

International Capitalist Trade as Imperialism: A Historical Rebuttal of Joseph Schumpeter's Theory of Imperialism

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Article DOI:

10.48028/iiprds/ijsrhlir.v6.i1.03

Abstract

The paper is an attempt to use historical facts and narratives to challenge and refute the suppositions of Schumpeter's theory of imperialism. Using qualitative method of data collection and analysis which involves the use of written sources and content analysis, the paper argues that Schumpeter, in his Eurocentric attempt to exonerate the European merchants from exploitation and underdevelopment of the Third World Countries (TWCs), dissociated capitalist trade from the whims and caprices of imperialism. Having said this, Schumpeter further approximated imperialism to pure political game, mere bellicosity and atavism, which is incongruent with capitalist trade that is rational and laced with clear objectives. The paper therefore, using historical facts concludes that international trade is not only linked with imperialism, but has been implicated as the fulcrum of the political outcome of imperialism.

Keywords:

Capitalist,
International,
Imperialism, Trade,
Joseph Schumpeter

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Background to the Study

Theories of imperialism abound which either made attempt to rationalize imperialism or associate it with the underdevelopment of Third world countries (TWCs). Amongst these theories of imperialism, the theory of imperialism as propounded by Joseph Schumpeter proves to be one of the interesting Eurocentric theories, which went the extreme length to dissociate imperialism from capitalism in its entirety. Interestingly, unlike other Eurocentric theories of imperialism such as J.A. Hobson and Cecil Rhodes who admitted that indeed imperialism was driven by economic motives as a survival strategy of business and economy of the European, and rationalized it as inevitable venture, Schumpeter turned blind eyes to these facts and presented a bizarre picture of imperialism as an evil that must not be tainted with capitalist venture. Schumpeter was quick to move away from the fact that Trans-Atlantic trade which pitched European countries against each other in the bid to overtake each other and have the highest rate of returns from this rapacious international trade in human cargoes was a capitalism venture that is inseparable from imperialism. Schumpeter did not take cognizance of the fact that the import of guns and instigation of violent wars in Africa to procure as many slaves as possible from Africa, though a capitalist venture is only but a stage in imperialism, which gave Europe capital advantage over other continents as they accrued so much wealth with which it prosecuted industrialization, and formal colonization of the Third World. It did not occur to Schumpeter that after the abolition of Trans-Atlantic slave trade, the scramble and partition of Africa that took place between 1884 and 1885 was not just for national pride, but principally to obtain markets for industrial goods so produced in Europe, and search for raw materials supply to service the European industries (Web.ccsu.edu, 2022). The question is, if imperialism is objectless and irrational as Schumpeter would have us believe, how come the massive exploitation and surplus gains accruing to Europe via the triple imperialist contact with the TWCs: trade imperialism, colonial imperialism and the current neo-colonialism, which also involve imperialist war of national interest as the case may be?

This interrogation of Schumpeter's theory of imperialism with a view to refuting its ultra-Eurocentric propositions that sought to dissociate capitalist trade from imperialism would address the following themes: the concept of imperialism; brief biography of Joseph Schumpeter; Schumpeterian theory of imperialism as ultra-Eurocentric apologist; rebuttal of Schumpeter's theory of imperialism and concluding remarks.

Concept of Imperialism

The term imperialism emanated from France in 1830 as Napoleon Bonaparte acquired colonies for his country. This became an acceptable concept in academic climes when British radicals used the term to refer to British colonialism in Africa and host of other less developed countries (LDCs) (Assibong, 1999). For Schumpeter (1951, 7) imperialism is "the objectless disposition on the part of a state to unlimited forcible expansionism". Imperialism also referred to as empire building involves forceful imposition of rule by a nation over another or other nations. In this case it is the expansion a nation's authority over other nations could be done through acquisition of land and/or the imposition of

economic and political domination (Longley, 2020). Presenting a more robust definition, Connor (1970), sees imperialism as “the formal or informal control over local economic resources in a manner advantageous to the Metropolitan power, and, at the expense of the local economy”. Corroborating the above view, Langer (1925, 67). Sees it as “the direct rule or control, political or economic, direct or indirect, of one state, nation, or people over other similar groups, or ... the disposition urge or striving to establish such rule”.

From the foregoing, it is evident that imperialism is not objectless or irrational as Schumpeter would have it, but it has a motive which boils down to trade and economy from whatever angle one may see it. In spite of the polemical definition of imperialism, one thing stands out; it is the quest to exert range of political, economic, social and cultural control over weaker nations for the sole purpose of having and maintaining favourable terms of trade over the weaker states by the stronger ones.

