Colonial global economy: towards a theoretical reorientation of political economy

Article (Published Version)


This version is available from Sussex Research Online: http://sro.sussex.ac.uk/id/eprint/95896/

This document is made available in accordance with publisher policies and may differ from the published version or from the version of record. If you wish to cite this item you are advised to consult the publisher's version. Please see the URL above for details on accessing the published version.

Copyright and reuse:
Sussex Research Online is a digital repository of the research output of the University.

Copyright and all moral rights to the version of the paper presented here belong to the individual author(s) and/or other copyright owners. To the extent reasonable and practicable, the material made available in SRO has been checked for eligibility before being made available.

Copies of full text items generally can be reproduced, displayed or performed and given to third parties in any format or medium for personal research or study, educational, or not-for-profit purposes without prior permission or charge, provided that the authors, title and full bibliographic details are credited, a hyperlink and/or URL is given for the original metadata page and the content is not changed in any way.
Colonial global economy: towards a theoretical reorientation of political economy

Gurminder K. Bhambra

To cite this article: Gurminder K. Bhambra (2020): Colonial global economy: towards a theoretical reorientation of political economy, Review of International Political Economy, DOI: 10.1080/09692290.2020.1830831

To link to this article: https://doi.org/10.1080/09692290.2020.1830831

Published online: 20 Oct 2020.
Colonial global economy: towards a theoretical reorientation of political economy

Gurminder K. Bhambra

Department of International Relations, University of Sussex, Brighton, UK

ABSTRACT

Standard accounts of the emergence of the modern global economic order posit its origins in the expansion of markets or in the changing nature of the social relations of capitalist production. Each fails to acknowledge the significance of colonial relations underpinning these processes, as formative of, and continuous with them. This is a consequence of the dominant understandings (across different theoretical perspectives) of capitalism as a distinct and self-contained economic formation of modernity, the origins of which are seen to be endogenous to Europe and north America. As such, there is a concomitant failure to acknowledge, or regard as significant, the global connections forged through colonialism that are the condition of capitalist-modernity. I argue for the need to recognize the significance of historical colonial relations to both the establishment and continued reproduction of global political economy. In this article, I seek to reorient our understanding of the histories that underpin theories of capitalism to be inclusive of colonial relations and for the framework of analysis to be transformed by their appropriate consideration.

KEYWORDS
Colonialism; capitalism; appropriation; empire; colonial drain; neoliberalism

Introduction

Dominant approaches to understanding the emergence and development of capitalism within the field of political economy, and the social sciences more generally, tend to focus on expanding trade and markets on the one hand (Wallerstein, 1974, 1980) and the changing nature of the social relations of production on the other (Brenner, 1976, 1977; Wood, 2002). In both approaches, Europe, and the West more generally, is seen to be the endogenous locus of what Polanyi (2001 [1944]) calls ‘the great transformation’ bringing capitalism into being. While most scholars associated with these approaches acknowledge the existence of colonialism as occurring alongside the developments they discuss, it is rarely given a central role in their understandings. Polanyi, for example, draws an analogy between the enclosure movement of the great transformation and ‘colonialism today’, but, by
that token, draws no connection with ‘colonialism then’ (for discussion, see Bhambra & Holmwood, 2018).

The nature of this common elision is perhaps best captured in Perry Anderson’s statement that the transition to capitalism within Europe was accomplished ‘under its own impulsion, in a process of constant global expansion’ (1974, p. 419). Colonialism (global expansion) is presented as merely the companion condition of the emergence of capitalism, which is understood to be constituted through an immanent logic (an impulsion ‘outwards’ – whether of markets or production) that is independent of colonialism. The latter is then understood as a consequence of the operation of the logic of capitalism, understood independently, not as integral to its operation and, thus, not as integral to the logic. As such, colonialism is displaced from the centre of analysis and returns, if at all, via the language of ‘imperialism’ as a later stage of the development of capitalism in its maturity (Hobson, 1954 [1902]). The peculiarity of this position is that there is an underlying continuity between colonialism and imperialism that is not itself given attention in an analysis focused entirely on a concept of capitalism understood in abstraction from its colonial imbrication (Robinson, 2000 [1983]).

In this article, I take issue with this displacement of colonialism and suggest that the failure to reckon with its significance for the emergence and development of capitalism has been the greatest blind spot of political economy. My concern here is not with any particular theory of capitalism, but rather with the histories that underpin the possibility of those theories. As I will go on to discuss, social scientists have been remarkably consistent in the histories they acknowledge as underpinning their (different) theories of capitalism. Indeed, scholars such as Nancy Fraser (Fraser & Jaeggi, 2018) – widely cited within the field of political economy – have argued that while there are any number of contestations of the conceptual core of capitalism, the history of capitalism as encapsulated in its familiar stages is largely accepted. The differences that do exist are often variations on a theme, where the theme is always the necessary priority of Europe, or the West, in any understanding of the emergence and development of capitalism (Bhambra, 2011).

