University of Hawai`i at Mānoa
Department of Economics
Working Paper Series

Saunders Hall 542, 2424 Maile Way,
Honolulu, HI 96822
Phone: (808) 956 -8496
www.economics.hawaii.edu

Working Paper No. 20-23

Understanding the Gains to Capitalists from Colonization: Lessons from Robert E. Lucas, Jr., Karl Marx and Edward Gibbon Wakefield

By
Edwyna Harris
Sumner La Croix

September 2020

Understanding the Gains to Capitalists from Colonization: Lessons from Robert E. Lucas, Jr., Karl Marx and Edward Gibbon Wakefield.

Edwyna Harris
Monash University

Sumner La Croix*
University of Hawaiʻi

1 September 2020

Abstract
Britain after the Napoleonic wars saw the rise of colonial reformers, such as Edward Wakefield, who had extensive influence on British colonial policy. A version of Wakefield's "System of Colonization" became the basis for legislation establishing the South Australia colony in 1834 and the New Zealand colony in 1840. We use extended versions of Robert Lucas's 1990 model of coordinated colonial investment to show how Wakefield's institutions were designed to work. We also find that the critique of Wakefield's system by Karl Marx in *Das Kapital* closely follows Lucas's analysis of colonial institutions.

Key words: Robert Lucas; Karl Marx; Edward Gibbon Wakefield; emigration; settler colonization; South Australia

JEL codes: N47, N57, N97, R30, D44

*Edwyna Harris, Dept. of Economics, Monash University, PO Box 8E, Victoria 3800, Australia; edwyna.harris@monash.edu; Sumner La Croix, Dept. of Economics, University of Hawaii, 2424 Maile Way, Honolulu, HI 96822, USA; lacroix@hawaii.edu. We thank Lee Alston, Alan Dye, Jeffrey Williamson and participants in the 2019 Allied Social Science Meetings for comments on an earlier version of this paper.

I. Introduction

After the Napoleonic wars ended in 1815, social and economic problems plagued Britain, particularly in relation to low wage growth, depressed returns to capital, and the rise of pauperism that imposed high costs on the state. These circumstances produced a slew of proposals from social and political reformers aimed at relieving these ills, particularly the burden of the working poor. A major theme of these proposals was how settler colonization could provide some outlet for the impoverished working class thereby improving living standards both at home and abroad. In the 1820s and 1830s, colonial reformers were able to attract attention and followers who had extensive influence on British policy, both towards its existing colonies and the establishment of new colonies, such as South Australia and New Zealand. Wakefield's short pamphlet, *A Letter from Sydney* (1829a), was particularly influential in the 1830s, as it proposed a new theory of settler colonization—known as *systematic colonization*—designed to avoid many of the economic and social problems found in existing settler colonies. Wakefield argued that his system's emphasis on concentrating settlement by setting a sufficiently high price of land, and subsidizing immigration would allow for a self-supporting colony, guarantee returns to capital and provide upward mobility to migrant laborers after a few years of work. The pamphlet takes the perspective of a convict just returned to England from New South Wales, Australia, who details the evils of the convict labor system and then outlines how a new colony might successfully rely on free labor.

Wakefield's ideas spread remarkably fast for a totally unknown writer. Just two years after the publication of his 1829 pamphlet, parts of his systematic colonization policies had been imposed on Australian colonies, incorporated into overall British colonial policy, and become the subject of ongoing discussion among leading British intellectuals and politicians. Almost four decades after Wakefield published his proposals, Karl Marx thought them sufficiently important to subject them to a scathing critique in the final chapter of *Das Kapital* (1867). Interest in Wakefield's colonization system died out from the 1870s as Australian colonies dismantled their assisted migration schemes and a massive wave of unassisted migration spilled out of Britain and Europe.[1]

In this article we use a simple model of coordinated colonial investment developed by Robert E. Lucas, Jr. to show how métropole-centered colonialism and Wakefield-style settler colonialism both rely on manipulation of factor supplies to generate premium returns to métropole investors in the colony.[2] The Lucas (1990) model of métropole colonialism focuses on how a colonial authority can maximize returns to métropole investors by coordinating and limiting their colonial investments. A smaller supply of capital to the colony than would be generated via investor competition yields a monopsonistic discount in the wage paid to the fixed indigenous labor supply, with the discount appropriated by investors. We extend the Lucas model of métropole-centered colonialism to consider the case of Wakefield-style settler colonialism, in which a colonial authority acts to maximize profits of métropole investors in a colony's land by jointly choosing the amount of land to be made available to investors for purchase and the number of subsidized laborers to be brought to the colony. The two choices

[1] Hatton (2004) discusses the revival of assisted passage from Britain to Australia in the decade prior to World War I and again after World War II.

