



HAL
open science

Empires and Globalization

Kevin Hjortshøj O'Rourke

► **To cite this version:**

| Kevin Hjortshøj O'Rourke. Empires and Globalization. 2025. <hal-05022909>

HAL Id: hal-05022909

<https://sciencespo.hal.science/hal-05022909v1>

Preprint submitted on 7 Apr 2025

HAL is a multi-disciplinary open access archive for the deposit and dissemination of scientific research documents, whether they are published or not. The documents may come from teaching and research institutions in France or abroad, or from public or private research centers.

L'archive ouverte pluridisciplinaire **HAL**, est destinée au dépôt et à la diffusion de documents scientifiques de niveau recherche, publiés ou non, émanant des établissements d'enseignement et de recherche français ou étrangers, des laboratoires publics ou privés.



Distributed under a Creative Commons CC BY-NC-ND 4.0 - Attribution - Non-commercial use - No Derivative Works - International License

EMPIRES AND GLOBALIZATION

Kevin Hjortshøj O'Rourke

SCIENCES PO ECONOMICS DISCUSSION PAPER

No. 2025-06

Empires and Globalization

Kevin Hjortshøj O'Rourke

CNRS and Sciences Po, Paris

March 2025

This chapter has been prepared for the *The Routledge Handbook of the Economic History of Colonialism*. I am grateful to the editors, participants at the LSE Handbook conference, and Klas Rönnbäck, for their encouragement and advice. The usual disclaimer applies.

1. Introduction

The global turn towards the market of the 1980s and 1990s led some to believe that globalization was untethering itself from its political moorings. More recently, however, the combined impact of the China shock, Covid, and war have revealed even to economists what historians and political scientists have always understood, namely that globalization is a fundamentally political phenomenon. It is not just a question of politicians deciding to keep their hands off the market, as if the state sphere and private transactions were substitutes, with more of one implying less of the other. Rather, domestic and international political forces provide the institutional context within which international trade and finance, technology transfers, and labour flows take place (or not).

It thus seems appropriate to revisit one of the most obvious examples of how geopolitics has shaped globalization, namely imperialism. What have been the connections between imperialism and international economic integration over time? On some definitions, modern globalization emerged in the 19th century, which was also the classic period of European colonialism (O'Rourke and Williamson 2002). But on other definitions globalization is a much older phenomenon, while empires have existed for millennia (Flynn and Giráldez, 2004; Findlay and O'Rourke, 2007). I therefore begin this survey with an overview of the links between imperialism and globalization in the ancient, medieval, and early modern worlds. I then consider the links between modern colonialism, flows of labour and capital, and trade, before briefly considering the legacy of imperialism.

2. Early imperialism and globalization

A basic prerequisite of long-distance trade is physical security. In an era when overland trade involved pack animals, it could take months for merchants to travel between distant markets, leaving them highly vulnerable to attack. At sea, piracy was a potential danger that had to be circumvented. The creation of empires typically involves bloodshed, sometimes on an extravagant scale. However, once established they can foster long-distance trade within and across former ethnic or political boundaries simply by reducing the incidence of violence. When the creators of empires were themselves merchants, as in the case of 7th century Arabs, or benefited as consumers of imported goods, and by imposing low taxes on commerce, as in the case of 13th century Mongols, they had a particular incentive to provide security facilitating long-distance exchange. Empires could also promote trade by instituting a common currency and legal system, providing infrastructure such as roads, ports, or postal services, or establishing *funduqs* in which foreign merchants operating across cultural divides could find shelter and storage facilities (Constable 2003).

It is no coincidence that regular pan-Eurasian trade flows emerged some two millennia ago, around the same time as the Roman, Parthian, and Chinese empires (Curtin 1984, 90). While the volumes involved were presumably small relative to the economy as a whole, they were significant enough to have awakened comment at the time: Roman moralists decried wasteful expenditure on Chinese silk, while the Roman state benefitted significantly from customs

duties levied on the trade with Asia. The Muziris papyrus lists the cargo carried from India to a port on the Red Sea by the *Hermapollon*, some time in the mid-second century AD. It carried over 500 tons of pepper, as well as ivory and other goods, and its cargo was valued at roughly 10 million sesterces, implying customs revenue of around 4 million sesterces (De Romanis 2020, 318). Since Strabo had estimated in the late first century BC that 100 to 120 Indiamen set sail annually from Red Sea ports, it is tempting to conclude that the Red Sea Indian trade alone might have yielded something on the order of 400 million sesterces in annual tax revenue. De Romanis (*ibid.*) cautions against this, however, among other reasons because ship sizes had increased over the intervening period. Indeed, by the second century AD vessels like the *Hermapollon* rivalled in size those used by the Portuguese on the Cape route 1400 years later. Nonetheless, De Romanis concludes that the Red Sea tax base was “a nine figure sum”, at a time when annual Roman military expenditure may have been somewhere in the 600-700 million range (Scheidel 2015, 159). Unsurprisingly, the Red Sea trade was regarded as strategic by the Roman Empire, which viewed the overland trade between the sea and the Nile as an “imperial service”, facilitating it when necessary by requisitioning camels (De Romanis 2020, 202-3). Nor should it be forgotten that further customs-related revenues were generated by eastern trade arriving through present-day Syria.

Trade presumably boosted imperial coffers elsewhere in Eurasia at this time. It has been estimated that in the late first century AD, Chinese exports to barbarians were equivalent in value to 7% of imperial revenue (Curtin 1984, 93). Luxury goods from India, China, and Europe could be found mingling in locations such as Begram in present-day Afghanistan (Wilson 2012; Mairs 2017). Archaeologists have uncovered abundant evidence of even more extensive long-distance trade within the Roman empire, with clear evidence of Smithian growth and rising living standards, that later went into reverse with the collapse of the empire’s western half (Ward-Perkins 2005). Road-building, a common legal and monetary system, Pompey’s suppression of piracy, and the establishment of peace within the empire all played their part in this remarkable efflorescence, clearly visible in the pollution records of the ice cores of Greenland, just as canal construction would later promote growth in China under the Sung dynasty (McConnell et al. 2018; Kelly 1997).

