REAPPRAISING J.A. HOBSON

Humanism & Welfare

Edited by

MICHAEL FREEDEN

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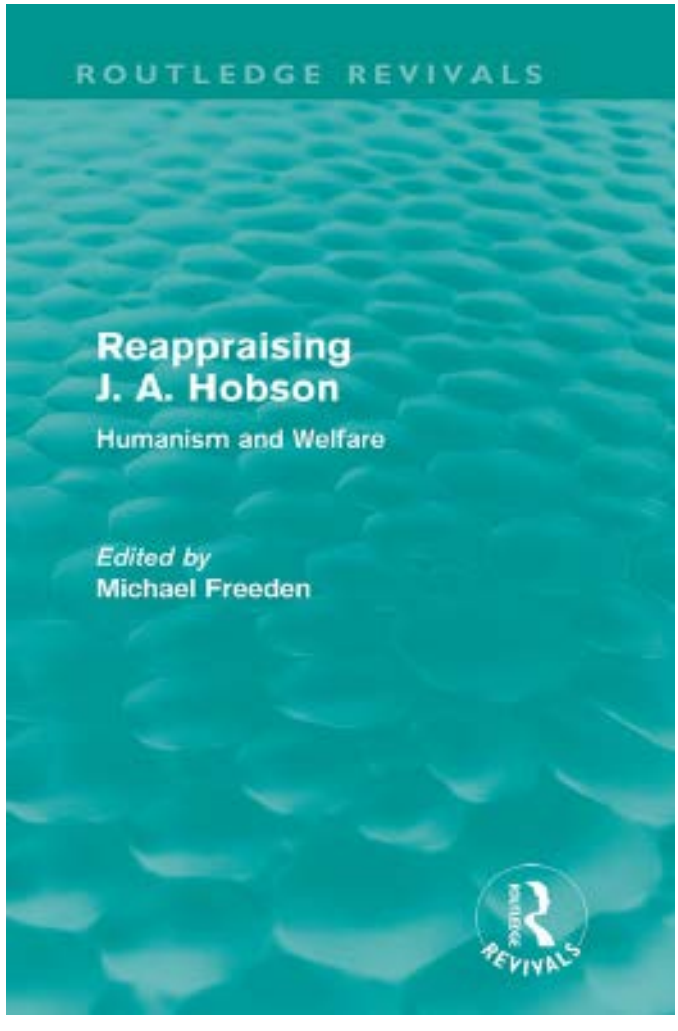
MICHAEL FREEDEN
Mansfield College, Oxford

London
UNWIN HYMAN
Boston Sydney Wellington

1990



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1
Introduction

MICHAEL FREEDEN

‘Humanism is the best word for expressing the attitude of J.A. Hobson and the spirit which animated his work’, wrote his good friend Cecil Delisle Burns when John Atkinson Hobson died in 1940. Yet, as Burns went on to observe, this was not the humanism of the learned scholar delving into past works and bygone traditions.[1] Indeed, though Hobson was the product of an Oxford education, inclination and circumstances conspired to exclude him from the potential bookishness of an academic world that refused him entry at an early stage of his career. In many ways, then, Hobson was an autodidact like his early inspirer and Derby fellow-townsman, Herbert Spencer. A relentless curiosity, a wide range of interests and a life of journalism combined to propel Hobson into areas that universities would not have opened up for him: an ethical critique of political economy, a reformulation of liberal ideology, a holistic view of the pursuit of social knowledge. When Hobson described himself as an economic heretic,[2] he was both indicating his departure from the orthodox canons of economics as practised at the end of the nineteenth century, and reflecting a pervading—if non-intrusive—resentment over his persistent rejection by the appointed guardians of secular knowledge.

The publication of this collection of essays is part of a recent process of rectifying that intellectual injustice, of reinstating that self-proclaimed heretic in his rightful place as a major originator of British welfare thought, a progressive thinker whose influence in a variety of fields has only been properly identified’ over the past twenty years.[3] If it was ‘characteristic of Hobson that he did not know how great his own influence was’, [4] it has far too long been the case that others have shared in that ignorance. Not that Hobson remained unknown either during his life or after his death. His place in history was assured early on as a trenchant critic of imperialism, and historians of empire have kept his reputation alive ever since the publication of *Imperialism: A Study* in 1902.[5] His role as economic theorist—in particular as a vigorous articulator of underconsumptionist notions—is more difficult to assess, since social thinkers and reformers were on the whole more impressed with his views than were professional economists, not the least Keynes, whose famous acknowledgement in *The General Theory* of Hobson’s trail-blazing was hedged with disclaimers about the latter’s insights and analytical accuracy, as Peter Clarke shows in Chapter 6. Nevertheless, it was as an underconsumptionist and as a questioner of economic ends and methods that Hobson managed to maintain a minor reputation among connoisseurs of the history of economic ideas, and even a contemporary detractor could comment that ‘whether we agree with him or not…we must agree that no one can read his book without being impressed by the care with which he has collected and examined his material, and the patience, independence, and subtlety with which he has formed his conclusions’.[6]

This volume is intended to demonstrate, however, that Hobson’s claim to distinction is now perceived as based on firmer and more extensive ground, that his work was part of a

broader and interrelated—or, as he would have it, organic—concern with social, political, economic and ethical issues, and that a reappraisal of the impact of his writings in those areas must confirm the belated recognition of his continuous, if often unacknowledged, role as a social theorist of consequence. The essays assembled here are meant to attest both to Hobson's unusual range and, conversely, to the strong links among the diverse component parts of his thinking. The book is not designed to be a comprehensive overview of Hobson's entire opus, but a balanced sample of the areas he helped to shed light on. The reward of such a collection must be in any stimulation it can offer to further investigations of Hobson's variegated and partially still unexplored output, as well as the political and advisory roles he played in different progressive forums, and his interesting North American ties and views.

Why has so much of Hobson's work been overlooked until very recently? In a society not overly interested in the intellectual history of its beliefs, the relative neglect of Hobson is hardly surprising. In a society that has also customarily disavowed the existence of clearly structured ideological principles in the sphere of practical politics, Hobson's contribution is likely to have been disregarded entirely. Finally, in a society unwilling to accord scholarly consideration to the worlds of journalism and literary popularization, that neglect seeks active justification. This last point relates to the power of the British establishment during Hobson's formative period to dictate intellectual fashions, to rule in and rule out the ideas that may lay claim to legitimacy and importance. For all these reasons, Hobson's rediscovery has had to await a change in academic fashion: the emergence of new perspectives on the study of intellectual history, which identify as equally valuable and instructive, even influential, sources not endowed with the status of great books; which examine a range of activities and pronouncements of thinkers, and their social milieu, as integral to the process of constructing their intellectual world and as affording vital information for the study of the history of ideas. The result is a renewed interest in the tracing of wider patterns of social thought, in the function of the pivotal middlemen who disseminated those fundamental beliefs, and in the intellectual and group contexts that nourished them.

Fortified with this new understanding, Hobson's reputation on the fiftieth anniversary of his death is higher than ever; higher even than among the small coteries of friends, admirers and like-minded social critics who during his life accorded him insulated though much-needed esteem. Hobson is worth examining precisely because he is no longer merely the writer of a particular book, or the precursor of a particular theory, but a focal point for the unravelling of an idea-set, for the decoding of the prevalent assumptions, beliefs and purposes of an unusually active and vibrant generation of individuals dedicated to social and political reform, as well as one that established frames of reference and thought-practices of significant import to modern Britain.[7] His depth and range are still far from having been tapped—although, as these essays demonstrate, much has been gleaned about the man and his times from close perusal of his voluminous output. Nor is the story necessarily that of a shining intellect in radical armour. Inventive and perceptive though he was, Hobson was also guilty of carelessness, repetition and analytical errors. His originality lay in the freshness and scope of his ideas, rather than in their meticulous presentation or logical sharpness, and his illiberal lapses from a reformist humanism were more than accidental.[8]

Perhaps Hobson was fortunate to escape by default the constraining embrace of an academic career. His early years were put to inadvertently productive use when, as a teacher for the extension movement, he was forced to broaden his vistas in a manner that fructified his later writings. Indeed, it has now become clear how extraordinarily fecund a decade were the 1890s (more precisely, the period 1889–1902) for Hobson's future development. That much of this had to do with economics is ironic in view of the fact that to this very day economists have never been more than lukewarm towards him. In 1889 Hobson gained more notoriety than acclaim through the joint publication of *The Physiology of Industry* with A.F.

Mummery.[9] The scope of Mummery's influence on him, graciously alluded to by Hobson, remains as yet an intractable puzzle, though the scanty evidence that exists in Hobson's own hand suggests that Mummery engaged in 'an incessant controversy' for nearly two years to convince Hobson of the validity of his underconsumptionist argument.[10] As Clarke notes in Chapter 6, Keynes clearly thought that Mummery was possessed of the sharper economic acumen, and this certainly seems to have been the case in the analysis of demand and saving. Roger Backhouse, too, observes in Chapter 7 that one of the most original of Hobson's economic positions—his discussion of the optimal savings ratio between capital investment and output growth (the acceleration principle)—may just as well have been developed by Mummery. On the assumption that the guiding hand may have been Hobson's, however, Backhouse argues that it is not in the area of Keynes's chief interests that Hobson's main achievements as an economist lie.

On the evidence presented in this volume, the case for Hobson's importance as an economist is hence ambiguous. From the perspective of the justified stringencies of economic science, Hobson's dismissal or ignorance of the role of interest and of monetary economics, his confusion between saving and investment, are difficult to countenance. But there are some mitigating factors. In view of the fact that Hobson was neither a trained nor a full-time professional economist his achievements were remarkable. In fact, as both Clarke and Backhouse convincingly illustrate, Hobson pulled off a noteworthy string of 'near-misses', while all along pushing an underconsumptionism that deserved to be treated seriously as a pre-Keynesian product and that plausibly buttressed many of his non-economic theories. Moreover, the nature of the Hobsonian enterprise was different from the one that economists were and are expected to pursue. His ultimate guiding framework was extra-economic, ethical and organic, concerned with the quality of human production and consumption and with the generation of non-quantifiable human welfare. Indeed, Clarke draws attention to the distinction between individual and aggregate behaviour that Keynes may have absorbed from Hobson; but this, in turn, was simply the reflection in economics of Hobson's social theory of organicism and of his strong aversion to egoistic individual behaviour. As G.D.H. Cole pointed out, 'Hobson was never mainly an economist in any narrow sense of the term… 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'.[11] All this may make his economics of greater value to economic historians than economists: an economics defective on its own yet not unintelligent, an indirect spur to future theorizing and—last but not least—providing a framework within which to contain the values and predilections Hobson wished to promote, a framework most fully expressed in his adherence to free trade.

No matter how interventionist the new liberals—of whom Hobson was a prominent spokesman—were prepared to be in matters of domestic politics, in international relations, as Bernard Porter points out in Chapter 9, the Cobdenite ideal of self-generated harmony still directed Hobson's political aspirations. It was, however, his radical analysis of imperialism that enabled Hobson to produce a more sophisticated interpretation of the nature of foreign politics than the one adopted by Cobden's disciples. Hobson's examination of imperialism was inextricably bound up with his critique of underconsumption and with his condemnation of the unethicality of the public behaviour of the worlds of finance, business, the military and —at the end of the causal sequence—government. That in turn led to a questioning of human rationality in the international as well as in the domestic sphere. Peter Cain, in his enquiry into the aftermath of *Imperialism: A Study* (Chapter 3), shows the internal tensions these developments caused in Hobson's thinking.[12] Whereas before the First World War Hobson had occasionally expressed confidence in the benefits of the unregulated international economy, referring to 'the mode of peaceful penetration by appeal to the mutual interests

which trade generates' as desirable on economic and moral grounds and protected by a judicious officialdom, [13] the experience of the war and the interwar years strengthened his belief in the merits of international government. Hobson returned to one of his major themes: the sectionalism and private interests (generic or acquired) of the wielders of economic and political power had deleterious consequences both at home and abroad. In both cases superior bargaining power created surpluses that were illegitimately appropriated by private hands and employed for selfish and harmful ends. Consequently, the vestiges of an enlightenment faith in the inevitability of progress had to give way, as Porter shows, to a regulatory stance whose intention was to remove obstacles to such progress.

The success of such human intervention depended on a number of factors: the viability of a democratic control that would ensure political accountability and the servicing of social ends; the diffusion of the ethical and economic case for redistribution, which would increase equality and diminish power differentials; as well as Hobson's changing views of human rationality, examined in my contribution (Chapter 4). Porter questions the appositeness of Hobson's alternative internationalist prescriptions and sees in them an underlying commitment on Hobson's part to shore up capitalism, however tamed. These deviations from radical reformism are echoed in John Allett's study in Chapter 5 of the conservative tendencies in Hobson's thought. Cain, while drawing attention to a hint of social imperialism in Hobson's writings, and recognizing the continuing attraction that free trade exercised on him, nevertheless sees Hobson returning full circle in his old age to a highly critical attitude towards financiers. Privately, Hobson expressed doubts about free trade;[14] moreover, his discovery of the psychological components of the drive for power was now, as Cain observes, employed in his critique of imperialism. Hobson's peace and war strategies correspond to the complexities of human nature he continued to unravel throughout his life.

Whatever one's views of Hobson's economics, it is incontrovertible that the underconsumption thesis of Hobson's first book thrust him out of his anonymity, even if not exactly in the way he would have wished. However, by 1894, as Alon Kadish notes in Chapter 8, his reputation in economics had consolidated, even though his later recollections of those trying times were tellingly selective. Less noticed at the time was the coincidence of Hobson's rising stature as an economist with concurrent innovations and insights he had generated in social and political theory. The former schoolteacher was experiencing in his thirties a remarkable period of fertility and originality on a number of intellectual fronts, while exhibiting growing confidence and cohesion in the organization of his ideas. For most of his life Hobson was an indefatigable writer, lecturer and proselytizer. During the eventful years of the 1890s he engaged in activities that brought him into contact with the best progressive minds of the time, on many of which he in turn exercised considerable influence. He was a permanent lecturer at South Place Ethical Society where he was valued as 'more than an economist,… an ethical teacher with a passion for freedom and righteousness, tempered by an innate sense of humour',[15] a regular lecturer of the extension movement, a founder member of and frequent speaker at the Rainbow Circle,[16] the editor of the *Ethical World* and co-editor of the *Progressive Review*, an occasional lecturer at the London School of Economics, as well as a freelance journalist. He flirted with the Fabian Society but disengaged himself quickly.[17] Appositely summing up this formative period of his life, Hobson wrote: 'Other associations belonging to this period of the nineties ministered to the same tendency, the close relations between politics and economics and the search after a social ethics which should harmonize the two and bring them both under a broader concept of the art of human welfare.'[18]

In his autobiography Hobson was, as is well known, most reticent in detailing the sources of his early thinking. Due to the careful work of recent scholars, we now have a clearer picture. Hobson's own impressive reading programme, frequently surfacing in the extended

and revealing book reviews he wrote in his earlier years, provides considerable evidence. Incidental references and the syllabuses of the extension movement examined by Kadish are another. Finally, as Colin Matthew argues in Chapter 2, Hobson's choices of biographical subjects disclose much about his own interests and concerns. They reflected the particular ideological ends Hobson hoped to advance—his all-pervading organicism, buttressed by his reading of Ruskin, and a revamped version of Victorian Cobdenism. Hobson's overriding organic perspective predated his encounter with Ruskin and was nourished by means of his acquaintance with British Idealism (especially through J.S. Mackenzie, as I suggest) and with the overarching structures of Herbert Spencer's intellectual edifices. It would also appear that Hobson's subscription to a qualitative notion of wealth may have first been suggested to him not by Ruskin's famous insistence on regarding wealth as life, but through the work of the American economist and sociologist Simon Nelson Patten. As Hobson asserted in a review written in 1892,

[Patten] in laying stress on the importance of a comparison between quantitative and qualitative consumption, seems to touch in a most suggestive way the science of economics where it merges into ethics on the one hand and aesthetics on the other. Where a society is evolved in which a larger and larger proportion of the 'wealth' (i.e. the life) consists in artistic and intellectual goods, may we not escape the niggardliness of Nature…?

Patten's book was 'full of points of view which are new to most English readers'.[19] Hence the groundwork had already been prepared for Hobson's assimilation of Ruskinian ideas. When Hobson saluted Ruskin, in his later thorough study, it was in order to secure the ultimate seal of authentication for his own qualitative assessment of human life and activity.

Allett argues that Hobson also assimilated in part the predilection of the conservative Ruskin for order and stability. There is indeed no doubt that organicism may overlap heavily with illiberal modes of thinking and that Hobson was occasionally notoriously elusive or lax about the political implications of his social theories. His antagonism towards atomistic conceptions of social structure and extreme egoistic views of human nature, while ultimately anchored in a liberal communitarianism, could slip—deliberately as well as unintentionally—into a conservatism of sorts. His paternalistic preference for satisfying needs over wants has of course been integrated into recent welfare thought—profoundly concerned as it is with establishing and promoting non-subjective standards of human flourishing—where similar ideas still fuel current debates about the non-intervention of the state in individual liberty as against a liberal scepticism that denies that all human choice is *ipso facto* valuable. It seems, however, indisputable that current conservative obsessions with 'value for money' would have profoundly shocked Hobson as an inexcusable obscenity.

As Matthew demonstrates, Hobson's biographical excursions also reflected the specific historical tradition Hobson wanted to retrieve and enhance—one in which humanistic values progressed towards their rational acceptance and fulfilment, one in which a world order based on free and beneficial national cooperation and exchange would be gently encouraged to emerge; one, in short, that remained firmly anchored to liberal principles. On a more personal level, Hobson invoked Victorian masters in an effort to establish an ancestry, or at least obtain fair consideration, for his own heresies, and in the 1890s—prior to his gaining a clearer view of his own position within the community of economists—he was still eager, as Kadish comments, to stress his admiration for Marshall's achievements as well as deficiencies. Hobson himself did not grasp the 'full significance' of the ideas he was grappling with at the time, which, he subsequently wrote, affected 'the substance of nearly all my later thought and writing'.[20] At the same time Hobson was, after all, a product of the

nineteenth century and though he tried hard to keep abreast of his fields of interest he was, like other contemporaries, frequently bemused and perplexed by the post-Victorian world.

Hobson's liberalism is not the specific subject of any of the essays below; it runs implicitly throughout them all. It was indeed a new or left liberalism, one that welcomed the state as an impartial and trustworthy agent of society, and accepted society as a claimant of rights side by side with the individual. The unnerving ordeal of the First World War, with its 'Prussianization' of the state, caused Hobson not to reverse his views, but to change their presentation slightly, so that he was now inclined to stress that 'we hold the State exists mainly to develop the personality of the individual, and that this development involves a *real* freedom of choice on the part of the citizen'.[21] Even when Hobson's political sympathies attached themselves to the Labour Party in the interwar period, his allegiance to liberalism as an ideology was never in question. When in 1928 Hobson reviewed Guido de Ruggiero's now classic *History of European Liberalism*, he hailed it for its 'learning, wisdom and brilliance of expression', relating the sections he regarded as most valuable to an evolutionary process he himself had been instrumental in instigating: 'There is, of course, nothing new in the distinction between the negative liberty to live unhampered by others and the positive liberty of self-fulfilment, which needs the active support of social institutions, including the State, for its effective expression.' This was the 'temperate, creative liberalism' with which Hobson continuously associated himself.[22]

Hobson's conservative undertones, unmistakable as they are, cannot detract—as Allett recognizes—from the underlying force of his commitment to a rational politics, aiming at developing individuals and catering to their welfare, though within the constraining frameworks of social justice and communitarian responsibility. Matthew presents this as a more advanced Cobdenism, shored up by a historical perspective, moral and commercial, that could locate Cobden's failings and seek to repair them through an extended non-economic analysis to include, crucially, the democratization of the political system. My essay has attempted to demonstrate that Hobson, ever-anxious to keep up with new developments in science and culture, fashioned a complex model of human nature that departed from the abstract rationalism of earlier liberals, yet still identified the individual as the object of social policy. Hobson's preoccupation with rights, with communal responsibility, with human development, with pluralism and with democratization was in evidence throughout his long life. R.H. Tawney was impelled to dub him 'a prince of levellers'[23]—high praise indeed from that foremost student of equality. Those concerns provide a bridge between the present and an earlier age when the study of ethics was employed to underpin any serious consideration of the social sciences as well as of political practice. For the welfare state—the institutional structure that was fashioned to give body to these notions—too frequently retains the form without the substance. An examination of Hobson's thought can help in recapturing the social and ideological meanings that were intended to accompany that structure.

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1 C.D. Burns, 'J.A. Hobson: The humanist', *South Place Monthly List* (May 1940), p. 3.

2 Thus the title of Hobson's autobiography *Confessions of an Economic Heretic* (London, 1938).

3 See especially, J. Allett, *New Liberalism. The Political Economy of J.A. Hobson* (Toronto, 1981) For a short general introduction to Hobson see M. Freeden (ed.), *J.A. Hobson. A Reader* (London, 1988), pp. 1–27

4 C. Delisle Burns, 'J.A. Hobson', *New Statesman and Nation*, 6 April 1940.

5 See B. Porter, *Critics of Empire* (London, 1968), for a pioneering analysis of the connection between Hobson's imperialism and his general radical and ethical beliefs.

6 L.L. Price, review of *The Evolution of Modern Capitalism, Economic Journal*, vol. 4

(1894), pp. 673–6.

7 For a perceptive examination of the progressives of that generation see P. Clarke, *Liberals and Social Democrats* (Cambridge, 1978); for an analysis of their political ideas, see M. Freeden, *The New Liberalism: An Ideology of Social Reform* (Oxford, 1978)

8 For discussions of such lapses, see J. Allett, 'New liberalism, old prejudices: J.A. Hobson and the "Jewish Question"', *Jewish Social Studies*, vol. 49, no. 2 (spring 1987), pp. 99–114; M. Freeden, 'J.A. Hobson as a new liberal theorist. some aspects of his social thought until 1914', *Journal of the History of Ideas*, vol. 34 (1973), p. 437 (on eugenics).

9 Albert Frederick Mummery (1855–1895), a businessman whose *Dictionary of National Biography* entry owes more to his mountaineering exploits than to his recognition as an economic innovator. But see Hobson's warm appreciation of Mummery in A.F. Mummery, *My Climbs in the Alps and Caucasus* (London, 1908 edn), pp. xv–xxi.

10 Hobson to E.R. Pease, November 1896, Fabian Society papers, A7/3, 37–9, Nuffield College, Oxford

11 G.D.H. Cole, 'J.A. Hobson (1858–1940)', *Economic Journal*, vol. 50 (1940), p. 352.

12 This continues Cain's earlier work; see especially P.J. Cain, 'J.A. Hobson, Cobdenism, and the radical theory of economic imperialism, 1898–1914', *Economic History Review*, vol. 31 (1978), pp. 565–84; and 'International trade and economic development in the work of J.A. Hobson before 1914', *History of Political Economy*, vol. 11 (1979), pp. 406–24.

13 J.A. Hobson, 'Opening of markets and countries', in G. Spiller (ed.), *Inter-Racial Problems* (London, 1911), p. 230.

14 See M. Freeden, *Liberalism Divided: A Study in British Political Thought 1914–1939* (Oxford, 1986), pp. 123–4.

15 See the report of a celebration of Hobson's 21 years as lecturer in *South Place Monthly Record* (November 1921), pp. 5–6; also S.K. Ratcliffe, *The Story of South Place* (London, 1955).

16 See M. Freeden (ed.), *Minutes of the Rainbow Circle, 1894–1924* (Royal Historical Society, Camden 4th Series, vol. 38, London, 1989).

17 Hobson gave the occasional lecture for the Fabian Society in the 1890s (declining to lecture on Ruskin in 1898) but did not join it. His wife was a member from 1891 to 1897, when she resigned. See Fabian Society papers, C7, C37, C38, Nuffield College, Oxford. For a mild and rare critique of the Fabians, on whom Hobson generally had little to say, see J.A. Hobson, 'What is Socialism?', *Ethical World*, 12 March 1898.

18 *Confessions*, op. cit. (n2), p. 55.

19 J.A. Hobson, review of *The Theory of Dynamic Economics* (Philadephia, 1892), *Economic Journal*, vol. 2 (1892), pp. 687–90. See also J.A. Hobson, *Wealth and life* (London, 1929), p. 306. Patten (1852–1922) was at the time professor of political economy at the University of Pennsylvania and, like Hobson, a prolific writer on economic, social and political issues. See also the detailed discussion of Patten in J.A. Hobson, 'The subjective and the objective view of distribution', *Annals of the American Academy of Political and Social Science*, vol. 4 (November 1893), pp. 378–403; and D.M. Fox, *The Discovery of Abundance: Simon N. Patten and the Transformation of Social Theory* (Cornell UP, Ithaca, 1967), esp. pp. 153–4.

20 *Confessions*, op. cit. (n2), p. 43.

21 J.A. Hobson, 'The liberties of Englishmen', *South Place Monthly List* (February 1916), pp. 3–5; my emphasis.

22 J.A. Hobson, review of *The History of European Liberalism in Journal of Philosophical Studies*, vol. 3 (1928), pp. 378–80.

23 R.H. Tawney, review of Hobson's *Wealth and Life* in *Political Quarterly*, vol. 1 (1930), pp. 276–8.

2
Hobson, Ruskin and Cobden

H.C.G. MATTHEW

This essay assesses the relationship of Hobson to the two Victorians whom he dignified with biographical studies, John Ruskin and Richard Cobden.[1] From the first he gained a fully stated conception of an organic society; the second offered a moral model of international harmony.

The new liberals were, obviously and self-admittedly, created—by the century they eschewed. The essence of their position was a disillusionment with the three dominant intellectual movements of the Victorian age, utilitarianism, Ricardian political economy and Christianity. However, their continued support for its chief policy triumph, free trade, indicated their ambivalent attitude to their past, and this and other influences encouraged them to see themselves as an evolution from a earlier form of liberalism rather than as a direct rejection of it.[2]

The way they interpreted their past was highly subjective. Hobson introduces his attractive sketch of middle-class life in Derby, the town of his youth, as one of various examples of 'the causal and casual occurrences which have determined my own thinking'.[3] The memory of small-town communitarianism in Derby was clearly important for Hobson, though he makes no mention of the possibility of retrospective distortion, but there is no attempt to test its general veracity: was a childhood memory of social harmony an adequate basis for the development of a social theory? Such subjectivity was partly born of necessity. The Victorian historiographical movement discovered every century but its own. Apart from the area of religious life—and that is admittedly a large exception—Victorian historians were, outside biography, curiously uninterested in Victorian history. The sophisticated synthesis, argument and use of evidence which the Victorians applied to classical, medieval and early modern history are not to be found in the works of Spencer Walpole or Erskine May. Histories that were written tended to be written by retired protagonists such as Collett on the taxes on knowledge and Gammage on the Chartists, and by many local and military historians. Thus a good deal of analysis was based either on personal observation and experience, or on inference and analogy: Britain's imperial expertise in the nineteenth century was to be understood by the analogy of Seeley's *The Growth of British Policy* (1897), an analysis of the eighteenth-century empire. The lessons of A.T. Mahan for British naval supremacy in the Victorian period were inferred from his books on the influence of sea power in the eighteenth century and the French revolution. Thus, although the analogies were more recent, the method was much the same as the traditional, classical method of understanding by comparison. Victorians carried the historical baggage of their century in their heads; it was certainly not the case that they did not refer to precedent. They read the Blue Books and the Parliamentary debates in the newspapers. But their historians did not, on the whole, develop this often detailed knowledge into recognizably historical works or interpretations.

The absence of historical writing on the nineteenth century was, of course, much less marked by the time Hobson came to write his *Confessions,* but even then (1938) he shows

little interest in it. R.H. Tawney's *Religion and the Rise of Capitalism* is mentioned, but that was, as far as the nineteenth century is concerned, again an analysis by inference.

Hobson's lack of interest in history was not surprising, though it was unfortunate, and was typical of the new liberals in their early days. In this, they were in marked contrast to the Fabians as exemplified in the Webbs, the other intellectual force emerging on the British Left in the 1880s. Hobson was a natural deductivist:

Social principles can never be 'ground out' of history in the almost mechanical way which the pure inductionist requires… Even when history is rightly used so as to yield laws and 'principles', it can never satisfy the needs of the statesman or the social reformer. The knowledge of the past, even ordered and philosophically treated, cannot suffice as a guide to social utility.[4]

Hobson was therefore cut off by inclination and approach from the methodology of the Webbs and the LSE,[5] which, with its factual base and contextual approach, seemed to give a firm base for policy intervention. Thus, when Hobson wrote on the evolution of machine production, he relied on a thorough scrutiny of secondary works, from Adam Smith to Schulze-Gaevernitz; he did not himself investigate much beyond that type of source. At much the same time, Beatrice Webb set out towards a rather similar goal but with a very different emphasis on means:

What is needed is a body of students who will seek truth—for its own sake, with the singleminded desire to present a true picture and if possible an explanation of social life. And the first step must be to ascertain a method of enquiry which will lead to a verified statement of fact.[6]

None the less, the new liberals, including Hobson, began in the 1890s to turn their attention to their past, and in particular to the liberal and radical past. They did this not in a spirit of enquiry—certainly less so than the Webbs' *History of Trade Unionism* (1894)—but as an attempt to establish their lineage and to use it for didactic purposes. Hobson wrote in a very Butlerian passage, 'Man set for conduct must act, and a moral man must act by a standard of social utility…just in proportion as his mind is enriched by this true philosophy of history will he form strong ideals of social utility'.[7] G.M. Trevelyan told his brother in 1895, 'I have definitely, and I believe finally, chosen the amelioration and enlightenment of others as the first object, instead of the pursuit of truth as truth'; in the light of this commitment he moved from the Middle Ages to his series of studies of the making of modern Britain and modern Italy.[8] Goldsworthy Lowes Dickinson published his *Development of Parliament during the Nineteenth Century* in 1895, G.P. Gooch his *English Democratic Ideals in the Seventeenth Century* in 1898, Graham Wallas his *Life of Frances Place* also in 1898, and J.L. Hammond his *Charles James Fox: A Political Study* in 1903.[9]

It is thus fair to say that the new liberals launched modern liberal, secular historiography in the decade after Gladstone's retirement from the House of Commons in 1895. As a glance at these titles shows, they were concerned chiefly with the development of political liberty.

J.A. Hobson played a characteristically oblique role in this as in other aspects of new liberalism. As we have seen, his mind was not historical by inclination, but he saw the importance of history, especially in the light of his first book, *The Physiology of Industry*, written with A.F. Mummery and published in 1889. This book—a work, as J.M. Keynes remarked, of 'penetrating intuitions'[10]—'elaborated the over-saving argument' put to Hobson

by Mummery in an encounter in which Hobson tried and failed ‘to counter his arguments by the use of the orthodox economic weapons’ of classical political economy.[11] Though this set Hobson off on what was to be the ‘unpardonable sin’ of questioning the virtue of unlimited thrift, [12] it also narrowed his perspective, by focusing his critique of Victorian liberalism on this one particular point. It was of course an extremely important point, for, as Mill said of the denial of Say’s Law by Sismondi and Thomas Chalmers, a denial later developed by Hobson into the theory of underconsumption: ‘The point is fundamental; any difference of opinion on it involves radically different conceptions of Political Economy, especially in its practical aspect.’[13] But despite this association with an extensive but to Hobson as yet unknown dissident tradition, it was a constricting line of attack.

Hobson’s dissatisfaction with Victorian values was greater than could be focused upon a single point. His development from a moderate evangelical upbringing into a secular rationalist who did not altogether believe in rationalism (‘holding, as I do, that man is not a very reasonable animal’[14]) was characteristic of much of the middle-class youth of the 1880s. His religious disaffection—unlikely to be prevented by Mark Pattison, Rector of Lincoln (Hobson’s Oxford college), and the only member of its Senior Common Room mentioned in the *Confessions*—was an important factor in severing him from the ideals of many of the liberals among who he grew up. It was paralleled by an economic heterodoxy of an unspecific but general sort, a dissatisfaction with the orthodox view of *laissez-faire*.

Seeking a wider base than that offered by Mummery, Hobson first made an empirical enquiry, though, as we have seen, one based largely on accepted sources, published as *Evolution of Modern Capitalism: A Study of Machine Production* (1894). This identified though it did not exhaust what has proved a central historical concern of the late twentieth century. Moreover, it suggested that Hobson might develop his views through further historical enquiry. This would have been quite consistent with the implications of *The Physiology of Industry*.

That work identified behavioural deviations rather than challenged Ricardian political economy *a priori,* and the conclusive establishment of behavioural deviation suggested historical enquiry. As Schumpeter rightly observed, Hobson’s ‘feud with Marshallian economics, was not primarily methodological’; his analysis ‘really implies a research programme of the historico-sociological sort’.[15] But this was not what happened, for Hobson decided, rather than assemble facts to prove others wrong, to turn to a more affirmative approach: his book on John Ruskin.

In the preface to the *Evolution of Modern Capitalism,* Hobson thanks William Smart, Adam Smith Professor of Political Economy at Glasgow University. Smart was also the author of a suggestive pamphlet, ‘A disciple of Plato. A critical study of John Ruskin’ (1883), which may well have acted as a stimulus to Hobson, for it places Ruskin’s criticisms of political economy in the framework of classical philosophy.[16]

The writing of a book on Ruskin was suggested to Hobson by Charles Mallet,[17] then a barrister, later a Liberal MP, biographer of Herbert Gladstone and chairman of the Charity Organization Society. There is some suggestion that Hobson’s friends thought Ruskin would be a safer subject than underconsumption.[18]

In the world of external lecturing in which Hobson lived and worked, this was an entirely natural move. Hobson lectured widely on nineteenth-century subjects[19]—both his surviving lecture courses significantly including ‘growth’ in their titles—and the demanding experience of teaching classes where attendance was entirely voluntary encouraged a wide and exact knowledge. Ranging as he did from ‘the growth of prose fiction’ through history to economics, Hobson was bound at many points to have crossed Ruskin’s trail. In Oxford, which supported Hobson when the London University extension movement stopped him

lecturing in economics, [20] Ruskin was an important element in the external studies movement. Ruskin Hall (later College) was founded in Oxford in 1899. There were personal similarities. Both Ruskin and Hobson moved away from evangelical origins: Ruskin to a deistic broad-churchmanship, Hobson to the quasi-rationalism of the Ethical Society. Both thus moved from the rather atomised context of the evangelical household into the aftermath of the Arnoldian concept of the organically integrated confessional state. Both took from evangelicalism the notion of growth (though Hobson much more than Ruskin) and like many post-evangelicals found in growth' the key to the problem of the link between individual self-improvement and social progress. Both retained the sense of personal accountability in public and private life characteristic of an evangelical. Like Hobson, Ruskin (until the 1870s) lived largely on money inherited from his father, bolstered by royalties; Hobson was sensitive about the incongruity of his personal position—the exposer of excessive saving living on the income of savings—and particularly draws attention to Ruskin's defence of the practice.[21] Ruskin exemplified, far more stridently than Hobson ever did, hostility to classical political economy, for Ruskin rejected political economy *per se* while Hobson, at least in the 1890s, was dissatisfied with particular aspects of it. Ruskin had already attempted an organic theory of society of the sort towards which Hobson was moving in his early works. In working on Ruskin, Hobson thus found himself confronting someone more radical, more daring and more vociferous in his social critique than Hobson was ever to be. Perhaps to his surprise, Hobson found himself, *vis-à-vis* Ruskin, a conservative rather than the dangerous radical he seemed to his friends to be becoming.

