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Colonialism Matters: Benefits of Metropoles With a Focus on India and Great Britain

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Abstract: The history of colonialism normally focusses on the socio-economic losses of colonies, and the benefits of metropoles are a much less-studied field. Our study indicates that the flow of resources, rent and personal wealth should not be downplayed as factors of economic growth in the key Empires, although information on most subjects is limited. This importance could be demonstrated (although not fully quantitatively evaluated) by India–United Kingdom relations before 1913. We highlight the key channels of this influence (trade, investment and migration), and the persistence of the income gaps between the dominant and dependent countries until their independence.

Introduction

Historically, numerous sources have considered colonialism and its consequences. While researchers have been actively discussing the positive and negative effects of colonialism on dependent countries, they typically do not address the effect of colonial relations on metropoles. The emergence of the Great Diversion discourse[1,2,3] has led to fresh widening and deepening of the agenda pertaining to relations between Europe and countries of other continents. We believe that the period of late colonialism before the First World War (19th–20th century till 1913) provides important and interesting themes for analysis. But the main focus of our work is not the colonial countries' losses, but gains and spillover effects for metropoles. It is high time we stop considering economic benefits merely as a country's general gains. It is imperative that we account for inequality in the distribution of gains, pertaining not only to the enrichment of political and financial elites but also to opportunities for accruing substantial wealth for social strata that we would currently define as middle class.

We generally believe that economic growth of leading countries was to a great extent based on domestic demand during active globalization and industrialization between 1880 and 1913. Angus Maddison's data[4] suggests that between 1880 and 1913, the Gross Domestic Product (GDP) was growing slightly faster than exports. Real GDP growth amounted to 2.1 per cent and export amounted to 1.3 per cent. However, in this particular period, rapid growth of exports already provided a country with an enormous advantage.

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This factor is definitely combined with internal factors that promote growth. As institutionalists point out, the following key elements facilitated economic growth in key industrialized countries: ‘incentives which combined ample rewards for success, defined as the widespread economic use of the results of experiment, with a risk of severe penalties for failing to experiment’.[5] Colonialism is simultaneously being downplayed. Guy Vanthempsche points out that ‘traditional historiography of European nation-states largely ignored the existence of colonial empires, as if those empires had no influence on Europe’.[6] Luther Birdzell and Nathan Rosenberg, for example, describe it exactly in the opposite way: ‘The eighteenth and nineteenth century history of most imperialist countries makes their economic growth seem more a cause of imperialism, stimulating overseas political adventures in the irresponsible exercise of new-found economic power, than its result. Of course, it is no comfort to non-Western countries injured by Western imperialism to suggest that the injury was gratuitous’.[7] Imagine ‘selfless’ conquistadors, Portuguese captains, and English generals and sergeants who conquered colonies for their Crown without any ulterior motives. Another vivid example is the British Prime Minister William Gladstone, who proclaimed ‘a just war, a holy war, against military Islam’ and sanctioned the invasion of Egypt in 1882, while just 37 per cent of his personal portfolio was in Egyptian securities.[8]

In our opinion, the idea that ‘European benefits from imperialism were small and uncertain’[9] is questionable at best. In this study, our goal is to show that colonialism played an important (not always quantifiable) role in the economic welfare of metropoles. We seek to determine the general channels through which colonial relations affected the development of metropoles and to provide a detailed analysis of the only well-documented examples. Internal institutional foundations of development, particularly in some metropoles, could be dramatically amended to account for long-term extraction of *colonial rents*. It is also necessary to account for the trickling down of income to auxiliary strata, migration of large poor population (partly forced), price gains from trading with politically controlled territories, etc. Therefore, we deem it fit to liken colonial rent to the *resource curse* with all ensuing consequences for the theory.

Part One of the study provides an overview of colonial history in the 19th and the beginning of 20th centuries. Part Two details the interaction between India and Great Britain as the most vivid example of an enormous colony’s effect on its metropole. Part Three describes several leading metropoles’ development during the 1880–1913 wave of globalization and considers trading, financial and demographic aspects of relations between colonies and mother countries. In conclusion, we analyse the consequences of metropoles’ activities as *a quasi-development institution*.