In contrast, I seek to provide an alternative framing through which we can seek to understand the core character(s) of capitalism by bringing together a different set of historical understandings. The issue is not about political economists making particular selections from the historical record when they could have made other ones – that is, in the sociologist, John Goldthorpe’s terms, playing “‘pick and mix” in history’s sweetshop’ (1991, p. 225). Rather it is about acknowledging how ‘generalizing’ from the other side of any debate might open up a more fundamental set of political economy considerations. That is, the questioning within historiographic debates of different aspects of the historical record is often allowed to remain as an ad hoc set of disaggregated objections, rather than something that points to the possibility of building a different systematic account (see, for example, Dunbar-Ortiz, 2014; Bhambra, 2014).

My intervention here is that social science – including the field of political economy – has, for the most part, established its understandings of capitalism on the basis of agreement upon a standard account of history that does not regard colonialism as significant. More specifically, this is a history that does not regard colonialism as integral to the structural analyses of capitalism even if some scholars acknowledge its contingent importance (Federici, 2004). While the latter point to
colonialism as something to be added to established schema, I wish to argue for the need to transform those very frameworks on the basis of a systematic consideration of colonial histories.

What I am seeking to set out is a transformed understanding of the historical underpinnings of a framework through which capitalism can be (re)assessed. As such, I seek to open up the limitations of the historical underpinnings of even the most critical of engagements with capitalism to demonstrate the need for a deeper and more meaningful reconceptualization. I begin by taking the standardly accepted history of capitalism, as set out by Fraser and Jaeggi (2018), as the starting point for discussing the other histories that are neglected from this narrative and discuss how we might reframe those familiar stages if we took the concomitant colonial histories seriously as having a generalizable significance.

**First stage of capitalism: Colonialism through private property**

While there may be many – and even opposing – understandings of what capitalism is, of its normative value, and how it might be transformed, there is, nonetheless, general agreement on understanding it, as Fraser and Jaeggi suggest, as ‘a path-dependent sequence of accumulation regimes that unfolds diachronically in history’ (2018, p. 63). In discussing the history of capitalism, they suggest that there are four, quite familiar, stages that most historians of capitalism would accept: ‘first, mercantile or commercial capitalism, followed by so-called ‘liberal’ (competitive) capitalism, then state-managed (or social-democratic) capitalism, and finally, financialized capitalism’ (2018, p. 64). This first stage, of mercantile capitalism, is presented by Fraser as occurring from the sixteenth to the eighteenth centuries when, she suggests, neither land nor labour was a true commodity (which, of course, will come to be central for understanding the developing logic of capitalism). She goes on to argue that, during this period, absolutist rulers regulated commerce internally, ‘within their territories, even as they profited from external plunder and long-distance trade, which were organized capitalistically, through an expanding world market in luxury commodities’ (Fraser & Jaeggi, 2018, p. 73).

There is a recognition here of the territorial limits within which rulers were able to exercise power legitimately. The reference to an area within which commerce was regulated ‘internally’ suggests the boundaries of a nation state just at the point at which the boundaries of rule were being dramatically extended. There is also an implicit recognition – through the use of the word ‘plunder’ – of the illegitimacy of their actions towards others. However, it is not clear what the basis to the claim that long-distance trade was organized capitalistically is, or why the world market was assumed to be expanding only in relation to luxury commodities.

This period, from the sixteenth to the eighteenth centuries, is the period of European movement westwards which results in the appropriation of lands – via the elimination and dispossession of indigenous peoples – in the continent of Abya Yala that comes to be known as the Americas. This land was not *terra nullius*; it was inhabited, cultivated, and governed by the land-use rules of various indigenous populations. The idea of this territory constituting a ‘universal commons’ freely available to Europeans to divide among themselves existed nowhere, as Greer (2012) argues, but in the imperial imagination. This appropriation of land was fundamental to improving the land-labour ratio for Europeans and also made possible,
as Wallerstein argues, ‘the large-scale accumulation of basic capital which was used to finance the rationalisation of agricultural production’ (1974, p. 69). Not to recognize this process of appropriation as foundational for subsequent economic developments is to continue to legitimize the ‘doctrine of discovery’ which regulated relations between European powers while denying an equivalent understanding of legitimate use to the indigenous peoples whose land was appropriated and commodified (Anghie, 2006). This is a structural process, as Wolfe argues, and not simply ‘an event’ in that the establishment of the new colonial (later to become understood as capitalist) society occurs ‘on the expropriated land base’ (2006, p. 388). As Nichols further forcefully states, colonial dispossession (or, more properly, colonial possession and exclusion), that is, ‘the historical processes of property formation in the colonial world’ (2018, p. 22), is the context for the emergence of capitalism. It is not simply a case-study, parallel to that of enclosure in Europe, as he suggests, but needs to be understood as constitutive to the very emergence and formation of capitalism.