The Islamic and Mongol imperial conquests stimulated not only trade, but technological diffusion, across vast areas. Once again, they did so not just within their own borders, but with other regions also. To take one notable example, since the 1990s archaeological evidence has emerged of large-scale trade between the Chinese and Muslim empires across the Indian Ocean in the late first millennium. The celebrated Belitung shipwreck consisted of an Arabian dhow, probably constructed in present-day Oman or Yemen, that sank off the coast of present-day Indonesia in the early 9th century. It had sailed from China and was carrying a cargo of 60,000 Tang-era ceramics as well as other artefacts, clearly mass-produced with specific Islamic markets in mind (Guy 2019). To take another, the *pax Mongolica* saw Europeans as well as Asians take advantage of the new opportunities for long distance trade that emerged as a result of the bloody unification of much of Eurasia by Genghis Khan and his successors: the 13th and 14th centuries saw the emergence of a coherent

world system, based on regular interactions between more closely integrated regions (Abu-Lughod 1989).

From the end of the 15th century, European overseas empires promoted even more extensive and longer-distance flows of goods, people, and money. Iberian imperialism not only promoted trans-Atlantic commodity trade, but led to an outflow of Latin American silver that fuelled commerce not only between Spain and its colonies, but between Europe and Asia as well (de Vries 2003; Palma and Silva 2024). European imperialists soon realized that sugar could be grown in their tropical New World possessions, and a trans-Atlantic slave trade emerged to satisfy their demand for labour. More generally, New World colonies exported a variety of tropical and temperate-climate goods back to their imperial centres. This was a powerful motive for the establishment of colonies in the first place, and was for a long time seen as their major function. In a cutthroat era dominated by incessant war between the major European powers, such trade provided state coffers with revenue that could help to defray their military expenses, which were growing sharply as a result of the Military Revolution. Those revenues were greater when legislation obliged colonial exports to be sold to the colonizer, with the latter re-exporting them to consumers in third countries. Mercantilist legislation has to be seen in this geopolitical context, which is not to deny that it also benefited well-connected merchants, as well as those who made a living by processing colonial raw materials in cities such as London. There was thus considerable military competition to secure long-distance trade routes, with success in such struggles involving large payoffs (Findlay and O'Rourke 2007).

Britain was the eventual winner in the mercantilist race to secure colonies and trade routes. This was not because of superior shipping technology, since in the 17th century their Dutch rivals clear held the upper hand. The Navigation Acts, of which, it should be remembered, Adam Smith thoroughly approved, were aimed squarely at the Netherlands and their domination of the carrying trade at the time, ensuring that trade would be carried on directly between England (later Britain) and overseas markets, rather than transiting via Dutch middlemen and entrepôt ports. British competitiveness was further strengthened as a result of a large naval buildup, commencing in the mid-17th century, and the seizure of over 1,000 Dutch merchant ships during the First Anglo-Dutch War. Mercantilism was, from an English point of view, a successful zero-sum policy: Ormrod (2003, 337) concludes that “it is now clear that the Navigation Acts and English protectionist policies helped to secure English commercial hegemony within the North Sea and beyond”. By the early 19th century trade taxes accounted for more than half of British indirect taxation, with over 50% of this sum involving taxes on “colonial” imports such as coffee, sugar, tea, and tobacco (Dal Bó et al. forthcoming). Mercantilist success transformed London into Europe’s largest city and its greatest port, with transformative effects on the structure of British agriculture and industry (Allen 2009).

Mercantilism had a paradoxical relationship with globalization. On the one hand, competition led to European powers expanding overseas, thus creating trade within and beyond their empires. On the other, the mercantilist policy of monopolizing trade clearly lowered these

flows, once established, beyond what they would have been, had trade been unrestricted. The stubborn failure of Euro-Asian price gaps for commodities such as Indian textiles, cloves, or pepper to decline over the course of the 17th and 18th centuries surely had a lot to do with the monopolistic practices of the great overseas trading companies, and the eventual demise of the latter was one of the reasons why the 19th century saw a dramatic increase in the rate of “hard” international economic integration (de Vries 2010). To take a notable example, the establishment in the 17th century of a VOC monopoly for cloves sent Euro-Asian price gaps for that commodity soaring (O’Rourke and Williamson 2002). And the incessant warfare of the mercantilist era, often associated with European overseas expansion, was another contributor to economic fragmentation, while the establishment of relatively peaceful conditions after 1815 contributed greatly to the globalization of that century.

The paradox can perhaps be resolved by making an analogy with invention. Like inventors, mercantilists sought supernormal profits, and innovated in order to obtain these. The lure of such profits was necessary in order for new trade routes to be established in the first place, a process involving considerable fixed costs, but trade along those routes would further expand when peaceful competition along them had been established. That happened in the 19th century, when the now-dominant UK would abandon mercantilist restrictions and allow foreign producers and merchants to access its domestic and colonial markets and trade routes.

The literature on early modern European empires and globalization has understandably focussed on trade flows between Europe and its colonies. But in an age when Europe still accounted for a relatively small share of global GDP, we should not forget that trade flows within Asia were far more important. Nor should we forget that the Portuguese irruption into the Indian Ocean disrupted what had been a relatively liberal status quo there, with few government restrictions on trade. In its place came attempts to monopolize, regulate, and tax trade, that can hardly be described as favouring market integration. An exclusive focus on trade between Europe and Asia can thus give a misleading impression. And as already mentioned, after a step decline in Euro-Asian price gaps following the Voyages of Discovery, mercantilist policies, constant warfare, and technological progress that was steady but slow, limited further “hard” integration prior to the 19th century. Despite all that, the inter-continental flows of commodities, species, specie, and people brought into being by early modern European imperialism would have a transformative impact on all the continents involved (Flynn and Giráldez, 2004; Findlay and O’Rourke, 2007).

