

Imperialism and the Developing World with Atul Kohli

This is a written transcription of Atul Kohli's Global Development Institute webinar on 4th March. You can find a video or audio of the lecture below.

YouTube video: <https://youtu.be/d1Y13h5SGW4>

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All right let's get started then.

I will talk for about 45-50 minutes and during the talk, I will give you an overview of the new book imperialism and the developing world. The book is a study of both causes and consequences of modern imperialism and the focus is on British imperialism in the 19th century and on the American imperialism in the 20th century and I analyse both formal and informal empire that is colonialism but also significant influence without territorial control.

So it's a long book. About 540 pages of just text and then some for additional things. Took a long time to write. About 10 years. As the table of contents suggests it begins with the East India Company and ends with the most recent US war and intervention in Iraq. So it tries to make a sweeping sort of analysis of motives and impact behind great power politics and imperial interventions. So the first half of the book is on British Empire you can see the cases that are analysed very quickly here in the table of contents and the second half of the book is on American interventions and again very quickly you can notice the cases that I have covered. Now to give you a flavour of this book I debated how to do so and the decision I made was I'm going to do three things. first I'm going to summarize the overall argument in about 10 minutes and then I will give you two empirical snippets from the book and I chose one from the 19th-century British empire especially the East India Company's role in India with the nod to China and then for the 20th century I will talk about US role in Latin America especially in imposing Washington consensus on Latin American political economies late in the 20th century. So basically you will get a sense of the beginning and the end part of the book. Of course, I'm going to ignore much else that is in their book.

My hope is that it will get your appetite enough to go read the book and oxford university press will even give you a 30% discount if you send me or Emma an email and there is a voucher a discount. And the cover is great right? And contrary to popular perceptions you should judge a book by its cover and I have a great cover. So I can't promise the content that you have to judge but the cover is a Diego Rivera mural on top.

Let me summarize the... thank you Pritish, yes thank you for showing the cover... uh let me summarize the argument relatively quickly. So as I said the book traces both the causes of imperialism and the consequences of imperialism. Now focus on that fact for a minute causes of imperialism is generally a subject matter that is addressed either by diplomatic historians or scholars of international relations. Consequences of imperialism is a subject that is either sort of analysed by scholars of development economic historians dependency scholars or development trade-oriented scholars with interest in historical developments. So I've tried to bring these two strands of scholarship together from diplomatic international

history and study of the political economy of development in this book. So causes of imperialism those of you who study these things will know that the debates are a legion. Realists Marxist liberals all have their own views on why imperialists imperialize. I argue in this book that the top root of imperialism is the desire of hegemonic powers to enhance their national economic prosperity and I suggest that they do so by undermining sovereignty in peripheral countries and establishing open economic access.

So the key intuition that runs through the book, the key theoretical intuition is that national economic prosperity for metropolitan powers is both an end in itself but it is also a means to power and so the effort to separate wealth and power by liberals Marxists and realists I think in the end is foolhardy. I think the two are so deeply linked and as a result, the drive for imperialism has to be understood as both economic and political. This argument as you can imagine is in dialogue with both realist and Marxist standpoints and imperialism but I hope to transcend that debate and I would be happy to answer questions at the end if you have. So that's one thread that runs throughout the book.

The second thread that runs throughout the book, through case studies and through a variety of other methods of research, is what the impact of imperialism was. Of course, once again the subject is hardly new. Enormous amounts have been written just as it has been on causes. So it has been on impact in recent years there has been a tendency to lionize the empire again. Folks like Neil Ferguson and others have tried to recover some sense that imperialism might have had some positive sides to it. I demur from that side although I go back to older arguments but with newer evidence and in the end, argue that impact on the countries of the periphery was negative even sharply negative. so the central argument of the book as far as impact is concerned is or the central conclusion that emerges from the analysis of impact is that national sovereignty is an economic asset and since imperialism seeks to limit the sovereign power of subject people I suggest that there is an inverse relationship between the degree of political control external powers have over a country and its development and its development prospects. So put as a hypothesis the less control a state has over its own affairs the less likely it is that the people of that state will experience inclusive economic progress. I think I'm able to demonstrate in the book that impact varies with the degree of political control and so formal control or colonialism leads to the worst economic outcomes. Informal empire is somewhere in between but sovereign and effective states are needed for self-sustaining inclusive development. And this argument as you might imagine is in dialogue with both dependency and pro-globalization standpoint. So against all dependency arguments such as Wallenstein, I'm emphasizing a lot more the role of states and against pro-globalization standpoint, I'm suggesting that national sovereignty is an economic asset rather than openness.

