UNIT 12 COLONIALISM AND IMPERIALISM*

Structure

12.0 OBJECTIVES

After studying this Unit, you will learn about:

- basic features of colonialism;
- various theories of imperialism;
- relationship between the metropolis and the colony; and
- different stages of colonialism and their special characteristics.

12.1 INTRODUCTION

The history of modern Europe encompasses the history of the world by virtue of the colonies acquired by the major European powers from the eighteenth century onwards. Capitalism, by its very nature, was a world system. The motive for its expansion was the quest for protected markets and exclusive sources of raw materials. By the nineteenth century the continents of Asia, Africa and South America had been carved up as colonial possessions of the European powers. Countless wars took place between the competing imperial powers for control over colonial territories. The division of Europe into conflicting nodal points of power via the mechanism of the system of alliances was in large measure due to the attempt by imperial powers that were late entrants into capitalism to somehow ensure, 'a place in the sun'. The rush for colonies escalated international rivalry and tension appreciably in the nineteenth and early twentieth century.

Colonialism is the name given to the system that prevailed in the colonies. The last half-century has witnessed the decline and collapse of this system all over the world. The loss of empires has reduced the foremost imperial power, Britain, to a country dependent on the United States of America. It is interesting that the

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end of colonialism has altered the picture of the world almost as drastically as its establishment. The steady march of colonies towards achievement of freedom has made the third world a significant force in world politics. The term post-colonial that is now commonly used indicates that all countries which experienced colonialism have a basic commonality, their colonial past, which shapes their present, too.

In this Unit we discuss the nature of colonialism in the modern age of capitalism and various theories of imperialism. We lay special emphasis on the relationship between the colony and the metropolis and on the stages of colonialism. We also analyse the phenomenon of colonialism at a general level without going into the specificity of its form and impact in any particular colony.

12.2 WHAT IS COLONIALISM

Let us take a look at the history of the term 'colonialism' before studying its nature.

The first commentators on colonialism were Marx and Engels who wrote on the colonial domination of Ireland. The first comprehensive critique of colonialism mainly at economic level came from the early Indian nationalists of the late nineteenth century-Dadabhai Naoroji, Mahadev Ranade, Romesh Chandra Dutt and others. The concept of drain of wealth was developed by them to highlight the transfer of wealth by the East India Company as plunder, home charges or the expenses incurred by the government and private transfer of capital. Hobson made the next break in 1902 with the publication of his work, *Imperialism.* The writings of Rudolf Hilferding on Finance Capitalism, Rosa Luxemburg's work on capitalist accumulation and Lenin's *Imperialism, The Highest Stage of Capitalism* were important contributions to the understanding of the phenomenon. In the nineteen twenties and thirties, studies of imperialism in Latin America, Africa, Indonesia, etc. provided new insights into the phenomenon. The successful liberation movements of the 1960s and the Cuban and Algerian revolutions led to a plethora of writings on colonialism. Andre Gunder Frank's major contribution was followed by those of C. Furtado, Theodore Dos Santosa, Paul Prebisch, Paul Baran, Samir Amin, Immanuel Wallenstein: Arghiri Emmanuel and F. Cardoso. According to the first variant of the dependency school the economic dependence of a colony would remain even after political freedom as long as colony, which has underdeveloped under colonialism, remains capitalist. The bourgeoisie: it is believed, is incapable of undertaking the task of economic development. Dependent economies can become independent only by undergoing a socialist revolution. This view of the dependency school is disproved by the example of India where an independent bourgeoisie has developed capitalism.

The second variant is the world systems school of Immanuel Wallenstein. This has spoken of a capitalist world economy that is divided into a centre and a periphery. This differentiationis marked by several features.

1) Core economies which form the centre have high value products while the periphery has low technology and low wages.
2) Unequal exchange or export of surplus is a second feature.
3) The core states are strong whereas the peripheral states are weak.

4) A weak indigenous bourgeoisie.

5) A fifth feature is the domination of its economy by foreign capital.

The world system theory introduces the third category of a semi-periphery. Such countries are distinguished by the greater control of the state in the national and international market. Economic nationalism is a hallmark of such states. There is scope of change in the position of the colony within the world system.