The importance of empire for globalization during this period can be further gauged by exploring what happened when empires collapsed. As a result of the fragmentation of the *pax Mongolica* “the eastern frontier of south European trade gradually receded from the sea of China to the edge of the Mediterranean” (Lopez, 1987, 383): European merchants could no longer safely travel across Asia as in the days of Marco Polo. But the trans-Asian caravan trade survived, in part because of the stabilizing impact of the Mughal, Timurid, Uzbek, Safavid, and Ottoman empires, and their interest in sustaining trade. From the middle of the 16th century, however, political instability in Central Asia and Persia, followed by the decline of the Ming dynasty in the early 17th century, led to the decline of the Eurasian caravan trade.

That this was due to geopolitics, rather than competition from new sea routes, can be seen from the fact that once the Russian empire had extended sufficiently eastward, a new northern overland route linking Russia and China soon emerged (Rossabi 1990).

Early modern inter-continental trade was thus fundamentally linked to empire. As we will see, this was less true of globalization during the 19th century, even though we think of it as the classic period of European colonialism.

3. Modern colonialism and migration

The mercantilist era culminated in a quarter-century-long world war between France, Britain, and the other leading European powers. The world that emerged in 1815 would see less warfare between European states, although the Vienna settlement began to fray by mid-century, and ultimately did not survive the geopolitical reconfiguration implied by German unification, Russian industrialization, and Balkan nationalism. Mercantilist legislation was eventually repealed, and the great trading monopolies dismantled. Most of Europe's New World possessions became independent in the late 18th and early 19th centuries, although American relative land abundance provided such a strong basis for trade that large-scale flows of food and raw materials continued to cross the Atlantic anyway. In the absence of mercantilist restrictions, trade could flourish between independent countries. Whether, despite this fact, imperial connections served to boost trade beyond what would otherwise have been expected is a question to which I will return below.

As noted earlier, European imperialism in the New World led rapidly to the establishment of a trans-Atlantic slave trade that eventually reached enormous proportions. There was already slavery in Africa, and associated flows of people within the continent and to destinations like Arabia: historians caution us not to forget the role of African agency in explaining the phenomenon. However, it seems indisputable that the trans-Atlantic slave trade, specifically, only arose because of European imperialism in the New World. The flows involved were enormous, with over 12 million Africans being forcibly transported from their homelands. In an era when voluntary migration was still costly, the coerced movement of Africans to the Americas dwarfed the voluntary movement of Europeans: before 1820 African slaves accounted for more than 75% of the total migration to the New World.

This proportion would be dramatically reversed after 1820. Falling transport costs facilitating free migration offer one explanation, British attempts to abolish the slave trade another. Imperialism was now a force for deglobalization along this one, particularly morally unacceptable, dimension.¹ British efforts on their own did not suffice, however: American

¹ It should be noted, however, that the suppression of the trans-Atlantic slave trade did not lead to the abandonment of African trade links with the rest of the world, but rather to a "commercial transition" involving African exports of primary products to Europe. Frankema et al. (2018) have recently provided evidence that Africans benefitted from a terms of trade

slavery and the associated trade in humans survived for several decades. They would eventually be abolished throughout the Americas, but it was only by 1880 that the cumulative migration of Europeans to the Americas exceeded the cumulative flow of Africans (Ferrie and Hatton 2015, 54-6).

The 19th century was an age of mass migration. Only 2.6 million Europeans migrated to the Americas prior to 1820, but the following century saw 55 million Europeans move to the Americas, Australasia, and (in much smaller numbers) Africa (*ibid.*). The largest single destination was the United States, which was an independent republic, and emigrants came from all over Europe, not just from the colonial powers, so these labour flows were not necessarily linked to imperial connections. Rather, a series of economic and demographic factors seem to have been at work promoting emigration throughout Europe during this period, with the various potential destinations attracting workers via high wages and network effects. This was an unusually liberal period as regards migration policy, and so it is not surprising that market forces should have played such a big role in explaining flows (Hatton and Williamson 2005).

Even so, empire still potentially mattered for the subjects and citizens of the colonizing powers concerned. The British government actively promoted migration to what would eventually become the Dominions, while Australian colonies subsidized British immigration, making the long journey affordable to many who otherwise would have been unable to travel. Although the United States was the most important destination for British emigrants over the course of the 19th century as a whole, between 1905 and the First World War more than half of British emigrants went to the Empire. As Avner Offer points out, this not only afforded them the higher salaries obtainable throughout the New World, but did so while allowing them to remain in societies that were, in many respects, British. The consequence, he argues, was a greater sense of personal dignity than might have been obtained by emigrating to other destinations outside the Empire (Offer 1993, 233).

French emigration rates were extremely low during the 19th century, a result of the country's relatively low population growth rate and relatively high living standards (Hatton and Williamson 2005). What emigration the country saw was largely to France's North African colonies, and was actively supported by the government. By the 1950s there were 1.75 million Europeans living in North Africa, although a large proportion of these had come from Spain and Italy, rather than France. Nevertheless, the role of empire in explaining French emigration, such as it was, during the 19th and 20th centuries seems clear.

There was much less emigration to the other major European overseas empires during the 19th century. The cumulative emigration from Portugal between 1400 and 1760 had been somewhere between 1 and 1.5 million, or roughly the same as Portugal's pre-imperial

boom in the half century prior to the Berlin Conference, and that the subsequent imperialist "scramble for Africa" has to be seen in this context.

population total: an impressive statistic, as Engerman and das Neves (1997) note, despite annual emigration rates that remained relatively low at around three per thousand per annum. From the mid-19th century on, emigration rates increased significantly, averaging 7 per thousand between 1900 and 1920, and exceeding 10 per thousand in peak years. However, the flows went predominantly to Brazil, now outside the empire, the USA, and (later) Europe. Very few Portuguese moved to Angola and Mozambique, despite an active government settlement programme encouraging migration to the country's remaining colonies (*ibid.*). Similarly, the numbers of Dutch migrating to the East and West Indies were low, although considerable numbers of soldiers fought in Indonesia: the Netherlands might have emulated Britain had it retained the Cape colony, but Southeast Asia was a much less attractive destination for would-be emigrants (Lucassen 1995).

