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RÉSUMÉ – Cet article réexamine l'étude de l'impérialisme par une succession d'auteurs tels Quesnay, Smith, et leurs disciples, y compris Say et Ricardo, d'un côté, et Stuart Mill et Leroy-Beaulieu, de l'autre. Il s'interroge sur la pertinence de l'étiquette anticolonialiste associée à Quesnay et Smith. Il se termine par quelques questions encore en suspens sur l'utilisation par Leroy-Beaulieu de la littérature britannique pour justifier l'expansion coloniale française et l'exportation du capital.

MOTS-CLÉS – Empire, impérialisme, Smith, Quesnay, Leroy-Beaulieu, colonies

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ABSTRACT – This article reconsiders the political economy of Empire cultivated by a sequence of authors from Quesnay, Smith, and their immediate followers, including Say and Ricardo, at one end of the spectrum to Stuart Mill and Paul Leroy-Beaulieu at the other. The article questions the applicability of the anti-colonial label to Quesnay and Smith. It closes with some unresolved questions about Leroy-Beaulieu's use of the British literature to justify French colonial expansion and capital export.

KEYWORDS – Empire, imperialism, Smith, Quesnay, Ricardo, Leroy-Beaulieu, colonies

THE POLITICAL ECONOMY OF EMPIRE¹

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My title, though it promises more than can be delivered, would easily have been recognised by successive generations of French and British economists writing on colonies, colonization, and empire from the second half of the eighteenth century up to the first half of the twentieth. Nowadays the topic is more likely to be claimed by neighbouring academic tribes eager to annex the territory to something called world history or global economic history, sub-disciplines more concerned with reconstructing *ex post* reality than with *ex ante* analyses of the costs and benefits of empire, one of the main themes of the political economy of this question. The older terminology contains a reminder of the challenge that empire has always posed to economists anxious to bring an inherently controversial topic within the scope of their intellectual *imperium*. In turn, historians of economic thought have been attracted to the subject because it tells us so much about the way in which serious economic thinking has shaped and been shaped by colonial themes in its attempts to contribute to the understanding of a major feature of European history with considerable impact on the non-European world.

At one time the more or less unified entity we call “classical political economy” – an entity I shall query later – was a comprehensive approach to the problems of empire. The search for the laws underlying commercial or capitalist existence and development created a distinctive

1 This paper was originally delivered as the keynote address on *Les économistes et les colonies* at a meeting of l'Association Charles Gide pour l'Étude de la Pensée Économique in Martinique in November 2013.

agenda for dealing with the merits and demerits of colonies. For well over a century the agenda consisted of a coherent set of questions that united devotees of the science across a spectrum that stretched indisputably from François Quesnay and Adam Smith at one end to John Stuart Mill and, perhaps more disputably, Paul Leroy-Beaulieu at the other. In its final phase – though I shall not reach it – it included Marx, Lenin, and other dissidents such as John Atkinson Hobson. By then it had become a theory of capitalist imperialism, but I shall suggest that it still owed something to those who challenged Ricardian orthodoxy in the course of formulating the case for colonization as a remedy for some of Britain's problems as a mature economy.

At no time, of course, could one say that political economy was an insular or self-sufficient body of reasoning in its coverage of colonial topics. But the leading role it established during its heyday enables me, for the purposes of this talk, to return to the relative simplicity of an era in which political economy provided the main agenda around which other questions of a moral, humanitarian, political, and military kind could be fitted. It also seems to suit the nature of an occasion organised by the Charles Gide Association, especially since I have learned that Gide allowed himself to be drawn into the long debate on colonies in 1885, just after the period with which I shall be concerned².

The subject seemed particularly suited to Martinique, territory that was part of the long history of inter-imperial conflict between France and Britain. Ideally, the theme of the conference demanded a more authoritative exercise in comparative Anglo-French history than I am capable of supplying. But since I expected some of the active contributors to the modern literature in French on colonies, slavery, and anti-colonialism to be present in Martinique, I assumed that any inexpert observations from an anglophone perspective would provoke the necessary francophone corrections.

My talk has two unequal parts roughly connected with the eighteenth- and nineteenth-century phases in the history of the encounter between political economy and the intellectual challenges of colonial existence. The journey may be more interesting than the destination, but if there are any general conclusions I want to suggest that the continuities

2 Gide, 1886.

between these two parts are not as great as our use of the term “classical political economy” to cover both parts may lead us to believe. Another more tentative conclusion could be that the contrast between the British and French narratives is less marked in the nineteenth century than one might anticipate on the basis of the respective economic circumstances of the two nations and their motives for acquiring empires. Why that should be so – if indeed it is so – I shall ask you to tell me at the end of this talk.