So those are the two key themes that run throughout the book. About causes and consequences but then numerous sub-themes emerge by juxtaposing types of imperialism, types of centuries across which imperialism varies. The US versus Britain. All of that if you want to get a better sense of you will, of course, need to read the book but I put picked out three sorts of insights which I predict I find particularly interesting. To give you a flavour that the book is not only about generalizing causes and consequences but it is also about contrasting and finding patterns that differ and trying to find explanations for them. So let me just pick on three of them as an example first British and American imperialism differ in a very important way I argue that Britain needed an empire whereas the United States merely wants one and this distinction lies in the fact that the American economy was a giant

economy, to begin with. It was a continental sized economy and the type of need that Britain had to sustain its industrialization in the 19th century and needed colonies as a place to export its manufactured products. The United States never really had that need as intense and as a result. The United States I argue for a variety of reasons decided it wanted an empire and this distinction leads to some important to my mind inside. So for example you might notice that if you read the book or if you just are familiar with the subject that there is there was a lot more consensus in Britain in the 19th century about the need and desire for empire. Americans by contrast always disagree this was as true for their early intervention. In the 20th century and the Philippines as it was during the Vietnam war as it was during recent Iraq interventions. So there is a lot more disagreement and I traced that back through the degree of need which I think was a lot more intense for Britain than it is for America. so that's one type of comparative insight that emerges another type of question that I struggled with throughout the book was what were the circumstances under which metropolitan powers chose to colonize some parts of the world and establish an informal empire in other places. It's a question especially relevant for Britain in the 19th century. Why in the middle of 19th century India, Britain decides to impose formal control over India but chooses mainly to strike China with opium wars etc. etc. So those are the types of questions I struggled with and my argument, in the end, is different from the type of question type of argument the well-known historians Gallagher Robinson had offered. Which was written in the 19th century preferred an informal empire. Against that, I argue that the evidence supports both the United States and Britain prefer more political control over the periphery but settle for less when they face opposition either from the indigenous elite or from competing global powers but whether you buy that argument or not the point I want you to keep in mind is the main mechanism for establishing informal empire by both Britain and the United States over the two centuries has been an effort to establish what I call stable subservient.

So informal is empire works best when governments on the periphery offer stability but not so much stability that they are powerful enough to chart their own path. So they want subservience at their own at the same time and this effort to create stable but subservient governments on the periphery is both the challenge of informal empire and more often than not it has remained a work in progress uh sort of exemplified dramatically by the role of major imperial power. Say in China trying to prop up the Qing emperor late in the 19th century. So the second type of theme that runs throughout the book and finally of course this is a little more obvious but it's good to keep in mind that the nature of imperialism in the 19th and 20th century has changed dramatically. it has changed for lots and lots of reasons but one of the main ones which get underemphasized especially Americans don't think about this often enough is that the nature of authority structures in the global periphery have changed dramatically. So gone are the Maharajas, the Pashas you know the Kadios and various Sultans with which you could strike a bargain in the 19th century, where you sort of allowed them to rule and they collected taxes or provided armed forces. So that social structure on which informal empire, as well as types of indirect rule within colonialism, rested. Those social structures have vanished and as a result, you get the emergence of proletariat mass politics in the 20th century which makes the life of Americans much more difficult than it did of the British. in the 19th century you don't have Pashas out there anymore to control so Americans are constantly looking for the middle class to support them in a project of establishing stable subservience but that middle

class slips out of their fingers because more often than not they're pretty politically fickle and as amenable to nationalist appeals as to any other vested interest. So in other words I make the case that the creation of informal empire has become very difficult late in the 20th early in the 21st century and is likely to lead to more and more imperial failures in the future when American attempts more Iraq's in the new millennium. so that's the type of book this is I have given you a flavour of the overall argument and even if I didn't spend any more time you now have a sense of what the book is about I've given you. So it focuses on causes consequences and a variety of sub-themes that I compare.

Now I'm going to walk you through some empirical snippets throughout the book and they will just add to what I have already said give you a texture of how I developed the argument in the book. I was going to spend some time on how I conceptualize and define informal empire but time is short and I'm going to skip this slide. The only thing I will say is that I emphasize the role of coercion in what constitutes an informal empire and if anybody wants to ask questions, of course, please do so or take a look at the book chapter itself because very often people want to know what on earth is an informal empire. Everybody recognizes the colony but the informal empire is more a little more analytically fuzzy and so I emphasize the role of coercion.

