

**Obituary**  
**G. D. H. Cole**  
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**J. A. HOBSON (1858–1940)**

JOHN ATKINSON HOBSON died on April 1, 1940, at his home in Hampstead, in his eighty-second year. He was born at Derby on July 6, 1858, and educated at Derby Grammar School and at Lincoln College, Oxford, with a classical scholarship. At Oxford he was influenced by T. H. Green, but seems to have received no other deep impressions from his teachers. After helping his father for a time in editorial work on a Derby newspaper he began his career as a schoolmaster, teaching classics first at Faversham and then at Exeter from 1880 to 1887. But school-teaching did not suit the bent of his mind; and in 1887 he renounced it in favour of extension lecturing under Oxford and London Universities. This was much more congenial work, and Hobson continued in it regularly until 1897. By then he had not only published several notable books, but also established his reputation as a journalist on the advanced Liberal side in politics. From 1897 onwards he devoted himself exclusively to writing, and became closely associated with *The Speaker* and its successor, *The Nation*, and, in daily journalism, with *The Manchester Guardian* under C. P. Scott.

In youth, Hobson suffered from frail health, and from a slight impediment of speech which made him nervous in public. Throughout his life he had to take care of his health; but he never allowed his physical weakness to get the better of him, though it doubtless prevented him from taking an active part

in politics, except as a writer. Five years after his graduation he married Florence Edgar, of New York. They had one son—Harold Hobson, now general manager of the Central Electricity Board and a distinguished engineer—and a daughter, who married Edward Scott, son of C. P. Scott, his close personal friend. He thus worked closely with the group of Radical thinkers and writers who, during and after the South African War, gathered round C. P. Scott, J. L. Hammond, H. W. Massingham, and L. T. Hobhouse.

In the field of philosophy and general social theory, Hobhouse was the leader of this group; and his friendship with Hobson was very close, long-continued, and combined with a close similarity of intellectual approach. Hobson, Hobhouse, Lowes Dickinson, Massingham, Hammond, Brailsford, Nevinson and the rest of this remarkable body of Liberal thinkers were, in their fundamental outlook, rationalists and humanists. They found in the exercise of the human reason a sufficient basis for a rigorous code of ethical and social conduct; and they set out to unify the various branches of the social arts and sciences by subjecting them all to the rule of a broad humanism that owed much on the one hand to Bentham as interpreted by John Stuart Mill and on the other to John Ruskin's conception of the true nature of wealth as expressed only in the quality of human life.

Hobson's own approach to the problems of society was at the outset mainly economic, whereas Hobhouse approached them from the angle of philosophy, and most of the others from a primarily political angle. But Hobson was never mainly an economist in any narrow sense of the term. Economic theories interested him only in direct relation to economic practice. He became an economist because he was already a social reformer, seeking a solution to the problem of poverty; and when he had become an economist in this way it became imperative for him to fit his economics into the wider structure of his Liberal philosophy. His economic writings, which had begun as a criticism of contemporary economic orthodoxy from the standpoint of the social reformer, became increasingly sociological and broader in their sweep, as he attempted to give them a humanistic foundation and to stress more decisively the impossibility of isolating economic factors from other factors relevant to the promotion of social welfare.

Hobson's economic ideas were from the first, in the tradition of Ruskin, ethical and normative. Denying that economic analysis could in any case lead by itself to prescriptions of conduct,

and stressing the importance of non-economic factors in justifying one policy as against another, he at the same time strongly asserted that, in the economic field, social welfare must be regarded as the object to be pursued, as distinct from the mere accumulation of "values" in a sense which involved, without further question, identifying "values" with objects of effective demand. He was never prepared to take a scale of consumers' preferences weighted in accordance with the actual distribution of incomes as a criterion of "value," by which he meant welfare. From the first he attacked vehemently the notion that the existing structure of consumers' demand could be taken by the economist as a datum, on the ground that it was determined by economic law. He believed that the distribution of incomes as he saw it was profoundly unjust, and was the outcome of nothing more respectable than a tug of war between contending forces under conditions which gave nearly all the institutional advantages to the rich against the poor. He believed that it should be the purpose of economics, in conjunction with the other social sciences, to find out ways of improving the distribution of incomes so as to increase the general welfare; and his entire criticism of his fellow-economists and of the economic system itself was made from this normative standpoint.

Rejection of effective demand as a measure of "value" involved for Hobson a consequential rejection of most of the economic doctrines in which he had been brought up. It led him to a frontal attack on current beliefs about the laws regulating the distribution of wealth and incomes. He set out to formulate an alternative theory of distribution, in which he drew a sharp distinction between true "costs" and elements of "surplus" resulting, even though they were disguised as costs, from the superior institutional pulls of particular economic groups or classes. This amended theory was first fully set out in his *Economics of Distribution* (1900), which, being published only in the United States, unfortunately failed to command any attention in Great Britain, and still remains unread by most of Hobson's English critics.