[2] Métropole simply refers to the home country. Métropole-centered colonialism refers to colonies in which particular types of market-based institutions are imposed on the colony so as to maximize the wealth of various interests in the métropole. See Piterberg and Veracini (2015) for a discussion of the differences between métropole-centered colonialism and settler colonialism.

are closely connected because in the Wakefield system, revenue from the sale of colonial land is dedicated to subsidizing worker emigration, thereby determining the supply of colonial labor. Results from the extended Lucas model—the “Wakefield model”—highlight how Wakefield’s institutions raise the return to purchases of colonial land by métropole investors by coordinating and limiting land sales, and thereby generate a monopsonistic discount in the wages paid to emigrant workers. We then compare the results from the Wakefield model with Karl Marx’s critique of Wakefield’s system in his 1867 classic, *Das Kapital*. We find that Marx’s analysis of Wakefield’s institutions closely parallels results from our Wakefield model, as Marx also recognized that Wakefield’s colonial institutions were structured to raise the return to investors in land (and capital) and reduce wages paid to settlers. We conclude with a brief discussion of the problems encountered by the use of Wakefield’s institutions in South Australia during the initial years of settlement and how they provided substantial benefits to the South Australian economy once the colony’s institutions had become better established.

II. Systematic Colonization: Wakefield’s Elaborate Plans for New Colonies

Economic conditions in Britain in the 1820s were depressed with large population growth in urban centres, low wages, and poor living standards. This led philosophers, radicals, and liberal reformers to focus their attention on how to improve social conditions via settler colonization. Many were critical of earlier British colonies due to their use of slave and convict labor, and were interested in considering alternative methods of settler colonization that would avoid the moral stain of forced labor in all its guises. This set the stage for the rise in popularity of *systematic colonisation*, a set of ideas most commonly associated with Edward Gibbon Wakefield.

Prior to his three-year term in Newgate Prison for fraud and abduction of an heiress, Wakefield was unknown in intellectual and political circles. His ideas gained public attention via the publication of a short book, *Facts Relating to The Punishment of Death in the Metropolis* (1831)*,* an exposé of the brutal treatment of prisoners in Newgate Prison, and the pamphlet, *A Letter from Sydney* (1829a). Jeremy Bentham and the young John Stuart Mill endorsed his colonization system, while James Mill, Thomas Malthus, and Robert McCulloch were more critical (Kittrell, 1973: 92). Wakefield's ideas had a significant impact on many radical reformers of the day including Sir William Molesworth, radical politician and historian George Grote, MP Charles Buller, and politician and colonial administrator Lord Durham. Due to the social stain associated with his criminal conviction, Wakefield rarely took center stage in the reform groups' efforts to change British policy to favor systematic colonization but his extensive writings on the topic were widely circulated and he was a pivotal part of efforts to establish British colonies in South Australia and New Zealand and to reform the colonial governments in Canada.
Wakefield's colonization scheme drew its motivation from several factors, including to improve the socio-economic conditions of the English poor by facilitating emigration to settler colonies; to provide land owners in Britain's colonies with an increased supply of labor; to create new markets for British exports; and to create an outlet for what he perceived as a glut of capital in Britain (Wakefield 1829a: 186-188). The key features of his proposal were aimed at calibrating ratios of land, labor, and capital in a colony. In the first instance, the model required land to be

sold at a 'sufficient' price.[3] The higher price of land reduces the quantity of land sold, increases the ratio of labor to land, and concentrates settlement within a more limited land area. This yields sufficient population density to establish institutions of civilization, such as schools, churches, and "scientific, literary and philanthropic societies" and thereby recreate essential elements of Britain's society in the 'terra nullius' conditions of the colony (Wakefield, 1829a: 70; Piterberg and Veracini, 2015). The revenue from the sales of lands seized from indigenous peoples is dedicated to subsidizing passage for emigrants who become part of the colonial agricultural workforce.[4] In turn, the larger workforce reduces wages, and raises returns to those who purchased land. These higher returns are eventually further bolstered by the export of agricultural goods to Britain.

