

One Hundred Years From Today

J.A. Hobson. *Imperialism: A Study*. London: James Nisbet. 1902.

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In the 1870s the word 'imperialism', associated from 1852 with the policies of the second French Empire, came to be applied to the foreign policy of Disraeli, which was aimed at the formation, maintenance and expansion of empire. By 1902 it had come to call up an image including soldiers, sailors, imperial administrators, missionaries, jingoists, and heathen and barbaric natives. J.A. Hobson wrote *Imperialism: A Study* because he believed this image of imperialism left out its most important dimension, namely the economic. When Hobson first put forward this idea it was highly original, appearing earlier only in the writings of Karl Kautsky and of 'the Marxist philosopher and publicist Ernest Belfort Bax' (Porter 1968, p. 99), in the Social-Democratic Federation journal, *Justice*, from 1896 on.

Born in 1858 in Derby, John Atkinson Hobson published his first book in 1889. This was *The Physiology of Industry*, jointly written with businessman and mountaineer, A.F. Mummery, an exposition of the heretical underconsumption theory, according to which economic depressions are caused by too small a proportion of a country's output being consumed. There followed, during what I have termed the 'innovative period' of Hobson's life (1887-1902), the publication of a large number of books and articles on quite a variety of subjects. The most relevant of these in the present context is 'Free trade and foreign policy', which appeared in the *Contemporary Review* in 1898. The theory of imperialism set out in this article has been summarised as follows:

Territorial annexation is costly. This expenditure cannot be explained by trade, as empirical evidence shows trade does not 'follow the flag'. But it can be explained by a need for an outlet for capital, a need caused by underconsumption. (Schneider 1996, p. 97)

Hobson's 1898 article not only foreshadowed the key elements of the book he was to publish four years later, but also led to his being sent to South Africa to report to the *Manchester Guardian* on the escalating conflict between the British settlers and the Dutch, climaxing in the so-called Boer War of 1899-1902.

The central argument of *Imperialism* is to be found in the following passage:

... to a larger extent every year Great Britain has been becoming a nation living on tribute from abroad, and the classes who enjoy this tribute have an ever-increasing incentive to employ the public policy, the public purse, and the public force to extend the field of their private investments, and to safeguard and improve their existing investments. (Hobson 1902, p. 60)

In defending his claim that expansion of the British Empire had been principally driven by a benefiting pressure group comprising only investors and financiers, Hobson cited figures showing that, while the proportion of British trade conducted within the empire seemed to be too small to justify the costs entailed by maintenance and expansion of the empire, during the period of imperialist

expansion after 1870 British investment overseas had increased enormously, resulting by 1899 in income from foreign investments amounting to something of the order of £120 million, an amount we now know accounted for as much as six per cent of national income at that time.

Hobson did not confine his attention to British imperialism. He argued that 'what is true of Great Britain is true likewise of France, Germany, the United States, and of all countries in which modern capitalism has placed large surplus savings in the hands of a plutocracy or of a thrifty middle class' (1902, pp. 60-1), savings which found an outlet in foreign investment. He explicitly associated modern capitalism's 'plutocracy' with oligopolies in the form of 'trusts' or 'combines'.

Foreign investment is of course a means of enabling the rest of the world to buy more than it sells, thereby relieving a domestic underconsumption problem. But following a precedent set in his 1898 article, in *Imperialism: A Study*, Hobson highlighted alternative remedies involving redistribution of income. He argued that social reformers could deal with the problem of underconsumption either through a redistribution of income from rent and profits to wages, an implicit assumption here being that the marginal propensity to consume out of wages is higher than that out of rent or profits, or through an increase in government taxation and expenditure.

While maintaining that underconsumption is the 'economic condition of affairs that forms the taproot of Imperialism' (1938, p. 81), in *Imperialism: A Study* Hobson nonetheless fully acknowledged 'the part which the non-economic factors of patriotism, adventure, military enterprise, political ambition, and philanthropy play in imperial expansion' (1902, p. 66). Before the end of the Boer War he had in fact already published a book entitled *The Psychology of Jingoism*.

Imperialism: A Study dealt not only with the causes of imperialism but also with its consequences for those who lose the ownership of their land. Hobson realistically argued that in annexed territories resources would be allocated not in accordance with the needs of the local population, but so as to maximise the profits of imperialist investors. While nonetheless supportive of the idea that economic development should take place in these territories, he advocated development only at a pace determined by the local inhabitants, and only under international supervision.