Thus far I have considered migration from colonizers to colonies. There were also overland flows within empires, notably the migrations of 13 million Russians into Central Asia and Siberia, and roughly 30 million Chinese into Manchuria and Siberia, between 1846 and 1940. Both were actively encouraged by the imperial governments concerned. And there were also very large flows of workers between colonies, the most prominent example being the almost 30 million Indian emigrants who left their country during the same period, mostly to British colonies in Africa, Southeast Asia, and elsewhere (McKeown 2004). Initially many Indians travelled as indentured labourers to work in sugar plantations following the abolition of slavery in the British Empire in 1834, but their number was eventually dwarfed by those migrating under different contractual arrangements (Northrup 1995). In many cases this emigration was encouraged by the colonial authorities: in Burma, for example, the government experimented with both direct recruitment of Indian workers, and transport subsidies, over a ten-year period from 1874, before concluding that the market was providing their colony with sufficient labour on its own (Hatton and Williamson 2005, 140).

The link between Indian emigration and empire seems self-evident, but it should be remembered that over 19 million Chinese workers also emigrated to Southeast Asia and the surrounding regions during the same period (McKeown 2004). Evidently, one did not have to be an imperial subject to take advantage of job opportunities in the European empires in Asia, Africa, or the Pacific. Over two million Asians, mostly Chinese and Indian, also travelled to the independent republics of the Americas, so it was not only empires that afforded the opportunity to emigrate. And yet it seems unlikely that these Asian migrations would have been as substantial as they were in the absence of empire: imperialists invested in the infrastructure needed to ship commodities out and bring workers in, and the trade links between colonies and Europe created a derived demand for labour, at a time of booming primary product prices, that was satisfied largely, if by no means entirely, by immigration (Hatton and Williamson 2005).² The impact of empire on global migration ultimately

² In the case of Africa, for example, many and probably most of the jobs were filled by Africans as the continent transitioned from being predominantly a slave exporter to being a commodity exporter. In many cases, this involved drawing migrant labour, whether voluntary or coerced, into areas converted to cash crop production: see de Haas and Frankema (2022).

depended not only on the ways in which it facilitated, or impeded, international labour flows, but on how it impacted economic development and structural change in the countries concerned: issues that are far beyond the scope of this chapter.³

The literature on late 19th century mass migration has established that wage gaps were the dominant motive for emigration. One might therefore ask why such a low percentage of Indians and Chinese left their countries, given how low their wages were. Poverty traps preventing travel is one obvious answer, and the majority of Indian (but not Chinese) workers obtained some form of travel assistance during this period. But another part of the answer is undoubtedly that while empires encouraged migration from China and India to tropical primary product-producing regions, it actively sought to prevent such emigration to the temperate “regions of recent settlement”, as they were called at the time, in Australasia and North America. Immigration restrictions, aimed above all at Asians, created a racially segmented international labour market in which Europeans produced temperate crops, and Asians produced tropical ones, as famously analysed by Arthur Lewis (1978).

Despite such restrictions, that tightened as the century progressed, the late 19th century remained relatively liberal as regards migration policy, with fewer emigration restrictions than before, and fewer immigration restrictions than later – at least for Europeans. It is therefore not so surprising that international labour flows during this period were largely determined by economic and demographic fundamentals: wage gaps, population growth, urbanization, and network effects. Policy played a far more modest role than it would do in the 20th century, or does today. And yet it remains the case that empires could bias the direction of migration flows, sometimes spatially, and sometimes racially. In some instances they helped to create the underlying demand factors driving large migration flows. In the next section I ask to what extent similar conclusions are warranted in the case of international flows of capital.

4. Modern colonialism and capital flows

There is a relatively abundant literature on the links between 19th century imperialism and capital flows, perhaps because of the role that international financial flows played in Lenin’s theory of imperialism. It is also true that this is a dimension of globalization where empire might be expected to have made a difference. Colonial rule should have eliminated various risks that overseas investors worried about, by providing stable currencies, conservative fiscal policy, a legal system familiar to metropolitan investors, and secure property rights. If so, then empires should have encouraged greater flows of capital towards their colonies from the great capital exporters of the day, namely France, Germany, and (above all) Britain. This might have benefitted capital-scarce colonies by putting European savings to work financing

In the case of Arabia, which experienced a boom in the export of dates, the demand for labour was met by importing African slaves (Allen 2021).

³ The point is related to Michael Edelstein’s distinction between the “marginal” and “strong” standards to be used in evaluating British gains from trade with the Empire (Edelstein 2004).

investment there, although there are other effects to be considered that will be discussed below. More tentatively from a theoretical perspective, since you might think that financial globalization would have arbitrated excess returns away, imperial markets might have offered investors in London and Paris higher risk-adjusted returns than were available elsewhere.

The latter possibility was extensively explored in a series of articles and books which were often framed in terms of whether or not the British Empire was a “waste of money”. The debate has ramifications for the question of whether or not we should regard late 19th century British capital markets as having “failed”, since efficient markets should not chase low returns. Davis and Huttenback (1986) argued that returns in the British Empire were often lower than those available to investors domestically, particularly from the 1880s on. Edelstein (1982), on the other hand, makes the case that risk-adjusted overseas returns were on average higher, while Offer (1982) discusses the economic costs and benefits of empire before urging that we think of the empire as offering geopolitical benefits, above all, which is how contemporaries would have thought of the matter.⁴

The case for British capital market failure, with investors prioritizing overseas portfolio investment over profitable domestic investment in new technologies, seems weaker now than once thought, but this does not on its own resolve the question of whether or not empire benefitted colonisers economically by facilitating capital exports. On the one hand, even in a world of perfect capital market arbitrage, in which by definition there were no excess returns in equilibrium to investing in the empire or anywhere else, imperialism might have boosted investment demand in the colonies, thus raising the return to investors everywhere. This would in principle have boosted income in capital-abundant countries. But on the other hand, increasing income by exporting capital lowered domestic investment below what it would otherwise have been, with negative implications for GDP and, potentially, for income growth in the long run. There are also links between capital exports, emigration, and commodity trade that will be briefly considered below. The issue is therefore much more complicated than the market failure literature might lead one to believe.