There are five basic theories used to describe and rationalize imperialist expansion. These are: conservative economic theory; liberal economic theory, Marxist-Leninist economic theory, political theory and warrior class theory. For political conservative theory, the better developed nation sees imperialism as a means of sustaining the already attained favourable economy and stable social order. The dominant nation has the capacity to maintain its employment rate and redirect any social anomaly affecting its urban population into its colonial by securing new captive markets for its export goods. In historical terms, this rationale is embedded in the perception of ideological and racial superiority inherent in the dominant nation. Liberal economy theory is hinged on the idea that growing wealth and capitalism in the dominant nation results in the production of more goods than its population can consume. Thus, the leaders see imperialist expansion as a way to minimize its expenditure on one hand, and increasing its profits by matching production with consumption. However, in absence of imperialism, the wealthier nations at times choose to solve their problem of under-consumption within by adopting liberal legislation such as wage control measures. Thirdly, the idea surrounding the Marxist-Leninist economic theory is that socialist leaders such as Karl Marx and V.I Lenin reject liberal legislative approach in dealing with the problem of under-consumption to avoid removing money from the dominant state's middle class thereby creating a world divided along the wealthy and poor countries. Lenin sees capitalist-imperialist ambition as the cause of World War I and therefore advocated the adoption of a Marxist form of imperialism.

Furthermore, political theory of imperialism sees imperialism as no more than an inevitable result of the attempt by wealthy nations to maintain their powerful position in the world's balance of power equation. This theory upholds the view that the main objective of imperialism is to curtail a nation's military and political vulnerability in the international system. Finally, the warrior class theory is such that do not serve really economic or political purpose. It is rather a pointless manifestation of age-long behaviour of states whose political system has a dominant “warrior” class. Though initially created for the purpose of ensuring national defence, on the long run, the warrior class started breeding crises that can only be solved through imperialism so as to sustain its existence (Longley, 2020).

From the above five perspectives of imperialism, it was only the last aspect – the warrior class theory that approximated the Schumpeter's theory of imperialism, hence his outright dissociation of capitalism from imperialism. This would be discussed in detail while examining his theory of imperialism in the subsequent sections.

Brief Biography of Joseph Schumpeter

Joseph Schumpeter was an Austrian-American economist and social theorist. He was born on February 8, 1883, in Triesch, Marovia (now in the Czech Republic), and educated at Vienna University. His father owned a textile factory and he was the only child. His father died when he was still young, and his mother remarried to high-ranking officer in the Austro-Hungarian army. Schumpeter received his early education at the Theresianum in Vienna. He later enrolled in the University of Vienna to study law and economics. It was there he was tutored by renowned professors such as Friedrich von Wieser and Eugen von Bohm-Bawerk. Schumpeter received his PhD in 1906. In 1911, he was enlisted on the post on the chair of political economy at the University of Graz. Given his fame, he was awarded an honorary degree by Columbia University at the age of 30. In 1919, he served as secretary of state for finance in the new republican Austrian government for a brief period of seven months. In 1821, he took up the directorship of the Bidermann Bank in Vienna. He left the banking world and in 1925, he took up the post of professor of public finance at the University of Bonn in Germany, which lasted till 1932. Following the deaths of his wife, and shortly his mother, he decided to proceed to the United States (Schumpeter, 1951).

Following his visit to the United States he secured a full-time faculty appointment at Harvard in 1932 and remained there till his retirement in 1949. Even after retiring he continued to be affiliated with the University till his death on January 8, 1950. Schumpeter attained prominence for his economic theories about vital importance of the entrepreneur in business, with emphasis on the entrepreneur's role in stimulating investment and innovation, thereby causing “creative destruction”. His best-known books are *The Theory of Economic Development* (1911; translated 1934), *Capitalism, Socialism and Democracy* (1942), *The History of Economic analysis*, published posthumously in 1954 (Microsoft Encarta Encyclopedia, 2001). The theory of Economic Development and Business Cycles: A Theoretical, Historical, and Statistical Analysis of the capitalist Process, 2 vol. and his *Sociology of Imperialism*, which was published in German-language academic journal, which did not appear in English until after his death. The article was ninety-six pages of text, which is approximately 35,000 words (King, 2022).