The dominant approach – whether Marxist or Weberian inspired – is to locate the emergence of capitalism in a realm of petty producers outside the status hierarchies of post-feudal Europe. Marx, for example, writes of primitive accumulation and does so with reference to the agricultural improvements associated with the enclosure movement in England and elsewhere in Europe. In this way, the domestic enclosure movement is separated from its overseas manifestation and separated from state organized political processes that are involved in the latter. While Marx recognizes colonial forms of primitive accumulation, this understanding is not, in turn, regarded as significant to his analytical account of capitalism. Colonial appropriation sits alongside his primary analysis and is not constitutive of it, where the logic of capitalism comes to be encapsulated in the capital-labour relation. Within the Weberian approach, the issue is to identify non-conformist faith communities who transform their orientation to economic life and accumulation. The fact that these communities are located in both Europe and the New World goes unremarked despite the economic ethic of the New World communities (for example, the nostrums of Benjamin Franklin) being a very significant part of his account of the spirit of capitalism.

The initial processes of colonization in the New World were undertaken by private companies that were given charters to explore, to seek profits, and to obtain lands while also making claims for jurisdiction and sovereignty in the name of various European monarchs as well as the Pope (Miller, 2010, p. 33). Early Spanish and Portuguese dominance in the New World was soon followed by British, French, and Dutch involvement in colonial enterprises. The Virginia Company, for example, was established by private capital with royal assent from the English Crown and set itself up as a ‘statelet’ on the Eastern seaboard of what was to become the United States (Aravamudan, 2009). Alongside these initiatives westwards, the establishment of East India Companies within various European states led financial ventures eastwards. These, over time, at least for the English East India Company, also involved territorial conquest and rule over increasing parts of the Indian sub-continent (Chaudhuri, 1965). Further, these companies traded not only in spices, pepper, and indigo – which were bought from the East for bullion extracted from indigenous lands in the Americas to be sold in Europe – but also by the late seventeenth century in tobacco and sugar from slave plantations in the
After the 1660s, according to Chaudhuri, the bulk of the purchasing power of the English Royal African Company (for enslaved people) ‘came from re-exports of Indian calicoes and prints’ (1965, p. 9).

As such, the trade in luxury commodities which Fraser believes to be the most significant aspect of mercantile capitalism in the sixteenth to eighteenth centuries was not possible without the elimination and dispossession of indigenous peoples in Abya Yala and the extraction of silver and other resources from their lands. It was also the period that saw the beginnings of the systematic trade in human beings that would enslave millions of Africans and transport them, as commodities, to the New World. They were coerced to work in the extractive industries that mined the resources in the Americas which were then used to trade with India and China for those luxury commodities. This was before being coerced to work on plantations to produce, sugar, tobacco, and cotton for European markets. To suggest, as Fraser does, that neither land nor labour was a ‘true commodity’ at this time and to fail to take seriously the colonial processes that underpin the possibilities of what is regarded as mercantile capitalism is a serious historical error that leads to problematic and inadequate conceptual understandings. Most importantly, it fails to recognize the constitutive nature of the appropriation and commodification of land and labour (and of labourers) to the development of capitalism (see Bhambra & Holmwood, 2018). Indeed, enslaved labour is more ‘truly’ commodified than is labour power that she believes to be its ‘true’ form.

Fraser argues, for example, that the owners of capital ‘have a strong incentive to seize land and mineral wealth; to conscript the unfree labour of subjugated or enslaved populations; and to extract stores of fossilized energy that formed beneath the crust of the earth over hundreds of millions of years’ (Fraser & Jaeggi, 2018, p. 45). It is Fraser’s equivalence here that is perhaps most telling. The difference between conscripting the unfree labour of subjugated and enslaved populations and extracting fossil fuels is that those populations had to be appropriated, subjugated and enslaved before their labour could be made available to the owners of capital – it did not exist prior to their production as such. As such, it is through the colonial processes of appropriation, possession, enslavement, and extraction that the world is produced for the very capitalism that is the focus of Fraser’s concern. The inequalities and injustices of that production are central to the very constitution of capitalism and capitalism itself cannot be adequately understood without being located squarely within that context.

This first stage of capitalism, then, I would suggest, is better understood simply as ‘colonialism through private property’, that is, the transformation of land and labour into property, into commodities, through processes of appropriation, possession and enslavement. It occurs through the process of taking land into private ownership, whether by individuals, companies, or through the extension of the Crown’s dominion. It also occurs by making others into property through the institution of slavery. The world market in luxury commodities is not possible without the preceding colonial appropriation that constitutes the ground for it. This stage is succeeded by ‘colonialism as national project’ whereby European states begin the process of seeking to domesticate the external activities of private companies through the establishment of direct imperial rule. The second stage of capitalism, then, is the establishment of empire as a national project – or state-managed colonialism.
**Second stage of capitalism: State-Managed colonialism, also known as empire**

The turn from mercantile capitalism to liberal capitalism in the nineteenth century is seen to be that period when, according to Fraser, ‘leading European capitalist states no longer used public power directly to regulate internal commerce’ (Fraser & Jaeggi, 2018, p. 74). The economy was now regarded to be beyond overt political control underpinned by a legal order focused on maintaining the sanctity of the contract and of private property. What constitutes ‘internal commerce’ in an era of state-managed colonialism, however, is what is at issue here. While some scholars, Fraser among them, call into question the expression ‘liberal capitalism’ – in recognition that this does not apply to colonial rule or the appropriative processes associated with it – they do not reconstruct their theoretical accounts of the history of capitalism to redefine the processes seen to be constitutive of it.