---

[3] Wakefield (1829a) was not the first person to suggest colonial land should be sold rather than given away. For instance, Robert Gourlay (1822), writing on Upper Canada, argued that colonial land should be sold rather than given away, with the proceeds used to assist migration. Robert Torrens had also advocated land sales rather than land grants prior to Wakefield's advocacy (Kittrell, 1973). In an 1827 speech to reinstate the Select Committee into Emigration to the House of Commons, Torrens stated that:

> a well regulated system of colonisation would … apply the redundant labor and capital of the United Kingdom to the redundant land of the colonies; it would restore the properties on which prosperity and happiness depend … the productivity of labor in the new colonies would be able in a very short period to replace, with surplus, the capital advanced for transportation (Torrens, quoted in Booth (2004:78)).

The major difference between Torrens' and Wakefield's ideas on colonization was that Torrens' plan required the British government to pay for passage and support emigrants upon their arrival with a grant of land and other necessities before they became independent (Hutchinson, 1958).

[4] Earlier reformers had proposed a system of settler colonization to alleviate the poor socio-economic conditions of British workers. For instance, Robert Wilmot-Horton, Under-Secretary of State for the Colonies from 1822 to 1828, employed a wages-fund theory to argue that wages in Britain were low because labor supply was greater than demand (Kittrell, 1965). To improve wage rates required a reduction in population and Wilmot-Horton believed this could be achieved via pauper emigration to settler colonies. Parishes would pay assisted passage to the colony for paupers, who would forgo parish maintenance in exchange. Objections to Wilmot-Horton's proposals focused on financing passage for emigration from parish rates.

The price of land sold in the colony had to be 'sufficient' to achieve two goals: (1) generate enough revenue to bring the desired quantity of labor to the colony; and (2) prevent laborers, once they arrived in the colony, from becoming landowners too quickly. The logic is that if the land price is set too low, assisted migrants could buy land on arrival and this would reduce the ratio of labor to land below the level that would maximize returns to métropole investors in land. In other words, the reduction in the labor supply available to land owners and an expansion in the number of land owners would together raise wages and depress returns to land. But, if the land price was 'sufficient', labor would be compelled to work for wages for "some considerable time" before entering the land market as proprietors (Wakefield, 1829a: i). This would create premium returns to métropole investors while pushing wages of emigrant workers lower, albeit still higher than opportunity cost earnings in Britain. In addition, once laborers had saved enough money to purchase land, the new flow of migrants subsidized by land sale revenues would be sufficient to keep wages sufficiently low to support premium returns to land and capital. This process would be repeated until all of the colony's land was sold and occupied.

Establishing the price of land at a sufficiently high level is the key element that needed to be established for the system to operate the way Wakefield envisioned. So what is the 'sufficient' price that maximizes returns to métropole investors in land? In the article, 'Sketch of a proposal for the colonization of Australasia', Wakefield (1829b: 5) stated the sufficient price was £2 per acre. In *A letter from Sydney* (1829a: 178) he retracted, arguing that the sufficient price was dependent on context. In particular, it depended on the length of service that laborers should provide before becoming landowners and upon the general conditions of the colony, such as climate, wage rates, and living costs. Once these were considered, it would be possible to estimate feasible annual savings of laborers and set land prices such that laborers provided a period of service before they could buy land and become cultivators in their own right.[5] In sum, no one price would fit all colonies in every circumstance.[6]

Wakefield used the failure of the Swan River colony in Western Australia as his main example of why setting land prices sufficiently high was crucial. At Swan River, a colony founded in 1829, Wakefield contended that economic progress had been stifled because low land prices (at 1s 6d per acre) induced emigrants to abandon their employers and quickly purchase their own land. This left the colony with too few laborers to provide specialized services needed to fully exploit opportunities on agricultural lands (Wakefield, 1833: 5). Wakefield also blamed the population dispersion in Swan River for the absence of institutions of British civilization, such as school and churches. Wakefield concluded that these problems had induced many settlers to abandon the colony within a few years, returning to Britain or leaving for other Australasian colonies.

---

[5] Mills (1974: 237-238) notes that it would be difficult for the colonial authority to be sufficiently well informed to set the land price at a level just high enough so as to prevent workers from becoming land owners too soon.