Imperialism: A Study's 'immediate impact was small and its reception mixed' (Townshend 1988, p. 32). Those who welcomed it included 'Little Englanders' such as Campbell-Bannerman, opposed to the Boer War, and socialists of various persuasions such as H.N. Brailsford, Leonard Woolf and John Strachey. However, its ultimate influence was great. Hobson himself was a liberal in outlook, although in later life he became increasingly sympathetic with the collectivist ideas espoused by the Labour Party. He was in no sense a disciple of Marx, being more influenced by the optimistic views of Richard Cobden, the mid-nineteenth-century advocate of international free trade and dismantling of empire, though setting a new course by combining these with the pessimistic views of an underconsumptionist. However, Hobson's explanation of capitalist imperialism in economic terms had an obvious attraction for followers of Marx's ideas, and within fifteen years of the publication of Hobson's book Marxist theories of imperialism were expounded by Hilferding, Bauer, Rosa Luxemburg, Kautsky, Bukharin and Lenin. While the reception of these theories was also mixed, their immediate impact was substantial. Hobson's influence was acknowledged by Luxemburg, Kautsky and Lenin, and possibly should have been by the remainder. Thus ultimately '[w]hat Hobson had

done was to define imperialism so that henceforth most users of the term would, willy-nilly, be talking about economic imperialism' (Siegelman 1965, p. xiii).

Hobson's theory was implicitly challenged by Norman Angell, whose *The Great Illusion* (1911) expounded the thesis that capitalism is a force for world peace, though surprisingly, while citing Hobson's *The Psychology of Jingoism*, Angell did not even mention *Imperialism: A Study*. A defender of Hobson's view that capitalism may lead to warfare, however, appeared in the person of Rosa Luxemburg. Like Hobson, an underconsumptionist, in *The Accumulation of Capital* (1913) Rosa Luxemburg anticipated Lenin in arguing that continual expansion of empires leads eventually to exhaustion of unoccupied territory and inevitable conflict between imperial powers.

Some later challenges to the argument in *Imperialism: A Study* took the form of questioning its empirical basis. In particular, a number of critics pointed out that it seems not to have occurred to Hobson that foreign investment no more 'followed the flag' than did trade, in spite of the fact that in *Imperialism: A Study* Hobson himself cited figures suggesting that British 'colonial' loans and railway investments amounted to little more than half the sum of foreign loans plus railway investments in the USA. (1902, p. 62), and that in *An Economic Interpretation of Investment* (1911) he referred to an article by George Paish published in the same year demonstrating that capital exported by Britain from 1870 went mainly to foreign countries or to Dominions where Britain was relinquishing rather than strengthening control.

A second edition of *Imperialism: A Study* appeared in 1905, but the changes were all minor (for details see Townshend 1988, p. 382). However, the 1938 third edition, though not 'entirely revised and reset' as claimed by the publisher, was not only supplemented with fifteen tables of up-to-date figures, but also included a completely new introduction of some twenty pages. In the 1938 Introduction Hobson attempted to relate his theory to the then contemporary world scene, and also claimed that while recent events suggested political factors play an independent part they on the other hand provided further evidence supporting his 1902 thesis that the taproot of imperialism is economic, or more specifically, underconsumption, which Hobson saw as the cause of the Great Depression of the 1930s. While the underconsumption theory never became part of mainstream economics, Hobson's version of it was singled out by Keynes in the *General Theory* as in part anticipating his own aggregate-demand-deficiency theory, which in turn could equally well be used as the basis of an explanation of imperialism in terms of economic factors.

Fourth, fifth, sixth and seventh impressions of *Imperialism: A Study* were published in 1948, 1954, 1961 and 1968 respectively, and another was published in the United States in 1965. This edition is still in print. In 1968 Stanley Unwin added a Publisher's Note, commenting with respect to the English impressions '[e]ach time I ignored the advice to refrain from reprinting not merely because there was a steady demand for the book, but because no other work had quite taken its place' (1968, p. v). He made no reference, however, to the fact that all of these impressions omitted the 1938 Introduction; one can only guess he (wrongly) assumed that it had merely contemporary relevance. This omission was made good in the 1988 edition (now out of print), which was also enhanced by a perceptive Introduction by Jules Townshend. A Czech translation was published in 1962, and an Italian translation in 1974.

What is the relevance of *Imperialism: A Study* today? The empires which Hobson sought to explain began to break up after the First World War. After the Second World War they disintegrated completely, leading to the coining of the term 'neo-imperialism' to describe the continuing economic dominance of now-politically-independent nations by the old imperial powers. One hundred years on, however, the reality of world affairs would seem to be better described by 'transnationalism', to coin a term; it is no longer governments which rule the world, but companies whose activities transcend national boundaries. A transnational expects local governments to give it every assistance in its pursuit of rents and profits, whether or not this is at the expense of the local population. In particular, while a transnational does not expect its home country government to acquire a territory in which the transnational's activities are being hampered by the locals, it does expect it under these circumstances to put pressure on the local government, to the point of forcing it out of office where necessary.

A common thread runs through these developments. While imperialism in the sense of political expansion is no longer with us, it remains true that the taproot of world affairs is economic. Thus *Imperialism: A Study* conveyed a message which is still relevant today.

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