The core European states, for example, are understood as having a theoretical and conceptual integrity as nation-states and what happens beyond their borders is not regarded as important to the approaches developed upon reflection of their domestic activities. Such accounts rest on the misunderstanding of these states being nations and having empires instead of more properly understood as being imperial states (Baker, 2009). Indeed, the reorganization of the remit of the Secretaries of State in the late eighteenth century in Britain – a reorganization that established the Home Office and the Foreign Office as separate concerns – located responsibility for the colonies within the Home Office, that is, under the remit of the domestic and not of foreign affairs (Sainty, 1975). To understand them as imperial states, then, would be to bring within a common frame of analysis events and processes that are otherwise incorrectly disaggregated. It would be to recognize the colonial processes upon which subsequent imperialism depended and through which capitalism develops.

In the fledgling United States, for example, the domestication of private colonial activities starts after the end of the Seven Years War in 1763 and involves the British Crown imposing taxes upon the colonists to pay for the military protection it provides them (Miller, 2010). It also includes the Crown taking control of the commercial and political relationships with indigenous peoples which puts it into direct conflict with the colonists whose territorial ambitions across the landmass are temporarily stymied. As a consequence of these restrictions, the colonists break away from British imperial rule in the 1770s to establish direct colonial occupation of the territories and enact an expansionist (and eliminationist) policy under the justification of their own ‘manifest destiny’. The development of capitalism within north America occurs in the context of it constituting itself as a continental empire (Hahn, 2016). During the same period, the British government also provided military assistance to the English East India Company which was fighting against French colonists in India and against local Indian rulers. The British victory at Plassey in 1757 turned the Company from being simply concerned with trade to governing Bengal with tax-collecting powers. Roy argues that the takeover of the fiscal authority in Bengal enabled the British to overhaul the legal infrastructure and increase the revenue from Bengal from £2 million to £5 million within 25 years – an indication, as he suggests, of the shift ‘from opportunistic exploitation to imperialism’ (2013, p. 1156; Habib, 1975).
The conquest of land, and the displacement of indigenous peoples, is accompanied by the establishment of an imperial infrastructure in north America that is financially and militarily supported by the nascent state. Newly developed monetary practices, including a mortgage system based on the threat of foreclosure, turned indigenous land into settler money and made it possible, as Park argues, ‘for real estate to become the basis of a new economy’ (2016, p. 1012). The private property claims to land by the colonists, against the indigenous inhabitants, were ‘enforced by the military and police, and mercenaries operating with state sanction’ (Karuka, 2019, p. 34). The capitalization of land and resources obtained similar protections and, as such, as Karuka (2019) argues, the history of capitalism in north America can only be adequately understood in terms of its state-administration of colonized territories, that is, in imperial terms. Perhaps one of the most enduring symbols of this is the railroad. The early to mid-nineteenth century saw the beginnings of railroad colonialism in north America, South Asia, and in various British settler colonies. In all contexts, Karuka (2019) suggests, the railroads were financed through the raising of public debt backed by land grants and the supply of cheap (and, significantly, coerced and enslaved) labour which facilitated the growth of finance capital. The railways served not only to extend the processes of colonization in the US and in India, but also helped Britain to retain India as the principal market for British industry (Habib, 1975).

Investment in the settler colonies was further provided via what Utsa Patnaik (2017), drawing on the work of Dadabhai Naoroji (1901), has discussed as ‘colonial drain’ (see also Habib, 1975). Colonial drain refers to the tax and other revenues raised within a colony, but which were not spent there being appropriated, instead, by the metropolis for its own use. Patnaik (2017) dates the beginnings of the drain from India to 1765 when the East India Company acquired tax revenue collecting rights in Bengal. These rights were later taken over by the British Crown as it further extended political and fiscal control over the north Indian provinces – a process, earlier described by Marx, as being one whereby ‘the factories grew into an empire’ (1960 [1853], p. 62); although, as I have argued, the ‘factories’ were already imbricated in colonial circuits. The colonial revenue appropriated by Britain – through taxation of land, opium, and salt and the privileges that come from operating monopolies in international trade – was used to finance ‘US roads, railways, and factories’ (Patnaik, 2017, p. 302) as well as enabling it to export capital for investment in its dominions and other white settler colonies. Patnaik details the many ways in which ‘Indian public resources were diverted for British public and private profit’ (2017, p. 308) and the central role that state-managed colonialism played in facilitating the development of global industrial capitalism. Even countries without colonies benefitted from the colonial drain from India as more than ‘four-fifths of export of capital from Britain went to developing continental Europe, North America, and regions of recent white settlement such as Argentina, South Africa, and Australia’ (Patnaik & Patnaik, 2017, p. 184).

