**Would Britain be Better-Off Economically Without the Effects of Colonialism?**
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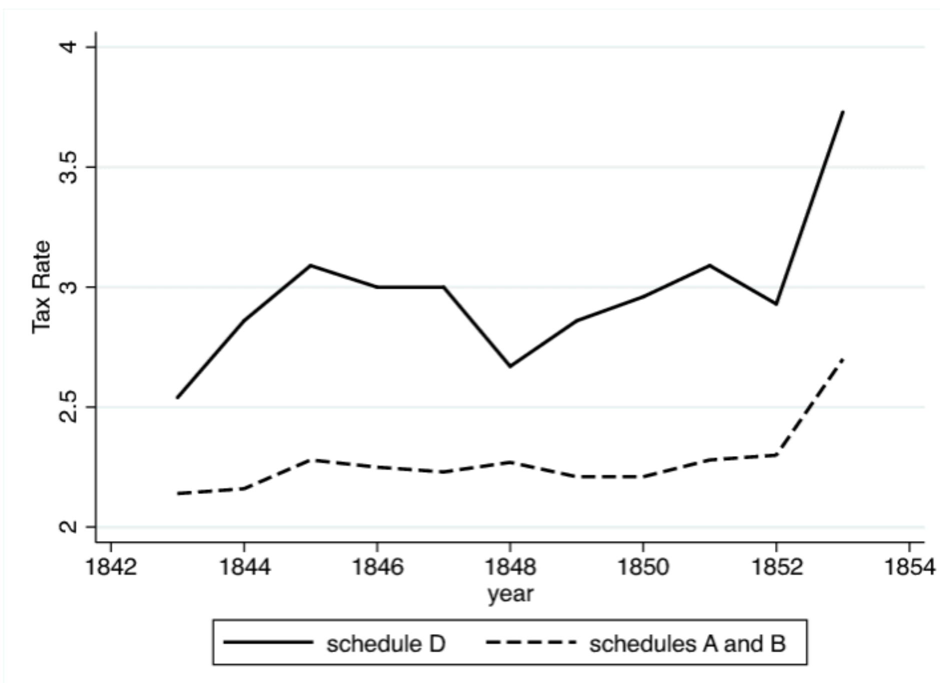
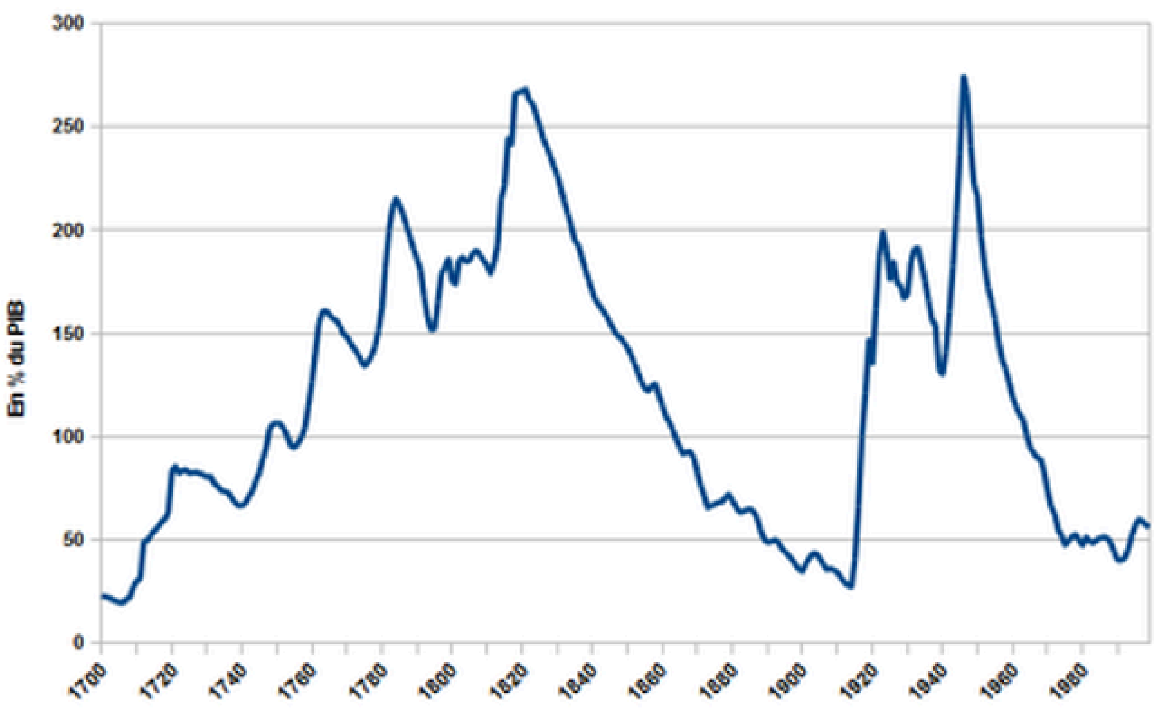
From the sixteenth century to the mid-twentieth century, Britain rose to become the most dominant force in the world. At its height, in the nineteenth and early-twentieth centuries, the British Empire was the largest in history, holding sway over more than 400 million people and 35.5 million squared kilometers of land. Its proud citizens were fond of saying that we are "the empire on which the Sun never sets" (Britannica). The British Empire gained such might through imperialism and colonialism, the legacies of which have been significant. Some argue that the economic impacts of colonialism led to an age of economic prosperity for Britain and that the British today live in a heavily developed nation due to depredating others (Acemoglu). However, by investigating the long-term effects on Britain's internal economy, its trade relationships with other economies, and the overall cost of empire, this essay will show that Britain is significantly poorer today than it would have been without colonialism.