Metropole–colony relations as an institution of globalization

The discussion of colonialism’s effect on the metropoles’ economy goes back to classic sources. We are compelled to set aside moral and political aspects of the metropole–colony relationship because we believe that socio-economic factors are important in their own right, and thus will consider only this part of the problem.

In 1793, Jeremy Bentham urged metropoles to give up colonies and showed that tariffs and other restrictions on trade decreased volumes.[10] But he also stated that migration to colonies, particularly for overpopulated countries with a high unemployment rate, had a positive effect on the metropoles' economy.[11] Furthermore, many prominent researchers wrote on imperialism and the role of colonies in the economies of European countries. Karl Marx points out that 'the colonial system ripened, like a hot-house, trade and navigation', and 'the colonies secured a market for the budding manufactures'.[12] At the turn of the twentieth century, John Hobson and Vladimir Lenin developed a theory of imperialism and used economic reasons to substantiate colonial expansion. John Hobson saw financial imperialism as a result of domestic 'underconsumption' and pointed out that acquisition of colonies was largely the consequence of financiers' search for markets 'primarily for investment [and] secondarily for surplus products of home industry'.[13] Vladimir Lenin emphasized the profitability of foreign investment as a cause of capital export and the need to exercise political control over markets in order to secure 'guarantees of monopoly's success against any contingency inherent in fighting an opponent'.[14] Later, in 1959, British politician and economist John Strachey expanded these theories and showed that imperialist 'exploitation of a dependent territory for the economic advantage of the metropole'[15] was typical not only of Britain at the turn of the twentieth century (which is considered in most works) but also of all empires at all times. In 1973, David Fieldhouse sought to provide an empirical assessment of economic factors' contribution into the development of colonialism and concluded that 'economic factors were present and in varying degrees influential in almost every situation outside Europe which led ultimately to formal empire.'[16] In the 1980s, British economists Peter Cain and Anthony Hopkins published a series of studies on British colonial policies. In these studies, they emphasized the important role of export markets and foreign investment for the development of the British domestic economy.[17,18,19] A.K. Bagchi argues that 'colonial surpluses partly held up some of the material progress achieved in [W]estern Europe'.[20] A.K. Banerji pays attention to India's economic relations with Britain and concludes that a large share of Indian national income has been transferred abroad.[21] We concluded that India played a role in the development of Great Britain between 1880 and 1913.[22]

The Spanish, Portuguese and Dutch colonies mostly go back to the 16th and 17th centuries, whereas Britain's and France's colonial activity continued until the First World War. In the late 19th century, active colonization was primarily related to the Partition of Africa. By the late 1870s, the continent had only two large colonies: French Algiers and British Cape Colony, not counting small coastal settlements. By contrast, only two African countries remained independent until 1913: Ethiopia (which signed the Treaty of Friendship and Arbitration with Italy) and Liberia (backed by the US). Active partition of Africa started after the Berlin Conference of 1884–1885, which introduced the Principle of Effective Occupation, providing a de facto international legal framework for colonialism.[23]

Great Britain became the largest 'global' metropole before the First World War (Table 1). In the mid-18th century, the country dramatically expanded its controlled Indian (Pakistani) territories, shortly thereafter annexed Nigeria, Ghana (previously Gold Coast) and Gambia, Kenya, Uganda, Zimbabwe (previously Southern Rhodesia), Zambia (previously Northern Rhodesia), Malawi, Transvaal and Orange Free State. Given the vast area of the British Empire and the role of colonies in the

Table 1. Colonial Territories of Key Empires, 1826–1933, million sq. km.

	Own territory	1826	1878	1913	1933
UK	0.3	9.0	24.9	29.5	31.6
France	0.5	0.1	4.9	11.5	12.4
Portugal	0.1	0.5	2.2	2.2	2.2
Netherlands	0.03	1.2	2.1	2.1	2.1
Spain	0.5	0.4	1.0	0.8	0.8
Germany	0.5	-	0.5	3.5	0.5
Italy	0.3	-	0.0	2.5	2.8

Source: O'Brien, Escosura (1998)[24]; Clark (1967).[25]

British economy, we will further consider Britain's relationship with India—its largest colony—in more detail.

