

【寄 書】

British Imperialism, the City of London and Global Industrialisation: Some Comments on Cain and Hopkins, *British Imperialism*

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1. Introduction

The concept of “gentlemanly capitalism”, a term that was coined by P. J. Cain and A. G. Hopkins to characterise the nature of British capitalism, has been a centre of scholarly debate for some time. The three main articles, originally published in the 1980s, were translated into Japanese and were published in 1993¹⁾. In a two-volume synthesis titled *British Imperialism: Innovation and Expansion, 1688-1914* (Longman, London and New York, 1993), and *British Imperialism: Crisis and Deconstruction, 1914-1990* (Longman, London and New York, 1993), the authors have attempted to provide a comprehensive analysis of the history of British imperialism. It is based on the reading of a vast amount of secondary literature, covering three centuries and representative British colonies and spheres of influence, and deals with a number of major issues on modern British history. I am pleased to report that the translation of these volumes too have just been published²⁾.

There are two main arguments running through the two volumes. The first concerns the motivations behind British expansion. In contrast to mainstream political historians' emphasis on the role of local conflicts in the periphery, the authors argue that the driving force behind the expansion came from the economic interests in the metropole, particularly of the landed elites in the earlier period, and of the financial and service interests centring around the City of London after 1850.

The second argument relates to a critique of the literature which emphasises British decline since the late nineteenth century. The

authors argue that most literature on British history assumes that, as British manufacturing competitiveness declined, so did British hegemony in the international economic and political order. In fact, Britain's power actually increased well into the twentieth century, first absolutely, and after the First World War relative to other powers, because of her financial and service sector supremacy. The target of this critique is primarily Marxist literature, but includes any writings which tend to directly associate industrial strength with political hegemony.

The authors substantiate these historical arguments both by showing landed elites' (and later financial and service sector interests') dominance in the political and economic decision-making process in the Southern counties in Britain, and by demonstrating their significance in accounting for British expansion abroad. The close connections between Whitehall and the City, their maintenance of the culture of “gentlemanly capitalism”, and the role of public school networks in sustaining this culture are emphasised, while the British government's willingness to give up the protection of Lancashire and other manufacturing interests whenever these came into conflict with the interests of the City is highlighted.

Thus, as far as the period after 1850 is concerned³⁾, this study is essentially a history of British imperialism from the perspective of the City. Its strength is that the authors make their case through academic arguments and the use of historical evidence, rather than by identifying themselves with the value standard of gentlemanly capitalism. In fact their stance often comes close to that of J. A. Hobson, one of the most profound critics of

British imperialism. They bring out both positive and negative attributes associated with service sector orientation. There is no doubt that the two central ideas are important arguments, and are likely to make a lasting impact on the literature.

The weakness of their approach lies in the fact that its scope of analysis is largely limited to the perspective of the City. As a result, in spite of a vast coverage of the history of the non-European world, it fails to locate the achievements and failures of the City-centred British capitalism in a wider context of the development of the capitalist world economy. Not only is their perspective heavily Eurocentric in content, but they implicitly underestimate the fundamental significance of global industrialisation for the long-term survival and vitality of the City. This, in turn, seriously affects their interpretation of the relative strength of British imperialism. In what follows I shall try to elaborate on these points from the perspective of modern Asian economic history.

2. The City and Global Industrialisation

As stated above, one of the main targets of the authors' attack is the straight-forward association frequently made between the rise and relative decline of industrial capitalism, and economic and political strength. I would like to begin by confirming that this association has also been largely accepted in the works on modern Asian economic history (roughly from 1850 to 1945), at least until very recently. First, Britain was seen to be the superpower which colonised many South and Southeast Asian countries, forced the East Asian doors open in the nineteenth century, and introduced an entirely new set of technologies and organisations to the region⁴⁾. Second, Britain has been regarded as a model which countries like Japan attempted to emulate, or a target against which anti-Western nationalist sentiments were aimed. In many writings the British experience was assumed to be a typical example of capitalist development, and this perception played an important role in the understanding of the nature of capitalist development in East Asia⁵⁾.