From the year 1897, when Hobson gave up regular extension lecturing, he held no sort of academic post. He was, in fact, to the end almost ignored by most academic economists, or dismissed with a superficial refutation of his most familiar doctrine—that of "under-consumption." Mr. J. M. Keynes, in his *General Theory*, paid belated tribute to his work in this particular field; but the greater part of his doctrines has gone unrecognised

and for the most part unanswered. Hobson himself, in his *Confessions of an Economic Heretic* (1938), gave an admirably modest and good-humoured account of this extraordinary neglect, tracing it quite correctly to its sources. He had begun, in his earliest writings on economics, by challenging what was in those days the most sacred and inviolable of all economic dogmas—the virtue of thrift, or saving, as an instrument of economic progress without limit to its beneficent use. From this first sin he went on, in his later writings, to challenge, from a sociological standpoint, the validity not merely of the general body of conclusions built up by the orthodox economists, but also of their methods of arriving at them—an even deadlier sin, because it is much easier for a scholar to alter his conclusions than to amend his technique.

These “heresies” caused Hobson, throughout his life, to be widely regarded among economists much as Trade Unionists regard a blackleg, or at best as a mere crank. At an early stage in his career, the publication of his “over-saving” heresy led to a prohibition on his lecturing on economic subjects in London University Extension Courses. The Charity Organisation Society, another haunt of orthodoxy in which the virtue of thrift was specially extolled, cancelled an invitation to him to deliver a course of economic lectures under its auspices. He found himself ostracised by the older generation of economists, who believed that, for all classes and for all societies, the accumulation of capital by means of thrift was the one and only road to economic salvation. I myself can well remember, from my undergraduate days, the vindictiveness with which I heard Hobson’s subversive notions assailed—with the natural consequence that I began reading his books with a strong predisposition in their favour.

Later on—after 1918—when the unquestioning belief in saving as an instrument of progress was already much less general, Hobson’s lack of favour among his fellow-economists came to rest on somewhat different foundations. They were struggling hard, in a world which seemed to have forsaken all economic principles of conduct, to restore the prestige of orthodox economic theory by re-stating it in terms of the new problems of the post-war world without re-casting it in any fundamental way. But Hobson, so far from helping them, seemed to them to be playing the part of the traitor within the gate. Just when they were attempting to show that economics must be attended to, because its coldly objective and scientific analysis, free from all ethical

entanglements, offered the only way of escape from the political confusions of the time, Hobson was proclaiming more decisively than ever the ethical and qualitative requirements of sound economic judgment. They accused him of destroying economics by muddling it up with other things : he retorted upon them, in the Ruskinian phrase, "there is no wealth but life."

Hobson wrote in 1938 "Looking back, I do not now regret this exclusion from orthodox economic circles. For the mixed life of lecturing, controversial politics and journalism to which I was driven, though in some ways damaging to orderly thinking, had compensations that were very valuable." It had, indeed ; for it enabled him to keep throughout his life outside the academic rut. He had not to teach what he knew that pupils in examinations would have to answer. He was left free to pursue his own humanistic method, instead of spending his time on economic acrostics or becoming involved in a pseudo-mathematical technique which was persistently dragging his fellow-economists away from real problems to "problems" of barren theoretical elegance.

Hobson, in effect, was never a "professional economist." He was a humanist whose chief interest and specialisation were in the economic field. There was even something rather accidental about his becoming an economic theorist at all ; for his remarkable first book, *The Physiology of Industry* (1889), was the outcome of a controversy with his co-author, A. F. Mummery, business man and Alpine climber ; and in this controversy Hobson at first upheld unquestioningly the orthodox view about saving. It was Mummery who first suggested to Hobson the "over-saving" or "under-consumption" thesis which led to a complete re-casting of his economic opinions. Mummery converted Hobson ; and the conversion led to the book which they wrote together, and thereafter to the long series of volumes in which Hobson alone worked out, over an ever-widening field, the social implications of the great discovery. For, the breach in the orthodox line once made, it became a relatively simple matter to widen it by bringing history and sociology in through the gap.

This first statement of the "over-saving" thesis was in many respects crude. But in it Hobson and Mummery came very near to stating correctly, not merely their "over-saving" thesis, but also the distinction between attempted and real saving—that is, between mere abstention from consuming, and the fruitful investment of the sums thus reserved from the market for consumers' goods. It was a real misfortune that Hobson, in his

subsequent writings, failed to stress, or even clearly to state, this distinction; for this failure was largely the cause of the persistent misunderstanding of his essential ideas.