[6] Robert Torrens was the first to set forth the idea that the sufficient price required a reference to wages. Torrens (1835: 70) illustrated the idea as follows: assume wages were 40s/year with a frugal laborer able to save 50 per cent per year. In order to prevent them from purchasing land for three to four years then, the sufficient price would be £3 12s/acre. Nevertheless, because wage rates were likely to change, in practice, the 'sufficient' price would require adjustments over time in order to provide the correct balance of land, labor, and capital. Lloyd Prichard (1968: 255) argued that:

> the [sufficient] price would depend on the rate of increase of population and therefore on migration which, in turn, would depend on many factors. It would also depend on the rate of accumulation which would depend on wages, the cost of living, and the number of acres required to provide the laborer with a living.

Wakefield's characterization of the failure of the Swan River colony ignored the role played by the colony's promoters in exaggerating prospects for agriculture in the area around modern-day Perth (Cameron, 1974; Appleyard and Manford, 1979). Their optimistic prospectus induced investors to pledge capital in return for extensive initial land grants. Just seven months after initial settlement in August 1829, the British government had made grants of some 550,000 acres (Murray and Stirling, 1831: 6). To their dismay the first settlers found that only a narrow belt of land around the colony's main rivers was fertile, and remaining lands were very poor quality (Cameron and Jagger, 1977; Morgan, 2015). This forced all but the first group of settlers to move far from the main settlement at Swan River to search for cultivable land. These efforts scattered settlement and were unsuccessful in finding fertile lands and establishing new farms. Unfavourable reports on Swan River quickly reached other Australian colonies and London, leading to the cessation of migration less than 12 months after the first ships had arrived (Morgan, 2015).

Wakefield's analysis of the Swan River colony's failure—that a price of land set well below his sufficient price left settlers with capital without workers for their farms—was incorrect yet provided vivid stories to promote his systematic colonization proposal with the public and lawmakers. Later writers on the Swan River colony, including Karl Marx, would compound Wakefield's errors by accepting his version of events rather than making independent inquiries into the debacles accompanying the first few years of the colony's settlement.

III. Modeling Wakefield's System with an Expanded Lucas Model

In his 1990 article on colonial investment, Robert E. Lucas, Jr. poses a question that applies directly to the operation of Britain's métropole-centered colonies: Why doesn't more capital flow from the métropole to its colonies when colonial investment is protected by well specified and enforced property rights and there are high returns to colonial investment? To answer this question, Lucas uses a simple two-factor neoclassical production function to model output produced in a métropole-centered colony with colonial institutions designed to maximize income for métropole investors in the colony. The colony's production function is $y=f(x)$, where x is capital per worker, all capital is imported from the métropole, and the indigenous labor supply is fixed. If capital owners compete with each other to supply capital to the colony, then:

$$f'(x)=r \tag{1}$$

which means that the marginal product of capital, $f'(x)$, equals the return to capital that could be earned in the home country, r.

Now suppose the colonial authority has the ability to choose the amount of capital from the métropole deployed to the colony. In Lucas's one-period model, the colonial authority acts as the agent of the group of British métropole investors by choosing x at the start of the period so as to maximize profits for this group:

$$\underset{\text{w.r. } x}{\text{Max}} \quad f(x)-\{f(x)-xf'(x)\}-rx \tag{2}$$

where r is the opportunity cost of capital and $\{f(x)-xf'(x)\}$ is the wage bill. Following Lucas (1990: 95) the necessary first-order condition is:

$$f'(x)=r-xf''(x). \tag{3}$$

In other words, the marginal product of capital, $f'(x)$, equals the opportunity cost of capital, r, minus the "derivative of the colony's real wage rate with respect to capital per worker", $xf''(x)$, i.e., the opportunity cost of capital plus a "monopsony" wage discount. This implies that the return to capital is larger in the colony than in the métropole by the amount of the monopsony wage discount. Lucas's insight from this simple modeling is that restrictions on capital flows from the métropole to the colony are sufficient to generate higher returns to colonial investment and that we need not rely on explanations based on higher colonial risk or poorly specified property rights to explain such premium returns.