I

Let me begin with Quesnay and Smith, whose parallel careers as authors, advisors, and mentors had close connections with the colonial concerns of their readers, patrons, and disciples. For reasons that have been expounded expertly in recent years by Christine Théré and Loïc Charles, in Quesnay’s case the relationship with readers entailed the use of “writing workshops”, a discreet yet effective method of recruiting disciples and disseminating the master’s ideas³. Two of the most prominent of those disciples had experience of colonial administration in the French Antilles, with Le Mercier de la Rivière becoming Intendant of the Iles-du-Vent between 1757 and 1762 and of Martinique in 1763-1764; and with the Marquis de Mirabeau exchanging information and advice on colonial governance with his brother, Chevalier de Mirabeau, who served as governor of Guadeloupe from 1753 to 1755⁴.

Like Quesnay, though for different reasons, Smith was as self-effacing a self-publicist as it is possible for any author of ambitious works to be. In sharp contrast with Quesnay, however, Smith did little to acquire followers beyond publication of the *Wealth of Nations* and by keeping that work relatively up to date until a few years before his death in 1790. On the other hand his involvement with colonial affairs as an advisor was more personal and prolonged. It began in 1766, as advisor to the Chancellor of the Exchequer, Charles Townshend, when Smith

3 Théré, Christine & Charles, Loïc (2008), (2011).

4 Here and later I am indebted to Pernille Røge’s work: see especially Røge, Pernille (2009).

gave advice on ways of dealing with the fiscal consequences of the Seven Years War. We do not know if he recommended the Townshend duties that were later to play a major part in the Boston tea party in 1773, but we can be fairly certain from the treatment given to public debt and taxation in Book V of the *Wealth of Nations*, and his speculative plan for a “states-general of the British Empire” in Book IV, that Smith supported Townshend’s resolve to make the American colonies contribute a larger share of their revenues to cover debts incurred in their governance and defence. We also know that in 1778, just after defeat of the British army at Saratoga, Smith offered some sharp *Realpolitik* observations on how the dispute might be resolved. The memorandum he wrote on that occasion was private, but it would not have been difficult for supporters of the American cause to infer from the *Wealth of Nations* that Smith did not sympathize with their aims and enthusiasms. He predicted that the British public would eventually be thankful for the loss of the colonies; it would put an end to the deformations that manipulated colonial trade brought with it and release British taxpayers and consumers from the burdens colonies placed on the public finances. In his private memorandum Smith predicted that the Americans would live to regret the substitution of quarrelsome republican forms of government for the stability provided by the British monarchy. His proposal that those “splendid, but unprofitable acquisitions of the late [Seven Years] war”, Canada and the Floridas, should be returned to France and Spain as a constant reminder to the Americans who their real friends were was made, I suppose, with tongue in cheek: his main advice to British policy-makers was to accept defeat and treat the ex-colonies magnanimously for the sake of future peaceable relations⁵.

The coincidence in the date of first publication of the *Wealth of Nations* and the outbreak of hostilities that heralded the beginning of the American war of independence was no *mere* coincidence. Smith delayed publication to gather additional information on American affairs so that his chapter on colonies, one of the longest in the whole work, would possess greater authority⁶. After publication – in the

5 Smith, Adam (1778), p. 3805.

6 Smith, Adam (1776) [*Wealth of Nations*, and later *WN*], *WN*, IV.vii and the final part of V.iii. A French translation of the former appeared soon after the first edition of 1776: *Fragment sur les colonies en général, et sur celles des Anglois en particulier* (Société Typographique,

weeks before the events that sparked the actual revolt on 4 July – and over the years in which the “present disturbances” faded to become the “late disturbances”, Smith retained the treatment given to the American problem against the advice of friends who thought it ran the risk of making the work seem like a contribution to current affairs. He also used the new information he acquired as a result of his duties as Commissioner of Customs in Edinburgh to augment his attack on what in France was originally labelled descriptively as *l'exclusif* and was becoming known pejoratively by such critics as Mirabeau as the “*incon-séquence absurde du système mercantile*”⁷. As Daniel Diatkine has recently reminded us, we should take seriously one of Smith’s brief descriptions of the aims of the *Wealth of Nations* as “a very violent attack... upon the whole commercial system of Great Britain”⁸. The mixture of irony and indignation used in the attack shows how closely Smith approached Quesnay’s judgement on the deficiencies of the British version of the system, especially its obsession with mercantile criteria of wealth and consequent over-valuation of the self-interested representations of the metropolitan merchant community⁹. As his original intention of dedicating the *Wealth of Nations* to Quesnay indicates, Smith shared assumptions with Quesnay that assigned a leading role to agriculture in the “natural” as opposed to actual or historical processes of economic growth. He may also have picked up the term “mercantile system” with all its derogatory connotations during his sojourn in France in 1764–1766. But his polemical assault on what he described figuratively as the “overgrown standing army” of mercantile interest groups surrounding the British parliament, and his sweeping condemnation of any advice on the national interest coming from this quarter, had native political roots and modes of expression¹⁰. The conclusion that Britain derived