One point that all authors agree on is that the majority of European overseas investment during this period did not go to European empires. In the case of Britain, 42% of overseas investment was in the empire, but of that 28% was in Canada, Newfoundland, and Australasia, as opposed to only 14% in the rest of the empire. 39% of British capital exports went to the USA and Latin America, implying that two thirds (28% + 39%) of the total went to the Americas and Australasia – it was New World land that was the big draw, not the British flag (O’Rourke and Williamson 1999, 211). British money financed the infrastructural development that was needed to bring New World land into cultivation, connect frontiers to seaports and the global economy, and house the people who would work there. Much investment in the tropical colonies, often land or resource-abundant, had the same purposes in

⁴ The debate continues: for a recent contribution, see Rönnbäck et al. (2022).

mind. Whether or not the investment took place in a colony or an independent territory was a secondary consideration relative to this economic priority.

Being part of the empire was certainly not a prerequisite for British investment, but the imperial connection might still have mattered for the sizes of the flows concerned. If being part of the empire provided investors with security, they should have demanded lower risk premia in colonies than in the rest of the world, and several authors have used rate of return data on a variety of assets to ask whether this was in fact the case. Obstfeld and Taylor (2003) find little evidence that British Empire membership *per se* lowered the cost of borrowing before 1914, although adherence to the gold standard did have such an effect (and, one could argue, was one of the consequences of empire). On the other hand, imperial membership implied a discount on the order of 100 basis points during the interwar period, when global capital markets became more balkanized, and geopolitical divides started to matter more for the allocation of resources. In contrast, Ferguson and Schularick (2006) use a more extensive pre-1913 dataset and find that British colonies could issue bonds more cheaply in London than could non-colonies prior to the First World War. The effect was large, at 100 basis points or more, leading the authors to conclude, somewhat provocatively, that “there may be a trade-off for poor countries between political sovereignty and creditworthiness” (308).

How is one to reconcile such divergent conclusions? Accominotti et al. (2011) do so by objecting to the specifications of the models concerned, which look at the impact of empire membership on borrowing costs, assuming that all other determinants of those costs operated identically in both colonies and non-colonies. They argue that the latter assumption is invalid, since being a colony eliminated default risk altogether: investors did not really regard colonies as separate countries at all (400). The econometric implication, they argue, is that the estimated marginal empire effect will be very volatile, and is therefore unreliable; one economic implication is presumably that eliminating default risk helped attract capital to the territories concerned.

What all the papers above have in common is that they study the impact of empire on default risks and other factors driving a wedge between returns in different markets. What they don't do is measure the extent to which this mattered for capital flows: how much greater were they when risks were lower? Clemens and Williamson (2004) are an exception, exploring the determinants, not of yields, but of the capital flows themselves. Their finding is that the factors emphasized in much of the literature on yields – not just colonial status, but gold standard membership – had the expected positive qualitative impact on capital flows, but that quantitatively this effect was small. Once again, it was the underlying economic fundamentals that mattered most, namely the natural resources emphasized earlier, as well as schooling and demographic factors. Imperialism mattered, but in a generally liberal environment supply and demand mattered more.

Capital exports were linked to other dimensions of globalization during this period. When British overseas investment boomed, so did British emigration, with the two series co-moving in striking fashion across what has been termed the “Kuznets Cycle”. Harley (1980)

argued that surges in European labour and capital exports were linked to frontier expansion in the New World, and were triggered by high grain prices which made railway construction opening up new land for cultivation attractive. As stressed earlier, these factor flows went both to colonies and non-colonies, and had as their basic function expanding primary commodity supply and facilitating its efficient transportation to markets in Europe. This suggests that the welfare effects of these flows, in both colony and coloniser, cannot be separated from the trade which they helped to create. It is to the links between trade and empire that I now turn.

5. Modern colonialism and trade

It is easy to think of reasons why empire might have boosted trade between colonies and colonisers. Empire should have increased investment in the periphery, and since such investment was largely in transport and other infrastructure related to trade, the consequences for commerce seem clear. In settler colonies, migration could further have boosted trade in line with a well-established literature on ethnicity and trade, as immigrants purchased consumer goods produced in the mother country, and intra-imperial networks of merchants arose that were efficiently able to do business with each other. Imperialism gave colonisers the power to prevent their colonies from erecting protectionist barriers, and by and large they exercised this power (although the self-governing British dominions obtained the right to determine their own commercial policy prior to World War I, and opted for the same protectionist policies that were being pursued in other rich countries). And the same risks associated with currency, security of property, different legal systems, and government policy that investors might have been concerned with could also have reduced trade flows, and were presumably lower in colonies than in non-colonies.

The difficulty is that most of these factors operated outside European empires as well as inside them. As we have seen, labour and capital flowed to resource-rich countries irrespective of whether or not they were colonies. Western powers imposed unequal trade treaties on independent countries such as China, Japan, Persia, and Siam, preventing them from erecting high tariff barriers. Non-colonies could adopt the gold standard and promote trade with Europe in a variety of ways, and in Latin America, especially, they did so. In an era of declining transport costs, trade boomed across the globe, and was no longer hampered by mercantilist restrictions or monopolistic trading companies that might have tethered colonies to their colonisers.