Joseph Schumpeter is adjudged to be one of the most prominent political economists in the first half of the twentieth century. He is a prolific writer who has published in both German and English. He has in his intellectual nest 200 journal articles. Though a liberal conservative, he was deeply influenced by his Marxian fellow students at the University of Vienna. While at the University of Vienna, Schumpeter was a member of Eugen von Bohm-Bawerk's legendary graduate seminar, along with three prominent Austro-Marxists, Rudolf Hilferding, Otto Bauer, and Emil Lederer, as well as the free-market

liberal Ludwig von Mises. This association must have influenced his ideas of imperialism and probably brought him to prominence as a “historian of economic thought” (King 2022).

Schumpeter's Theory of Imperialism Explained

Schumpeter's theory of imperialism is embedded in his work “The Sociology of Imperialism” published between 1918 and 1919. The work is a long essay of 80 pages in its English translation. His views on imperialism were re-emphasized in his later work “Capitalism, Socialism and Democracy” (CSD) published in 1942 (Milanovic, 2022). According to Schumpeter, for imperialism, nations and classes seek “expansion for the sake of expanding, war for the sake of fighting, victory for the sake of winning, and dominion for the sake of ruling.” In this spirit, King (2020) defined imperialism as “the objectless disposition on the part of a state to unlimited forcible expansion.” His description of imperialism as “objectless” denotes that it is not directed against a thing or a person. Thus, it is not rational; it is simply quest for, and acquisition of power. Schumpeter buttressed his point with examples of imperial countries like the Assyrians, Persians, Arabs, and Franks. Even when he included Rome, he was quick to state that Roman version of imperialism was a reflection of class interests of the upper class (Milanovic, 2022).

Though Schumpeter acknowledged that “neo-Marxist theory” had attempted to provide an economic explanation for imperialism, which it reduced to “the economic class *interests* of the age in question” and conceded that there was “much truth in it,” Schumpeter proceeded to criticize the Marxist thesis. He began by describing the sturdy anti-imperialist sentiments that pervaded the mid-nineteenth-century Britain, which bore the acronym “Imperialism as a catchphrase.” Having narrated a detailed account of the way imperialism had functioned in ancient times, the medieval period, and the age of absolute monarchy, Schumpeter then proceeded to discussing the relationship between imperialism and capitalism. At this juncture, Schumpeter revisited the “non-rational and irrational, purely instinctual inclinations towards war and conquest.” He was of the opinion that many if not most wars throughout history had been waged without any sufficient reason. To him, then, this exemplified the fact that “psychological dispositions and social structures acquired in the dim past . . . tend to maintain themselves and to continue in effect long after they have lost their meaning and their life-preserving function (King, 2022).

It was on the basis of the above analysis that Schumpeter refuted the assertion of Vladimir Lenin and other Marxist thinkers that there was a necessary link between imperialism and capitalism. Schumpeter proceeded to dissociate capitalist trade from imperialism, which he saw to be “atavistic in character” and stemmed from “the living conditions, not of the present but of the past; put in terms of the economic interpretation of history, from past rather than present relations of production.” Thus, politically speaking, Schumpeter would have us accept that imperialism is not a product of capitalist democracy but instead belong to the earlier stage of “absolute autocracy (King, 2022). Having

established that imperialism is atavistic, Schumpeter therefore, posited that it is a contradiction of what he termed “normal” capitalism, which is rational and individualistic, with objectives that can best be achieved in period of peace. He further predicted that imperialism will diminish when capitalism gains stronger grounds. He tried to drive his point home by advancing the view that the most capitalistic countries such as the United States were the least imperialistic states (Milanovic, 2022).

Schumpeter in his comparative analogy between capitalism and imperialism was vehemently insistent that under capitalism, there was “much less excess energy to be vented in war and conquest than in any pre-capitalist society.” In essence, King (2022) opines that people are pre-occupied with pursuit of profit in capitalist society; hence they see wars of conquest as “troublesome distractions, destructive of life's meaning, a diversion from the accustomed and therefore 'true' task.” This he considered to be evidenced by the strong anti-imperialist tendencies that are manifest in capitalist society, which include: “deep opposition to militarism, military expenditure, and war, which were most powerful among industrial workers but also manifested in large sections of the capitalist class”. Therefore, Schumpeter saw imperialism as “alien elements, carried into the world of capitalism from the outside, supported by non-capitalist factors in modern life.”

