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OPINION

Is Capitalism Historically Built on Colonialism?

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Colonialism has become a hot topic in recent years. The hatred directed at Israel at universities in the United States and Europe is ideologically based on “post-colonialist” theory, which has become something of a political religion, especially among “woke” anti-capitalists.

But to what extent is the thesis that capitalism is founded on colonialism really true? The German-British economist Kristian Niemietz from the prestigious London Institute of Economic Affairs has now investigated this question in a pleasingly short (70 pages) and pleasingly fact-laden study: “Imperial Measurement. A Cost-Benefit Analysis of Western Colonialism.”

This insightful little book should be required reading for all “post-colonial” students, although they probably prefer to read books that align with their pre-existing beliefs, and the facts presented here could well make them feel insecure. In his book, Niemietz conducts an economic analysis that compares the costs and benefits of colonialism for various countries including Great Britain, France, Germany, and Belgium. While exact historical data are difficult to pinpoint, all serious estimates indicate that colonialism was more of an economic burden than a benefit for countries like Great Britain, France, and Germany. Historically, this was also the conclusion drawn by scientists and politicians as diverse as Adam Smith and Otto von Bismarck.

So, despite the lack of significant economic benefits – possibly even losses – why did countries continue to pursue colonial policies? National prestige and the influence of wealthy individuals who saw colonialism as a source of economic gain were key factors. In the case of Great Britain, Niemietz's research indicates that the country primarily traded with other Western nations during the colonial era, rather than with the colonies. While it is difficult to determine definitively whether colonialism resulted in economic losses for Britain or the country made a modest profit overall, it can be said with certainty that any potential gains must have been very modest. Therefore, the thesis that Britain's wealth was primarily derived from profits generated by its colonies cannot be substantiated.

More accurate data is readily available for Germany, which only became a colonial power at a very late stage. In the case of Germany, it is quite clear that the majority of the colonies were a loss-making proposition. Only Belgium stands out as an exception, with its rule over the Congo resulting in substantial profits. However, this success can be attributed to a unique set of circumstances: in Belgium, the Congo colony was managed as a private enterprise by King Leopold II.

The assertion that the foundations of capitalism were historically built on colonialism is refuted by the fact that the leading colonial powers have experienced slower economic growth than Sweden, Denmark and Austria, among others, which only had minor colonial possessions. What were initially the leading nations, Great Britain, the Netherlands, and France, actually fell behind in relative terms in the second half of the nineteenth century. Portugal and Spain, the first imperialist powers with colonies from Mexico to Macau, were the poorest in Western Europe at the time capitalism emerged.

I would like to add: North America or the United States were, to use the language of the anti-capitalist critics of colonialism, not 'perpetrators,' they were themselves initially among the victims of colonialism. Its own colonial activities played a completely subordinate role in the U.S. and its economic development. And even though there is much talk today about Germany's colonial past, the fact that Germany's colonial ventures since the 1880s were of minor economic importance speaks against the emphasis on colonialism as the root of capitalism.

However, Niemietz also concludes that colonialism hindered the development of many countries and that some are still grappling with the repercussions to this day. I would like to add here: Countries often harm themselves even more by attributing their problems monocausally to events in the distant past, such as colonialism and slavery, instead of acknowledging the fact that they are economically unfree.

I would also like to cite the history of two former colonies, one British and one French, both of which I have studied in depth: Uganda became a British protectorate in 1894, colonial rule lasted almost seven decades and the country became independent in 1962. In 1965, just three years after becoming independent, Uganda was described by its President, Yoweri Museveni, as being "more prosperous than South Korea." Today, the gross national product per capita of South Korea is 33 times higher than that of Uganda.

The fact that Uganda was so much better off than South Korea so soon after gaining independence means that "it was not the African governments which made those countries prosperous when compared to their Southeast Asian counterparts. It was the British colonial governments which did that," says Africa expert Godfrey Mwakikagile from Tanzania. However, as in many African countries, the political leadership in Uganda blames colonialism for all the problems of the past. And in his analysis *A History of Modern Uganda*, Richard J. Reid writes: “Museveni would certainly make a hobby of blaming British rule for all of Uganda’s contemporary problems.”

Vietnam stands as a compelling counter-example: From 1858 to 1954, the country was under French colonial rule and spent the twentieth century engulfed in wars with France, Japan, China, the USA, and others. Vietnam, the poorest country in the world in 1990, could have blamed colonialism and foreign powers for its situation. Unlike many African countries, however, this is something Vietnam has never done: the Vietnamese people correctly recognized that their problems stemmed from a lack of economic freedom and launched a program of market economy reforms eleven years after the end of the war. Today, Vietnam maintains amicable relations with the USA, attracts investors from around the globe, and has significantly reduced its poverty rate from 80 percent to less than 5 percent. This was only possible because the Vietnamese did not look for the roots of their problems in colonialism and other countries, but in themselves.