As with migration or international investment, the question then becomes whether imperial connections mattered at the margin, boosting trade within empires at the potential expense of trade with the rest of the world. You might particularly expect this to have been true within the French empire, where trade policies tended to explicitly discriminate in favour of intra-Empire trade. This approach was taken to its extreme in the case of Algeria, considered to be part of France and thus subject to its tariff legislation. In contrast, Britain kept trade in its (dependent) colonies open to all. Whether or not empire stimulated trade at the margin is the type of question that international economists typically answer using gravity models, where

the dependent variable is bilateral trade between pairs of countries. Mitchener and Weidenmier (2008) provide such an exercise for the late 19th century, and find a large positive impact of empire membership on bilateral trade. Colonial connections mattered even more in the interwar years, as countries responded to the Great Depression with higher tariffs in general, and imperial powers – even traditionally liberal ones -- erected higher trade barriers around their empires. Recent scholarship using detailed commodity-level information on trade policies and trade flows have shown that discriminatory tariffs, quotas, and other measures affecting trade, had a major impact on the geography of trade flows during the 1930s, leading to a world trading system that was much less multilateral, and much more focussed on geopolitical trade blocs, than had been true before the war (de Bromhead et al., 2019; Arthi et al., 2024; de Zwart et al., 2024).

This interwar experience reminds us once more that imperial trade links between colonisers and colonies did not necessarily lead to an unambiguously more globalized world. In the case of the 1930s, imperial trade blocs balkanised the global economy, leading not only to trade distortions, but to an increase in political tension, as countries excluded from these blocs, such as Japan, found themselves increasingly at a disadvantage. The potentially distortionary effects of imperial trade connections need to be kept in mind even for the pre-1914 period, when it would seem reasonable to argue that on balance imperialism led to a generally more globalized world. I have already mentioned the possibility that early Portuguese imperialism disrupted intra-Asian trade flows, and even in the modern period it is possible to argue that European imperialism crowded these out. In a recent contribution, Ayuso-Diaz (2024) collects import data for ports in India and Southeast Asia, as well as Canton, during the late 18th and early 19th centuries. He uses gravity methods to conclude that trade liberalization boosted Asian trade with Europe, but lowered intra-Asian trade. This was according to Ayuso-Diaz in part because British textile exports to India undermined one of the traditional bases for intra-Asian trade, namely the exchange of Indian cotton textiles for Southeast Asian spices and food. Gardner and Roy (2020, 47-8) acknowledge this effect, but argue that links within and between Asia and Africa were strengthened in other ways. As noted earlier, colonial-era migration linked India with both Africa and Southeast Asia, local ships plied across the Arabian and China seas, and local capitalists benefitted from the new opportunities for production and trade which imperialism facilitated.

5.1. Imperialism, trade, and the great divergence

The late 19th century saw not only the spread of European empires, and the first modern globalization, but an explosion in income gaps between rich and poor countries. This great divergence reflected the fact that Europe and its settler offshoots were industrializing, and the rest of the world was not -- although the roots of modern industry in China, India, and elsewhere are to be found in the period before World War I (O'Rourke and Williamson 2017). And the great divergence coincided with a great specialization, with commercial exchanges between Europe and the dependent colonies largely consisting of the exchange of European manufactures for primary products of various kinds (Robertson 1938).

There is a long intellectual tradition arguing that these trends were connected, and in particular that “north-south” trade helped to deindustrialize the south during the 19th century, particularly when the terms of trade for primary producers were booming. Such a “Dutch disease” *avant la lettre* might have benefitted African and Asian incomes in the short run, and it is certainly true that Burmese rice farmers, West African cocoa producers, and Malaysian plantation owners all did well as a result of growing European demand for their output. But these commodity booms may have sucked resources out of manufacturing, which in any event was suffering from northern competition. Static income gains in the short run may have given way to dynamic losses in the long run.

Jeffrey Williamson has made the point in a series of papers and books (Williamson 2011), while Pascali (2017) provides econometric evidence that 19th century trade lowered incomes in poorer countries specializing in agriculture. The argument is controversial, at least among economists, but it is worth thinking about where it might have been most applicable. By definition, being colonized meant losing political control over domestic policy. In the context of the 19th century, this meant among other things not being able to emulate rich countries that were at this time using tariffs to boost industrial growth, part of what Allen (2011, 114) has described as the “standard growth model” of the day.⁵ Not only could they not stimulate new industry using commercial policy, they risked losing their existing industry to European competition. As against this, their primary sector should have benefitted from growing European demand. Perhaps the deindustrialization argument makes more sense in countries such as India, which had a large textile sector to begin with, than in countries without as much industry to lose? And perhaps the inability to raise tariffs, to combat the combined effect of lower transport costs and factory production in Europe, and to develop modern industries, was costliest in those territories where import-substituting industrialization might have been a viable option? A sceptic might argue that there were few African or Asian colonies which had the capabilities needed to make a success of import-substituting industrialisation. On the other hand, Panza and Williamson (2015) recount how Muhammad Ali used both non-tariff barriers and domestic policy interventions to promote a mechanised textile industry in Egypt in the early 19th century. By the 1830s Egypt had 80 machine spindles per 1000 people, as compared with 90 in France, 97 in the US, and 49 in Belgium. We should beware of making blanket assumptions about what might or might not have been possible across Africa and Asia, given the wide range of pre-colonial polities involved. And we should perhaps be reluctant to conclude that late 19th century globalization, underpinned by imperialist restrictions on local trade policies, had either a positive, or a negative, economic impact everywhere.

6. Conclusion: post-colonial legacies

The high-water mark of European imperialism was the period between the wars, and as already noted this territorial apogee coincided with a revival of the importance of empire in

⁵ The other elements of Allen’s “standard model” were railroads, which colonisers did provide, universal banks, and education, where European colonisers failed abysmally.

determining international economic flows. International markets were far less well integrated than they had been before World War I: the United States clamped down on immigration, and efforts by the League of Nations to promote trade liberalization were utterly undone by the deluge of protectionism that followed the outbreak of the Great Depression. That catastrophe also led to the collapse of the gold standard, a wave of defaults, and the imposition of exchange and capital controls in many countries. In a world of protectionism, immigration restrictions, and capital controls, political factors such as imperialism naturally mattered more than they had done during more liberal times.