The fight for colonies and competition between European powers in the 19th century has been thoroughly studied by historians, and 50 years later, they are less bound by political correctness. Therefore, we will cite one account (which, by the way, supports Bolsheviks' assessments made at the time): 'It is true that one of the driving forces behind imperialism was the influence of European traders, who saw in political control a way to facilitate their economic exchanges with African and Asian producers and consumers. Some industrialists also believed that the creation of a reserved market would be a suitable answer to international competition, and they managed to convince certain politicians, like Joseph Chamberlain (British Colonial Secretary from 1895 to 1903), Jules Ferry (French Prime Minister from 1880 to 1881 and from 1883 to 1885) and Francesco Crispi (Italian Prime Minister from 1887 to 1891 and from 1893 to 1896)'.[26] Politicians' frankness not only reflects the degree of political correctness at the time but also explains the systemic approach to the elimination of sovereign countries in the continent at the end of the 19th century.

Naturally, it is hard to talk about an open society and a liberal economy in these very countries alongside such an approach. In our opinion, interpreting the situation in metropoles as an 'open society' is, to put it mildly, questionable, at least for twenty-first-century scholars, given colonial administrations' tight control over public and socio-economic activities in dependent territories. European countries' fight for colonies appears to be economically driven, even though only certain business groups were immediate beneficiaries and general economic growth was based on progress in science and technology and cheap labour. Clearly, European metropoles attempted to block Germany's trade expansion into their colonies, and that is just one step away from war.

India as a donor for Great Britain (for the Country and its society)

The case of England and India is the most vivid and relatively well documented among all colonial Empires, so we will consider this example to illustrate various aspects of economic relations between a colony and its metropole. By the mid-nineteenth century England had been maintaining its role of the Workshop of the World for almost a century, albeit France, Belgium, and Holland exhibited significant industrial growth over that period till 1913. Germany and the US were already competing for product quality. But Great Britain was controlling a huge country for a good hundred years—predominantly through the East India Company (EIC). The British Crown made an enormous effort for establishing total control over India, including the egregious suppression of the Sepoy Mutiny in 1857. The end of the Mughal Empire was completed by the inauguration of Queen Victoria as Empress in 1877, when the British Crown assumed direct control over India. Availability of guaranteed markets, as well as Britain's technological lead over other countries (in textiles and the metal industry) and cheap resources (Yorkshire coal), became the main factors in economic growth of the UK. We believe that 'donor' flows from India supported GDP growth and the growth of wealth as a way to uphold the lifestyle of the Empire's expanding middle class or maybe even some cohorts of the working class.

In his correspondence with Karl Marx and an article written in 1885, Friedrich Engels makes a hard-to-measure assumption that 'during the period of England's industrial monopoly the English working-class have, to a certain extent, shared in the benefits of the monopoly'.[27] It is hardly surprising that in 1913 India's GDP per capita was six times lower than in the metropole. According to Angus Maddison, the average rate of GDP growth in Britain (per capita) in 1870–1913 constituted 1 per cent against 0.5 per cent in India,[28] so the gap had increased dramatically. It persisted until the 1940s and began to narrow, starting with independence, although quite slowly. The first five years of independence (1948–1952) showed average annual growth rates of 1.82 per cent for the UK and 1.85 per cent for India. During the first 10 years, Indian growth rates were higher: 2.12 per cent of average annual growth in the UK, and 3.14 per cent in India.[29,30] The significance of the broken colonial system for UK-India relations can be seen from the trade patterns after independence. India's share in Britain's total exports had declined from 9 per cent in 1947 to 5 per cent in 1957.[31] The years after the cessation of colonial economic coordination were difficult for India, but it was a rather stagnant period for the UK.