The failure of most theorists of capitalism to acknowledge the ways in which capitalist development globally was fundamentally dependent upon colonial exploitation and appropriation appears to be a consequence, according to Patnaik and Patnaik, of an ‘almost deliberately cultivated ignorance’ (2017, p. 184). Even where scholars acknowledge imperialism, they obfuscate the colonial processes that made imperialism possible or deny the constitutive relationship between them. J. A.
Hobson, for example, distinguishes the imperialism associated with the ‘latest stage of capitalism’ from earlier modes of colonization by suggesting that the latter occurred in ‘sparsely peopled lands’ (1954 [1902], p. 27) with the implication being that this is then of little political consequence. Lenin (1917) similarly suggests that, for the first time, the world is completely divided up as a consequence of the colonial policies of capitalist countries who have completed the seizure of unoccupied territories. Imperialism, on this view, refers to the conflicts that emerge among the capitalist powers as they battle with each other over control of these territories. The earlier division of the world through colonialism is naturalized and there is little recognition that colonial emigration did not occur on ‘sparsely peopled lands’, or if there is recognition of this then the populations colonized are regarded as not mattering. Hobson, for example, suggests that political and economic sway was exercised ‘over great hordes of population regarded as inferior and as incapable of exercising any considerable rights’ (1954 [1902], p. 27). Further that colonial rule involved setting up ‘a definitely British supremacy over lower races of existing inhabitants’ (Hobson, 1954 [1902], p. 41). The racialized hierarchies of colonialism are what enable imperialism to be understood simply as ‘economic internationalism’ without any consideration of the colonial policies over the preceding four hundred years that made it possible.

This failure within the standard accounts to acknowledge the long-standing connections and the ways in which they were hierarchically constructed (particularly in terms of race, see Bhattacharyya, 2018; Virdee, 2019) comes to have greater significance as liberalism capitalism is understood to give way to state-managed domestic capitalism in the mid-twentieth century. This period is defined as that when the untrammelled power of capital is disciplined by the power of the state responding, as the standard narrative goes, to growing working class militancy by setting up welfare states. Much of the initial discussion of the legitimacy of the welfare state comes from an idea of the wealth of the nation being the patrimony of the nation to be used to alleviate the conditions of its (national) citizens. However, if, as I have argued, the wealth of European nations and of the US was not directly attributable simply to the resources (land and labour) of the nation, but came from their colonial and imperial endeavours, then questions of legitimacy, in terms of who might have a legitimate share in the patrimony of the ‘nation’, take on a different valence.

**Third stage of capitalism: The (racialized) amelioration of labour exploitation**

The emergence of the welfare state across Europe and in the United States was associated by many theorists with ‘a specific phase of capitalist development, that of a Fordist regime of organized capitalist accumulation’ (Holmwood, 2000, p. 29). State-managed capitalism is presented as developing in the twentieth century with a brief high point – perhaps thirty years after the Second World War. However, the way in which it is conceptualized has significance also for the crisis in it and the way in which the newest stage, that of financialized capitalism, or neoliberalism, is understood. Fraser presents the ‘social democratic political imaginary [as] centred on questions of wages and work’ and suggests, along with most social scientists, that the welfare state was ‘a historic achievement, won in many cases through broad-based democratic struggle spearheaded by organized working-class
strata’ (Fraser & Jaeggi, 2018, p. 81, 84). While she recognizes the ‘built-in racial asymmetries’ as well as the fact that this period was also the era of decolonization, these issues are not central to her analysis and, indeed, come to be represented as the explanation for the crisis in social democracy represented by neoliberalism. This will be discussed at greater length in the following section. The stabilization – of what were seen to be the exploitative excesses – of the capitalist system came about in the aftermath of the two world wars. The devastation of the wars has often been cited as significant in the emergence and development of welfare states, with the solidarities of class and nation being strengthened through the sacrifices that were recognized by contemporary elites.

The interwar years had seen the voter base increase in Britain, for example, and a significantly greater proportion of the population was able to exercise the vote leading to political parties conceding to working class demands to spend more on social services. Class conflict was ameliorated through the institutionalisation of collective bargaining and there was consent to general taxation from which the services and institutions associated with social democracy were to be funded. The provision of welfare in Britain in the eighteenth and nineteenth centuries had characteristically been through voluntary organisations and charities and, as Daunton argues, changes to its provision in terms of ‘the method of finance and delivery between 1900 and 1951 amounted to a redefinition of the British state and civil society’ (1996, p. 170) to create a public welfare system. As such, Michael Mann (2012) argues that warfare and welfare were conjoined in bringing together the idea of citizens as a nation and through their recognition as national citizens for which the state now took on explicit responsibility. This was consolidated, he continues, through the processes by way of which material resources ‘were distributed and redistributed within national boundaries’ (2012, p. 463). Yet, as we shall see, the sacrifices of war – both financial and in terms of loss of life – were no less extensive in India (and the other colonies). In the context of the welfare state being seen to be a national project for the amelioration of capitalism, it is rarely asked: in what is distributed, where was the surplus generated that is redistributed?