Both of the superpowers to emerge after 1945 were hostile to the European empires, however, and non-discrimination became the central plank of the post-war economic order, at least in the West, via Article 1 of the GATT. The Cold War context meant, however, that the Americans were forced, much against their will, to accept a continuation of European imperial preferences, and these remained in force until the empires concerned collapsed in the 1950s and 1960s. Indeed, Britain retained imperial preferences with the Dominions until it entered the EEC in 1973, and these preferences would become one of the biggest hurdles to be overcome during the accession negotiations. The EEC itself had been founded at a time when several continental countries retained imperial connections, notably France. As a result, Algeria was part of the Community at its foundation, something explicitly mentioned in the Treaty of Rome. The legal ambiguities implied by this post-Algerian independence in 1962 were only definitively erased in 1976 (Brown 2022). And the establishment of a *de facto* Soviet empire would *undermine* economic integration between Eastern Europe and the rest of the world between the late 1940s and 1990s.

More generally, preferential trade arrangements between the EEC and former European colonies were maintained post-independence via the Yaoundé and Lomé trade conventions, although this did not prevent the disproportionate tendency for colonies to trade with their colonizers to gradually erode over time (Head et al. 2010). Several African countries continue to have their currencies linked with what is now the euro, via their adoption of the CFA franc. And immigration from former colonies to their erstwhile colonizers is another legacy of imperialism that is helping to shape the globalization of today.

Bibliography

- Abu-Lughod, Janet L. 1989. *Before European hegemony: The world system A.D. 1250-1350*. Oxford: Oxford University Press.
- Accominotti, Olivier, Marc Flandreau, and Riad Rezzik. 2011. "The spread of empire: Clio and the measurement of colonial borrowing costs." *The Economic History Review* 64 (2): 385-407.
- Allen, Robert C. 2009. *The British industrial revolution in global perspective*. Cambridge: Cambridge University Press.
- Allen, Robert C. 2011. *Global economic history: A very short introduction*. Oxford: Oxford University Press.
- Allen, Robert C. 2021. "Slavery in Arabia and east Africa, 1800-1913." *NYUAD Faculty of Social Science Working Paper* 66.
- Arthi, Vellore, Markus Lampe, Ashwin Nair, and Kevin Hjortshøj O'Rourke. 2024. "Deliberate Surrender? The Impact of Interwar Indian Protection." *The Economic Journal* 134 (657): 23-47.
- Ayuso-Diaz, Alejandro. 2024. "Breaking free? The evolution of intra-Asian trade at the dawn of globalization (1795–1839)." *The Economic History Review* forthcoming.
- Brown, Megan. 2022. *The seventh member state: Algeria, France, and the European community*. Cambridge, Massachusetts: Harvard University Press.
- Clemens, Michael A., and Jeffrey G. Williamson. 2004. "Wealth Bias in the First Global Capital Market Boom, 1870–1913." *The Economic Journal* 114 (495): 304-337.
- Constable, Olivia Remie. 2003. *Housing the stranger in the Mediterranean world: Lodging, trade, and travel in late antiquity and the Middle Ages*. Cambridge: Cambridge University Press.
- Curtin, Philip D. 1984. *Cross-cultural trade in world history*. Cambridge: Cambridge University Press.
- Dal Bó, Ernesto, Karolina Hutková, Lukas Leucht, and Noam Yuchtman. Forthcoming. "Dissecting the Sinews of Power: International Trade and the Rise of Britain's Fiscal-Military State, 1689-1823." Forthcoming, *Journal of Economic History*.
- Davis, Lance E., and Robert A. Huttenback. 1986. *Mammon and the pursuit of Empire: The political economy of British imperialism, 1860-1912*. Cambridge: Cambridge University Press.
- de Bromhead, Alan , Alan Fernihough, Markus Lampe, and Kevin Hjortshøj O'Rourke. 2019. "When Britain Turned Inward: The Impact of Interwar British Protection." *American Economic Review* 109 (2): 325-352.

- de Haas, Michiel, and Ewout Frankema. 2022. "The age of intra-African migration: a synthesis." In *Migration in Africa: Shifting Patterns of Mobility from the 19th to the 21st Century*, edited by Michiel de Haas and Ewout Frankema, 3-34. Oxford: Taylor & Francis Group.
- De Romanis, Federico. 2020. *The Indo-Roman Pepper Trade and the Muziris Papyrus*. Oxford: Oxford University Press.
- de Zwart, Pim, Markus Lampe, and Kevin Hjortshøj O'Rourke. 2024. "The last free traders? Interwar trade policy in the Netherlands and Netherlands East Indies." *The Economic History Review* 77 (3): 1057-1085.
- Edelstein, Michael. 1982. *Overseas investment in the age of high imperialism: The United Kingdom, 1850-1914*. London: Methuen.
- Edelstein, Michael. 2004. "Foreign investment, accumulation and Empire, 1860–1914." In *The Cambridge Economic History of Modern Britain: Volume 2: Economic Maturity, 1860–1939*, edited by Roderick Floud and Paul Johnson, 190-226. Cambridge: Cambridge University Press.
- Engerman, S. L., and J. C. Das Neves. 1997. "The Bricks of an Empire 1415-1999: 585 years of Portuguese Emigration." *Journal of European Economic History* 26 (3): 471-510.
- Ferrie, Joseph P., and Timothy J. Hatton. 2015. "Two Centuries of International Migration." In *Handbook of the Economics of International Migration*, edited by Barry R. Chiswick and Paul W. Miller, 53-88. Amsterdam: North-Holland.
- Findlay, Ronald, and Kevin H. O'Rourke. 2007. *Power and plenty: Trade, war, and the world economy in the second millennium*. Princeton: Princeton University Press.
- Flynn, Dennis O., and Arturo Giráldez. 2004. "Path dependence, time lags and the birth of globalisation: A critique of O'Rourke and Williamson." *European Review of Economic History* 8 (01): 81-108.
- Frankema, Ewout, Jeffrey Williamson, and Pieter Woltjer. 2018. "An Economic Rationale for the West African Scramble? The Commercial Transition and the Commodity Price Boom of 1835–1885." *The Journal of Economic History* 78 (1): 231-267.
- Gardner, Leigh, and Tirthankar Roy. 2020. *The economic history of colonialism*. Bristol: Bristol University Press.
- Guy, John. 2019. "Shipwrecks in Late First Millennium Southeast Asia: Southern China's Maritime Trade and the Emerging Role of Arab Merchants in Indian Ocean Exchange." In *Early Global Interconnectivity across the Indian Ocean World, Volume I: Commercial Structures and Exchanges*, edited by Angela Schottenhammer, 121-163. Cham: Springer International Publishing.
- Harley, C Knick. 1980. "Transportation, the world wheat trade, and the Kuznets cycle, 1850-1913." *Explorations in Economic History* 17 (3): 218-250.