If such a "British model" was inaccurately

conceived, and the British case was in fact best described as "gentlemanly capitalism" rather than all-powerful industrial capitalism, then it helps us to understand that there could be a strong element of complementarity between the British service sector interests and Japanese industrial ambitions. Traditionally, emphasis had been placed on the significance of Japanese competition for the fate of British textile manufacturers. In other words, the two countries had been seen to be competing with each other. Britain's stake in financial and service sector activities in East Asia was not fully brought into the picture, although, as regards India, a large stake in British investment was directly associated with colonial rule. However, British consular reports viewed Japan's industrial development as something which Britain should welcome, because it would enable her to export capital, and textile and other machinery to Japan⁶⁾. Moreover, as the authors suggest, British interests in China during the nineteenth century were heavily oriented towards financial and service activities. Such British attitudes in turn provided an environment in which Japan was able to pursue her industrial ambitions and export promotions. During the early twentieth century the balance of power between British interests and Asian economic forces gradually shifted in favour of the latter, and the former became increasingly dependent on the growth of intra-Asian trade which was largely generated by the industrial growth of Japan and other Asian countries and the networks of Chinese and Indian merchants⁷⁾. Since the authors' picture of British imperialism places a new emphasis on Britain's service sector interests and its persistence throughout the period in question, it fits better than the old model in accounting for Asian economic development under the British dominated international order between the 1880s and the 1930s. Their approach enables Asian economic historians to better appreciate the crucial role that Britain played. The British presence was a declining but positive force behind modern Asian economic development.

However, the authors concentrate on accounting for the motivations behind the British presence in Asia, and do not go

beyond discussing direct gains and losses from that presence. While the British presence was instrumental in stimulating industrialisation in East Asia, the process of industrialisation was actually carried out by Asians themselves, without accepting full British supremacy. The reason why the City's political influence continued was that East Asia emulated industrial technology rather more quickly than it was able to upgrade its capacity to conduct a large flow of international capital. It was easier for East Asia to imitate the former because it was easier to separate industrial technology from European culture, while, as the authors demonstrate, London's global financial supremacy was based on the accumulation of knowledge and experience which was much more culture-specific.

Why did East Asia fail to establish an alternative financial centre for the growth of intra-Asian trade between 1850 and 1945? In fact a number of such plans were contemplated, especially during the First World War and also in the 1930s⁸). Moreover, Hong Kong and Singapore had functioned as sub-centres of international financial transactions to some extent, for most of the period under review. Nevertheless, unlike Britain, Japan as Asia's first industrial nation did not opt for service sector specialisation. She did not try to imitate this aspect of the "British model", for gentlemanly capitalism did not ideologically embrace a comprehensive set of capitalist development options, and did not suit Japan's national purpose, which was to become an internationally competitive industrial power. This Japanese choice had an important implication for the fate of the City, in so far as it represented a more general trend in which late-developers could exploit other developmental options. The City survived by adapting and finding a new role in the world economy, and, as the authors emphasised, even strengthened its relative position vis-à-vis other financial centres. Paradoxically, it did so by increasingly exposing the partial nature of its interests in global industrialisation, and the City increasingly came to depend on the global diffusion of industrialisation.

By the 1930s it became apparent that it was

Japan, not the City, that was putting Lancashire into trouble. It was the strength of East Asian industrialisation, not the strength of the City, that sustained the tacit alliance between them. The nature of local British politics (which occupy a central place in the discussion of the strength of the City in these volumes), such as the disproportionate influence of Southern counties, cannot fully explain the strength of the City. It was the complementarity between the City and the manufacturing interests in other industrialising countries that enabled the City to dominate British politics. In other words, international relations shifted the balance of British domestic politics in a significant way.

It seems to me that essentially the same point could be made with regard to the history of the relationships between the City, and the industrial economies of Continental Europe and the United States⁹). Once these late-developer countries had acquired international manufacturing competitiveness, there emerged the possibility of an international division of labour where Britain specialised in financial and service sectors, while industrial Europe and the United States specialised in manufacturing. It is important to understand the shifting balance of power between the City, and Continental Europe and the United States, during the first half of this century, and that the expectation was that international adjustments between them would occur smoothly. This can be contrasted with the case of Lenin, where power struggles and war were regarded as inevitable. A general point is that, while the authors examine the City's economic and Britain's political strengths from the perspective of national and imperial history, it is in the last analysis impossible to accurately assess these strengths without locating them in the development of the capitalist world economy.