The enormity of the Indian market and the province's importance for the British elite explain the Crown's active involvement in the Crimean War of 1854 – as Britain was wary that Russia may move in Central Asia towards India if the Ottoman Empire were defeated—as well as tighten control within the province. Ironically, Britain's difficult campaign in Crimea in 1854 played a certain part in the Sepoy Mutiny, 'The withdrawal of British troops from India for Crimea, the exposed failings of the British army—dangerous for a regime so reliant on prestige—and expectation of Russian or Persian intervention created a sense of opportunity among discontented Indians.'[32]

Modern historians widely acknowledge the damage inflicted on the Indian economy by British colonialism but typically focus on military and political aspects. We seek to draw a picture of the gain obtained by the English economy and society from India's exploitation. Since the 17th century, generations of English gentlemen, merchants, officers, soldiers, and opportunists and pirates had gone to India (apart from other parts of the world) to make fortunes and reinvest them in real estate and banks in England and later on, in the US. Naturally, it is impossible to calculate India's overall donor contribution to England's national wealth over two-and-a-half centuries of colonialism, but there are several important issues that we would like to discuss.

The majority of the metropoles aspired to create a self-sustained administrative and military system in their colonies, and Britain fully achieved that in India. India's relations with the UK markedly reflect the official part of flows known as 'home charges', i.e. 'compensation to Britain for services rendered to India'.[33] These charges included: the interests on India's state debt owed to Great Britain (first and foremost, related to railroad construction), military expenditure on upkeep of the Indian army, purchase of raw materials from Great Britain (in particular, for railroad construction and other public projects), and civilian expenditure related to administrative costs (salaries, pensions, and servants). 'home charges' had to be paid in pound sterling, so the exchange rate played an important role in the rise of expenditure, but the contribution of an increase in the exchange rate has not been assessed separately. Table 2 shows that since the 1860s, England managed to achieve self-sufficiency of its imperial control over India pertaining to military and administrative expenses and even railroad construction (approximately 1 per cent of Britain's GDP). The latter was, of course, important both for trade and police control over colonized territories amid several rebellions.[34]

India's effect on the economic growth and the development of the metropole was very broad and included not only the aforementioned home charges but also direct transfers of private persons (apart from administration), as well as indirect revenues related to the absence of trade barriers for goods imported from Britain and to India covering the trade deficit with third countries. According to various estimates, over the studied period, private transfers amounted to £7–9.2 million per annum.

The open market for export products was a really significant factor in the growth of the British industry. In 1913, consumer goods accounted for 60 per cent of Britain's exports to India; steel, iron, and equipment constituted 25 per cent; and materials for railroad construction, construction of mills, hardware, and various small things 'for selling at the bazaar' claimed the other 15 per cent. India was the most important market for fabrics from Lancashire because between 1880 and 1913 the former purchased 40 per cent of goods manufactured by the latter.[36] Now, researchers agree that Britain's tariff policy with regard to India 'was deliberately framed so as to give most favoured treatment to British economic interests'.[37] At a time when continental Europe increased tariff shelter for its industries, all trade barriers in India were lifted in 1882. Presumably, price gains were probably the main source of 'colonial gains' (the term suggested by the authors). Naturally, it is extremely hard to determine 'fair' prices once we are so removed in time and in the absence of statistics and opportunities for comparison with other price sources.

Given the importance of the Indian steel market for Britain, the metropole prevented the creation of a national steel production for quite some time. For example, the founder of what is now Tata Iron & Steel Corporation, Jamsetji Tata, had been trying to start a company since 1883, and it was only his son who managed to launch production after a plethora of rejections and delays as late as 1912.[38] Therefore, England received income from three sources: payments from the Indian budget for administration and governance; guaranteed market for steel and textiles; and import of large amounts of (cheap) products, i.e. jute, wheat and tea.

The next aspect is trade relations between India, Britain, and third countries. India's external trade in the third half of the 19th century exhibited a peculiar feature. India had a significant trade balance surplus with the rest of the world, which, however, was not accompanied by the accumulation of reserves or capital outflow.

Table 2. Home Charges in India, 1861–1920, annual average, £ million.

	Interest on railways & irrigation	Other interest	Military	Pensions and furlough	Other civil	Stores	Total	Per cent to revenues of the UK	Per cent of UK GDP
1861 – 1874	3.5	2.2	2.6	0.9	0.2	1.1	10.5	n.a.	n.a.
1875 – 1898	5.3	2.6	3.5	1.7	0.6	1.2	14.9	15.6	1.1
1899 – 1913	6.9	2.5	4.2	2.3	0.2	1.6	18.9	12.4	1.0
1914 – 1920	9.6	3.5	4.7	2.4	0.2	2.9	23.9	n.a.	n.a.