Cabral, Franz Fanon and Edward Said have discussed the cultural aspects of colonialism. Bipan Chandra has studied the colonial structure, colonial modernization, stages of colonialism and the colonial state.

12.3 COLONIALISM AND IMPERIALISM

Imperialism and colonialism are two sides of the same coin, viewed from different sides. Looked at from the metropolis, it is imperialism whereas in the colony it is colonialism. Colonialism is as modern a historical phenomenon as industrial capitalism in Britain. The two developed together. Colonialism is a distinct historical stage or period in the modern historical development of the colony that intervenes between the traditional economy and the modern capitalist economy. It is a well- structured whole, a distinct social formation in which the basic control of the economy and society is in the hands of a foreign capitalist class. This functions in the colony through a dependent and subservient economic, social, political, and intellectual structure whose forms can vary with the changing conditions of the historical development ofcapitalism as a worldwide system.

Most scholars of colonial society are not able to grasp the specificity of colonialism. One view is that colonial society was a traditional society in which the old relations of production were retained. Only foreign political domination was established. However, colonialism is more than colonial policy. It is more than political domination. It is a structure. The other view is to see colonialism as a transitional society, which was moving towards modernization and would have become a developed capitalist society, given time. Was colonialism only limited modernization as seen by some? Would the colony eventually have developed, given time, into a metropolis? Our answer is 'No'. Some left wing writers also subscribe to this view of' 'arrested growth' and believe that colonialism was incomplete capitalist development. The pre-capitalist remnants of the economy are seen to be the factors that inhibited full capitalist development. The assumption is that all features that are not capitalist must be pre-capitalist.

Most writers cannot conceive of a colonial society that is neither capitalist nor pre-capitalist. For example, agrarian relations that developed in India under colonial rule were not pre-capitalist but a hybrid creation of British rule and were colonial in nature. They came into being as a distorted consequence of the attempt to develop capitalist agriculture along the British model in India. What emerged was a clumsy caricature of the original.

The colony became an integral part of the world capitalist system but this integration did not lead to the development of a capitalist economy in the colony. Many soldiers believed that a colony would develop along capitalist lines. The belief was that capitalism being a world system compelled all nations to adopt the bourgeois system. However, it was not recognized that the colonies did not develop in the split image of the metropolis. Colonies did not become capitalist in the way the metropolis did. Thus, capitalism was introduced in the colonies but not capitalist development. The old structures were uprooted. The new ones, however, failed to encourage development. Instead, they proved to be regressive. The colony did not take part in the industrial revolution. So imperialism introduced capitalist relations of production in many spheres, but capitalist development did not take place. Productive forces did not develop in the colony. Thus colonialism is not like capitalism an advanced stage of social development. It is an image of metropolitan capitalism, but it was its negative image, its opposite and its non-developmental side. Capitalism develops productive and social forces. Colonialism on the other hand, does not develop the productive and social forces. Its inner contradictions arise from the lack of their development.

12.4 THEORIES OF IMPERIALISM

There were people, mostly economists and historians, who were trying to understand the phenomenon of imperialism. Given the influence of Marxist theory on all major intellectuals at the turn of century, it was but natural for them to look for an economic explanation for the development of imperialism. Karl Marx himself had not evolved any theory of imperialism, but there were sufficient pointers in his analysis of the capitalist mode of production to this direction. In *Capital*, Marx had shown that the capitalist mode of production was driven by the need to extract surplus value from a class of wage-labourers.This surplus value had to find a market for the commodities which it produced. J.A. Hobson in his work entitled *Imperialism* (1902) was one of the first to develop this theme. Hobson, a British economist, was not exactly a Marxist. In the politics of England, he stood at the point at which Liberal politics blended into that of Labour. His position on imperialism later became the official position of the Labour Party. He showed how in countries which had seen the growth of capitalism, the distribution of national income was unequal. There was a large class of people with much less income than what they would have had; if there had been an equitable distribution of wealth (if the national income had been equally divided among the nation's population). The capitalist would soon find that he could not sell his products in his home country due to low incomes. He would then look for markets to other European countries but as those countries became industrialised, he would face competition there. Consequently he would turn towards those countries which had no industries of their own and could not protect themselves. Another motivating factor for imperialism, according to Hobson, was the constant desire of the capitalist to maximise his profits. After successive rounds of investment and reinvestment, the capitalist would find it no longer profitable to invest in his own country and he would therefore be compelled to seek avenues for investment elsewhere. Hobson concluded that it was in the nature of capitalism itself to create imperialism.

