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THE EXPORT OF CAPITAL TO COLONIES AND THE FALLING RATE OF PROFIT IN ECONOMIC THOUGHT: 1776–1917

BY

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Classical political economists developed several different explanations for what they saw as an inherent tendency for the rate of profit to decline over time. In the second quarter of the nineteenth century, some British advocates of colonization developed a corollary to those theories, suggesting that exporting capital to colonies could help arrest and reverse the decline. That argument was championed by the English political economist and promoter of colonization projects Edward Gibbon Wakefield, and it was systematized by John Stuart Mill. Ironically, the view that capital export and colonization played crucial roles in sustaining the rate of profit in advanced economies was later adopted by some Marxist theorists. Parallels between Karl Marx and J. S. Mill may help explain the remarkable theoretical continuity on this topic between nineteenth-century British advocates of colonization and early twentieth-century Marxist critics of colonialism.

I. INTRODUCTION

In *Principles of Political Economy*, John Stuart Mill claimed that the export of capital to colonies and foreign countries was "one of the principal causes by which the decline of profits in England has been arrested" (Mill [1848] 1970, p. 103). Like most classical political economists, he maintained that the rate of profit tended to decline over time. The argument that investing in colonies, in particular, could help remedy a general decline in the rate of profit had emerged in the 1820s and 1830s in the context of British debates over colonization. Edward Gibbon Wakefield, who played a pivotal role in those debates, claimed that colonization would not only raise wages in England, by luring emigrants to distant shores and thereby siphoning off surplus labor, but would also increase the rate of profit, by providing outlets for surplus capital. He contended that

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excessive capital accumulation, in proportion to fertile land, was suppressing the rate of profit in England, and that exporting capital to land-abundant colonies would raise the rate of profit (Wakefield [1833] 1967). Mill cited Wakefield as a key source for his own views on the rate of profit and colonization.

This essay traces the development of the argument that exporting capital to colonies would counteract a declining rate of profit. The key economic ideas underlying that proposition were articulated by Adam Smith and David Ricardo, both of whom opposed colonialism. It was Wakefield who wove those ideas together into a coherent pro-colonization narrative, elements of which were adopted by Mill. The importance of exporting capital was said to derive from the overabundance of capital in rich countries and their limited supplies of fertile land, although Wakefield focused more on the former while Mill emphasized the latter. Wakefield's ideas and activities significantly influenced the colonization of Australia and New Zealand (Pike 1967; Mills 1968; Temple 2002; Birchall 2021), and it is therefore necessary to place his arguments on the benefits of capital export within the context of the broader campaign to promote colonization. The essay will also consider how these arguments were repurposed by early twentieth-century critics of imperialism. Those critics blamed business interests for pressing their governments to secure colonies as destinations for profitable investment (Hobson [1902] 1948; Hilferding [1910] 1981; Bukharin [1917] 1966; Lenin [1917] 1939). They sometimes attributed that pressure to a declining rate of profit on investments in the mother country.

Bernice Shoul (1965) notes that Mill's views on capital export prefigured those of neo-Marxist scholars. Marxist critics of colonialism in the early twentieth century may have been aware of Mill's and Wakefield's ideas on capital export and the rate of profit, perhaps indirectly via the scholar of imperialism John A. Hobson. However, it is likely that their main source on these subjects was Karl Marx. While Marx and Mill were rivals in many respects, there is a remarkable degree of similarity in their views on certain economic topics (Balassa 1959; Shoul 1965; Gillig 2016; Persky 2018). In the third volume of *Capital*, Marx seems to base his analysis of factors counteracting a declining rate of profit partly on Mill's earlier analysis of the same topic (Balassa 1959; Persky 2016). Marx likely played a pivotal role in refashioning ideas originally developed by British political economists to justify colonization into the intellectual raw materials of early twentieth-century Marxist critiques of imperialism.

Several studies have analyzed British capital exports during the 1870 to 1913 heyday of imperialism. Michael Edelstein (1982) and Sidney Pollard (1985) note that British overseas investment reached exceptionally high levels during those years. However, Lance Davis and Robert Huttenback (1986) and Irving Stone (1999) emphasize that colonies were not always top recipients of overseas investment. This paper examines ideas, rather than statistical data, on capital export. Some of those ideas were instrumental, in the 1830s, to crafting a novel defense of colonization not as an explanation of colonialism as it existed but as a policy proposal for a new wave of colonization and settlement (Knorr 1963; Winch 1965; Ghosh 1967; Semmel 1970; Foley 2011). To early twentieth-century critics of imperialism, however, arguments positing the export of capital as a motive for colonization did appear useful in explaining colonialism as it existed. Motives such as emigration and settlement, in contrast, were likely seen as less relevant to colonization in the 1870 to 1913 era. Even though the newly acquired

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colonies were not always magnets for investment (Fieldhouse 1961), prodigious capital exports seemed, to some, like a potent force for empire building.

This analysis is relevant to literature on linkages between classical liberal thought and imperialism (Sullivan 1983; Mehta 1999; Pitts 2005; Bell 2016), the critics of imperialism (Porter 1968; Cain 2002; Claeys 2010), and specifically Marxist critiques (Brewer 1990; Noonan 2017). One particularly relevant strand of literature examines arguments in favor of colonization put forward by British political economists in the 1820s and 1830s. Klaus Knorr (1963) notes that a revival of enthusiasm for colonization during those years was originally sparked by Malthusian pessimism regarding the condition of England and a belief that emigration to land-abundant colonies could produce significant demographic benefits. Alison Bashford and Joyce Chaplin (2016) point out that Thomas Robert Malthus himself was initially skeptical of such claims, although he later came to view emigration to the colonies in a more favorable light.

The most directly relevant studies for this analysis have foregrounded theories of capital export or continuities across schools of thought. Focusing on classical political economy, Donald Winch (1963, 1965) contends that Wakefield's view of colonies as necessary outlets for surplus capital was grounded in his anti-Ricardian claim that Britain was suffering from a general glut of capital. Focusing on neo-Marxists, Norman Etherington (1983, 1984) discusses similar ideas but traces them to arguments that appeared in the pro-imperialist financial press beginning only in the 1890s. Bernard Semmel (1970, 1993) connects the views of Wakefield's supporters with those of some neo-Marxists regarding colonization as a necessity for contemporary industrialized economies. However, he implies that these two schools of thought arrived at their similar conclusions regarding colonies on the basis of irreconcilable economic logic. None of these authors discusses continuities across classical and neo-Marxist schools of economic thought regarding the idea that the export of capital to colonies was a key factor opposing the downward tendency of the rate of profit.

In addition to following the thread of a specific economic argument common to certain very different intellectual traditions, this paper contributes to the literature in four other ways. First, as already mentioned, it relates to the literature comparing the ideas of Karl Marx and John Stuart Mill. Second, it contributes to the literature on settler colonialism by analyzing a key economic argument that was advanced by Wakefield and his supporters as part of a broader effort to promote colonization and emigration. Several associations and joint stock companies were formed to spearhead colonization efforts in Australia and New Zealand at least partly along lines proposed by Wakefield and, in some cases, with his direct involvement (Birchall 2021). Third, it contributes to the literature on Marxist theories of imperialism. Those theories helped shape the official Soviet stance on imperialism and decolonization (Brewer 1990; Semmel 1993).