Hobson's *John Ruskin, Social Reformer* (1898) is a work of double interest: it is a milestone in Ruskin studies and a milestone in Hobson's intellectual development. Ruskin, though severely mentally ill, was still alive when the book was written (he died in 1900) but W.G. Collingwood, his secretary, had established the precedent of treating him as if dead, in his two-volume *Life and Work of John Ruskin* (1893), and Hobson's work followed Collingwood in this respect. Ruskin's long period of spasmodic mental illness and the various difficulties of the Guild of St George meant that the force of his impact had been somewhat dulled While clearly not forgotten, as the well-known evidence of his influence on Labour MPs shows,[22] he was coming, like Carlyle, to be regarded among the intelligentsia either as rather quaint or, as *Unto this Last* first struck Hobson, as offering 'a passionate rebellion rather than a critical and constructive work'.[23] J. Marshall Mather observed in his *Life and Teaching of John Ruskin*, 'to the commercial man' Ruskin's teachings on political economy are 'incomprehensible and wild'.[24]

Hobson's book stands as the first full-scale critique of Ruskin as a writer on society. It has a number of useful and suggestive predecessors, such as Patrick Geddes' early *John Ruskin Economist* (1884), Smart's already mentioned pamphlet (1883) and E.T. Cook's more substantial *Studies in Ruskin: Some Aspects of the Work and Teaching of John Ruskin* (1890); but none of these is an attempt at a full-blown study. Hobson's book has several strengths. It is based on an extremely wide and thorough reading of Ruskin's works, a reading done before they became easily available in the splendid complete works in thirty-nine volumes (1903–1912) edited by E.T. Cook, the liberal imperialist author and journalist, and Alexander Wedderburn, a barrister and one of Ruskin's Balliol disciples from the time of the building of the Oxford road.[25]

Hobson's attention to the details of Ruskin's writing, his care in correlating passages, and his use of ephemeral material which, before Cook and Wedderburn, must have been difficult to assemble, testify to his commitment to his analysis and to his subject; that is to say, the book is a good deal fuller than it need have been, and it constitutes not only an early but an extremely thorough discussion. It does not use 'primary' material in the sense of manuscripts, and there is no indication in the preface that Hobson asked Ruskin for anything more than

permission to quote from published works, but there is little of consequence among Ruskin's huge published output that Hobson did not consult. The result is one of the first systematic studies of a Victorian sage, and one that stands up very well in the modern context. Indeed, in its insistence on the central significance of *Fors Clavigera* it anticipates the central theme of the most recent attempt at a full-scale interpretation of Ruskin.[26]

Hobson's point of departure is his insistence that Ruskin is, at bottom, a systematic, formal thinker 'whose work will hereafter be recognised as the first serious attempt in England to establish a scientific basis of economic study from the social standpoint'.[27] The purpose of the book, therefore, 'is to render some assistance to those who are disposed to admit the validity of the claim which Mr Ruskin has made to be first and above all else a Political Economist'. Hobson's aim was to bring Ruskinian analysis out of the obscurity into which titles such as *Fors Clavigera, The Crown of Wild Olives, Munera Pulveris* and *Aratra Pentelici* had placed it.

Hobson's study is a good example of the particular sort of intellectual history whose methodology cuts right across its subject. For Ruskin went out of his way not to appear to be systematic, or, at least, not to present his views in the systematic style of political economy. His style appeared hostile to cool rationality, and he was much misunderstood because of this. He deliberately gave his books titles that encouraged the view that they were obscure and emotional. *Fors Clavigera,* his letters to working men, was hardly a title to attract a working-class readership, and even Cook and Wedderburn had difficulty in explaining its meaning.

Those who attempted to brush Ruskin's social criticism aside as obscurantist aestheticism were thus, in Hobson's view, ignoring an intellectual and moral challenge. What was the nature of this challenge? 'Alike in possession of material facts, in command of language, and in trained capacity of argument, he [Ruskin] was quite competent to discuss economic problems with Senior, Fawcett and J.S. Mill', and Ruskin had, in this discussion, 'laid his finger upon the root fallacy' of writers such as James Mill, McCulloch and Ricardo by his attack on their hypothesis of 'economic man, and the utility of covetous action'.[28] Hobson came thus to the heart of his case:

The statement of the assumption of orthodox Political Economy contained in a quotation at the opening of Unto this Last, is a substantially correct account of the prevailing mode of 'working' the science:

The social affections are accidental and disturbing elements in human nature; but avarice and the desire of progress are constant elements. Let us eliminate the inconstant, and, considering the human being merely as a covetous machine, examine by what laws of labour, purchase, and sale the greatest accumulative result in wealth is obtainable. Those laws once determined, it will be for each individual afterwards to introduce as much of the disturbing affectionate element as he chooses, and to determine for himself the result in the new conditions supposed.

Second, having exposed this fallacy, Ruskin had systematically developed 'an entirely new point of view': [29]

The organic unity of man as a conscious, rational being, with a capacity for regarding his life as a whole and forming a plan for its conduct, imposes a corresponding unity upon the science which is to treat of human conduct…the interaction of conscious forces within man is so constant and so intricate that it is not really convenient to make the separatist assumption

required by Mercantile Economy.[30]

It follows, therefore, that exchange-value is of no use as a measurement of value, and there also follows an emphasis on the quality of labour (rather than progress measured in terms of a diminution of the quantity of labour expended), [31] and an organic sense of right social organization. This theme is developed in chapters on current political economy, the competitive system, the true social order, education, and industrial experiments. As Hobson writes with an authoritative command of recent political economy, there is particular interest in the discussions of Ruskin in comparison with Jevons and Marshall in which Hobson shows how traditional was marginal utility theory as expounded by those authors, and how much more liberating its view of subjectivity might be if applied in a more Ruskinian context.

Clearly Hobson gained from Ruskin a much more sophisticated view of an organic society than the rather adversarial sense of organic *versus* individualist that he had worked out in his first books. It should certainly not be suggested that Hobson simply presented Ruskin as a proto-new liberal. He was careful to avoid such a distortion. Indeed, in his two chief criticisms of Ruskin as a 'Political Economist', Hobson shows how new liberalism related rather closely to the old, when compared with Ruskin. The first of Ruskin's 'two highly disputable doctrines'[32] is that there is no profit in exchange:

Mr Ruskin does not appear to recognize that, even in cases of exchange, where one party is immeasurably stronger and craftier than the other, a residuum of real gain or advantage must accrue to the weaker party.[33]

The second is Ruskin's view, influenced by W.C. Sillar's pamphlets, that Fawcett's defence of interest as 'the reward for abstinence' is nonsense, that interest is a forcible taxation or exaction of usury. Hobson's comment is: 'Mr Ruskin's real underlying argument is that capital is not productive in the sense that it cannot grow'; Ruskin forgets, Hobson says, 'the vital difference between the "money-lender" and the "investor"'.[34]

On two of the central tenets of political economy—the beneficence of exchange with all its Smithian implications for the scale of the market, and the validity of the engine of interest—Hobson found himself refuting Ruskin. He tried to save the position for capitalism-within-organicism by marginalizing the thirteen pages he spent exposing these fallacies, but, as Hobson fairly enough points out, Ruskin regarded these condemnations made in the 1870s as central to his position. Much of the rest of Hobson's life was to be spent trying to show that modified capitalism was compatible with organicism. In the long run, Ruskin's argument that a truly organic society must imply the complete rejection of both profit and of interest was perhaps the more systematic. In thus confronting Ruskin, Hobson became aware of important limitations to his own critique of political economy. These limitations ensured that Hobson remained associated with classical political economy, while still criticizing aspects of it, and pointed the way to his later enthusiasm for Cobden.

Ruskin's concept of organicism incorporated various other assumptions unacceptable to a new liberal. He had, Hobson rightly wrote, 'a fanatical abhorrence of the "radical" doctrine of natural equality', a profound mistrust of democracy or representative government, and an Aristotelian belief in 'a natural basis of class differences' (p. 159), the result of distributive justice working through breeding, resources and intelligence (p. 168); thus 'woman's place' was in the Aristotelian home.[35] Hobson countered this argument as unhistorical: 'the negative freedom, even the freedom to vote and to compete which women seek, they rightly seek in the just order of historical development; it is their belated share of eighteenth century progress'.[36]

This point leads us to Hobson's widest criticism of Ruskin, the absence of a sense of social, political and biological development or progress. Hobson got many things from Ruskin, but not his sense of evolution. Ruskin offered 'the necessary hypothetical end or goal required to give meaning to Sociology as a Science, and to Social Progress as an art',[37] but he did not supply the evolutionary means.[38] Ruskin had 'too statical a character to his "Political Economy" and too uniform a type to his ideal society… Social health presented itself to him rather as an accomplished order than as a means of progress'.[39] For Hobson, of course, progress towards organicism was of extreme importance; for Ruskin it was the restoration of a lost order. As he wrote in the opening sentence of *Praeterita:*

I am, and my father was before me, a violent Tory of the old School; Walter Scott's school, that is to say, and Homer's.

Hobson's critique of Ruskin came at a timely moment. It greatly broadened the basis of his writing. It raised for him awkward questions about the relationship of moderated capitalism to the organic state. It gave him the basis for the moral core of his outlook in which 'political economy' and his corrective theory of underconsumption formed an entrance to a general reconstruction, as he saw it, of the understanding of what modern society could become. The running theme in Hobson's work—the particular fallacies of orthodox political economy paralleling the moral vision of a different social, political and economic order—came from Ruskin.

Hobson's development of an analysis of the organic nature of human society was developed in a general atmosphere of liberation and intellectual experiment which characterized much of British cultural life in the 1890s and 1900s. Yet Hobson was always careful not to abandon traditional liberalism but to develop from it.[40] In this respect the new liberals were a good deal more cautious than their opposite numbers on the British Right. The new liberals both advocated the achievement of an organic society and saw it as a natural development: man's rationality, encouraged by their writings, provided the link between the two. The organic society was thus in one sense natural, but, because it was achievable only if man was conscious of it, it was more fragile than the unconscious, atavistic and increasingly racial organicism that characterized sections of the political Right. Hobson wrote thus of an organic society:

Society is rightly regarded as a moral rational organism in the sense that it has a common psychic life, character and purpose, which are not to be resolved in the life, character and purpose of its individual members.[41]

Consequently, the 'Spirit of the Hive or the Herd is a true spirit of society, a single unity of purpose in the community', a sentence that might have been written by Kipling. But Hobson at once draws back from the obvious implication of this:

A political society must be regarded as 'organic' in the only sense which gives a really valid meaning to such terms as 'the will of the people', 'national duty', and 'public conscience'. The individual's feeling, his will, his ends, and interests, are not entirely merged in or sacrificed to the public feeling, will and ends, but over a certain area they are fused and identified…[42]

Economically, the organic society of the new liberals remained free-trading, its economic

system open to the world, its industrial priorities determined by the priorities of the world rather than the national communitarian market. As we have seen, this followed quite naturally from Hobson's criticism of Ruskin's attack on exchange.

This produced the curious intellectual paradox of Edwardian Britain. For the political Right, organicism proved politically difficult because its economic corollary, tariffs, would lower standards of living; but for the new liberals, the achievement of a fully organic society was vitiated by the free trade that created relatively high living standards and thus made a fully educated and consequently fully self-conscious population possible. The new liberals wanted an organic society that was free trading in goods though much less so in capital; the tariff reformers wanted an organic economy in goods but free trade in capital.

As Peter Clarke remarked, 'there is a sense in which Hobson never ceased to be a Cobdenite'.[43] Certainly the Cobdenite (in the sense of free-trading) element of the old liberalism remained with the new liberals even when most of them had found their way into the Labour Party. 'Cobdenite' meant something a good deal broader than a Ricardian view of comparative advantage, for the British free trade movement was founded on a moral as well as an economic vision. The basic premiss of Cobden was that, left to themselves and unperverted by aristocratically controlled government, individuals would through capitalist activity naturally promote harmony and prosperity within whatever extent the market provided. At a fundamental level 'international' is the wrong word to describe Cobden's concept, for he thought basically in terms of markets, not of nations; and he certainly regarded 'states' as artificial. But this premiss was in Hobson's view difficult to sustain by itself in the late nineteenth century. *Imperialism: A Study* (1902) sought to show how finance capital and a malfunctioning of the world market unforeseeable by Cobden produced an excess of supply and a corrupt use of force to counter it. This could be countervailed by an awareness of underconsumption and consequential governmental measures to correct it. For the organicist Hobson, national societies certainly did exist and indeed were central to his whole way of thinking—and this is a distinction between himself and Cobden that he does not address; as we have seen, Hobson believed that this development was a natural consequence of evolution. So too, therefore, would be the interrelationship of the various organic societies.

However, these national societies were subject to bouts of extreme irrationality of the sort Hobson analysed in *The Psychology of Jingoism* (1901): 'The momentous lesson of the [South African] war is its revelation of the methods by which a knot of men, financiers and politicians, can capture the mind of a nation, arouse its passion, and impose a policy'.[44] Cobden's corrupt aristocratic élite in the 1850s might succeed in its warmongering because it was not yet responsible to a properly functioning governmental system that would express the aspirations and interests of an industrial society and its workforce both as producers and consumers:

Whilst governments are preparing for war, all the tendencies of the age are in the opposite direction; but that which most loudly and constantly thunders in the ears of emperors, kings, and parliaments, the stern command, 'you shall not break the peace', is the multitude which in every country subsists upon the produce of labour applied to materials brought from abroad. It is the gigantic growth which this manufacturing system has attained that deprives former times of any analogy with our own; and is fast depriving of all reality those pedantic displays of diplomacy, and those traditional demonstrations of armed force, upon which peace or war formerly depended.[45]

But Hobson at the turn of the century was faced by an élite corrupt despite and even

encouraged by such an industrial society. An organically minded nation was pervertible despite all the vast increase in international trade and interdependency of the late nineteenth century. It could lose its sense of history and responsibility, and here lay exceptional danger: 'A Jingo-ridden people looks neither before nor after, but lives in and for the present only, like other brutes'.[46]

Although *The Psychology of Jingoism* pointed to, perhaps even exceeded, Hobson's later abandonment of belief in general reasonableness, he seems to have set it aside in the resurgence of liberalism after the South African war, regarding that war, perhaps, as an exceptional case avoidable in future by a liberal society that had recovered its balance; a case, perhaps, in which the constraints of Cobdenite interdependence of trade could have little effect, as the trade in goods with the Transvaal was hardly significant for the British economy.

Hobson gave a brief restatement of what may be called his view of normative or rational international relations and the interrelationship of national societies in an essay published in *The Crisis of Liberalism* (1909). Here he followed Cobden, but added to him the concept of evolution, arguing that 'the State', as representing the nation in international affairs, 'is on a lower level of development than an individual';[47] thus treaties and statements of intention which would be held binding both by law and by an individual's sense of honour are broken with impunity by states. Hobson believed in 1909 that 'the utility of nationality and the recognition of that utility are gaining ground, and with such recognition the rights and obligations appertaining to the moral personality of Nations become more real facts and forces in history.'[48] If the state could develop to the level reached by individuals—and any achievement of an organic society suggested that it must—then 'the morality of nations will be found to correspond on a larger scale to the morality of individuals…as the individual realizes himself in a democratic nation, so the nation best realizes itself in a democratic society of nations.'[49]

The events of 1914–18 challenged Hobson's optimism on such matters, forcing a partial return to the state of mind of *The Psychology of Jingoism*, though never, despite the different scales of the conflicts, quite recapturing the violent analysis of that remarkable and prophetic work. 'The belief in a man as a rational and thoughtful being was shaken almost to destruction by the War… Formerly we thought of civilized man as 80 per cent rational. We have now halved the percentage'.[50] None the less, the new liberals retained something of their optimism as they supported plans for a new international order through the League of Nations Society and Hobson anticipated some of the forces that nullified the League by pointing out in *Towards International Government* (1915) that an international political order without an economic concomitant would be broken-backed. He also urged, on the political side, in *Democracy after the War* (1917), the centrality of an interdependency of democracies which, as we shall see, he regarded as the *sine qua non* of a successful international system.

This was the context of Hobson's second study of a major Victorian: *Richard Cobden: the International Man* (1918), published to correct the 'misrepresentation' that Cobden represented 'on the one hand… a narrow and grovelling commercialism; on the other,…a vague cosmopolitan idealism'.[51] The aim is thus rather similar to that of his study of Ruskin, but the result is much less satisfactory.

Hobson has less affinity with the Anglican Cobden than he had with Ruskin. Cobden had been a manufacturer and an employer ; he had also been, of course, a formidable organizer of radicalism and an MP. He had institutionalized an intellectual movement with, in the British context, unprecedented and unrepeated efficiency and ruthlessness. Cobden had, in fact, taken the steps that the don *manqué* Hobson avoided. On the other hand, Cobden's profound internationalism, his insistence that economic relationships were merely the first step towards a natural harmony between individuals whether next door or across the world, was a powerful

vision with an enduring life among Liberals. As Hobson moved into the Labour Party after 1917, he was clearly anxious to remind his new colleagues of the best aspects of their parent party's history. Like many of the new liberals between the wars, Hobson found more affinity with the Labour Party's internationalism than he did with its domestic policies. Moreover, Hobson's career as a pamphleteer owed a good deal to Cobden, particularly to the model of The Three Panics' and 'What Next, and Next'. Hobson's *Imperialism* had succeeded in doing what Cobden's pamphlets never quite achieved—linking in a lasting form a particular 'scandal' with a general theory. But, as with Ruskin, Hobson wished to write a book on Cobden, not a pamphlet.

Books on Cobden necessarily take their starting point from John Morley's two-volume biography, published, after various complications about the Cobden archive, in 1881, just as the fair trade movement was making a serious impact. There is a strongly defensive quality about Morley's work—much more so than in his *Gladstone*—but it was, none the less, in research terms and in the context of its time, a very full and well-worked exercise. Gladstone complimented Morley on 'the care & exactitude with which it has been executed. It is one more added to the not very long list of our real biographies.'[52]

Hobson's touch is much less certain. He tries to do two things: first to write an intellectual study in rather the style of atemporal analysis he had used for Ruskin; second to incorporate a new series of letters not available to Morley—the letters of Cobden to Henry Richard, of the Peace Society. The result is a rather confusing book, on the one hand extrapolating principles, on the other printing extensive extracts from the Richard MSS, many of them to do with the Crimean War and its aftermath.

The short analytical passages follow Hobson's *Ruskin* in quality. They constitute one of the best statements of the general position of the free trade movement[53]—a movement whose ideology still awaits its modern historian:

The central principle of Cobden is that of the harmony of men, irrespective of political, racial, or linguistic barriers, by means of organised mutual aid… It is quite true that early in his public career he came to the conviction that free importation was essential to the trade and human prosperity of his country, and that it was the chief key to a sound foreign policy. But this policy was always conceived as belonging to a wider philosophy of human relations which for our immediate purpose may be summarised as non-intervention. That term …does not convey the full meaning of the positive body of thought Cobden had absorbed from thinkers such as Adam Smith… This free human cooperation, transcending the limits of nationality and race, was the positive force, intellectual and emotional, of which non-intervention was the negative condition.[54]

The historical chapters consist of extracts of letters with brief introductory passages. Hobson's contempt for what he saw as the antiquarian aspects of historical research here pays its price. He seems to have thought that access to a new archive was sufficient in itself; he had no inclination, or no time, to associate it with the many other sources he might well have used. The reason is clear enough: Hobson wanted an analogy to the corruption of foreign policy which the Union of Democratic Control believed had caused Britain's involvement in the First World War, and which by the 'Secret Treaties' made during the war endangered a democratic peace.[55] Hobson's view of the onset of war in 1914 was set out in a letter to Gilbert Murray, written in 1918:

I could not have saddled Germany as you [Murray] can with the sole responsibility of bringing on the war. I regard the action in the Summer of 1914 as criminal in the extreme,

but on the earlier process of causation & responsibility I stand closely with Lowes Dickinson in his 'European Anarchy'. I have not been able to accept your defence of British & French diplomacy before the war. I see Germany black, but other powers not white but varying shades of grey. Nor can I hold the Secret Treaties & the Paris Resolutions to be other than barriers to the attainment of our 'ideal objects'.[56]

Palmerston's foreign policy,[57] seen through the eyes of Cobden as depicted in his letters to Henry Richard, was thus for Hobson an analogy of Britain's conduct before August 1914. It showed what could happen when state morality failed to advance in the tow of individual morality. Edwardian liberals had failed to realize that 'the sort of peace in which they believed was unreal… I, like others, found myself living in this atmosphere of illusion'. Cobden had offered an early example, suited for his time, of how this problem might be countered. He had, Hobson, argues, offered a model of how, as Hobson saw it, international relations could have been best conducted in the early stages of industrialization. Thus 'in the domain of foreign policy the case for non-intervention, though…not absolutely practicable even in Cobden's lifetime, was substantially sound'. By the twentieth century, however, Hobson argues, the conditions had 'opened for a world intercourse which now makes constructive internationalism necessary, nor was it possible to expect so radical a change in the heart and conduct of foreign policy as to make the organized, friendly cooperation of a Society of Nations seem a possibility'.[58] 'Democracy' was for Hobson the vital ingredient in this change: 'these conditions for the liberative and creative service of the State are summed up in the term "democracy". They did not exist in this or any other European country in Cobden's time.'[59]

Consequently, as in domestic affairs Hobson saw a natural progress, mediated by evolution and democracy, from *laissez-faire* to the organic society, so at the international level there would be a *pari passu* development. 'Modern interventionists are no longer mere non-interventionists, for the same reason that modern Radicals are no longer philosophical individualists.'[60] This imposed upon the ideology of the free trade movement a development that it was difficult for it to bear. The strict free traders (though not Cobden) had distrusted even the commercial treaties that attempted to work towards complete free trade through the orthodox techniques of diplomacy. These treaties accepted that, while in the British case non-protection might be an absolute, in most countries it would be unachievable in an absolute form, and that consequently a second best was better than nothing. Cobden was of course, through the 1860 treaty with France, a notable exponent of the commercial treaty which was essentially political in objective. However, though he has a chapter on the 1860 treaty made up mostly of newly discovered correspondence, Hobson makes nothing of this sort of collaboration with respect to his general thesis of development towards a new order.

Nor does Hobson pay much attention to the fact that in the nineteenth century a very different approach to international relations flourished within the Liberal Party,[61] an approach that linked up with the Cobdenists in the collaboration of Gladstone with Cobden over the French treaty. This was the view that the state had a quite natural role to play in international relations, and that congresses and councils involving states—the Concert of Europe—were consequently also natural, part of the ordering of civilized society. This Gladstonian tradition led much more naturally into the League of Nations[62] than the Cobden tradition, which really required the First World War to encourage the intellectual circumstances in which could occur the sea-change from non-intervention to seeing the League of Nations as being, 'it is generally held, the sole hope for civilization'.[63] It is curious that, for Hobson, such a 'sole hope' should emerge just at the moment when he discovered a fall in man's rationality from 80 per cent to 40 per cent. Hobson had offered an analysis of why such a development ought

to occur. He had not offered an historical exploration of whether it had occurred, or was occurring.

This is the more serious in that Hobson's initial though not, as we have seen, considered reaction to the outbreak of the war had been to write on Bryce's memorandum of October 1914 notes that amounted to an improved restatement of the Concert system. Hobson's notes proposed a Committee of Foreign Ministers; Bryce commented on them: 'The proposed Conference of Foreign Ministers would be no more than what Europe has had for many years', and complained that Hobson's proposals did not incorporate 'popular opinion.[64]

Hobson's *Cobden* thus bears the mark of its times. It has a certain jagged, desperate quality, and it looks back with envy to a time when a radical could, despite the Palmerstonian setbacks, be so obviously confident.[65] None the less, it should be noted that the book is not reactionary. It is not written in the tone of self-righteousness adopted by some Liberals contemplating the free trade high-noon, nor is it a foreign policy equivalent of the return to Spencerism noted by Michael Freeden as characteristic of some post-war New Liberal thinking.[66] It also clearly seeks to encourage the notion of an evolving party of progress, whose prescriptions change and adapt, but whose central moral tradition is to be nourished and respected. There is none of the violent reaction to the Victorian period and its supposed hypocrisy and self-deception found in Lytton Strachey's *Eminent Victorians,* also published in 1918.

The question *Cobden* does not really address is that of the mechanism of failure. Cobden could not be blamed, Hobson says, for 'not perceiving, what nobody of his time perceived, that, for some mysterious reason which economists do not even now explain, the aggregative power of the industrial world…would so largely outstrip the effective demand for the goods they produced as to convert friendly competition into cutthroat hostility'.[67] Had Hobson devoted more space to developing the interesting subsequent analysis that follows this passage, and rather less to the Henry Richard letters, he would have written a much more interesting book. As it is, the chapter 'Cobden and modern internationalism' is really a pamphlet tacked onto a biography.

In these two biographical studies, [68] Hobson mirrored the practice of J.L. Hammond, as described by Gilbert Murray: 'In each of these biographies the man expressed a cause, but a cause expressed through a personality'.[69] In selecting an individual rather than a movement, Hobson associated himself with a central tradition of liberalism, further encouraged by its association with evangelicalism—its emphasis on the individual contribution and example. Yet Ruskin and Cobden were important to Hobson not merely as individuals but because they represented in a particularized example a general cause and, in retrospect, it is entirely appropriate that the leading theoretician of British twentieth-century progressivism should have chosen to assert their importance and to locate the relationship of progressivism to them. For Ruskin and Cobden both had an enduring influence on the British Left, which is, at first glance, curious in each case, and tells us a good deal about the eclectic, moral and very British character of that movement, and about its limitations. Ruskin and Cobden represented, in fact, two aspects of progress: on the one hand, the movement beyond *laissez-faire* to the vision of a post-capitalist organic society; on the other, the best advantages that the full moral application of the benefits of international free exchange could bring. It was a great irony for Hobson, but an important comment on the new liberalism, that they were written in the order Ruskin: Cobden, and not the other way round. *John Ruskin Social Reformer* represented the best hopes of new liberalism in its palmy days; *Richard Cobden the International Man,* an attempt at a refurbished revival. Hobson had hoped that organicism and modified political economy could run together. A closer attention to the intellectual context within which Ruskin's views developed, and a more critical and relative scrutiny of the history of the free trade movement might have shown Hobson that the highest expectations of secular politics

are naturally frustrated.

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1 J.A. Hobson, *John Ruskin, Social Reformer* ([1898] 1904); *Richard Cobden: The International Man* (1918).

2 Michael Freeden, *The New Liberalism: An Ideology of Social Reform* (1978), pp. 23 ff., 110 ff.

3 J.A. Hobson, *Confessions of an Economic Heretic* (1938) ed. and introduced, Michael Freeden (1976), p. 14.

4 J.A. Hobson, *The Social Problem* (1901), pp. 282–3; I am obliged to Dr Freeden for bringing this passage to my attention.

5 See the interesting account of the growth of economic history and its relationship to tariff reform in B. Semmel, *Imperialism and Social Reform* (1960), ch. xi.

6 B. Webb, 'Personal observation and statistical enquiry', 1887, in *My Apprenticeship* (1926), p. 418.

7 Hobson, *The Social Problem*, op. cit. (n3), pp. 284–5. Hobson would have studied Joseph Butler's *Analogy* as a required text at Oxford.

8 M. Moorman, *George Macaulay Trevelyan* (1980), p. 52; see p. 41 for Ruskin's influence on Trevelyan.

9 'Fox and the little band of liberals' can be used as a key phrase for identifying Hammond's anonymous journalism; see P.F. Clarke, *Liberals and Social Democrats* (1978), 79.

10 J.M. Keynes, *The General Theory of Employment, Interest and Money* (1936), p. 365.

11 *Confessions*, op. cit. (n2), p. 30.

12 ibid., p. 31.

13 J.S. Mill, *Principles of Political Economy*, ed. W.J. Ashley (new edn, 1909), p. 562.

14 *Confessions*, op. cit. (n2), p. 14.

15 J.A. Schumpeter, *History of Economic Analysis* (1954), p. 823, note 24; Schumpeter notes the Webbs as having fulfilled this role.

16 Though Hobson only glances at Smart's starting point, that 'all great Ministers, as certainly all great philosophers, must be studied historically'.

17 *Confessions*, op. cit. (n2), p. 38.

18 Clarke, op. cit. (n8), p. 48. See also J.H. Muirhead, *Reflections by a Journeyman in Philosophy* (1942), pp. 96–7; I am obliged to Dr Clarke for this reference.

19 Two printed digests of Hobson's lectures of 1895 survive, 'The Growth of Prose Fiction' and 'The Growth of Economic Theory from Adam Smith' (Bodleian Library 26269 e.44). Ruskin is mentioned briefly at the end of 'The Growth of Economic Theory' with Comte and Owen for his 'efforts…to broaden and humanize Economics'. I am obliged to Mr Lawrence Goldman for the information that Oxford University archives contain several of Hobson's syllabuses: 'Problems of Poverty', 'The Making of Wealth' (six lectures each, no date, probably the turn of the century); also 'Industrial Problems of Today' (in 'Specimen Syllabuses', six lectures, 1904).

20 *Confessions*, op. cit. (n2), p. 31.

21 *John Ruskin, Social Reformer*, op. cit., pp. 151–2.

22 *Review of Reviews*, vol. 38 (June 1906) p. 568; Carlyle and Ruskin are the two chief influences. G.J. Wardle mentions Hobson's *Social Problem*. See also a good story about John Burns in W.G. Collingwood, *Life and Work of Ruskin* (1893), vol. 2, p. 253.

23 *Confessions*, op. cit. (n2), p. 38.

24 J. Marshall Mather, *Life and Teaching of John Ruskin* (1883), p. 107.

25 Criticisms of Cook and Wedderburn, particularly for their way of using letters and

diaries, are summarized in his preface by Tim Hilton, *John Ruskin*: *The Early Years 1819–1859* (1985); but for the printed works, which contain much ephemera now hard to obtain, Cook and Wedderburn remain unrivalled.

26 See Hilton, op. cit. (n22), preface.

27 *John Ruskin, Social Reformer*, op. cit., pp. 106–7.

28 ibid., pp. 61–2, 64–5.

29 ibid., p. 67.

30 ibid., p. 75.

31 ibid., p. 120.

32 ibid., p. 140.

33 ibid., p. 142.

34 ibid., pp. 144–6, 150.

35 ibid., pp. 159, 168. Like some others who placed women in this demarcated status, Ruskin did much in detail and in personal relations to advance them; see Dinah Birch, 'Ruskin's "Womanly Mind"', *Essays in Criticism*, vol. 38 (October 1988), p. 308.

36 *John Ruskin, Social Reformer*, op. cit., p. 275.

37 ibid., p. 87. See Freeden, op. cit. (n1) pp. 100–1.

38 For a criticism of Hobson and others on this point, see P.D. Antony, *John Ruskin's Labour. A Study of Ruskin's Social Theory* (1983), pp. 55–6.

39 *John Ruskin, Social Reformer*, op. cit., pp. 105–6.

40 'The negative conception of Liberalism…is not merely philosophically defective, but historically false. The Liberals of this country as a party never committed themselves either to the theory or the policy of this narrow *laizzez faire* individualism; they never conceived liberty as something limited in quantity, or purely negative in character'—J.A. Hobson, *The Crisis of Liberalism* (1909; new edn. with introduction by P.F. Clarke, 1974), p. 92.

41 ibid., p. 73.

42 ibid., pp. 74–6.

43 Clarke, op. cit. (n8), p. 47. See also Peter Cain, 'J.A. Hobson, Cobdenism and the radical theory of economic imperialism 1898–1914', *Economic History Review*, vol. 31 (1978), p. 565.

44 J.A. Hobson, *The Psychology of Jingoism* (1901), p. 107.

45 R. Cobden, '1793 and 1853, in Three Letters' (1853), pp. 118–19.

46 *The Psychology of Jingoism*, op. cit., p. 68.

47 Hobson, *Crisis of Liberalism*, op. cit. (n27), p. 254.

48 ibid., p. 260.

49 ibid., p. 260.

50 *Confessions*, op. cit. (n2), p. 96.

51 *Richard Cobden*, op. cit., p. 16.

52 Gladstone to Morley, 24 October 1881, British Library Add MS 44545, f.42. Morley replied that Gladstone was 'a lenient critic' and that 'Cobden was sometimes almost reckless in his aversion to Lord Palmerston' (29 October 1881, Add MS 44255, f.31). The radical canon is continued in F.W. Hirst, 'Richard Cobden and John Morley', the Richard Cobden Lecture for 1941.

53 A fuller and better-sustained analysis is to be found in *Richard Cobden and Foreign Policy*: *A Critical Exposition, with Special Reference to our Day and its Problems* (1926) by W.H. Dawson, the historian of social insurance in Germany and Britain.

54 *Richard Cobden*, op. cit., pp. 20–1.

55 See Hobson to Gilbert Murray, 19 May 1918 (Bodleian Library, Murray MSS 36, f. 183) warning of the dangers if 'the Allies *constitute themselves now* "the League" or even "A League" of Nations'; the League must be founded not through secret treaties but openly 'as

part of a Peace settlement when peace comes, upon a basis of equal participation by all independent States'.

56 Hobson to Murray, 15 June 1918, Murray MSS 37, f. 16. Hobson of course disagreed with Murray's support for the British government's position.

57 Hobson criticizes Palmerston's interventions as 'urged irrespective of reliable information as to the full facts and merits of the case', but he made no attempt, as R.W. Seton Watson did later in his *Disraeli, Gladstone and the Eastern Question* (1935), to investigate how an 'intervention' of that sort actually came about.

58 *Richard Cobden*, op. cit., pp. 407–8.

59 ibid., p. 406.

60 ibid.

61 Hobson criticizes Cobden for the view that alliances or the Concert necessarily involved mere 'separate or jointly selfish aims'; 'this conception of foreign relations', Hobson argued, 'was not wholly justified. The Balance of Power…had some real regard to the peace of Europe, and the action of the Concert was in part directed to this object' (p. 399). But he does not develop the implication of this criticism.

62 Gladstone's position had a strongly Christian element, seeing the states and national churches as naturally related; Hammond stressed the role of Homer and Classicism in Gladstone's view of European comity, thus bridging what was otherwise an awkward intellectual crevasse; perhaps this was why Hobson did not discuss the 'Concert tradition' in the Liberal Party; see J.L. Hammond, 'Gladstone and the League of Nations mind', in *Essay in Honour of Gilbert Murray*, ed. J.A.K. Thompson and A.J. Toynbee (1936), and H.C.G. Matthew (ed.), *The Gladstone Diaries* (1986), vol. 9, pp. xxxviii ff.

63 *Richard Cobden*, op. cit., p. 409.

64 'Mr. J.A. Hobson's Notes', which also suggest a 'Council of Conciliation' and 'a joint undertaking for the reduction of armaments', are, with Bryce's comments, dated 9 January 1915, in the Sir W.H. Dickinson MSS, Bodleian Library MS Eng hist. c. 402, ff. 132–9; G. Lowes Dickinson was secretary of the group, later the League of Nations Society.

65 Few letters from Hobson survive, but something of the condition of mind in which he approached Cobden may be gleaned from a letter to Gilbert Murray, 22 November 1917 (Bodleian Library, Murray MSS 35, f. 65): '… Most of our unpopular societies have been raided. Yesterday, they [the government] removed from the Council of Civil Liberties all its papers, books etc, including a number of copies of Mill's 'Liberty' on sale there! … It would make a real impression if a group of men of your standing would memorialise the Government…'.

66 Michael Freeden, *Liberalism Divided: A Study in British Political Thought 1914–1939* (1986), pp. 28 ff.

67 *Richard Cobden*, op. cit., p. 402.

68 In Herbert Burrows and John A. Hobson, *William Clarke. A Collection of his Writings with a Biographical Sketch* (1908), Hobson's contribution appears to have been the collection of the early Fabian's writings; the memoir is by Burrows.

69 Murray's entry for J.L. Hammond in the *Dictionary of National Biography*.

3
Variations on a famous theme: Hobson, international trade and imperialism, 1902–1938

P.J. CAIN

There were three editions of *Imperialism: A Study* in Hobson's lifetime. After the first in 1902, the book was reissued in 1905 and again in 1938, just before his death. Reasonably enough, it is usually assumed that *Imperialism*, which remained unchanged in essentials through all three editions, represents the sum of what Hobson thought about the subject. It was certainly his most important single statement on the issues and its central message—that imperialism was one of the fruits of underconsumption, which was inevitable under unreformed capitalism, or what he sometimes called 'improperty', and that it would disappear only when improperty was removed—remained Hobson's firm conviction throughout. On the other hand, his thoughts on the exact nature of the connection between improperty and imperialism and on the ways in which the one might be reformed and the other eliminated, were not always the same; he held different views at different times on the interrelations between international trade in general and economic imperialism as a specific problem arising from it.