All right now to the two snippets, I'm just going to check the time I have taken all right.

So I'm going to talk a little bit about Britain and India first and then about the United States and Latin America second. The British role in India in the 19th century the main storyline to this audience is well known. If you're associated with something called Global Development Institute the main storyline I'm going to presume you folks have a good sense of. I argue you know this part is not that controversial that East India Company's role in India began at the behest of private interests but over time the British state and the EIC became close partners in India that part is not controversial.

I found the evidence pretty persuasive that imperial motives were deeply economic but what exactly that means needed to be spelt out. economic motives included both narrow profits first of the East India Company itself which meant a variety of investors mainly in London that had invested in EIC but if it was just that then the argument would be much more amenable to a Marxist type of analysis over and over again. What I also noticed was the benefits that the British state was acquiring either by taxing EIC or through a variety of other methods which I'm going to give you some sense of in the slides that emerge. So the central theme that runs on the question of motives behind expansion into India in the 19th century is that they were driven both by narrow economic interests of the economic elite but also broader economic interest as defined by British rulers during that century and the impact on India was profoundly negative. there I shared the view with Indian nationalists an earlier argument but I'm able to assign numbers to it in a way that some earlier scholarships was not able to and now with good work with economic historians and some of my research. the slides I will show you will give you a sense of both of the mechanisms through which some of this exploitation was implemented, as well as, the scale of it because some of the numbers are now more readily available than they were earlier. So in terms of those of you who study nationalist Indian history or British economic history of the 19th century a standard question was what was the main mechanisms of exploitation. In Marxist accounts

and dependency accounts, it was mainly the third of the three mechanisms I list here. That it's a story of forced economic opening. I emphasize the first part as well as a fiscal story. How extra resources by the company and then by formal British rule were extracted and how they were used and I think that is central for understanding how Britain shaped India and I call it was a pattern of squeeze and neglect. So what's going on is Britain is squeezing resources out of India and it is using them for uses other than what might have benefited Indians.

I don't emphasize the plunder story as much in Indian nationalist accounts. The drain hypothesis and all of those if you're a specialist on this you know sort of going as far back as R.C. Dutt. Some of those arguments were emphasized. I move away from them. I focus on the first and third mechanism. That the mechanisms of exploitation are part fiscal and partly forced the opening of the economy. This is of course a pretty standard leftist argument but I'll show you numbers that are a little different. So on the fiscal story what we can now tell which we were not able to tell before because data was incomplete was the scale of revenues that East India Company and then British rulers extracted from India in the 19th century. The reason it was difficult to do so for a variety of reasons but heroic research by the British economic historian Stephen Bradbury at LSE and their colleagues as well as by the American economic historian John Richards. Now we can put together the scale of revenue extraction from India and I want you to notice that the last column in this table which is revenue as a percentage of the controlled territory. Right the territory is changing how much territory East India Company controls is very different in the early part of the century than it's later in the century. So to get good figures you have to have figures of how much territory they control and how much were they extracting and now we're able to put those together. And so what emerges is that for much of the 19th century nearly 19% of Indian GDP is being extracted as the total revenues. So first EIC and then the British crown. Now, this compares if you think of what the Indian government today collects in terms of taxation that's about 16% so in the 19th century the British in India are collecting about 19% of Indian GDP per year per decade for a whole century and ask yourself what was done with these resources.

This table gives you a sense of where these resources were coming from and how were they spent mainly. So look at the second column and what you will notice is more than 60% or about 60% of these total revenues I just mentioned are simply derived as land revenues and then nearly 50% of these are used mainly to run the British Indian army.

so what is going on here is essentially poor Indian peasants are paying for a British Indian army that the British are using in part to further expand their role over India and then once that project is over they use the same armed force to badger China through opium wars. right it's the Sikh soldiers on East India ships that badger sort of open up these, you know, open up China for trade as well as all around the African cave etc. it's this army that helps expand the imperial group.

And at the same time if you look at what the expenditure on health and education is for at this time. It's under two per cent so for a whole century 19% of Indian GDP is being extracted and very little of it is being invested. Say in irrigation had there been some significant investment in irrigation for a whole century in rest of India might look like Punjab

where there was an enormous amount of investment in irrigation to keep retired Sikh soldiers from rebelling. So that's the fiscal a quick overview of the fiscal side of the story. This is a more conventional account of the forced opening of the Indian economy and what its impact was.