Fourth, the paper contributes to the literature on economists as public intellectuals. Wakefield and his associates wrote books, pamphlets, and letters, delivered speeches, and submitted commentaries to newspapers to make the case for colonization and to influence its implementation (Ballantyne 2014). Mill promoted Wakefield's arguments on colonies and capital export and worked them out more rigorously. Even non-economists echoed the opinion that colonization provided profitable outlets for surplus capital (Claeys 2010, pp. 1–2). In considering the diffusion of these ideas, this analysis examines one particular interface between economists and their public audiences (Medema 2019). It builds upon the insight of Donald Winch that political economists

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contributed to the economic justification of Britain's colonization projects: "Far from being staunch opponents of the imperial idea, the classical school provided a means for its furtherance" (Winch 1965, p. 167). The argument that capital export to colonies could counteract a falling rate of profit must be considered a novel contribution of nineteenth-century British political economists to the list of justifications for colonization, which was distinct from mercantilist justifications (see Knorr 1963).

II. PRECURSORS

From 1776 to 1830, the most prominent British political economists were, generally speaking, not avid supporters of state-sponsored colonization projects (Winch 1965). Nonetheless, they developed the core ideas that would later be reworked into a defense of colonization and capital export as mechanisms for lifting the rate of profit.

The seeds of several key ideas that animated British debates over colonies in the 1830s were planted by Adam Smith in 1776. Perhaps the most important of those ideas posited an inverse relationship between the capital stock and the general rate of profit. Succinctly put: "As capitals increase in any country, the profits which can be made by employing them necessarily diminish" (Smith [1776] 1952, p. 153). That argument was grounded in Smith's view that an increasing capital stock would intensify competition among capitalists, and competition would exert downward pressure on profits. If an increase in the capital stock lowers profits, then conversely: "The diminution of the capital stock of the society … raises the profits of stock" (Smith [1776] 1952, p. 39). Lacking data to prove his point, Smith nonetheless produced various forms of evidence in an effort to demonstrate the posited inverse relationship. First, he argued that the rate of profit had steadily declined in England since the sixteenth century, even as the capital stock grew. Second, he compared various countries in an attempt to show that wealthier countries generally had lower rates of profit. The idea that capital-rich advanced economies generally have relatively low rates of profit would play an important role in later arguments regarding the merits of capital export.

Relatedly, Smith also suggested that a country might accumulate more capital than could be productively employed in serving the domestic market. He argued that investment in foreign commerce was a natural response in that situation: "When the capital stock of any country is increased to such a degree that it cannot be all employed in supplying the consumption and supporting the productive labour of that particular country, the surplus part of it naturally disgorges itself into the carrying trade, and is employed in performing the same offices to other countries" (Smith [1776] 1952, p. 161). Yet, although Smith allowed for the possibility of an excess supply of capital, he did not place much emphasis on it. Wakefield, in contrast, would seize upon such ideas in an attempt to use Smith's authority as a weapon in debates with Ricardian political economists (Winch 1963).

Smith also believed that colonial investments tended to yield relatively high rates of profit. As examples, he cited British colonies in North America, which "have more land than they have stock to cultivate." In the context of land abundance, capital "is applied to the cultivation only of what is most fertile and most favourably situated," resulting in large agricultural profits (Smith [1776] 1952, p. 39). Furthermore, Smith asserted that the

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"acquisition of new territory, or of new branches of trade, may sometimes raise the profits of stock." As evidence to support this claim, he cited the effects of Britain's acquisition of new territory in North America and the West Indies, saying: "So great an accession of new business to be carried on by the old stock must necessarily have diminished the quantity employed in a great number of particular branches, in which the competition being less, the profits must have been greater" (Smith [1776] 1952, p. 39). In a different colonial context, Smith argued that the "great fortunes so suddenly and so easily acquired in Bengal and the other British settlements in the East Indies may satisfy us that, as the wages of labour are very low, so the profits of stock are very high in those ruined countries" (Smith [1776] 1952, p. 40). The argument that colonies can bolster the general rate of profit would later be taken up by Wakefield and Mill.

Smith's opinions on colonization were complicated by its historical association with mercantilism. Although he viewed the colonization of land-abundant regions of North America in a generally favorable light (Ince 2021), he strongly criticized colonial trade restrictions and monopolistic chartered trading companies like the British East India Company (Muthu 2008; Collins 2019). He distinguished between the advantages that might be derived from colony trade "in its natural and free state" versus the disadvantages associated with the monopolization of that trade (Smith [1776] 1952, p. 263). While the colonial rate of profit might be comparatively high due simply to the relative scarcity of capital in colonies, it was also regrettably augmented by monopolistic practices. Smith argued that, by artificially inflating the general rate of profit, colonial monopolies created price distortions that adversely impacted the British economy (Smith [1776] 1952, p. 259). He also thought that governing and defending British colonies had required unjustifiably large public expenditure (Smith [1776] 1952, p. 421). In conclusion, although Smith believed that colonial policies had increased the general rate of profit in Great Britain, he did not consider that to be a worthy rationale for maintaining colonies.

David Ricardo also opposed mercantilism, but he strongly disputed Smith's views on profits. He offered a competing explanation for the tendency of the rate of profit to decline over time, which he summarized in an 1814 letter to Malthus: "Accumulation of capital has a tendency to lower profits. Why? because every accumulation is attended with increased difficulty in obtaining food, unless it is accompanied with improvements in agriculture.… If there were no increased difficulty, profits would never fall.… If with every accumulation of capital we could tack a piece of fresh fertile land to our Island, profits would never fall" (Ricardo [1814] 1952, p. 162). He reiterated this point in 1815, when he speculated that if "in the progress of countries in wealth and population, new portions of fertile land could be added to such countries, with every increase of capital, profits would never fall, nor rents rise" (Ricardo [1815] 1951, p. 18). While he did not use this insight to argue for the extension of national borders to encompass new tracts of fertile land, it did provide a toehold in his theoretical framework for Wakefield's and Mill's pro-colonization arguments.

A key implication of Ricardo's analysis was that neither reducing the capital stock nor investing in colonial trade would necessarily counteract a falling rate of profit, inasmuch as neither of those measures was guaranteed to lower the cost of workers' subsistence (Ricardo [1817] 1953, pp. 132, 296, 344–345). He also denied the possibility of excessive capital accumulation, saying: "There cannot, then, be accumulated in a country any amount of capital which cannot be employed productively, until wages

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rise so high in consequence of the rise of necessaries, and so little consequently remains for the profits of stock, that the motive for accumulation ceases" (Ricardo [1817] 1953, p. 290). Although these admonitions could have served to dispel any suspicion that capital export would automatically counteract a fall in the rate of profit, Ricardo's views on the ultimate consequences of declining profit rates would later help stimulate discussion on that subject. He was concerned that a steadily falling rate of profit would have disastrous long-run effects for capitalists, given that the "farmer and manufacturer can no more live without profit, than the labourer without wages" (Ricardo [1817] 1953, p. 122). If one viewed the persistently declining rate of profit as potentially ruinous, then policies counteracting such a decline might be seen as desirable.