While the extent of colonial drain from India is contested, it is largely accepted that there was a significant transfer of resources from India to Britain over the period of colonial rule (see Habib, 1975, Patnaik, 1984, 2017). According to the more conservative estimates of Angus Maddison, during the period of rule by the East India Company, official transfers of wealth from India to the UK rose over time ‘until they reached about £3.5 million in 1856’ (1971, p. 64; this would be the equivalent of £350 million in 2019). This sum did not include private remittances which Naoroji estimated at around an additional £10 million a year in the 1880s (quoted in Maddison, 1971, p. 64; this would be the equivalent of around £1 billion a year in 2019). Under direct British rule, from 1858 to 1947, Maddison continues, official transfers of funds, also known as Home Charges, were in the range of £40 to £50 million a year by the 1930s (1971, p. 64; in 2019, that would be the equivalent of around £2.5 billion to £3.2 billion annually). Again, there were substantial private remittances sent back in the inter-war period together with ‘dividend and interest remittances by shipping and banking interests, plantations, and other British investors’ (Maddison, 1971, p. 64). On top of this, ‘there were two “voluntary” war gifts to the UK amounting to £150 million’ in 1917 (Maddison, 1971, p. 66; this would be the equivalent of around £10.3 billion in 2019). Further,
not only did India contribute nearly 2 million personnel for the war effort but every aspect of associated expenditure was paid for by India.

After the First World War, and during the global depression, Britain’s extraction of tribute from India increased significantly. This was despite India having lost at least 14 million of its population to the Spanish flu pandemic. According to Mukherjee, expenditure on the military ‘doubled from £5 million to £10 million and interest charges on external public debt increased from about £6 million to £14.3 million between 1913-14 and 1934-35’ (2010, p. 79). With the outbreak of the Second World War, the defence budget was increased fivefold and India once again had to find additional funds – primarily through direct and indirect taxation on the population – to pay for the costs charged to its account. These costs bore no equitable relation, according to Shah, to India’s own defence, rather they were ‘determined by the exigencies of British Imperial finance’ (1943, p. 38). The financing of the war required Britain to borrow from other countries, the majority of the debt taking the form of increased sterling balances. For example, goods and services were purchased by the British government, in India, ‘against sterling bills or securities placed in reserve in London’ (Mukherjee, 1990, p. 231). This led to inflation in India and was a significant contributory factor in the Bengal famine of 1943 in which over 3 million people were starved to death.

After the Second World War, ‘out of the total external liabilities owed by the U.K. … India held the largest proportion of about 35.8 per cent … higher than all the other empire countries put together, and about one and a half times the size of the U.S. loan to U.K.’ (Mukherjee, 1990, p. 232). These loans were coerced and the interest to be paid was significantly lower than the market rate. Even before the war was over, however, the British government sought to scale down the extent of its debt to India by arguing that India ought to make a greater sacrifice for the war effort. After the war, Britain sought, in a variety of ways, to renege on the repayment of its debt (Pavia Abreu, 2017). This was a very real possibility as it had wiped out the debt it owed to India after the First World War through currency manipulation (Shah, 1943). As over 60% of India’s currency reserves were in sterling securities, as Mukherjee states, ‘any depreciation in sterling would seriously threaten the entire Indian economic structure’ (1990, p. 241). Ultimately, Britain refused to agree a sterling devaluation clause with India (as it had done with its white dominions and other countries of white settlement such as Argentina), which would have protected the level of its claims against Britain in light of any devaluation. As such, when Britain decided to devalue its currency by a third in 1949 India suffered a significant loss in the value of its currency reserves and the amount it could have expected from Britain. Britain, in contrast, was relieved of a significant proportion of its debt repayment.

Here I have detailed, in a cursory and incomplete manner, the tribute and remittances extracted by Britain from India and the coerced nature of its debt reduction strategies after independence. Britain had a number of other colonies and dependencies from which it also extracted income and resources for domestic purposes and which it treated similarly after the war in terms of debt repayments and the organization of international financial arrangements to its benefit. This points to the extractive nature of the imperial state, the ways in which it was racially stratified between the metropole and the colonies, and how the resources of others were appropriated by the national state for its purposes – first war, then welfare. What was true of Britain was also similar for other European imperial powers.
Instead of warfare and welfare being conjoined, as Mann (2012) suggests, we see that warfare was the basis for increased extraction from the colonies at the same time as welfare began the process of creating social democratic national institutions distinct from empire, although funded significantly by it through direct and indirect means. The philanthropy of the earlier Victorian era in Britain was, similarly, not unconnected from the accumulation of wealth through the extractive processes of colonization and empire. Taxation in colonial dependencies and resource extraction and appropriation continue to be part of the explanation for the growth of the resources available for the establishment of the domestic welfare state. As such, the state is only able to respond to local working class demands by drawing on resources from elsewhere and, at the same time, excluding those others from the distribution of resources.