3. The City, Colonialism and Global Industrialisation

In the period under consideration there was no international political organisation to regulate the diffusion of industrialisation, so what necessitated the rest of the world to cooperate with the City? The City offered an institutional mechanism through which all

the countries, dominions and colonies of the world were rated in terms of risk premiums and the degree of conformity to the liberal regime of free trade and free movement of capital. To qualify for such a role, openness and fluidity had to be combined with trustworthy institutions and respectable values. Gentlemanly capitalism was as much a product of this requirement as a force which shaped it. The capitalist world economy needed something like this, to ensure that the process of industrialisation—which was dictated by different ecological, cultural and other factor endowments—was diffused smoothly through international competition. It was important that the City, and by implication Britain to some extent, acted as if they were outside of this industrial competition. The City was in a position to benefit from the growth of world output and trade no matter who the winners were, so it should have been impartial to the race. On the one hand, this accounts for the uniqueness and irreproducibility of gentlemanly capitalism (it cannot and should not be copied). At the same time, it also explains why a purely national perspective does not work in assessing the strength of the City.

Thus, from the perspective of the City, any action that violated this liberal regime, such as the protection of home industry, was to be effectively resisted, if necessary with the use of threats or force. Naturally, some industries felt that they were being victimised, and the victims included British industries, sometimes even important ones such as the Lancashire cotton textile industry. J. A. Hobson's internationalism was consistent with such a view. At the same time, Hobson was also an interventionist, whenever a fair rule or an institutional framework was missing or under threat. This made him not only a leading liberal social reformer at home, but a profound critic of British imperialism abroad. His picture of Western imperialism in Asia highlights the limitations of Western officials' understanding of local languages, cultures and institutions, hence how difficult it is to argue the success of colonial rule in the first place.

By contrast, Cain and Hopkins offer a

more rigorous narrative on how strongly the interests of the City were represented in British policy in India and China. That they were more strongly represented than the interests of Lancashire from the very early stages of the nineteenth century, and that this service sector orientation persisted right down to the late 1930s are both important insights. But the authors do not appear to consider the changes in the effects of this orientation upon the strength of the British empire as relevant to their study. Once again, they only make links between British colonial policy and the City within the perspective of national and imperial history.

If their argument holds, however, it seems to me that this orientation must have increasingly weakened both British rule in India and British influence in Asia generally, as a result of global industrialisation. During most of the nineteenth century the complementarity between British policy and Asia's industrialisation worked well for Britain and there was little or no contradiction between service sector orientation and colonial rule. However, in 1893 the rupee was linked to gold via sterling, primarily to secure the value of British investment and the personal income of British officials in India. This artificial raising of the value of the rupee severely damaged India's position in Asian trade and the Asian monetary system which was based on silver. Japan was the chief beneficiary of this, rapidly capturing the vital part of the Chinese cotton yarn market that was previously dominated by Indian yarn. A general point here is that the large amount of British investment worked against colonial development. During the interwar period Britain continued to discourage India's industrialisation by keeping the value of the rupee consistently high. In the 1930s the drastic devaluation of the yen was a vital element of Japan's industrial recovery, while Britain retained the policy of protecting investors' interests and allowed Japanese industrial goods to penetrate into imperial markets¹⁰. In this respect, Japan's industrialisation and British service sector orientation in the colonies reinforced each other. Together, they weakened Britain's political and economic grip on the empire, by causing abandonment of the effort

to implement an overall developmental strategy. This indirectly helped the nationalist cause in Asia, albeit unintentionally. In the 1930s, faced with the great depression and the collapse of world trade, gentlemanly capitalism became increasingly reliant on the protected environment of the British empire. It was precisely at that point that the identification of the interests of the City with the empire had to be seriously qualified¹¹⁾, and by the early 1940s it had to be abandoned, partly because of the changes in Asian international politics and partly due to the pressure for decolonisation from the United States. While the authors are right in arguing that British hegemony in the international order did not decline as fast as Britain's manufacturing competitiveness, it did decline against the growth of initiatives of industrial economies. Service sector interests came to be exposed to political negotiations without the force of the empire to back them up.