Unlike Ricardo, Malthus was not prepared to completely reject Smith's explanation for the falling rate of profit. Rather, Malthus argued that an excess supply of capital and competition among capitalists could play important roles in determining the tendency of profits (Malthus [1820] 1986, p. 289). He also believed that the effect of capital accumulation on the rate of profit was moderated by the availability of colonial investment opportunities. In the 1817 edition of his *Essay on the Principle of Population*, he stated that Britain "from the extent of its lands, and its rich colonial possessions, has a large *arena* for the employment of an increasing capital; and the general rate of its profits are not, as it appears, very easily and rapidly reduced by accumulation." He contrasted this situation with the case of a country "engaged principally in manufactures, and unable to direct its industry to the same variety of pursuits," which would "sooner find its rate of profits diminished by an increase of capital" (Malthus [1817] 1989, pp. 33–34). The clear implication is that Britain's colonial possessions helped prop up its rate of profit by furnishing numerous profitable destinations for investment. Nonetheless, Bashford and Chaplin (2016) note that Malthus, who was a professor at the East India Company College from 1805 to 1834, had a complex and sometimes critical attitude toward colonialism.

Jeremy Bentham generally opposed the subjugation of colonies, as implied by the title of one of his early works, *Emancipate Your Colonies!*, written in 1792 and published in 1830. However, his views on colonization wavered considerably between those two dates and he even embraced Wakefield's colonization plans late in life (Winch 1965). At the end of *Defence of a Maximum*, published in 1801, Bentham expressed concern regarding an impending scarcity of food due to an imbalance between the rapid expansion of capital-intensive manufacturing and the relatively slow application of capital to agriculture. Should the imbalance grow too large, the export of capital, which in normal times might be considered a waste from the perspective of the mother country, could become necessary and even useful. The beneficial effects of capital export derive from "mitigating the income tax imposed by capitalists upon capitalists as capital accumulates, and the rate of interest, the income obtainable for the use of it, is borne down." In that context, "colonies, though still a drain, are notwithstanding, and even because they are a drain, a relief" (Bentham [1801] 1954, p. 302).

Explanations of long-run tendencies in the rate of profit, especially those developed by Smith and Ricardo, were essential building blocks of later arguments concerning colonial investment. Smith argued that capital accumulation and the ensuing intensification of competition tended to drive down the rate of profit, whereas Ricardo traced the origin of the falling rate of profit to a finite supply of fertile land and the rising cost of agricultural produce. While both political economists generally took a dim view of

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existing colonialist policies associated with mercantilism, their insights would be used by later writers to suggest that the export of capital to land-abundant colonies could arrest and even reverse the falling rate of profit.

III. ADVOCATES OF COLONIZATION

In the second quarter of the nineteenth century, a group of British political economists began to advocate for colonization as a solution to low wages and low profits in England. A growing population, combined with the demobilization of soldiers and sailors at the end of the Napoleonic Wars in 1815, had arguably suppressed wages in Britain, severely straining systems of poor relief (Bashford and Chaplin 2016, p. 208; Ince 2018, pp. 117, 121). Some observers recommended diminishing the "redundant" population by facilitating emigration to colonies like Canada and Australia (Ghosh 1964; Mills 1968). A revival of interest in colonies was also fueled by the unprecedented challenges associated with the transition from an agrarian to an industrial economy (Semmel 1970). Technological advances had allowed the price of Britain's cotton textile exports to fall, whereas there was no corresponding fall in the prices of imported raw materials (Torrens [1844] 1970). This most likely contributed to a decline in the United Kingdom's terms of trade in the first half of the nineteenth century (Williamson 2008). Relatedly, several political economists shared the view that English rates of profit had declined to historically low levels after 1815 (Ellis 1826; Wakefield [1833] 1967).

By the 1820s interest in colonization as a solution to Britain's social and economic problems was growing. Robert Wilmot Horton, who was Under-Secretary of State for War and the Colonies during that decade and later governor of Ceylon, was a key advocate of emigration who found some support for his ideas among prominent political economists (Ghosh 1964). In the 1830s, British advocates of colonization shifted tactics from focusing narrowly on the emigration of the poor to embracing a broader vision that included possible benefits to capitalists of exporting capital to the colonies. Edward Gibbon Wakefield played a pivotal role in that shift by articulating the benefits of colonization for both workers and capitalists (Knorr 1963). Though he sometimes preferred to work behind the scenes, he had a significant impact on colonial policy and was a key figure in efforts to promote the colonization of South Australia and New Zealand (Pike 1967; Mills 1968; Temple 2002; Birchall 2021).

Before a discussion of Wakefield's views on colonies and profits, it should be noted that he was inspired by Thomas Chalmers's 1832 book *On Political Economy* (Winch 1965). In opposition to Ricardo, Chalmers argued that a general glut of capital was possible. However, he also broadly accepted Ricardo's argument that profits were constrained in the long run by the productive capacity of the land. He argued that, as an advanced economy approaches the limits to growth imposed by nature, "profit falls; and capital, ever tending to an overflow, feels itself beset within the confines of a field too narrow for the advantageous occupation of it" (Chalmers [1832] 1968, p. 172). Wakefield would take the next step and propose colonization as a solution to the problems that Chalmers described.

In *England & America*, first published in 1833, Wakefield contended that the rate of profit in England had collapsed since 1815 and "the number of persons who suffer

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trouble and perplexity has greatly increased with the uneasiness occasioned by a low rate of profit" (Wakefield [1833] 1967, p. 66). His explanation of the low rate of profit is elucidated in commentaries published in an 1830s edition of *The Wealth of Nations*. The falling rate of profit in England derived from "the fact that capital is superabundant, not in proportion to labourers, but in proportion to the means of profitable investment" (Wakefield 1835, p. 249). By "the means of profitable investment," he primarily meant fertile land. He suggested that England's scarcity of land, relative to capital and labor, was the root cause of the necessity of resorting to inferior soils and, hence, the falling rate of profit. Land scarcity suppressed both profits and wages because "the produce of capital and labour … depends on the proportion which population and capital bear to the land" (Wakefield 1835, p. 232).

Wakefield's proposed solution was to move English capital and people to places where land was relatively abundant, places identified as colonies. In *England & America*, Wakefield defined a colony as "a society which continually receives bodies of people from distant places, and sends out bodies of people to settle permanently in new places" (Wakefield [1833] 1967, p. 237). As examples of "colonies," he mentioned Cape Colony, Australia, Canada, and the United States of America. He argued that one of the primary objects of colonization, from the perspective of the mother country, was "enlargement of the field for employing capital" (Wakefield [1833] 1967, p. 242). In that regard, he asserted that "colonies may open a rich and wide field for employing that capital of a mother country, for which there is no very profitable employment at home" (Wakefield [1833] 1967, p. 255). If managed properly, he thought, colonial investments would "diminish in the mother country the competition of capital with capital, and of labour with labour" (Wakefield [1833] 1967, p. 318). The end result of exporting capital to the colonies would be to raise the rate of profit and wages in England. He therefore urged the English to "take a lesson from the Americans, who, as their capital and population increase, find room for both by means of colonization" (Wakefield [1833] 1967, p. 130).