The misguided presentation of Britain being a nation having an empire is what enables scholars systematically to exclude from their considerations populations beyond the national frame. But the national frame only came into being in determining the population to whom reparations were to be made in the aftermath of two devastating wars and a growing national electorate able to lobby for such demands. The distinction between providing welfare to one’s national subjects and development to colonial ones has a longer (racialized) provenance (Shilliam, 2018). This, however, points simply to the racialized stratification of the imperial state and not to the separation of the nation from the colonies that together constituted it. The inequalities of income today, between the metropole of the former imperial state and the former colonized countries, are directly consequent on their historical colonial relationship. Failing to acknowledge the broader constituencies that have contributed to the resources available to the national state for domestic policies of amelioration exacerbates the current turn to authoritarian populism where the movement of some of these broader constituencies to the metropole is blamed for the decline in the solidarities necessary for the maintenance of the welfare state.

The latest stage of capitalism: Neoliberalism and authoritarian populism

The late-twentieth century saw the welfare state challenged by a variety of processes associated with the further development of global capitalism. As Holmwood (2000) argues, globalization itself was said to have weakened the regulatory capacities of the nation-state with regard to the power of corporations and transnational economic actors making it obsolete. Further, the associated processes of individualization undermined the group solidarities that were seen to be necessary for the political legitimacy of the welfare state. Whereas the individualization thesis linked to the rise of consumerist society was initially the primary explanation for the breakdown of class solidarities, this comes to be replaced by the idea of new political subjects oriented, in Fraser’s terms, towards recognition, rather than redistribution. She suggests, for example, that ‘struggles for decolonization and ‘racial equality’, and of the movement for women’s liberation … articulated expectations and aspirations that burst the bounds of social-democratic commonsense’ and destroyed the hegemony of social democracy and its welfare provision (Fraser & Jaeggi, 2018, p. 80). By placing the responsibility for the breakdown of social democracy on the rise of these ‘new’ political subjects, she demonstrates little understanding of the ways in which processes of colonization and racialization were integral to the development of Western welfare states and their later crisis.
Although Fraser is aware of the racialized nature of the US welfare state – in that she comments on the racial inequalities that constitute it – there is no discussion about how this institutionalized segregation and inequality might itself have been responsible for the social democratic ideal not being a universal ideal in the first place, but rather, one constructed on racialized and colonial hierarchies. The racial inequalities inherent to welfare provision in the postwar United States were, however, recognized, as Holmwood (2016) notes, by the leading US sociologist of the time, Talcott Parsons. The success of the US civil rights movement, for Parsons, heralded the possibility of the further development of the welfare state based on social rights and moving away from ‘older, more particularistic ascriptive bases of membership’ (cited in Holmwood, 2016, p. 145). That is, Parsons recognized the welfare state prior to civil rights as having been based on particularistic understandings of identity that were structurally organized along racially segregated lines and saw in the civil rights movement the possibility of generalizing welfare through principles of equality. As such, the rise of the supposedly new political subjects that Fraser regards as undermining the welfare state could be reinterpreted as previously excluded political subjects arguing for full citizenship within the welfare state. Their failure to achieve full citizenship does ultimately lead to the demise of the welfare state, but this failure is more appropriately located in the racialized voting preferences of those who voted for neoliberal policies over generalizing the welfare state to include racialized others (Holmwood, 2016). In effect, by suggesting that social democracy is unable to accommodate the demands for socio-economic equality made by racialized and colonized others, Fraser is implicitly accepting that it was in fact formed on their domination and exploitation. This is as true of racialized citizens in the US as it is of the colonial subjects of European empires.

While acknowledging that processes of decolonization occurred simultaneously to the establishment of welfare states, Fraser does not address the consequences of decolonization on the re-configuration of capitalism. Rather, she simply locates formerly colonized countries as lagging behind their former colonizers. There is no discussion about how this might be a consequence of centuries of ‘colonial drain’ and deliberate underdevelopment – processes which, in turn, enabled the development of European countries and their settler colonies; not simply their industrial capacities, but, as I argued in the previous section, their welfare states as well. While decolonization involves no reparation for the previous colonial drain, it does reduce the flow with consequences for welfare state finances and the fiscal crisis (O’Connor, 1973) they enter even if that relation goes unrecognized. It has two further consequences. The first, in terms of the constitutive relation between development and underdevelopment, has long been recognized, at least by those in the countries at the sharper end of the relationship (Habib, 1975; Naoroji, 1901; Rodney, 1972), even if there has been little redistributive action as a result of such recognition. The second is less recognized and relates to questions of political legitimacy in the present. That is, the right to have rights within a state and to be regarded as a legitimate object of public policy or recipient of welfare provision tends to be associated with being able to demonstrate historical belonging to the nation. Yet, most European states were imperial states and so the political community of the state was much wider and more stratified than is usually acknowledged. The failure to recognize these broader constituencies as belonging historically to the imperial state facilitates the rise, in the present, of an authoritarian politics based on arguments of exclusion and fears of ‘white replacement’. 
In addressing the challenges currently facing Europe, Helga Nowotny (2017) for example, points to the European social-democratic project being under threat ‘by a massive influx of refugees and asylum-seekers’ who are ‘taxing European institutions, and straining social cohesion.’ In a similar vein, Branko Milanovic argues for the necessity of protecting the citizenship premium of those already within wealthy countries against the inward movement of migrants from poorer parts of the world. This is because, as he states, rich countries accumulate wealth and transmit it ‘along with many other advantages, to the next generations of their citizens’ (2013, p. 207). ‘[W]e take it as normal,’ he continues, ‘that there is a transmission of collectively acquired wealth over generations within the same nation’ (Milanovic, 2013, p. 207) and for the enjoyment of its national citizens. But, if as I have been arguing, European states were not constituted simply as nations, but as imperial polities, and that a significant proportion of what is presented as their national wealth historically is attributable to the coerced labour and appropriated resources of others, then what does it mean to argue for the protection of that wealth solely for one’s ‘own’ citizens? In common with other commentators, Nowotny and Milanovic have little to say on the provenance of the inherited wealth of the welfare state democracies they are seeking to protect.