Thus, as far as Asia is concerned, the vitality of the City became progressively more dependent on the industrialisation in East Asia, rather than on the resources of the British empire. Faced with a fight for survival as the world's major financial centre, that is, the need to find a "new role" in global development, the City by the late 1930s had no choice but to support the British government's appeasement policy towards Japan, in spite of its moral and political sympathy with China. In British Malaya overseas Chinese remittances to mainland China, to support national resistance against Japan, were discouraged by the British government which disliked the flow of monetary resources from the empire. The British service sector orientation effectively ended up supporting Japanese aggression¹²⁾. It was surely an act against the principle of Hobson's internationalism.

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Notes

1) *Jentoruman Shihonshugi to Daiei Teikoku*, translated by Yukio Takeuchi and Shigeru Akita, Iwanami Shoten, Tokyo, 1994.

2) *Jentoruman Shihonshugi to Teikoku I : Sosei to Bocho 1688-1914nen*, translated by Yukio Takeuchi and Shigeru Akita, Nagoya Daigaku Shuppankai, Nagoya, 1997. *Jentoruman Shihon-*

shugi to Teikoku III : Kiki to Kaitai 1914-1990nen, translated by Yoichi Kibata and Yusuke Dan, Nagoya Daigaku Shuppankai, Nagoya, 1997.

3) Parts of Volume I are devoted to the period from 1688 to 1850, and the continuity between the mercantilist era and the first half of the nineteenth century is an important point of their thesis. However, the bulk of their work, particularly on the history of the Empire, relates to the period after 1850.

4) Kenzo Mori, *Jiyu Boeki Teikokushugi* (Imperialism of Free Trade), Tokyo Daigaku Shuppankai, Tokyo, 1978.

5) See Kaoru Sugihara, "The Japanese Capitalism Debate, 1927-1937," in Peter Robb ed., *Agrarian Structure and Economic Development*, Occasional Papers in Third-World Economic History 4, SOAS, London, 1992, pp. 24-33.

6) Shigeru Akita, "'Gentlemanly Capitalism', Intra-Asian Trade and Japanese Industrialisation at the turn of the Last Century," *Japan Forum*, 8-1, March 1996, pp. 51-65.

7) Kaoru Sugihara, *Ajia-kan Boeki no Keisei to Kozo* (Patterns and Development of Intra-Asian Trade), Mineruva Shobo, 1996, Chapter 4.

8) For a brief list of references, see Kaoru Sugihara, "Japan as an Engine of the Asian International Economy, c. 1880-1936," *Japan Forum*, 2-1, April 1990, pp. 141-42.

9) As far as the authors' treatment of the relative strengths of the United States and Britain is concerned, they acknowledge general changes in the balance of power, and bring them into the narrative in an effective way. However, their understanding of the relative strengths of American and British influence in East Asia may be questioned to some degree, along the line of the argument here. See Shigeru Akita, "British Informal Empire in East Asia, 1880s to 1930s: A Japanese Perspective," Discussion paper IS-95-287, STICERD, LSE, London, May 1995, pp. 1-29.

10) A similar point is made with regard to Dutch colonial rule in Naoto Kagotani, "Japanese Cotton-textile Diplomacy in the 1930s," paper presented to the workshop on Britain and East Asian international relations in the 1930s, 11th November 1996 at the Osaka University of Foreign Studies.

11) For a comparative assessment of the effects of imperial preference, individual tariff and quota restrictions, and the exchange rates, see Sugihara, *Ajia-kan Boeki*, Chapter 4.

12) Kaoru Sugihara, "The Economic Motivations behind Japanese Aggression in the late 1930s: The Perspectives of Freda Utley and Nawa Toichi," *Journal of Contemporary History*, 32-2, April 1997, pp. 259-80.