Hobson often argued that imperialism was purely a conspiracy, inspired by financiers who needed foreign outlets because of 'over-saving'; that the resources involved were marginal in comparison with the broad flows of international capital; and that the benefits went to financiers and their allies and were paid for by the nation as a whole. Sometimes, however, he seemed to believe that imperialism was a more fundamental element in international economic relations and that, should imperialism triumph, it would wreck economic society both at home and in the underdeveloped world in the interests of the financial élite. When arguing in either of these ways Hobson would suggest that imperialism could be defused by creating a society less dependent upon foreign trade; the implication being that imperialism could only be eliminated by a prior transformation in the nature of advanced capitalism. From this perspective, imperialism only existed because capitalist development had been perverse and need never have existed at all. By contrast, Hobson sometimes saw the development of an international economy as a benign force capable of improving the living standards of the whole population. In this case, the extension of the international division of labour, of which imperialism was a part, itself created the means by which capitalism would develop and 'economic democracy' would eventually be achieved. Imperialism could then appear as a more or less necessary stage in the march towards a prosperous and peaceful world economic society.

Hobson's changing views on these issues in his pre-1914 writings have already received some attention and need only summarizing here. The bulk of this essay is concerned with Hobson's later, less well-known, writings, which also exhibit many variations upon the basic

theme that capitalism begets imperialism.

I

In *Imperialism*, the flows into Africa of the finance that 'manipulates the patriotic forces which politicians, soldiers, philanthropists and traders generate'[1] was presented as of marginal significance to the economy and its benefits were thought to accrue to the financiers and their immediate allies alone.[2] But this did not mean that Hobson believed the bulk of international transactions were either normal or necessary. First, Hobson thought of the South African episode as forerunner of a new and more extensive imperialism which, if left unchecked, would transform global economic relations for the worse.[3] His original interest in imperialism had been sparked off by the struggle for 'spheres of influence' in China in the late nineteenth century;[4] and China, rather than Africa, would be the focal point of an 'inter-imperialism' in which the various capitalist powers would combine their financial resources to develop industrialism in the 'backward areas' of the world. Simultaneously, industry and industrial civilization would be destroyed in Europe, leaving behind a service economy dominated by financial wealth in which all pretensions to democracy and liberty had been destroyed. In *Imperialism*, Hobson's solution to this impending crisis was to call for a radical transformation in the western industrial economies which, by removing 'over-saving', would also remove foreign investment—the chief source of imperialism. In a reformed economy, the home market would satisfy nearly all demands and foreign trade would be drastically reduced in significance. This would preserve industrial society and democracy at home. It would also leave the underdeveloped areas to evolve in ways suited to their own cultural genius, rather than as the result of the imposition of a bastard and diseased industrialism, under the benign eye of a world government intent only upon bringing to the poor the economic democracy now enjoyed in the more advanced nations.[5] Some of Hobson's more extravagant claims about the marginality of foreign trade to general economic welfare, made in the first edition of *Imperialism*, were toned down in 1905 but the argument was not changed fundamentally.[6] The implication was that foreign transactions were largely unnecessary to living standards and growth and that an extended international division of labour was merely the product of a defective economic system.

All this is in marked contrast to Hobson's thinking just before the First World War, especially in *An Economic Interpretation of Investment*, published in 1911. In this work, Hobson argued strongly for a clear connection between economic growth and the extension of foreign trade. He also claimed that an extended international division of labour did bring widespread national rewards. The economic penetration of backward areas was now seen as a mutually beneficial process through which both the industrial and the underdeveloped countries could benefit, one that did not threaten the survival of industrialism in the western hemisphere and that furthered the cause of democratizing capitalism. Improperty still existed and so did imperialism; but they were now presented as a phenomenon in the process of transformation by the same international economic process Hobson had condemned so bitterly in 1902. Exploitation of backward nations by individual western countries was inevitably giving way to a combined policy of overseas development, which would bring the imperialist nations together and provide the foundations for international government and world peace. In 1902, Hobson's solution to imperialism depended upon internal transformation amongst the dominant countries, which would produce a world of largely self-subsistent, albeit free-trading, nations. In 1911, he was looking towards a much more Cobdenite world of mutually interdependent nations, one in which the path to world economic justice and international peace would be made more sure the greater the extent and complexity of their economic interaction.[7]

It is likely that Hobson's change of perspective before 1914 owed a great deal to changes in the political climate. When he wrote *Imperialism*, it was in response to twenty years of colonial scramble culminating in the Boer War and at a time when the chances of economic reform in Britain seemed remote. No doubt, also, the picture of imperialism was deliberately painted as black as could be, in order to alarm the educated and spur them to action. By 1911, there had been a reforming Liberal government in office for five years in Britain and the fever of imperialism seemed to have abated. It was easier for him to believe, then, that mankind was becoming more aware of its interdependence and that the irrationalities of improperty and imperialism would inevitably give way eventually to the reasonable world of economic democracy and international cooperation.[8]

Hobson lived long beyond 1914, surviving not only total war but the deepest economic depression in world history. They, too, influenced his views on the links between capitalism and imperialism, sometimes profoundly. To demonstrate this is the main task of this essay, which will also try to answer a conundrum: why, if his views on the economic dynamics and significance of imperialism varied over time, did Hobson choose to reprint *Imperialism* in 1938 without giving his readers any inkling that, in significant ways, some of his ideas had frequently changed?

II

The outbreak of war in 1914 came as a complete surprise to Hobson and its length and savagery shook his faith in the future of humanity. Looking back, he wrote nostalgically about the pre-1914 radical vision, which rested on the belief in 'the existence of some immanent reason in history working towards harmony and justifying optimism' and which totally underestimated the power of the irrational in human life and the ability of vested interests to turn that irrationality to account.[9] None the less his optimism did not disappear upon the declaration of war: his attitudes only changed significantly as hostilities became more all-encompassing in its effects and as the idea of 'business as usual' gave way to the intensities of total war.

Hobson linked the war with imperialism from the start, claiming that, fundamentally, conflict had broken out because of economic antagonisms centred on claims about imperial possession. He reckoned, for example, that German militarism had been boosted by the fears of German businessmen about the closing of foreign markets, especially the fear that British empire markets might be limited by protectionist measures.[10] Not surprisingly, Hobson now put more stress than he had done just before 1914 on the argument that underconsumption in industrial countries was the prime cause of imperial expansion and on the dangers involved in conflicts between financial groups using national power to gain exclusive control of trade and investment openings in 'backward' countries.

At the outset, however, Hobson still saw the war as a temporary hazard on the road to progress. While vehemently condemning 'national groups of capitalists' who 'employ political weapons to gain their private ends',[11] he still made the Cobdenite claim that 'the free movement of capital and goods and men from one country to another is in its normal operation a pacific force, binding the different creditors and debtor nations together by mutual advantages'. In 1915 he was confident that

the firmly woven bonds of commerce and investment and the tidal flow of labour, which in spite of some obstructions, pulse continuously with more power throughout the world, are constantly engaged in bringing into closer union the arts of industry, the standards of living, the habits, desires and thoughts of men.[12]

Wartime moves in favour of tariffs were dismissed as ‘the last death struggles of obscurantist economics enlisted in the ranks of militarism’. Though the internationalism sponsored by commerce and finance had not prevented war from breaking out, Hobson insisted that this was ‘no sufficient reason for disparaging it as a material and spiritual support of the new pacific order’.[13] The horrors of war were, he thought, more likely to quicken the pace towards internationalism rather than arrest it.[14]

Without specifying exactly how the reactionary forces making for imperialism might be rooted out, Hobson in 1915 focused his attention on the future of the backward nations dominated by Europe. Just before the war, Hobson had considered that they would be natural beneficiaries of the increasing economic cooperation between the imperialist powers. Now he reverted to the position he had held in *Imperialism: A Study*, namely that the penetration and development of the ‘Third World’ could take place without exploitation and conflict only if some international supervisory body, like a League of Nations, were created.[15] He was worried, even then, that the possible exclusion of Germany from such a League might provoke ‘a wide “conscious” imperialism which would in the long run prove no less dangerous to the peace of the world than the national imperialism of the past’.[16] Clearly Hobson feared even at this early stage of the war that an ‘inter-imperialism’ of the kind he had warned about in *Imperialism* might be its result. On the whole, however, he felt that, provided there was a movement towards ‘economic democracy’ in the industrial world, the League would be a force for progress and would insist upon the open door for trade in the underdeveloped world, ensuring that the latter received the full economic and social benefit of their contact with advanced capitalism. Overall, the tone of *International Government* was closer to the optimistic speculations of *An Economic Interpretation of Investment* than it was to the more pessimistic message of *Imperialism: A Study*, though it contained no explicit analysis of the international economy.[17]

As the war dragged on and as its impact upon everyday life became more pervasive, Hobson was increasingly alarmed at the possibilities of a serious erosion of liberal economics and liberal values. The replacement of Asquith’s administration by a coalition between Lloyd George’s supporters and Conservative ‘social imperialists’, including the infamous Alfred Milner of Boer War notoriety, helped to convince Hobson that the dangers were real. Many of his fellow radicals acquiesced in the drift of policy because they could see no alternative to the crushing defeat of ‘Prussianism’,[18] but Hobson always hankered after an honourable peace based on the assumption that both sides shared the blame for the war equally. By 1917 he was thoroughly convinced that the coalition was determined to use the war not only to crush Germany but to organize the whole British empire on a permanent war footing and that the imperialist forces were now in the ascendant as they had been during the Boer War.

Hobson was particularly concerned with the apparent drift towards an autarkic state as the war progressed. Tariffs were imposed in 1915 to restrict luxury imports, but much more significant were the Paris Agreements of 1916, which envisaged a self-contained economic bloc, including all the Allies and their imperial possessions, that would be organized to discriminate against the Central Powers not only during the war but after it. The Agreements arose from the pessimistic assumption that Germany could not be defeated and that the war might end with an unsatisfactory truce that would leave the two armed camps facing each other, to be followed by an assault on world markets by German industry, which would disrupt the economies of the Allies.[19] But Hobson interpreted the Agreements as a blatant attempt by vested economic interests to prolong the conflict and thus retard the advance of economic internationalism and economic democracy. To counter this, Hobson, as a member of the executive council of the Union of Democratic Control set up in 1914 to fight ‘secret diplomacy’ and to encourage a swift peace honourable to both sides, persuaded the UDC to add the following to its list of demands:

That the European conflict shall not be continued by economic war after the military operations have ceased and that British policy shall be directed towards promoting the fullest commercial intercourse between nations and the preservation and extension of the open door.[20]

Hobson also set himself to counter the claim, popular in wartime, that the German state before 1914 had been in some way plotting the downfall and economic enslavement of the Allies and that the only effective counter to this was protection and exclusion. He emphasized how Britain's own power had developed under free trade, how Germany's fears of British tariffs had worsened relations between the powers before 1914 and how Germany's increasing competitiveness had to be met by better scientific and technical education rather than by a self-defeating protectionism that would simply perpetuate the worst kind of militarism and imperialism.[21] More specifically, he claimed that one major source of conflict was Germany's frustrated desire for colonial possessions in Africa.[22]

One fruit of the war was that it spurred Hobson to a closer examination of the nature of pre-1914 imperialism. Between 1898 and 1902, when he first analysed the phenomenon, his argument had been comprehensive in scope but, except in the case of South Africa, rather vague in the details. During the war, especially in his *Democracy after the War*, first published in 1917, he took the specific analysis of imperialist history much further than before.

In his early writings on imperialism, Hobson had been aware of the distinction between what is now called 'formal' and 'informal' empire. In the *New Protectionism* and *Democracy after the War* the distinction is more obvious. The inclusion of the Balkans in the list of areas subject to imperialist pressures made it plain that Hobson saw imperialism in an even wider perspective than before 1914,[23] though he still thought of imperialism as the exploitation of the backward nations of the world rather than as the global struggle for the 're-division of the world' envisaged by his Marxist contemporaries.[24] In 1917 he was more than ever convinced that financial forces were fundamental to imperialism and that the problem had become more acute in recent time via the spread of industry and industrial competition, the intensity of the drive for cheap sources of raw material supply and the rapid increase in productivity in industrial countries, which had exacerbated the underconsumption problem by increasing savings as a proportion of income. Hence the growing pressure before 1914 for overseas outlets for surplus capital and the manipulation of governments by investors determined to defend their growing 'fixed stake' in weak defenceless countries.[25]

From the perspective of 1917 he felt that the relationship between financial need and imperial policy during the Boer War was still crystal clear.[26] In other cases, the connection was 'more baffling to analyse'.[27] Turning to the British occupation of Egypt (an event referred to only in passing in *Imperialism: A Study*),28 Hobson conceded that 'the position of Egypt on the route to India made it appear important to our statesmen that our Government should have a hold upon the country'. He could not believe, however, that in the purchase of the Suez Canal shares and in their reactions to the claims of English bondholders, 'English diplomacy was using finance, instead of being used by it'. To assert this meant ignoring the 'plain fact that the political motive in each instance lay idle until it was stimulated into activity by the more energetic and constructive policy of the financier'.[29]

His analysis of great power policy in China before 1914 came to the same conclusions, but again showed a feeling for the complexity of the issues that had been missing in earlier writings. He concluded, for example, that Russia and Japan did not have specifically economic motives for their penetration of China but were 'activated primarily by considerations of territorial and political aggrandizement'.[30] (In an article written around this

time, Hobson also argued that French motives in the Scramble for Africa were non-economic)[31] Admitting, also, that in the case of Britain's entanglements in political and economic agreements with other powers in China 'it is not possible to prove how far the initiative was taken by the financial groups, how far by the Foreign Offices', [32] he went on to consider whether or not the British saw China's growing indebtedness as a way of making the latter politically dependent. He then described how the British government's role in the various consortia that had provided China with finance over the previous generation was mainly to protect the interests of powerful financial groups in Britain against the 'healthy competition' offered by financiers, from other nations and from Britain, excluded from the consortia. It seemed evident to him that, rather than governments having political objectives in China that required carefully controlled financial backing, the financial groups within the consortia were actually using government to further their own ends: 'for the businessmen of the Great Powers, China is a huge field of commercial and financial exploitation and their respective Governments with their shifty policies are tools for its profitable working'.[33]

His general conclusion on imperialism in 1917 was the same as his judgement on the specific case of South Africa. 'Justice, humanity, prestige, expansion, political ambition, all conspired to dwarf the significance of the business motive. But persistence, point, direction and intelligible aim belonged to the latter.' Investor power was more potent than other kinds because it 'is more concentrated, wielded more skilfully, and is more direct in its action'.[34] Contrary to his immediately prewar argument Hobson was now convinced that, unless there was a fundamental change in social structures and the growth of international government as a result, the great powers were bound to have come to blows over the spoils of imperialism. No agreements on division of territory could last long, he now believed, because the powers always fomented conflict by excluding some of their number and because the parties to the agreements were often impelled by ambitious greed to break them at a later date.[35] 'Inter-imperialism' no longer seemed a possibility and Hobson's views fell closer into line with those of Bukharin and Lenin, though he never analysed imperial conflict in terms of 'uneven development' and he lacked their confidence that the war was the beginning of the end of capitalism.

In 1902 Hobson was prepared to outlaw imperialist adventures by the simple device of persuading governments to 'an absolute repudiation of the right of [their] subjects to call upon their Government to protect their persons and their property for injuries or dangers incurred on their private initiative'[36]—although this could have worked only if social reform had already changed the nature of capitalism. In the middle of the war, Hobson rather surprisingly seems to have looked on prewar imperialism as something to be expected at that stage of human history. Governments could hardly stand aside, not simply because of the intense competition for space, but because it was their role to secure conditions abroad within which the enterprise of their nationals could flourish. Although undertaken for private ends, commercial treaties, consular arrangements and other activities of the state benefited the public at large by widening the arena of trade.[37] Even the promotion of chartered companies and the vigorous support of particular investment groups could not have been prevented. 'Upon the whole, it would be urged that this policy of pushful business, aided by political support, has made for enlarged and freer commercial intercourse and has been essential to the work of developing distant markets and more remote resources.'[38] This unCobdenite fatalism was accompanied by his familiar claim that what was needed now was some international body that would supervise the development of backward countries and offer free access to them.[39] In *The New Protectionism* he did not say whether this could be achieved only after the reform of capitalism or whether it was possible even in the present state of capitalism; though in his pamphlet on the *League of Nations*, written in 1915, he had assumed the

former.[40]

America's entry into the war initially raised Hobson's hopes that the conflict might lead to fundamental changes in capitalism and to a secure peace under a League of Nations. But the actual peace settlement was bound to be a severe disappointment. The League, he believed, was merely a tool of the victorious allies, as the exclusion of Germany and Russia showed. Also, although Hobson felt that the policy of holding colonies as League mandates—which set limits on the exclusive use of a territory's resources by the occupying power and suggested certain safeguards for the local population—was good in itself, it was immeasurably weakened by the fact that it was applied only to the colonies forcibly taken from Germany after 1918, while the Allies' own imperial possessions remained under exclusive control.[41]

The latter years of the war brought forth Hobson's most emphatic and detailed 'financial conspiracy' theory of imperialism and an argument that, to some extent, this imperialism had been inevitable. Although the thesis of *Democracy after the War* was in many ways the same as in *Imperialism*, and the gains from imperialism were attributed to the *rentiers* and their allies, there was nothing in the former work about the links between imperialism and the wider currents of foreign trade or about the marginality or otherwise of international transactions.

III

In 1918 Hobson joined the Labour Party, in company with other prewar Liberals shocked by Lloyd George's political delinquency and his association with the social imperialists. Labour had acceptably radical views on 'the Great War and the Bad Peace' and a good track record on the issues of free trade and opposition to imperial expansion. Joining Labour brought Hobson closer to the centre of political life: as early as 1918 he was chairman of a party committee on trade policy and wrote a paper for the Labour Economic Advisory Committee attacking arguments for imperial preference.[42] Within the party there was also a good deal of implicit sympathy towards Hobsonian underconsumptionist explanations of depression and unemployment, two phenomena that loomed large in political and economic thinking in Britain in the 1920s. Hobson's own writings in the 1920s mirror this concern and most of his comments on empire and imperialism at this time were related to this central theme.

It was the consequences of the Russian Revolution, however, that first drew from Hobson an interesting new extension of his ideas on the economics of imperialism. In 1902 he had insisted that the common man in industrial societies was a loser as a result of imperialism. In the *Economic Interpretation of Investment* he had claimed gains for everyone involved in the process. Now he thought more in terms of gains made by western working men, as well as capitalists, at the expense of the peoples in the dominated lands. In *Democracy after the War* Hobson had admitted tacitly that social imperialism was compatible with some improvement in living standards but he had not linked this with foreign trade.[43] In 1920–1, he was claiming that the Bolshevik Revolution had made it obvious to existing élites that they could survive only by offering the masses a higher standard of comfort. This, he thought, could most easily be achieved by some redistribution of the gains extracted from labour in the underdeveloped world:

A portion of the surplus gains can be utilized to support a relatively high level of comfort for the Western working classes who will insist upon higher real wages, shorter hours, adequate provision against unemployment, ill health, old age and other emergencies. The workers would take their share partly in higher money wages, partly in lower prices for imported

products, partly in social services rendered by a State which drew a large tax revenue from leasing 'Crown lands' in the colonies and protectorates to licensed business syndicates and from taxation of the high incomes derived from this exploitation.[44]

Hobson thought in 1920 that the League of Nations might be an instrument for such a new policy of 'inter-imperialism' by the victors who would attempt 'to establish an economic peace by substituting a race cleavage for a class cleavage'.[45]

Hobson's insight into this aspect of social imperialism brought him closer to the Marxist interpretation of imperialism. Lenin had consistently attributed the adherence of part of the working class to imperialism before 1914 to the creation of an 'aristocracy of labour' fed on the profits of imperialist exploitation. Hobson probably arrived at this conclusion independently: there is no evidence that he had read Lenin at this point in his career.[46]

Hobson's political interests and his preoccupation with the labour question in the 1920s found its most famous outlet in his co-authorship of the Independent Labour Party document *The Living Wage* (1926). This pamphlet was largely based upon Hobson's economic ideas and was centrally concerned with raising living standards in Britain by raising the level of mass consumption, partly through family allowances, partly by policies designed to raise wages generally. At the end of the document the authors briefly considered the effect of raising wages on the export sector in Britain. Proposals for redistributing income could have evil consequences for employment in industries that, in the 1920s, were struggling with ever-intensifying foreign competition. Faced with this difficulty, they pinned their hopes upon the prospects for increased productivity as wages rose and upon other methods of reducing costs, including state purchase of essential imports of food and raw materials. On the whole, though, *The Living Wage* was pessimistic about the future of exports, recommending deliberate import substitution and relying on the hope that increased domestic demand would compensate for the loss of foreign markets. But the problem was not resolved in the document: it was admitted that imports might well increase as incomes rose, and working-class interests in cheap food precluded any discussion of protection.[47]

One of Hobson's chief concerns at this time was to try to resolve the dilemma posed by the desire to redistribute income in Britain and the possibility that this might have harmful effects on exports, increase unemployment and reduce demand.[48] In *The Living Wage* there was a cursory mention of the fact that one way of boosting export sales was to increase income in backward areas, especially those within the empire.[49] Hobson brought this idea to the centre of attention in his own writings around this time. In doing so, he ignored the emphasis in *The Living Wage* on the need for state purchase of imports and he also emphatically denied the assumption that increasing home demand could compensate for the loss of foreign demand: Britain's living standards depended on a high level of international trade and the international economy was in urgent need of expansion.[50] At the same time, Hobson rejected protection for British industry. He was willing to admit now, as he had not been able to before 1914, that protection could increase output and employment within a nation, albeit at the expense of the rest of the world.[51] None the less he still felt that, in the long run, protection would reduce competitiveness, exacerbate the maldistribution of income and add to the pressures for imperialist aggression.[52]

Any lasting solution depended, therefore, on the growth of international economic cooperation under free trade. Hobson was encouraged by the idea that the growth of international cartels was slowly bringing the lessons of interdependence home. At the same time, he feared that what could emerge from the war was 'a vast international "sweating system"' exploiting blacks to raise wages for white workers and serving 'to produce quiescence and connivance with the new phase of inter-imperialist capitalism'.[53] He found

this as morally repugnant as he had in 1921: but now he also argued that this kind of exploitation would reduce the demand for industrial goods abroad, slow growth and leave the underconsumption problem untouched.[54] Britain's problems could be solved only by a coordinated policy of raising living standards among Britain's European industrial competitors and in the underdeveloped world.

In the first place,

If we are to retain within our national area the volume of trade and employment needed to maintain our growing population upon a rising standard of life, we must come to some definite arrangement with other countries supplying the world market to march along the same road of economic progress at something like the same pace. Unless we do this, an ever stronger tendency will operate to draw industries from this country and place them in countries where the net costs of production are lower.[55]

Secondly, the rapid development of the non-industrial world was an imperative necessity:

the pressure for expansion in our foreign market more and more takes the shape of seeking trade in backward countries, and is a struggle for this trade with exporters from countries that were once our customers. That enormous potential markets exist in Africa, China and elsewhere there can be no doubt, but the expansion of these markets requires a complete reversal of the economic exploitation that has hither to prevailed in the relations between advanced and backward countries. So long as a large part of the food and raw materials raised in tropical and other backward, non-industrial countries is the product of ill-paid servile labour, the low consumption of imported manufactures in these countries will serve as a real restraint upon the productivity and full employment of manufacturing trades in the exporting nations. A policy of better distribution of income in this country requires, therefore, to be supported by a corresponding movement in other countries both those in direct competition with us as exporters of manufactured goods and those which produce the foods and raw materials we require, and receive in payment our manufactures.[56]

Britain's particular problem of underconsumption could only be solved as part of a world-wide plan to raise living standards all round.[57] How this was to be done Hobson did not say but contented himself with the hope that the League of Nations would evolve into a body capable of world economic leadership.[58] Like the Labour Party itself, Hobson in the 1920s shifted from the rather negative view that the League was merely a tool of the capitalist interests who had been victorious during the war, towards the view that, however imperfect it might be, it did represent the beginnings of political internationalism.[59] Similarly, the League mandate system was 'a first dim formal expression' of the need for international cooperation to develop the poorer nations of the world.[60]

Hobson's writings on imperial matters in the 1920s were closer in spirit to the *Economic Interpretation of Investment* than they were to *Imperialism* or *Democracy after the War,* although the heady optimism of *Economic Interpretation* is missing. Economic interdependence is assumed in all his work at this time; and the growth of free trade internationalism was presented as crucial both to the progress of the working man in Europe and to rescue colonial peoples from servitude and exploitation. At the back of Hobson's mind there was occasionally the thought that, in a truly reformed industrial democracy, international trade flows might be much reduced, but he evidently believed that, in practice, the most likely avenue to peace and internationalism lay through the growth of international

economic cooperation. Faced with the impending creation of a protected British empire in 1930 he wrote:

In a 'new moral world' organized on the basis of equitable exchange this economy will be superseded. In such a world a better apportionment of the product to the workers in every country would furnish a much larger volume of demand in the national market that the surplus available for export would be restricted, and its price would be higher than it is at present. But until such organization of world resources is available, each nation will find it advantageous to buy what it needs in the widest market, without loading the producers with costs of production heightened by a tariff and its consumers with the heaped-up burdens of those higher costs as they emerge in high retail prices.[61]

IV

As economic depression settled on the world in the 1930s, the capitalist order came under increasing strain and warfare between the major industrial nations become more of a possibility. Hobson was forced to move from his 1920s position that capitalism could progress by peacefully developing backward nations, hopefully under the benevolent eye of the League of Nations. By the late 1930s, the world crisis was leading him back towards views on the relations between domestic economic change, foreign trade and payments and imperialism that were close to those he had held during the Boer War—a coincidence that made it reasonable for him to reprint *Imperialism: A Study* in 1938.

This intellectual shift was, however, only clear at the very end of his life: even in the mid-1930s he still believed in the practical possibilities of Cobdenism. Looking back in 1934, Hobson felt that, before 1920, capitalism had kept emergent democracy at bay by a series of concessions on welfare and wages that had ensured that the popular will had had little influence over the workings of the economic system or the imperialism it spawned. Economic collapse—which he assumed to be a massive underconsumption crisis—had altered this. Capitalism's survival now depended upon 'rationalization' and planning, which took the form of fascism on the continent and a less formalized shift to the political right in Britain. On the other hand, the depression had heightened mass consciousness about the injustice of the system and the threat to democracy and freedom: 'improperty' and democracy were beginning to confront one another more openly so that crisis brought with it possibilities for good.[62] Fascism, he thought, could not solve the economic crisis since the fundamental problem of maldistribution of property and income would remain.[63] A thoroughgoing 'inter-imperialist' exploitation of the underdeveloped world could have alleviated the problem temporarily, though it would also lead to the spread of industrialization.[64] Inter-imperialism now looked unlikely. With Japanese aggression in Manchuria and British imperial protection in mind, Hobson pointed out that most industrial nations were resorting to protectionist imperialism and the number of open markets was shrinking. By now Hobson seemed to think of war as inevitable since it was a crude but effective method of reducing oversaving by 'destructive waste'.[65]

None the less, in *Democracy,* Hobson claimed again that imperial self-sufficiency was 'quite impracticable' and that an extensive foreign trade was vital if populations were to be 'employed and contented'.[66] 'Closed States' tended to be autocratic and militaristic and were incompatible with the 'full productivity' of the industrial system.[67] His remedy for the troubles of the time included not only economic democracy but the freest and widest range of international trade. In 1934 he was still optimistic enough to believe that, as awareness of the

deficiencies of the capitalist system became more widespread, economic democracy would triumph and that free trade internationalism would soon reassert itself.[68]

This marked faith in the importance of an extensive international division of labour both to the economic well-being of nations and as the germ of a future peaceful world was much less evident in Hobson's last works. His book *Property and Improperty* (1937), written as the Civil War in Spain began, showed evidence of views nearer to those of *Imperialism: A Study* than at any time since the Boer War. He agreed with the pacifist, Norman Angell, that conquest of another nation at a similar level of development to ourselves could bring no advantage to a conqueror and that, in this sense, European war was an absurdity; but he insisted that gains could be made through conquest and domination of countries at a lower level of civilization. However, he was now certain that if 'businessmen and settlers' or even 'export traders' and members of élite groups in government could be beneficiaries, the nation as a whole was not. Protectionist imperialism might bring gains to one country, but if everyone practised this the gains were cancelled out and consumers were generally worse off as a result. He was also emphatic that imperialism could not make Germany or Japan or Italy more prosperous in general.[69] Moreover, he claimed that a reformed, democratic Britain should put foreign trade in the hands of the state. 'Socialized' trades would thereafter have no surpluses left over for foreign investment, though Hobson did add that the private business that remained should be allowed the freedom to put its funds abroad: 'hugging all our savings for purely national development is inimical to the growth of economic internationalism which in the long run makes for peace and world security'.[70] The implication, however, was that there would be less involvement with the international economy in the new order. In an article published in 1938 Hobson wrote:

the equitable distribution of opportunities, income and property, within our nation will not only ensure peace and progress, but by a diminished pressure on the need for external markets for our goods and capital, by reason of the increased volume of home consumption, will abate the perils of aggressive imperialism and of international conflict.[71]

As in the early 1900s, Hobson was now thinking in terms of an internationalism based on a greater degree of self-sufficiency than was envisaged in the Cobdenite scheme of things. In his introduction to the 1938 edition of *Imperialism: A Study*—the first new edition for 33 years—Hobson justified reprinting it, with only a few minor statistical additions, by claiming that 'the chief perils and disturbances associated with the aggressive nationalism of today, though visibly influenced and accelerated by the Great War and the Bad Peace, were all latent and discernible in the world a generation ago'.[72] In that introduction there was nothing to contradict either the 'Little Englandism' that was such a marked feature of the original work or the accompanying assumption that both an extended international division of labour and imperialism held out no benefits for the mass of mankind. As in *Property and Improperty,* Hobson argued that imperial aggression was costly to nations but beneficial to organized business interests. He also gave more prominence than before to the idea that the purpose of imperial aggression was to divert the attention of peoples otherwise growing steadily more conscious of the injustice of the existing economic order. This policy could end in war and revolution but, as Hobson said,

If as many close investigators of the business world appear to hold, the capitalism which has prevailed for the past few centuries is in any case destined to disappear it may seem better for its defenders to endeavour to prolong its life by political pressure for external markets than to succumb without a struggle to popular demands for a state socialism or a policy of

social services, the expenses of which shall consume the whole of the surplus profit.[73]

Hobson left his readers to infer that he had always stood by the analysis of the international economy that underlay *Imperialism: A Study* when it was first written. He referred again, in the 1938 introduction, to the theoretically possible, but practically unlikely, idea of an inter-imperialism, 'a project which might have given the whole of Western capitalism another generation of active profitable survival'.[74] He did not suggest, however, that this 'active profitable survival' brought any benefit to those who did not hold property. And, of course, in the text, the argument that 'inter-imperialism' would most likely lead to the de-industrialization of the West and the spoliation of industrial democracy remained unmodified. In explaining this, it cannot be argued that Hobson was merely justifying himself for reprinting an ancient text, since, as we have seen, views similar to those expressed in the 1938 introduction to *Imperialism,* and in the body of that work, had already appeared in *Property and Improperty*. By the time he came to reprint *Imperialism: A Study,* his faith in the practical possibilities of a Cobdenite solution to the world's ills had receded. As he put it in 1937, it was important to 'perceive the necessity of establishing economic peace at home as the prior condition of the attainment of a peaceful internationalism'.[75]

V

In 1938, Hobson also published his autobiography. In this he admitted that, although he felt that his economic interpretation of the origins of the Boer War was valid, looking at imperialism in a wider context the South African problem had led him 'for a time into an excessive and too simple advocacy of the economic determination of history' and that, at the time, he had 'not yet gathered into a clear perspective the nature of the interaction between economics, politics and ethics needed for anyone who might wish to claim the title of Sociologist'.[76] There is not much evidence that Hobson moved from the assumptions of the famous 'Finance manipulates' argument before 1914. In *Democracy after the War* most of his claims are consistent with this, even though he was willing to admit that some imperialist activity in Africa and the Far East was for non-economic motives.[77] In the mid-1920s, however, he did advance a somewhat more elaborate argument about the relations between the economic and political forces involved in imperialism. Power, he argued, was derived ultimately from control 'over persons not things'[78] and failure to understand this was a weakness of all economic interpretations of history. Property was valued because of the control it gave over people and in so far as the motives for imperialism were 'self-assertion' and 'acquisitiveness'.

To the former, the primacy may be accorded, in the sense that individual or collective self-assertion, or lust for power, which impress men to take or enforce rule over others, uses the arts of acquisition both as a means to the furtherance of this end, and as instruments for the direct satisfaction of positive self-feeling.[79]

To imperial statesmen 'the gain-seeking of traders and investors' was something that could be 'pressed into the imperial service'; the 'desire for power then becomes the nucleus of a "complex" round which gather various other instinctive drives with their emotional and ideological contributions'.[80] Even so, he felt that the 1882 occupation of Egypt and the Boer War remained 'instructive instances of the utilization of national force by private business,' and he concluded that the evidence available 'seems to support the view that power politics furnish the largest volume of imperialist energy though narrow economic considerations

mainly determine its concrete application'.[81]

In *Imperialism*, economic forces were the only ones having a clear objective. In 1926, Hobson was more willing to consider that the state had some independence and could command the economic forces. In the 1930s, Hobson added to this by claiming that property was desired 'for power over other human beings and for the prestige which attaches to ownership and power', especially when it had been acquired without labour.[82] Imperial possession and expansion fed a sense of national power and importance, just as property acquired by individuals satisfied individual self-esteem:

It is not necessary to prove that such acquisitions are profitable in the narrower economic sense for the possessing nation: the looser, loftier sense of predatory ownership suffices to give them value… Unless and until this individual group greed and pride can be dispelled by a keener sense of justice and good of others the exposure of illusions about the purely economic gains of aggressive foreign policies and imperialism will not suffice for peace and security.[83]

This was what made it possible for élites to mobilize popular sentiments in favour of imperialism and to use imperialism as a means of diverting attention from the class struggle at home.[84] This shift in analysis probably owed something to Hobson's close study of Veblen, to whom he devoted a book in 1936, and who had written powerfully about the ability of the 'dynastic interests' in Germany to turn the vast capitalist energies of their country to their own ends.[85] Moreover, the shape that Hobson's reasoning took on this issue in 1937 was consistent with the argument in *Imperialism* that national economic gain from colonialism and imperialism was impossible.