The key economic idea underlying Wakefield's case for colonization was that profits and wages could be increased by placing more land at the disposal of capital and labor. Land was central to his argument in ways that might suggest Malthusian or even physiocratic influences (Semmel 1970, p. 84). His phrase "field for employing capital" resembled Malthus's concept of an "*arena* for the employment of an increasing capital" (Malthus [1817] 1989, p. 33), and both expressions evoked the importance, for capitalists, of a relative abundance of land. Wakefield's chief concern, however, was not agriculture or English landowners but the plight of English capitalists and workers. Instead of "land," he preferred to use terms like "room" and "field of production" that drew attention to imbalances between land, capital, and labor. Territory was converted into a field of production only when, by the application of capital and labor, it contributed to sustaining a productive population: "The land, therefore, from which a society derives its food, constitutes its field of production" (Wakefield [1833] 1967, p. 85). What mattered, for profits and wages, was the quality and extent of productive land in proportion to capital and labor, not merely its acreage.

Wakefield criticized the "modern economists" for having overlooked "the field in which capital and labour are employed," which he called "the chief element of production" (Wakefield [1833] 1967, p. 79). Focusing on the proportions between capital and labor, while ignoring land, might lead to the troubling inference that capitalists and workers were

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natural adversaries: profits would vary inversely with wages. From Wakefield's perspective, an advantage of his "field of production" approach was the identification of a policy that would align the material interests of workers and capitalists. Wages and profits were both low in land-scarce societies like England and they were both high in land-abundant societies like America (Wakefield [1833] 1967, pp. 82–86). The latter observation echoed Smith's comment that high wages could coexist with high profits in the peculiar context of land-abundant colonies (Smith [1776] 1952, p. 39). Unlike Smith, however, the lesson Wakefield drew from such observations was that a policy of colonization would reward both workers and capitalists.

Interestingly, despite Wakefield's swipes at "modern economists," he did seem, in some respects, to take a cue from Ricardo's theories of rent and profit. As previously noted, Ricardo mentioned that Great Britain's declining rate of profit could, hypothetically, be contravened by tacking fertile land onto the island. Wakefield proposed a very similar thought experiment:

> Suppose the sea, for three hundred miles east and west of England, to be turned into excellent land, and that every one were at liberty to take as much of it as he could cultivate in the most productive way … would not capital be withdrawn from pursuits in which the profits are low, and employed in cultivating this very productive land? and would not the effect be a general rise of profits? (Wakefield [1833] 1967, pp. 80–81)

What, for Ricardo, merely illustrated the constraints imposed by nature, for Wakefield, suggested a policy imperative to "increase the field of production, lay hold of foreign fields, in proportion to the increase of capital and people in England" (Wakefield [1833] 1967, p. 79).

Wakefield did admit that the problems resulting from relative land scarcity in England could be partially countered by adopting free trade. He argued, however, that colonies populated mainly by immigrants were better suited than other countries to "produce very cheap corn for the English market" due to secure property rights, high agricultural productivity, and a taste for English imports that could be exchanged for agricultural produce (Wakefield [1833] 1967, p. 247). For these reasons, Wakefield specifically advocated capital export to British colonies and not to foreign countries.

To describe how Britain would suffer if it did not undertake colonization on a sufficiently grand scale, Wakefield invoked the concept of the stationary state. He argued that contemporary England could already be classified as "stationary as to profits and wages," though it was still "progressive" with respect to capital and population (Wakefield [1833] 1967, p. 86). Whereas low profits bankrupted "small capitalists" and low wages impoverished workers, relative land scarcity was enriching large landowners and creating stark inequalities: "Thus the retrograde or stationary condition presents at the same moment gorgeous palaces and wretched hovels, complete idleness and incessant toil, high mental cultivation and the most barbarous ignorance: it cannot but produce a general corruption of morals, nor end, sooner or later, but in violent political convulsions" (Wakefield [1833] 1967, p. 89). This gloomy vision of the stationary state underscored the urgency of boosting profits and wages by planting colonies.

Arguably, Wakefield's most important legacy was to make the case that colonization benefitted all classes, from impoverished workers to capitalists (Knorr 1963, pp. 270, 310–311). As early as 1843, Charles Buller noted that Wakefield's proposals had changed British public perceptions of colonization by making "colonization, indeed,

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an extension of civilized society, instead of that mere emigration which aimed at little more than shovelling out your paupers to where they might die, without shocking their betters with the sight or sound of their last agony" (quoted in Wakefield [1849] 1969, p. 492). Economist John E. Cairnes noted that Wakefield's ideas had wrought a significant change in the way that British elites thought about colonies: "In 1830, the colonies were spoken of in leading reviews as 'unfit abodes for any but convicts, paupers, and desperate and needy persons.' Before five years had passed, the best minds in England had identified themselves with the cause of colonization" (Cairnes [1873] 1967, p. 39). The argument that colonies could furnish a solution to the problem of low profits was crucial to the view that they were beneficial to capitalists and not just to the destitute.

Wakefield's associates actively courted political support for colonization projects. For example, Charles Buller lobbied for Wakefield's approach to colonization within British political circles (Temple 2002, pp. 389, 426). In an 1843 speech before the House of Commons, Buller echoed Wakefield's diagnosis regarding low profits and low wages, arguing that "there is a permanent cause of suffering in the constant accumulation of capital, and the constant increase of population within the same restricted field of employment" (quoted in Wakefield [1849] 1969, p. 462). To combat this "economical evil," his policy recommendation was simple: "I propose colonization as a means of remedying that evil, by enlarging the field of employment" (Wakefield [1849] 1969, p. 471). Buller then used the metaphor of a mass of fertile land arising "out of the sea close to the Land's End" to illustrate the salutary effects of colonization for English profits and wages (Wakefield [1849] 1969, p. 481; see also Hansard 1843).

Robert Torrens collaborated with Wakefield in the South Australian Association and largely adopted his approach to colonization (Temple 2002). Torrens was also a member of Parliament and a member of the Colonisation Society (Meenai 1956). The imprint of Wakefield's thinking is evident in Torrens's 1842 letter to Lord Stanley, in which he contended that "the only possible means by which we can avert a fall of profits and of wages, is, to create for the superabundant capital and labour other fields of profitable employment" by planting colonies (Torrens [1844] 1970, p. 98). In a letter to Prime Minister Robert Peel, he borrowed the colonial metaphor of fertile land rising out of the ocean and attracting "the redundant capital and labour of the United Kingdom" with the consequence that profits and wages would increase (Torrens [1844] 1970, p. 287). Although Torrens generally agreed with Wakefield's analysis, he added his own unique touches, such as by emphasizing the potential role of colonies as sources of cheap raw materials for British industry. Investing in colonies would raise the rate of profit not only by draining excess supplies of capital and making food cheaper but also by reducing the cost of goods, such as cotton, that were used as industrial inputs.

