# I

## imperialism

AS A SOCIAL CONCEPT, imperialism became part of the political vocabulary as recently as the late 19th century, but empires have existed since ancient times. It can be argued that imperialism refers to the stage in the historical development of capitalism when it became a global system, from the 19th century onward. There has been an extensive scholarly debate on the phenomenon of imperialism, which was sharpened by the fact that its conclusions became important to Marxist political movements during the 20th century (even though Karl MARX never used the term).

After the INDUSTRIAL REVOLUTION in Britain in the late 19th century, the continuously expanding process of investment, technical change, production, and trade led to the emergence of a globalized economy. It involved a new international specialization of production in which the economies of a number of countries of Asia, Africa, and Latin America were restructured to export raw materials to, and serve as markets for the manufactured goods of the industrial economies. This phenomenon was associated with a division of the world among the major capitalist powers into a set of colonies and spheres of influence. For example, as Eric Hobsbawm points out, between 1876-1915 about one quarter of the globe's land surface was distributed in the form of colonies among half a dozen states.

It is undeniable that the division of the world (as much as its integration) since the late 19th century and the strategic projection of state power (as much as international collaboration) have had an economic dimension. Like the systems of power, the ideologies that legitimized the political imperatives of imperialism and those that impelled revolt, were also modulated by the expanding capitalist economy. Indeed, this new division of the world reached into the very heart of humanity. The colonized people were ruptured from their history, language, and culture, as they internalized the image of the native, an image that was constructed by the settlers charged with a civilizing mission. Thus, it was not only the economy of the colonized peoples that was restructured but their very psyche. As Aime Cesaire, in his discourse on colonialism, points out: “I am talking of millions of men who have been skillfully injected with fear, inferiority complexes, trepidation, servility, despair, abasement.”

***The dynamic of growth and inequality***. The new world that was shaped by the development of capitalism from the Industrial Revolution to the contemporary period was marked by dramatic improvements in TECHNOLOGY, and in the growth of output and incomes. Just as dramatic was the increase in the inequality of incomes and the availability of basic public services between the industrialized countries on the one hand, and the countries that became under-developed on the other. For example, the share of world income accruing to the advanced capitalist countries in 1850 was only 35 percent while the share of what are now called the less-developed countries was 65 percent.

Over the next 100 years there was a dramatic change in the relative economic fortunes of these two sets of countries brought about by the uneven impact of capital- ism. Thus, by 1938, the share of world income accruing to the advanced capitalist countries had increased to 76 percent while the share of the less-developed countries fell to 24 percent. The disparity in income shares subsequently continued to increase rapidly.

The question is, what is it in the nature of the industrialization process, within the framework of capitalism, that imparts to it such tremendous dynamism and such a powerful mechanism of inequality? In the late 18th and early 19th centuries, the shift from handicraft production to factory manufacturing represented perhaps a watershed in the history of man's relationship with nature. Throughout the preceding ages, it was the human hand that wielded the implement of production. There was, therefore, a close ceiling to the growth of productivity because it depended on the strength of the human hand and the quickness of the human eye. With the onset of large-scale factory production in capitalism, the implement of production was transferred into a machine, thereby opening up unprecedented possibilities of productivity growth. Now the speed with which the implement could be wielded was determined no more by the human hand, but by the development of science and its systematic application to machine design. Income inequality could therefore be expected to grow rapidly between industrialized and non-industrialized countries.

The capitalist growth process had a tendency for continuous expansion due to its social organization of production: Individual capitalists (later management-controlled corporations) were pitted in competition with each other within a market framework, where survival required not only increasing profit but reinvesting it continuously. In the process of reinvestment, if profit was to increase, an increase in productivity had to be achieved. It was this imperative of continuous reinvestment, expansion of profits, and the systematic application of science to production that imparted to capitalism an unprecedented dynamism.