VI

Hobson's work was a 'puzzle' even to his lifelong friend and fellow radical, H.N. Brailsford, who wrote in 1948 that Hobson had continually claimed that imperialism would never be got rid of until economic democracy came into existence 'and yet he went on hopefully laying the foundations of international Government, while over a great part of the world that operation had at best only just begun'.[86] But if the argument here is correct, Hobson was not quite so inconsistent as this suggests. Rather, he offered two different paths to progress at different times. When there was peace and rapid growth, Hobson expected a steady drift towards reform. The expansion of international trade was then an aid to progress because it raised living standards and increased international interdependence, eliminating imperialism along the way. Hobson's most confident espousal of this approach was just before the First World War, but he stood by a more cautious version of Cobdenism in the 1920s and early 1930s. When the international economic scene looked hopeless and imperialist war broke out or was threatened, Hobson fell back on the hope that it would inspire a reaction from within the industrial nation which would kill off 'improperty' and hence imperialism. During the Boer War, the latter half of the First World War and in the late 1930s, he clearly thought that the international economy was too diseased to be a transmitter of progress. Brailsford's bewilderment is understandable since Hobson changed from one stance to another without any acknowledgement of the fact and without explaining clearly what he was about. Only very rarely did he explicitly offer these two distinct views of the international economy as alternative possibilities, as in his article of 1930 when the world seemed to be finely balanced between the modest economic progress of the 1920s and the depression and chaos of the next decade.[87]

It is possible to explain Hobsoon's leaps from one version of the international economy to another in intellectual terms alone. The history of economic thought offered a fertile source of inspiration for both the belief that foreign trade was marginal to development and the more strictly Cobdenite approach. Hobson was aware of some of these sources and used them.[88] It would be wrong, none the less, to see Hobson's movement from one position to another mainly in this way. He was pursuing a Utopian dream of world prosperity and peace and his intellectual arguments were often readjusted to fit in with whatever means, domestic or international, seemed likely to offer the best prospect for progress towards its fulfilment at any time.[89]

'Utopian' may seem the wrong appellation for Hobson since it applies more specifically to those who looked backward for the ideal society to a world of 'agrarian calm felicity'[90] once thought to exist. Hobson himself was rather a 'euchronian', one of those who projected 'the good place, good state of consciousness and good constitution' into a 'good future time' that men would fashion for themselves with the aid of reason, science and technology.[91] Some euchronians saw capitalism as a mere stage on the way to this felicitous future; others felt that a market society, purged of its imperfections, would form the ideal economic base for its realization. Owen, Fourier, Marx and Morris are representative of the socialist tradition. Paine, Spencer, Cobden and J.A. Hobson are major figures in the liberal-radical landscape, all more or less involved in the field of 'applied utopistics'.[92]

In the liberal-radical tradition, the 'new moral world' that they sought was a capitalist one of individualism, which offered, not a communistic equality but rather equality of opportunity. In Cobden's time, it was still possible to believe that the major barrier to the achievement of the ideal was the remnants of feudalism. The new liberalism's, and Hobson's, great achievement was to identify capitalist monopoly and inequalities as the major hindrance to the growth of pure capitalism itself and to campaign for its reform.[93] But, in so doing, Hobson came up against the same dilemma that Cobden had faced, that is, that the same extension of international trade that offered the possibilities of spreading the new ideals was also the carrier of war and imperialism. Cobden's answer was to purge the domestic economy of its feudal impurities while patiently assuming that the growth of international interdependence would soon contribute to the demise of international conflict and colonialism. Hobson offered either a domestic or an international remedy alternately, though the objective was always the same. But those who know only *Imperialism: A Study* or the *Confessions* would not know that he had not one method of ridding the world of imperialism but two.[94]

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1 *Imperialism: A Study* (1987 edn), p. 59.

2 For a stress on the conspiratorial element in Hobson's thinking see P.F. Clarke, *Liberals and Social Democrats* (Cambridge, 1978), p. 97.

3 N. Etherington, *Theories of Imperialism. War Conquest and Capital* (1984), Ch. 4.

4 'Free trade and foreign policy', *Contemporary Review*, vol. 74 (1898). The importance of this article was first noted by B. Porter, *Critics of Empire. British Radical Attitudes to Colonialism in Africa, 1895–1914* (1968).

5 P.J. Cain, 'International trade and economic development in the work of J.A. Hobson before 1914', *History of Political Economy*, vol. 11 (1979), pp. 408–20; *idem*, 'J.A. Hobson, financial capitalism and imperialism in late Victorian and Edwardian Britain', *Journal of Imperial and Commonwealth History*, vol. 13 (1985), pp. 6–11.

6 Compare the 1902 edition, pp. 30–1, with all later editions, p. 29. For commentary see P.J. Cain, 'J.A. Hobson, Cobdenism and the radical theory of economic imperialism', *Economic History Review*, 2nd Ser., vol 31 (1978), pp. 571–2, Clarke, *Liberals and Social*

Democrats, op. cit. (n2), pp. 94–6.

7 Cain, ‘J.A. Hobson, Cobdenism and the radical theory of economic imperialism’, op. cit. (n6), pp. 576–81.

8 ibid., pp. 581–4. For critical commentary on the thesis outlined in this section see P.F. Clarke, ‘Hobson, free trade and imperialism’, *Economic History Review,* 2nd Ser., vol. 34 (1981), pp. 308–12, and my reply in ibid., pp. 313–16.

9 ‘Why the war came as a surprise’, *Political Science Quarterly,* vol. 35 (1920), pp. 344–5. This article was later reprinted as Ch. 1 of *Problems of a New World* (1921). See also Hobson’s *Confessions of an Economic Heretic* (1938), p. 94.

10 *Towards International Government* (1915), p. 133.

11 ibid., p. 139, fn 1.

12 ibid., p. 195.

13 ibid., pp. 195–6

14 ibid., pp. 149–53.

15 ibid., pp. 127–48.

16 ibid., pp. 144–6; *A League of Nations* (1915), p. 20.

17 For critical discussion of Hobson’s *International Government* see K.E. Miller, *Socialism and Foreign Policy* (The Hague, 1967), pp. 64–8 and K. Waltz, *Man, the State and War* (1959), pp. 145–56.

18 Clarke, *Liberals and Social Democrats,* op. cit. (n2), Ch. 6.

19 On the Paris Agreements and their significance see P. Cline, ‘Winding down the war economy: British plans for peacetime recovery, 1916–19’, in K. Burk (ed.), *War and the State* (1982).

20 M. Schwarz, *The Union of Democratic Control in British Politics in the First World War* (Oxford, 1971), p. 78. The UDC seems to have been at one with Hobson in its stress on the economic origins of modern wars. See the Executive Committee of the Union of Democratic Control, *Memorandum on the Proposed Economic War* (1916), p. 5.

21 *The New Protectionism* (1916), chs V and VIII.

22 ‘Africa and the war’, *Labour Leader,* 7 June 1917, p. 6.

23 *The New Protectionism,* op. cit. (n21), p. 120; *Democracy after the War* (1917), p. 89.

24 On ‘uneven development’ see E. Stokes, ‘Late nineteenth century colonial expansion and the attacks on the theory of economic imperialism: a case of mistaken identity?’ *Historical Journal,* vol. 12 (1969).

25 *Democracy after the War,* op. cit. (n23), p. 83.

26 ibid., pp. 84–7.

27 ibid., p. 87.

28 *Imperialism,* op. cit. (n1), pp. 54, 108, 199.

29 *Democracy after the War,* op. cit. (n23), p. 90.

30 ibid., p. 95.

31 ‘Africa and the War’, op. cit. (n22).

32 *Democracy after the War,* op. cit. (n23), p. 95.

33 ibid., p. 100.

34 ibid., pp. 85, 84.

35 ibid., p. 93.

36 *Imperialism,* op. cit. (n1), p. 359.

37 *The New Protectionism,* op. cit. (n21), pp. 122–5.

38 ibid., p. 126.

39 ibid., pp. 126–34.

40 *A League of Nations,* op. cit. (n16), pp. 15–17.

41 *The New Holy Alliance* (1918).

42 P.S. Gupta, *Imperialism and the British Labour Movement 1914–64* (1975), pp. 26–35.
43 *Democracy after the War*, op. cit. (n23), pp. 192–3.
44 *Problems of a New World*, op. cit. (n9), pp. 185–6.
45 ibid., p. 183; see also pp. 227–34.
46 Hobson speaks of the benefits of imperialism being conferred on working men as a whole. Lenin felt that only 'aristocrats of labour' made gains.
47 H.N. Brailsford, J.A. Hobson, A. Creech Jones and E.F. Wise, *The Living Wage* (1926), esp. pp. 42–5. For commentary on the document as a whole see R.E. Dowse, *Left in the Centre*: *The Independent Labour Party 1893–1940* (1966), pp. 97–9, 130–1; for extracts see M. Freeden (ed.), *J.A. Hobson, A Reader* (1988), pp. 197–9.
48 *The Economics of Unemployment* (1922), esp. pp. 97–8; *The Conditions of Industrial Peace* (1927), pp. 106–8; *Rationalization and Unemployment* (1930), pp. 120–3; *Poverty in Plenty*: *The Ethics of Income* (1931), pp. 69–74.
49 *The Living Wage*, op. cit. (n47), pp. 50–1.
50 'An industrial country cannot in the long run live on the home market. It must continually seek more foreign areas in which to buy and sell and invest and develop' (*Rationalization and Unemployment*, op. cit. (n48), pp. 117–18). See also *The Economics of Unemployment*, op. cit. (n48), pp. 102, 140; *The Conditions of Industrial Peace*, op. cit. (n48), pp. 108–9.
51 *The Economics of Unemployment*, op. cit., pp. 100–1, 155–6.
52 *The Conditions of Industrial Peace*, op. cit. (n48), pp. 108–9; *Poverty in Plenty*, op. cit. (n48), pp. 73–4.
53 'Half the world in political subjection', *New Leader*, 11 March 1927, p. 6 and *The Conditions of Industrial Peace*, op. cit., pp. 110–11; see also *The Economics of Unemployment*, op. cit. (n48), pp. 143–4; *Rationalization and Unemployment*, op. cit., pp. 115–16; *Poverty in Plenty*, op. cit. (n48) pp. 75–6.
54 *The Conditions of Industrial Peace*, op. cit., p. 112; *Rationalization and Unemployment*, op. cit., p. 117; *Poverty in Plenty*, op. cit., p. 77.
55 *The Economics of Unemployment*, op. cit., p. 104.
56 *Rationalization and Unemployment*, op. cit. (n48), pp. 123–4.
57 Hobson saw the process as involving a much wider area than existing colonial territories. E.g. 'for the expansion of our export trades in the near future, Russia, China and South America offer far greater possibilities than any portion of our empire' (*The Conditions of Industrial Peace*, op. cit. (n48), p. 110).
58 In 1930, for example, he argued for a new economic order based upon international control, 'the forms of which it is perhaps premature to discuss', *Rationalization and Unemployment*, p. 125.
59 H.R. Winkler, 'The emergence of Labour foreign policy in Britain, 1918–29', *Journal of Modern History*, vol. 28 (1956).
60 See Hobson's *Wealth and Life* (1929), p. 393. In the Colonial Development Act of 1929, the Labour government did offer some aid to British colonies, mainly in the form of British exports, but the amounts of money involved were very small. Gupta, *Imperialism and the British Labour Movement*, op. cit. (n42), pp. 135–40.
61 'The new protectionists', *The Nineteenth Century and after*, vol. 108 (1930), p. 319.
62 *Democracy and Our Changing Civilization* (1934), pp. 31–42.
63 ibid., pp. 43–4, 47–50, 132.
64 ibid., pp. 50–2.
65 ibid., pp. 52–6.
66 ibid., pp. 52, 54–5.
67 ibid., p. 162.

68 ibid., p. 163.
69 *Property and Improperty* (1937), pp. 106–18, 124–30.
70 ibid., p. 203.
71 ‘Thoughts on our present discontents’, *Political Quarterly*, vol. 9 (1938), p. 55.
72 *Imperialism*, op. cit. (n1), p. v.
73 ibid., p. xx.
74 ibid.., p. xxi.
75 *Property and Improperty*, op. cit. (n69), p. 106.
76 *Confessions*, op. cit. (n9), pp. 63–4.
77 See p. 38 above.
78 *Free Thought in the Social Sciences* (1926), p. 181.
79 ibid., pp. 192–3.
80 ibid., p. 181.
81 ibid., pp. 192, fn 1, 193.
82 *Property and Improperty*, op. cit. (n69), pp. 13–14, 24.
83 ibid., pp. 121–2.
84 ibid., pp. 112–17.
85 See Hobson’s study *Veblen* (1936), pp. 138–45.
86 H.N. Brailsford, *The Life and Work of J.A. Hobson* (Oxford, 1948), p. 26.
87 See p. 46 above.
88 For some examples see Cain, ‘International trade’, op. cit. (n5), pp. 420–3; and *idem*, ‘J.A. Hobson, Cobdenism and the radical theory of economic imperialism’, op. cit. (n6), pp. 566–7, 577–8.
89 Although this inevitably suggests a certain lack of intellectual rigour it is worth noting that Keynes, a convinced free trader for most of his life, argued strongly for protectionism in the 1930s and supported his case with the claim that foreign trade would diminish as a proportion of national income over time in advanced societies. See his article ‘National self-sufficiency’ (1933), in D. Moggridge (ed.), *The Collected Writings of John Maynard Keynes*, vol. 21 (Cambridge, 1982), pp. 233–46.
90 F.E. and F.P. Manuel, *Utopian Thought in the Western World* (1979), p. 20.
91 ibid., p. 4.
92 ibid., p. 20.
93 On Cobden’s rationalization of his world see P.J. Cain, ‘Capitalism, war and internationalism in the thought of Richard Cobden’, *British Journal of International Studies*, vol. 5 (1979). For some tentative suggestions about Hobson’s radical ancestry see *idem*, ‘Hobson, Wilshire and the capitalist theory of capitalist imperialism’, *History of Political Economy*, vol. 17 (1985), pp. 457–60.
94 I would like to thank Professor A.G. Hopkins for reading through the manuscript and helping me to eliminate errors. All that remain are, of course, my responsibility.

4
Hobson's evolving conceptions of human nature

MICHAEL FREEDEN

It is a truism to suggest that every social and political theory is rooted in a conception of human nature. Hobson was no exception to that rule, but his interpretation of human nature was novel and wide-ranging. It did not merely refer to an abstract model, artificially—even cunningly—employed to explain or justify this or that social practice. Rather, it was grounded on concrete, common-sense and empirical observations; it encompassed a broad openness to different aspects of human behaviour; and it attempted to incorporate insights from new developments in philosophy, psychology, sociology and physiology as well as relate to older moral conventions. Most significantly—on closer inspection—it served to underpin many of the better-known theories that Hobson had developed in his critiques of economics and imperialism and in his reconstruction of liberal ideology. As with so much of his work, his scattered writings on human nature exhibit both a derivative and often sketchy approach to highly complex problems, and an ability to cut through existing traditions in order to arrive at clear and bold statements of a highly innovative character.

Throughout his writings, but especially in his early works, Hobson displayed two recurring characteristics: extensive reading and retention of new information for the purpose of shoring up his arguments, and carelessness, if not stingy reluctance, to attribute these sources. Hobson's avid assimilatory powers enabled him to synthesize the latest writing in a whole range of disciplines concerning man and society. He was aware of the trends in philosophical and psychological thinking, and able to attach them to an evolutionary perspective that had profound impact on his arguments. Concurrently the radical circles he moved in infused his views with strong social and collectivist, if not socialist, predilections. Uniquely and in a genuine pioneering sense, though without the meticulous and scholarly basis that was necessary to achieve academic recognition, Hobson wove those different strands together to produce his first major non-economic work, *The Social Problem,* undoubtedly one of the most important and original of his books. The product of Hobson's lecturing and journalistic activities in the 1890s, originally published in thirty-six parts in 1898,[1] it contains his most suggestive early treatment of human nature, and reflects the impressive development of his thinking over a decade in a number of areas, especially in crystallizing his thoughts concerning the interconnections among the human and social sciences.

Hobson's early views on human nature were a compound structure culled from a number of sources and deftly employed to reinforce each other. New philosophical and psychological theories suggested the importance of mind as a propeller of human conduct, but also the close link between physiology and psychology. On another level Hobson developed a markedly communitarian conception of human nature, sustained by the works of Idealists such as J.S. Mackenzie, and nourished by Hobson's growing ideological antipathy towards the individualist treatment of persons as independent entities, whose social organization was

entirely predicated on voluntary contracts. And from a third *point d'appui* Hobson was increasingly attracted by evolutionary theories that identified a process of growing rational and conscious control of man over his actions and his environment.

Ultimately, Hobson's penchant for his highly personal version of organicism must be seen as his outstanding and innovatory contribution to all the above themes. By means of the notion of the interconnectedness of scientific knowledge at a period when the social and moral sciences were embarking on intense specialization, it supplied him with a principled justification for what might otherwise have been seen as a dilettantish raiding of various disciplines. Though many theorists and practitioners endowed their professional field with more acute and academic contributions, Hobson was one of the very few modern British thinkers of his generation to underscore the integral connections between social philosophy, psychology, economics and the natural sciences, employing not the past abstractions of utilitarians or 'dismal scientists', but what he believed were sensible empirical observations buttressed by the most recent scholarly truths. At the same time his organicism enabled him to engage in a bridge-building enterprise that disposed of entrenched dichotomies between mind and body, individual and society or even reason and unreason. On this quasi-amateurish level he succeeded in integrating insights of empirical psychologists with those held by Idealists and evolutionary philosophers, thus anticipating the more technical discourses of academics such as L.T. Hobhouse and W. McDougall, and in a modest way performing a function not dissimilar to Mill's, by introducing (almost anonymously) some of the ideas prevalent on the Continent to the British reading public.

Hobson's views of human nature embodied three guiding ideas that served to direct his more general social, political and economic analyses. First, in line with his strong insistence on the organic nature of human beings, he affirmed the interlinkage between the physiological and psychological components of their behaviour. Second, he denied current notions of dominant innate human greed and selfishness, emphasizing instead the natural gregariousness and sociability of individuals. Third, he subscribed to prevalent ideas about the unfolding and development of wholesome human capacities, specifically in the form of the expenditure of vital energies beyond what was necessary to survival. These principles recur repeatedly throughout his-work, though at different times they attached themselves to various particular issues, problems and theories that preoccupied him.

Looking back from *The Social Problem* over the previous decade, Hobson's encounter with J.S. Mackenzie's *An Introduction to Social Philosophy* was obviously one of his most profound formative experiences, one that set him along a path he was to adhere to for the rest of his life. An examination of Mackenzie's book shows emphatically how seminal it was to the development of Hobson's thought, though his early ideas can by no means be reduced to that work alone. Hobson must have been flattered to find in it some of the first references to his own pathbreaking but at the time highly controversial underconsumptionist venture with A.F. Mummery, *The Physiology of Industry* (1889). Mackenzie had been impressed by the refusal of Mummery and Hobson to identify wealth with material possessions and by their stress on consumption, even if they had not, in the former's opinion, distinguished sufficiently between different kinds of consumption.[2] Mackenzie had already attained distinction as a Scottish Idealist, and in his 'truly remarkable'[3] book attempted to integrate Idealist teachings with some of the latest writings of social reformers, mainly on the progressive side of the political spectrum. Mackenzie's admonishment that 'some of the laws of Economics…lend themselves so readily to a purely abstract treatment that there is still a danger of their relations to human well-being becoming neglected altogether' and his view of economics as both science and art[4] became central themes in Hobson's later writings. Mackenzie's observations on Ruskin, singling out the latter's notion of 'illth', and his ethical approach to practical economics[5] may well have provided the original impetus for Hobson's

later book of Ruskin.

In Mackenzie's holism Hobson found the inspiration for his own later organicism that attempted to do away with boundaries between ethics, politics and economics. Mackenzie saw in the organic perspective an explanation for 'most of the great questions in which human nature is concerned'.[6] In particular, Hobson distilled from Mackenzie's organicism his rejection of monadism, and its replacement by a view 'which regards the rights of the individual as inseparable from his obligations to society, and his obligations as equally inseparable from his rights,—each being but a different aspect of the demands of his nature from him as a being who cannot but be social'.[7] However, the important balance between the individual and the social aspect of man that Hobson grappled with throughout his life was clearly adumbrated in Mackenzie's book:

an organic view of society would be one which regarded the relation of the individual to society as an intrinsic one; one which recognised that the individual has an independent life of his own, and yet which saw that independent life is nothing other than his social life.[8]

For Mackenzie, as consequently for Hobson, 'if man is to become rational, he must make for himself a rational environment. This rational environment he finds for himself in society… It is only through the development of the whole race that any one man can develop'[9]—a formulation in diametrical inversion to the famous ending of Mill's *On Liberty*.[10] It was in that sense, indeed, that a mild ethical socialism[11] could appeal both to Mackenzie and to Hobson. Already then becoming aware of the multiple connotations of the term 'organic', Hobson accepted it in the sense both of human growth and of the intertwined link between such individual growth and social progress. For, as Mackenzie put it, the organic point of view meant on the one hand that 'man is a developing being, rising from sense to thought'[12] and that 'the idea of development…is coming to be applied more and more to everything that is fundamental in human affairs', and on the other hand that there existed 'a system in which the parts have a certain relative independence, but an independence which is conditioned throughout by its relation to the system—an independence, in short, which is not freedom *from* the system, but freedom *in and through* it'.[13] Here were the germs of much that can be found in Hobson's own organicist concept of human nature. Yet at that stage, prior to Hobson's closer acquaintance with current psychological theories, his thinking still eschewed the fuller physical implications of the organic analogy, and he praised Mackenzie for being 'careful to protect himself from errors likely to arise from the exclusively physiological associations of the term he employs'.[14]

However, Hobson was never attracted to Idealism as a central perspective, and he quickly returned to more material evidence concerning psychology and physiology. Indeed, though he referred in his autobiography to the influence of his townsman, Herbert Spencer, and his *The Study of Sociology* on his early thought, Mackenzie did not even rate a mention.[15] Spencer was employing and developing psychological theories of the type advanced by Alexander Bain, who had asserted that the division between mind and body was without basis, and Bain's interest in the physiological mechanisms underlying behaviour led to an emphasis on the dynamism and activity of the human organism, propelled by inner drives.[16] Spencer had reviewed Bain's *The Emotions and the Will*, praising him for being the first to appreciate the importance of the participation of bodily organs in mental changes.[17] He had also perused Bain's *Mind and Body*, in which the latter had examined 'the intimate connexion between Mind and Body…furnished by the effects of bodily changes on mental states, and of mental changes on bodily states'.[18] In *The Study of Sociology* Spencer reasserted the close

links between feelings and action as a basis for a theory of mind,[19] thus contributing to a tradition of thought that both Hobson and his friend and contemporary Hobhouse took up. Throughout, Spencer was keen to emphasize the primacy of non-cognitive feeling, of emotion, as a cause of conduct; in other words, to identify a particular influence of mind on bodily actions.[20] Concurrently, however, a reading of Spencer would have directed Hobson to search for the effect upon the mind of physical human characteristics (examined by Spencer in questionable detail with respect to differences between men and women).[21] It is understandable, therefore, to find Hobson writing about human nature in language closely reminiscent of that school of thought, though one must also recall that Hobson had the interests of an economist at heart. Those concerns might explain his preference for reversing Spencer's relative emphases, and for moving away from Mackenzie's, by underlining the effect of the body on the mind. Thus he now observed: The loose notion that, because "the soul" has the direction or determination of [moral and social purposes], they somehow escape the limitation of the body, has no warrant.'[22]

In particular, Hobson was influenced by Spencer's frequent forays into the physiological needs of the human body. Spencer had expounded on the common traits of human nature, observing that human beings 'have all needs for food, and have corresponding desires. To all of them exertion is a physiological expense; must bring a certain return in nutriment, if it is not to be detrimental.' To that Spencer added an evolutionary perspective that traced the development of 'vital power' in men, for whom 'individual evolution continues until the physiological cost of self-maintenance very nearly balances what nutrition supplies', whereas 'in women, an arrest of individual evolution takes place while there is yet a considerable margin of nutrition: otherwise there could be no offspring'.[23] Hobson echoed much of this in an early piece written in 1893, and reproduced in part in *The Social Problem*. As Hobson had put it then: 'On the plane of physical exertion and material consumption the law that action and reaction must be equal and opposite demands that every output of vigour in production shall be repaired and balanced by corresponding consumption.'[24] By the end of the century he had attempted a reconciliation of the Idealist social philosophy of growth with empirical and material evidence from the burgeoning sciences of individual and society. Furthermore, Hobson interwove these socio-physical analyses with his radical economics as well. His organic appreciation of the human condition and its physical roots was linked to the act of consumption and thus added considerable depth to the underconsumptionist theories he was expounding in parallel throughout the 1890s. Like Spencer, he drew attention to the prime dependence of human beings upon an intake of food converted into muscular and nervous energy, 'which may be given out in forms of physical or mental work'. Here was to be found the clue that linked up these Spencerian insights with Hobson's economic concerns:

Physiology assigns certain laws of individual property in tracing necessary relations between the output of vital energy in work and the replacement of that energy through nutrition. Every kind of human

effort given out in the production of material or non-material wealth must be attended by a consumption of material forms, adjusted both in quantity and in character to the expenditure of force.[25]

Hobson's qualitative notion of wealth and consumption, adapted from Ruskin, was now bolstered by an empirical analysis on Spencerian lines, which regarded the science of hygiene as one of the bases of wholesome human life. Furthermore, Hobson went on to convert Spencer's observations about the 'margin of nutrition' produced by women into a more general precursor of his notion of surplus value, applied to all individuals: 'Man is the owner

of a recurrent fund of superfluous vital energy, over and above what is needed to procure the necessaries of physical life, and he is willing to use this energy for pleasurable activities of self-expression…,'[26] Conversely, 'every act of consumption which requires no previous act of production, is a natural, and, in the long run, an inevitable check upon future effort';[27] hence the idle rich suffered the ultimate indictment of nature. What later became Hobson's famous concept of unearned surplus, or improperty, was initially condemned here for the physical atrophy and destructiveness it brought in its wake. The convex congested paunch of the torpid plutocrat who consumes without the effort of producing, implies the concave anaemic body of the inefficient starvling as its equal and opposite'[28]—a structure of argumentation that Marx would have found quite familiar. Clearly, Hobson was forming a general view of human nature in which the link between the physical and the mental was overriding, and in which bodily needs were to be regarded not as embarrassing or irrelevant, but as a wholesome foundation of optimal human performance.[29]

Current psychology was, however, affording Hobson a further range of insights, this time derived from the French social psychologist, Gustave Le Bon. As with his first mentor, Spencer, Hobson adopted Le Bon's scholarly insights while rejecting their highly individualist and conservative packaging. In *The Psychological Laws of the Evolution of Peoples* (published in 1894) Le Bon had maintained, in unmistakably élitist and racist tones, that 'the very great anatomic differences which distinguish the various human races are accompanied by psychological differences no less considerable'.[30] In reviewing the English translation of the book, Hobson turned this to his own advantage; indeed, Le Bon had a major impact on his writings between 1899 and 1901. The message Hobson distilled from Le Bon was a denial of the theory of 'common humanity' and its corollary that progress was unilinear, one nation therefore being able to civilize another. Moreover, Le Bon's assertion that the pace of moral progress was determined by average people was, for Hobson, a highly serviceable protest against the undue optimism of some reformers.[31] Hobson consequently departed in *The Social Problem* from a uniform conception of human nature by making similar allowances for the 'wide variants of natural environment and of race…[that] oblige us to conceive civilisation as "multiform"'. Conceding that those differences could be either physical or psychical, Hobson was prepared to contemplate a notion of national character by explicitly endorsing Le Bon's assertion that 'common race character' consists of 'certain few fixed sentiments or ideas which are virtually permanent…[and which] mould the destiny of nations, and are the real ultimate determinants of the work which they can do in the world'.[32] However, Hobson—who rarely abandoned his fierce critical independence even when drawing upon the scholarship of others—parted company with Le Bon by insisting that no civilization was better than another, merely different.[33]

Le Bon had, however, a more persevering effect on Hobson. In the earliest expression of a theme that was to recur frequently in his work, Hobson employed him to alight upon human irrationality as a motive force in politics. The enduring nature of war, he speculated, could be explained by fighting, nomadic and acquisitive instincts which, while subdued in the individual, may abide in the race.[34] Hobson elaborated on this theme in his *The Psychology of Jingoism* (1901), where he used Le Bon's conclusions with devastating effect against the mass hysteria of the Boer War. Hobson referred to 'a recent French writer' who had attributed to a crowd 'a character and conduct which is lower, intellectually and morally, than the character and conduct of its average member'. This irrational, volatile and savage mob passion Hobson now detected in the populist British reaction to the war in South Africa,[35] though it is interesting to note that he had originally developed this insight during his South African visit, with reference to *its* inhabitants.[36]

Characteristically, Hobson was inclined to read far more into Le Bon than the latter was

willing to suggest, namely, that the behaviour of the crowd revealed the more general attribute of a group mind, of which crowd behaviour was merely a corruption.[37]

In fact, Hobson had already alluded to Le Bon in 1898, three years before *The Psychology of Jingoism* was published, in support of this second importance facet of human nature he had come to emphasize—man's sociability and communitarian essence. Building on Le Bon's better-known *The Psychology of the Crowd*, published in 1895 and translated into English a year later, Hobson noted then that 'the modern science of psychology brings a cloud of witnesses to prove the direct organic inter-action of mind and mind: the familiar experience of everyone exhibits thoughts, emotions, character, as elaborate social products'. He now described that organicist insight derived from works such as Mackenzie's as 'this commonplace of most social philosophies', and sought rather to base it on a scientific footing. That was apparently supplied by Le Bon, who had demonstrated that the feelings and conduct of a crowd were not those of its constitutive parts: 'Do we not know that the contagion of emotion will give a moral life, a character, even to a casual throng of citizens, inspiring beliefs and impelling actions which do not reflect the mere activity of the separate minds?'[38]

In all this one must not forget the immense impact of evolutionary thought on progressives during the late nineteenth century.[39] Man was evolving higher, more rational, more conscious and more sociable modes of organization and behaviour. A naturalistic evolutionism now included man as part of nature, yet capable through emerging consciousness and self-control of channelling his behaviour towards ethical and communitarian ends. 'For what is nature but reason working itself out in the universe?', queried Hobson.[40] He subjected the question to close examination in his analysis of property rights. In 'Rights of Property' Hobson had broadened his treatment of human nature while dissecting the notion of natural rights—foreshadowing in part the noted work of the Idealist D.G. Ritchie.[41] Rejecting the separatist and detached notion of natural rights, Hobson proposed an original inversion of their meaning—namely, rational and ordered functions of human activity. Utilizing a conception of human nature that regarded its essence as involving activity, work and life, he drew the logical conclusion: 'that which is required to maintain the productive energy of workers is their natural property.'[42] In other words, a specific physiological feature of human nature became a major identifier of human needs and determinant of social arrangements. Immediately, though, Hobson added a psychological given of human nature which necessitated further social arrangements. The 'natural' expenditure of physical energy was not an instinctive or biologically determined aspect of human nature. Mind had to instruct body to expend energy. This too was natural, but in the wider and holistic sense that was part of the organic linkage between body and mind that Hobson had come to accept. The human will is a part of human nature, and the "property" required as a sufficient motive to operate upon this will is as "natural" as that required to furnish the physical energy used up in production.'[43] This insistence on the need for stimulating the effort of production[44] was later to become a major component of Hobson's ideological position, distinguishing him from purist socialists in his insistence on the importance of incentives in any practical socio-economic policy. There was, however, a third feature of human nature that also deserved its due in social organization. Man was a social entity in a very real sense, so that his physiological and mental productivity was itself formed only through social assistance, cultural and economic. The safeguarding of some form of social property was hence essential to nourish the social nature of the individual, namely, the aspect that led individuals to identify themselves more closely with the welfare of others.[45]

Drawing the various strands together as the new century dawned, Hobson had become well equipped to make the fuller statement on human nature that emerges from the pages of *The*

Social Problem. He elaborated the need to replenish energy as the conservative aspect of human nature and the psychological desire to induce effort as the progressive aspect, putting forward new wants. The latter was a natural component of the progress both of individual and of social character.[46] Especially enhanced was Hobson's treatment of work as a focus of material, mental and ethical perspectives. Work was raised to the level of a definer of human essence in virtually socialist language.

'True work' was 'lovable as a means of wholesome and agreeable self-expression'. But it was also the means of satisfaction for a society, for 'social relations…are inseparable from the individual nature'.[47] Later Hobson was to elaborate, maintaining 'that man is naturally active, that he likes to discover and apply power of body and mind to constructive work, arranging his natural environment, partly for the sheer pleasure of doing things, partly for the satisfaction of enjoying what he has done or made'.[48] At the same time, Hobson—as was his wont—remained unclear on the question of whether society was an amalgam of socially oriented individuals, or an entity making claims in parallel with individual needs (albeit not separately and not in conflict with them). He could in the same paragraph refer to 'the conditions of health and progress for a complex organism' and stress that the relation between individual and society was merely one of 'harmonizing the different sides of the [the individual's] nature'.[49] In other writings he was to vacillate even more markedly.[50]

The Edwardian years brought with them new theories which Hobson was quick to incorporate. William McDougall may not currently be remembered as an important Tpsychologist, but in the first quarter of this century he was widely published, read and quoted. By now it was inevitable that he would add grist to Hobson's mill. For McDougall was dressing in professional garb many of the ideas that Hobson had been cobbling together by means of his syntheses and the further inspiration derived from Hobson's colleague Hobhouse. McDougall had been trained at England's first exclusively psychological laboratory,[51] and in 1908 published his influential and much-reprinted *Social Psychology*. For intellectual historians, the interest of this work must lie not in its novelty but in its reflection of the psychological/philosophical tradition that sought to explain human conduct in terms of instincts and drives working their way up to the level of conscious, rational behaviour.[52] What McDougall later graced, or burdened, with the term 'hormic psychology' was more simply this central concern of his contemporaries and their immediate predecessors. Hobson was clearly pleased to discover in McDougall's work scientific backing for his philosophical intuitions. It rendered unnecessary his previous recourses to analogies from the animal kingdom, as when referring to Maeterlinck's *The Life of a Bee* for evidence of common psychic purpose within a social group,[53] even though a quotation from Henri Fabre's recent work on the social instincts of wasps is found in proximity with reliance on McDougall.[54] McDougall listed a range of primary human instincts to which emotions were attached. They included among others flight, repulsion, curiosity and pugnacity with their emotional counterparts of fear, disgust, wonder and anger. But they also included a parental, a reproductive and, crucially, a gregarious instinct.[55] The latter, interestingly, was described on its elemental level in terms reminiscent of Le Bon, as herd or horde be haviour 'liable to a morbid hypertrophy under which…emotions and impulses are revealed with exaggerated intensity', and in particular membership of crowds, which 'exert a greater fascination and afford a more complete satisfaction to the gregarious instinct than the mere aimless aggregations of the streets'.[56] But it was in that instinct also that McDougall found the explanation for the development of active sympathy of human for human.