It was found that imperialism was a characteristic of advanced capitalism. There were many diagnoses of the phenomenon of advanced or late capitalism. Some analysts claimed that it was the last and most decadent stage of capitalism. With the coming of the epoch of imperialism,the progressive role of capitalism had come to an end.

The next major theorist of imperialism was R. Hilferding, a professional economist and banker from Vienna. His book *Das Finanzkapital* (Finance Capital) appeared in 1910. By this time both the United States and Germany had surpassed Britain in industrial production. Hilferding noticed that in both these countries banks (which represented finance capital) were taking the leading role in extending and controlling industrial capital. Though the British banks were not playing any such role there was a growing tendency towards the merging of finance and industrial capitalism throughout the industrialised world. This created monopoly conditions. Imperial expansion, according to Hilferding, was preferred by monopoly capitalists because it would bring new areas under their control — areas in which they could develop raw material production, safeguard capital investment and guarantee markets for their output.

Finance capital, according to Hilferding, needed a state which was strong enough to carry out a policy of expansion and to gather in new colonies. This would also involve giving up the principle of free trade, first championed by Britain. In due course of time, conflicts between national monopolies would emerge. Though national monopolies may sign agreements among themselves for dividing up the world, these should not be taken as implying more than an uneasy truce, a temporary agreement which would be given up as soon as one monopoly saw the opportunity of advancing its position. The economic rivalry of the great nation states was thus seen as leading inevitably to war. While this was the negative side of the story, Hilferding also assigned a positive role to monopoly capital. As he put it:

In the newly opened lands....The old social relations are completely revolutionised, the agrarian thousand year old unity of the nations without history is rent asunder.... Capitalism itself gradually gives to the oppressed peoples the means and the method of achieving their own liberation.

This kind of understanding, which obviously emerged from Marx's own faulty understanding of the regenerative role of capitalism, has of course been vigorously challenged by those who have studied the negative impact of imperialism on the colonies (e.g. Dadabhai Naoroji for India, Andre Gunder Frank for Latin America).

The third great theorist of imperialism was Rosa Luxemburg, whose work titled *Accumulation of Capital* appeared in 1913. She described the process by which advanced powers mopped up the markets of the still remaining non-capitalist world and left them poorer. She pointed out that export of capital to underdeveloped non-European lands did not lead to local industrial development. There was an artificial division of labour in the world whereby the underdeveloped lands were doomed to remain as primary producers forever. Rosa Luxemburg shared with Hilferding the fear of nationalist economic rivalries leading to war.

This line of thought was developed with greater clarity by V.I.Lenin, the leader of the Russian Bolshevik Party. His work *Imperialism, the Highest Stage of Capitalism* was written in Zurich in 1916. He too, like Hobson, explained the reasons for the export of capital:

As long as capitalism remains capitalism, surplus capital will never be used for the purpose of raising the standard of living of the masses, for this would mean a decrease in profits for the capitalists; instead it will be used to increase profits by exporting the capital abroad, to backward countries ..... The necessity for exporting capital arises from the fact that in a few countries capitalism has become over ripe and, owing to the backward stage of agriculture and the impoverishment of the masses, capital lacks opportunities for profitable investment.

Lenin's work was intended to show that the First World War was basically an imperialist war for the partition of the world and for the distribution and redistribution of colonies, of "spheres of influence", of finance capital etc.

These were the basic issues that the theorists of imperialism in the early twentieth century emphasised. However, the notion of the export of capital to the underdeveloped world to maximise profits was challenged later by those who found that, in actual fact, the industrialised nations were exporting most of their surplus capital not to the underdeveloped world but to the more industrialised areas. This was particularly true of Britain. Only about 20 per cent of British capital exported before 1914 was invested in the British colonies including India and another 20 per cent in South America. The main investment was in other capitalist countries, mainly Europe and North America. At least three quarters of British capital exports before1914 and again between the two world wars went as loans to governments and government guaranteed public utilities. Further, Hilferding's findings about growing monopoly tendencies may have been accurate for Germany but in the case of Britain, monopolistic firms were slow to emerge before the 1920s. And yet, at least until 1914, most of the foreign capital in the world was British. And finally, it was found that deindustrialisation in the colonies was in the long run disadvantageous for the imperialist power. The impoverishment of the colonial peoples finally resulted in a cutting back of production in Britain's industries, leading to an increase in unemployment in Britain. In fact, there were greater benefits from capital export to European lands and European-settled lands in North America, where there were expanding markets for British goods.

