

“Capitalism and Imperialism”

Imad-ad-Dean Ahmad, Minaret of Freedom Institute

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I have noticed that the main opposition to capitalism in the Muslim world, as in the third world in general, is its association with imperialism. This association is unfortunate and has impeded the Muslim world from engaging in the free markets that are its birthright under the Qur'an and sunnah. While some capitalists have eagerly pursued and benefitted from imperialist policies, as did such socialist regimes as the late, unlamented Soviet Union, not only is imperialism not an inherent element of capitalism, but it is inherently opposed to the principles of a free market, and has been condemned by such major advocates of free markets as Adam Smith, Edmund Burke, and Murray Rothbard. There are several reasons for this unfortunate association of imperialism and capitalism:

- The establishment of crony capitalism in some of the puppet dictatorships established by capitalist imperialist powers
- The tendency toward empire of emerging world powers from which neither the capitalist nor Islamic civilization have been exempt
- The hijacking of the American right by the neoconservatives
- The Westernization that has accompanied the opening of markets to the West, so-called "cultural imperialism"
- The role of corporatism in the imperial enterprises of the Western powers
- The failure of modern conservatives and libertarians to categorically repudiate imperialism as a violation of free market principles

In this paper I argue that both imperialism and these elements of capitalism-as-practiced must be actively rejected by those who advocate a free market and why free markets should be embraced by those who wish to fight imperialism.

Let me first explain why I dislike the term capitalism. Marx invoked it as a slur against the free market and its embrace by liberals has always baffled me. It is as if Muslims were to embrace the term “Muhammadan,” even though the term itself suggests an element of shirk that is the one unforgivable sin in Islam.

Historically liberalism was in opposition to imperialism. The limited liability corporation was invented as a tool of mercantalism, a system of state back business by which the monarchies emerging from the feudal era sought to preserve and expand their power and their empires in the face of the threat from the nascent economic power of the emerging middle class. Unfortunately, corporatism survived mercantalism and has served the interests of imperialism, undermining the appeal of a true market economy even to, or I might say especially in, the present day.

To understand the link between corporatism and imperialism, consider the failure of the Roanoke colony in North Carolina. Initially sixteenth century Britain looked to entrepreneurs implement its colonial agenda, but entrepreneurs quickly realized that imperialism was unprofitable in a free market. When Sir Humphrey Gilbert died in 1583 trying to colonize Newfoundland, the founding of the Roanoke Colony fell to his half-brother Sir Walter Raleigh. The settlers dispatched by Raleigh disappeared from the face of the earth leaving no trace but the word "Croatoan" carved into a fence post and the first three letters CRO carved into a tree. Was this a signal that they had moved to the nearby Croatoan Island? Because of a gathering massive storm, an immediate investigation was not possible and by the time a crew could be dispatched to Croatoan Island twelve years later, with Sir Walter personally guaranteeing the wages of the crew, there was no sign of the lost settlers.¹ What happened to the settlers is one of the great mysteries of history, but what was very clear to the entrepreneurs of the time was that colonialism was not profitable in a free market. So the British crown decided to back the enterprises by the invention of the limited liability corporation.

Here is how the magazine, *The Economist* describes this development: "The East India Company foreshadowed the modern world in all sorts of striking ways. It was one of the first companies to offer limited liability to its shareholders. It laid the foundations of the British empire. It spawned Company Man. And—particularly relevant at the moment—it was the first state-backed company to make its mark on the world."²

The departures from the free market model should be very clear: limited liability, monopoly, and security provided by the military might of the state outside the territorial jurisdiction of the state, not in hot pursuit of an attacking foreign enemy, but in hot pursuit of the natural resources of indigenous peoples whose property rights were not to be considered because they were, after all, "barbarians." The Economist goes to identify the "core competence" of the East India Company to be "less its ability to arrange long-distance voyages to India and beyond than its ability to manage the politicians back home."³ Its great talents were less entrepreneurship than its ability to bribe native leaders, make contributions to the politically powerful at home, and to lobby the government for favors, waivers and subsidies. Does any of this ring any bells? Ultimately its monopolization of industry in India placed it in the position of a governing body until it obtained more revenue from taxes than from commerce. By 1800, C.N. Parkinson was asking, "How was the East India Company controlled? By the government. What was its object? To collect taxes. How was its object attained? By means of a standing army. What were its employees? Soldiers, mostly; the rest, Civil Servants."⁴

¹ "Roanoke Colony," Wikipedia. http://en.wikipedia.org/wiki/Roanoke_Colony. Accessed 3/31/14.

² "The East India Company: The Company that ruled the waves," *The Economist* (Dec. 17, 2011). <http://www.economist.com/node/21541753>. Accessed 3/17/14.

³ Ibid.

⁴ Ibid.

Adam Smith called the Company a bloodstained monopoly, condemning it as “burdensome”, “useless” and “responsible for grotesque massacres in Bengal.”⁵

Liberalism rose in opposition to all this. The free marketeers were those businessmen who response to the government's inquiry can we help you to succeed" was "Laissez nous fare!" The free markets of liberalism unleashed an explosion of productivity than benefited all levels of society but the neoliberalist legacy of corporatism skews the distribution of wealth out of the productive middle and laboring classes and into the hands of the politically connected. It is a fallacy that economies of scale explain the advantages of big business over small ones. The purely economic benefits of scale only apply up to the plant level. Beyond that the only advantages to bigness in terms of productivity are in the financial markets and in the realm of political clout.