Hobson referred to McDougall's work in *Work and Wealth*, published in 1914, where he replicated McDougall's survey of instincts. Hobson was, however, eager to argue that reason could coordinate the instincts, raising the 'instinctive movements of the popular mind' to the

level of a conscious and controllable 'general will'.[57] Many of Hobson's notions on this subject followed Hobhouse's, who had himself combined philosophical and psychological work to account for the development of instinct into conscious rational behaviour. Hobhouse subscribed to the notion of orthogenic, or progressively organized, evolution, which was solidly based on his pioneering studies in animal psychology and behaviourism. A direct sequence of development could be traced from a number of sources: hereditary mechanisms, permanent needs (root interests), and instincts. These guided the impulses, which in the course of experience were sustained first by feeling, and then emerged as intelligence operating through an articulated and controlled consciousness. The social interests and impulses, which could develop into sympathy for others, were singled out for special consideration. Hence human needs pertained not only to the body but to the mind. This rational growth process of mind was correlated with social development and was the crux of the evolutionary process.[58] Many, though not all, of Hobhouse's theories on the subject were formulated before McDougall's books had been published and appeared in the first edition of his *Mind in Evolution*.[59]

Hobson's *Work and Wealth*, one of his most sophisticated and careful books, teased out more detail and added new observations to enrich the earlier adumbrations. In particular, Hobson—unlike his friend Hobhouse—asserted not only that the antithesis between instinct and reason was illogical, but that reason itself was far more directly based on 'blind' instinctive drives of gregariousness and curiosity. This assumption was predicated on Hobson's organic whole/parts distinction, which allowed for the organic whole to have interests and purposes not accessible to the units, except as the latter develop communion of thought and feeling with fellow-men and humanity at large. For 'prior to the dawn of "reason" in organic evolution, the instincts carry and apply a wisdom and direction of their own'.[60] Behind this lay a tension that only evolution itself could resolve. Men and women were not only individually endowed with social instincts and inclinations, but were capable of realizing collective ends *qua* members of a social group. Hence, human beings were social in the lesser sense of mutual interdependence and in the greater sense of essentially constituting components of a social whole.[61] The problem was one of finding a balance between these two natural states. On the physical plane this could become one between the needs of the individual and the species; on the non-physical, between self-regarding and humanistic-ethical activities and purposes. Occasionally the species was over-insistent in its demands; occasionally the individual attempted to break away from the natural ties that made others of concern to him. Crucially, as we have seen, the biological/psychological needs of the individual were already defined in terms of their social propensities; crucially, also, the 'self-regarding impulses are made socially profitable by allowing them free expression' in creative, artistic and adventurous directions, for 'the well-ordered society will utilise the energies of egoism', if not permit them to predominate.[62] On one important dimension the 'dawn of reason is the dawn of selfishness', as individual life broke away from the thrall of the instinctive sacrifices that living creatures make for the survival of family and race, and a sense of personality emerged. However, the very essence of human evolution lay in its ability to enter a third stage—a rationalization on a higher sphere of a socialized consciousness that enabled the 'social race-life' to 'reassert its sway'.[63]

Hobson was now eager, in quasi-dialectical fashion, to stress both the unity and diversity of human nature. Ultimately, these facets could be reconciled and harmonized (using one of Hobhouse's favourite terms) through the organic conception of society. Though both unity and diversity were ineluctable, they could be either beneficial or harmful. Individuals effectively had the choice to develop the different potential characteristics within them, for 'there is reason to believe that human nature is exceedingly rich in all sorts of variations from the normal, and that very many of these variations have valuable uses …'. Yet some were of

debatable worth; others categorically harmful. The businessman, for example, was endowed with the ability to innovate, to make rapid judgements, and with courage, but the human cost was moral callousness and recklessness.[64] Elsewhere, Hobson observed that the actual manifestations of human nature could tend to vices or excesses injurious to others and opposed to sensible standards of value.[65] Here Hobson's fervent commitment to issues of economic distribution had a role to play. Maldistribution had damaging effects on both the rich and the poor: in the former encouraging those human features that are parasitic and unproductive; in the latter destroying the capacities for creativity and enjoyment.[66] The development of useful human characteristics was in the hands of human agency, but of the collective kind: the deliberate, organized intervention of a social environment—itself an aspect of intelligent rational nature—could play a part in forming individual human behaviour. As Hobson argued:

It is often urged that man is by nature so strongly endowed with selfish and combative feelings, so feebly with social and cooperative, that he will not work efficiently…he must be allowed free scope to…exercise his fighting instincts, to triumph over his competitors …or else he will withhold the finest and most useful modes of his economic energy.

As against these assumptions, Hobson held out the possibility that the redistribution of material life-chances could 'sow the seeds of civic feeling and of social solidarity among large sections of our population'.[67]

The direction of human development was also given clearer shape. Hobson continued to expound on the centrality of creative work to his conception of human nature, but he now emphasized two facets. First, human beings needed to exercise a range of productive faculties, and they needed variety in their activities. Second, Hobson linked this with an outspokenly liberationist perspective, which assumed an innate 'latent creative energy' whose emergence had to be facilitated.[68] Human powers were thus multiform, active and progressive. Their full expression had to be enabled through wholesome social arrangements. This elaboration was accompanied by another theme which became salient as Hobson grew older. It concerned a softening of the intellectualist bias[69] of liberal thought and the assertion of the importance of play, spontaneity and pleasure. Hobson proceeded to point out in evolutionary terms the role of faults, sports or mutations, which 'in human conduct, individual or social,…seem to play a larger part, chiefly by reason of the operation of the so-called "freedom" of the human will'. That will was decisive in scattering mutations over the realm of human behaviour and was hence a source of continuous evolutionary innovation.[70]

The growing interest in the role of motherhood, in population and eugenics questions, and in women's emancipation before 1914 induced Hobson to turn his attention to a rare consideration of the role and nature of women, but in a disappointingly thin manner. Despite his basically humane and liberal approach to the subject, what stands out is Hobson's assumption of the dual nature of male and female, in his assertion of 'the right and duty of women to form womanly standards of judgement and conduct for themselves instead of receiving them from men, as a necessary condition for a more enlightened society'. The consequence was a variant of the 'separate but equal' doctrine. Hobson interestingly extended his analysis of imperialism to apply to the relations between the sexes: 'The actual physical and economic domination exerted by man has made woman after his own image, and by imposing his ideal has thwarted hers.' He drew a direct analogy between this condition and the relation between master and subject races.[71] The stress was on equal but different components of the human species.

What then was female nature? By physique and disposition, women were more stationary

than men. In addition, standards of behaviour imposed by males had 'impaired the character of their intellectual life', and had created a dependence that disturbed 'the just balance of human forces in the development of social forms'. In thus reintroducing the notion of harmony from another angle, Hobson argued that the emancipation of women would augment the divergence of sex types. It would release many people from the pressures to marry and would consequently increase the likelihood that 'womanly women' and 'manly men' would survive.[72] In particular, Hobson—armed with his strong prewar eugenic sympathies[73]—upheld the convention of regarding women as specialists in parentage and in 'the arts of an ideal home'. 'Eugenics will defend a…sex discrimination, which will be no offence against equality, but a defence of the great creative work of women in the world.' Feminine creativity lay fundamentally neither in individual self-assertion nor in the intellectual life, but in maternity. There was however some confusion here. Hobson was identifying as natural what he had just claimed to be imposed by a male culture. Maternal feelings and a subordination of self to the well-being and progress of the race were the natural—even though not sole—vocation of women.[74] The further implication was that 'male' characteristics were both more individualistic and less emotional. Women exercised the evolutionary crucial, but socially undeveloped, function of the altruistic sustenance of the social race-life. Men exercised the innovative, experimental and mutational functions. As Hobson elsewhere observed, the 'male modes of manipulating the environment' were in the form of explorative, constructive and decorative work, as well as expressions of the 'hunting and fighting instincts'.[75]

After the war, Hobson's thinking on human nature entered its final phase. Though he did not abandon most of his earlier views, he increasingly turned for support and inspiration to the still nascent science of psychology. Above all, Freudian psychology—to which Hobson fleetingly referred—shifted him away from the old body-mind relationship towards a reassessment of the interaction between rational and non-rational behaviour. This was no longer the province of either Bain or Le Bon,[76] but an examination of the 'animalistic' foundations of mental as well as physical conduct. In search of the 'natural man', Hobson expanded on his previous emphasis on the importance of play, of irregularity, in expressing the 'sporting and artistic instincts', which he considered to be the sources of natural human creativity. Already in 1915, Hobson had alluded 'to the psychology of Freud, which is based upon the fact that we all have in ourselves certain elements kept under by modern civilisation'. These dormant and potentially ruinous forces could find innocent outlets and constitute 'an adequate answer to the Puritanism which insists that every kind of art which is not dedicated to the cause of virtue is evil conduct'.[77] Hence Hobson's more subtle understanding of psychology steered him away from the starker reactions with which he had confronted the Boer War. Although the First World War had shaken his belief in human rationality, it had not eroded it.[78] On the contrary, it found Hobson far better equipped to accept a modicum of human irrationality that was not inimical to the ultimate wholesome and rational development of personality. He now challenged the differentiation between 'higher' spiritual and ethical activities and 'lower' physical and biological ones as underplaying the significance of 'animal needs and creature comforts'. Sublimation, which he misunderstood as a deliberate act prescribed by practitioners of the 'new psychology', was a questionable process. It was often better to allow natural urges a free vent rather than channel them in 'civilized' directions, which—as Hobson had learned from his own historical investigations—could be far more destructive. Indeed, these instincts had a positive import: There is no ground for holding that any adequate satisfaction of them is attainable by methods of sublimation, therefore you are bound to find a proper place for them in your conception of a *good* society.'[79] Stepping back from the harmony-postulating prewar new liberalism, Hobson ruminated on the possible inevitability of physical conflict, and on the shaky basis of the intellectualism that history, philosophy and economics—his own included—had been

pursuing. Here was a new instance of the fallacy of dualism, for a long while already the butt of Hobsonian attacks. One had to accept the view that 'all, even of the most sublimated and refined of our sentiments and processes of thinking, are in origin and nature products of this animal humanity of ours'. True, man had a 'second nature', the product of his natural sociability as well as of his own rationality. But, as Hobson cannily remarked, modern psychology, in exposing the rationalization of institutions, theories and motives, was offering 'an immense new field for the operations of what Meredith termed "the comic spirit"'.[80]

Hobson's understanding of human nature always differed in fundamental respects from those socialist or anarchist versions that claimed it to be entirely communitarian and altruistic. His insistence on the importance of incentives in socioeconomic organization addressed itself to his full recognition of the role of individual instincts and wills in serving private ends. With all his reservations about the business mentality, which had so frequently sustained military-imperialist cliques, Hobson accepted the necessity for temperamental qualities that included initiative, calculation, judgement, risk-taking—all 'active powers of intellect and character'. There was a biological foundation to the type of activity engaged in by the entrepreneur: people were geared not to regular, continued and specialized activity but to 'short, irregular and varied efforts'.[81] Hobson frequently displayed an ungrudging admiration for individuals, men of genius or at least talent and originality, who harnessed 'the spirit of discovery and adventure'.[82] Ultimately, Hobson would have preferred to engage the motive of public spiritedness, though this was only feasible in areas of national importance. Other spheres would be wisely left to 'a certain type of masterful business man able to put immense personal energy, initiative, and skill into his business on condition that he runs it for his own gainful end'.[83]

In the interwar years, with their harsher economic and ideological climate, the recognition both of egoistic motives and of social instincts became more pronounced in Hobson's brand of liberalism. His earlier employment of the organic analogy allowed for a private realm that, because and as long as it did not prejudice communal ends and accepted instead final communal control, was conducive to social interests. This now received greater emphasis:

It is idle to expect that, either in the individual or the nation, the self-seeking, and acquisitive impulses can quickly, wholly, or even generally be displaced by sentiments and aspirations for the welfare of the whole. But neither can it be maintained that human nature in individuals, or groups, is immutable and intractable.[84]

Hence, though both egoistic and communal leanings were natural, so was human growth. And the latter assumed a pluralistic potential of human nature that could be developed in socially desirable fashion:

Substantial changes in our environment or in our social institutions can apply different stimuli to 'human nature' and evoke different psychical responses…it seems reasonably possible to modify the conscious stress of personal gain-seeking and to educate a clearer sense of social solidarity and service.[85]

Nor would such manipulation, or direction, be contrary to human nature: on the individual level, it would simply support the social drives; on the social, it would invoke the rationality of a group mind. This fused into Hobson's identification of the various layers contained within a person. There was 'in each individual a unique personality, a member of a class or group, and a member of the wider community'.[86]

What of the similarities or differences among people? Hobson was happy to maintain that 'in body and mind we are, say 95 per cent., alike'[87] and that consequently a great similarity of needs, desires and interests existed; yet differences of body, mind and character were valuable precisely because they denoted differences. However, some socialists could push these notions to extremes, denying innate differences and promoting 'an excessive "environmentalism" to meet the claims put forward for the superior productivity of men of ability as a justification for their high rewards. The democratic doctrine that "men are by nature equal" finds useful support in the biological doctrine of reversion to a mean, and in appraising nurture above nature.'[88] The influence of eugenics, which in early years had sometimes driven Hobson to overstep the boundaries of liberalism, was retained in combination with his sensitivity to the physiological and innate determinants of behaviour. They served as a brake on Hobson's ethical predilections, predilections that for most progressives signalled an environmentally sustained universal development of the human race.

Hobson's views on human nature are of more than passing interest. As intellectual history, they afford a vista of a changing climate of ideas, illustrating how some of the nineteenth-century fashions of thought—on the inevitability of development, on the interaction of body and mind, on human rationality, and on the relationship of the individual to society—were carried forward and adapted for the educated reading public. These modifications took place in the light of new scientific findings and the rise or transformation of professional disciplines. Hobson belonged to a generation increasingly beset by the difficulties of combining ethics and science—more accurately, of reading their ethical and humanitarian preferences into the mass of new scientific evidence available to students of society, and then harnessing that tamed and 'socialized' science back into the service of humanity. Hobson's prevailing image of a world unified in the four different senses of his organicism—vital, interdependent, communitarian and continuous—was being undermined by the fragmentation and specialization of knowledge as well as by social and political events that weakened those confident world-views. Nevertheless, Hobson continued in his attempt to diffuse a message whose ideological content had changed but little, and his multiform ideas on human nature helped to buttress his belief both in the wide bases of the social sciences and in the political programmes he persistently endorsed. Psychology afforded insights into human nature that could partly replace the important functions of questioning, exposition and criticism that philosophy had provided in the past, to 'liberate, cleanse, and nourish with fresh vigour the damaged or endangered theories of economics and politics'.[89] On one level, then, new findings about human behaviour could shake up the complacency of existing systems of knowledge. On another, they could equip those systems with new methodologies, so that 'Politics and Economics and other social arts present themselves as groups of problems of the interaction and co-operation of minds in the conscious handling of physical environment'.[90] Beyond that, and central to the Hobsonian enterprise, modern psychology and sociology upheld an ethical liberalism dedicated to the pursuit of human welfare, and doing so in the complex sense of 'resolving all political and economic systems into terms of collective and personal feeling, thinking, willing'.[91] A recognition of all those levels of human activity bore a clear ideological message to the older and cruder liberalism of the past:

absolute individualism, complete equalitarianism, mechanical rationality, the ruling principles of the [old] liberal politics as of the [old] liberal economics, have been justly discredited by the close study of human nature in its individual and collective behaviour… and have rendered necessary a complete recasting of the theory and art of government.[92]

1 In *Ethical World*, between 26 March 1898 and 26 November 1898.

2 See J.S. Mackenzie, *An Introduction to Social Philosophy* (Glasgow, 1890), pp. 302, 322.

3 Review by Hobson of Mackenzie, ibid., In *International Journal of Ethics*, vol. 2 (1890–1), p. 389.

4 Mackenzie, op. cit. (n2), pp. 49, 56.

5 ibid., pp. 303, 58. Mackenzie's footnotes drew Hobson's attention to P. Geddes' study of Ruskin as an economist (*John Ruskin, Economist* (Edinburgh, 1884)).

6 ibid., p. 131.

7 Hobson, review of Mackenzie (quoting from Mackenzie, op. cit. (n2), p. 135).

8 Mackenzie, p. 136.

9 ibid., p. 180.

10 J.S. Mill, *On Liberty* (London, 1910), p. 170.

11 Mackenzie, op. cit. (n2), p. 285.

12 ibid., p. 178.

13 ibid., pp. 128, 130.

14 Hobson, review of Mackenzie, ibid.

15 J.A. Hobson, *Confessions of an Economic Heretic* (London, 1938), p. 23.

16 See A. Bain, *The Emotions and the Will* (London, 1859), R. Thomson, *The Pelican History of Psychology* (Harmondsworth, 1968), pp. 28–30, and J.C. Flugel, *A Hundred Years of Psychology* (2nd edn, London, 1951), pp. 80–4.

17 H. Spencer, 'Bain on the emotions and the will', in *Essays. Scientific, Political, and Speculative*, Second Series (London, 1863), p. 122.

18 A. Bain, *Mind and Body: The Theories of their Relation* (London, 1873), p. 8 and *passim*.

19 H. Spencer, *The Study of Sociology* (London, 1907 edn), p. 354.

20 Although in the wider sense Spencer regarded human nature as inherited and only marginally changeable, Spencer's psychological theories are far more complex than indicated here, and I refer here only to those aspects reflected in Hobson's writings.

21 Spencer, op. cit., pp. 368–77.

22 J.A. Hobson, *The Social Problem* (London, 1901), p. 268.

23 Spencer, op. cit. (n19), pp. 51, 369.

24 J.A. Hobson, 'Rights of property', *Free Review*, November 1893, pp. 130–49.

25 Hobson, *The Social Problem*, op cit. (n22), pp. 265, 98. See also Hobson 'Rights of property', p. 135.

26 Hobson, *The Social Problem*, op. cit. (n22), p. 108.

27 Hobson, 'Rights of property', op. cit (n24), p. 137.

28 ibid., p. 139.

29 For a statement expressing Hobson's appreciation of Spencer's holistic opus, see J.A. Hobson, 'Herbert Spencer', *South Place Magazine*, vol. 9 (1904), pp. 49–55.

30 A. Widener (ed.), *Gustave Le Bon: The Man and his Works* (Indianapolis, 1979), p. 50.

31 The book was translated as *The Psychology of Peoples* and reviewed by Hobson in *Ethical World*, 18 February 1899.

32 Although in Hobson's earlier review he had rebuked Le Bon for overstating the degree of permanence and impermeability of a race.

33 Hobson, *The Social Problem*, op. cit. (n22), pp. 275–6

34 J.A. Hobson, 'The reason of a nation', *Ethical World*, 1 April 1899.

35 J.A. Hobson, *The Psychology of Jingoism* (London, 1901), pp. 17–20.

36 J.A. Hobson, 'The psychology of the war spirit', *Ethical World*, 9 December 1899.

37 As Hobson observed: 'Nor need we accept [Le Bon's] view that the standard of feeling

and reason of the crowd is always lower than that of its individuals; there is some evidence to indicate that it may sometimes be higher—at any rate, so far as feelings are concerned' (ibid., p. 20). However, for his immediate purpose, the examination of the war spirit, Hobson preferred the unadulterated Le Bon.

38 J.A. Hobson, 'Rich man's anarchism', *The Humanitarian*, vol. 12 (1898), pp. 391–3. I am indebted to Michael Taylor for drawing my attention to this article.

39 See M. Freeden, *The New Liberalism: An Ideology of Social Reform* (Oxford, 1978), Ch. 3.

40 Hobson, *The Social Problem*, op. cit. (n22), p. 96.

41 See D.G. Ritchie, *Natural Rights* (London, 1894).

42 Hobson, 'Rights of property', op. cit. (n24), p. 135.

43 Unlike seventeenth century thinkers who also referred to 'natural necessities' (see R. Tuck, *Natural Rigbts Theories: Their Origin and Development* (Cambridge, 1979)), Hobson concentrated on those aspects of human nature essential to individual fulfilment and social life.

44 Hobson, *The Social Problem*, op. cit. (n22), p. 104.

45 Hobson, 'Rights of property', op. cit. (n24), pp. 142–9.

46 Hobson, *The Social Problem*, op. cit. (n22), p. 105.

47 ibid, pp. 110, 218, 222.

48 J.A. Hobson, *Wealth and Life* (London, 1929), p. 224.

49 Hobson, *The Social Problem*, op. cit. (n22), pp. 222–3.

50 See Freeden, op. cit. (n39), pp. 104–9.

51 N. Rose, *The Psychological Complex. Psychology, Politics and Society in England 1869–1939* (London, 1985), p. 116.

52 Graham Wallas's acclaimed *Human Nature in Politics*, published in the same year (London, 1908), emerges in this light as a book curiously detached from the debate on psychology, mentioning Le Bon and Spencer only in passing, and virtually ignoring the strains of thought identified in this chapter.

53 See J.A. Hobson, 'The re-statement of democracy', *Contemporary Review*, vol. 81 (1902), p. 264.

54 J.A. Hobson, *Work. and Wealth* (London, 1914), pp. 352, 356.

55 W. McDougall, *Social Psychology* (23rd edn, London, 1960), pp. 39–76.

56 ibid., pp. 73–4.

57 Hobson, *Work and Wealth*, op. cit. (n54), pp. 356–8

58 See J.A. Hobson and M. Ginsberg, *L.T. Hobhouse* (London, 1931), pp. 149–56.

59 Hobhouse recorded there a special debt to the American sociologist Lester Ward, but many of his ideas also derived directly from the frame of reference Spencer had contributed to—e.g. man as energy-expending and impulse-generating—even if Hobhouse's reaction was partially critical. It was only in the second edition in 1915 that Hobhouse mentioned the work of McDougall.

60 Hobson, *Work and Wealth*, op. cit. (n54), p. 357.

61 ibid., pp. 14–16.

62 ibid., pp. 291–3.

63 ibid., pp. 22–6.

64 ibid., pp. 50, 55–6.

65 Hobson, *Wealth and Life*, op. cit. (n48), p. 60.

66 See also J.A. Hobson, *The Problem of the Unemployed* (London, 1896).

67 Hobson, *Work and Wealth*, op cit. (n54), pp. 283–4.

68 ibid., pp. 62, 289.

69 See G. Gaus, *The Modern Liberal Theory of Man* (London, 1983), p. 28.

70 Hobson, *Work and Wealth*, op. cit. (n54), pp. 240–1, 336.
71 J.A. Hobson, *A Modern Outlook* (London, 1910), pp. 121–5.
72 ibid., pp. 110, 114–17.
73 See M. Freeden, 'Eugenics and progressive thought: a study in ideological affinity', *Historical Journal*, vol. 22 (1979), pp. 645–71.
74 Hobson, *A Modern Outlook*, op. cit. (n71), pp. 130–2.
75 Hobson, *Work and Wealth*, op. cit. (n54), pp. 25, 149
76 Freud himself had endorsed Le Bon's view of the group mind. See S. Freud, 'Le Bon's description of the group mind', in *The Standard Edition of the Complete Pychological Works of Sigmund Freud* (ed. J. Strachey), vol. 18, pp. 72–81.
77 J.A. Hobson, 'Raffles', *South Place Monthly List* (May 1915), p. 9.
78 See M. Freeden, *Liberalism Divided: A Study in British Political Thought 1914–1939* (Oxford, 1986), p. 44.
79 J.A. Hobson, 'The ethical movement and the natural man', *Hibbert Journal*, vol. 20 (1922), pp. 671–4, 675 (my italics). See also J. Allett, *New Liberalism: The Political Economy of J.A. Hobson* (Toronto, 1981), pp. 214–15.
80 Hobson, 'The ethical movement and the natural man', pp. 676–8.
81 J.A. Hobson, *Incentives in the New Industrial Order* (London, 1922), pp. 29, 31–2.
82 ibid., p. 70.
83 ibid., pp. 87–92.
84 J.A. Hobson, *Free-Thought in the Social Sciences* (London, 1926), p. 261.
85 Hobson, *Wealth and Life*, op. cit. (n48), p. 234.
86 J.A. Hobson, *Towards Social Equality* (Oxford, 1931), p. 5.
87 ibid., p. 25.
88 Hobson, *Wealth and Life*, op. cit. (n48), p. 52; *Free-Thought in the Social Sciences*, op. cit. (n84), p. 250.
89 Hobson, *Free-Thought in the Social Sciences*, p. 276.
90 ibid., p. 264.
91 ibid.
92 ibid., pp. 268–9.

5
The conservative aspect of Hobson's new liberalism

JOHN ALLETT

INTRODUCTION: AN APPEAL TO THE OLD LIBERALS FROM THE NEW

[C]onservatives reflect intensely on the problem of defining limits, estimating the effects of violating them, and prescribing governmental, cultural and individual restraints.[1]

It is arguable that of all Hobson's many writings his two most vigorously polemical pieces are directed against the politics of conservatism. The first of these, 'The Higher Tactics of Conservatism' (1905), is a rapid-fire attack on the conservative implications of certain contemporary theories of domestic and international politics; the second, *Traffic in Treason* (1914), charges that the so-called Curragh Mutiny marked a dangerous reversion in British conservatism, a falling back upon physical force to protect class privilege and thwart popular democracy.

Given the antipathy expressed in these works, it might seem foolhardy to claim that there is a significant conservative aspect to Hobson's own social thought. It should be noted at the outset, therefore, that the meaning of conservatism relevant to such an analysis is not the same as Hobson had in mind when writing these pieces. In the former he was concerned with conservatism as a tactical defence of the 'existing order of things', while in the latter he focused on the extra-parliamentary activities of the British Conservative and Unionist Party, with conservatism, that is, as identified by a party label.

Conservatism, for the purposes of this analysis, however, is not defined in terms of tactics or party labels, but as a substantive doctrine encompassing the following core tenets: a respect for tradition and private property (especially 'hard', fixed property); a belief in hierarchy, order and authoritative leadership; a preference for practical wisdom over speculative reason and for entailed rights over declared rights; a veneration of the religious; and a commitment to the idea of community as a system of reciprocal obligations and paternalistic responsibilities. Conservatives themselves would hasten to add that the emphasis and ranking given to these various tenets will vary according to particular historical circumstances and that fully to articulate principles ahead of contingencies goes against the conservative grain.

This caveat is important. It suggests that the key to understanding conservatism is to be found not so much in the particulars of its tenets, which can and sometimes do overlap with those of other ideologies, as in what might be termed its actuating principle. For conservatives, social life is dramatized by the need for restraint. It is in the cause of restraint

that the various tenets of conservatism are invoked, patterned and modified, and thereby given their distinctive hue. The other ideologies present different social dramas (i.e. significations of what is important) and cast the parts differently, because they are enjoined by different actuating principles.

This concern for restraint can favour existing institutions, but does not necessarily do so, as when, for example, those institutions are themselves judged to be destabilizing forces. By restraint, moreover, the conservative does not intend merely restriction and confinement. As Lord Hugh Cecil explained, in what was one of the most popular studies of British conservatism during Hobson's times: '[R]estraint is not only essential to hinder what is foolish, but also to guide and control what is wisely intended and to save movement from becoming vague, wild and mischievous.'[2]

The actuating principle of an ideology, because it has this determinative function, tends to take on a special ethos. Consequently, in conservatism the need for restraint is frequently shrouded in high moral purpose. It is with Edmund Burke that this special ethos is first encountered in classical conservatism. His frequent recourse to the social forces of tradition, religion, prescription and prejudice as defences against the solvent of Enlightenment rationalism was undertaken in a singular attempt to instil in the individual a deference to the complex, supra-individual quality of social phenomena sufficient to restrain liberal aspirations to self-reliance and self-direction. It is this Burkean viewpoint that is taken to be the significant feature of conservatism. 'It is basic to the conservative view of things …that the individual should seek and find his completion in society, and that he should find himseif as part of an order that is greater than himself, in a sense of transcending anything that could have been brought about through his own enactment.'[3] Conservatism thus retains the idea of the integrity of the social as something distinct, autonomous and worthy in its own right. Conversely, both classical liberalism and classical socialism sought to deny the distinctiveness of the supra-individual, the former by taking as its starting point the discrete individual in the state of nature unencumbered by supra-individual obligations;[4] the latter by taking as its end-point the dissolving of the supra-individual in the classless society.[5]

The conservative's fear is that, if left unprotected, the special quality of social life quickly degenerates: the public becomes a rabble and its philosophers and politicians imprudent speculators and self-seeking poseurs; liberty becomes licence, history becomes bunk, rights become divorced from responsibilities and God becomes a remote clockmaker, a mere stepping-stone for science instead of the keystone of all morality.

Although the introduction of the word sociology post-dates Burke's time of writing, had it existed he may well have censured liberalism for its sociological naivete, as many conservatives subsequently have done. Indeed, the conservative contribution to the development of sociology has been stressed by several historians of the discipline.[6] Here the especial focus has been on the conservative view of society as an organic unity, historically prior to and morally superior to its individual members, possessed of emergent properties that shape its social development and bonded by a hierarchy of institutions and a community spirit that serve to check human egoism.

It was from within this sociological perspective that conservatism's high moral valuation of restraint found a secular formulation that was later to have a considerable influence upon Hobson. Hobson's conservatism is centred in his sociology. From there it feeds into his political and economic thought. The outcome is a remix of liberal and conservative ideas but one that, nevertheless, can be identified as 'new liberal'. Hobson's interest in conservatism is limited primarily to its usefulness as a corrective (not an alternative) to liberal individualism. There are occasions, however, when he engages in the kind of high moralizing about supra-individual forces of restraint that threatens to propel him beyond liberalism and its ultimate commitment to the self-directing personality. Hobson's overall position, I suggest, is not

unlike that of his eminent contemporary Emile Durkheim: ‘He was in many ways both a moralistic conservative and a radical social reformer, who would qualify, on most definitions, as a socialist of sorts.’[7]

HOBSON’S ORGANICIST VIEW OF SOCIETY

…. [E]nlightened self-interest…stand[s] condemned as a reliable guide to human welfare. It is not true…that the good of the whole can be secured by each seeking his own separate gain or good…. This is the separatist fallacy…which has done so much to weaken the contribution of liberalism…. [O]rganic interplay, when raised into finer modes of community, means more than this.[8]

In its origin, liberalism was a disintegrative force, a condemnation of long-standing feudal institutions and habits of mind. The liberal challenge was mounted in the cause of enlightened self-interest and in the belief that a new order could be established on a natural, largely self-regulating basis. In practice, however, even after it had become the ascendant ideology in England, liberalism continued to depend tacitly upon the remnants of the communal ethos bequeathed by feudalism as a source of normative order. In effect, as Hobson himself was keen to point out, a policy of compromise and assimilation was struck between the rising liberal bourgeoisie and the old landed aristocracy.[9] It was largely due to these revamped trappings of social authority and prestige that the labouring classes were still able to recognize their bosses as their betters and to defer to capitalist rule.

During the latter part of the nineteenth century, however, industrial recessions, economic conflicts and a general deepening of social tensions made it increasingly apparent that this feudal legacy was becoming a spent force. The themes of social disintegration and degeneration—the *fin de siècle*—became increasingly prevalent. Looking back on this turbulent period, Hobson, like many other social observers, attributed much of this feeling of social discontent to religion’s fading and a correspondent weakening of the older moral obligations and social conventions:

The sense of sin itself, which marked the dependence of morality on religion, was obsolescent, and the entire ‘puritan’ conception of life of which it was the kernel was being eaten away…. The old autocratic authority of the father and the husband in the home: the relation of master and pupil in modern school life: of employer and employed in the typical modern business—in every department of human relation important changes affecting personality had been taking place.[10]

Most significantly, for understanding the conservative impulse behind Hobson’s new liberalism, Hobson chose to generalize these changes in terms of there coming about a ‘free vent for selfishness and a lack of self-restraint in all matters of the appetite’.[11]

Hobson was not, of course, the first liberal to become concerned about the weak integrative values of the liberal ideology. Nor was he the first liberal to light upon organicist concepts as a possible response to this problem. The liberal idealists were also pursuing this line of enquiry,[12] as, indeed, were a number of socialist thinkers, social Darwinists and nascent ‘social psychologists’: organicism was very much ‘in the air’. None the less, it seems clear that it was the conservative version of organicism, especially as found in the works of John Ruskin, that had the deepest impact on Hobson, giving a special bent to his new liberalism.

Organismic doctrine is not to be associated with conservatism simply because it claims that

the members of society, like the cells constituting a biological organism, are not self-contained units but interdependent. Even liberal doctrines of enlightened self-interest are appreciative of this fact and, indeed, are preoccupied with determining the best means for utilizing this interdependence for the private gain of each and the comparative advantage of all. This is, in fact, as Hobson was well aware, the working basis for Adam Smith's 'invisible hand'.[13]

For organismic theorizing to take on a distinctly conservative hue, something in addition to this assumption of interdependence is required. There must be the recognition that society, like a living organism, is more than the sum of its parts. The suggestion is that individuals are significantly altered when they enter into social relationships, so much so that these contacts call forth emergent, *sui generis* characteristics, which are expressed as distinct communal values and purposes. The community (or totality) thus comes to possess qualities not found or at least not evident in individuals when considered apart from these relationships. Hobson's own version of organicist doctrine incorporated this very important conservative principle:

An organized unity, or whole, cannot be explained adequately by an analysis of its constituent parts: its wholeness is a new product, with attributes not ascertainable in its parts, though in a sense derived from them. In this sense an association may have feelings, even thoughts, that are not found as such in the individual.[14]

It was this holistic viewpoint that so impressed Hobson in his reading of the works of John Ruskin, 'a violent Tory of the old school', as Ruskin described himself.

This organic conception everywhere illuminates [Ruskin's] theory and his practical constructive policy: it gives order to his conception of the different classes and to the relations of individual members of each class: it releases him from the mechanical atomic notion of equality, and compels him to develop an orderly system of interdependence sustained by authority and obedience.[15]

Hobson's choice of the word 'compels' here is noteworthy. It suggests that the organic conception is not freely adaptable but drives towards certain recognizably conservative conclusions. As will be suggested shortly, in developing his own organicist account, Hobson would find these determinations difficult to circumvent.

Hobson vigorously endorsed Ruskin's criticism of classical liberalism for its failure both politically and economically to comprehend the organic structure of society. Organic or social utility was not constituted (in Benthamite fashion) by the sum of individual utilities, but needed to be deliberately pursued as an end in itself. There were lines of conduct making for the security and enrichment of community life that could not be encompassed within the classical liberal framework. Furthermore, classical liberal thinking, as a consequence of its non-organic viewpoint, was dogged by the fallacy of composition and this, as Hobson spent a lifetime determining, lay at the root of its failure to understand the causes of economic underconsumption crises in particular, and of its general inability to appreciate the Ruskinian logic (not always adhered to by Ruskin himself) that 'social evils require social remedies'.

More surprising than his comments on classical liberalism, however, and perhaps even more revealing as to the impact of conservative ideas on his thinking, was Hobson's criticism of his fellow new liberals for their failure to pursue the full implications of the organic metaphor. Hobhouse and the other new liberals shared Hobson's interest in enhancing the value of community in social life. In the main, however, they argued that the conditions of a *sensus communis* could be satisfied by those processes of thought and feeling that heightened

individual social awareness and strengthened the ties of mutual obligation. In Hobson's opinion, this was still a too restricted view of collective activity. In words reminiscent of Burke, he charged his fellow new liberals with improperly placing the collective life 'on par with a joint-stock company which exists to earn dividends for its individual shareholders'.[16] Collective activity did, indeed, reap rewards for the individual in terms of the 'extension of… personality through sympathetic contacts with others',[17] but this was not all. A more committed organicism also revealed that:

It is not merely that persons living or acting together can do things—and so get values—which they could not do apart, nor merely that they are different persons living and acting together, but that there is a general spirit, will, and achievement that have value, and that this spirit is embodied in physical forms and activities which contribute to the 'value'… If this be so, it is difficult to refuse value to associations.[18]

Having thus attributed values to the collectivity as well as to individuals, indeed having argued that the community carries special values of its own, Hobson necessarily turned next to the issue of the mediation of these claims. Since it was his reading of Ruskin that first presented him with this problem, it is fitting that his major attempt at a solution was given in his own Ruskinian critique of capitalist industrialism, *Work and Wealth: A Human Valuation* (1914).

Here he suggested that the relationship between the parts and the whole was best presented as a federation of interests. He conceded that to seek a perfect harmony in the social organism would be to overstress the analogy between the individual and society and the relationship between the cells and the body of living organisms. Put simply, individuals could be self-conscious in ways that cells could not and thus had a claim to pursue certain independent courses of action. The attributes of the social organism were more spiritual or psychic than physical—an interplay and cooperation of minds—which necessarily and quite properly made for a greater flexibility in its operations.

Hobson's federal model was intended to reflect this difference. Ideally what he sought was to harmonize the distinct and irreducible social and individualistic aspects of the human personality—conceived as *homo duplex*—so as to avoid inflicting injury on the organism as a whole, either by denying one of these aspects or by setting them against each other.[19] Even so, while speaking of both individual and social rights, Hobson seems to weigh the right to restrain heavily in favour of the state acting as the community's representative:

The unity of…social-industrial life is not a unity of mere fusion in which the individual virtually disappears, but a federal unity in which the rights and interests of the individual shall be conserved for him by the federation. The federal government, however, conserves these individual rights, not, as the individualist maintains, because it exists for no other purpose than to do so. It conserves them because it also recognises that an area of individual liberty is conducive to the health of the collective life…. I regard such a federation as an organic union because none of the individual rights or interests is absolute in its sanction. Society in its…relations is a federal state not a federation of states. The rights and interests of society are paramount: they override all claims of individuals to liberties that contravene them.[20]

This reformulation had the effect of shifting the burden of proof regarding rights and liberties from society to the individual. In the past, liberals, like Locke, had argued that the individual rights they had adduced would, indeed, redound to the common good (eg. the right

to private property would enhance the national product), but the form of their argument, nevertheless, was such that these rights were established first, and only then were additional claims introduced as to their social utility. The impression thus conveyed was of a liberalism 'obviously individualistic in the sense that priority is given to individual rights and liberties, and in a deeper sense in that it begins with a notion of individual interest and attempts to justify only those principles that can be derived from the needs or desires of individuals'.[21] Hobson's reformulation reversed this order of argumentation, thereby seeming to put the individual on the defensive. Moral priority was given to the rights and interests of society. The onus now was on the individual to show that any entitlement claimed was 'conducive' (or, at the very least, we may suppose, not harmful) to 'the health of the collective'.

