

For 300 years Britain has outsourced mayhem. Finally it's coming home

Opium, famine and banks all played their part in this country's plundering of the globe. Now it's over, we find it hard to accept



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[George Monbiot](#)

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Why now? It's not as if this is the first time Britain's representatives have been caught out. The history of governments in all countries is the history of scandal, as those who rise to the top are generally the most ambitious, ruthless and unscrupulous people politics can produce. Pushing their own interests to the limit, they teeter perennially on the brink of disgrace, except when they fly clean over the edge. So why does the current ballyhoo threaten to destroy not only the government but also our antediluvian political system?

The past 15 years have produced the cash-for-questions racket, the Hinduja and Ecclestone affairs, the lies and fabrications that led to the invasion of Iraq, the forced abandonment of the BAE corruption probe, the cash-for-honours caper and the cash-for-amendments scandal. By comparison to the outright subversion of the functions of government in some of these cases, the is small beer. Any one of them should have prompted the sweeping political reforms we are now debating. But they didn't.

The expenses scandal, by contrast, could kill the Labour party. It might also force politicians of all parties to address our unjust voting system, the unelected Lords, the excessive power of the executive, the legalised blackmail used by the whips, and a score of further anachronisms and injustices. Why is it different?

I believe that the current political crisis has little to do with the expenses scandal, still less with Gordon Brown's leadership. It arises because our economic system can no longer extract wealth from other nations. For the past 300 years, the revolutions and reforms experienced by almost all other developed countries have been averted in Britain by foreign remittances.

The social unrest that might have transformed our politics was instead outsourced to our colonies and unwilling trading partners. The rebellions in Ireland, India, China, the Caribbean, Egypt, South Africa, Malaya, Kenya, Iran and other places we subjugated were the price of political peace in Britain. After

decolonisation, our plunder of other nations was sustained by the banks. Now, for the first time in three centuries, they can no longer deliver, and we must at last confront our problems.

There will probably never be a full account of the robbery this country organised, but there are a few snapshots. In his book *Capitalism and Colonial Production*, Hamza Alavi estimates that the resource flow from India to Britain between 1793 and 1803 was in the order of £2m a year, the equivalent of many billions today. The economic drain from India, he notes, "has not only been a major factor in India's impoverishment ... it has also been a very significant factor in the industrial revolution in Britain". As Ralph Davis observes in *The Industrial Revolution and British Overseas Trade*, from the 1760s onwards India's wealth "bought the national debt back from the Dutch and others ... leaving Britain nearly free from overseas indebtedness when it came to face the great French wars from 1793".

In France by contrast, as Eric Hobsbawm notes in *The Age of Revolution*, "the financial troubles of the monarchy brought matters to a head". In 1788 half of France's national expenditure was used to service its debt: the "American War and its debt broke the back of the monarchy".

Even as the French were overthrowing the ancien regime, Britain's landed classes were able to strengthen their economic power, seizing common property from the country's poor by means of enclosure. Partly as a result of remittances from India and the Caribbean, the economy was booming and the state had the funds to ride out political crises. Later, after smashing India's own industrial capacity, Britain forced that country to become a major export market for our manufactured goods, sustaining industrial employment here (and avoiding social unrest) long after our products and processes became uncompetitive.

Colonial plunder permitted the British state to balance its resource deficits as well. For some 200 years a river of food flowed into this country from such places as Ireland, India and the Caribbean. In *The Blood Never Dried*, John Newsinger reveals that in 1748 Jamaica alone sent 17,400 tons of sugar to Britain; by 1815 this had risen to 73,800. It was all produced by stolen labour.

Just as grain was sucked out of Ireland at the height of its great famine, so Britain continued to drain India of food during its catastrophic hungers. In *Late Victorian Holocausts*, Mike Davis shows that between 1876 and 1877 wheat exports to the UK from India doubled as subsistence there collapsed, and several million died of starvation. In the North-Western provinces famine was wholly engineered by British policy, as good harvests were exported to offset poor English production in 1876 and 1877.

Britain, in other words, outsourced famine as well as social unrest. There was terrible poverty in this country in the second half of the 19th century, but not

mass starvation. The bad harvest of 1788 helped precipitate the French revolution, but the British state avoided such hazards. Others died on our behalf.

In the late 19th century, Davis shows, Britain's vast deficits with the United States, Germany and its white dominions were balanced by huge annual surpluses with India and (as a result of the opium trade) China. For a generation "the starving Indian and Chinese peasantries ... braced the entire system of international settlements, allowing England's continued financial supremacy to temporarily co-exist with its relative industrial decline". Britain's trade surpluses with India allowed the City to become the world's financial capital.

Its role in British colonisation was not a passive one. The bankruptcy, and subsequent British takeover, of Egypt in 1882 was hastened by a loan from Rothschild's bank whose execution, Newsinger records, amounted to "fraud on a massive scale". Jardine Matheson, once the biggest narco-trafficking outfit in history (it dominated the Chinese opium trade), later formed a major investment bank, Jardine Fleming. It was taken over by JP Morgan Chase in 2000.

We lost our colonies, but the plunder has continued by other means. As Joseph Stiglitz shows in *Globalisation and its Discontents*, the capital liberalisation forced on Asian economies by the IMF permitted northern traders to loot hundreds of billions of dollars, precipitating the Asian financial crisis of 1997-98. Poorer nations have also been strong-armed into a series of amazingly one-sided treaties and commitments, such as trade-related investment measures, bilateral investment agreements and the EU's economic partnership agreements. If you have ever wondered how a small, densely populated country which produces very little supports itself, I would urge you to study these asymmetric arrangements.

But now, as John Lanchester demonstrates in a fascinating essay in the London Review of Books, the City could be fatally wounded. The nation that relied on financial services may take generations to recover from their collapse. The great British adventure – three centuries spent pillaging the labour, wealth and resources of other countries – is over. We cannot accept this, and seek gleeful revenge on a government that can no longer insulate us from reality.