Lausanne, 1778). These were the parts that Smith underlined in the revisions he made in 1784 by adding a chapter (IV.viii) on “The Mercantile System”. For an account of Smith’s immersion in colonial affairs see Winch, Donald (1978), (1996a); and Rothschild, Emma (2012).

7 Mirabeau, (1763), p. 329.

8 *Correspondence*, p. 251. See Diatkine, Daniel (2013).

9 Quesnay (1765).

10 On the “standing army” see *WN*, IV.ii.43 and I.ix.10. If I have understood Daniel Diatkine’s argument, this is what he wants to capture by speaking of the Polybian nature of the British constitution, a mixture of elements that needed to be kept in balance with one another.

nothing but loss from the mercantile system as it applied to her colonies in general and the North American ones in particular represents the apogee of the attack¹¹.

II

If we add to the above Smith's treatment of slavery in his jurisprudence lectures as well as the *Wealth of Nations*, and his forthright opinions on the violence, injustice, and other misfortunes which he thought were endemic to European domination of Africa, India, and the New World, we arrive at Smith's credentials as one of the leading figures in what has been characterized as the "golden age" of anti-colonialism¹². His place alongside other figures associated with the Enlightenment who are now seen as the principal anti-imperialists of their day – Quesnay, Turgot, Diderot (in his contributions to Raynal's *Histoire des Deux Indes*), Kant, Bentham, and Herder – seems assured¹³. However, it is necessary to stress *seems* here because in the case of both Quesnay and Smith there are grounds for thinking that the anti-colonial interpretation has been pressed too hard, and that a question inviting a binary choice – were they pro- or anti-colonial? – may not yield the most truthful or interesting answers.

The common agrarian dimension to their thinking mentioned earlier is clearly incompatible with the Colbertian bias of mercantile conceptions of empire. This may seem most obvious in the case of Quesnay, whose earliest writings were designed to show that France was seriously under-cultivated and that its agriculture was further handicapped by *la petite culture*, the use of sub-optimal techniques. This furnished *prima facie* grounds for believing there was a zero-sum

11 "Under the present system of management, therefore, Great Britain derives nothing but loss from the dominion which she assumes over her colonies." *WN*, IV.vii.65.

12 See Marcel Merle's chapter on "L'anticolonialisme" [Merle (2003)]. My earlier remarks on Smith's lack of sympathy for the American cause explain my inability to agree with Merle's conclusion that Smith "*prendra en tout cas vigoureusement parti en faveur de l'indépendance des colonies américaines*" (p. 627).

13 My list derives from Sankar Muthu (2003), and the article by Merle cited in note 12.

conflict between the resources available for domestic and for colonial developments. *La Philosophie rurale* makes this plain when stating that a country with much uncultivated land should not think about forming colonies in far-away regions.

Smith too gave priority to agriculture in his account of the “natural progress of opulence” in Book III of the *Wealth of Nations* and in his discussion of the hierarchy of employments for capital in Book II. This underpins his criticisms of the “policy of Europe” in favouring commerce and manufacturing over agriculture as well as his opinion on the effects of Britain’s restrictions on the development of its American colonies. The British version of *l’exclusif* had not, so far, been very damaging; it had operated to focus the colonists’ efforts on agriculture and what was most advantageous to American development in its present stage¹⁴. As far as the British metropole was concerned, and once more in common with Quesnay, Smith assumed there were unexploited economies to be had from investment in domestic agriculture. Hence his encouragement to the sideways reinvestment of mercantile profits: hence too the barely suppressed anger he brought to his condemnation of landowners who, as a result of idleness and a lack of foresight encouraged by the laws of primogeniture and entail, preferred the private and passive enjoyments of ownership to the active ones of investment in improvements that had beneficial consequences for society¹⁵.