It was a shift in perspective that was bound to disturb more orthodox liberals. Much would depend, of course, upon the readiness with which such social regulation is to be invoked. There are, indeed, occasions when Hobson strongly criticizes those 'who seek by dint of law or public opinion to curb too closely the sensual extravagances of youth, or the revolts of individuals or groups against commonly accepted "decencies" of life', but even here he does so, significantly, not because ultimately individual rights must be given priority, but because 'from the standpoint of *race progress*' such extravagances and revolts 'must be regarded as experiments in life'.[22] Since this last phrase likely recalls J.S. Mill's contentions in *On Liberty* (1859), it also should be noted that Hobson gives little credence to Mill's other major (and markedly less utilitarian) argument for individual liberty which turns upon a distinction, considered by Hobson as sociologically naive, between self- and other-regarding acts. In 'an organic society', Hobson claimed, 'no action …can be considered purely self-regarding or wholly void of social import'.[23]

But of greater significance is the fact that it is much more often the case to find Hobson arguing, not in the Millian fashion alluded to above, but in decidedly conservative mood, that individualism along socially deviant lines is in danger of becoming excessive. In a work published just two years prior to *Work and Wealth,* Hobson is quite explicit about the train of his thinking on this subject:

As in society the eternal problem is to reconcile order with progress, so in the individual character stability and adaptiveness must be combined…. But in assessing the value of personality for progress in the long run we need to lay more stress on the conservative factors. In character-making more stability is the great need to-day, in order to resist the set tendencies which make for the sharp, shallow, spasmodic 'self'….[24]

His priority continues to be that of Ruskin: he seeks first 'an orderly system of interdependence sustained by authority and obedience' to which individual rights are then to be attuned. This ordering of priorities reflects Hobson's own organicist thinking. Having concluded that, when left to their own devices, neither the self-interested individuals of classical liberalism nor even the more enlightened, socially aware individuals of the new liberalism can be relied upon to ensure that the special values that adhere to the community as such will be protected and advanced, Hobson is left with no choice but to insist upon the responsibility of the 'federal' state to regulate further the rights and liberties of its individual members so as to ensure not only their compatibility, as liberals have long conceded, but also that distinct, autonomous collective needs are met. As Hobson stated his position elsewhere: 'That a good society gives opportunities to individuals is not a sufficient account of a good society. It also exists to pursue a worthy life of its own.'[25]

Thus it was along these lines that Hobson was to advocate the withdrawal of the right to strike and to lock-out once a genuine social democracy was established. 'For an economic

planning on such a basis under a democratic government', he suggested, 'carries the implication that wages and other conditions of labour are no longer imposed by an economically stronger employer but are equitably arranged…. On such a supposition, a strike …would be an offence against the fundamental order of the State.'[26] Furthermore, Hobson argued that in such a democracy the political rights of 'suggestion, protest, veto and revolt' would be ceded to the citizen primarily because these would prove 'advantageous to the [social] organism' in monitoring its environs, and not because they could be considered in any way the natural rights of the individual. Such rights, Hobson stressed, did not qualify or deny 'the truth that the good of the organism as a whole is the absolute criterion of conduct'.[27] Even the citizen's right to life, according to Hobson, implied only 'a recognition that it is the supreme duty of society to secure the life of all *serviceable* members, together with the implication that the life of every member shall be deemed serviceable, unless known to be otherwise'.[28] Remarkably, for someone often considered to be a pacifist, Hobson, for example, could find no grounds upon which the state might legitimate the rights of conscientious objectors—'the State concerned for its primary function of defence cannot recognise this personal right: it must maintain its ultimate right to use all the resources of the nation for [its] defence.'[29] Instead he put his trust in the spread of internationalism to render this a non-problem. Lastly, and most characteristically, Hobson's general advocacy of state regulation of the economy was based on the contention that the unfettered freedom of individuals in the market-place would fail to produce the necessary balance (order) between levels of production and consumption that constituted the collective good.

Although Hobson does not use the conservative language of prescriptive rights, the substance of his concern is similar. Burke preferred to rely upon the principle of prescriptive rights, rather than upon 'pretended' or natural rights, because the former were rights that had proven over time to be not unduly disruptive of the social fabric.[30] Hobson's concern to protect communal values would seem to lead in the same direction.

Nor would Burke have balked, as many liberals must have done, at Hobson's attendant plea that it was of 'supreme and critical importance' to win favour for the view that society is 'a living being to which each of us "belongs", a being capable of thinking and feeling through us for itself. And, further, that society must be made capable of 'calling forth our reverence, regard or love' by attributing to it 'such a form and degree of "personality" as can evoke in us those interests and emotions'.[31] This statement is, indeed, strikingly reflective of Burke's lament that 'on the principles of mechanic philosophy, our institutions can never be embodied …so as to create in us love, veneration, admiration or attachment'.[32]

Work and Wealth was written on the eve of the First World War. It probably represents the high-point of Hobson's enthusiasm for organicist doctrine. After the war, Hobson was more inclined to heed the warnings of those liberals who argued that organicism all too easily lent credence to doctrines of state power (Prussianism) and to the treatment of individuals as subservient to this end. Hobson was undoubtedly impressed by his as subservient to this end. Hobson was undoubtedly impressed by his friend Hobhouse's powerful indictment of neo-Hegelian organicism in *The Metaphysical Theory of the State* (1918). Consequently, as Freeden has recently documented,[33] Hobson begins to talk more, and more emphatically, of the importance of civil liberties; he worries about the tendencies to militarism in British society; and he seeks a less inflammatory terminology for expressing his idea about the importance of social values, suggesting at various times the terms 'quasi-organic' and 'organised' as substitutes.

Yet the war was no watershed in Hobson's thinking about the social organism. His ideas on the relationship of the parts and the whole were reshaped but not repudiated. It is significant, for example, that in his keynote speech to the 1935 Institute of Sociology

Conference, which he must have appreciated had to be among the last important professional forums he would have an opportunity to address, Hobson chose as his main concern a defence of the *sui generis* nature of collectivities.[34] As will become evident, there are several other organicist themes that are consistently adhered to throughout Hobson's writings. The idea that 'the social' was a realm separate and distinct, in terms of its values and consciousness, from the values and personalities of its individual members, is the first such sticking-point. Here, as well as in the examples yet to be examined, there is evidence of Hobson's ultimate concern to utilize organicist doctrine as a frame for restraining 'the old utilitarianism which was individualistic and hedonist in its standard, and purely quantitative in its method or calculus'.[35]

ORGANICISM AND THE SOCIAL HERITAGE

Society, according to the conservative perspective, is an organism with a genealogy. It is, in Burke's famous formulation, a partnership between the living, the dead and those yet to be born. Mannheim has suggested that, in pursuing this notion of genealogy, conservatives are attempting to experience time in a way that would be at once more expansive and more intimate than that allowed by liberalism.[36] More expansive, in that it looks back and beyond temporary interests of the moment; more intimate because it attempts to make history a communal experience, rather than viewing it as simply the indifferent outcome of adventitious individual actions.

In Hobson's case, the organic analogy similarly led him to a heightened appreciation of the individual's social indebtedness and of his obligations to posterity. The self-engrossed man, when left to his own devices, quickly fell into the error of considering himself a self-made man free of social indebtedness, or was filled with the hubris of the unheeding, 'caring little for immediate posterity, nothing for remote posterity'. Only the 'thoughtful man, well stocked with knowledge of the past, and able better to forecast the future and so to enter into vital sympathy with future generations, will estimate their welfare higher in comparison with the welfare of the present'. Sociology, therefore, had to be enriched by a 'true philosophy of history'.[37]

It is easy to detect here an echo of Burke's justly famous asseveration that individuals 'should not think it amongst their rights to cut off the entail, or commit waste on the inheritance', for, if they were to do so, 'no one generation could link with the other' and '[m]en would become little better than the flies of a summer'.[38] Moreover, Hobson's understanding of conservatism was sufficiently sophisticated to avoid the mistake of identifying the conservative appeal to genealogy as a cover for a crudely reactionary viewpoint. Although aware that 'the authority of past experience [often] weighs heavily against important reforms', he also acknowledged that 'to refuse to take these risks is not… conservatism …it is retrogression'.[39]

In Hobson's case, however, this was an echo with surprisingly powerful reverberations, for he went on to insist that not only was an 'organic' understanding of history necessary to combat the rootless individualism of classical liberalism, but in addition the community, acting through the state, had the right to restrain its members' pursuit of private economic gain, so as directly to protect against Adam Smith's 'invisible hand' pick-pocketing the public purse. This contention was largely based upon an analysis of the organic value of economic relations. According to Hobson, productive activity was organic in two ways. First, as a form of cooperative endeavour necessitated by the division of labour, it generated a material result—an economic surplus—'different both in quantity and in character from that which the unorganized activities of the individual participants could compass'.[40] In classically organic terminology, Hobson described economic cooperation as a 'whole… more

productive than the mere sum of the productive value of the parts'.[41] Social cooperation, therefore, constituted a fourth factor of production and its economic contribution formed the basis of social property rights. It was the state's responsibility to ensure that this organic surplus was not dissipated in a welter of individual possessiveness, but used for community purposes. Needless to say, it was Hobson's opinion that classical liberal economics was blind to the organic character of cooperation, since it persisted in regarding society as an aggregate of individuals.

Economic activity was also organic, according to Hobson, because it rested upon a material and cultural infrastructure that could not be accounted for on an individualistic basis. Man was born not free but in debt. This infrastructure constituted a kind of public patrimony, a social inheritance, which needed to be protected from the encroachments of self-seeking individuals who would, in attempting to avoid their public debts, impoverish the public realm for their own private gain:

An individual acting by himself can create no wealth. The materials and tools with which he works are supplied to him by elaborate processes of social co-operation. The skill he applies to their use has been laboriously acquired by past generations…and communicated to him by education and training…. [T]he organized community, as a State, protects and assists both the individual producer and the various social institutions and processes which help him to produce…. [Contrary to the] presumption hitherto prevailing, viz., that the whole of the [economic] product was the rightful property of those to whom it passed as private income, and that the state's share should be kept at a minimum, the principle here proposed [is that] the State becomes the residuary legatee…. [I]ts claim…is not confined to the general plea of public necessity but is also based upon the express part taken by the State in assisting to create the economic product.[42]

This organicist critique of the liberal doctrine of the minimal state was one with which conservatives at the time concurred. In Lord Hugh Cecil's contemporaneous account of conservatism, for example, the conservative's traditional lack of 'sympathy with…the principles of "laissez faire"', is proudly noted.[43] More specifically, on the issue of property rights, the conditions of cooperative production were admitted to be such that 'if it were not for the action of the state, none except the simplest forms of industry could be conducted…. [The state] in a thousand…modes …clears the way for the operation of social forces and so ministers to the production of wealth'.[44]

These similarities, however, though significant should not be exaggerated. Hobson's analysis of the genealogical dimension of organicism is not identical with Lord Cecil's in all respects. The most obvious difference is that, whereas Lord Cecil wished to leave the trusteeship of the common wealth in private hands, Hobson, who was highly sceptical of such arrangements,[45] argued instead that the state should be entrusted with the responsibilities of the 'residual legatee'. Lord Cecil also denied the validity of the classical liberal concept of the equivalency of exchange. '[I]f it be once realised', he wrote, 'that the forces that make wealth are never ethical' and that 'even those gains that depend upon exertion do not correspond to desert', then the distinction between earned and unearned income 'is cut up by the roots'. 'All property is seen to be on the same moral level, as something acquired without injustice, that is to say, without fraud or violence, but not meritoriously so that the owner's title may rest on his virtues.'[46] Hobson, on the other hand, held to the principle of equivalence, though at the same time seeking to expand it so as to include equivalent value for the social contribution to production. His aim, as he succinctly expressed it, was to establish 'a just, rational demarcation between private and public property'.[47] In this

example, there is a clear indication of a point made earlier, namely, that Hobson was seeking to graft certain conservative insights upon core liberal principles; he was not abandoning liberalism but seeking a corrective.

ORGANICISM AND THE RESTRAINING OF REASON

Organicism is, of course, a form of analogic reasoning. The attraction of such analogies and metaphors is that they enable 'an unknown to be approached with the aid of the known'.[48] This was certainly the ancient use to which the organic analogy was put in the works of Plato and especially Aristotle. But with classical conservatism something additional is made of the analogy. In Burke's writings, for example, there is much about the functioning of the body politic, which is said to be mysterious, beyond individual reason and contrivance. A large part of the mystery of life was for Burke religiously based, but it was also in this vein that Burke wrote of the latent, unintended and often paradoxical consequences of human actions, an idea that was later to have considerable impact on sociological thought. Since Burke, conservatives generally have sought to restrain radical liberal social reformers by cautioning them against taking actions the long-term consequences of which invariably will exceed their ingenuity.

Conservatives have also taken issue with what they see as the intellectual monomania of the liberal rationalist. In Burke's writings this criticism is aimed both at liberal epistemology (its refusal to validate any instrument of knowledge save reason) and at liberal moral prescriptions, which, in Burke's view, failed to heed Aristotle's caution that moral precepts cannot be laid down with mathematical accuracy.

There is much about the conservative critique of liberal rationalism that Hobson seemingly approves. The following passage, for example, is taken from Hobson's *Problems of a New World* (1921), but it equally well could be one of Burke's disciples speaking:

> *[The] rational[ist] creed…suffered at the hands of its chief exponents from an excessive faith in the power of man to mould his destiny, adapting and creating institutions…with an ease and a celerity that made light of the human heritage of habits and attachments. It is impossible to follow the various currents of reforming zeal… without confronting a belief in man's power to be the arbiter of his fate quite staggering in the measure of its confidence. Bentham's contempt for history was indeed characteristic….*[49]

There were, in fact, two areas in which Hobson largely endorsed the conservative case for the delimitation of reason. First, he allowed that the social organism was possessed of emergent properties whose origin had little to do with individual reasoning or calculation. The events of the French Revolution confirmed this contention, according to Hobson, as did the trends towards both democracy and empire. There was much truth, for example, in Sir John Seeley's initially puzzling observation that the British Empire was built 'in a fit of absence of mind', if by this was meant that 'no individual empire-makers thought out or aimed at the Empire as a whole'.[50] Mention of imperialism, of course, also serves as a reminder that Hobson was keen to clear up such mysteries whenever possible. But even if pleased by his own penetration of this particular mystery, it is none the less clear that he continued to accept that supra-individual factors—the Zeitgeist—were at work in 'large historic movements', such that it was generally 'impossible to understand or explain any long and complex movement in national history by piecing together the conscious rational designs of the individuals or groups of men who executed the several moves of which the movement seems to consist'. Even in his own account of imperialism, it is worth recalling, Hobson had

claimed that only the patterning, not the initiation, of imperialist policy was under the conscious direction of a clique of military-industrial interests. Overall, Hobson seems to share with the conservative a non-reductivist view of history, delimiting individual acts of historical initiative by constraining them within an historical unfolding, 'some urge of events' that is 'wider, deeper and obscurer' in its workings.[51].

Also, like the conservative, Hobson uses his understanding of history to caution those social reformers who would precipitately impose their rational schemes or designs on the unfolding of national events. In the present state of evolution, according to Hobson, the history of nations is largely the product of obscure emotional and instinctual drives among the general populace. Such wisdom as a nation possessed was 'in very large measure… instinctive rather than "rational"'.[52] It followed that the implementation of bold, rational schemes was at the very least inappropriate and quite possibly eveen dangerous. Thus Hobson echoed Burke's advice on the need for cautions, pragmatic statesmanship:

Good government in such a society could not be encompassed by an oligarchy or even a representative assembly assuming a measure of detailed and far-sighted policy for which the collective life was not yet ripe. A large measure of what from the rational standpoint would rank as 'opportunism' would be the true policy at such a stage of social evolution, and the wise statesman would keep his ear to the ground so as to learn the instinctive movements of the popular mind … Meanwhile arise the temptation and danger…of a little highly self-conscious group or class, who may seek to impose upon the conduct of the nation its clearer plans and far-sighted purposes.[53]

A second area in which Hobson found himself aligned with the conservative viewpoint was with regard to certain of his conclusions about human nature. Since this part of Hobson's social thought has been carefully examined elsewhere in this volume (Chapter 4), it is only necessary here to allude briefly to the conservative purposes to which he put his analysis. For example, having come to the conclusion (reluctantly, it would seem) that there were certain intransigent elements to the human personality, Hobson felt compelled to warn social reformers against overstating the mutability of human nature and looking upon (re)education as a panacea. The human potential for goodness was restrained not simply by ignorance and a lack of social opportunities, but more fundamentally (as conservatives have traditionally argued) by the presence of awkward, incorrigible 'factors of animal instinct',[54] for which rough-and-ready allowance would have to be made in any realistic proposal for social reform. Such a view, Hobson readily acknowledged, was likely to 'seriously cramp…aims at reforming society'.[55]

A corollary of this argument, which is also consistent with conservative thinking, was Hobson's wariness of intellectual system-building. This is not to deny that his more pressing interest was in using organicist doctrine to berate the increasing overspecialization of intellectual life, a problem that he attributed largely to the latent positivism of classical liberalism and its consequent attachment to mechanistic analogies. Less commented upon, however, is the fact that Hobson's enthusiasm for this project was hedged by arguments suggesting the folly of what Alexis de Tocqueville, in conservative mood, once termed 'pedantic symmetry'.[56] Speaking, for example, of the qualities of humanist social studies, Hobson lists, first, the ability of the investigator to see problems from a variety of perspectives. However, he then immediately warns that this is '[n]ot necessarily to see life "as a whole", for that is a pressure of intellectual pride which ensnares one in a philosophic system. Such a system is abhorrent to humanism'.[57] Instead the humanist 'has learned and practiced the economy of not pursuing every thought to its "logical conclusion", but of

leaving a large margin for the creative and revealing activities to work their free will and have their way'.[58]

When the reasoning behind this preference is examined more closely, it becomes apparent that Hobson's defence of 'open-ended' philosophical systems has little connection with classical liberal assertions favouring indirection ('the invisible hand') as a means of problem-solving, but relies instead on two characteristically conservative arguments. 'Conservatism', as one commentator has recently noted, refuses 'to adopt any one mode of knowing; it has no basic epistemological model to serve as a guide in knowing'.[59] Hobson likewise allows that reason and (positivistic) science are not the only valid ways of examining and understanding the world. Perhaps Hobson's not infrequent recourse to the wisdom of the poets in his own writings reflects something more than the mere show of a classical education. More importantly, he expressed considerable approval of the efforts of those among his contemporaries who sought more diverse paths to the truth than could be accommodated in a formal philosophy:

There is among philosophers a desperate desire to incorporate in a system of thought elements essentially recalcitrant against system. It is, I think, a last attempt to save the face of formal philosophy…. But the revolt against systems of thought goes further…[and testifies] to a loosening of the entire thought process. Most of all is this seen in the disposition of the great seminal thinkers of our age to break away from formal scientific presentations in order to use artistic or loose literary devices for the communication of their thought…. The return of the Diary is perhaps the best tribute to the success of the revolt against the arrogance and falsity of over-system. For in these records of passing thoughts and feelings we may escape the temptation to fill out our fragments of personal experience into some excessive pattern of objective truth.[60]

The second reason why Hobson shared a certain affinity with conservative thinkers in their opposition to 'paper logic' relates back to his view of the social organism as possessing emergent properties. Such properties are the novel, unsuspected outcome of society's experience of the interaction of its component parts. For Hobson, society is an organism capable of learning. Therefore, history can never quite repeat itself in a mechanical fashion: 'Social experience is continually presenting "novelties" not wholly explicable by any laws derived from earlier experience in the same field. These novelties are the growing points in human history, and of necessity they baffle law and prediction.'[61] Emergent phenomena thus make fraudulent any claim to having established an all-encompassing philosophic system. Consequently, when speaking even of his own organic approach he warned against its over-extension, which is 'liable to lead astray…if it conveys the notion of too rigorous a system, too tight a whole'.[62] Or, as Hobson felicitously phrased the issue in an earlier work, what he was seeking was 'wholeness without strained unity', a 'practical philosophy' not a metaphysics.[63] (Here, perhaps, is one reason why Hobson did not ultimately follow the Hegelian lead of certain British idealists, like Green and Bradley, seeking instead for his organicism the coarser but surer ground of Burkean practicality.) 'I can formally disclaim the pretence', he wrote with evident self-satisfaction in his *Confessions,* 'that I have woven my heresies into a complete…system.'[64]

ORGANICISM AND WELFARE ECONOMICS

Our theory…debars us from accepting as welfare goods which may express the mistaken

immediate desire for enjoyment in disregard of the long-range organic value.[65]

On 1 May 1913, Hobson attended the National Liberal Club to hear Bernard Shaw lecture on 'The Case for Equality'. Shaw centred his argument on the advocation of the unconditional equality of incomes, insisting that this constituted the very diagnostic of socialism. Hobson was invited to reply to Shaw's case, which he did by suggesting that, although the extreme maldistribution of income found in modern capitalist societies was unjustifiable, Shaw was nevertheless mistaken in seeking as an alternative the absolute equality of incomes. Income distribution, Hobson suggested, should reflect the differing needs of individuals (in terms of both their work needs and their consumption needs).

Shaw's response is instructive and worth quoting at length for, in effect, he invited Hobson to quit the Liberal Club and to go join the Conservatives:

Mr. Chairman and Gentleman—One of the interesting points in the debate to me is this: that I am supposed to be addressing a Liberal assembly, and yet…my friend Mr. Hobson, who stands up …to oppose me, takes the most extreme anti-Liberal position… possible What Mr. Hobson advocates is distribution to people of…X quantity of commodities which are good and proper for them…. He said in effect: 'Are people equal in making good use of their income? They are not, and therefore what you have to do is to give more to the people who make a good use of their income than to the people who make a bad use of it.' He apparently, has not considered who is to decide the remarkable and important point: What is a good use of one's income? If there is anything in Liberalism at all, it is the repudiation of the pretension of certain persons to determine for other persons whether they are acting properly or becomingly, or not. My reply on the whole to Mr. Hobson is, that he is in the wrong Club….[66]

Shaw had detected in Hobson's comments a strain of paternalism more suggestive of conservative than of liberal, or presumably of Fabian socialist outlooks (though the Fabian Society subsequently declined to publish Shaw's lecture).[67]

Shaw was not alone in having these suspicions. Sometime later, for example, Lionel Robbins suggested a similar line of critique in *The Nature and Significance of Economic Science* (1932). Observing that Hobson had always insisted that 'Economics should not only take account of valuations and ethical standards as given data…but that also it should pronounce upon the ultimate validity of these valuations and standards', Robbins went on to suggest that Hobson was more or less deliberately confusing the important distinction between descriptive and evaluative statements so as to foist his own emotive ethical standards upon economic studies in general and upon the analysis of consumer choices in particular.[68]

Such commentary is not without foundation. Hobson's encounter with Ruskin's critique of classical liberal economics had, indeed, convinced him that the market concept of utility had to be overturned, for it made 'no attempt to go behind the market value of desires to the organic results of different sorts and quantities of consumption'.[69] The standard liberal economic viewpoint was too narrow. It accredited use-value to a commodity at the moment of sale on the assumption that the product would not be purchased unless it had some utility for the consumer. Yet was it not the case, and this was precisely Ruskin's point, that goods harmful to the individual also sold? Given this fact, it was of paramount importance to establish an 'ethical standard of conduct for the art of Political Economy' to ensure that to the greatest extent possible only truly worthy goods and services were offered for sale in the market-place.[70] Ruskin offered the concept of Vital use' as the standard of value. Products that possessed 'life-sustaining and life-improving qualities' were to be judged useful; the rest

condemned as noxious ‘illth’. The market, in failing to make this distinction, was acting not impartially but irresponsibly.

Hobson endorsed Ruskin’s call to put commerce on an ethical basis and the attendant claim that economics should be an instrument of that purpose. He was not content, however, to rest his case on the call for a moral economy since it was still open to the liberal economist to argue that the market-place, though it exercised no prior moral restraint on what kinds of goods were sold, was sensitive to consumer demand and, should consumers decide to stop buying certain products determined by them to be noxious, the market would have no choice but to stop further supplies. Hobson, however, refused to be placated by such attempts to allow ‘ethics’ to enter through the back door. Instead he chose to emphasize another of Ruskin’s arguments, namely that the individual consumer was disqualified from judging what constituted his or her own best interest—a typically paternalistic assessment of the kind Shaw undoubtedly had in mind when he warned, in *Man and Superman,* ‘Do not do unto others as you would that they should do unto you. Their tastes may not be the same.’

It is not enough [wrote Hobson] to recognise that Mr. Ruskin had substituted for the objective commercial standard of money a subjective human standard. Though economists are primarily interested in exchange-value, there is a growing tendency among recent thinkers to insist upon subjective utility as the ground of exchange value; but the acceptance of this view…does not make them any nearer to Mr. Ruskin’s theory, for none of the economists goes behind the present actual desires of men as reflected in their industrial conduct. Political Economy, as they conceive it, deals with what is, not with what ought to be…. Now Mr. Ruskin…posits as the starting-point of Political Economy a standard of life not based upon present subjective valuations of ‘consumers, ’ but upon eternal and immutable principles of health and disease, justice and injustice.[71]

By driving a wedge between the actually desired and the desirable Ruskin hoped to undermine arguments based on the principle of consumer sovereignty, thereby making room for higher and more noble authorities. Hobson accepted this distinction and although he severely criticized Ruskin’s choice of higher authorities—the captains of industry—he did accept the underside of Ruskin’s case, namely that the common man was too brutalized by capitalism, too narrowed in his capacity for enjoyment by overspecialization in the division of labour, to be fully entrusted with the decision as to how best to conduct his affairs:

Social reformers were, [Ruskin] rightly reckoned, certain to concern themselves too exclusively with the task of trying to improve the conditions of pay, the distribution of wealth, to the comparative neglect of the conditions of work. Capitalism would be able to maintain its worse tyranny, that of sub-divided and de-humanizing toil, by concessions…upon the wages question. This, Ruskin clearly saw, would in itself be no solution to the social problem. It would leave degraded human beings with more money to apply to the satisfaction of degraded tastes. The whole problem of…‘illth’ would remain unsolved.[72]

An examination of Hobson’s later writings on welfare economics, and in particular *Wealth and Life,* written some three decades after his study of Ruskin, shows him still struggling with the issue of paternalism and perhaps even less able to resist its logic.[73] It is significant, for example, that after carefully reviewing the progress of the ‘natural wisdom’ of the people, and finding some grounds for optimism, Hobson still feels compelled to reject the claims of ‘the average sensual man’ to set the standard of welfare:

…here we encounter and must qualify the provisionally accepted statement that the conscience of each person must be the ultimate judge of good and evil. When we are choosing for ourselves, this is the case. But in an ever increasing number of matters, we do not choose for ourselves. We defer to the judgment of others whom we recognise as better qualified than we are… In every organised society people are choosing not only for themselves how they will act, but for others, and often for others whom they seek to influence 'for their good' against their immediate inclinations. Those in charge of children and other dependents, philanthropists, reformers, public administrators, exercise the right to overrule the current desires and tastes of their charges in favour of some higher standards… [S]ocial government condemns and curbs [the lower standards] not merely as injurious to the welfare of others, but as errors of valuation in those who entertain these values.[74]

Hobson's claim here extends beyond the more usual liberal argument (of which he was also an advocate) that, while broad policy formulation is within the competence of the ordinary citizen and his or her representative, the administrative function of government requires a special level of technical expertise. In *Wealth and Life* he seems to imply that not only the means but also the ends (values) are to a significant extent to be determined by a paternalistic élite. Hobson was, of course, concerned to ensure that these well-intentioned élites did indeed have the best interests of their 'charges' in mind when exercising their rule. He worried about bureaucratism and class prejudice. He also continued to stress the protective functions of democracy and the need to educate the popular will through political participation. But with all this taken into account, the larger point remains—as Hobson himself admitted: his difference with Ruskin (and like-minded conservatives) was basically one of 'stress'—the determination of the 'seat of authority'—and not one of principle. 'Democracy', Hobson assured his readers, 'does not eschew reverence in politics.'[75] Quite to the contrary, it was largely through the workings of 'admiration, imitation and suggestion' that the 'unthinking masses' are eventually 'brought up to a higher common level of life'.[76]

Hobson's concept of organic welfare, envisaging a hierarchy of values and accepting that the improvement of the standard of welfare of the social organism was much dependent on the didactic leadership of educated persons, does seem susceptible to the accusation of paternalism. But unlike, say, J.S. Mill, who had also attempted to introduce qualitative criteria into the study of welfare values, Hobson did not even make a pretence of staying within the confines of Benthamite utilitarianism. Indeed, having overstepped these particular liberal bounds, he shows remarkably little concern as to how close he has come to stepping back into conservative territory.

CONCLUSION

It is perhaps true that the ideas of an 'organic' society are an essential *preparation* for socialistic theory…[77]

Among Hobson's contemporaries, Bernard Shaw was very much the exception in implying that Hobson's new liberalism had a strongly conservative aspect. Perhaps F.J.C. Hearnshaw, himself a noted conservative scholar, was of the same opinion, for he certainly quotes liberally and approvingly from Hobson's writings in his *Democracy at the Crossways* (1919), but he is not explicit on the matter. The general opinion was that Hobson was a radical liberal with definite socialist sympathies. His resignation from the Liberal Party in 1916, his entry shortly thereafter into the Labour Party, and especially his affiliation with the Independent Labour Party during the 1920s, served to reinforce this viewpoint. Does this mean that the uncovering of a conservative, organicist component to his thinking is in fact a misreading? As Michael Freeden has observed, 'any study of an ideology must address itself to its

consumption as well as its production'.[78]

The simplest way to respond to this query is to repeat that the conservative aspect of Hobson's thought functioned as a corrective to what he considered to be the disintegrative tendencies of classical individualism. He was seeking a counterweight not grounds for conversion. His basic outlook remains anchored in the liberal tradition, a fact that his contemporaries seem to appreciate.

Alternatively, a slightly more complex response is possible, which also helps to explain Hobson's reputation for socialist sympathies. It may be argued that it was precisely Hobson's conservatism that made him a left-leaning liberal. Hobson's early encounter with the conservative vision of a corporate organic community precluded any whole-hearted acceptance of the classical liberal instrumentalist view of the community as a mere facilitator of individual opportunities. At the same time, his liberalism made objectionable the conservative ideal of the aristo-plutocracy as the privileged beneficiaries of this ranked social order. Hobson's socialism is the product of his attempt to resolve the tensions between conservative and liberal values. Indeed it is not implausible to suggest that Hobson was the more socialist inclined of the new liberals precisely because he placed the greater value on conservative insights.

Without the 'touch of toryism', his liberal radicalism would have likely culminated in a call for the positive state to institute reforms to bring about a wider-ranging, more thoroughgoing equality of individual opportunity, along the lines suggested, for example, in C.F.G. Masterman's *The New Liberalism* (1920). With the conservative input, Hobson's radicalism extends beyond issues of equality of opportunity to reincorporate the conservative value of community, but it attempts this not exclusively on conservative terms, but also on the basis of the fundamental socialist insight that social inegalitarianism—whether ascribed (conservatism) or achieved (liberalism)—will frustrate this endeavour. Rather, if citizens are to achieve a common outlook they must, more or less, achieve a common condition. Only then will it be appreciated that social problems cannot be resolved on an individualistic basis but must 'find their solution in the life of [the] community'.[79] To this end, wrote Hobson, 'a levelling of those class distinctions in our national life which impede the free flow of social intercourse is a process of vital urgency'.[80] Such statements are indicative of the delicate balance Hobson attempted to strike as a 'moralistic conservative', a 'radical reformer' and a 'socialist of sorts'.

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1 Peter Clecak, *Crooked Paths* (New York: Harper & Row, 1977) p 106.

2 Lord Hugh Cecil, *Conservatism* (London: Williams and Norgate, 1912) p. 14.

3 Roger Scruton, *The Meaning of Conservatism* (Harmondsworth: Penguin, 1980), p. 66.

4 For a recent statement on classical liberal instrumentalism, see William M. Sullivan, *Reconstructing Public Philosophy* (Berkeley: University of California, 1986). See also, Kenneth Minogue, *The Liberal Mind* (London: Methuen, 1963).

It is true, of course, that Adam Smith's 'invisible hand' allows that individual actions have unintended (supra-individual) outcomes, but this is understood as a spur to the pursuit of self-interested endeavours, not as a reason for attributing autonomous value to the social, or as a cause for restraint.

5 It might be noted that socialists differ as to whether it is best to envisage this dissolving of the supra-individual in terms of the citizen reclaiming his once alienated social qualities (Marx), or of society reclaiming its potentially wayward members by turning them into fully socialized beings who are no longer conscious of a tension between the personal and the social (Owen, Fourier, Bellamy).

6 See, in particular, Leo Bramson, *The Political Context of Sociology* (New Jersey:

Princeton University Press, 1961); Robert Nisbet, *The Sociological Tradition* (London: Heinemann, 1967), 'Conservatism,' in Tom Bottomore and Robert Nisbet (eds), *A History of Sociological Analysis* (New York: Basic Books, 1978), pp. 80–117, *Conservatism. Dream and Reality* (Minneapolis: University of Minneapolis Press, 1986); Irving M. Zeitlin, *Ideology and the Development of Sociological Theory* (New Jersey: Prentice Hall, 1968); Frank Hearn, *Reason and Freedom in Sociological Thought* (London: Allen & Unwin, 1985).

7 Steven Lukes, *Emile Durkeim, his Life and Work* (Harmondsworth: Penguin, 1973), p. 546. See also, William Logue, *From Philosophy to Sociology: The Evolution of French Liberalism* (Decalb. Ill., 1983), where Durkheim's sociology is analysed within the context of the new liberalism.

8 J.A. Hobson, *Rationalism and Humanism* (London: Watts & Co, 1933)

9 See J.A. Hobson, *Democracy and a Changing Civilization* (London: Bodley Head, 1934), p. 25.

10 Hobson, *Problems of a New World* (London: Allen & Unwin, 1921), p. 41.

11 ibid.

12 An interesting account of the relationship between new liberalism and British idealism is to be found in Andrew Vincent and Raymond Plant, *Philosophy, Politics and Citizenship* (Oxford: Basic Blackwell, 1985), ch. 5.

13 J.A. Hobson, *Wealth and Life: A Study in Values* (London: Macmillan, 1929), p. 168.

14 ibid., p. 32.

15 J.A. Hobson, *John Ruskin, Social Reformer* (London: James Nisbet, 1898), p. 82. It might be noted that Hobson actually labels Ruskin a socialist. However, as Hobson himself admits, the definition of socialism at this time was very loose, and, as the details of his own commentary make clear, Ruskin's socialism, if it is to be called that, is of a feudal or reactionary kind. This attempt to label Ruskin a socialist (and Hobson was not alone in this) was no doubt undertaken to make him more palatable to social reformers, Hobson included.

16 Hobson, *Wealth and life*, op. cit. (n13), p. 29.

17 ibid., p. 24.

18 ibid, pp. 30–1.

19 See J.A. Hobson, *The Social Problem* (London: James Nisbet, 1901), p. 233. The concept *homo duplex* is taken from Durkheim.

20 Hobson, *Work and Wealth: A Human Valuation* (London: Macmillan, 1914), p. 304. For a later expression of the same position, see *Wealth and life*, op. cit. (n13), pp. 165–6.