At the same time, the fact that this process was powered by those who could acquire the initial investment resources, command labor, and secure access to raw materials and markets for finished goods, meant that there was an inherent tendency for inequality both at the national and global levels. The town-dwelling burghers, who started life as merchants supplying goods and finance to feudal estates in Europe, had by the end of the 17th century emerged as a political power in England. Such was the interplay between politics and a dynamic capitalist growth process, that by the end of the 18th century, the bourgeoisie had become a major political force in FRANCE, and by the end of the 19th century, the dominant political power in the world.

***Imperialism and the development of capitalism***. In the process of capitalist expansion after the Industrial Revolution, four distinct phases in the structure of the global capitalist economy can be identified. A brief discussion of these phases would indicate the dynamics of imperialism in the context of the changing relationship between the dominant capitalist countries and the de- pendent countries.

From the 16th century to the mid-18th century, there was direct appropriation of resources. This precursor stage to the Industrial Revolution was characterized by the coercive extraction of resources from Asia, Africa, and South America on the basis of organized, though selective, use of military force and administrative measures. As Ernest Mandel argues, the appropriation of resources in this period by Europe from the countries of the East was "the outcome of values stolen, plundered, seized by tricks, pressure or violence, from the overseas peoples with whom the Western world made contact."

In this pre-industrialization phase, trade consisted of imports into Europe of luxury goods from the east such as silk, cotton and fabrics, spices, and jewelry and precious stones. Trade in this period was neither conducted within free markets nor were norms of fairness in fashion at the time. The resources extracted from countries of the East during this period, were not only substantial, but may have played an important direct or indirect role in the process of investment and economic growth in Europe. According to a conservative estimate by a senior colonial official, Sir Percival Griffiths, £100 to £150 million was plundered from INDIA alone during the period 1750-1800. Its significance can be judged from the fact that the British National Income in 1770 was only £125 million, and the total investment that had been made in the whole of Britain's modern metallurgical industry (including steel), by 1790, was only £650,000. According to another estimate, gold and silver valued at 500 million gold pesos were exported from Latin America during the period 1503-1660. Similarly profit obtained from the slave labor of the Africans in the British West Indies amounted to over £200 million.

From the late-18th century to the mid-19th century there was a period of export of European manufacturers. Following the Industrial Revolution in Britain (which subsequently spread to Europe), the imperative of capitalist expansion was for each of the new industrial countries to secure sources of raw materials and exclusive markets for their manufactured goods. This involved not only sovereign control over the colonized countries of Asia, Africa, and Latin America, but a restructuring of their economies to enable systematic resource extraction through the market mechanism. Specifically this consisted of rupturing the link between domestic agriculture and handicrafts industry, which was the basis of the self-sufficiency of many of these countries. This domestic disarticulation laid the basis of integrating the colonized economy into the global capitalist economy.

The undermining of the domestic industry of the colony was, in many cases, conducted through protectionist measures. For example, even as late as 1815, Indian cotton and silk goods were 50-60 percent cheaper than similar British goods, thereby making Indian exports more competitive than the British. Accordingly, Indian exports to Britain were subjected to an import duty of 70-80 percent for a long period. Moreover on at least two occasions (in 1700 and 1720), import of Indian cot- ton textiles into Britain was prohibited altogether.

The domestic economy of the colonies was restructured to specialize in the export of cheap raw materials for the emerging European industry on the one hand, and import of its expensive manufactured goods on the other. Thus, the economy of the colony became structurally dependent on, and a source of resource extraction for, the European economy: The economies of Asia, Africa, and Latin America became part of world capitalism, yet the accumulation of capital that characterizes the system, occurred essentially in the dominant industrial countries. Thus, while the global economy was integrated, its gains were divided unequally between what Samir Amin calls the metropolitan and peripheral countries, respectively.