For the sake of time, I just want to make a few points. Notice the first three columns on the left each of those demonstrates that throughout the century India's manufactured exports declined. Right, that's the classic deindustrialization story I'm going to come back and show you more persuasive data than the trade data. Trade data has never been totally convincing on that but do notice the trade data that manufactured goods exports declined throughout the century. But what I want you to notice which I'm surprised why more scholars of Indian colonialism don't talk about is what's happening to opium exports. That's the fifth column. So the largest export out of India over the century becomes opium. so what is amazing, not amazing, what is interesting is that Britain is not directly taking an enormous amount of Indian exports and Britain has a constant problem on how to balance the trade and that trade gets balanced by selling this growing amount of exports of course not to Britain but to China. So the classic triangular trade that gets established is Britain sells manufacturing goods to India, sells opium to China and China sells them back to England which East India Company sells and makes enormous amounts of profit. so in terms of the forced economic opening story as a mechanism of exploitation, this suggests that India did undergo a transformation from being a producer of manufactured goods to an exporter of commodities especially opium under East India rule and then continue through the British crown rule. this is much more convincing data and this is thanks to Stephen Bradbury who helped me do some of these calculations and this demonstrates the deindustrialization hypothesis much more convincingly because he and his co-authors have recreated the national accounts of India's 19th-century accounts and here in column 2, for example, you see dramatically the decline in export industries. So the older debate on industrialization which rested on trade data rested on labour wage data may was not always convincing if you're an economic historian. You will remember Morris. Morris arguing with Indian nationalist ah you get it wrong. Wrong, I think this is the last nail in that coffin that the industrialization was dramatic and was real and this new data I think settles that, I hope once and for all. It's not my data but I have used it to make the case here. I want to go back to making the point about the opium trade and this in the next slide will conclude the discussion on the 19th century. and this is China. this is China and India trade data and the main thing I want you to notice aside from the fact that from the 1840s onward opium's exporting to China from India increases sharply thanks to the opium wars but that is not part of this my talk that's another chapter in the book about which I am not talking. The significance of this slide for the current talk is to notice how the exports and opium imports balanced each other. That is to say that Britain is buying from China to sell back in Britain as well as selling sending it to the United States and selling it to other parts of European countries would not have been possible without the opium and what's the significance of that? This is the last slide on India and this will underline the significance of that. that if you buy the argument that the heart of British export-oriented growth in 19th century was were textiles especially into the 1860s and 70s then notice in this slide that by the end of the century India is taking 40 per cent of British textile exports. it's the only real captured markets the rest are either informal empire and Europe and the US have by now slapped tariffs and are doing their industrialization. So Britain cannot sell us textiles to those parts of

the world. It can sustain its textile industry mainly because of captive colonies such as India and that trade is possible only because Indian opium can be sold in China and in return, Chinese tea has a great market in Britain. As well as the United States that was the point of showing the last slide. on China to sustain the suggestion that Britain is benefiting handsomely by its formal and informal empire in Asia and by linking India and China in a triangular trade that then enables it to sustain its key industry while at the same time hurting India adversely and of course China right 10 to 15% of Chinese became opium addicts after the opium war and John Fairbanks calls it the greatest human rights crime of modern times and so in that sense, it is notable the issue of costs and benefits of 19th-century empire.

Now let's shift focus to a much more recent case of informal imperialism. I'll go through relatively quickly I will assume much of most of this audience knows the main storyline. So this is a case of the United States imposing structural policies structural adjustment policies in Latin America to ensure that its debt was paid back in the 1980s and 1990s. I will not spend time on the broader context most of you know about the globalization of finance in the post-OPEC period. What I want to spend some time, the 10 minutes I have left, is to show you how concentrated the debt was. About four Latin American countries borrowed sort of more than half the debt from about 65% of the debt from 10 American banks. I will show you and the effort I argue to ensure that these debts are paid back was at the heart of imposing Washington consensus and in the process, the banks did very well and poor Latin America did not do very well and so that's the story I'm going to tell you in next eight minutes just to tweak your curiosity enough to read about it. with the slides that I'm going to show