The arguments made by Wakefield with regard to capital export also received support from Herman Merivale in his lectures on colonization delivered at Oxford University between 1839 and 1841. Lecture six was dedicated to the "effects of the exportation of capital, which takes place in the process of colonizing, on the wealth of the mother country" (Merivale [1841] 1967, p. 167). Merivale reiterated that wealthy economies were likely to suffer from capital gluts and low rates of profit, and that one possible antidote for those maladies consisted of exporting capital to colonies. He was, however, more emphatic than fellow advocates of colonization in describing the tendency of the rate of profit to decline, asking rhetorically "who is ignorant that this is the point towards

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which English industry is continually gravitating; that notwithstanding all that energy and ingenuity can do towards increasing the productiveness of labour, we have before us the prospect of a continually increasing accumulation of capital, with a continually diminishing rate of profit in the employment of it?" (Merivale [1841] 1967, p. 179). In this context, Merivale acknowledged that exporting capital to colonies might have little effect in checking a declining rate of profit in the long run.

Chalmers, Wakefield, Torrens, and Merivale all accepted certain aspects of Ricardian economics while also arguing that a general glut of capital was possible. A more orthodox Ricardian argument favoring the export of capital was presented by William Ellis, a political economist and friend of John Stuart Mill (Semmel 1970; Sockwell 1994), in an 1826 article in the *Westminster Review*. Mill cited Ellis together with Wakefield as key sources of his own views on factors capable of raising the general rate of profit (Mill [1848] 1970, pp. 90–91). While most of the article is dedicated to the argument that mechanization would benefit the working class, the last few pages suggest that foreign investment would have a similarly beneficial effect. The export of capital to places with abundant fertile land, such as New South Wales, could increase the supply and reduce the price of agricultural produce and raise the rate of profit: "Thus *the act of exporting capital would be the means of increasing the capital of the country from which it was exported*" (Ellis 1826, p. 129).

While several of the previously cited political economists proposed capital export as a solution to a falling rate of profit, John Stuart Mill did so in a more systematic and rigorous manner. In contrast to those whose obsession was promoting colonization projects, Mill considered the falling rate of profit in wealthy countries to be a central object of study in its own right. He accepted the view that profit rates would tend to decline over time as unexploited fertile land became increasingly scarce and the cost of workers' subsistence increased. He rejected Adam Smith's argument that competition among capitalists could explain the falling rate of profit. However, he also seemed to believe that Wakefield's views on the necessity of capital export could be neatly reconciled with a Ricardian theory of profits. From Mill's perspective, Wakefield's only error was to present his doctrines as standing in opposition to "the principles of the best school of preceding political economists, instead of being, as they really are, corollaries from those principles" (Mill [1848] 1970, p. 91). However, Wakefield had premised his arguments for capital export on the idea that England was experiencing a protracted capital glut, and Mill's support for those arguments tended to undercut his own position that a general glut was impossible (Winch 1965).

In his *Principles of Political Economy*, first published in 1848, Mill listed four "counteracting circumstances, which, in the existing state of things, maintain a tolerably equal struggle against the downward tendency of profits" (Mill [1848] 1970, p. 97). First, profits are kept from falling too low by "the waste of capital in periods of over-trading and rash speculation, and in the commercial revulsions by which such times are always followed" (Mill [1848] 1970, pp. 97–98). He even argued that the cyclicality of such "revulsions" was itself a by-product of the tendency of profits to fall, which induces investors to undertake ever riskier investments until unsustainable speculative bubbles are formed. Second, improvements in production counteract a decline in the rate of profit by extending Wakefield's "field of employment" of capital (Mill [1848] 1970, p. 99). Although the benefits of new inventions did not feature prominently in Wakefield's own analysis of profits, the use of his terminology even in this context (where he is cited by

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name) suggests the extent to which Mill was influenced by that analysis. Third, free trade can help sustain the rate of profit if it cheapens the articles consumed by workers. By this means, England "no longer depends on the fertility of her own soil to keep up her rate of profits, but on the soil of the whole world" (Mill [1848] 1970, p. 102).

Mill did not view free trade as a long-term solution to falling profit rates, however, because most exporters of agricultural produce used old technologies and had little capital, and they would face difficulty in continuing to feed England's growing industrial population without increasing the price of necessaries. Mill argued that "if our population and capital continue to increase with their present rapidity, the only mode in which food can continue to be supplied cheaply to the one, is by sending the other abroad to produce it" (Mill [1848] 1970, pp. 102–103). That brings us to the fourth factor counteracting the falling rate of profit: capital export, or "the perpetual overflow of capital into colonies or foreign countries, to seek higher profits than can be obtained at home" (Mill [1848] 1970, p. 103). Mill argued that this was one of the most important factors arresting the fall of profits in the case of England. On the one hand, capital export increased the rate of profit mechanically, by reducing the domestic supply of capital. On the other hand, it could also raise the rate of profit by helping to found new agricultural colonies and to extend agriculture in other countries, both of which could result in cheaper produce that would reduce the cost of workers' subsistence.

Echoing Ellis, Mill contended that, "up to a certain point, the more capital we send away, the more we shall possess and be able to retain at home" (Mill [1848] 1970, p. 103). In the same vein, he argued that the abstraction of capital, "by raising profits and interest, would give a fresh stimulus to the accumulative principle." The counterintuitive argument that capital export augments the domestic capital stock served to refute a perennial criticism of emigration and colonization projects: that they would cause the exportation of so much capital that the workers who did not emigrate would actually see a decline in wages. A major policy implication of Mill's theory was that, faced with expensive projects such as "a comprehensive measure of colonization … politicians need not demur to the abstraction of so much capital, as tending to dry up the permanent sources of the country's wealth, and diminish the fund which supplies the subsistence of the labouring population" (Mill [1848] 1970, p. 106).

Mill concluded that "improvements in production, and emigration of capital to the more fertile soils and unworked mines of the uninhabited or thinly peopled parts of the globe, do not, as appears to a superficial view, diminish the gross produce and the demand for labour at home; but, on the contrary, are what we have chiefly to depend on for increasing both" (Mill [1848] 1970, p. 110). In the same vein, he argued that the "exportation of labourers and capital from old to new countries, from a place where their productive power is less, to a place where it is greater, increases by so much the aggregate produce of the labour and capital of the world." The emigration of labor and capital would be facilitated by colonization, which Mill enthusiastically endorsed as "the best affair of business, in which the capital of an old and wealthy country can engage" (Mill [1848] 1970, p. 337). Like Wakefield, Mill viewed colonization as a matter of public interest (Hollander 1985, pp. 698, 753–758).