Source: Kumar (1983)[35]; author's calculations

Instead, it came with an increase in the national debt, especially after 1850. The key to solving the 'balance of payments mystery' is one-sided capital flows to Britain since India had a negative trade balance with the UK. As of 1880, Britain's positive balance of payments with India was estimated at £25 million, which enabled Britain to 'settle more than a third of her trade deficit with the US and Europe.'[39]

Albeit a large market for India, in 1913 Great Britain accounted for only 24 per cent (against 40 per cent in 1880) of Indian exports. India exported to Britain, tea, wheat, and jute (Egyptian cotton was also important for British industry, although that is another story). Animal hides, leather, and cotton were exported to other European countries (Britain preferred American and Egyptian cotton), and opium was exported to China, but the latter ceased by the end of the 19th century (due to the expansion of opium production in China). The most stunning example of Anglo-Saxon resourcefulness (and selfishness) is trading with China: Britain was for a long time selling Indian opium to China and in exchange (more often than not an exchange of goods, not monies) got tea which became popular in England. Transactions with opium were, for the most part, carried out by the East India Company. Thousands of its employees monitored opium production and its quality. In modern terms, it is akin to a drug cartel operating under government protection. As soon as the Chinese government tried to ban the import of opium, Opium Wars followed.[40] From the perspective of international political ethics of the 21st century, this situation looks disastrous. Indian farmers were forced to produce opium which they did not need (clearly, cheaply) and undermined their agriculture, while the Chinese population smoked opium and undermined their health.[41] The EIC used its proceeds from opium to buy tea for English consumers. All that increased EIC profits and the personal wealth of its beneficiaries. And numerous characters from English novels sipped their 5 o'clock tea, fell in love, and discussed world politics, all the while, most likely, blissfully unaware of their role as ultimate beneficiaries of an intercontinental drug scheme.

Most historical studies provide a negative view of the Opium Wars with China, of wringing opium from poor Indian peasants, and of the EIC's commercial transactions, but consider them separately, rarely mentioning it in the triangular context. As an exception, the journalist Sarah Rose brilliantly describes the history of the Indian opium-silver-Chinese tea triangle in the English economy in her *For all the Tea in China: How England Stole the World's Favourite Drink and Changed History*. She emphasizes that the drug was harvested in India 'solely and exclusively, under the aegis of England's empire in India by the Honourable East India Company'.[42] Indeed, 'officially there was no connection between the East India Company's monopoly on tea and its monopoly on opium: the Company sold opium to British merchants in India, who then took it to China'.[43] Through the Company, the merchants received silver and went from London to China to buy tea. 'This opium-silver-tea triangle was a lucrative one, both for the East India Company and the British Crown, but it was having a detrimental effect on China'[44] and on India.

Economic assessments indicate that the exchange of opium for tea was 'not merely profitable to England but had become an indispensable element of the economy. Nearly £1 out of every £10 collected by the government came from taxes on the import and sale of tea—about a £1 per person per year'.[45] So it can be said that taxes on tea were an important part of sources used to finance the growing expanse of railroads and satisfaction of other needs of a growing industrial nation. S. Rose points out that ‘opium was equally significant to the British economy, for it financed the management of India’.[46] All the while opium was banned in both China and Great Britain, but China’s major efforts at countering illegal opium trade were met with Britain exhibiting its readiness to engage in military confrontation, which ultimately resulted in claiming the island of Hong Kong and opening trade through five additional continental ports. By the end of the century, the trade ceased because China started to produce its own opium.