The late 19th century to the mid-20th century was characterized by the export of capital. Joseph SCHUM- PETER describes "gales of creative destruction," that swept away the inefficient firms; the efficient firms, through new products and manufacturing processes, rapidly increased their market share. By the 19th century, large national corporations emerged as an important production unit in the dominant capitalist countries. This enabled considerable monopolistic profits to be made. Soon there was the attendant problem of re-investing these within the European market, which set the stage for the DEPRESSION of the 1870s. This crisis impelled an historically unprecedented export of European capital. During the period 1870-1914, large investments were made in CANADA and AUSTRALIA. Apart from this, rapid development of COMMUNICATION technologies (steam ships, railways, and telegraphy) enabled export of capital to a number of countries in Asia, Africa, and Latin America for building economic infrastructure to facilitate the export of raw materials, and the import of European manufactured goods.

The growth of large national corporations during this period resulted in intense rivalry and occasional conflict between the dominant industrial countries, as their respective national corporations sought to secure sources of raw materials, and markets for their goods and capital in the rest of the world. These tensions constituted one of the underlying factors leading to WORLD WAR I.

The mid-20th century to the present can be called the era of multinational corporations, the information revolution, and the financial sector. After WORLD WAR II, a new era of globalization and (after the end of the Cold War) a new structure of power relations emerged whose specific features are just beginning to be manifested. At least three characteristics distinguish the globalized economy at the end of the 20th century from that of the late 19th century. These are:

1. In the late 19th century, the globalized process of extracting raw materials, manufacture, and sale of goods was conducted by large national corporations. This induced a contention between the dominant industrial countries. Since World War II, the multinational corporations have emerged as the predominant production unit. Within this framework there has been an inter-penetration of capital among the advanced industrial countries. Consequently the earlier rivalry and conflict between the advanced industrial countries has been replaced by the possibility of growing collaboration in the economic and political spheres, ensuring the conditions of growth and stability in the global economy.

   After more than 200 years of economic growth within the advanced capitalist countries and their dependent territories, a much more integrated globalized economy may be emerging in the world. It is a world where economic boundaries and, indeed, the sovereignty of nation states is eroding, although more for the weaker than for the stronger states. The doctrine that the free market mechanism at the global level is the most efficient framework of resource allocation, production, and distribution of GOODS is resurgent. It is being translated into national economic policies of various countries through the loan conditions imposed by multilateral institutions such as the WORLD BANK and the INTERNATIONAL MONETARY FUND (IMF), which emerged after World War II. More recently, the "open economy" policy framework has been embodied into a set of international trade agreements under the auspices of the WORLD

TRADE ORGANIZATION (WTO). Under these circumstances those developing countries, which do not have the institutions, economic infrastructure, and resources to compete in the world market, are vulnerable to rapid economic deterioration, debt, and impoverishment. This could be- come a new factor in accentuating international economic inequality.

2. The revolution in information technology (IT) has created the potential of a new trajectory of technological growth. Its consequences may be as far-reaching as the Industrial Revolution in the late 18th century. The Industrial Revolution involved the systematic application of science to machine manufacture and thereby laid the basis of rapid productivity growth. Now artificial intelligence, embodied in interactive computers, can become an aid to human intelligence itself, and can therefore help achieve an unprecedented acceleration in technological change.

As knowledge-intensive industries, particularly the IT industry, become the cutting-edge of growth, the economic gap between countries with a highly trained human capital base and those without such a base is likely to grow rapidly. While this fact has opened new opportunities for developing countries to achieve affluence (for example, the newly industrializing countries), it has also created a grave danger of rapidly increasing poverty for those countries that are not positioned to meet the challenge of knowledge-intensive growth.

3. The financial sphere in the second half of the 20th century has grown much more rapidly than the sphere of production, so that the volume of international banking is greater than the volume of trade in goods and services in the global economy. For ex- ample, international banking in 1964 was only $20 billion compared to $188 billion worth of international trade in goods and services. By 1985, the relative position of the two sectors had reversed with international banking valued at $2,598 billion and the value of traded goods and services worldwide being lesser, at $2,190 billion.