After the Great Depression of 1929, a new trend in writings on imperialism emerged. In 1931, Joseph Schumpeter's *Imperialism and the Social Classes* was published. Schumpeter lived and wrote in Germany during his early years and then moved on to the United States, following which he started writing in English. He was deeply impressed by the German Junker class -a class of feudal landlords which had played an important role in the political and economic life of Germany in the late nineteenth and early twentieth centuries. He also pointed out that the acquisition of empire in North America by Britain was the work of the feudal aristocracy. From all this he concluded that capitalism and imperialism were two separate phenomena. Imperialism, as he put it: was generated by pre-capitalist social and political forces. It was a throwback to an earlier age, an atavism. Capitalism, on the other hand, developed through innovation, through the combination of different factors of production in different ways. The logic of capitalism was the productive engagement of manpower. War, on the other hand, implied the withdrawal of manpower for unproductive activities. Moreover, for capitalism it was not necessary to acquire territory — economic development could be achieved without the acquisition of territories.

Thirty years later, the Cambridge historians Jack Gallagher and R.E. Robinson came up with their *Africa and the Victorians* which also contested the notion that capitalism led to imperialism. Imperialism, as they put it, was the consequence of European power politics, which was reflected in a policy of mutual deterrence followed in the countries of Asia and Africa. Sometimes they would mutually agree not to occupy a territory but to share it among themselves — as in China. The European powers, while fighting among themselves, would occupy all vacant spaces in a pre-emptive manner so that the rival power would not come in or get an unfair advantage. (It is obvious that the experience of the Cold War greatly influenced these writers.) Gallagher and Robinson also took considerable pains to try and prove that the economic interests of capitalism did not play a role in empire building. They argued that the British cabinet at no point of time had a businessman as its member. It was the aristocracy which ruled England, and that aristocracy had contempt for business. The Gallagher-Robinson position is obviously a clever polemical exercise. To point out that there was never a businessman in the British cabinet is to prove nothing. Business interests have always functioned in a far more subtle fashion and business pressures were and continue to be exercised through groups which indirectly influence policy. Besides, this kind of analysis only looks at the process of imperialism, not its causes.

12.5 COLONIALISM: A MODE OF PRODUCTION OR A SOCIAL FORMATION

Some writers see colonialism as a distinct mode of production. Hamza Alavi describes colonialism as *"colonial capitalism"*. The two specific features of colonialism are the *internal disarticulation* and *external integration of the rural economy and the realization of the extended reproduction of capital not in the colony but in the imperialist metropolis.*

Bipan Chandra suggests that colonialism is a social formation in which different modes of production coexist, such as feudalism, slavery, bondage, petty commodity production, merchant and usury exploitation and agrarian, industrial and finance capitalism. The social surplus is appropriated under colonialism by varied modes of production. The appropriation of the surplus from the colony is not linked with the ownership of the means of production by the metropolitan bourgeoisie but with control over state power. On the other hand, under capitalism, the surplus is appropriated on the basis of the ownership of the means of production.

The concept of varied modes of production helps us to analyse how the class antagonisms between different social strata are shaped by colonialism. It also helps us to identify the roles of the major classes in society and also the primary contradiction at any stage. When we see colonialism as a social formation rather than a mode of production we are able to see the primary contradiction as a societal one, rather than in class terms. Thus we have a national liberation struggle rather than a class struggle against the colonial power. The struggle from the beginning is thus political rather than economic. Classes do not join the anti-colonial struggle through class organisations but as part of the people.

The following are the four basic features of Colonialism:

1) Integration of the colony with the world capitalist system in a subordinate or subservient position. The needs of the metropolitan economy and its capitalist class determine the basic issues of the colony's economy and society. This subordination is more crucial than linkage with the world market. After all, even independent capitalist and socialist economies are linked with the world market.