(Graph 1: The Overall Tax Rates of Britain (solid line), from 1843 to 1854)

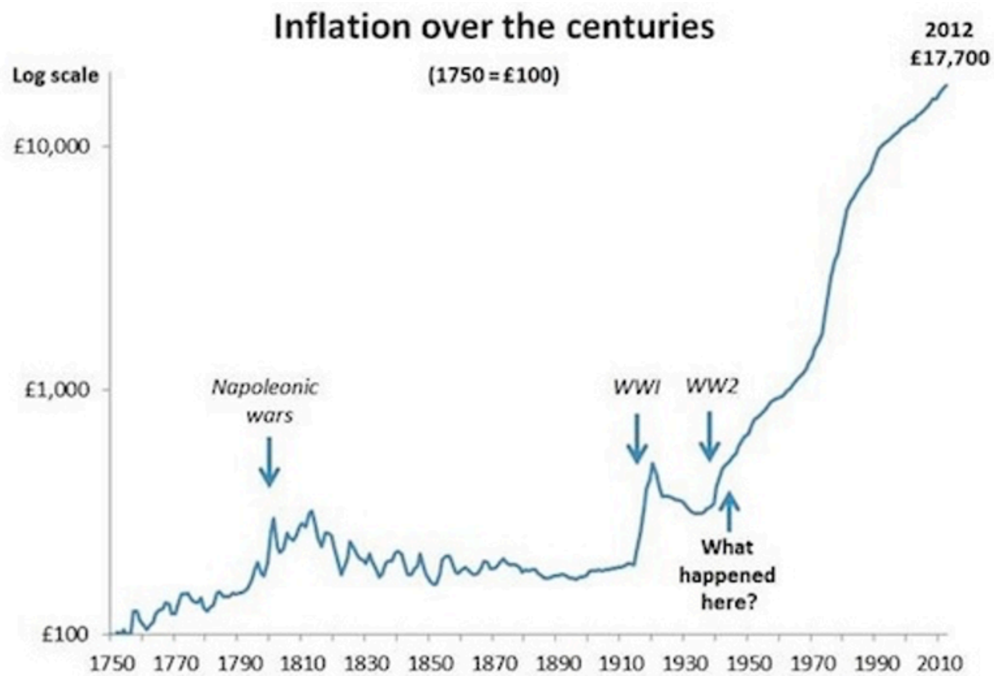
The long-term economic impacts of colonialism on Britain's internal economy – namely the assets of individuals and the government – were negative. To fund colonial war efforts, the British government levied hefty taxes on its domestic citizens and its colonies. From the 1780s to around 1850, Britain significantly raised the overall tax rate (see Graph 1) and introduced new taxes, such as the income tax (Mares and Queralt). On the microeconomic level, theoretically, increased levels of taxation lessened the disposable income of the individual, making them less capable of boosting the GDP of Britain through consumption and entrepreneurship. In the long run, the taxes and their drag on economic growth would cause the average British person to possess less wealth than they would have had without colonialism (The Tax Policy Center).

Swayed by nationalistic calls from the government, British entrepreneurs and merchants also invested substantial sums into the colonial effort, hampering wealth accumulation. Patrick O'Brien, an expert on British colonialism, pointed out, "the majority of the English people cheerfully and even proudly [invested in] the empire" (O'Brien). To indirectly encourage colonialism, British investors "chose to send their money overseas" despite facing greater risks and lower average rates of return. Without colonialism, these investors would have put their money towards domestic ventures with lower risk and higher rates of return (Offer). It goes to reason that through continuous wealth accumulation, over the generations, many British today would be richer.