21 Amy Gutman, *Liberal Equality* (Cambridge: Cambridge University Press, 1980), pp. 220–1.

22 J.A. Hobson, 'Character and society' in Percy L. Parker (ed.) *Character and Life* (London: Williams and Norgate, 1912) pp. 94, 95, emphasis added.

23 Hobson, *Social Problem*, op. cit. (n19), p. 88.

24 Hobson, 'Character and society', op. cit. (n22), p. 70.

25 Hobson, *Wealth and Life*, op. cit. (n13), p. 30. Also relevant here is Gad Horowitz's observation that 'Toryism accepts restraints as "natural": members of an organic whole do not, if the whole is healthy, act with complete autonomy; the good of the individual is not conceivable apart from the good of the whole…. Liberal "theories of obligation" accept restraint because the good of all individuals requires that each give up his freedom of action to pursue his own happiness (easily conceivable apart from the happiness of others), insofar as this freedom impinges upon the freedom of others. Restraint is thus artificial, contractual rather than natural.' Gad Horowitz, 'Notes on 'Conservatism, Liberalism and Socialism in Canada', *Canadian Journal of Political Science*, vol. 11, issue 2 (June 1978), p. 393.

26 Hobson, *Democracy*, op. cit. (n9), p. 118.

27 J.A. Hobson, *The Crisis of Liberalism* (London: P.S. King & Sons, 1909), p. 82. It is

worth noting that Hobson's new liberal colleagues on the *Manchester Guardian* took him to task for this particular presentation of democratic rights. See Michael Freeden, *The New Liberalism* (Oxford: Clarendon Press, 1978), p. 109.

28 Hobson, *Social Problem,* op. cit. (n19), p. 89, emphasis added.

29 Hobson, *Democracy,* op. cit. (n9), p. 120.

30 Edmund Burke, *Reflections on the Revolution in France* (1790), in Russell Kirk (ed.), *The Conservative Reader* (Harmondsworth: Penguin, 1982), p. 16: '[H]ow can any man claim, under the conventions of civil society, rights which do not so much as suppose its existence? Rights which are absolutely repugnant to it?'

31 Hobson, *Work and Wealth,* op. cit. (n20), p. 309 Perhaps the formulation that comes closest to satisfying liberal criteria is to be found in *Le Sens de la Responsabilitié* (Brussels: Institut de Sociologie Solvay, 1938), Hobson's penultimate work. Here there is evidence (p. 42) of Hobson shifting what he describes as the 'moving equilibrium between social and individual advance' in a more characteristically liberal direction towards the individual. Even so, the social is still declared to have supra-individual purposes of its own.

32 Burke, *Reflections,* op. cit. (n30), pp. 22–3.

33 Michael Freeden, *Liberalism Divided: A Study in British Political Thought, 1914–1939* (Oxford: Clarendon Press, 1986), p. 42.

34 See J.A. Hobson, 'Sociology to-day', in *The Social Sciences: Their Relations in Theory and in Teaching* (London: Le Play House Press, 1936), p. 27.

35 Hobson, *Social Problem,* op. cit. (n19), p. vi.

36 See Karl Mannheim, 'Conservative thought', in *Essays on Sociology and Social Psychology* (London: Routledge & Kegan Paul, 1953), esp. pp. 111–14.

37 Hobson, *Social Problem,* op. cit. (n19), p. 285.

38 Burke, *Reflections,* op. cit. (n30), p. 32.

39 Hobson, *Social Problem,* op. cit. (n19), P. 283. It is of course one of Burke's more famous opinions that 'a state without the means of some change is without the means of its conservation'.

40 Hobson, *Wealth and Life,* op. cit. (n13), p. 27.

41 J.A. Hobson, *The Science of Wealth* (London: Williams and Norgate, 1911), p. 145.

42 J.A. Hobson, *Taxation and the New State* (London: Methuen, 1919), pp. 71–3.

43 Lord Cecil, *Conservatism,* op. cit. (n2), p. 170. Incidentally, here Lord Cecil is somewhat out of step with his mentor, Burke. But see, James Conniff, 'Burke on political economy: the nature and extent of state authority', *The Review of Politics,* vol. 49, no. 4 (Fall 1987), pp. 490–514, where it is argued that the conventional 'interpretation of Edmund Burke as a laissez-faire economist…is inaccurate'

44 ibid., pp. 139–40.

45 See, for example, *Wealth and Life,* op. cit. (n13), p. 155ff.

46 Lord Cecil, *Conservatism,* op. cit. (n2), p. 141.

47 Hobson, *Social Problem,* op. cit. (n19), p. 153.

48 Robert Nisbet, *Prejudices: A Philosophical Dictionary* (Cambridge, Mass.: Harvard University Press, 1982), p. 220.

49 Hobson, *Problems of a New World,* op. cit. (n10), pp. 5–6.

50 Hobson, *Le Sens de la Responsibilité,* op. cit. (n31), p. 9.

51 Hobson, *Work and Wealth,* op. cit. (n20), p. 354.

52 ibid., p. 358.

53 ibid.

54 J.A. Hobson, 'The ethical movement and natural man', *Hibbert Journal,* vol. 20, no. 80, (October 1921), p. 674.

55 ibid., p. 675.

56 Alexis de Tocqueville, *Old Regime and the French Revolution* (1856), quoted in Nisbet, *Conservatism*, op. cit. (n6), p. 17.

57 J.A. Hobson, 'Havelock Ellis: one of the great humanists of our age', in Joseph Hill, *Havelock Ellis in Apprectation* (Berkeley Heights, NJ: published privately by the Oriole Press, 1929), pp. 285–6.

58 ibid., p. 285–8.

59 William R. Harbour, *The Foundations of Conservative Thought* (Notre Dame: University of Notre Dame Press, 1982), p. 79.

60 Hobson, *Notes on Law and Order,* (London: Hogarth Press, 1926), pp. 12–13. See also *Rationalism and Humanism*, op. cit. (n8), p.42.

61 Hobson, *Wealth and life*, op. cit. (n13), p. 95.

62 Hobson, 'Sociology to-day', op. cit. (n34), p. 27.

63 Hobson, *Crisis of Liberalism*, op. cit. (n27), p. 274.

64 Hobson, *Confessions of an Economic Heretic* (London: Allen & Unwin, 1938), pp. 91–2.

65 ibid., p. 143.

66 Bernard Shaw, The Case for equality', in *Shavian Tracts, 1–6* (New York: The Shaw Society, Johnson Reprint Co, 1968), Tract No. 6, p. 18. N.B. It is possible that Hobson returned to the fray in an unsigned report of Shaw's speech given in the *Nation* of 10 May 1913. Certainly the content and even the phrasing of this report are very Hobsonian, especially when its author remarks, for example, that the idea of equality should be formulated 'in accordance with the general law of organic distribution, "according to needs", the ability of cells, organs, or other co-operative units of an organic whole, to utilise, in healthy vital activities, the food which comes to them'. L.T. Hobhouse also locked horns with Shaw on the issue of equality of incomes Their correspondence in the *Nation* (24 May—7 June 1913) is reprinted and ably commented upon in Allan Chappelow, *Shaw—The Chucker-Out* (London: Allen & Unwin, 1969), pp. 265–71.

67 While the paternalistic component of Hobson's social thought has not been much commented upon with regard to his analysis of domestic welfare, a number of writers have criticized his writings on imperialism along these lines. See, for example, Horace B. Davis, 'Hobson and human welfare', *Science and Society*, vol. 21, no. 4 (1957), pp. 313–15, where he writes: 'It is Hobson's handling of the ethical issue of imperialism that clouds his record as a welfare economist so-called…. He never rose to the level of true internationalism, which can be based only on equality of nations and peoples and in which backward peoples will be treated as the equals of the more advanced.' For a recent and even more trenchant critique, see Lewis Feuer, *Imperialism and the Anti-Imperialist Mind* (Buffalo, NY: Prometheus Books, 1986), pp. 150–1.

68 Lionel Robbins, *An Essay on the Nature and Significance of Economic Science* (London: Macmillan, 1932, 2nd edn, 1935), pp. 147–9

69 Hobson, *Social Problem*, op. cit. (n19), p. 37.

70 Hobson, *Ruskin*, op. cit. (n15), p. 79.

71 ibid, pp. 78–9.

72 J.A. Hobson, 'Ruskin as political economist', in J.H. Whitehouse (ed.), *Ruskin the Prophet* (New York: E.P. Dutton, 1920), pp 91–2, emphasis added.

73 This is true, I think, in terms of a comparison not only with *John Ruskin* but also with *Work and Wealth*, where Hobson is more concerned to strengthen the collective consciousness and cement common standards than he is with emphasizing the exemplary function and paternalistic responsibilities of social elites.

74 Hobson, *Wealth and Life*, op. cit. (n13), pp. 59–60.

75 J.A. Hobson, 'Ruskin and democracy', *Contemporary Review*, vol. 81 (January 1902),

pp. 109, 110.

76 Hobson, *Wealth and Life,* op. cit. (n13), p. 60

77 Raymond Williams, *Culturc and Society 1780–1950* (Harmondsworth: Penguin, 1963), p. 145, emphasis added. See also Horowitz, ‘Notes on Conservatism’, op. cit. (n25).

78 Michael Freeden, ‘Essentially organic’, *Times Literary Supplement,* 23 September 1983, p 1014.

79 J.A. Hobson, ‘Towards social equality’, (1931), in *Hobhouse Memorial Lectures, 1930–1940* (London: Oxford University Press, 1948), p. 34.

80 ibid.

6
Hobson and Keynes as economic heretics

PETER CLARKE

INTRODUCTION

In his old age, Hobson professed himself gratified that ‘Mr J.M. Keynes, though not in full agreement with myanaXysis, has paid a handsome tribute to my early form of the over-saving heresy’.[1] This tribute, extending to seven pages, printed in a prominent position in the twentieth century’s most famous book on economics, has in itself guaranteed Hobson’s reputation a measure of continued professional recognition. The result has been that students of economics almost invariably know his name—but often little more than his name. Whether Hobson’s work in this field deserves to be remembered as more than an extended footnote to the *General Theory* is a question that has, from time to time, provoked sympathetic economists into making stronger claims on his behalf. The most far-reaching, and also the most influential in left-wing circles, was that advanced by G.D.H. Cole: ‘For me at any rate, what is commonly known as the Keynesian was much more the Hobsonian revolution in economic and social thought.’[2]

Cole’s declaration may, however, tell us more about his own ideological affinities than about Hobson’s intellectual achievements. D.J. Coppock’s scrupulous attempt to argue that Keynes was ‘ungenerous in the account he gave of Hobson’s theory’ carries more scholarly authority.[3] From a close study of half-a-dozen of Hobson’s economic treatises it shows that, while his theoretical formulations may have been crude, they contain passages that are pregnant with insight. Supplied with the appropriate distinctions—‘several suppressed assumptions must be made explicit’—a good deal more can be squeezed out of Hobson than might have been expected; and it accordingly becomes ‘hard to understand how Keynes could have overlooked such statements’.[4] If only he had, on the basis of his presumed acquaintance with Hobson’s writings, put together this paragraph from *The Economics of Unemployment* (1922) with that paragraph from the second edition of *The Industrial System* (1910) and the other paragraph from *Rationalisation and Unemployment* (1930), Keynes could have discovered an altogether fuller and more suggestive anticipation of his own central conceptions! In particular, Coppock suggested that the admittedly unsystematic Hobson—‘his argument lacks rigour’[5]—can none the less be read as pointing towards contraction of total income as the means by which excess saving is eliminated, which begins to sound very much like the equilibration process of the theory of effective demand. Further exegesis along these lines, scrutinizing possible analytical anticipations, seems unnecessary. But this whole issue can be put into historical perspective by seeking to establish what actual, direct, demonstrable influence (if any) Hobson exerted upon the development of Keynes’s thought.

HERESY

Hobson's heresy was, in the first place, underconsumption. In maintaining that a general process of over-saving was possibie—and that it was the root cause of economic depression—he put himself beyond the pale of orthodox economics. He first took up this position in the book he wrote with A.F. Mummery, *The Physiology of Industry* (1889), published at just the time when, under the guidance of Alfred Marshall, economics was seeking to establish its claims to academic respectability. The defensive mentality of the emergent profession partly explains the prickly exclusiveness that Hobson thereafter encountered. 'This was the first open step in my heretical career', he later recalled, 'and I did not in the least realize its momentous consequences'.[6] Faced with little alternative, Hobson made the best of his career as a self-conscious outsider.[7]

Keynes, by contrast, could hardly have been more of an insider. Born in in Cambridge, the son of a don who had done respected work in logic and economics, the winner of scholarships to Eton and to King's—here was a gilded youth selected by that old family friend, Alfred Marshall, as fit to bear the torch of Cambridge economics. Keynes was to admit: 'I was brought up in the citadel and I recognise its power and might.'[8] Now it was against this same Marshallian school that Hobson directed some of his characteristic shafts, notably in the two books in which he turned towards problems of economic methodology. This was the field in which John Neville Keynes had published a standard work, which Hobson subjected to sustained criticism on the grounds that its positivist approach excluded ethical considerations and value judgements. 'Like Professor Marshall', Hobson commented in 1901, 'Dr Keynes wants to simplify by falsification'.[9] The same charge against 'the Cambridge doctrine' was repeated and developed in the mid-1920s, largely by reference to Marshall and his successor as Professor of Political Economy at Cambridge, A.C. Pigou—with a passing reprimand for a junior figure, H.D. Henderson.[10] Marshall and Pigou had been pre-eminent among Maynard Keynes's teachers; Henderson was currently his close colleague and collaborator.

Filial loyalties alone, then, might suggest that, from the time he began his studies in economics in 1905, Keynes would be disposed to distrust this persistent critic, from whom he considered one had to expect, along with some stimulating ideas, also 'much sophistry, misunderstanding, and perverse thought'.[11] For nearly a quarter of a century, the star pupil of the Cambridge Economics Faculty remained sceptically impervious to anything that the underconsumptionist Hobson might be trying to tell him.

There was another Hobson, however, with whose temperament and outlook Keynes developed an ambivalent sympathy. For Hobson comprehended his insight about the impossibility of unlimited saving within a more general formulation: 'It is at root a very simple fallacy, viz. the contention that what anyone can do, all can do.'[12] It is, in short, the fallacy of composition, or what Hobson preferred to call the individualist fallacy. It is a recurrent theme in many of his writings and one that he was fond of illustrating by saying that though any one boy might go from a log cabin to the White House, all boys could not simultaneously become President of the United States. When Hobson seized upon the term heretic to describe himself it was in the broader sense: subsuming the underconsumptionist doctrine under the individualist fallacy, thereby casting doubt upon the adequacy of *laissez-faire* economics in general. Moreover, he located the root of his own unorthodoxy in psychological predisposition as well as in logical analysis. In his autobiography, he insisted that he had not taken the name heretic in a spirit of bravado; but he recognized that the 'break-away disposition', which he prized as a means to progress, might itself be suspect as 'a pugnacious self-assertion of superiority over the accepted thought or faith of others'.[13]

Thus for Hobson the doctrine of underconsumption, though neither trivial nor incidental, was 'a narrower economic heresy'.[14] Intellectually, it was an inference from a fundamental

logical distinction; temperamentally, it was the product of a particular cast of mind. In both respects, Keynes manifested significant affinities with Hobson's general approach appreciably before he was prepared to acknowledge any force in Hobson's most notorious economic contention. This is literally apparent in the language that Keynes began to use about the limitations of the free market in the 1920s. When he first proposed public works in 1924, he claimed that in considering this abridgement of *laissez-faire*, 'we are brought to my heresy—if it is a heresy'.[15] Keynes's thirst for originality and his readiness to shock made him susceptible to the temptations of striking an iconoclastic pose. Once doubtful of an orthodox proposition, he was not the man to dissimulate conformity. He began toying with the imagery of himself as a heretic a decade before Hobson—apparently prompted by Keynes's usage—arrogated the term.[16] Certainly Keynes became fascinated by this metaphor as applied to himself, asking after the *General Theory* was completed: 'how can one brought up a Catholic in English economics, indeed a priest of that faith, avoid some controversial emphasis, when he first becomes a Protestant?'[17] Here I stand, he now told his German readers: I can do no other.

A TREATISE ON MONEY

Similarities of language, however, though they might indicate general temperamental congruence, may turn out to be misleadingly superficial when it comes to specific intellectual influence. Though in Keynes's *Treatise on Money* (1930) the analysis can be described in terms of over-saving, its provenance remains basically neo-classical. If Keynes was impelled to acknowledge, for the first time, a possible theoretical convergence with underconsumption, it was one that he substantially repudiated. The word 'over-saving', in fact, could mean two things. When Hobson used it, he meant underconsumption; but when Keynes used it in the *Treatise* he meant underinvestment. Unlike Hobson, who saw saving and investment as two names for the same process, Keynes now sought to make a distinction between them in order to emphasize that a problem existed over how they were brought into equilibrium. He maintained that it was attempted over-saving that left investment deficient, whereas Hobson held that it was actual over-saving that resulted in actual overinvestment. As Keynes put it, any reconciliation of such a theory with his own would only be 'at a later stage in the course of events'[18]—meaning, presumably, that a deficiency in consumption ('Hobsonian over-saving') might in due course, through its erosion of profitability, depress the level of investment ('Keynesian over-saving').

That these difficulties were substantial, not simply terminological, can be seen by considering the appropriate remedy for each condition. 'Kenyesian over-saving' could best be remedied by stimulating investment; 'Hobsonian over-saving' only by stimulating consumption. Thus, while Keynes was prepared to consider a whole range of possible expedients, he called his proposals for home investment 'my own favourite remedy—the one to which I attach the greatest importance'.[19] Hobson, conversely, remained lukewarm about schemes for public works. His own plans for redistribution of income aimed to boost consumption, but also candidly avowed their rationale as a means of reducing the saving—or over-saving—which he regarded as the other side of the same coin. A decrease in saving, however, had little attraction for Keynes. 'If we can find *no* outlet for our savings, then it would be better to save less', he conceded. 'But this would be a counsel of despair.'[20]

Yet the *Treatise* showed Keynes adopting a rhetoric about thrift that had long been Hobson's trademark. The *Physiology of Industry* had opened with an assault on Mill's proposition that 'saving enriches and spending impoverishes the community along with the individual.[21] Its own demonstration of the consequences of over-saving led up to the conclusion: The labourers, therefore, are the chief sufferers from the saving habits of the rich,

and, in so far as evil proceecls from poverty, the highly extolled virtues of thrift, parsimony, and saving are the cause.'[22] In the *Treatise* Keynes did not disparage the utility of saving; but when he insisted that it only had this utility in so far as it permitted investment to take place, he challenged a conventional preconception. 'It has been usual', he wrote, 'to think of the accumulated wealth of the world as having been painfully built up out of that voluntary abstinence of individuals from the immediate enjoyment of consumption which we call thrift'. In extolling enterprise instead, he suggested that 'not only may thrift exist without enterprise, but as soon as thrift gets ahead of enterprise, it positively discourages the recovery of enterprise and sets up a vicious circle by its adverse effect on profits'.[23]

It was at this point, already sidling up to the church door with his own theses stuffed in his pocket, that Keynes seems to have glimpsed the old heretic in a new light. Writing to Hobson apropos of a draft article recapitulating his views, Keynes admitted that

reading it has brought home to me how very near together you and I are on this matter. You have done all the pioneer work and the essential truth has been in you. But logically I have always felt your standpoint to be unsatisfactory. Now that I have worked out a point of view of my own which, to me at any rate, is logically satisfactory, I see how very near it comes to your view.[24]

Keynes's description of his new book as 'a synthesis of orthodox economics with your own unorthodoxy' was no doubt ingratiating but not misplaced. For the *Treatise* is indeed a synthesis between, on the one hand, new notions of saving, and, on the other, a fundamentally neo-classical concept of equilibrium.[25] 'Keynesian over-saving', which was merely another name for underinvestment, was a condition of disequilibrium, when the interest rate was thwarted in its normal function of establishing equilibrium between saving and investment. Interpreted in these terms, 'Hobsonian over-saving' could be recognized as a special case under the analysis of the *Treatise*, albeit one that had been misleadingly specified by underconsumptionists like Hobson, who had not 'succeeded in linking up their conclusions with the theory of money or with the part played by the rate of interest'.[26] The very interesting correspondence that took place between Keynes and Hobson in 1931 fastened upon this point. Keynes sought to disabuse Hobson of the misapprehension that 'there must be a body of real capital corresponding to the uninvestable savings' by referring him to the Banana Parable in the *Treatise*. In the banana republic, bananas were the only item of production or consumption. A thrift campaign, by increasing the proportion of income saved, obviously withheld that part of income from consumption—but did not necessarily divert it into investment. What happened? The same amount of production took place, and it was all sold (for bananas do not keep), but at reduced prices. The general public pocketed the gains through consumption at lower prices; but the entrepreneurs made equivalent losses, which ultimately had to be covered from the excess of savings. The thrift campaign had not increased the wealth of the community through higher investment; it had only transferred wealth from producers to consumers.[27]

Hobson's response was that these unfavourable consequences of a fall in prices could in principle be offset by maintaining the proportion of income devoted to consumption; and that the trouble arose in practice when there was a refusal to raise consumption in this way. Keynes had no quarrel with this; he recognized that it brought them closer together; but he reiterated that there was 'also another way out besides the way of increased consumption, namely through a fall in the rate of interest'. For, by opening up new market opportunities at more attractive prices, this would stimulate investment so as to absorb the excessive savings. 'If you could accept this other side of the shield which I offer', Keynes wrote, 'as well as the

face which you have stamped with your imprint, we should be at peace'.[28]

Hobson's reply has not survived. But it was such as to provoke Keynes to reaffirm that the Hobsonian analysis held only so long as the interest rate failed to fall fast enough to stimulate investment. He acknowledged a limiting case where the interest rate, having already fallen to zero, was obviously incapable of falling further—'at which point I would agree with you that my alternative exit is closed, and that your exit of more spending and less saving is the only one left'. But this was only a hypothetical possibility, not an approximation to the real position. Hence Keynes's reiterated contention: 'It is the failure of the rate of interest to fall fast enough which is the root of much evil.'[29] In saying this, Keynes showed his continued confidence in the equilibrating mechanism of the interest rate.

THE MOVE TO THE GENERAL THEORY

All of this was perfectly consistent with the analysis of the *Treatise*. Yet by the time Keynes concluded his correspondence with Hobson, the *Treatise* had been subjected to a searching critique, which ultimately led to the reformulation of Keynes's theories. In particular, the *Treatise* was discussed at length by the 'Circus' of younger economists at Cambridge; and Richard Kahn, largely as a result, put forward the concept that we know as the multiplier. Through successive increments of consumption, passed from hand to hand, aggregate income was multiplied in a determinate way until it produced a level of saving sufficient to match the initial investment. The essence of the multiplier mechanism was thus that an equilibrium between investment and saving was achieved, not through variations in the interest rate but through variations in output. What the Circus was concerned with was the crucial role of changes in *output* (given that the economy was at less than full capacity) rather than changes in *price*, on which Keynes had focused in the *Treatise*.[30]

One of Keynes's illustrative set pieces, at the time of the *Treatises* publication, was the paradox which he called after the widow's cruse (which was continually replenished with oil; see I Kings 17: 12–16). An example of it, as he explained to the Macmillan Committee, was when consumers on fixed incomes sought to increase their rate of saving:

prices will fall still further, so that they can both save and consume as much as before, and however much they save they can always consume as much as before. It is the widow's cruse.

Their position was thus analogous to that of the consumers in the Banana Parable. Moreover, because the entrepreneurs would lose and would be forced to dispose of their assets at knock-down prices, 'gradually the whole wealth of the community will pass into the hands of those savers, and those savers can go on consuming all the time just as much as they did before'.[31]

But *what* would they be consuming? How *could* it go on? In the Banana Parable, whereas consumers initially made a killing for similar reasons, retribution none the less lay around the corner. Indeed it can be read as implying a primitive multiplier process, which worked through reduced consumption to contract incomes, output and employment, and thus presumably established a new (and sub-optimal) equilibrium position.[32] In November 1930, however, when Keynes explained the widow's cruse to the Macmillan Committee, his delight in it seems to have closed his perceptions to such implications. It took the deliberations of the Circus during the following months to discover that there was a fallacy here: a concealed assumption of fixed output.

How soon Keynes's eyes were fully opened to this fallacy is not clear. For in November 1931, when he might conceivably have been twelve months the wiser, he still reverted, in

effect, to the analysis of the widow's cruse in order to make a point that he did not feel that Hobson had grasped, in the concluding shot of their exchanges:

The point is that when savings exceed investment prices fall, so that that part of income which is spent buys just as much goods as would have been purchased by the whole of the income if nothing had been saved. The paradox is that saving in excess of investment involves in itself no sacrifice whatever to the standard of life of the consuming and saving class.

Although there would be a transfer of wealth, there would be 'no change in the aggregate of wealth and no change in the rate of consumption'—which surely implies no change in output either. The only consolation for Hobson, on the receiving end of this disquisition, was a final caveat: 'Obviously this cannot go on long without the producers seeking to protect themselves from such losses. Hence unemployment etc. etc.'[33]

It is not surprising, in the light of this correspondence, to find that it ran into the sand at this point. Keynes's attempt to patch up the widow's cruse, or simply to ignore the fact that it was fatally cracked, did nothing to make it serviceable. Judging from his apologetic closing comment—'I must be at pains to expound the whole matter again from the bottom upwards'—he seems to have sensed as much himself. This can be read as an early hint that the *Treatise* was not to be the last word. It may indeed be the earliest indication that Keynes was proposing a major reformulation of his theory.[34]

Whatever their other differences about the concept, Keynes and Hobson were in agreement upon one crucial aspect of 'over-saving': it might be dysfunctional for the community as a whole but it was not irrational for the individual savers. Hobson had spent much of his life trying to dispel misconceptions on this score. There is no limit to efficacious thrift on the part of an individual', his first book had emphatically stated. It identified the root of the difficulty in 'the fundamental fallacy which underlies the Economist's view of Saving, the assumption that the interests of the Community must always be identical with the interests of its several members'.[35] This crucial distinction—one of Hobson's most characteristically trenchant ideas—was, of course, the individualist fallacy or the fallacy of composition.

What role, then, did this conception come to play in Keynes's thought? Analytically, this constitutes the most important question concerning the relationship between Hobson and Keynes. The answer, moreover, is highly provoking. For there is, I believe, strong reason to regard the fallacy of composition as integral to the conception and development of the theory of effective demand in the early 1930s. Though the concept was hardly new to the author of the *Treatise on Probability* (1921), it was only a decade later that he seized upon it as a key that could turn in the lock of a door that he needed to open. Keynes himself made two repeated claims about his own thinking during this period: first, that it underwent a revolution, and secondly, that this rested upon ideas that were 'extremely simple and should be obvious'.[36] Whatever his subsequent toils in writing the *General Theory* so that it constituted a rigorous exposition, fit for his fellow economists, what he regarded as paramount was the simple basic conception at its heart. In this sense, the general theory behind the *General Theory* might be regarded more as an application of what later became game theory rather than a *tour de force* in technical economic analysis.

I hope to have succeeded in demonstrating elsewhere, moreover, that Keynes had seized upon his new theory of effective demand before the end of 1932.[37] When he explained it for the first time, in his university lectures in the Michaelmas Term of 1932, he did so by outlining 'two fundamental propositions', both distinguishing between the choices open to individuals and the outcome necessarily true in the aggregate.[38] This distinction was an analytical tool that could be applied to a variety of decisions: about holding money, about

saving and spending, about cutting wages. Hence the structure of the *General Theory,* with its emphasis on 'the vital difference between the theory of the economic behaviour of the aggregate and the theory of the behaviour of the individual unit'.[39] It is hardly too much to say that Keynes's status as the major pioneer of macroeconomics rests upon this analysis.

If such an interpretation is accepted, it has a specific relevance here. From an analytical viewpoint, it presents a strong *prima facie* case for ascribing decisive significance to these characteristically Hobsonian insights in the making of the *General Theory*. From a historical viewpoint, however, there remains considerable difficulty in finding empirical evidence that would corroborate Hobson's direct influence. In fact, it seems that Keynes, not for the first time, progressed by a series of intuitive flashes towards an understanding that he only formalized into a coherent theory at a late stage. From the end of 1930, under the impact of the world slump, he was prompted, time and again, to ask whether competitive strategies—a flight into liquidity, implementation of wage cuts, a policy of tariffs, resort to devaluation—that were rational for one person, or for one firm, or for one country, were universally valid or viable: and by the end of 1932 he had generalized this distinction without ever acknowledging a specific debt to Hobson.[40]

PREDECESSORS

Having stumbled upon his new theory, Keynes cast about for unsuspected predecessors—a number of whom, along with Hobson, receive their meed of praise in the *General Theory*. 'As is often the case with imperfectly analysed intuitions', Keynes wrote of Silvio Gesell, 'their significance only became apparent after I had reached my own conclusions in my own way'.[41] Some names on his list had suggested themselves almost immediately. Having given the first exposition of the theory of effective demand during the Michaelmas Term of 1932, Keynes teased his audience in the final lecture by references to the 'traditionally uncultured' outlook of the Economics Faculty, and alluded to his own 'habit of browsing among old books', which he promptly turned to advantage. He became discursive over how the classical economists had regarded usury; he spoke up in defence of the mercantilists; he commended Mandeville's *Fable of the Bees,* above all, he reminded his audience of the triumph of Ricardo's polished theoretical reasoning over Malthus's crude but firm grasp on reality, so that 'for a hundred years this primitive common sense has lived only in uneducated circles'.[42] Keynes's rediscovery of Malthus was a genuine catalyst in the crystallization of his own thought; though even here he posthumously attributed to Malthus a suspiciously cogent (and Keynesian) doctrine of 'effective demand'.[43]

In his 1933 lectures Keynes found no time to hunt predecessors, but in 1934 he reverted to this theme in the course of a discussion of Say's Law. This proposition—essentially that the process of supply must create a sufficient demand to purchase the whole of it—formed the basis of Ricardo's proposition that over-production was impossible. It is critically examined in chapter 4 of the *Physiology of Industry,* from which the *General Theory* was to cite, and endorse, a comment on Marshall.[44] In his lecture of 29 October 1934, however, Keynes seemed unaware that Marshall had written in this sense at all; and though the lecture repeated previous comments on Ricardo and Malthus, and now added references to Marx, Gesell and Major Douglas, there is no recorded mention of the name of Hobson.[45]

This is fully congruent with surviving drafts of the *General Theory,* from which it appears that Keynes was at this stage projecting two historical chapters on his antecedents.[46] The first of these, on mercantilism, was circulated in proof in the summer of 1935. When Roy Harrod read it, he acknowledged the 'age-long tradition of commonsense' as worthy of note, but cautioned Keynes as being 'inclined to rationalise isolated pieces of common sense too much,

and to suggest that they were part of a coherent system of thought'.[47] Keynes's gloss on his remarks—'Roy strongly objects to chapter 26 as a tendentious attempt to glorify imbeciles'—should not be construed as covering Hobson, for whom Harrod subsequently evinced respect.[48] It was not this but the further chapter that was to deal with 'the notion of "effective demand"', presumably from Malthus (or Mandeville) onward. Only at a very late stage were the two conflated into what became chapter 23 of the *General Theory*.

The surviving evidence, in sum, suggests that Keynes did not seriously begin his study of Hobson's writings until the summer of 1935, by which time the preceding twenty-two chapters of his book, with their full exposition of the theory of effective demand, had already been set up in proof. It was in July 1935 that Keynes told Hobson that a section on his ideas was to be included in the *General Theory,* and Hobson accordingly supplied Keynes with an unpublished autobiographical paper from which substantial quotation was made.

Keynes worked from his own copy of the *Physiology of Industry*, which is annotated with his cryptic markings—the only such copy of Hobson's works to survive in Keynes's library. The marked passages are largely those cited in the *General Theory:* substantial sections of the preface, summarizing the argument, with supporting quotations drawn chiefly from the early chapters. Keynes lighted upon passages that argued that capital formation was not uniquely dependent upon an unchecked exercise of thrift, and that saving could not usefully be carried beyond a level limited by consumption.[49] The *Physiology of Industry* claimed that 'no more capital can economically exist at any point in the productive process than is required to furnish commodities for the current rate of consumption'. Keynes jotted down his own gloss: 'capital brought into existence not by saving but by the demand arising from actual and prospective consumption.'[50]

It is clear that Richard Kahn was asked to examine these materials, and the short but revealing letter he received from Keynes is worth quoting in full.

Thanks very much for taking so much trouble about the Mummery. Hobson never fully understood him and went off on a side-track after his death. But the book Hobson helped him to write, The Physiology of Industry, is a wonderful work. I am giving a full account of it but old Hobson has had so much injustice done to him that I shan't say what I think about M's contribution to it being, probably, outstanding.[51]

It was Mummery, forty years in his Himalayan grave, whom Keynes honoured *in coram* as his intellectual ancestor; it was the publication of the one book that Hobson had written in collaboration with him that was hailed as marking 'in a sense, an epoch in economic thought'.[52] Keynes, however, can be called tactful rather than insincere in privately offering Hobson 'the consolation of being remembered as a pathbreaker in economic theory';[53] this was readily compatible with the candid public qualification to the *General Theory*'s tribute, that 'Mr Hobson laid too much emphasis (especially in his later books) on under-consumption leading to over-investment'.[54]

CONCLUSION

The spirit in which Keynes recognized the value of Hobson's insight is perhaps best caught in a radio broadcast, part of a series in which both participated, which went out at the end of 1934. Hobson had given a popular recapitulation of his views on underconsumption. Although he started by taking 'the word "saving" to mean paying people to make more plant or other capital goods'—that is, the *use* made of saving in investment—he then turned his attention to the *lack of use* often made of it, in the process mentioning idle bank deposits. The

approximation to Keynes's analysis was, at best, only rough and ready. Yet Hobson firmly stressed, on the one hand, the inability of orthodox theory to account for this position and, on the other, the helplessness of any individual in effecting a remedy.[55]

Keynes, speaking a month later, pointed to a fundamental theoretical gulf between those economists who believed the system to be self-adjusting and those, like Hobson, who rejected such a view. It was in this context that Keynes described the latter as 'heretics'—a reference adopted by Hobson in his autobiographical lecture, 'Confessions of an economic heretic', the following summer. The heretics of today', Keynes maintained, 'are the descendants of a long line of heretics who, overwhelmed but never extinguished, have survived as isolated groups of cranks'. Even when right, it was often because their flair, being stronger than their logic, had preserved them from drawing otherwise inescapable conclusions. So where did Keynes stand? 'Now *I* range myself with the heretics', he proclaimed—he could do no other—but knowing them to be 'half-right, most of them, and half-wrong'.[56]

Likewise, in the *General Theory,* Hobson was congratulated for putting 'one half of the matter, as it seems to me, with absolute precision'; while the root of his mistake was identified as supposing excessive saving to cause an *actual* over-supply of capital.[57] Even after reading Keynes's 'great book', Hobson still found difficulty in accepting this conception, arguing that actual overinvestment was one stage in the cycle, and also hankering after idle savings as part of the explanation.[58] In either event, it still seemed to him a fairly straightforward case of underconsumption.

Keynes made a final effort to define their differences: 'The apparent failure of consumption in such circumstances is not really due to the consuming power being absent, but to the falling of incomes. This falling off of incomes is due to the decline in investment occasioned by the insufficiency of the return to new investment compared with the rate of interest.' In writing this, in February 1936, Keynes surely gave a fair account of 'the main points on which we have diverged at the later stages of the argument'.[59] He knew that Hobson was nearing eighty—'my brain is getting feeble and unable to concentrate effectively'[60]—but Keynes paid him the implicit compliment of sustaining the sort of critical discussion that had opened between them in 1930. The explicit compliment with which their correspondence closed rendered Keynes's attitude nicely: 'I am ashamed how blind I was for many years to your essential contention as to the insufficiency of effective demand.'[61]

On the whole, then, the best authority on the relationship between Hobson and Keynes remains the account in the *General Theory*. In it Keynes stated the extent of his debt with generosity and defined their similarities with precision. On neither score did Hobson have any quarrel with him. In particular, Hobson remained unreceptive to the income-adjustment process that lay at the heart of the theory of effective demand; and efforts to read it back into his own work must falter accordingly. If this is the good reason why Keynes could not have taken such ideas from him, the bad reason is that Keynes was simply unfamiliar with the bulk of Hobson's *oeuvre*. It was a deficiency for which Keynes made belated and partial amends once he had independently arrived at conclusions that he recognized as speaking to Hobson's distinctive concerns.