Lucas devised his model to understand the effects of coordination and limitation of investment from the métropole to a colony with a large, fixed supply of indigenous labor and few settlers. Nineteenth-century India or Nigeria are examples of this type of British colony. Can the Lucas model be extended to cover the case of "settler colonialism" in places with small indigenous labor supplies? Consider that in South Australia, potential supplies of Aboriginal labor for colonial enterprises were relatively small at initial settlement in 1836 due to declines in population from exposure to new diseases and to Aboriginal resistance to invading colonists intent on seizing lands Aboriginals had used for centuries.[7] For the South Australia colony, the task for the British Colonial Office and the British Parliament was to design colonial institutions that would maximize profits for the group of métropole investors in land. Institutional mechanisms were required to limit the supply of land as well as to provide incentives for workers to emigrate to South Australia. Obstacles to emigration to South Australia included the high cost of passage to Australia relative to the cost of passage to Canada or the United States

[7] See Pope (1988) for an excellent discussion of the limited participation by aboriginal peoples in South Australia's labor markets.

and objections by the colony's founders to the use of any kind of servitude to ensure repayment of debts incurred for passage costs. Both obstacles were addressed by the colony's use of an institutional mechanism suggested by Wakefield, in which all revenues from the sale of seized colonial lands were used to subsidize most costs of passage for British workers emigrating to South Australia.

In the extended Lucas model—the "Wakefield model", the colony's production function is y=f(x), where x is land per worker, land is sold by the colonial authority to investors before production commences, and all workers emigrate from the métropole before production commences. We assume that (1) colonial wages (w_C) exceed métropole wages (w_H), otherwise workers would not emigrate; (2) it is costly for a laborer to emigrate (c); and (3) workers do not choose to emigrate if they are required to pay the full cost of passage ($w_H + c > w_C$). In this model, the number of emigrants depends on the size of land sale revenues and the cost of passage from the métropole to the colony.

One major difference between the Lucas and Wakefield models is that in the Lucas model the quantity of labor is fixed and the home government directly sets the quantity of the second factor (capital) in the production function, while in the Wakefield model, the colonial authority sets the price of the second factor (land) which simultaneously determines the quantities of both factors (land and labor) and thus the wage for labor. Another major difference between the two models involves the opportunity cost of the second factor to investors. In the Lucas model, there is an opportunity cost to the deployment of capital to the colony, which is the return to investment in the métropole. In the Wakefield model, the colonial authority owns all of the colony's land, which it has seized from indigenous owners on the pretext of *terra nullius*, i.e., that the land was neither claimed nor used by Aboriginal groups. Since the colony's rural lands cannot be redeployed elsewhere, there is close to a zero social opportunity cost to their deployment to colonial agriculture. In the Wakefield model, some portion of colonial lands are sold and the revenues used to pay (most of) the cost of passage of workers to the colony. Acting as the agent of British investors, the London government—the colonial authority—has incentives to limit the amount of land to be sold, as this decreases the land/labor ratio, reduces worker wages and raises investor returns.

Consider now the simple mechanics of the Wakefield model. We assume that workers in the métropole are willing to migrate to the colony when colonial wages net of passage exceed wages in the métropole; that a worker can be transported to the colony at constant cost c; that all colonial land is sold at a constant price p; that an acre of newly purchased land is identical to an acre of land already in production; and that production occurs in a single period. In this case, the colonial authority, the agent of potential métropole investors in land, maximizes investor wealth:

$$\max_{\text{w.r. } p} f(x(p)) - [f(x(p)) - x(p)f'(x(p))] - px(p)p \Rightarrow x(p)f'(x(p)) - px(p) \qquad (4)$$

$$\text{s.t. } x(p) \leq c/p$$
$$w_H \leq w_c$$

where x(p) is the ratio of land to labor at the price of land, p, f(x(p))-x(p)f'(x(p)) is the land owners' wage bill, c is the cost of passage to the colony, and px(p) are land sales revenues. Let's start by assuming that the first constraint is not binding and the second constraint, $w_H \leq w_c$, is always met. Then the first-order condition for maximization of métropole investor returns is:

$$x'f' - (x+px') + xx'f'' = 0 \tag{5}$$

This result says that the marginal product of land equals the marginal cost to the investor of an additional acre of colonial land, $x+px'$, minus the monopsony discount to wages attained by providing less land per worker, $xx'f''$. Thus, both the Lucas and the unconstrained Wakefield models yield similar main results: The marginal product of the investor-owned factor, capital in the Lucas model and land in the Wakefield model, exceeds the marginal opportunity cost of the factor by the monopsony wage discount. Both models yield a monopsony wage discount via the colonial authority taking actions to limit quantities of the investor-owned factor (whether land or capital), thereby pushing down the wage paid to workers and transferring the monopsony discount to métropole investors.

