but rather reflected the fact that colonialism effectively marginalized the developing world, or, at the very least, the incorporation of the developing world into the world economy was done in a way that promoted inequality. This point applied also to the semi-colonies in Latin America, whose landowning elites were (at least for a while) happy to import manufactured goods and export primary goods. Developing countries thus faced a 'Catch-22' situation – in times of boom (such as 1900–13), they earned income from exporting products to the developed world, but not at a sufficiently high level to effectively develop the 'national economy', and in times of crisis they particularly suffered from the lack of demand in the developed world. This situation was particularly acute in the war years (1914–18) and in the depression of the 1930s (O'Brien 1997). Along with the war effort of colonial peoples, these developments were important in promoting anti-colonial and labour rebellion, especially in the 1930s, and were also important in the promotion of a more developmental colonialism which promoted some industries and more investment in welfare colonialism (Kiely 1996: ch. 2).

One result of this unequal international division of labour was an increase in divergence in income between the rich world and the poor. In 1950, when colonialism began to end, average incomes were at most 10–20 per cent higher than they were in 1800, while in the developed world, they were more than 500 per cent higher. Moreover, in some parts of the developed world, they were 1000 per cent higher, while in parts of the Third World, they were actually lower than they had been in 1800 (Bairoch 1993: 95).

Conclusions: Three Fallacies and the Legacy of Imperialism

This chapter has provided a brief overview of international capitalist expansion from around 1700 to 1945. The discussion has implicitly pointed out three fallacies which I want to more explicitly emphasize in this conclusion. These fallacies are important for the discussion that follows in later chapters, and not least for understanding contemporary globalization and/or US imperialism, and how these relate to the question of development. The three fallacies are:

(i) that capitalist expansion and imperialism led to the progressive diffusion of capitalism to other parts of the world, and thereby enabled the periphery to catch up once it was incorporated into the world economy;

(ii) that the late nineteenth century was an era of globalization based on a relatively open world economy, and which therefore led to a sustained economic growth that was only interrupted by war and the 1930s depression;

(iii) that the late nineteenth-century imperialism was a product of the need for 'surplus capital' to expand into the colonies/developing world in order to find new outlets for capital accumulation.

The first two fallacies are associated with liberal apologies for Empire, imperialism and (as we will see) globalization.[5] The first argument can be linked to the idea that colonialism integrated the developing world into the world economy and therefore secured the conditions for economic growth, through specialization and the exercise of comparative advantage. It is also associated with the idea that the liberal empire (mainly associated with Britain) was more advanced than the rest of the world, and therefore the civilizer, or (more politely) the teacher, of the backward world. The second argument then follows from the first, as it is associated with the argument that the (alleged) progressive opening of the international economy promoted economic growth for all participants in the world economy. These arguments are essentially the same (although the post-colonial context is different) as those made by liberal apologists for globalization in the early twenty-first century, as Chapters 5 and 7 will show. On the other hand, the third argument, which contends that capitalist expansion into the periphery was a necessity, is very similar to (some) early twenty-first century Marxist critiques of 'the new imperialism' (Harvey 2003), which will also be discussed in later chapters, particularly 5, 6 and 9.

What should be clear from this chapter is that each of these contentions, at least as applied to the nineteenth and early twentieth centuries, is unconvincing. There was capitalist expansion, and indeed economic growth throughout the world, but it was uneven and hardly promoted convergence between countries specializing in their respective comparative advantages. Instead, there was unequal and uneven development, which in turn encouraged high rates of protection and colonial expansion by the new rivals to Britain. This uneven development of the world economy in some respects confirms the views of classical Marxists on imperialism, but on closer inspection this too is a fallacy. Ironically, it is a fallacy for one basic reason, which itself can be used to undermine the liberal case for Empire and imperialism, namely that most capital did not flow from the core to the periphery, but tended to concentrate in the core regions of capital accumulation. The periphery was thus incorporated into the international economy, but in a way that reinforced its peripheral status (O'Brien 2006). This left a legacy in the periphery of racialized state structures, poverty, and dependence on the export of one or two primary goods.

The colonial legacy is certainly not the sole explanation for 'disappointing' development indicators in the post-colonial era, but it is certainly not irrelevant.[6] This will become clear in Chapters 3 and 8, which examine post-war development and the relationship between the nation-state and development. It also left a legacy for 'developing countries' of unequal incorporation into the world economy, and 'it is no exaggeration to say that the opening up of those economies was one of the major reasons for their lack of development in the nineteenth century. In fact, the term non-development is an understatement since it led to a process of de-industrialization and to structural changes that made later development more difficult' (Bairoch 1993: 171). This is not an argument that favours the idea that the colonial powers deliberately underdeveloped the colonies and semi-colonies. No matter how small, there was some economic growth in the periphery, and we cannot know for sure what would have happened had the colonies not been colonized. For these reasons we can accept the view that underdevelopment is a myth. But equally it is clear that the economic, social and political record of imperialism is hardly impressive, and so the idea that liberal imperialism led to modernization is equally problematic.[7] What this chapter has argued is that the creation of the nineteenth-century international economy was one that strongly favoured established producers in the core, many of whom actually pursued protectionist policies in order to achieve core status. In other words, the legacy was a deeply unequal international division of labour. How this affected the emergence and record of post-1945 'development' is the subject of the next chapter.