2) Arghiri Emmanuel and Samir Amin have encompassed colonialism in the twin notions of *unequal exchange und internal disarticulation of the colonial*

economy and the articulationof its different disarticulated parts through the world market and imperialist hegemony with the metropolitan economy. The colony's agricultural sector does not relate to its industrial sector but to the world capitalist market and the market of the metropolis. Marx and Engels referred to a similar process in their focus on the exploitative international division of labour. The metropolis produced high technology, high productivity, and high wage goods while the colony produced low technology, low productivity, and low wage goods. International trade thus became an instrument of exploitation. Similarly, the colony specialised in the production of raw materials while the metropolis produced manufactured goods. Railways were developed in India in the nineteenth century to serve the interests of British industry rather than Indian industry.

3) The third feature of colonialism is the *drain of wealth* or the unilateral transfer of surplus to the metropolis through unrequited exports. The early Indian nationalists stressed this. A large part of the colonial state expenditure on the army and civil services represented a similar external drain of surplus. Thus production of surplus is in the colony but is accumulated abroad. This process has been described by Hamza Alavi as *deformed extended reproduction.*

4) The fourth basic feature is *foreign political domination* or the existence and role of thecolonial state.

Check Your Progress 1

1) What is colonialism? Answer in 50 words.

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2) Write in brief on theories of imperialism.

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3) Explain basic features of colonialism in about 100 words.

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12.6 COLONIAL STATE

What is colonial about the colonial state?

For one, it is an instrument for exploiting entire societies rather than one class. The colonial state is an integral and intrusive element in the structuring and functioning of the colonial economy. The state is the instrument in the hands of the capitalist class in the home country to control and exploit the colony. The colonial state serves the long-term interests of the capitalist class of the mother country as a whole. It does not represent the sectional interests of groups within this bourgeoisie, who are competing with each other. In capitalism, in contrast, the capitalist state is the instrument for one class dominating another.

Colonialism is a relationship between the foreign ruling class and the colonial people as a whole. Under colonialism, the ruling coalition of class forces does not include any of the indigenous social classes. All the indigenous classes of the colony are dominated — even the propertied classes are not junior partners of colonialism or its subordinated allies. They have no share in state power though they may have some share in the social surplus. Their interests can be sacrificed for those of the metropolitan bourgeoisie at any point. For example, reforms that would be looked upon with disfavour by the indigenous bourgeoisie, such as factory legislation, would be introduced by the state, as it would make the foreign imports more competitive. Thus even the uppermost classes in the colony could begin to oppose colonialism as it went against their interests. It is useful to remember that big landlords led the anti-colonial movements in Poland and Egypt. This is a major difference between colonies and semi-colonies.The latter have compradors — native classes that are part of the ruling class. The upper classes in the semi — colonies are part of the ruling class. Arun Bose has rightly pointed out that while in a colony the dominant class of the metropolis determines the class nature of the state, in a semi colony the class nature of the state is defined by the class nature of the politically dominant class.

The role of the colonial state was greater than the capitalist one. It structured colonialism. It was not merely a super structure but a part of the economic base. It not only enables the ruling classes to extract surplus, it itself is a major channel for surplus appropriation. Under capitalism, it was the ownership of the means of production that gave the ruling class the power to use the state as its instrument of domination. Under colonialism it is because of its control over the colonial state that the metropolitan ruling class is able to control and exploit colonial society. It is its control over state power that gives it control over the social surplus rather than its ownership of the means of production. For example, in India, the state did not own the means of production to any significant extent and yet it wielded great power.