As was the case for several other political economists described above, Mill was personally invested in Britain's colonial project. He worked in the office of the Examiner of Indian Correspondence of the British East India Company for thirty-five years until its extinction in 1858 (Harris 1964). He also defended the company's rule of India against

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the threat of abolition by Parliament (Peers 1999; Zastoupil 1994). However, Mill is distinguished from other political economists who advocated colonization by his intellectual stature and influence. His *Principles of Political Economy* was widely read by the educated public, in addition to serving as a leading economics textbook, and it remained influential for nearly half a century after its initial publication in 1848 (Winch 1970). It is impossible to gauge to what extent generations of readers internalized its messages about colonization and capital export as a stimulus to the general rate of profit, but it is clear that many educated Britons must have read and seriously considered these arguments.

By the second half of the nineteenth century, British economists spoke less often of capital export to colonies as a means of counteracting a falling tendency of the rate of profit. Factors contributing to this shift might include a decline in the rate of profit that could be earned from investments in British colonies (Davis and Huttenback 1986) and changes in the field of economics, such as a greater emphasis on consumer behavior (Foley 2011). However, even as the arguments of Wakefield and his supporters became outdated, they still proved persuasive to some observers (Fieldhouse 1967, pp. 50–54, 73; Winch 2016, pp. 33–35). In a lecture originally delivered in 1864, John Cairnes expressed sympathy for the view that the scarcity of land in England, relative to labor and capital, exerted downward pressure on wages and profits, and that emigration and capital export to colonies were workable solutions (Cairnes [1873] 1967, pp. 30–32). In his words: "Colonization thus confers a double benefit: it relieves the old country from the pressure of its superabundant population, and gives a field for its unemployed capital; while, at the same time, by opening up new lands and placing their resources at her disposal, it widens indefinitely the limits which restrain her future growth" (Cairnes [1873] 1967, p. 33).

Although it is very difficult to know how much such arguments may have tinged the perceptions of British political and economic elites regarding the value of colonization and capital export, the views expressed in parliamentary debates provide insights into the thinking of such elites on those matters. A debate in the House of Commons in 1870 over a resolution favoring government-assisted emigration of poor families to the British colonies provides a glimpse into a long-running debate that, since Wakefield's time, had encompassed the emigration of capital as well as labor. George Hamilton supported the resolution by juxtaposing England's excess supplies of capital and labor with the abundance of colonial land in a fashion reminiscent of Wakefield: "Surplus capital in this country and surplus labour—in the Colonies, an unlimited number of acres; and the problem [is] how to avail ourselves of them." In the same debate, Robert Richard Torrens, the son of the political economist and colonization advocate, used a familiar metaphor to describe the benefits of colonization and capital export in wishing "if only it were possible to interpose Nova Scotia or New Zealand in the ocean space between Great Britain and Ireland, so that the labour and capital here in excess might pass over to fertile lands inviting cultivation" (Hansard 1870). The repetition of this decades-old colonial allegory suggests the lasting impact on British debates over colonization of ideas that originated in classical political economy.

British political economists enjoyed an unusual degree of influence between the time of Ricardo and that of John Stuart Mill (Fetter 1975). During the 1830s and 1840s, some political economists and their allies promoted the cause of colonization by arguing that investing in colonies could boost the rate of profit. In doing so, they acted as public

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intellectuals, applying economic theories to an important public policy question of the time.

IV. CRITICS OF COLONIALISM

Ironically, after Mill's time, the study of capital export as a solution to the falling rate of profit gradually drifted away from its origin among advocates of colonization and into the orbit of scholars who were critical of colonialism. The policy proposals of the former group of writers became, for the latter group, aspects of observed imperialist practice. Despite the differences in perspective, there are clear continuities in the thought of the two groups, both of which focused on the overaccumulation of capital in advanced economies, the concomitant tendency of the rate of profit to decline, and the capacity of capital export to counteract that tendency.

Marx was arguably pivotal in reinterpreting ideas from early advocates of colonization and transmitting them to later anti-imperialists. He lived in London at the same time as Mill for more than twenty years and was aware of his contributions to political economy, although he did not regard Mill as a great economist (Duncan 1973; Persky 2016). Marx was also familiar with the writings of Wakefield, whose views on colonization are discussed in chapter 33 of volume I of *Capital* (for analyses of that material, see Piterberg and Veracini 2015, and Rudan 2023).

Anticipating later anti-imperialist thought, Marx viewed modern colonialism and the worldwide extension of markets as important correlates of the development of capitalism (Pradella 2013). In his early journalistic pieces, he sometimes suggested that British colonialism, like capitalism, facilitated the spread of advanced technologies, even as he condemned its brutality and injustice (Brewer 1990, pp. 48–56; Liedman 2018, pp. 328–333). Kevin Anderson (2010), however, argues that Marx gradually came to see colonialism as primarily destructive and drew back from his earlier position that it would hasten material progress. In any event, Marx tended to avoid discussing colonialism in general terms and focused instead on specific cases. Examples include his writings on anti-colonial movements in Ireland (Cobbe 2023) and India (Jani 2009; Drapeau 2019; Grappi 2023) in which he emphasized the revolutionary content of those movements. Although he never developed a comprehensive theory of imperialism, he was critical of the violence and coercion that were characteristic of colonial rule.

Turning to the analysis of the rate of profit, Marx accepted the conclusion that profits had an intrinsic tendency to decline, but he rejected Ricardian explanations grounded in the scarcity of fertile land. Instead, he traced the origin of the problem to a rising organic composition of capital, defined as the ratio of constant to variable capital (Marx [1894] 1909, p. 248). A persistent tendency toward the mechanization of production would increase the organic composition of capital, thus causing the rate of profit to decline over time. Although this theory was quite different from Ricardo's theory, the contrast with Adam Smith's views on the falling rate of profit is more subtle. Whereas Smith argued that the accumulation of capital tends to suppress the rate of profit, Marx focused on the composition of capital. However, the composition of capital might change in systematic ways over the course of the accumulation process. In Marx's words: "Accumulation in its turn hastens the fall of the rate of profit, inasmuch as it implies the concentration of

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labor on a large scale and thereby a higher composition of capital" (Marx [1894] 1909, p. 283).

Joseph Persky (2016) notes that both Marx and Mill perceived that capitalists would not be content to let the rate of profit decline indefinitely and would, instead, seek means of arresting and reversing the downward trend. Given their competing explanations of the tendency of the rate of profit to decline, it is interesting to note some conspicuous similarities in the factors they identify as counteracting that tendency. Of the six "counteracting causes" on Marx's list, two correspond closely to Mill's "counteracting circumstances." First, improvements in production can raise the rate of profit by cheapening the elements of constant capital. Second, foreign trade increases the rate of profit both by cheapening industrial raw materials and by lowering the cost of subsistence for workers. Another of Mill's countermeasures against falling profits, the waste of capital in periods of economic contraction, does not appear on Marx's list but nonetheless pervades his analysis of surplus capital and the falling rate of profit (Marx [1894] 1909). While Mill viewed such crises as salutary corrections shoring up the rate of profit, Marx saw them as precursors of the collapse of capitalism. Yet, both of them believed that such crises were inextricably connected to trends and oscillations in the rate of profit.