The predominance of the financial sector, internationally integrated financial markets, and the previously unimaginable speed with which financial transfers can be effected, have combined to introduce into the global economy a new fragility. Exogenous shocks (such as terrorist attacks, regional wars, and political instability in raw-material producing countries) can be transmitted much more rapidly through the globalized economic network. Therefore, the world's real economy that underlies the financial sphere and spawns production, employment, and standards of living in individual countries, is prone to instability. Economic instability in the real economy is likely to have a relatively greater adverse impact on poorer countries than on the rich, thereby further accentuating poverty and inequality.

***Future challenges.*** Through much of history, hunger and deprivation had pitted individuals and states against each other and therefore constrained the human quest of actualizing the creative potential of the individual. Capitalism, with its capacity for a rapid improvement in the material conditions of society based on science and individual freedom, created the possibility of human liberation. Yet the very process through which historically unprecedented improvements in technology and levels of material production were achieved, also created a world order based on dominance and dependence. While it provided hitherto unimaginable material well-being to a relatively small population, it engendered the conditions of systemic poverty, human misery and conflict for a large section of the world's population.

Today, after over 300 years of capitalist development, of the world's 6 billion people, almost half (2.8 billion) live in poverty (earning less than $2 a day per person). In poor countries, where the majority of the world's population resides, as many as 50 percent of children below the age of five are malnourished, thereby stunting their mental and physical growth. While there has been an impressive growth in technologies and production, the gains are grossly unequal. The average income in the richest 20 countries is 37 times the average in the 20 poorest countries, a gap that has doubled in the last 40 years. The poor countries are, in many cases, under such a heavy debt burden that the debt- servicing expenses are greater than their foreign-ex- change earnings, so that debt servicing itself has become a mechanism of resource transfer from the poor countries to the rich.

The rapid and continuous growth of production over the last three centuries has been associated with environmental damage, affecting the life support systems of the planet. At the same time economic destitution, illiteracy, or in some cases a sense of political injustice is tearing apart the fabric of society in some countries and giving rise to extremist tendencies that violate human values and threaten the economic and political stability of the world.

The problems of mass poverty, debt, and environ- mental degradation threaten the sustainability of growth (see SUSTAINABLE DEVELOPMENT) in a highly integrated global economy, which we have suggested, is both fragile and unstable. Overcoming poverty and debt will not only require changes in institutions and the structures of the economies of poor countries, but will also require large net-resource transfers from the developed to the developing world, and rectifying the asymmetry of global markets with respect to the rich and poor countries. These changes can only occur through international collaboration based on a shared human responsibility toward the global community and its future.

The problem of environmental degradation results from a level and composition of economic growth that is based on a private profitability calculus that does not adequately take account of the social costs of production. A market-based regime of tax incentives and disincentives, together with regulatory institutions, is, of course, necessary for reducing the environmental cost of growth. Equally important is the rapid development and adoption of environmentally gentle ("green") technologies. Yet this may not be enough. The level of growth itself may need to be adjusted to make it consistent with the conservation of the environment. In view of the fact that currently almost 85 percent of the world's re- sources are being consumed by less than 10 percent of the world's population, the burden of reduced growth in per capita consumption may have to be borne by the rich countries. This will require a new sensibility characterized by a responsibility of the individual toward the present and future human community, and new forms of social life.

BIBLIOGRAPHY. Samir Amin, *Accumulation on a World Scale* (Monthly Review Press, 1978); Frantz Fanon, *Black Skin White Masks*, Paladin, 1970); Robert Heilbroner, *21st Century Capitalism* (W.W. Norton, 1993); Eric Hobsbawm, *The Age of Empire* (Abacus, 1997); Karl Marx, *Capital* (Progress Publishers, 1887); Gerald Meier, *Leading Issues in Economic Development* (Oxford University Press, 1970); Joseph A. Schumpeter, *Capitalism, Socialism and Democracy* (Harper, 1942); "Attacking Poverty," *World Bank Report 2000/2001* {Oxford University Press, 2002).

AKMAL HUSSAIN, PH.D.
PAKISTAN INSTITUTE OF DEVELOPMENT ECONOMICS