Before developing his "over-saving" thesis further Hobson set to work upon an intensive historical study of the economic system in which he believed himself to have discovered the radical fault. The outcome of these studies was his *Evolution of Modern Capitalism* (1894), which remains to-day, after many revisions, the best general study of the stages of capitalist growth. From this he came back to an attempt to relate his original thesis to the problem of contemporary unemployment. In 1896 he published *The Problem of the Unemployed*; and two years later, in *John Ruskin, Social Reformer*, he advanced a step further towards the formulation of his humanistic conception of the functions of economics.

At this point, the outbreak of the South African War diverted Hobson's attention to the problems of imperialism, which connected themselves closely in his mind with his studies of the development of capitalism to a stage involving intense rivalries between the leading capitalist countries for the power to exploit the less developed areas. He wrote *The War in South Africa* (1900) and *The Psychology of Jingoism* (1901) as immediate responses to the new situation; but his *Imperialism* (1902) went much deeper, and related his study of imperialist policies both to his interpretation of the phases of capitalist growth and to his theory of under-consumption—for Imperialism appeared to him as the capitalist way of escape from the limitations of a home market glutted with products which the underpaid home consumers could not afford to buy. *Imperialism* was a remarkable book: largely neglected at the time of its appearance, it became a classic when the truth of its diagnosis had been verified by the events of the ensuing decades.

Having thus completed the historical background, Hobson turned back to a more thorough diagnosis of the defects of the industrial system of his own day. In 1909 he published *The Industrial System*, the most systematic exposition of his essential doctrine of under-consumption. This was the book which drew upon him the concentrated criticism of the orthodox. Its argument was, broadly, that the excessively unequal distribution of incomes under the profit system made the capitalist order of production inherently restrictive and unstable, and led to a rate of saving which could be sustained only if surplus capital could be invested on an ever-increasing scale in the less developed

parts of the world, and must, if this process were in any way interrupted, lead to crisis in the more advanced countries.

Hobson, both in this book and elsewhere, failed to draw the distinction between the proportion of money incomes which the recipients attempted to save and the amount of net investment in capital goods actually resulting from these savings. He thus laid himself open to criticism from those who, assuming equality between attempted savings and actual investment, denied the possibility of disequilibrium arising from "over-saving" or its correlative, "under-consumption." But his essential contention was sound, as economists are now beginning to admit; for he stressed correctly the dependence of remunerative investment on the size of the market for consumers' goods, and denied that saving would of itself bring about a fall in the prices of consumers' goods sufficient to make a corresponding amount of new investment remunerative; and he also correctly pointed out the depressing influence on investment of a fall in consumers' demand. His explanation of the trade cycle was no doubt over-simplified; but he put his finger on the essential weakness of the modern capitalist system—its tendency to make restriction remunerative on account of the limited market for consumers' goods—which depended in its turn on the gross inequalities in the distribution of incomes.

*The Industrial System* drew down on Hobson the full fury of orthodox criticism. He returned to the charge in *The Economic Interpretation of Investment* (1911) and in the popular version of his doctrines included in the Home University Library in the same year, under the title *The Science of Wealth*. Thereafter, in the strictly economic field, he added little that was new, except a re-statement of the theory of taxation in the light of his concept of "cost" and "surplus," published in 1919 under the title, *Taxation in the New State*. During the Great War he was associated closely with the Union of Democratic Control, of which he was still President at the time of his death. He wrote extensively about the political and economic problems of reconstruction, and incidentally contributed to *The Nation*, under the pseudonym "Lucian," a series of exceedingly witty dialogues directed against the advocates of a fight to the bitter end. These appeared in volume form towards the end of the war, under the title 1920. *By Lucian*.

Up to 1914 Hobson had been a Liberal. From 1918 onwards he was associated with the Labour Party, as a moderate, evolutionary Socialist hoping for a peaceful transition from capitalism

to a not too bureaucratic form of Socialism. His revised views were set out in *Incentives in the New Industrial Order* (1922), *From Capitalism to Socialism* (1932), and *Property and Improperly* (1937)—the last of his important economic writings. But in the years after 1918 he was occupied chiefly in working out the wider sociological implications of his economic doctrines. These were stated chiefly in his *Freethought in the Social Sciences* (1926)—his final criticism of the orthodox economic approach—and *Wealth and Life: a Study in Values* (1929), which is the most complete account of his general outlook. He also returned to the charge by re-stating his under-consumption thesis in direct relation to the post-war unemployment problem in his *Economics of Unemployment* (1922); and he wrote a number of smaller books on economic and humanist problems, including a new volume of witty dialogue, *The Recording Angel: a Report from Earth* (1932), and an excellent study of *Thorstein Veblen* (1936)—a writer with whose methods and conclusions he had much in common, especially in his later works.