Unlike Mill, Marx did not classify capital export under a separate heading as one of the principal causes counteracting a falling rate of profit, but he did discuss that topic under the heading of "foreign trade." Specifically, he asserted that "capitals invested in colonies, etc., may yield a higher rate of profit for the simple reason that the rate of profit is higher there on account of the backward development, and for the added reason, that slaves, coolies, etc., permit a better exploitation of labor" (Marx [1894] 1909, p. 279). He added a footnote citing Adam Smith's opinion that high colonial profits boosted the general rate of profit. He may also have been thinking of Smith's observation that profits from West Indian sugar cultivation, where slave labor was dominant, were higher than profits from grain production in English colonies such as Pennsylvania, where free labor was typical (Smith [1776] 1952, p. 167). In any case, both Smith and Marx noted that forced labor and low wages were associated with higher rates of profit in colonies where the workforce was primarily non-White.

Marx argued that an excess of capital could coexist with an excess of population in capitalist countries. This implied a coincidence of low wages together with low profits, which was Wakefield's description of the situation in England in the 1830s. In Marx's analysis, low wages contribute to cyclical crises of overproduction by suppressing consumption. Likewise, declining rates of profit intensify competition between capitalists, which further exacerbates the same crises. Paradoxically, not only the workers but also the capitalists are bruised in the process. In this context, he remarked somewhat cryptically that this "internal contradiction seeks to balance itself by an expansion of the outlying fields of production" (Marx [1894] 1909, p. 287). In clearer terms, he stated that the crisis of declining profits compels capitalists to export capital as a means of securing higher returns. The capital thus exported is "absolute surplus-capital for the employed laboring population and for the home country in general" (Marx [1894] 1909, p. 300). Although Marx did not discuss the similar views held by earlier political economists, he did remark that "the same economists, who deny the overproduction of commodities, admit that of capital" (Marx [1894] 1909, p. 301). It is possible, given the ideas expressed in this section, that he may have been thinking of J. S. Mill.

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Although Marx emphasized that colonies yielded higher rates of profit due largely to labor exploitation, whereas Mill emphasized the benefits of access to fertile colonial land and its cheap produce, the general structures of their arguments regarding capital export as a stimulus to the rate of profit were closely aligned. Bela Balassa (1959, p. 160) even asserts that there is "no difference between Mill and Marx with regard to the effect of capital-export on the profit rate at home." Writers like Vladimir Ilyich Lenin, who drew inspiration from Marx's writings, may not have realized the extent to which his arguments on the subject were connected with the ideas of earlier political economists.

The first writer to fully integrate the insights of Mill and other political economists on capital export into a comprehensive critique of imperialism was not a Marxist but rather the English liberal John A. Hobson in his 1902 book, *Imperialism: A Study.* Although he worked for a time as an economics lecturer, Hobson had lost his economics teaching position because of his heretical belief that oversaving was stifling economic growth (Allett 1981). That view resembled Wakefield's argument regarding the oversupply of capital. However, whereas Wakefield blamed the relative scarcity of land for restricted investment opportunities in wealthy countries, Hobson placed the blame on market concentration and an unequal distribution of income that ultimately resulted in underconsumption. Though Hobson did not explicitly claim that the rate of profit in industrialized countries was falling, he contended that "more capital exists than can find remunerative investment" in those countries. Furthermore, he called the surplus of capital and of goods "the taproot of Imperialism" (Hobson [1902] 1948, p. 81) and argued that the search for profitable investment opportunities was the primary force behind imperialism. In short, "Aggressive Imperialism … is a source of great gain to the investor who cannot find at home the profitable use he seeks for his capital, and insists that his Government should help him to profitable and secure investments abroad" (Hobson [1902] 1948, p. 55).

Hobson repeatedly drew a clear distinction between colonialism and imperialism, where the former is associated with European settlement in sparsely populated temperate zones and the latter involves establishing control over large foreign populations, usually in the tropics. The most important decade for the transition to modern imperialism was the 1880s. Although the geographical targets of colonization projects, and even the meaning of "colonization," had changed since the 1830s, Hobson's arguments regarding the role of surplus capital and foreign investment drew heavily from the rationalizations that had been developed to promote emigration and settlement schemes. In a footnote in his chapter on "The Economic Taproot of Imperialism," Hobson noted that the "classical economists of England … were early driven to countenance a doctrine of the necessity of finding external markets for the investment of capital" (Hobson [1902] 1948, p. 89). There he cited John Stuart Mill and quoted from Ricardo's letter (mentioned earlier) regarding the hypothetical results of tacking on pieces of fertile land to the British Isles. While he did not find fault with Mill's argument that capital export could help sustain the rate of profit, he did deride Mill's rejection of alternative solutions to excessive capital accumulation that could have increased the consumption of the poor.

Rudolf Hilferding, Nikolai Bukharin, and Vladimir Lenin originated what Anthony Brewer (1990) calls the classical Marxist theories of imperialism, all of which underscored the role of capital export. In particular, they argued that the desire to safeguard foreign investment was an important factor motivating the scramble for colonies and

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spheres of influence (Hilferding [1910] 1981, pp. 321–322; Bukharin [1917] 1966, pp. 100–103; Lenin [1917] 1939, p. 84).

Hilferding analyzed imperialism in his 1910 book, *Finance Capital.* Like Marx, he believed that profit rates tended to decline over time due to a rising organic composition of capital. He noted that the rate of profit in advanced economies might be increased by exporting capital to less developed regions where a lower organic composition of capital contributed to a higher rate of profit. He also noted that low wages and low ground rents, among other factors, contributed to high rates of return in "undeveloped capitalist countries" (Hilferding [1910] 1981, pp. 315–316). Furthermore, he argued that the vitality of capitalism depended on the continual expansion of profitable foreign investment opportunities, asserting that "the export of capital is a condition for the rapid expansion of capitalism." In particular, it was "a condition for maintaining, and at times increasing, the rate of profit" (Hilferding [1910] 1981, p. 365). Hilferding also suggested that capital export and "the conquest of new markets" benefitted middle-class salaried employees in capitalist countries by extending the "fields of employment" for those workers (Hilferding [1910] 1981, p. 349). Somewhat like Wakefield, he viewed such benefits as essential to consolidating a broad base of public support for colonization projects.

In *Imperialism and World Economy*, written in 1915, Bukharin synthesized many of the core ideas of *Finance Capital* into a cohesive narrative about imperialism (Brewer 1990). He provided statistics on what he called the "great migration of capital" in the years preceding World War I and explained its causes succinctly: "the more developed the country, the lower is the rate of profit, the greater is the 'over-production' of capital, and consequently … the stronger the expulsion process" (Bukharin [1917] 1966, pp. 45–46). In other passages, he reiterated that a "lower rate of profit drives commodities and capital further and further from their 'home'" (Bukharin [1917] 1966, p. 84) and the "export of capital from a country presupposes an over-production of capital in that country, an overaccumulation of capital" (Bukharin [1917] 1966, p. 96). In short, a superabundance of capital in wealthy countries was accompanied by a falling rate of profit, thus instigating the export of capital to less developed parts of the globe in search of higher rates of profit.

