Why we ruled the world
By Niall Ferguson - 2003

The British Empire covered 25 percent of the globe and, as the world's biggest investment banker, its influence stretched even farther. In his new book, Niall Ferguson argues that the Empire was a force for global good, and that its demise was caused less by nationalist movements than by the cost of its efforts to keep more malign imperial powers at bay.

IN 1897, the year of her Diamond Jubilee, Queen Victoria reigned supreme at the apex of the most extensive empire in world history. The figures are astonishing. In 1860 the territorial extent of the British Empire was some 9.5 million square miles; by 1909 the total had risen to 12.7 million. The British Empire now covered around 25 percent of the world's land surface - making it three times the size of the French Empire and ten times that of the Germans - and controlled roughly the same proportion of the world's population: some 444 million people lived under some form of British rule.

Not only had Britain led the scramble for Africa, she had been in the forefront of another scramble in the Far East, gobbling up the north of Borneo, Malaya, and a chunk of New Guinea, to say nothing of a string of islands in the Pacific. According to the St James's Gazette, the Queen-Empress held sway over "one continent, a hundred peninsulas, five hundred promontories, a thousand lakes, two thousand rivers, ten thousand islands". Maps showing its territory coloured an eye-catching red hung in schools all over the country.

The extent of Britain's Empire could be seen not only in the world's atlases and censuses. Britain was also the world's banker, investing immense sums around the world. By 1914 the gross nominal value of Britain's stock of capital invested abroad was o3.8 billion, between two-fifths and a half of all foreign-owned assets. That was more than double French overseas investment and more than three times the German figure. No other major economy has ever held such a large proportion of its assets overseas. More British capital was invested in the Americas than in Britain itself between 1865 and 1914. Small wonder the British began to assume that they had the God-given right to rule the world.

Not all of the British Empire was formerly under British rule: the maps underestimated the extent of the imperial reach. The immense amounts of capital sunk into Latin America, for example, gave Britain so much leverage - especially in Argentina and Brazil - that it seems quite legitimate to speak of "informal imperialism" in these countries.

Nor was it only through investment that the British extended their informal Empire. Commercial negotiations also pushed large sectors of the world economy to accept free trade: witness the commercial treaties with Latin American countries, Turkey, Morocco, Siam, Japan and the South Sea Islands. By the late 19th century, around 60 per cent of British trade was with extra-European partners. Free trade with the developing world suited Britain. With her huge earnings from overseas investment, not forgetting other "invisibles" such as insurance and shipping, she could afford to import vastly more than she exported. Moreover, the terms of trade - the relationship between export and import prices - moved by around 10 per cent in Britain's favour between 1870 and 1914.

Britain also set the standard for the international monetary system. In 1868 only Britain and a number of her economic dependencies - Portugal, Egypt, Canada, Chile and Australia - were on the gold standard (which fixed the value of a country's paper money in terms of gold and obliged its central bank to convert notes into gold on demand). France and the other members of the Latin Monetary Union, as well as Russia, Persia and some Latin American states, were on the bimetallic system, while most of the rest of the world was on the silver standard. By 1908, however, only China, Persia and a handful of Central American countries were still on silver. The gold standard had become, in effect, the global monetary system. In all but name, it was a sterling standard.

Many charges can of course be levelled against the British Empire. I do not claim, as Lord Curzon did, that "the British Empire is under Providence the greatest instrument for good that the world has seen"; nor, as General Smuts claimed, that it was "the widest system of organised human freedom which has ever existed in human history". The Empire was never so altruistic. In the 18th century the British were as zealous in the acquisition and exploitation of slaves as they were subsequently zealous in trying to stamp slavery out; and for much longer they practised a form of racial discrimination and segregation that we today consider abhorrent. When imperial authority was challenged - in India in 1857, in Jamaica in 1831 or 1865, in South Africa in 1899 - the British response was brutal. When famine struck (Ireland in the 1840s, India in the 1870s) their response was negligent, in some measure positively culpable.