But these agrarian priorities are entirely compatible with a different, non-mercantile concept of empire. Based partly on my reading of Smith’s works, I find Pernille Røge’s conclusions regarding Quesnay and his followers convincing: she believes that remarks hostile to colonial expansion should simply be read as warnings that it should not begin until France had brought its domestic soil under fuller cultivation. She also argues persuasively that a positive physiocratic vision of empire can be discerned in their concept of co-proprietorship in the net product, something that could be shared between the sovereign and private landowners, where the latter could equally be colonial subjects cultivating the provinces

14 “It has been the principal cause of the rapid progress of our American colonies towards wealth and greatness, that almost their whole capitals have hitherto been employed in agriculture.” *WN*, II.v.21 and III.i.5.

15 On the political dimension to Smith’s views on landowners see my study (1996b), p. 180-185. For Smith’s opposition to primogeniture see *WN*, III.ii. 4-6 and *Lectures on Justice*, p. 49.

of an agrarian empire¹⁶. How far this anticipates the thinking behind today's DOM-TOM arrangements, as Røge suggests, I will leave to those more expert in the intricacies of French constitutional practice to decide.

A corresponding interpretation of Smith enables one to understand why he retained the alternative to separation in the *Wealth of Nations* after the American colonies had departed. His speculative plan entailed an incorporating union of the mother-country with its colonial provinces enjoying a harmonized system of taxation. It would be presided over by representation within a parliament currently residing in London that could be moved across the Atlantic as the wealth of the American provinces grew. Though confessedly “utopian” these proposals embodied a vision of a different kind of empire in which colonies would cease to be a burden on the metropolis. Expressed differently, Smith’s plan reveals the only conditions under which he believed that empire could be made acceptable to all parties. Giving up a false dream fitted only for “a nation whose government is influenced by shopkeepers” did not disallow the entertainment of a worthier and more practical kind of dream¹⁷. Despite the loss of the American colonies Britain still had extensive imperial responsibilities to discharge through what Smith hoped would be a better “system of management”. Reverting to the list of Enlightenment critics of empire mentioned earlier, one could say that unlike Raynal and his associates Smith did not choose to occupy the stance of a Cassandra or renegade observer; he could envisage things from the viewpoint of someone with inside experience of what the conduct of public institutions would require in future.

At the beginning of the twentieth century one of Smith’s admirers within the British academic community, J. S. Nicholson, holder of the Edinburgh chair of political economy, presented him as far-sighted and “intensely nationalist” – as an advocate of imperial federation whose writings spoke once more to a country that needed to strengthen its inter-imperial ties to deal with economic competition and the military threats coming from Germany in particular¹⁸. Like most proleptic readings of past texts, Nicholson’s contained a good deal of wishful

16 See Røge, Pernille (2013), Chapter 2.

17 WN, IV.vii.c.63 and V.iii.92.

18 The full title of J. S. Nicholson’s book provides a taste of the argument: *A Project of Empire; A Critical Study of the Economics of Imperialism, with Special Reference to the Ideas of*

thinking. Smith himself had a different contemporary reality and set of values in view when he advanced his plan for a federal “constitutional union”. As a loyal – though by no means uncritical – Scot with North British sympathies he was partly thinking of the political and economic benefits Scotland had enjoyed since the union of 1707. He recommended this as the basis for transforming Ireland into a “province” of the British empire enjoying equal trading rights and bearing a proportionate share of the costs of sustaining the larger imperial enterprise¹⁹. Union of Ireland with England, Scotland, and Wales did not occur until 1800, and when it did so not only were Smith’s hopes that the Irish would be delivered from “religious and political prejudices” proved wrong, but for a large part of the next one-hundred and twenty years Britain acquired – on its doorstep and on its conscience – responsibility for a populous under-developed rural economy subject early on to subsistence crises. As the late distinguished Irish historian of economic thought, R. D. C. Black, demonstrated, Ireland became a testing ground for political economists to rehearse their understanding of under-development and what amounted to a special kind of colonial relationship²⁰. Black also subjected the case for imperial constitutional union to a counter-factual test by asking whether India, without constitutional representation, was better governed than Ireland, which enjoyed all the privileges of that status²¹.

Smith’s plan also assumed that Britain had a right to revenues generated in Bengal and her other Indian possessions, though in this case he made no mention of parliamentary representation. Removal of the gross anomalies and injustices created by allowing the East India Company, a trading company enjoying monopoly privileges, to exercise political power over the Indian territories clearly had to be eliminated. Removal of the company’s trading monopoly did not occur until 1813, well after Smith’s death. The best prospect he could hold out in 1776 was “to endeavour to draw a revenue from [the Indian territories],

Adam Smith. On the general phenomenon of which Nicholson’s book was part see Bell, Duncan, (2007).

19 *WN*, V.iii., p. 89-90. For private advice on Ireland as a candidate for becoming a “province” of the British empire see Smith’s letters to Henry Dundas in *Correspondence*, p. 239-244.