Now consider how the model's results change when the first constraint, $x(p) \leq c/p$, is binding, meaning that all revenues from colonial land sales are spent on subsidizing settler costs of passage. We proceed by directly substituting the constraint ($x(p) = c/p$) into the maximization problem:

$$\max_{\text{w.r. } p} \quad x(p)f'(x(p))-px(p) \Rightarrow x(p)f'(x(p))-c \Rightarrow (c/p)f'(c/p))-c \Rightarrow c(f'(c/p)/p -1)) \tag{6}$$

The first-order condition:

$$c\,(f'-(c/p)f'')/p^2 = 0 \Rightarrow (c/p)f''=f' \Rightarrow f'/f'' = c/p \tag{7}$$

shows that the price of land is set by the colonial authority such that the ratio of the costs of bringing the two factors to market (i.e., the price of land and the cost of passage for labor) equals the ratio of the marginal product of land and the monopsony discount on wages attained from providing each worker with less land.

In sum, all three models of coordinated investor choice yield the same general result: Maximum profits to the group of métropole investors are achieved via the colonial authority's manipulation of factor ratios to generate monopsony wage discounts that are transferred to métropole investors in capital (model 1) or land (models 2 and 3). In the next section, we show that Karl Marx came to the same conclusions about the effects of coordinated actions by métropole investors when he critiqued Wakefield's proposals: Manipulation of supplies of land and labor by the colonial authority allows the investor to 'expropriate' some of the worker's 'surplus value' by pushing down wages paid to the labor force.

IV. Marx's Critique of Wakefield

In his 1867 [1998] book, *Das Kapital*, Karl Marx caps his analysis of the capitalist economic system with a concluding chapter critiquing Wakefield's *systematic colonization*. Some modern commentators see this chapter as a weak ending to *Das Kapital*, with Wakefield not important enough to warrant such attention. However, Marx perceived Wakefield to be one of the leading theorists of colonization as well as a person with considerable influence over British colonial policy generally and, more specifically, the founding of the South Australia and New Zealand colonies. Marx portrays Wakefield's system as a mechanism for setting up a class-based economy and society modelled on England in its Australasian colonies (Pappe, 1951; Ballantyne, 2013; Harrington, 2015). A class-based economy exists, Marx argues, when workers have been dispossessed of the means of production, e.g., land, machinery, factories, and natural resources, and have become narrowly specialized in particular occupations. This situation sets the stage for their exploitation by capitalist employers who own the means of production and are focused on accumulating more capital at the workers' expense.

How is the British class-based economy to be established in the Australasian colonies? Marx agreed with Wakefield that colonial authorities in Britain implemented policies to manipulate factor supplies in settler colonies. The British Colonial Office set a price of land sufficiently high to limit the quantity of land sold to métropole investors and used land revenues to subsidize migration of laborers of limited means to the colony (Marx, 1992: 1104-1105). This had the effect of increasing the colony's supply of labor and decreasing the number of land owners who might employ the labor (Marx, 1992: 1105). The ensuing lower wages enhance the profits of métropole land investors:

> Let the Government put upon the virgin soil an artificial price, independent of the law of supply and demand, a price that compels the immigrant to work a long time for wages before he can earn enough money to buy land, and turn himself into an independent peasant. The fund resulting from the sale of land [is used] … to import have-nothings from Europe into the colonies, and thus keep the wage labor market full for the capitalists. … This is the great secret of [Wakefield's] "systematic colonization." Karl Marx, [1887] (1992: 1104).

Marx's main point, that the colonial authority keeps the labor market "full for the capitalist", is similar to the main result of the Lucas and Wakefield models, that the colonial authority manipulates factor supplies to generate a monopsonistic discount in wages to be transferred to métropole investors in capital and land. Marx's also asserts that in the Wakefield system the “sufficient” price of land is set “to compel the immigrant to work a long time for wages before he can earn enough money to buy land.” In fact, “this ‘sufficient price of land’ is nothing but a euphemistic circumlocution for the ransom which the laborer pays to the capitalist for leave to retire from the wage-labor market to the land” (Marx, 1992: 1105). Emigrant workers thus suffer two forms of exploitation: They are paid a lower wage due to the colony’s explicit manipulation of labor supplies and, after several years of work, workers pay a price for land to the colonial authority that exceeds the colonial authority’s minimal costs of seizing the land from indigenous peoples and establishing registered, surveyed property rights in it.