- Hatton, Timothy J., and Jeffrey G. Williamson. 2005. *Global migration and the world economy: Two centuries of policy and performance*. Cambridge, Massachusetts: MIT Press.
- Head, Keith, Thierry Mayer, and John Ries. 2010. "The erosion of colonial trade linkages after independence." *Journal of International Economics* 81 (1): 1-14.
- Kelly, Morgan. 1997. "The Dynamics of Smithian Growth." *The Quarterly Journal of Economics* 112 (3): 939-964.
- Lewis, William Arthur. 1978. *The Evolution of the International Economic Order*. Princeton, NJ: Princeton University Press.
- Lopez, Robert S. 1987. "The Trade of Medieval Europe: The South." In *The Cambridge Economic History of Europe from the Decline of the Roman Empire: Volume 2: Trade and Industry in the Middle Ages*, edited by Cynthia Postan, Edward Miller and M. M. Postan, In The Cambridge Economic History of Europe, 306-401. Cambridge: Cambridge University Press.
- Lucassen, Jan. 1995. "Emigration to the Dutch colonies and the USA." In *The Cambridge Survey of World Migration*, edited by Robin Cohen, 21-27. Cambridge: Cambridge University Press.
- Mairs, Rachel. 2017. "Lapis Lazuli, Homer and the Buddha: Material and ideological exchange in West Asia (c. 250 BCE – 200 CE)." In *The Routledge handbook of archaeology and globalization*, edited by Tamar Hodos, 885-898. Abingdon, Oxfordshire: Routledge.
- McConnell, Joseph R., Andrew I. Wilson, Andreas Stohl, Monica M. Arienzo, Nathan J. Chellman, Sabine Eckhardt, Elisabeth M. Thompson, A. Mark Pollard, and Jørgen Peder Steffensen. 2018. "Lead pollution recorded in Greenland ice indicates European emissions tracked plagues, wars, and imperial expansion during antiquity." *Proceedings of the National Academy of Sciences of the United States of America* 115 (22): 5726-5731.
- McKeown, Adam. 2004. "Global Migration, 1846-1940." *Journal of World History* 15 (2): 155-189.
- Mitchener, Kris James, and Marc Weidenmier. 2008. "Trade and Empire." *The Economic Journal* 118 (533): 1805-1834.
- Offer, Avner. 1993. "The British Empire, 1870-1914: A Waste of Money?" *The Economic History Review* 46 (2): 215-238.
- Ormrod, David. 2003. *The rise of commercial empires: England and the Netherlands in the age of mercantilism, 1650-1770*. Cambridge: Cambridge University Press.
- O'Rourke, Kevin H., and Jeffrey G. Williamson. 1999. *Globalization and history: The evolution of a nineteenth-century Atlantic economy*. Cambridge, Massachusetts: MIT Press.
- O'Rourke, Kevin H., and Jeffrey G. Williamson. 2002. "When did globalisation begin?" *European Review of Economic History* 6 (1): 23-50.

- O'Rourke, Kevin Hjortshøj, and Jeffrey Gale Williamson, eds. 2017. *The spread of modern industry to the periphery since 1871*. Oxford: Oxford University Press.
- Palma, Nuno, and André C. Silva. 2023. "Spending a Windfall." *International Economic Review* 65 (1): 283-313.
- Panza, Laura, and Jeffrey G. Williamson. 2015. "Did Muhammad Ali foster industrialization in early nineteenth-century Egypt?" *The Economic History Review* 68 (1): 79-100.
- Pascali, Luigi. 2017. "The Wind of Change: Maritime Technology, Trade, and Economic Development." *American Economic Review* 107 (9): 2821-54.
- Robertson, D. H. 1938. "The Future of International Trade." *The Economic Journal* 48 (189): 1-14.
- Rönnbäck, Klas, Oskar Broberg, and Stefania Galli. 2002. "A Colonial Cash Cow: The Return on Investments in British Malaya, 1889–1969." *Cliometrica* 16(1): 149-73.
- Rossabi, Morris. 1990. "The "decline" of the central Asian caravan trade." In *The Rise of Merchant Empires: Long Distance Trade in the Early Modern World 1350–1750*, edited by James D. Tracy, In *Studies in Comparative Early Modern History*, 351-370. Cambridge: Cambridge University Press.
- Scheidel, Walter. 2015. "State revenue and expenditure in the Han and Roman Empires " In *State Power in Ancient China and Rome*, edited by Walter Scheidel, 150-180. Oxford: Oxford University Press.
- Vries, Jan de. 2003. "Connecting Europe and Asia: A Quantitative Analysis of the Cape Route Trade, 1497–1795." In *Global connections and monetary history, 1470-1800*, edited by Dennis O. Flynn, Arturo Giráldez and Richard von Glahn, 35–106. Aldershot: Ashgate.
- De Vries, Jan. 2010. "The limits of globalization in the early modern world." *The Economic History Review* 63 (3): 710-733.
- Ward-Perkins, Bryan. 2005. *The fall of Rome and the end of civilization*. Oxford: Oxford University Press.
- Williamson, Jeffrey G. 2011. *Trade and poverty: When the Third World fell behind*. Cambridge, Massachusetts: MIT Press.
- Wilson, Andrew. 2012. "A forum on trade." In *The Cambridge Companion to the Roman Economy*, edited by Walter Scheidel, In *Cambridge Companions to the Ancient World*, 287-291. Cambridge: Cambridge University Press.