20 See Black, R. D. Collison (1960); and his articles (1953).

21 See his “Economic Policy in Ireland and India in the Time of J. S. Mill”. [Black, R. D. Collison (1968)].

not by imposing new taxes, but by preventing the embezzlement and misapplication of the greater part of those which they already pay”²².

Ireland and India were to occupy a considerable share of the attention of British political economists during the first half of the nineteenth century. In consequence they have been well served by historians of economic thought²³. It is well known that for most of his life Robert Malthus taught the infant science at Haileybury, the college set up to train junior civil servants destined to work abroad for the East India Company; and that James and John Stuart Mill spent most of their adult lives as senior civil servants working for the company in London. Significantly, for what I want to say later, the Mills *père et fils* were also convinced that a new post-Smithian economic doctrine, David Ricardo’s theory of differential rent, provided the clue to the best solution to the problem of land value taxation in India; it furnished a precise basis for tax gathering and a response to Smith’s criticisms of “embezzlement” by tax collectors. Mill *fils* defended the company as an instrument of government when its powers were about to be taken over in 1858. He also devoted a large proportion of his energies as journalist and politician to seeking solutions to Irish problems²⁴.

III

The continuities between the eighteenth-century liberal themes to be found in the work of Smith and Quesnay and those still current during the first half of the nineteenth century are most visible in a more exclusively British version of the historiography of anti-colonialism. According to this Smith appears as a saint canonized by the Manchester School for inspiring Richard Cobden and Frédéric Bastiat, exemplars of *libre-échange* cosmopolitanism and non-interventionist positions in foreign affairs. There is also a vestigial physiocratic link within this

22 See WN, V.iii., p. 91.

23 See Barber, William J. (1975); and R. D. Collison Black, *op. cit.*

24 There is a distinguished literature on these topics; see for example Stokes, Eric (1959); Zastoupil, Lynn (1994); and Kinzer, Bruce L. (2001).

historiography through the Anglo-French commercial treaty of 1786. On the French side of the negotiations Dupont de Nemours played a prominent part as advisor, and on the British side, William Eden had the benefit of Smith's advice²⁵. Smith became the respected forerunner of Cobden's popular movement for the "peace and retrenchment" form of anti-colonialism which remained influential through the work of Hobson at the end of the century. The diplomatic monument to this was the Anglo-French commercial treaty of 1860, also known as the Cobden-Chevalier treaty, a continuation of what had begun in 1786 but had been interrupted by the French revolution and the Napoleonic wars²⁶. When the centenary of the *Wealth of Nations* was celebrated in 1876 Smith's admirers treated him as someone whose pessimism concerning the likelihood of establishing free trade in Britain had been decisively falsified by the gradual dismantling of something now firmly labelled as the "old colonial system", by repeal of the Corn Laws, and by abolition of the Navigation Acts by the end of the 1840s²⁷.

The continuity of thinking contained in these triumphs, when seen from a progressive Whig perspective at least, did not extend to other subjects that became central to the political economy of empire during the nineteenth century²⁸. Well before the victory of free trade in Britain Smith had acquired followers who were anxious to play their own variations – Benthamite, Malthusian, and Ricardian – on the main themes enunciated in the *Wealth of Nations*. In the form of Jean-Baptiste Say too, Smith attracted a French admirer who, much to the dismay of Dupont de Nemours, had forsaken the native tradition for its British rival²⁹. Philippe Steiner and other students of Say's career have singled out his early divergence from Smith on the economics of

25 See Henderson, W. O. (1957); and Murphy, Orville T. (1966).

26 For the earlier period see Crowley, John E. (1990); Winch, Donald (1996b), p. 157-162. The later period is covered authoritatively by Howe, Anthony (1997).

27 See report of the centenary dinner in *Political Economy Club* (1876).

28 Smith's analysis of trade relations between metropole and colonies was subject to detailed correction by Ricardo; see Winch, Donald (1965), p. 40-44. The liberal conclusions could also be contested by interpretations that took a Tory or Conservative view of the same period; see Gambles, Anna (1999).

29 "This idea that occurs to you to reject us, and which you do not hide well, my dear Say, does not do away with the fact that you are through the branch of Smith a grandson of Quesnay, a nephew of the great Turgot." Mirabeau to Say as quoted in McLain, James J. (1977), p. 201.

slavery and his credentials as a “liberal imperialist”³⁰. But his most distinctive contribution to the political economy of colonies in Britain can be found in the famous chapter on *débouchés* in his *Traité d'économie politique*. When incorporated within Ricardo's distinctive model of growth and macro-distribution Say's Law was to play a major role in countering some neo-physiocratic styles of argumentation that made their appearance during the period when the economic effectiveness of Napoleon's blockade was being assessed, and when various forms of under-consumptionism were advanced to support heterodox remedies for post-war depression. During the 1830s and 40s a related diagnosis was advanced to explain stagnationist tendencies at work in the British economy for which colonization, involving the export of surplus capital and labour, was the favoured remedy. The diagnosis centred on the existence of a combination of excess capital accumulation and labour leading to depressed profits and wages, a combination regarded as impossible by Ricardo outside the hypothetical stationary state.