To drive home his points about the Wakefield system, Marx provides a comparison between colonies with regulated and unregulated land and labor markets. In places where labor markets are mostly unregulated and public land is widely available for sale, such as the United States in the late eighteenth and first half of the nineteenth centuries, settlers quickly conclude that it does not pay to be a wage laborer on a farm and they decide to start their own farms using mostly family labor. Marx (1992: 1099-1101) argues that the “essence of a free colony” is “that the bulk of the soil is still public property” and this allows settlers to “turn part of it into his private property … without hindering the later settlers in the same operation.” In sum, “[t]he wage-worker of to-day is tomorrow an independent peasant, or artisan, working for himself. He vanishes from the labor-market, but not into the workhouse. This constant transformation of the wage-laborers into independent producers, who work for themselves instead of for capital, and enrich themselves instead of the capitalist gentry, reacts in its turn very perversely on the conditions of the labor-market.” In a free colony “the degree of exploitation of the wage laborer remain[s] indecently low” due to the potential for the laborer to be transformed into an independent producer. Essentially, Marx wanted to expose Wakefield's scheme as the best settler colonialism could produce and to also show that this was not good enough. Marx clearly favored a superior, egalitarian outcome much like that he saw evolving in the (still quite flawed) United States (Pappe, 1951).

V. Conclusion

The appeal of Wakefield's *systematic colonization* was grounded in its advocacy of colonization without the stain of slavery or convict labor in order to re-create England's moral and civil society in settler colonies. Wakefield's proposals for subsidizing the emigration of free labor to British colonies came during a period when anti-slavery advocates were gaining strength within Britain and the shipment of convicts to Australian colonies was coming under increased scrutiny. Wakefield opposed the use of slaves, convicts, or indentured labor in Britain's colonies yet also objected to the economic and social orders that emerged from free colonial land and labor markets. Our simple model of Wakefield's system clearly shows that despite the system's reliance on migration of free laborers, its viability depended on the manipulation of factor supplies to generate monopsony discounts in wage rates. Marx's earlier analysis of Wakefield's system came to the same conclusion, a rare example where Marxian and neoclassical analyses converge.

Wakefield's core ideas, that colonization could be achieved with voluntary emigration of free citizens and that this emigration could relieve social and economic strains within Britain, were not new. Rather, it was his emphasis on how colonization emigration schemes—and the colonies themselves—could be financially "self-supporting" that struck a responsive chord among intellectuals and politicians, as previous schemes, such as those of Under-Secretary for the Colonies Wilmot-Horton, required financial support from parishes. Such a self-supporting outcome did not come to fruition because the systematic colonization theory did not account for the potentially high costs of government administration required when establishing a colony. Nor did the sufficient price for land include a premium to cover the costs of conducting surveys that facilitated land sales. Wakefield himself argued at the establishment of South Australia, an enterprise he initially endorsed, that the sufficient price of land was set too low and, as a result, the experiment would fail (British Parliamentary Papers, 1841: 335-336; Hodder, 1898). These three oversights and several others led the Wakefield colonial experiment in South Australia into an economic and financial disaster just four years after settlement had begun. In 1841, the British government was ultimately forced to provide a large financial bailout and to end subsidized migration to the colony.

Nevertheless, in a serendipitous turn of events for South Australia the discovery of huge copper deposits in 1843/44 just north of the capital Adelaide provided a more durable bailout for the colony (Harris and La Croix, 2020). As the financial position of the colony's government improved, the British government began to once again allow subsidized emigration. Financed by the sales of lands perceived to have copper deposits, subsidized emigration of more than 18,000 workers from Britain to South Australia occurred between 1845 and 1850. Wakefield's systematic colonization did not achieve its intended results during its first act of initial settlement, yet performed better during its second act in providing a skilled labor supply for the new copper industry and ameliorating potential problems of Dutch Disease in South Australia's wool and wheat exports. In many ways, Wakefield's systematic colonization proved to be more successful in an already established colony than in a new colony burdened with the tasks of establishing new institutions and confronting unexpected problems.

References

Appleyard, R.T., Manford, T., 1979. The Beginning: European Discovery and Early Settlement of Swan River Western Australia. Nedlands, Western Australia: University of Western Australian Press.