In *Imperialism: The Highest Stage of Capitalism*, written in 1916 and published in 1917, Lenin acknowledged his intellectual debts to both Hilferding and Hobson (Lenin [1917] 1939). Despite the fact that Hobson was not a Marxist, Lenin drew heavily from his analysis (Allett 1981). The main difference between them was that Hobson thought capitalism could survive, in a more egalitarian form, by eschewing imperialism. Lenin, in contrast, argued that "surplus capital will never be utilised for the purpose of raising the standard of living of the masses in a given country, for this would mean a decline in profits for the capitalists; it will be used for the purpose of increasing those profits by exporting capital abroad to the backward countries." Capital export would tend to raise the rate of profit in wealthy countries because, in the capital-receiving "backward countries profits are usually high, for capital is scarce, the price of land is relatively low, wages are low, raw materials are cheap." Lenin argued that advanced economies had accumulated a "superabundance of capital" such that "capital cannot find 'profitable' investment" in those countries (Lenin [1917] 1939, pp. 62–63). This echoed Wakefield's argument about the "superabundance of capital" (Wakefield [1833] 1967, p. 89). Although Lenin's book on imperialism was not highly original, his political status guaranteed that the ideas contained in it would have consequential political and theoretical ramifications (Brewer 1990).

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The classical Marxist theorists of imperialism generally did not emphasize the role of a higher organic composition of capital in advanced economies as the main factor driving down rates of profit. Bukharin and Lenin, in particular, focused on the superabundance of capital (as opposed to its specific composition) as the main factor suppressing profits and motivating the export of capital to colonies. In that sense, their analyses of this topic resemble Adam Smith's argument regarding the inverse relationship between the relative abundance of capital and the rate of profit, which was interwoven into a narrative about capital export and colonization by Wakefield. While the exact lineage of these ideas is unclear, it is likely that Marx and, secondarily, Hobson played important roles in their transmission.

One remaining question is: Why did ideas on capital export that originated in British classical political economy resonate so powerfully with early twentieth-century Marxist writers? A possible answer may lie in the wealth of contemporary business literature that those writers consulted. Etherington (1983, 1984) contends that the earliest theories of imperialism were inspired by rationalizations of imperialism that cropped up often in turn-of-the-century public discourse. His prime examples are pro-colonization statements in a financial newspaper that may have influenced Hobson via an American socialist, H. Gaylord Wilshire (although this is disputed by Cain 1985). Some of its statements do, in any case, echo Wakefield: "The excess of capital has resulted in an unprofitable competition," and "the problem of finding employment for capital … is now the greatest of all the economic problems that confronts us" (*Investor* 1898, p. 1389). Somewhat similar notions were expressed in sources consulted by Hilferding and Lenin (Etherington 1984). Theorists of imperialism may have embraced ideas about capital export inherited from classical political economy because those ideas provided a framework for understanding a conventional wisdom that prioritized acquiring new fields of investment.

Marxist theorists may also have returned the idea that capital export could counteract falling profits to understand the unexpected resiliency of capitalism. Stephen Cohen (1970) notes that those theorists wrote for an audience that was impatient to know why capitalism had not yet collapsed. They pointed out that capitalism had changed since Marx's time, with the rise of finance capital and protectionism. In his *Notebooks on Imperialism*, after noting the usefulness of Hobson's book on imperialism, Lenin jotted down the line: "Imperialism continually gives rise to *capitalism anew*" (Lenin [1939] 1974, p. 116). He contrasted the "old capitalism" characterized by competitive markets and the export of goods with "modern capitalism" marked by monopolies and the export of capital (Lenin [1917] 1939, p. 62). Increasing capital export stood out, however, among recent economic trends because it had been shown by Marx to counteract a falling rate of profit and, according to Bukharin, "the race for higher rates of profit is the motive power of world capitalism" (Bukharin [1917] 1966, p. 84). The urgent rush to buoy profit rates by exporting capital helped prolong capitalism's existence, in this view, but it could not reverse the long-run decline of the rate of profit.

V. CONCLUSION

In summary, a large number of economic theorists adopted some version of the argument that exporting capital to colonies would counteract falling rates of profit in

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capital-abundant European countries. Although the core substance of that narrative was remarkably consistent across time, its details varied. Most obviously, the various distinct explanations of the falling rate of profit resulted in different arguments regarding the potential role of capital export in raising the rate of profit. The Smithian variant, as modified by Wakefield and his followers, posited that colonial investment would relieve cutthroat competition among capitalists in the mother country's restricted field of employment by skimming off surplus capital. The Ricardian variant, elaborated by Ellis and Mill, emphasized the benefits of investing in fertile colonies that could cheaply supply the home country's workers with the necessities of life. The Marxian variant was unique in highlighting the lower organic composition of capital in the colonies. However, many of the writers analyzed entertained more than one of these arguments at the same time. For example, Wakefield, Buller, and Torrens (both father and son) all used Ricardian allegories regarding the beneficial effects of acquiring fertile land on the rate of profit. Mill, following Wakefield, implied that England suffered from an overabundance of capital. Marx favorably cited Smith's comments regarding colonial profits.

Other key differences between authors involve the rationale for colonizing foreign lands, which changed substantially over the course of the nineteenth century. The colonization of South Africa, Canada, Australia, and New Zealand was closely linked with European emigration. After 1870, colonization affected large areas of Africa, Asia, and the Pacific where the population remained overwhelmingly non-European (Bayly 2004). As an advocate of emigration writing in the 1830s, Wakefield argued that the main purpose of acquiring colonies was to extend the agricultural frontier by settling European farmers on previously uncultivated land. Critics of the "new" imperialism, in contrast, addressed a period when the emigration of capital was no longer secondary to the emigration of people. They argued that the advantage of colonies lay in the fact that the mother country could dictate a legal structure amenable to capital, which was not always the case in free countries. Yet, this is not entirely dissimilar to Wakefield, who also emphasized that colonies provided "fields for the secure and profitable employment of English capital" (Wakefield [1833] 1967, p. 317).

In arguing that the possession of colonies, and the export of capital to those colonies, could delay and temporarily reverse a decline in the rate of profit at home, a group of classical political economists provided an argument for colonization. That argument was originally designed to strengthen the case for colonization projects by demonstrating that they offered material rewards for both capitalists and workers. Yet, the argument outlived its original purpose and was later adopted by critics of imperialism to describe post-1870 colonization projects where European emigration typically played a very minor role. Although the contexts were different, the perceived benefits of capital export were similar: mainly cheaper food and raw materials and relief from an overabundance of capital in rich countries. Consequently, the impact of capital export on the rate of profit was expected to be similar in both the pre- and post-1870 contexts, and there is a surprising degree of continuity in the economic arguments on this topic from Wakefield to Lenin. Although the lines of intellectual transmission between scholars of different traditions were assuredly quite complex, Marx's repurposing of Mill's arguments on capital export and the rate of profit seems to represent a critical turning point in the story.

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COMPETING INTERESTS

The author declares no competing interests exist.

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