The colonial state guaranteed law and order and its own security from internal and external dangers. Indigenous economic forces and processes hostile to colonial interests were suppressed. It was a channel for surplus appropriation. It prevents unity among the people of the colony, by fostering the identities of caste against class, community against community, etc. The state was actively involved in reproducing conditions for appropriation of capital, including producing goods and services. Another important task is the transformation of the social, economic, cultural, political and legal frameworks of the colony so as to make it reproductive on an extended scale. The problem is that there is a contradiction between the policing functions of the state and its developmental functions. There is a competition for existing scarce resources and development is clearly the casualty. It is easy for the anti-imperialist forces to expose the exploitative character of colonialism, as there is an explicit and direct link between the colonial structure and the state. Thus it is easy to politicise the struggle, unlike in advanced countries where the link between the state and the economy is not so evident. The mechanism of colonial control lies on the surface, hence it is easy to expose it in an instrumental fashion, and reveal the links with the industrial bourgeoisie of the home country. The state is visibly controlled from abroad and the isolation of the colonial people from policy and decision making is evident. Compared to the capitalist state the colonial state relied on domination and coercion rather than on leadership and consent. Hence there is very little space for manoeuvre and the vacant space is rapidly occupied by the anti-imperialist forces. The state soon enters into a crisis. However, the other side of the coin is that as the colonial state is a bourgeois state, it introduces the rule of law, property relations, bureaucracy, and can even develop into a semi- authoritarian and semi-democratic state. Thus there is constitutional space in the colony.

The question of colonial ideology is one that has not been adequately studied. Different stages were informed by different ideologies — the second stage by development and the third stage by depoliticisation and benevolence. Once non-participation in politics does not work, loyalist politics is promoted.

12.7 STAGES OF COLONIALISM

Marx, in his writings, had referred to two stages of colonialism — monopoly trade and free trade. R. Palme Dutt, in his seminal book, *India Today*, added a third stage, that of finance imperialism, basing himself on Lenin. Samir Amin and others theorize as if only the third stage constituted colonialism. Stages do not exist in a pure form nor is there a sharp hiatus between stages. The time frame of the stage can vary from colony to colony. Some countries only went through one or two stages; the other stages were atrophied. For example, the third stage did not take off in India while the first and second stages were atrophied in Egypt and the second stage in Indonesia.

Colonialism was the complete but complex integration and enmeshing of the colony's economy and society with world capitalism carried out in stages over a period lasting nearly two centuries. The forms of subordination changed over time but the subordination of the colony remained a constant feature. As the forms of surplus appropriation or subordination change, so did colonial policy: state and its institutions, culture, ideas and ideologies. The stages were the result of the historical development of capitalism as a world system. They were also the result of changing patterns of metropolis' own social, economic, and political development and of its changing position in the world economy and polity. The colony's own historical development also played a role in determining the stage.

12.7.1 First Stage

There were two basic objectives at this stage:

Monopoly of trade: In India, for example, monopoly of trade was necessary to enable the East India Company to buy Indian goods cheap. European competitors were kept out by wagingwars against them. Political conquest was undertaken to prevent Indian traders from taking part in the lucrative trade.

Direct appropriation of revenue or surplus through the use of state power: Huge sums of money were needed to wage wars against European powers and indigenous rulers. This money could only be raised from the revenue of the colony. Colonial products were also bought from revenues collected from the colony. The reason for this was that the metropolis did not produce anything of value and spending gold and silver to purchase the goods of the colony went against the prevalent mercantilist wisdom. The political conquest of the colony enabled plunder and seizure of surplus. The high salaries of officials and the profits of merchants and corporations were all drawn from the revenues of the colony. It is estimated that the drain of wealth from India to Britain during the first stage was considerable. It constituted two to three per cent of the national income of Britain at that time.

It must be remembered that no basic changes were introduced in the administration, the judicial system, the means of transport and communication, methods of agricultural or industrial production, forms of business management or economic organization, education or intellectual fields, culture and social organization. The only changes made were in military organization and technology and in the top level of revenue administration. The reason for this lack of intervention was that colonialism in the first stage could be superimposed over the traditional system of economy and polity. There was no need to penetrate the villages deeper than earlier rulers had done, as long as their economic surplus was extracted. It was not necessary to carry out any basic transformation of the colony’s economic or political structure. Hence the ideology was not one of development and there was no criticism or understanding of traditional values, religion, customs, etc. The traditional systems of learning were encouraged and administration was carried on in the vernacular.

12.7.2 Second Stage

The second stage of colonialism is known as that of free trade. The industrial bourgeoisie,which had replaced the trading companies as the foremost class, opposed plunder as a form of appropriation of surplus on the ground that it would destroy the goose that laid the golden eggs.The interest of the industrial bourgeoisie of the metropolis in the colony was in the markets available for their manufactured goods. For this it was necessary to increase exports from the colony to pay for their purchase of imported manufactured goods. The metropolitan bourgeoisie also wanted to develop the colony as a producer of raw materials to lessen dependence on non-empire sources. Increase of exports from the colony would also enable it to pay for the high salaries and profits of merchants. Trade was to be the mechanism by which the social surplus was to be appropriated.