Ballantyne, T., 2013. The Theory and Practice of Empire-Building: Edward Gibbon Wakefield and ‘systematic colonization.’ In: Aldrich, R., McKenzie, K. (Eds.). The Routledge History of Western Empires. London: Routledge.

Booth, J., 2004. Rethinking South Australia 1829-1841: Aspects of government and Empire. Ph.D. Thesis Social Sciences (Communication and Information Studies). University of South Australia.

British Parliamentary Papers, 1841. Appendix to the Second Report from the Select Committee on South Australia. House of Commons, Session 1, Paper 119.

Cameron, J.M.R., 1974. Information distortion in colonial promotion: the case of Swan River Colony. Australian Geographical Studies 12, 57-76.

Cameron, J.M.R., Jaggard, E.K.G. (Eds.), 1977. Western Australia Readings. Perth: Churchlands College.

Gourlay, R., 1822. Statistical account of Upper Canada compiled with a view to a grand system of emigration. 1966 Reprint. Yorkshire: S.R. Publishers Ltd.

Harrington, J., 2015. Edward Gibbon Wakefield, the liberal political subject and the settler state. Journal of Political Ideologies 20(3), 333-351.

Harris, E., La Croix, S., 2020. Australia’s Forgotten Copper Mining Boom: Understanding How South Australia Avoided Dutch Disease, 1843-1850. University of Hawaii Dept. of Economics Working Paper No. 20-12, June 2020.

Hatton, T. J., 2004. Emigration from the UK, 1870–1913 and 1950–1998. European Review of Economic History 8(2), 149–171.

Hodder, E., 1898. The Founding of South Australia: as recorded in the journals of Mr. Robert Gouger, first Colonial Secretary. London: Sampson Low, Marston, and Company. (Accessed 2 Sept. 2020) http://gutenberg.net.au/ebooks13/1306571h.html

Hutchinson, T.W., 1958. Robert Torrens and Classical Economics. Economic History Review 11 (2), 316-321.

Kittrell, E.R., 1965. The development of the theory of colonization in English classical political economy. Southern Economic Journal 31 (3), 189-206.

Kittrell, E.R., 1973. Wakefield's scheme of systematic colonization and classical economics. American Journal of Economics and Sociology 32 (1), 87-111.

Lloyd-Prichard, M.F., 1968. The collected works of Edward Gibbon Wakefield. Glasgow: Collins.

Lucas, R.E., Jr., 1990. Why Doesn't Capital Flow from Rich to Poor Countries? American Economic Review 80(2), 92-96.

Marx, K., 1998 (1867). Das Kapital: Kritik der Politischen Ökonomie [Capital: A Critique of Political Economy]. Vol. 1. F. Engels (Ed.). Trans. from the third German edition by S. Moore and E. Aveling. London: Electric Book Co.

Mills, R.C., 1974. The Colonization of Australia, 1829-1842: The Wakefield Experiment in Empire Building. Sydney: Sydney University Press.

Morgan, R.A., 2015. Salubrity and the survival of the Swan River Colony: health, climate and settlement in colonial Western Australia." In: A. Varnava (Ed.). Imperial Expectations and Realities. Cambridge: Cambridge University Press.

Murray, G., Stirling, J., 1831. Returns relative to the settlement on the Swan River. London: H.M.S.0.

Pappe, H.O., 1951. Wakefield and Marx. Economic History Review 4 (1), 88-97.

Piterberg, G., Veracini, L., 2015. Wakefield, Marx, and the world turned inside out. Journal of Global History 10 (3), 457-478.

Pope, A., 1988. Aboriginal Adaptation to Early Colonial Labour Markets: The South Australian Experience. Labour History 54 (May), 1-15.

Torrens, R., 1835. Colonization of South Australia. London: Longman, Rees, Orme, Brown, Green and Longman.

Wakefield, E.G., 2013 (1829a). A Letter From Sydney, The Principal Town Of Australasia. Ed. Robert Gouger. A Project Gutenberg of Australia eBook. eBook No.: 1306631h.html.

Wakefield, E.G., 1829b. Sketch of a proposal for colonizing Australasia, &c. &c. &c (Accessed July 20, 2020) http://nla.gov.au/nla.obj-52759924.

Wakefield, E.G., 1831. Facts Relating to The Punishment of Death in the Metropolis. London: J. Ridgway.

Wakefield, E.G., 1833. England and America: A comparison of the social and political state of both nations. London: R. Bentley.