In the long-running controversy between Ricardo and Malthus over “general gluts” it was Ricardo who upheld the self-equilibrating properties of supply-side changes connected with productive investment by private individuals. Malthus remained closer to the idea of maintaining, in the face of a growing commercial and manufacturing sector, Britain's status as a “large landed nation” capable of retaining its capacity for agricultural self-sufficiency, even to the extent of deploying physiocratic ideas for the purpose³¹. Malthus also challenged Say's Law directly when offering remedies for post-war unemployment that were based on the contribution of unproductive expenditure, by the government or by private individuals, to the maintenance of “effective demand”. This was, of course, the concept Keynes was so intrigued to hear about when he first learned of it *en route* from his *Treatise on Money* to the *General Theory* in the 1930s. It was responsible for his own campaign against Say's Law and his regrets that Malthus had not been more successful in refuting Ricardo's logic. In explaining his conclusions Keynes made a great deal of use of the term “classical economics”, an invention of his own which he recognised might risk

30 See Steiner, Philippe [1966]; and Plassart, Anna (2009).

31 See *Essay on the Principle of Population* (1826), Book III, chapters 8-13 for Malthus's reasoning on this.

“solecism” on his part³². But Keynes’s knowledge of classical political economy as an historical entity – as he admitted on one occasion at least – was neither profound nor extensive³³. If he had paid more heed to the political economy of empire he might have had cause to modify his position.

IV

Edward Gibbon Wakefield and Robert Torrens were the founders and chief economic spokesmen for what became known as the Colonial Reform movement; they were also sponsors of companies set up to promote “systematic colonization” along new lines in South Australia and New Zealand. The movement was dedicated to the revival of the most ancient of the motives for forming colonies and was built upon the failure of earlier schemes for publicly-assisted emigration. From the 1830s onward, when the movement began and South Australia and New Zealand were first marked out as colonies of settlement alongside Canada as alternatives to the favourite destination for British emigrants, the United States, a new challenge was presented to Ricardian orthodoxy. Wakefield and Torrens contested Say’s Law and revived Smith’s ideas on profits, new markets, the gains from trade, and economic growth. By so doing they revealed an underlying division within “classical” thinking which had become obscured by the way Ricardo and his two main followers, James Mill and John Ramsay McCulloch succeeded in creating what Malthus described, with critical intent, as the “new political economy”.

Ricardo’s model of economic growth and macro-distribution had absorbed the Malthusian population principle as part of the explanation for wage determination. With this was combined a formalisation of Malthus’s illustrative “arithmetic ratio” for the potential rate of increase of subsistence: it became the law of diminishing returns to incremental doses of capital and labour to land when applied to agriculture. This

32 Keynes (1936), p. 3n. Daniel Diatkine (1995) has written on this in relation to Smith.

33 See his essay on Malthus, [Keynes (1933), p. 72n].

provided the basis of the Malthus-Ricardo-West theory of rent which became an essential component of Ricardo's mono-causal theory of profit decline. The law became, in the words of John Stuart Mill, "the most important proposition in political economy", though whether it ever enjoyed this status in French economic thinking seems doubtful³⁴. Smith had maintained that falling profits could be explained by increased competition between capitalists in search of remunerative outlets at home or abroad. It followed in reverse that profits could be raised by the acquisition of new markets, an idea explicitly denied by Ricardo, one of whose underlying assumptions was that post-war Britain was suffering from an acute scarcity of capital which made the "flight" or export of capital something to be avoided. Falling profits endangered the motive for and the sources of capital accumulation; and the growth of public debt and taxation during the Napoleonic wars remained a burden on the "productive" economy that accounted for post-war depression and the retardation of growth. Here was the foundation for the doctrine of "crowding out" that underlay Keynes's battles with the "Treasury View" in the interwar period³⁵.