On the question of capitalism and monopoly, Schumpeter responded to the neo-Marxist claim that imperialism was the product of 'a new, dangerous stage of monopoly capitalism'. Having acknowledged that some sections of the capitalist class do indeed benefit from imperialism, particularly entrepreneurs in the war industries, however, Schumpeter argued, “where free trade prevails *no* class has an interest in forcible expansion as such.” He therefore concluded that “export monopolism,” contrary to the arguments of Marxist thinkers, did not arise “from the inherent laws of capitalist development.” Capitalism remained intensely competitive, and it was “*a basic fallacy to describe imperialism as a necessary phase of capitalism, or even to speak of the development of capitalism into imperialism.*” Schumpeter saw what transpired in post-World War I period as the alliance between the pro-military interests within the capitalist class and other pre-capitalist forces to keep “alive war instincts and ideas of over lordship, male supremacy, and triumphant glory – ideas that would otherwise long since died. On the final analysis, Schumpeter expressed that pre-capitalist interests, methods, and ways of thinking have survived in the present capitalist era, borne out of the reorganization by the autocratic state, which could not have sprang from the “inner logic” of capitalism itself (King, 2022). The extent to which Schumpeter's theory fits into the general assumption of imperialism finds its expression in the rebuttal in the next section.

Rebuttal of Schumpeter's Theory of Imperialism

Schumpeter is adjudged a major Eurocentric capitalist and imperialist apologist for presenting a “naïve and obscure narrative of imperialism” (Assibong, 1999). In essence, Schumpeter's theory of imperialism could rightly be seen as an over-generalization of a special case of prevailing political situation in most of the colonies occupied by Germany,

Austro-Hungary's ally before the World War I broke out. His theory was simply bemoaning the Austria-Hungary Empire known as the Habsburg Empire that was very “weak to pursue an outwardly aggressive policy of capital invasion” It was because the tendencies for the businesses of Austria-Hungary society to pursue an “aggressive imperialist ambition” appeared not to be present to a significant level as canvassed in V.I. Lenin's 'Imperialism: The Highest Stage of Capitalism' that Schumpeter took a swipe at Lenin's theory. Thus, what prompted Schumpeter's theory of imperialism was borne out of the little gains to be obtained commercially from the Austria-Hungary's occupied territory of Bosnia-Herzegovina. His was therefore, a theory that presented the special features of developments in central Europe, which he elaborated immediately after the World War I. Ultimately, Schumpeter's theory “fits well into the picture of that prevailed in the Austro-Hungarian Empire in 1914, in which he argued years before 1914, imperialism had “inherited the war machine, wherein there was an unholy alliance between the old military ruling class (who controlled the foreign policy and the army), and the aggressive representatives of heavy industry that had led down the path of war” (Hasburg.net, 2022).

Schumpeterian theory appears very “controversial and paradoxical” because the theory was overly unable to properly define imperialism having stated that it was “the objectless disposition on the part of a state to unlimited forcible expansionism (Assibong, 1999)”. Contrary to the proposition of Schumpeter, imperialism in Africa is by no means objectless because it has an economic and commercial purpose. As posited by Warren (1982), “imperialism as obtained in Africa is not borne out of British racial superiority over Africa, or is Africa “the Whiteman's burden” However, imperialism is the fulcrum (pioneer) of capitalism. It was indeed that necessitated imperialism in that it led to outward push for investment in the Third World formations. The above assertion is a fact of history because between 1800 and 1900 encapsulated the era of unbridled imperial venture capital, especially in Africa. This can be exemplified by the Boer war of 1899-1902 which was fought specially to protect the British mining business in South Africa (Morgenthau, 1966).

Furthermore, Wallerstein (1972), hinted that slave trade began in some parts of West Africa following the incorporation of Africa into the world capitalist system. Thus, capitalist incursion into Africa through the mechanism of imperialism precipitated constant raids for slaves. This in turn resulted in insecurity among Africans. Ake (1981) acknowledging the fact that international trade approximates imperialism asserted that the obstacles to the development of Africa included: “monetization of the economy” via imperialism of trade in which trans-nationals as part of imperialist control of the economy instituted discriminatory shipping charges on African traders for export of goods to Britain when compared to the Europeans shipping their goods from Britain to United States. Rodney (1981), captured this scenario in his comparative analysis of shipping charges between African and European merchants. For example, the charge for shipping goods from Britain was thirty-five shillings (35s) per ton, whereas transporting same quantity of goods from Liverpool to New York City, which is the same distance as West Africa from Liverpool, the American shippers charged a paltry seven shillings, six pence (7s:6p).

