Did Empire pay?

1. Was the burden of defense spending too large?

From 1870 to 1914, it was 2.95% of national income.
   France’s was 2.86%

   Germany’s, 4.52%

   A little under 3% is considerable, but not crippling.

   A lot of other countries have spent a bigger share and still grown.

Overseas investment paid for its own defense and left a considerable margin of profit.

2. Naval construction helped smooth the cycles of shipbuilding.

   It also fostered technical innovation.

3. Some groups benefitted more than others...

   The interlocking elites of government, finance, commerce and
   landownership did best.

   So did the white settlers of the dominions, who paid less than their
   fair share.

   So did those at the top end, economically, in English society.¹

4. Even those who paid too much – like a lot of British taxpayers... got
psychic benefits from Empire.
They have value, even if you can’t put a price tag on them.

Status, say, and sense of position.

The pomp and circumstance of empire
The jubilees, conferences, coronations, processions

Status matters.

5. The opportunity to emigrate was enhanced by empire.

Over 5% of the UK population left for good, between 1900 and 1914.

2.4 million more people left than arrived.

Another million left, but came back.

Why? Because you could make a better living overseas.

But there was more to it than that.

The chance of social mobility and of other kinds of jobs.

A chance for more personal dignity – without sacrificing
your national identity, the way you would have to do,
if you went to America, or Argentina.

That sense of personal dignity – something of real value, even
if you can’t give it a price tag – we see again and
again in Canada, Australian and New Zealander history.
It’s the thing that makes them proud that THEIR soldiers have to be treated with a respect never given to a Toimmy Atkins.

Because THEY are free men, and the equal of their officers. You push them hard, they will push you right back.

And the satisfactions of racial supremacy.

In most of the empire, you are the top dog in Herrenvolk democracy.

It’s psychically pleasant to know there’s other people – black and brown and yellow – who are worse off and less worthy than you.

You may be as poor as you were in London, penny-wise – but you aren’t at the bottom – not when there’s kaffirs out there.

6. Consumer surpluses are a plus of empire.

Overseas investment opens up cheaper resources for food and raw materials.

Which is why British workers have the highest real wages in Europe.

It isn’t free trade. It’s empire.

What if the trading partners England had inside the empire hadn’t been in the empire?
Would it have made a difference? Apparently yes – about 1 to 5% of GNP.²

Let’s say there’d been no empire., Would there have been a Peace Dividend, so to speak?
Would Britain have saved on defense spending?

Actually, not all that much.
The real purpose of defense was to keep the trade lanes open.

You still would have to pay for that.

As long as you are the workshop of the world, and as long as you have an international division of labor, you need to keep the trading arteries of the British economy flowing. That is going to entail British naval supremacy. There is no other way round it.

If Canada and Australia were independent, Britain still would have to protect its trade with them.

It would still need the same naval deployment in the Chinese offshore, and off U.S. and off Argentina, to protect its trade there.

World War I shows pretty clearly the investment in empire paid off, and amply.

It provided reliable, often exclusive sources of vital raw materials and manufactures.

² On this, see M. Edelstein, “Foreign Investment and Empire, 1860-1914,” in R. C. Floud and D. N. McCloskey, eds., The Economic History of Britain since 1700 (Cambridge), 2: 70-98.
Canadian wheat alone kept Britain from starving in 1917.

In that year, Canada produced one quarter to one third of all the shells that British artillery fired in France.

And a lot of it, Canada advanced the money for.

Dominions sales to Britain financed an independent and formidable war effort by those countries.

Canada, Australia and NZ mobilized 1.2 million men – Just about a fifth of the number the British Isles enlisted.

A million more came from India.

And their quality was very good, too.

By the end of the war, one pilot in three came from Canada alone, among the new pilots.

Australian and Canadian divisions were the core of the great offensives that finally broke the Germans on the Western front and in Palestine.

By the end of the war, without the aid of the colonies, Britain couldn’t possibly have kept its push on the battlefield, or be fed or clothed.

Yes, American trade was helpful to Britain.

But without that British navy, there would have been no American trade.

British naval primacy made all the difference, when the war began.  

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How important the change was, a simple figure can tell you:

25%.

That’s what proportion of exports from England are cotton goods.

And 42% of them, before the war, got sold in India.

They could do that, because 97% of all the cotton goods that India bought from anywhere, it bought from England.

Three fourths of all the cotton piece goods that India bought came from England.

Oh, India made cotton yarn, and bought about 93% of the yarn it made.

But shirts, pants, socks ... those came from England.

When India wanted to slap some modest tariff on the Manchester products – a measly 5%, say – the lords of the loom wouldn’t hear of it.

Instead, to raise money, it had to tax ITS OWN mills 5% on what shirts and pants and yarn THEY made.

**Workshop of the World?**

British industry needed its imperial markets before the war, because its industries were getting old and stodgy and falling behind.

German steel mills were a whole lot more modern.

Go to Europe, and you find in 1913 that German steel outsells British, seven to one.

Even little Luxembourg and Belgium outsold the English by 75%.

They could sell their steel cheaper than England in Uruguay and Brazil and Cuba.

They sold as much in China and in Egypt.

How could English steelmakers keep going?

Only one way: by having a special right to sell to the colonies.

British dominions bought four times as much steel from England as it did from the rest of Europe.

India bought more steel than did all the rest of Europe and Asia together, or the two American continents combined.

Where did it go? Well, a lot went into the Indian rail system, 35,000 miles in size by now.

A lot went into locomotives, and again, these were ones India bought from England.
In fact, it went wherever British controlled the rail systems.

... as they did in Argentina, for instance.

Without the imperial connection, industry at home would have been hurting, because by 1913 the competition was stiff.

Japan in 1887 got 19 out of every 20 locomotives from England.

By the start of the Great War, it came closer to about 40%.

New Zealand bought American railroad engines, a better, more efficient project.

No, India was what mattered. And 40% of all the locomotives that Britain exported between 1890 and 1913 went to India.

That’s about 30% of total British production.

All in all, by 1914, India consumed about 16.1% of everything England produced and exported.

– most of its textiles
– most of its machinery
– most of its chemicals

All this had to happen, because tariff walls were rising to shut British goods out.
But it also happened because America and Germany were making their products better than England did, and cheaper.

All of this isn’t just to show how important the Empire was, but how dependent British industry was becoming on it – how unhealthy the British economy was getting in the early 1900s.

What did Germany buy from England in 1913?

Not manufactures. Not even raw steel.

Mostly coal and pig iron.

If it imported British cotton, it imported cotton yarns, not cotton cloth.

But England was buying manufactures from Germany.

80 million pounds worth a year.

35% of all the electrical machinery that Germany made in 1902, England bought.

and in 1913, a tenth of all the chemicals that Germany exported.

In fact, one fourth of all German steel products, England bought just before the war.

England, the workshop of the world!

England, the pioneer in the steelmaking revolution!
England’s economy boomed also because so much money came into England, profits from investments in India and in the colonies.

India bought a lot more from England than it sold.

And because of that, there was a constant flow of American dollars and German marks to England, from India.

Without those foreign currencies, England could not have paid for the German manufactures it bought –

because, with all the coal and pig iron it sold to Germany,

it still was buying a lot more from her than it was selling to her.

English leaders were beginning to glimpse how far Britain had become dependent on India for economic and military strength.

India was the source of England’s strength.

But it was also her weakest spot.

Lose dominance of trade with India, and the British economy would be in horrible straits.  

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