These are the 10 banks that lent about 65% of loans to four or five major Latin American countries that eventually came to be called the debt crisis of the 1980s. What I want you to notice is these are the incomes of those banks in the heyday when the debt crisis hit. for those of you who don't know that economic history in 1982 the debt crisis was precipitated after Mexico could not pay its loan back but notice what happens to bank profits in the post 82 period you would have thought that banks would have been hit hard but the fact is bank profits from 82 to 86 rows and I argue this was deliberately orchestrated by the international monetary fund under US direction to modify the nature of economic arrangements in Latin America which would enable this type of debt payoff. so not only were debt payments insured by US policies of you know economic opening in Latin America but other advantages included rising exports of manufactured goods which is not shown here but rising exports here is quite evident in this is the period when western Europe is beginning to buy less from the United States. The American economy is feeling more and more pressure that they are becoming non-competitive. Japan and Germany have emerged. They have recovered from war years and the US economy is beginning to tilt towards finance. so where will American manufactured goods go and Latin America becomes one important part where nearly forced opening of their economies and deregulation and getting all the tariffs down enables US exports of manufactured goods to increase. The direct foreign investment did not alter in any dramatic fashion and that's because US interest was mainly in finance and as in sort of more liquid capital and so I just included that so you have a sense that foreign investment was not one area. the area which was very significant for the United States was what happens to portfolio investment this is much

more liquid money I'm happy to answer questions about it but it was after the debt crisis recedes there is a dramatic increase in US portfolio investment moving into Latin America looking for higher rates of return that it did not stay at very high levels, well that's just bad luck, that had to do with Asian financial crisis in 1997 and other things went awry, but the fact is that this was an important aim. So among US aims and benefits as they imposed Washington consensus on Latin America was to ensure that debt was paid back to major banks that exports increased and portfolio investors had access to Latin American economies and I argued this was the real purpose behind imposing structural adjustment programs. And just to round out that picture I'm going to show you a few slides that the impact on Latin America was pretty negative and the key variable was sovereignty. Loss of sovereignty ties back to the original main theme of the book. That sovereignty is an economic asset. so very quickly these last three slides show you roughly relationship between foreign debt and GDP growth I'm comparing Latin America to Asia here for heuristic purposes and what comes across very strikingly is that if your debt service was not enormous in the 1980s you did relatively well on the growth front in the over the next 25 years. So Latin America had much higher debt which is on the x-axis and its growth rates were lower. The point I'm trying to convey it's not a strong causal point I didn't control for all kinds of variables it's a much simpler associational type of relationship which I want you to think about what's happening here is that with higher debt Latin American states have less sovereignty to control. Their national economic policies they're much more vulnerable to external pressure. So therefore they end up embracing structural adjustment programs. most Asian countries don't have that level of debt and therefore they can sort of ignoring, you know especially look at China, up there but China is an outlier, look at all even Pakistan is in that left circle where they were these were not highly indebted countries and had a degree of economic freedom and the growth rate shows that a similar thing is evident here. if you have higher savings rates domestically you are less exposed to external pressures when it comes to the need for foreign investment and therefore you need less certification from an organization like IMF that your house is in order and foreign investors can come in. so Asian countries generally throughout this period, I'm talking about, had much higher savings rates. As a result, they were less dependent on foreign capital and therefore during these high debt years Latin American countries with lower domestic savings rates needed organizations like IMF to sign off so that more foreign investments will continue flowing into them and that created further sort of constraints on their economic sovereignty if you like. So both of those slides are meant to demonstrate, if you had less economic sovereignty in the late 80s into the next millennium you grew you grew less well and the underlying variable may well have been lack of economic sovereignty. that's the last slide just to very quickly show manufactured exports in Asia did much better which itself is a sign of a sort of economic nationalism. That you can sell manufactured goods to it to the world market and Latin America remained commodity-dependent well into the new millennium underlining more or less a neo-colonial pattern of importing manufactured goods and continue to depend on the commodity of exports.

I'm going to conclude now so the book I'm telling you about I gave you a couple of brief empirical snippets there's a lot more material in there it's mainly an empirical book it's hard to summarize in a 45-50 minute talk and I don't claim enormous originality in this book because you know at different stages of your career you write different books when you're young you have to be original. I just wanted to get it right. So at this stage, my effort was mainly to get it right but that doesn't mean I've just rehashed what is out there because you

know people think differently and in that sense to just repeat key issues of what might be somewhat new here in terms of causes I have tried to combine a focus on the nation with economic interest. So I talk about the national economic interest which is different from talking about the economic interest of capitalists which is also different than talking about national security as the motivating force. So in that sense, it tries to combine and move beyond realist and Marxist debates and why imperialists imperialize and on the impact I think I'm able to demonstrate that the less sovereignty you have the more adversely you're likely to be impacted by external forces especially dominant metropolitan policy machinations that economic that sovereignty remains an economic asset. If you want to move into a sort of inclusive development into the 21st century it may not be enough. You still need effective states but sovereignty is a prior condition even for the emergence of effective states. So sovereign and effective states remain the prerequisite for inclusive development in the 21st century. Thank you.