Across the political spectrum, then, scholars are presenting arguments about the demise of the welfare state and the rise of neoliberalism to be understood as a consequence of (racialized) migration or the rise of a politics of recognition which, they suggest, have contributed to the breakdown of the national and class solidarities necessary to the maintenance of social democracy (Bhambra, 2017). Such a conclusion is only possible, however, if the colonial histories of the development of capitalism are removed from active consideration. The welfare state was not an historic achievement of the working class. It was an amelioration of national conditions of deprivation funded by the labour and resources of racialized others and colonial subjects. With the demise of empire and of formal segregation in the late twentieth century it is no surprise that the welfare state is itself in question. Neoliberalism, then, can perhaps best be described as the failure of the state and its national citizens to generalize welfare conditions across racial and historically colonial lines.

**Conclusion**

My focus here has been on the history that political economists, and social scientists more generally, use as the basis from which they develop the concepts and categories that are presented as central to their theories of capitalism. In this article, I have set out the ways in which colonialism is constitutive to the emergence and development of capitalism and its political institutions. In discussing the history of capitalism, I have sought to challenge the four, familiar, stages that most scholars of capitalism accept and to offer an alternative conceptualization. The purpose of this is to orient our conceptual understandings of capitalism away from the primary focus on the capital-labour relation to demonstrate how other forms of appropriation were not simply in existence (as is recognized), but how these other forms disrupt the implicit teleology attributed to ‘labour’ and thus the centrality of class to our analyses. This has the further consequence of providing a global account of the emergence and configuration of the world we share; moving beyond
Eurocentred explanations that fail to acknowledge the significance of forms of colonial appropriation and displacement. Given that colonial processes are also central to the production of racialized inequalities upon which capitalism is itself structured, we see that race cannot be treated as a secondary and derived phenomenon or simply an issue of identity. Instead, there needs to be a recognition of the ways in which race comes to be foundational to capitalism as a consequence of the centrality of colonial processes to its emergence and development.

The reason why such a reorientation is necessary, I conclude, is because most critical approaches to capitalism are focused upon the possibilities for resistance contained within the capital-labour relation which is argued to be the key to capitalism’s dynamic including its transformation. A distributive justice directed at the surplus generated by labour and misappropriated by capital, however, neglects other forms of misappropriation. Forms that, as I have argued, have been longstanding and central to the very configuration of capitalism. A distributive justice that fails to acknowledge the requirement of reparative justice for colonialism will always be partial. Worse, it becomes a building block for the walls that separate and divide the relatively advantaged from the disadvantaged and excluded. An address of what are presented as global inequalities requires an explicit recognition of the broader provenance of the historically constituted wealth of European and north American states that have produced those inequalities. Acknowledging the colonial and imperial contexts of this inheritance could facilitate the generation of more extensive solidarities and a postcolonial reparative and redistributive politics that would be to the benefit of us all. This requires a theoretical reorientation, facilitated by a new historical framework, in our understandings of capitalism that would in turn enable a transformation in our understandings of the meaning of global redistributive justice.

Acknowledgements

Thanks to John Holmwood, Robbie Shilliam, and the editors and anonymous reviewers for their helpful comments on this paper. Thanks also to the participants of the Blind Spots in International Political Economy workshop at Sheffield Political Economy Research Institute (SPERI) where a version of this paper was first presented.

Disclosure statement

No potential conflict of interest was reported by the author.

Notes on contributor

Gurminder K Bhambra is Professor of Postcolonial and Decolonial Studies in the School of Global Studies, University of Sussex and is a Fellow of the British Academy. She is author of Connected Sociologies (Bloomsbury, 2014) and the award-winning Rethinking Modernity: Postcolonialism and the Sociological Imagination (Palgrave, 2007).

ORCID

Gurminder K. Bhambra http://orcid.org/0000-0003-3658-1575
References