Thus, in our opinion, trade tariffs and taxes (and the GDP) can hardly be seen as total benefits that were pumped from India and China into Britain in the 18th−20th centuries through EIC and its successors. A study on the economic effects of the trade triangle and other hardly quantifiable effects of the colonial system would be a more dramatic and popular read than *The Moonstone* by Wilkie Collins. Some Indian economists estimate the general losses of their national economy over 173 years of colonialism at $45 trillion.[47] The other highlights that, in 1989–1914, the net outflow on account of private enterprises in which British investors were involved reached Rs 233.2 million or 15.5 million British pounds.[48,49]

Analysis indicates that the EIC is an astonishing and perhaps the most profitable and enduring combination of private business, governance, and corruption in the history of humanity. De facto and de jure, the company ruled India until the 1860s. We consider its activity from the perspective of interests, losses, and gains of many key players, even countries, but mainly as a contribution to the growing prosperity of British society. For a century and a half, several generations of East Indian merchants, officials, servicemen and various fortune-seekers grew rich off India, not counting other colonies. Their revenues can be hardly calculated through taxes or balance of payments, but they can be perceived as a source of private investments and a factor in the rising quality of life and material wealth of Britain. After the dissolution of the EIC at the turn of the 20th century, India’s contribution to the growing wealth of British citizens remained significant, albeit hard to measure. The example of Britain’s relations with India is, of course, unique in a number of aspects: vastness (absolute and relative) of this most important colony; complexity and multiple rent-seeking channels; and the metropole’s persistence and duration of rent-seeking. We believe this to be an important practical case, especially for generalization of other—unfortunately, less documented—cases, which we will analyse hereafter.

Mechanisms of economic interaction and colonial rent-seeking

Trade is definitely the foremost direction of mutual influence and transfer of resources. First, metropoles obtained an opportunity for cheap import of goods from colonies (typically, raw materials); second, they received a non-competitive market (due to political influence) for the sale of their products. Export and import volumes were quite impressive for that period of time, and monopolies and monopsonies were based on political control. We can observe a significant share of Britain’s, France’s, and the Netherlands’ export into their colonies (Table 3), so, perhaps, the absence of fair competition also implied price disparity in mutual trade, in addition to taxes, overvalued services of colonial administrations and armies, etc. Peter Cain and Anthony Hopkins point out that British goods were ‘driven out of Europe and America’,[50] and between 1870 and 1900, Britain’s export into industrial

Table 3. Trade of major empires with colonies, share of export and import, 1879–1913.

Country	Trade flow	1879−81	1911−13
UK	Export to the Empire	33	36
	Import from the Empire	22.2	20.4
France	Export to the Empire	6.2	14.0
	Import from the Empire	4.8	10.7
Portugal	Export to the Empire	3.1	13.9
	Import from the Empire	2.0	3.2
Belgium	Export to the Empire	-	0.7
	Import from the Empire	-	1.2
Spain	Export to the Empire	21	5
Netherlands	Import from the Empire	9	6

Source: Vanthemsche (2012) ,[53] O'Brien, Escosura (1998)[54]

Europe and the US dropped by 19 per cent. But this drop was offset by a 38 per cent increase in exports to Africa and Asia.[51] Richard Wolff vividly illustrates the dependency of the British industry and agriculture on imported goods, primarily goods from the Empire's dominions. For example, the share of colonies in the import of foodstuffs into Britain increased from 19.8 per cent in 1870 to 30.3 per cent in 1913, whereas 'empire sources of raw materials never provided less than one-third of Britain's raw material imports during these years'.[52]

Table 3 shows that Congo accounted for only a small fraction of Belgium's trade. But in order to acquire a complete understanding of the colony's role in Belgium's trade, we must analyse it by sector. For example, rubber (due to the development of mechanical engineering, demand for rubber was actively growing around the world over the studied period) and ivory accounted for a large part of Congo's exports,[55] and 90 per cent of these exports went to Belgium. Belgian diamonds in Antwerp became a diamond centre long before Belgium's acquisition of Congo, but the colony had been gaining ground as a supplier of precious stones since 1907, and during the inter-War period, it became the largest manufacturer of industrial diamonds and consequently, facilitated Belgium's increased role in this segment.

In Spain, the colonies' prominent role in the metropole's trade came from a system of prohibitively high tariffs on goods produced outside Spain, which stimulated trade with the mediation of the mother country. Frank Blackmar writes that in order to avoid the prohibitively high tariff even American flour was first transported overseas to Spain and then returned to Cuba.[56] Naturally, that was one way of siphoning money from colonies, which led to higher prices on imports for the local population.