Although Wakefield and Torrens originated the attack on Ricardian orthodoxy as a barrier to positive conceptions of colonization through the export of capital, it was John Stuart Mill who gave the Wakefield diagnosis respectability and much wider and longer currency by endorsing it in his *Principles of Political Economy* in 1848. Mill was not only a life-long supporter of the case for systematic colonization along Wakefieldian lines, he accepted Wakefield's diagnosis of Britain's tendency to accumulate more capital than could be absorbed at remunerative profit levels³⁶. As evidence of this he pointed to various signs of "wasteful" investment occurring during "commercial revulsions" such as occurred during the railway boom of the 1840s and in speculative outbursts and extravagant foreign ventures. If profit levels were now, as he believed, "within a hands-breadth of the minimum" not only was foreign investment more attractive but the export of capital provided a remedy

34 *Principles of Political Economy*, I, p. 174.

35 One of the earliest historians to point out the parallel here was. Corry, B. A. (1962), Chapter 9.

36 For Mill's involvement with Wakefield and systematic colonization see Winch, Donald (1965), p. 135-143, 153-159. For a more up to date treatment of Mill on empire see Varouxakis, Georgios (2013), Chapter 5.

equivalent to labour migration. If capital and labour was exported to colonies capable of producing food at less cost than at home an orthodox Ricardian conclusion could be added: profits could be raised through cheaper imported food and a lowering of money wages. But Mill's main conclusion was entirely un-Ricardian: '... the exportation of capital is an agent of great efficacy in extending the field of employment for that which remains: and it may be said truly that... the more capital we send away, the more we shall possess and be able to retain at home'³⁷.

Those who know Mill as a keen Ricardian and the most sophisticated defender of Say's Law will not be surprised to learn that commentators over the years have had difficulty in reconciling this with his acceptance of Wakefield's position and his criticisms of Smith's "vent-for-surplus" approach to the gains from trade. Loosening the nuts and bolts of the Ricardian position as it emerged after the years of post-war emergency provided scope for a return to some of the open-ended dynamic features of Smithian economics a quarter of a century later.

Mill also recognized that the ease with which capital and labour could be transferred to colonies meant that trade with the metropole was more akin to trade between town and country or interregional rather than international trade. This too could be portrayed as a return to the world of Quesnay and Smith, of empires composed of provinces dependent on the metropole for capital and labour. The Colonial Reformers, as a result of the Durham Report on ways of healing the conflict between the English and French communities in Lower Canada in 1839, recommended self-government. This was also to be granted to other new settler colonies in Australia and New Zealand, but with an important proviso. Not only was the conduct of war and foreign affairs to remain in British hands, but so too was the disposal of public lands so that they could be used as a means of financing assisted migration from Britain. It was in this sense that Mill spoke of acting in "the collective interests of the human race" by keeping open opportunities for emigration to those who were unable to find it in the old world³⁸. He made it a clear exception to any rule of thumb in favour of *laissez-faire*: "The question of government intervention in the work of Colonization involves the future and permanent interests of civilization itself, and far outstretches

³⁷ *Principles of Political Economy*, p. 103.

³⁸ *Principles*, p. 963.

the comparatively narrow limits of purely economical considerations.” It would be hard to put the claim any higher: it was too important for ordinary economic calculation to be made.

Walter Bagehot, a business-oriented economist with strong ties to the City of London, usually took a more down-to-earth approach. But on the main issue of capital export he chose to follow Mill rather than Ricardo, his favourite economist, by noting the ease with which capital could now be accumulated and transferred rapidly by “cosmopolitan capitalists” to every part of the world. In the case of Bagehot, even more explicitly than in the case of Mill, we have now clearly entered the world of international finance capitalism³⁹. For Bagehot as for Mill, this was still a benign world, certainly one that benefited British banking institutions.

Hobson’s book on *Imperialism: A Study* (1902) depicted the phenomenon in more sinister conspiratorial terms. This was partly a reflection of his Cobdenite anti-imperialist sentiments, partly a by-product of his under-consumptionist diagnoses of the causes of poverty and unemployment in Britain. The necessary consequence of the failure of British governments to redistribute income away from savers towards spenders was to encourage the channelling of excess savings abroad. Marx’s followers could not fail to be aware that he had devoted a highly significant chapter to Wakefield in *Capital*⁴⁰. But when Lenin took up the challenge of explaining imperialism he was guided more by Hobson’s work; it provided the clue to the “highest stage of capitalism” as well as the prelude to its eventual collapse⁴¹.

Theories of capitalist imperialism are more often associated with the larger late nineteenth – and early twentieth-century imperial events such as the British take-over in Egypt in the 1880s, the Spanish-American war of 1898, the Anglo-Boer War of 1899-1902, and the competitive “scramble for Africa” by Britain, France, Germany, and Italy. I would still like to suggest, however, that the origin of theories connecting investment with empire can be traced back to the far more domestic concerns of the small group of British would-be founders of new colonies in the 1830s and 40s. I might also claim that Mill and Bagehot

39 See Winch, Donald (2009), p. 123-125.

40 *Capital*, I, chapter 23 on “The Modern Theory of Colonization”.