Hobson was a prolific writer, who re-stated his conclusions in many books, with differing emphasis according to the particular situations with which he was from time to time concerned. As economist, however, he maintained throughout an essentially consistent attitude. He believed that he had shown conclusively the incompatibility between economic stability and the grossly unequal, and in his eyes unjust, distribution of wealth in modern capitalist societies. He maintained, from his first volume to his last, that grossly unequal distribution led necessarily to "over-saving," or to "under-consumption," which is the same thing regarded from the standpoint of the consumer. It seemed to him plain, from the facts of capitalist history, that the propensity to save largely out of large incomes was bound to lead to a redundancy of means of production in relation of consumers' buying, and that only an ever-expanding process of foreign investment could prevent crisis in the presence of restricted consumers' demand. He did not, at any rate until his latest writings, see clearly the difference between attempted private savings and actual net investment; and his failure to make the distinction plain exposed him to criticisms which only appeared to strike at the roots of his theory. It is his merit to have challenged effectively the *théorie des débouchées* which had so long dominated economic thought, and made it seem impossible that there could arise a real disequilibrium between costs and the incomes available for the purchase of the current output of industry.



His ways of stating his criticism of this theory were often open to serious objection; but who will deny to-day that there was substance in the alternative theory which he consistently maintained?

Personally, Hobson was a man of great charm, with a strong sense of humour that found all too little expression in most of his writings. He was kindly beyond measure, and a most entertaining talker; but above all else he was a man of inflexible principle, to whose lot it fell, while sustaining one unpopular cause after another, to miss the recognition which he would have valued from his fellow-workers in the fields of economics and the social sciences as a whole. But with all this, no one was ever less like a disappointed man. Hobson went on cheerfully saying what he believed, whether anyone liked it or not, and whether what he said was attended to or simply ignored. He was very modest, and very generous to those who came to him for encouragement or advice. And, at long last, the economists of to-day are coming to understand that there is much more in his heterodox notions than they were at all ready to believe until the plain facts which verified his arguments had for some time been staring them in the face.

G. D. H. COLE

#### LIST OF J. A. HOBSON'S MORE IMPORTANT WRITINGS

1889. *The Physiology of Industry* (with A. F. Mummery).  
 1891. *Problems of Poverty : an Inquiry into the Industrial Condition of the Poor.*  
 1894. *The Evolution of Modern Capitalism.*  
 1896. *The Problem of the Unemployed.*  
 1898. *John Ruskin, Social Reformer.*  
 1900. *The War in South Africa, Its Causes and Effects.*  
*The Economics of Distribution.*  
 1901. *The Psychology of Jingoism.*  
*The Social Problem : Life and Work.*  
 1902. *Imperialism : a Study.*  
 1904. *International Trade : an Application of Economic Theory.*  
 1906. *Canada To-day.*  
 1909. *The Industrial System : an Inquiry into Earned and Unearned Income.*  
*The Crisis of Liberalism : New Issues of Democracy.*  
 1911. *The Science of Wealth.*  
*The Economic Interpretation of Investment.*

1913. *Gold, Prices and Wages, with an Examination of the Quantity Theory.*
1914. *Work and Wealth : a Human Valuation.*
1915. *Towards International Government.*
1916. *The New Protectionism.*
1917. *Democracy after the War.*  
*The Fight for Democracy.*
1918. *Richard Cobden, the International Man.*  
*1920. By Lucian.*
1919. *Taxation in the New State.*
1921. *Problems of a New World.*  
*The Economics of Reparation.*
1922. *Incentives in the New Industrial Order.*  
*The Economics of Unemployment.*
1926. *Freethought in the Social Sciences.*  
*Notes on Law and Order.*
1927. *The Conditions of Industrial Peace.*
1929. *Wealth and Life : a Study in Values.*
1930. *Rationalisation and Unemployment.*
1931. *God and Mammon : the Relation of Religion and Economics.*  
*Poverty in Plenty : the Ethics of Income.*
1932. *The Recording Angel : a Report from Earth.*  
*From Capitalism to Socialism.*
1933. *Rationalism and Humanism.*
1934. *Democracy and a Changing Civilisation.*
1936. *Thorstein Veblen (Modern Sociologists).*
1937. *Property and Improperly.*
1938. *Confessions of an Economic Heretic.*