The imperialist venture capital initiated a “master-servant socio-economic relationship where the colonies were subjected to feeding the metropolitan countries with raw materials and unskilled labour” on the basis of exploitation (Ejiofor, 1981). Incidentally same European scholars and leaders such as H. Arendt, F.D. Lugard, had confessed that the partitioning of Africa was necessitated by the need to increase the supplies of raw materials and food to meet the economic needs of the industrialized Europe. Above overwhelming evidence has exposed the fact that the real motivating force for imperialism is trade as propelled by capitalist expansion. Hence, the motives, “modus operandi” and the forces that propelled capitalist imperialism were driven by, and the “machinations of die-hard capitalists” who stand to derive maximum benefits from the process either by what could be referred to as 'unequal legitimate’ trade or by the “illegitimate trade” trade on human beings, (Assibong, 1999) all geared toward satisfying their curious trade imperialism.

Hobson (1902), though a liberal scholar of imperialism was forced to corroborate the argument that imperialism was essentially driven by economic motive because of the capitalists' unbridled appetite for external markets as well as seeking avenues for higher returns on investments. Unlike Schumpeter, Hobson paid very negligible attention to the possibility of other motives for imperialist expansion such as national pride and aggressiveness. Hobsonian analogy went further to assert that due to the rise in standard of living in Europe, induced by capitalism, European industrialists needed raw materials and food for the burgeoning factories and urban proletariats, respectively. To obtain these essential needs, the European merchants turned to Africa and elsewhere to satisfy these important needs. On the other hand, the advent of under-consumption of the already manufactured goods in Europe precipitated the urgent need for outlet to sell off the surplus goods, for which Africa was seen as a viable market. Thus, in their bid to secure new markets, the European merchants canvassed for colonization of foreign lands (Hobson, 1902).

Even though Hobson could be faulted when at the end his thesis posited that imperialism would not be of benefit to the average British people, because the imperialists pay taxes to maintain British staff in the colonies. The fact remains that Hobson was able to associate imperialism with capitalist trade unlike the blatant denial of same fact by Schumpeter.

V.I. Lenin's Imperialism: The Highest Stage of Capitalism dealt a huge blow on Schumpeter's theory of imperialism in that it was able to postulate that:

Imperialism is capitalism at that stage of development at which the dominance of monopolies and finance capital is established; in which the export of capital has acquired pronounced importance; in which the division of the world among the international trusts has begun; in which the division of territories of the globe amongst the biggest capitalist powers has been completed Lenin, (1947, 94).

By stating the above, Lenin saw the obvious links between imperialism, trade and capitalism where competitive capitalism in Europe resulted in monopoly capitalism, penetration and control of spheres of influence elsewhere beyond Europe. Kautsky (1914) subscribed to Lenin's view and added that the industrial nations strove to bring pre-industrial nations under their respective spheres of influence to service their industries' raw material needs. This explains why even the protagonist imperialist like Cecil Rhodes of the British South African Company canvassed that British national economic interest be protected and sustained in all oversea countries, Africa inclusive. This is tantamount to quest for invasion and conquest of Africa and seizure of its resources and trade that was ultimately consummated by the 1885 Berlin Treaty partitioning Africa.

If historians and anthropologists such as Blaut, Rodney, Wallerstein, Williams, and Wolf have pointed to the intricate linkage between Atlantic slave trade, the spread of the European capitalist system, and the building empires, wherein lies the authenticity of the claim by Schumpeter that capitalism is not connected to imperialism? The subscription of myriads of these notable scholars to the link between capitalist trades with imperialism is worthy evidence that the two are inseparable. This no doubt has led to the rise of Western Europe, particularly in the nineteenth century with the Industrial Revolution and the colonization of the rest of the world.

Concluding Remarks

This study has been able to make a robust rebuttal of Schumpeter's theory of imperialism. In doing this, the author pointed out the paradoxical nature of Schumpeter's imperialism, particularly his argument dissociating imperialism from capitalism. From the weight of evidence from scores of scholars and the modus operandi as well as the motive of imperialist expansion which boiled down to seeking foreign base to accumulate further capital and raw materials for the industries in Europe, it has become obvious from the study that imperialism and capitalist trade are Siamese twins, which are inseparable in the triple historical movement and advancement of imperialism which is in dimensions: trade imperialism, colonial imperialism, and presently, neocolonialism; all amounting to capitalist expansion at different epochs in history. Another essential input in this rebuttal study, is the observation that Schumpeter's theory of imperialism is tantamount to over-generalization of the political economy climate prevalent in the weak pre-World War I German-Austro-Hungarian Empire of his time. In all intent and purposes, Schumpeter's attempt to dissociate capitalism from imperialism amount to contradiction of obvious reality in the global capitalist system.

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