Still, some researchers postulate that colonial trade played a relatively small part in the economy of the metropoles and could be easily swapped for 'non-imperial sources at similar or… even lower prices'.[57] However, we can see that international competition before the First World War was *inter alia* caused by the fight for colonial markets, and prominent British historians Cain and Hopkins 'reject the assumption that the industrial revolution provided Britain with an automatic route to economic supremacy and world influence'[58] and point out that 'the extension of Britain's presence overseas can be seen as an expression of her failure to dominate her chief competitors, and especially to prevent their industrialization'.[59] Fourteen per cent of German exports went to the English market, while England supplied only 8 per cent of its exports to the highly competitive German market. In 1913, Germany managed to claim 6 per cent of India's market against 76 per cent of the metropole's and thus jeopardized Britain's trade interests. The Indian market accounted for just 13 per cent of Britain's exports and 8 per cent of Germany's exports. But Germany had a positive balance in its trade with England in the 1900s, so general trends of competitive trade had already turned in Germany's favour.

The second direction of the colonies' effect on the metropoles is finance. Clearly, the role of London as the financial centre of the world is, to a certain extent, related to its broad colonial basis, because a large portion of all global capital movements, including capital flow between British dominions (Australia and Canada) and the US, not to mention India, went through London. The size of the Empire yielded a complex combination of economic, cultural, commercial, and political reasons that supported the demand for pound sterling, including surplus of capital in London, demand on English goods and consequently, English currency reliant on English elites in colonies, preference of English sovereign credits due to Britain's political influence, etc. Over the studied period, Britain was a leader in foreign investments: according to UN data, 42 per cent of cumulative global investments were channelled from Britain in 1914 (Table 4).

The emigration of workforce and poor can be construed as the third direction of colonies' effect on metropoles. In the 19th and the beginning of the 20th century, migration from Europe reached enormous proportions. According to some estimates, about 44 million people left Europe between 1821 and 1915.[61] Twenty-three per cent of the migrants came from Britain, and 11 per cent were from Germany. Some reasons behind this include population growth in Europe, socio-economic development of the New World (and probably clearing the territory of local tribes), and a dramatic improvement in transportation.[62] Needless to say, a majority of migrants went to the US[63] – between 1861 and 1900, about half of British migrants moved there. However, migration to colonies provided the population of metropoles with an opportunity to make money and potentially join the 'leisured class', as opposed to the New World, which offered no preferences.[64]

Second, it was migration and European settlements in colonies that frequently provided the basis for colonies' self-sufficiency. Metropoles and colonial administrations implemented a special policy stipulating different ways of attracting migrants to colonies; by providing them with land on preferential terms and supplying European settlements with various goods,[65] for example.

Table 4. Accumulated foreign investment, 1914, $ billion.

Creditors		Recipients	
UK	18 300	Europe	12 000
France	8 700	North America	10 500
Germany	5 600	Central and South America	8 500
USA	3 500	Asia	6 000
Belgium, Netherlands, Switzerland	5 500	Africa	4 700
Other	2 400	Oceania	2 300
Total	44 000	Total	44 000

Source: M. Niveau, Y. Crozet *Histoire des Faits Economiques Contemporains*, 1966.[60]

Third, we should not forget the role of colonies as a destination for migration of the poor population that potentially posed a threat to domestic social stability. They often represented the most destitute social strata who could not afford long-distance travel. In this case, the availability of heavily discounted or even free travel programmes played a special role. For example, David Pope estimates the cost of going to Australia and New Zealand at approximately £12–16 in 1910 (and £6–8 for Canada), but discounted fair to Australia could be as little as £2-8[66] depending on gender and destination.