It was necessary to transform the economic, political, administrative, social, cultural and ideological structure to enable exploitation in the new way. The slogan was development and modernization. The colony was to be integrated with the world capitalist economy and the mother country. Foreign trade was to be freed of all restrictions and tariffs. Capitalists were allowed to develop plantations, trade, transport, mining and industries. Capitalist farming was to be introduced. The system of transport and communications as developed to facilitate the movement of massive quantities of raw materials to the ports for export.

Railway expansion was undertaken and a modern post and telegraph system was set up. In the field of administration, it was deemed necessary to make it more detailed and comprehensive so that imports could penetrate the villages and raw materials could be taken out easily. Capitalist commercial relations were to be enforced. The legal system was to be improved so as to ensure upholding the sanctity of' contract. However, no change was made in the sphere of personal law. Modern education was introduced to produce men who would man the new administration. It was also expected that westernization would increase the demand for imported goods.

In the field of political ideology liberal imperialism was the watch word. The perspective was to train the people of the colony towards self-government. There was confidence that the economic relationship would continue even if formal political control was ended. A corollary to the perspective of modernization was the critical view of existing modes of living. The ideology was development. The intention was not to deliberately underdevelop the country. Underdevelopment was not the desired but the inevitable consequence of the inexorable working of colonialism of trade and of its inner contradictions. Hence there was no imperialist theory of underdevelopment-only of development.

12.7.3 Third Stage

By the middle of the nineteenth century certain significant changes had taken place in the nature of world capitalism. As industrialisation spread to the rest of the developed world the supremacy of Britain ended and there was an *intense struggle for markets and sources of' raw materials and food stuffs.* There was also *excess accumulation of capital,* which looked for lucrative opportunities for investment. Those countries with colonies were obviously at an advantage as these were areas over which they had exclusive supremacy.Another consideration was that the empire and its glory could be used to deflect political dissent at home and impart a commonality of interests between potentially conflicting social classes.

The third stage of colonialism led to more intensive control over the colony. In the sphere of ideology the mood was one of reaction. The administration became more bureaucratic, detailed and efficient as the need for intensive control increased. There was no more talk of self-government; instead benevolent despotism was the new ideology, according to which the colonial people were seen as a child people who would need guardians forever. Modernisation and Western education, which were the watchwords of the second stage, were no more heard of.

There are two kinds of contradictions within colonialism-one is the external one, between the colonial people and the system, which is expressed in the form of the anti-imperialist movement. The other is the internal one-in which the colony can no longer serve the interests of the metropolitan capitalist class. In the third stage it is not able to absorb metropolitan capital or increase its exports of raw materials. It was to prevent this that a strategy of limited modernisation was implemented but the logic of colonialism revealed itself and underdevelopment became a constraint on further exploitation of the colony.

The third stage often did not take off. Many of the older colonies continued to export capital. One major reason for this was that colonialism had so wrecked the economies of these colonies that they could not absorb capital investment to any appreciable extent. After all, where would the demand for the goods produced by the newly set up industries come from when colonialism had exhausted their potential? Hence capital was invested in those products that had a ready market abroad or in infrastructure for such exports. In many colonies the older forms of exploitation continued. In India, for example, the earlier two forms remained more important even in the third stage.

Check Your Progress 2

1) Analyse the distinctive characteristics of the colonial state in about 100 words.

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2) In what ways was the second stage of colonialism different from the first stage?

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12.8 LET US SUM UP

The history of modern Europe would be incomplete without the study of the colonial possessions of the European powers and the economic and political system that integrated these colonies with the modern world. This system was called colonialism. While Europe continued its march towards progress and prosperity on the basis of the surplus extracted from the colonies, the territories under colonial rule were reduced to backwardness. The consequence of colonial domination was underdevelopment of large parts of the world.

12.9 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

1) See Section 12.2 for answer.

2) See Section 12.4

2) See Sections 12.2 and 12.5 for answer.

Check Your Progress 2

1) See Section 12.6

2) See Section 12.7