Nevertheless, the fact remains that no organisation in history has done more to promote the free movement of goods, capital and labour than the British Empire in the 19th and early 20th centuries. And no organisation has done more to impose Western norms of law, order and governance around the world. For much (though certainly not all) of its history, the British Empire acted as an agency for relatively incorrupt government. Prima facie, there therefore seems a plausible case that empire enhanced global welfare - in other words, was a Good Thing.

And yet, within a single lifetime, the Empire unravelled. In the last decade of the Victorian era an obscure public schoolboy made a prophecy about the British Empire's fate in the coming century: "I can see vast changes coming over a now peaceful world; great upheavals, terrible struggles; wars such as one cannot imagine; and I tell you London will be in danger - London will be attacked and I shall be very prominent in the defence of London . . . I see further ahead than you do. I see into the future. The country will be subjected somehow to a tremendous invasion . . . but I will tell you I shall be in command of the defences of London and I shall save London and the Empire from disaster."

Winston Churchill was just 16 when he spoke these words to a fellow Harrovian, Murland Evans. They were astonishingly prescient. Churchill did save London, and indeed Britain. But, in the end, not even he could save the British Empire.

By the time Churchill died in 1965 all its most important parts had gone. Why? Traditional accounts of "decolonisation" tend to give the credit (or the blame) to the nationalist movements within the colonies, from Sinn Fein in Ireland to Congress in India. The end of the Empire is portrayed as a victory for "freedom fighters", who took up arms from Dublin to Delhi to rid

peoples of the yoke of colonial rule. This is misleading. Throughout the 20th century, the principal threats - and the most plausible alternatives - to British rule were not national independence movements, but other empires.

These alternative empires were significantly harsher in their treatment of subject peoples than Britain. Even before the First World War, Belgian rule in the notionally "independent" Congo had become a byword for the abuse of human rights. Rubber plantations and railways were built and operated on the basis of slave labour, and the profits flowed directly into the pocket of King Leopold II. Such was the rapacity of his regime that the cost in human life from murder, starvation, disease and reduced fertility has been estimated at ten million: half the existing population.

The French did not behave much better than the Belgians in their part of the Congo: population loss was comparably huge. In Algeria, New Caledonia and Vietnam too, there was a policy of systematic expropriation of native land which made a mockery of Gallic rhetoric about universal citizenship. German overseas administration was no more liberal. Nor should the comparisons be confined to West European powers. Japanese colonial rule in Korea - a protectorate from 1905 and a colony directly ruled from Tokyo from 1910 - was conspicuously harsh.

We should also remember the quality of Russian rule in Poland, in the Caucasus, in the Central Asian provinces of Turkestan and Turkmenia; and in the Far East, where the new Trans-Siberian Railway took the Tsar's writ all the way to Sakhalin and Vladivostok and finally into Manchuria. In their European colonies the Russians pursued aggressive policies of "russification". In Central Asia, resistance to Russian colonisation was dealt with uncompromisingly: a revolt by Muslims in Samarkand and Semirechie in 1916 was bloodily suppressed and the rebel death toll may have reached hundreds of thousands. Yet all this would pale into insignificance alongside the crimes of the Russian, Japanese, German and Italian empires in the 1930s and 1940s. By the time Churchill became Prime Minister in 1940, the most likely alternatives to British rule were Hirohito's Greater East Asia Co-Prosperity Sphere, Hitler's Thousand Year Reich and Mussolini's New Rome. Nor could the threat posed by Stalin's Soviet Union be discounted, though until after the Second World War most of his energies were devoted to terrorising his own subjects.

It was the staggering cost of fighting these imperial rivals that ultimately ruined the British Empire. In other words, the Empire was dismantled not because it had oppressed subject peoples for centuries, but because it took up arms for just a few years against far more oppressive empires. In the end, the British sacrificed the Empire to stop the Germans, Japanese and Italians from keeping theirs. Did not that sacrifice alone expunge all the Empire's other sins? It did the right thing, regardless of the cost. And that was why the ultimate, if reluctant, heir of Britain's global power was not one of the evil empires of the East, but Britain's most successful former colony.