Colonialism as a Quasi-Institution of development

There are some assessments of metropoles' activities of developing the economy and educating the colonial population. Such assessments make these activities sound like institutions of development. But the balance of gains cannot be calculated based solely on taxes and a few projects (like railroads). Great Britain as the largest metropole built its wealth not only on industrial breakthrough, but also on processing imported cotton (harvested in colonial Egypt and by slaves in the Americas) and providing a controlled market for its fabrics. The following question warrants a separate discussion: Did the 'colonial curse' delay innovative development of Britain as a metropole and condition its technological lag behind Germany and the US? Indeed, shortly after its unification (within a decade or two), Germany showed the world that its industry had the quality and production volumes commensurate with, and in some areas even superior to, the British. For example, before the First World War, Germany had approximately 13 per cent of global exports,[67] which is not much lower than Britain's (14 per cent). At the turn of the 20th century, Germany and the US gradually overtook England to claim leadership in technologies related to new sectors of the economy (chemistry and steel)[68] and in creating a new institutional environment for innovations,[69] whereas England was falling behind in innovations due to sale of traditional goods in its own colonial markets.

In general, modern scholarly discourse tends to downplay colonial gains for Britain and other metropoles as a source of income for the wider strata of their population. We cannot estimate how England would have fared without its revenues from India or how much a cup of tea would have cost. Of course, English elites and middle classes did not receive income from furs, oil and diamonds directly, but British society actively helped the elite to profit from managing huge colonies, international affairs, and global finances. Naturally, all this was permeated by the spirit of progress, of promoting civilization and democracy and serving the British Crown.

The metropoles did not set the goal of creating infrastructure in colonies, unless it was related to exports of raw materials or security. Outcomes of the metropoles' hegemony were grievous by 1913, continued till the time colonies gained their independence, and linger to this day (Table 5). In 1913, the metropoles' GDP per capita was dramatically higher than the colonies' respective numbers: it varied from being two times higher for Portugal to 5–6 times higher for France and Britain and more than 7 times higher for Belgium.

Over the past hundred years, we have not seen any major progress in the ratios of former dominions' and metropoles' development levels. By destroying the institutions of conquered countries and in many cases, inflicting irreparable damage on the political and intellectual elites, metropoles sought to accomplish their own

Table 5. GDP per capita of the major European powers and their colonies, 1913–2020, $ thousand.

		Metropolis, GDP per capita, $ thousand			Colony, GDP per capita, $ thousand		
Metropolis	Main colony	1913	Independence year	2020	1913	Independence year	2020
UK	India	5.0	10.5	45.9	0.9	1.0	6.5
France	Algeria	3.2	12.9	46.7	0.6	2.3	11.3
Spain	Equatorial Guinea	2.1	9.3	38.3	0.5	2.0	17.9
Belgium	Congo, Dem. Rep.	4.3		52.6	0.6		1.1
Netherlands	Indonesia	3.5	9.4	59.3	0.8	1.2	12.1
Portugal	Angola	1.3	10.4	34.1	0.6	1.7	6.4

Source: S. Broadberry, K.H. O'Rourke, *The Cambridge Economic History of Modern Europe*, 2010[70]; Maddison database,[71] World Bank (WB) database[72]

geopolitical goals. Colonial administrations did not have the task of promoting the socio-economic development of colonies, nor had any rights or resources for that. But apparently, we have to admit that metropoles did not create a physical or institutional infrastructure for an economic catch-up. After independence, countries were left with problems, imbalances, low level of human capital, and generally insufficient institutional foundations for developmental catch-up. Modern international development institutions experience intense problems with meeting their development goals. But in spite of a huge difference in developing countries' plights in the 20th and 21st centuries, 'colonial development methods' were a failure.

Apart from considering metropoles' gains by factors and channels, we would like to highlight the social aspect pertaining to beneficiaries of colonial rent. We believe that they were not at all limited to the crème de la crème of metropoles' societies, i.e. government affairs, feudal and business elites. Over centuries of hegemony, thousands of colonial clerks, servicemen, engineers, and other employees worked in colonies, and as they returned home, they repatriated their savings and invested them in metropoles. So the 'middle strata' of society and possibly, some members of the working class had incomes that were higher than what they could have had in a 'regular European country'.

The globalization of the later 19th–early 20th centuries manifested in relatively free movement of goods, finances, technologies and people. It definitely played a role in generating a generally positive framework for the economic growth and development of European countries at the turn of the 20th century. However, apart from globalization, this period was characterized by a spike in colonialism which, as we have shown, played a prominent role in the welfare of colonial powers, helping them to overcome difficult domestic social problems of the period of industrialization while creating the 'colonial resource curse'.

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