- Crony capitalism is the opposite of the free market. Look at Egypt.
- The imperial ambitions of second century Hijrah Muslims does not reflect the true nature of Islam, but is a consequence of similar historical forces to those that have cause both capitalist and imperial states to fall into imperialism
- The American right has three wings, of which the libertarian is the most solidly anti-imperialist, the paleoconservates are anti-imperialist, but easily seduced into interventionism by their fear of the Other, and the neoconservatives, with the softest attachment to free markets are the most favorably inclined to empire as a general policy.
- Globalization always favors the culture of the most advanced society, but it is a two way street and Islam tends to come out on top in the long run.
- The multinational corporations are the source of the neoimperialism of today, but I argue that there strength is rooted in political rather than economic advantage.

In the 1950s President Eisenhower warned of the rise of a military industrial complex that threatened the liberty of both Americans and the world at large. This development by itself should be sufficient proof that the death of mercantalism did not mean the death of imperialism. In a paper on “Islam and Business Ethics” I explained why corporatism, which is not part of Islam, despite Islam's favorable disposition towards trade and material success, is a danger to the free market:

The problems of corporations are well dealt with by public choice theory. The bigger an organization becomes, the more divorced the interest of the various stakeholders become from one another. In a one-man operation, labor, management, and the owner is the same person. It is simply impossible for the worker to slack off on management or for management to cheat the owner, or for the owner to be oblivious to the working conditions. In a small family enterprise such things become theoretically possible, but remain unlikely because the common interests of the family are strong, the individuals engaged in the enterprise are too intimate with one another to allow things to go beyond certain limits. When you get to organizations the size of Enron the problem become enormous, and thus we have developed complex rule of business ethics, rules of governance and accounting in an effort to develop transparency and accountability. Such rules did not develop in the Muslim world during the classical because the state-imposed protections given to fictitious corporations were not there. The fact that some

⁵ Ibid.

individual or individuals must retain personal responsibility for the actions of an organization put a natural limit on the size of commercial enterprises.⁶

When the colonial powers conquered the Muslim world they dismantled the civil society institutions and turned their functions over to the state. The state was the only corporate entity they permitted in the Muslim world, yet, because of its monopoly on the use of force, the state is the corporation most susceptible to the abuses engendered by the public choice dilemma. Add to this the view that the cultural bias that sees a corporation as the private property of its founder or CO, and you can understand why the Muslim world is plagued with dictators. We must find a way to overcome that cultural attitude but it is naive in the extreme to think it can be overcome by turning on some light switch.... As recent events have demonstrated, the idea that one can march an army into a country and, within months, set up a healthy democracy is a fantasy divorced from the real world.⁷

I could give many more examples, but I do not have the time, so I will only briefly mention two obvious ones: the banking industry and Zionism. In the first case we have an industry that is entwined with government at every level and in every way, made "too big to fail" and then bailed out at public expense when it did fail. In the latter case we have a colonial enterprise that flagrantly seizes the property of the indigenous people with no apology except to accuse their victims of being savages and terrorists for resisting oppression, even when that resistance takes peaceful forms.

I have been concerned over the turn to the left among some Islamists just as the Arab spring promised to give them access to the wheels of power. This turn was abetted by Naomi Klein's critique of capitalism, most recently articulated in her book *The Shock Treatment: The Rise of Disaster Capitalism*.⁸ Rather than dismiss Klein's criticism out of hand, I think the cause of liberty is better served by pointing out that our disagreement with Klein is more one of terminology than substance. What she condemns, capitalism as it is currently practiced, imperialist corporate capitalism should be condemned, not because it exemplifies the free market, but because it is disguised statism. It is the mobilization of free-market terminology in the defense of "state-backed business" in the same way that so-called "jihadism" is the mobilization of Islamic terminology in defense of the very "hirabah" and ikrah denounced by Allah in his holy book. Karl Hess said it well in 1969:

The truth, of course, is that libertarianism wants to advance principles of property but that it in no way wishes to defend, willy nilly, all property which now is called private.

Much of that property is stolen. Much is of dubious title. All of it is deeply intertwined with an immoral, coercive state system which has condoned, built on, and profited from slavery; has expanded through and exploited a brutal and aggressive imperial and colonial foreign policy, and

⁶ Imad-ad-Dean Ahmad, "Islam, Commerce, and Business Ethics," in *Business and Religions: A Clash of Civilizations?* Nicholas Capaldi, ed. (Salem, MA: Scrivener, 2005), p. 207.

⁷ Ibid., p. 207-208.

⁸ Naomi Klein, *The Shock Treatment: The Rise of Disaster Capitalism* (New York: Henry Holt 2007).

continues to hold the people in a roughly serf-master relationship to political-economic power concentrations.⁹

To Hess's words I can only add: Amin.

⁹ Karl Hess, "Letter from Washington," *The Libertarian Forum* (June 15, 1969). http://mises.org/journals/lf/1969/1969_06_15.aspx. Accessed 3/31/14.