41 *Imperialism the Highest Stage of Capitalism; A Popular Outline*, (1917).

were prescient in their understanding of the dominance that foreign investment was going to play in British economic history for the next sixty years or so, even when most of it went to countries that were not part of the empire – unless one counts the informal empire based on British trade and influence.

V

I mentioned the name of Paul Leroy-Beaulieu at the beginning, a figure who has intrigued me since I first struggled through parts of his magnum opus *De la colonisation chez les peuples modernes* over 50 years ago. I originally hoped to make him the French partner to Mill in my peroration, but have had difficulty in gaining unrestricted access to his works online or elsewhere. What little I know of his biography suggests that he had close, even nepotistic, connections through marriage to a long line of French economic liberals: he married the daughter of Michel Chevalier and succeeded his father-in-law at the Collège de France in 1879. He was also recruited by Emil Boutmy to teach at the École Libre, an institution with prominent anglicist and anglophile leanings. I could therefore understand why Leroy-Beaulieu was interested in the British success in creating settler colonies, and why he was a close student of the debates on colonization that I have been recounting. He followed the British literature closely, especially the interesting work of summary contained in Herman Merivale's *Lectures on Colonization and Colonies* given at Oxford in 1839, 1840 and 1841. More puzzling was the way in which Leroy-Beaulieu appears to have adopted every element in Mill's diagnosis of the case for colonization as an outlet for the excess capital of the metropole. The export of capital (more than people) lay at the heart of his entire scheme of imperial expansion⁴². Why did he see so many parallels between British and French experience? Was it truly common to both nations?

At the risk of further exposing my ignorance of French history, let me broaden this by returning to some points mentioned in my opening

⁴² Agnes Murphy described his teaching on the advantages of capital export as “the kernel of the author's imperialistic ideology”; see Murphy, Agnes (1948), p. 118.

remarks. If one is looking for explanations in terms of material circumstances it is not difficult to link the British history of assisted emigration and colonization with brute demographic variables and perceptions of limited agricultural and other natural resources. When and how far was France troubled by comparable concerns? France's problem of depopulation has been more widely publicized: was over-population or land hunger ever a pressing issue during this period? The outflow from Alsace-Lorraine was quite small and concentrated in time – certainly when compared with the Irish influx into Britain. How large were the flows to Algeria? What provoked them? Land hunger may be a common phenomenon in agrarian communities, but was the law of diminishing returns ever a factor in French debates? Or was it another by-product of peculiar English arrangements in agriculture: landowners, often large ones, renting land to capitalistic tenant farmers who employed landless labourers.

Capital outflow from France may be more comparable with Britain, though its destination differed. It went to places like Russia, Spain, and Italy, where British investment was rarer. It also used to be said that it was a case of the savings of conservative French peasants supplying funds to the most profligate regimes in Europe. The source if not the destinations were in line with Leroy-Beaulieu's recommendations on this, and I have not come across anything similar in the British literature⁴³.

⁴³ See the quotation spelling this out at length in the appendix to this article (p. 31).

APPENDIX ON PAUL LEROY-BEAULIEU,
DE LA COLONISATION CHEZ LES PEUPLES MODERNES,
4TH EDITION (PARIS, 1891)

“It is neither natural nor just for the civilized people of the West to be cooped up indefinitely and jammed into the restricted spaces which were their first home. Nor is it natural and just that they there accumulate the marvels of science, the arts and civilization, that they see the rate of interest fall more each day for lack of good investment Opportunities, while they leave perhaps half the world to little groups of ignorant, ineffectual men who are like feeble children ... or to exhausted populations, without energy, without direction, who may be compared to old men.

Colonization by capital is a very important phenomenon ... European capitalists – and by this word we mean not only a banker, but every person putting aside a little money, a modest employee, a peasant, a worker, a spinster or a widow – can work effectively at colonization, the exploitation of the globe, without leaving their firesides... All they need do is place their savings in an industrial enterprise which constructs railroads, digs canals, erects factories, clears the land in the young countries. In putting their savings to this use, the inhabitants of the old world are not in any way delinquent in their duty to their home country. The countries where civilization is old, like England or France, are enormous producers of capital, and the difficulties in employing their colossal annual savings remuneratively in their own lands becomes great. Of course, the substantial funds of the old countries can always be put into industrial, agricultural or social improvements; but the export of a part of these funds across the seas to the adolescent countries, is much more productive for the entire human race.”

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