(Graph 2: The Government Debt of Britain as a Percentage of GDP)

On the macro level, the British government spent immense sums to conquer and maintain colonies, making the country poorer overall. Typically, the wealth gained from the colonies did not suffice to pay for colonial adventurism (O'Brien). The government procured the bulk of the funds through borrowing. As shown in Graph 2, the government debt skyrocketed from 1700 to 1820, reaching a whopping 260% of GDP (Gedefr). Although the debt decreased afterwards, the aftershocks of paying off the enormous national debt lingered. As a result of this outlay of funds, Britain underinvested in infrastructure that would have benefited the local economy, such as schools, hospitals, railroads, and roads (O'Brien). This problem persists, as evidenced by the rather insignificant railroad network in Britain, despite being the first nation to lay tracks (Britannica). This lack of domestic investment due to excessive colonialism impeded the U.K.'s national wealth generation from economic development. Additionally, the detrimental legacy of the debt persisted through the twentieth century as Britain devoted a significant portion of its budget on servicing the debt – money that could have been used to invest in the economy (O'Brien).




(Graph 3: British inflation from 1750 to 2010)

The negative effect of colonialism on the wealth of Britain's internal economy is only part of the narrative. Colonialism damaged the relationship between Britain's economy and other economies, both in Europe and abroad. A look into the British trade account in the eighteenth century, when colonialism rose in significance, is illuminating. Surprisingly, during that time, records show that Britain possessed a trade account surplus (i.e., Britain exported more than imported) (Daudin et al.). This surplus was directly related to colonialism as Britain exported manufactured goods consistently to its colonies and other nations (Andrews). A high share of goods and services being exported, rather than for meeting domestic demand, resulted in a major fall in the supply side of the domestic economy – inflation was a direct consequence (Mankiw). Judging from Graph 3, from 1750 to today, Britain's inflation rate steadily increased, which can be partially attributed to exporting excessively to colonies (Pettinger). Rising prices impacted the real wealth of British citizens as the purchasing power of money shrank.

The then current account surplus exacerbated the reduced investment in domestic industries. Due to the surplus, the British populace and government could not resist the temptation of exporting goods and services, rather than trying to boost domestic investment (Offer). These two factors combined to negatively impact the growth of national wealth.

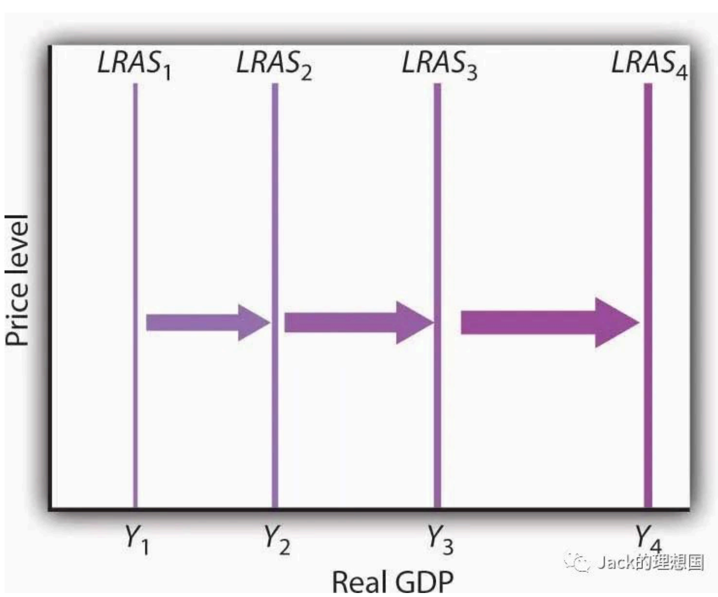
The British government's increasingly aggressive stance of expansionism strained its relationship with other European economies and globally. This strain of relationships led to trade and military conflicts and disputes, disrupting good relations with European powers (O'Brien). For instance, the scramble for resources in Africa and Asia starting from the nineteenth century led to intense competition between the U.K. and other forces such as the United States, France, and Belgium. This scramble for resources can even be argued as being a cause of World War I, in which the British Empire's might was severely diminished (McQuade). European powers imposed trade barriers on their respective colonies too. The British government specifically imposed high tariffs on French textiles from India, making it difficult for French traders to contest with British merchants (Nye). Through the theory of comparative advantage, trade usually benefits both parties as it increases the potential of consumption (Mankiw). In mercantile economies such as Britain's, trade has also been historically viewed as a primary method for many to generate wealth by investing in other countries or facilitating the exchange of goods and services (Nye).

Therefore, the major disruptions of trade first cut off the possibility for many to start accumulating wealth through trade. One can see this point through the perspective of a significant decrease in both exports and imports to and from a colony such as India. According to historical data, from 1860 to 1861, 43.1 percent of India's total exports went to the U.K., while the goods from Britain took up to 84.8 percent of India's total imports. However, as trade wars became more intense and trade barriers were set up between the U.K. and other nations, British merchants were discouraged to carry out trading activities. Trade diminished as a result - there was a drop in both imports and exports between Britain and India(Appleyard). A study of India's deindustrialization also highlights the international political and economic fragmentation during the nineteenth century as a factor leading to a decrease in trade between India and Britain. The consequence of diminishing trade was that British merchants lacked a means to generate wealth in the long run from these exchanges of goods (Clingingsmith and Williamson).

Admittedly, the opposing argument that the British today are richer thanks to the depredation of colonies does possess some merit. Throughout the process of colonialism, British forces did reap significant economic gain from its colonies (Offer). For instance, U.K. colonies in North America provided the empire with lumber, tobacco, and other materials, while the Indian colony supplied spices, textiles, and gems (Andrews). All these materials were obtained at a relatively lower cost and were used extensively in British factories to produce manufactured goods selling at high prices. Alongside raw materials, the British government also levied hefty taxes from the colonies. For instance, the Townsend Act of 1767 made it possible for the government to tax popular imports from the Thirteen Colonies, such as tea, paper, or lead (Beckett). These tariffs and duties surely helped increase overall government revenue and made it wealthier as time passed. Or it would have, had the Revolutionary War not broken out, forming the United States.

However, while Britain did reap considerable profit from its colonies, it is true that maintaining such a colonial empire came at an immense cost. For instance, Britain funded the development of Hong Kong. The Spectator website points out that the British government provided financial support for British investors in the region. The Manchus, who were at the top of Qing China’s social hierarchy, also received stipends from the British government (Lai). These decisions weighed down the financial and economic development of domestic Britain. Redirecting time and funds from infrastructure investment, education, and social welfare to external ventures, came at the cost of domestic benefit (O’Brien).

To illustrate how Britain would benefit from a hypothetical circumstance without colonialism, consider the situation of roads in Britain during the 1800s. According to a journal titled “Road and Waterway Investment in Britain, 1750-1850”, in certain areas of England, due to the lack of government interference and proper funding, many roads, such as the Holyhead Road suffered from problems relating to “straightening, widening, and reducing gradients” (Ginarlis). The absence of a trust or commissioning organization exacerbated the situation as confusions in terms of road management were common. The essay points out that greater government intervention and funding into road systems would have led to considerable improvement in road conditions and the commercial activities these roads enabled (Ginarlis). Such extra government funding can be diverted from the funds for colonial efforts.




(Graph 4: The AD-AS model showing a rightward shift of the long-run aggregate supply curve)

According to the aggregate demand-aggregate supply ("AD-AS") model, the long-run aggregate supply curve is affected by labor productivity, level of education, infrastructure, and development. If these factors demonstrate positive growth, then the real GDP would increase, shown as a rightward shift of the long-run aggregate supply curve (City University of New York). In the case of the U.K., if the government had chosen domestic investment in basic infrastructure and education over colonialism, its long-run aggregate supply would have risen, leading to real economic growth and the expansion of wealth over time.

Overall, by looking at the long-term blows on Britain's internal economy and its relationship with other economies in the context of colonialism, Britain is much poorer today than it would have been without colonialism. Not only do these two points have more merit in light of economic theory, but the popular argument for Britain's exploitation of its colonies (i.e., that Britain procured cheap raw materials and labor) is lacking merit when compared to the costs of maintaining a colonial empire and the potential long-term economic gains of domestic investment. Not that this excuses imperialist ventures. Far from it. It actually demonstrates that, aside from being cruel to native cultures abroad, it is also a bad investment, making it doubly wrong.

An investigation into the economics of a global empire reveals the shocking trade-offs a state faces when it decides to expand its territories for whatever gains. The case of Britain warns leaders of prominent countries today that the bloodstained road of imperialism eventually leaves your citizens worse off. In the current world, to effectively stimulate economic growth and generate wealth for posterity, multilateral cooperation on all levels is still the most reliable, efficient, and fair option for any state engaged in the international order.

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