Goodwill was not lacking from 1930 onward, but only in 1934–5 was Keynes's mind triggered into a full appreciation of the extent of their affinity. By that time, the theory of effective demand had already taken shape; and the pivotal notion around which its analysis revolves—the fallacy of composition—was a further parallel in the two men's work rather than a transmitted influence. Again, Keynes might have learnt more from Hobson had he shown himself as receptive to suggestion when it came from outsiders as when it came from Cambridge economists reared like himself in the Marshallian tradition. When he read the *General Theory,* Hobson undoubtedly felt that the individualist fallacy, which had long lain deep in the very arsenal of orthodox economics, had finally. been exploded; and thereby the

citadel hoist with its own petard. He hoped that Keynes's book would revolutionize economics, and had no grounds to suspect its author of grand larceny; but, in an innocent piece of petty pilfering of his own, he was content to appropriate the copyright of the label heretic as a badge of honour in his declining years. It was, by any reckoning, a fair division of the spoils.

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1 J.A. Hobson, *Confessions of an Economic Heretic* (1938; ed. Michael Freeden, Brighton, 1976), p. 194. I am grateful to Stefan Collini, Donald Moggridge, Barry Supple and John Thompson for their comments on this essay.

2 *New Statesman,* 5 July 1958; for Cole's role as a filter of perceptions about Hobson and Keynes see Peter Clarke, *Liberals and Social Democrats* (Cambridge, 1978), pp. 272–3.

3 D.J. Coppock, 'A reconsideration of Hobson's theory of unemployment', *Manchester School,* vol. 21 (1953), pp. 1–21, at p 1; see also David Hamilton's interesting 'renovation', 'Hobson with a Keynesian twist', *American Journal of Economics and Sociology,* vol. 13 (1953–4), pp. 273–82; and E.E. Nemmers, *Hobson and Underconsumption* (Amsterdam, 1956), esp. pp. 85–113.

4 Coppock, ibid., pp. 10, 16

5 ibid., p. 7

6 *Confessions,* op. cit. (n1) p. 30; see the similar passage quoted by Keynes in the *General Theory:* from Hobson's 1935 lecture of the same title: *JMK,* vol. 7, p. 365. All references in this form are to *The Collected Writings of John Maynard Keynes,* ed. Donald Moggridge and Austin Robinson (Royal Economic Society, 1971–89).

7 For useful studies of Hobson's work see Michael Freeden, *The New Liberalism* (Oxford, 1978) and John Allett, *New Liberalism. The Political Economy of J.A. Hobson* (Toronto, 1982).

8 *JMK,* vol. 13, p. 489 *(Listener,* 31 November 1934).

9 Hobson, *The Social Problem* (1901), p. 69; ch. 6 of this book is mainly an attack upon Marshall and J.N. Keynes.

10 'Neo-classical economics in Britain', *Political Science Quarterly,* vol. 40 (1925), pp. 337–83, at pp. 341–8; this section reprinted in Hobson, *Free Thought in the Social Sciences* (1926), pp. 96–104.

11 *JMK,* vol. 12, p. 388 (*Economic Journal,* 1913); this was a review of Hobson's book, *Gold, Prices and Wages* (1913).

12 *Confessions,* op. cit. (n1), p. 34; see *Social Problem,* op. cit. (n9), p 30, for a similar statement forty years previously.

13 *Confessions,* op. cit. (n1), pp. 7, 91.

14 ibid., p. 29.

15 *JMK,* vol. 19, p 228, see also p. 225 (*Nation,* 7 June 1924).

16 Even in the mid-1920s there is no invocation of the metaphor of heresy where one might expect it in Hobson's writings—that is, in the sort of context where it is invoked ten years later, compare Hobson in *Free Thought in the Social Sciences,* op. cit. (n10), pp. 45–8, 52–3, with *Confessions,* op. cit. (n1), pp. 88–92; for Keynes's introduction of the term see below at n.55.

17 *JMK,* vol 7, p. xxv (preface to the German edn of the *General Theory*).

18 *JMK,* vol. 5, p. 160 (*Treatise,* vol. 1).

19 *JMK,* vol. 20, p. 126 (Macmillan Committee, 6 March 1930).

20 *JMK,* vol. 20, p. 353 (to Montagu Norman, 22 May 1930).

21 Mummery and Hobson, *Physiology of' Industry* (1889), p. iii.

22 ibid., p. 182.

23 *JMK*, vol. 6. p. 132 (*Treatise*, vol. 2).

24 Keynes to Hobson, 23 April 1930, Keynes Papers; these unpublished letters were first used in the late Alan Lee's pioneer work, 'A study of the social and economic thought of J.A. Hobson' (London Ph D. thesis, 1970), pp. 289–96

25 It could perhaps be said that such views on saving and investment had been anticipated by Knut Wicksell and Dennis Robertson; but Keynes certainly gave them a new salience.

26 *JMK*, vol. 5, p. 161 (*Treatise*, vol 1).

27 See JMK, vol. 5, pp. 158–60 (*Treatise*, vol. 1).

28 *JMK*, vol. 13, p. 333 (Keynes to Hobson, 28 August 1930); see also pp. 331–2 (Hobson's 'Notes on over-saving', 18 August 1930).

29 *JMK*, vol. 13, pp. 333–4 (Keynes to Hobson, 2 October 1930).

30 For the Circus see *JMK*, vol. 13, pp 337–43 and the other sources listed in Peter Clarke, *The Keynesian Revolution in the Making, 1924–36* (Oxford, 1988), p. *244*, n45.

31 Private minutes of the Macmillan Committee, 7 November 1930, p. 13 (copy in the Public Record Office, T 200/5); compare the Danaid Jar as explained in *JMK*, vol 5, p. 125 (*Treatise*, vol. 1)

32 This sort of argument has recently been developed in B. Littleboy and G. Mehta, 'Patinkin on Keynes's theory of effective demand', *History of Political Economy*, vol. 19 (1987), pp. 311–28, esp. pp. 313–16, 324–7; and I regret that I did not have the benefit of it when considering this point in *Keynesian Revolution in the Making*, op. cit. (n30), p. 252. The contrary position, which I continue to find persuasive, has been elucidated with exemplary rigour in Don Patinkin, *Anticipations of the General Theory?* (Chicago, 1982), pp. 15–16.

33 *JMK*, vol. 13, pp. 335–6 (Keynes to Hobson, 1 November 1931). It is interesting to compare this with what Keynes had written to R.G. Hawtrey, nearly a year previously, specifying the normal order of events as first involving a change in prices and only subsequently a change in output; see *JMK*, vol. 13, p. 143 (Keynes to Hawtrey, 28 November 1930).

34 *JMK*, vol. 13, p. 336 (Keynes to Hobson, 1 November 1931). A month later, on 9 December 1931, he wrote to Nicholas Kaldor: 'Well, I must be more lucid next time. I am now endeavouring to express the whole thing over again more clearly and from a different angle; and in two years' time I may feel able to publish a revised and completer version' (*JMK*, vol. 13, p. 243).

35 *Physiology of Industry*, op. cit. (n21), pp 108, 105.

36 *JMK*, vol. 7, p. xxiii (preface to the *General Theory*).

37 See *Keymesian Revolution in the Making*, op. cit. (n30), pp. 259–64, which in this respect modifies the standard accounts in D.E. Moggridge, 'From the *Treatise* to the *General Theory:* an exercise in chronology', *History of Political Economy*, vol. 5 (1973), pp. 72–88; Moggridge, *Keynes*, 2nd edn (1980), pp. 91–119; Don Patinkin, *Keynes's Monetary Theory* (Durham, NC, 1976), chs 7–9; Patinkin, *Anticipations*, op. cit. (n32), Pt 1.

38 Lecture notes of R.B. Bryce, 24 October 1932, typescript edition by Thomas K. Rymes, A18 (Marshall Library, Cambridge).

39 *JMK*, vol. 7, p. 85 *(General Theory).*

40 See *Keynesian Revolution in the Making*, op. cit. (n30), pp. 269–72.

41 *JMK*, vol. 7, p. 353.

42 Bryce notes, 28 November 1932, Rymes edition, A48–51.

43 *JMK*, vol. 10, pp. 88ff. *(Essays in Biography);* and see p. 71n for Moggridge's helpful editorial note on the dating of these passages.

44 *JMK*, vol. 7, p. 19n, citing *Physiology of Industry*, p. 102.

45 See the notes by Bryce and by (Sir) Bryan Hopkin for 29 October 1934, Rymes edition,

C8 and H8–9.

46 Compare draft tables of contents, *JMK*, vol. 13, pp. 423–4, 525–6.

47 *JMK*, vol. 13, p. 555 (Harrod to Keynes, 30 August 1935).

48 *JMK*, vol. 13, p. 650 (Keynes to Joan Robinson, 3 September 1935). I have to confess that I myself construed it thus in *Liberals and Social Democrats*, op. cit. (n2), p. 273, but, on closer inspection, now find this implausible (and uncharitable). Harrod was responsible for the publication of a (posthumous) 4th edn of Hobson's book, *The Science of Wealth* (Oxford, 1950).

49 e.g. *Physiology of Industry*, op. cit. (n21), pp. 35–6.

50 ibid., p. 63, with Keynes's pencilled note, Marshall Library.

51 *JMK*, vol. 13, p. 634 (Keynes to Kahn, 30 July 1935).

52 *JMK*, vol. 7, p. 365 *(General Theory)*.

53 Keynes to Hobson, 31 July 1935 (copy), Keynes Papers.

54 *JMK*, vol. 7, p. 370.

55 Hobson, 'Underconsumption and its remedies', *Listener*, 31 October 1934, pp. 735–6.

56 *JMK*, vol. 13, pp. 488–9 ('Is the economic system self-adjusting?', *Listener*, 21 November 1934); compare *JMK*, vol. 7, p. 371 *(General Theory}*.

57 *JMK*, vol. 7, pp. 367–8.

58 *JMK*, vol. 29, p. 209 (Hobson to Keynes, 10 February 1936).

59 *JMK*, vol. 29, pp. 210–11 (Keynes to Hobson, 14 February 1936).

60 *JMK*, vol. 29, p. 208 (Hobson to Keynes, 3 February 1936).

61 *JMK*, vol. 29, p. 211 (Keynes to Hobson, 14 February 1936)

7
J.A. Hobson as a macroeconomic theorist

ROGER E. BACKHOUSE

INTRODUCTION

Hobson made some very important contributions to what we now term macroeconomics, the subject that deals with the economy as a whole, including issues such as the determination of the price level (and hence inflation), aggregate output and employment. We start with his theory of money, to which most commentators have paid scant attention,[1] after which we turn to his much better-known theory of underconsumption.[2] Hobson was, of course, concerned with many aspects of economics and his contributions to many of these formed part of a coherent system of thought. His theory of underconsumption, for example, was linked to his theory of distribution and it formed the basis for his views on imperialism and international trade. For reasons of space, however, and in order to focus attention on Hobson's distinctive contributions to macroeconomics, these wider issues are neglected here. In addition, the focus here is on Hobson's contribution to macroeconomic theory, leaving aside his contributions to debates on macroeconomic policy.

MONETARY ECONOMICS

Money, spending and prices

The starting point in all Hobson's work on money and prices was the assumption that prices are determined by supply and demand for the goods in question, not by the quantity of money. This notion was forcefully expressed in *The Physiology of Industry:*

So long as the sellers of commodities can sell all they have to offer at the current price, prices cannot fall, and this holds good equally, whether gold is scarce or plentiful. Sellers do not trouble to ask any question as to the state of the Bank reserve, or the cost at which gold is being produced. All they care to know is, whether they can sell everything they have to offer at the current price. If they believe they can, neither scarcity of gold, nor anything to do with gold, will induce them to take a lower price. If, on the other hand, they believe that they will not be able to sell all they have to offer at the current price, then prices will fall, no matter how plentiful gold may be, or to what depth its cost of production may have fallen.[3]

Supply and demand were, for Hobson, a general explanation of prices.

This perspective led Hobson to focus exclusively on flows of purchasing power to such an extent that in *Gold, Prices and Wages,* his most comprehensive treatment of money, he defined money to mean what we would nowadays refer to as aggregate income.

By quantity of money, regarded as a factor in price-change, we signify the amount of

purchasing power actually applied in buying goods during a period of time, for example a year.[4]

Money for Hobson was thus currency plus bank deposits *multiplied by* the velocity of circulation or, in other words, the total flow of expenditure during a year. Given this definition there would undoubtedly be a close relationship between 'money' and prices: if total expenditure increases and the flow of goods does not, it is inevitable that the price level will rise. In this sense the quantity theory was true: indeed, it was a truism.[5]

Where Hobson parted company with orthodox economists was in his view of the relationship between money, understood as currency and bank deposits, and the level of spending. He argued that the main source of what he called money is previous receipts. In addition to this, however, there are two other sources of purchasing power: the minting of new gold coins, and new bank credit. New gold coins are not received in payment for goods but 'represent fresh gold dug out of the ground and coined and stamped as legal tender by governments for the miners'.[6] Bank deposits represent new purchasing power provided that they are the result of bankers making new advances; if bank deposits increase simply because businessmen have paid in a corresponding amount of coins, notes or cheques there will be no change in the level of spending.[7] To sum up,

The supply of money, the aggregate of purchasing power expended upon the supply of goods and services during any given year, consists thus of three contributions.
First and chief, the gross receipts from the payments or purchases made during the year.
Secondly, the additional gold or notes issued as currency during the year.
Thirdly, the additional credit issued as loans, discounts or other advances by banks.[8]

This view of what determined spending led to some strong conclusions about the price level. The first is that if prior receipts are the only source of income, there can be no change in the price level.

If all money were thus derived from prior acts of sale…it would appear as if the quantity of money must vary directly and proportionately with the quantity of goods, and that therefore prices must remain stable.[9]

Conversely, if new money is created, either by government or by the banks, the volume of spending will rise. If production is unchanged prices must, therefore, rise.[10]

It might be thought that such an approach, stressing the circular flow of income and providing for an exogenous source of spending, would have led Hobson towards a Keynesian multiplier theory.[11] This was not the case. Hobson explicitly denied the existence of any 'second round' effects of bank credit on spending: after an increase in bank credit has been spent once it will, he claimed, have no further effects.

When the banker first loaned it, placing it to the deposit account of his customer, it operated as a creation of new purchasing power. He who received the credit found himself in possession of so much more 'money', and no one had any less than before. Of course, as soon as this specially created money has once been expended, it begins to appear in the gross receipts of the businesses producing the goods on which it has been expended, and passes into bank accounts on ordinary terms with other cheques. What effect this bank-made credit has upon prices is, of course, exhausted by its first use by the borrower who uses it to

supplement ab extra his ordinary supply of money got from selling goods. The person who receives it next receives it in payment for goods which the borrower buys, gets it not not as an addition, but as an ordinary part of the gross earnings of his business. …its further 'circulation' produces no further effect on prices.[12]

Elsewhere Hobson is even more emphatic about there being no multiplier effects.

If the increase of £10,000,000 entering our national income were all expended directly in demand for commodities, it is manifest that its effect on prices would not exceed our estimate. The very common notion that it would is based upon a quite illicit line of reasoning to the effect that the trades producing the goods first bought with the £10,000,000 would use this increased income in demanding a corresponding increase of commodities on their part, and so on with other trades supplying these commodities, until the original increased demand and its effect on prices are multiplied many times over. This argument is utterly fallacious; the effect of the £10,000,000 upon the aggregate demand and so on prices is completely exhausted on the first application, all that is added to the total income and so to the total purchasing-power of the community for the year is £10,000,000.[13]

Hobson's rejection of the multiplier could hardly be more explicit or more emphatic. In this respect he was even further from Keynesian ideas than were more orthodox economists such as Bagehot[14] and Walker.[15]

The quantity theory of money

This theory of how money was linked to spending and hence prices formed the basis for a critique of the quantity theory.[16] His first argument, used in both *The Physiology of Industry* and *Gold, Prices and Wages,* was an empirical one: he took estimates of gold production and of national income and worked out the changes in the price level predicted by his theory. In 1889 the issue was falling prices, which many economists blamed on the shortage of gold.[17] It was widely believed amongst those who blamed falling prices on a shortage of gold that there was a shortfall in gold production amounting to about £2m. per annum. Total expenditure in the UK was estimated at £1, 270m. Hobson used his theory to put these figures together and to argue that the shortage of gold could account for a fall in demand of only 2/1270 or 0.16 per cent per annum.[18] The alleged shortage of gold could thus explain only a small fraction of the 30 per cent fall in prices that took place between 1872 and 1885. Twenty-four years later he used the same argument to show that the rise in gold production between 1895 and 1910 was insufficient to cause any significant rise in the price level. The world stock of gold was believed to have increased by £67m. during this period. The gross British national income was estimated at £10, 000m. and on the assumption that this comprised no more than 10 per cent of world income Hobson conjectured that world income must be at least £100, 000m. Gold production could account for a rise in the price level of at most 0.1 per cent (the actual increase in prices was about 20 per cent). This led him to conclude that even if 'the entire output of gold was directly expended by those who get it from the mines in purchasing goods, the effect in raising prices would be very trifling'.[19]

In *The Physiology of Industry* this was the main argument against the quantity theory but in *Gold, Prices and Wages* it was supplemented by a number of arguments, all based on the role of credit in an industrial economy. The first of these arguments was that increases in the volume of credit had been far larger than increases in the quantity of gold and that this was the main monetary factor behind the rise in prices: 'so far as an increased quantity of money

is responsible for the rise of prices, it consists mainly in expansion of credit.'[20]

The second argument was that credit was created in response to demand. Credit, Hobson argued, was created not out of gold but out of goods.

The main staple out of which credit is made is vendible goods, and the extension of credit must be attributed mainly to a growth of the vendible goods which can be used for making it. … Credit is based on goods and expands with the quantity of goods available as valid security.[21]

Credit is based on the ability of borrowers to repay, with all credit being backed by some sort of collateral. Provided that suitable borrowers are available, bankers will lend the maximum they can safely lend.[22]

It might be objected that if credit rests on goods in this way, every expansion of credit would be matched by an expansion of goods, with the result that credit could never be responsible for a rise in prices.[23] Hobson's answer to this was that credit could be increased by reorganizing production.

Large masses of new credit are due, not to the production of more goods, but to the reorganization of businesses in forms rendering these goods available as securities for credit issues. So long as this change is proceeding, increased quantities of credit will come into being without any necessarily corresponding increase of goods. That goods in general are expanding along with, and partly as a result of, the new organization of businesses may be taken for granted, but there is no reason to presume that this increase of goods will be commensurate with the increase of credit.[24]

Hobson also argued that saving can increase credit: when saved income has performed its 'real task' of purchasing capital goods, the share certificates created can be used as the basis for a further expansion of credit, unaccompanied by any expansion of goods. In this process of credit-creation gold is important only because bankers have to hold reserves in order to retain the public's confidence. Gold, however, and this is Hobson's third argument, was of declining importance. As confidence in banks had grown, he argued, so reserve ratios had fallen.[25] This was a process that could proceed even further, for gold was not 'economically' necessary: its value was dependent on confidence just as much as was the value of paper currency. Even the Bank of England's reserve contained a large quantity of securities. Hobson thus concluded that 'the credit system of this country is based, in its final economic analysis, not on gold but on the real wealth of the country'.[26] A further consequence of increasing confidence in paper money was that not only was a smaller gold reserve required, but 'money-instruments' would change hands more frequently: the velocity of circulation would increase.[27]

The implications of this for the quantity theory can best be seen by considering Fisher's equation of exchange,

$$MV+M'V'=PT.$$[28]

In this equation M denotes the quantity of notes and coin and M' the quantity of bank deposits, with V and V' their respective velocities of circulation. P is the price level and T the volume of transactions. Quantity theorists such as Fisher argued that changes in M led to changes in the level of income, PT.[29] To do this they argued (1) that M' was related to M, and

(2) that V and V' were stable. Hobson's arguments, discussed above, showed that neither of these assumptions was justified.

In his discussion of the quantity theory Hobson also addressed the problem of the observed behaviour of gold supplies, prices and interest rates. This is interesting because this was a problem that also concerned orthodox quantity theorists such as Fisher and Wicksell. If changes in the money supply were the cause of changes in prices and interest rates we would expect falling prices to be associated with high interest rates, and rising prices with low interest rates. If the supply of gold increases, bankers will find themselves with increased reserves and will try to increase their lending. To do this they will have to reduce the rates of interest charged on loans: bank rate will fall. The resulting credit expansion will raise spending and hence prices. An equilibrium will be reached when prices have risen enough to absorb the additional quantity of credit. If there is a shortage of gold the process is reversed.[30]

The problem was that the opposite was observed. Hobson focused on gold reserves and interest rates in England from 1890 to 1911, whereas others (such as Wicksell) considered the relationship between prices and interest rates over a longer period,[31] but both sorts of evidence led to the conclusion that monetary expansion and rising prices were associated with high, not low, interest rates. Hobson's explanation was that the motive force was profitability. If opportunities for profitable investment increase then demand for credit will rise, raising interest rates. As credit increases, so demand for reserves will increase and gold will be attracted.[32] This explanation of why rising gold reserves were associated with high interest rates, which Hobson saw as undermining the quantity theory, was very similar to the explanations offered by quantity theorists, such as Fisher and Wicksell, of which he was so critical.[33] Hobson also noted that this expansion of credit might be cumulative: rising credit leads to rising prices, which in turn lead to a larger borrowing power (collateral securities will be worth more) and to a further rise in credit, and so on. This is Wicksell's cumulative process.[34]

The interest rate and the price of money

At the end of his critique of the quantity theory Hobson put forward ideas on what constitutes the real 'price of money'. The puzzle he was concerned to resolve was the fact that the hire price of money (the interest rate) frequently moves in the opposite direction to the purchase price of money (the reciprocal of the price level). With other goods, he claimed, such behaviour is impossible: if the purchase price of cars rises, for example, the hire price must also rise. Hobson's explanation is that, with the exception of governments and financial institutions, people never purchase money: they merely hire it. A sovereign, for example, should be regarded as 'a vehicle of transport, an instrument in the process of exchange, which passes through the temporary possession of a series of persons, each of whom receives it and uses it for this single act of service'.[35] It is thus not the purchase price but merely the hire price that matters, the real 'price of money' being the interest rate. Recognition of this principle, he claimed, 'will clear up a good many obscurities in the movements of money and prices'.[36]

Hobson as a monetary theorist

Hobson clearly had some very important insights into monetary economics. He was right in insisting that prices must be explained in terms of supply and demand, and that monetary factors could affect prices only through affecting supply and demand. His observations that the velocity of circulation varies and that credit is the main feature of the monetary system were very important. There were, however, a number of crucial flaws in his monetary theory.

Hobson's analysis of the way in which flows of new money affected the economy stood in

a long tradition, going back to Cantillon in the eighteenth century.[37] It was an approach to monetary economics that was capable of development, but Hobson's theory suffered from two notable shortcomings. First, he completely failed to see the multiplier effects that would ensue. Other writers may not have worked out these effects completely satisfactorily, but there was no justification for Hobson's wholesale rejection of the idea. Second, Hobson failed to allow for the possibility of hoarding. The level of spending is equal to income plus new money *minus* hoarding.[38] Hoarding offsets the effects of new money, and explains why income may fall if insufficient new money is created.

This failure to see the significance of hoarding is linked to the major defect in Hobson's monetary theory: his complete failure to see the need for an analysis of supply and demand for stocks. This failure is made clear by a passage from *The Physiology of Industry*.

We have seen that the only demand which the community can exert is a demand for consumable articles by consumers, all other so called demands being resolvable, when regarded from the community's point of view, into mere changes of ownership. Currency, therefore, cannot be demanded; the community possesses exactly the same number of sovereigns whether any given sovereign is in the pocket of A. or B., or C., or in the cellars of the Bank of England.[39]

In this passage Hobson and Mummery argued that it does not make sense to talk of demand for currency or any other asset. Their argument here is fallacious. Although it may be impossible for buying and selling to alter the stock of an asset, it is still possible to examine the conditions under which the community will be satisfied with the stock that it holds: in other words to examine the conditions under which demand will equal this given stock.[40]

This failure to see even the possibility of analysing the demand for a stock, let alone the necessity of doing so, had several implications. First, there is the failure to allow for hoarding, discussed above. Secondly, the quantity theory is essentially a proposition about the relationship between the stock of money and the flow of income. Thus although Hobson was able to understand many of the arguments used by quantity theorists, he never understood the theory properly. Thirdly, his arguments about the rate of interest are faulty because of his inability to see the significance of stocks and stock/flow relationships. The purchase price of an asset is the price of a stock, and the hire price is the price of the flow of services yielded by the asset. The two are linked by the rate of interest. If the interest rate changes, the hire price and the purchase price of an asset may diverge. For example, if the purchase price of a car is fixed and the rate of interest rises, the hire price will rise (if the car is financed by a bank loan, the hirer will have higher costs to recoup).[41] There is thus no paradox to explain.

When he claimed to have undermined the quantity theory, Hobson interpreted it as involving a very strict relationship between gold and prices: he viewed the quantity theory as a theory of gold control. He thus ridiculed Fisher for proclaiming the quantity theory at the same time as conceding that neither the ratio of currency to deposits nor the velocity of circulation was constant.[42] Hobson's arguments were, however, much less effective against more flexible versions of the quantity theory. Indeed, there is a remarkable similarity between some of Hobson's arguments and Wicksell's: a major part of Wicksell's argument was conducted in terms of a 'pure credit' economy, where gold played no role whatsoever. Whereas Hobson saw himself as destroying the quantity theory, however, Wicksell saw himself as developing and extending it.

Hobson may have been right in claiming that there had been, over the preceding decades, a progressive rise in both the velocity of circulation and the ratio of credit to gold, but given the

banking system's need for reserves (which he accepted) it was quite feasible for the supply of credit to be constrained by the stock of gold in the short run. He never followed up the implications of this. It is thus fair to conclude that, whilst Hobson had no problem in disposing of the simplest, popular versions of the quantity theory, his arguments contained many flaws, and were weaker than those of more sophisticated quantity theorists such as Wicksell.[43] Because of his complete neglect of the problem of stock/flow equilibrium he simply by-passed some of the central issues of monetary economics.[44]

THE THEORY OF UNDERCONSUMPTION

Saving and investment

As is well known, Hobson explained unemployment in terms of underconsumption or over-saving. In any attempt to understand this theory the most important thing to note at the outset is the way in which he thought of saving and its relationship to investment. He made the assumption, strange to economists brought up on Keynesian theory, that savings were, by and large, invested: that a high rate of saving implied a high rate of capital accumulation.

Saving means something more than this ['not consuming']. It signifies not only abstention from consumption, but application as a means of further production.[45]
Every act of saving in a complex industrial society signifies making, or causing to be made, forms of capital which are essentially incapable
of present consumption—i.e., future of productive goods.[46]
A person who, instead of spending, saves, invests his savings.[47]

There were two reasons for this. The first is that Hobson attempted to view the problem from the point of view of society as a whole.[48] Thus 'saving' that merely transfers income from one individual to another (for example, a thrifty individual lending money either to a spendthrift or to a fraudulent promoter of companies) is, from a social point of view, not saving at all. In addition, 'saving' that simply results in the creation of excess capacity, though it may increase the capital owned by the individual concerned, does not increase the community's 'real' capital and should not be considered as saving.[49] The second reason for Hobson's conflation of saving and investment is his refusal to attach much significance to hoarding.[50] He acknowledged the possibility of hoarding, but argued that in modern industrial societies this was abnormal.[51] As a result he adopted a position close to Say's Law.

In modern industrial society there is no wish to keep more money idle, in men's pockets or in their bank accounts, than is required for the normal conveniences of economic life. It might, therefore, be assumed that all incomes when received would without much delay be employed either in buying consumables (spending) or in buying capital goods (saving).[52]

Despite this view of saving, however, Hobson took issue with John Stuart Mill's dictum that 'everything which is produced is consumed; both what is saved and what is to be spent; and the former quite as rapidly as the latter'.[53] Mill's argument was essentially that when individuals save they lend the money to investors who employ workers to create capital goods. What happens, therefore, is that savings are used to pay for consumption by workers in the investment goods sector. Hobson's criticism was that Mill failed to see that the person who saves 'necessarily produces something which neither he nor anyone else consumes at

once' (for example, steam engines). He was thus looking a stage further ahead than Mill.[54]

Saving and consumption

Hobson's main argument about unemployment was that it was necessary to have the right balance between saving and consumption, and that underconsumption would emerge if savings were too high relative to consumption. The reasoning is that because all savings are invested, high saving will lead to high investment, which increases the flow of future output. If there is to be a market for this output, it is necessary that there is a sufficiently high level of future consumption. Problems arise because building a factory, for example, though it may create an immediate demand for consumption goods, does not create any future demand to match this increased supply. If this future demand is not forthcoming the result will be excess capacity and unemployment once the factory comes into operation. Excessive saving, therefore, creates a problem not whilst the investment is being undertaken, but once it is in place and is beginning to produce output.[55]

The need for future consumption to provide a market for the output produced by new capital goods means that it is necessary to have the right balance between investment and consumption. There is, however, an asymmetry. If there is excessive saving, the result is unemployed resources; whereas if there is insufficient saving, the fact that incomes will be constrained by full employment output means that excess demand will not emerge.

Hobson's view of the need for a balance between saving and consumption is clearly summed up in the following passage.

In a stable society…all the income is spent: there is no place for saving. But in a progressive society where the future rate of consumption is to exceed the present, for a larger population with a higher standard of comfort saving is essential. A little saving will only make provision for a slight rise in the volume of consumption; more saving is needed for a larger rise. The right amount of saving out of a given income, i.e. the right proportion of saving, will be determined by the amount of new capital economically needed to furnish a given increase of consumption goods. Over a period of years there will be a rate of saving which will assist to produce the maximum quantity of consumption goods.[56]

He implicitly took the growth rate as given, arguing that a certain level of saving is required if capital is to be accumulated at the right rate.[57] If capital is accumulated too fast, consumption will not keep pace with demand. This is the same as the problem that underlies the Harrod-Domar growth model: the difference is that Hobson took the growth rate as given, calculating the appropriate saving rate, whereas Harrod and Domar took the savings ratio as given, calculating the 'warranted' growth rate.[58] It is worth noting that Hobson clearly understood what we now refer to as the accelerator—the relationship between investment and the growth of output that is necessary to derive an optimal savings ratio. As the following passage makes clear, he believed the accelerator (or capital-output ratio) to be at least 4.

The plant required to produce any individual commodity by modern standards vastly exceeds in value the individual commodity itself, and we certainly do not over-estimate this difference if we assume that an increase of ten per cent. in the annual consumption of any community would require an increase of fifty per cent. in the production of that commodity during the year of increase. … Thus if a community increases its consumption from 10x wealth to 11x wealth a year, production must during the year in which this increase takes place exceed consumption by 4x wealth in order to accumulate the additional forms of capital required; that is to say, production must during this year amount to 15x wealth. So soon, however, as

consumption, having reached 11x annually, no longer increases, a production of 11x wealth annually alone is required.[59]

This is a remarkably precise statement of the acceleration principle.[60]

The orthodox position on Say's Law was that, although there could not be general underconsumption, it was possible for there to be insufficient demand in one sector and excess demand in another—that there could be an imbalance between the level of demand in two sectors. Hobson claimed that a similar argument could be used to explain 'general' underconsumption. In a situation of underconsumption, what was happening was that people were trying to postpone too much consumption to the future. There was thus an imbalance between present and future consumption caused by the fact that, whilst there were no limits to the extent to which individuals might wish to postpone consumption, there were strict limits as to the amount of consumption that the community as a whole could postpone to the future. Not only were limits imposed by depreciation, obsolescence and limited knowledge of the future,[61] but there was also the limitation imposed by the need to ensure that current consumption was high enough for existing productive capacity to be fully utilized. The problem of underconsumption was thus one of intertemporal disequilibrium. This is summed up in the following quotation.

It is universally admitted that from ignorance or miscalculation too much new capital often flows into certain industries or groups of industry, and too little into others; some are congested, others starved. … But if this waste from misdirection in the application of capital at a given time is admitted as a natural occurrence, why is it unreasonable to expect that a general misdirection of capital, not as between one set of industries and another, but as between one period of time and another, may occur?[62]

The causes of underconsumption

Hobson's views on why underconsumption was likely to be a perennial problem changed significantly during the 1890s. In *The Physiology of Industry* he and Mummery emphasized the difference between the interests of the individual and the interests of the community. Individuals are in competition with each other and may invest what, from a social point of view, is an excessive amount in the hope of gaining a competitive advantage over their rivals.[63] As one commentator has put it, 'the economic taproot of oversaving…was to be found in the independent nature of corporate decision-making in a market economy'.[64]

During the 1890s Hobson started to see the cause of underconsumption as resting in a maldistribution of income, relating this to his theory of surplus. In *The Problem of the Unemployed* (1896) he attributed high savings to the high level of 'unearned' incomes.

The reason why attempts are made by individuals to establish more forms of capital than are socially required, is that they possess certain elements of income which are not earned by effort, and which are therefore not required to satisfy any present legitimate wants. …a man who draws a large income without working for it cannot and does not spend it.[65]

The simplest illustration of this was that one cannot enjoy a good dinner without having performed some physical exercise. He quoted J.J. Astor as saying that he had all the necessaries of life and that as a result he could do nothing with his income but invest it. Given that a large proportion of the nation's capital was owned by wealthy individuals, the result was that savings were very high.

The failure to fully utilise consuming-power is due to the fact that much of it is owned by those who, having already satisfied all their strong present desires, have no adequate motive for utilising it in the present, and therefore allow it to accumulate.[66]

The final stage in the evolution of Hobson's theory was to explain the origins of 'unearned' income using the theory of the surplus which he developed during the 1890s.[67] The surplus was the amount by which output exceeded the amount needed to maintain the factors of production (workers' subsistence plus depreciation of capital). Part of this surplus was 'productive', in that it provided the incentives necessary for growth to take place: it included the interest payments necessary to induce savers to supply the required amount of capital, and the wages necessary to the wages necessary to stimulate growth in the quantity and quality of labour. The remainder was the 'unproductive surplus', which comprised all economic rent plus all factor payments beyond those necessary either to maintain factor supplies or to stimulate growth.[68] This 'unproductive surplus,' he argued, was the cause of underconsumption, for the right level of saving will occur only if the ratio of saving to consumption is determined by 'a close comparison between present and future pleasures and pains'.

The rightness of such calculations would be based upon the fact that all saving required a proportionate effort on the part of the individual or the community that made it. If in a society that was not communistic but individualistic this prime condition were present, and all saving involved a corresponding effort or sacrifice, the right adjustment between saving and spending would be equally secure. But if, as regards any large proportion of the saving, this condition is not present, there is no automatic guarantee for the maintenance of the right proportion between spending and saving. Now that 'saving' which is made out of unproductive surplus income is not amenable to this calculus; unearned in origin, such 'surplus' is not allocated to the supply of any particular human needs, as is the case with that income required to maintain or stimulate human efficiency of production. It may, indeed, be said that human craving for expenditure on luxuries is insatiable, and that wealthy owners of 'surplus' income must be conceived as balancing present against future satisfactions, and so making painful sacrifices when they save. But such balancing will be far looser and will yield very different results from the balancing of working men who are called upon to save.[69]

Hobson was thus going much further than merely assuming, as was the case in his earlier works, that the rich save more than the poor.

There are two main problems with this theory. The first is that Hobson did not make it clear why consumption should be linked to the effort involved in earning the income.[70] *It may be that the rich take less care in working out the optimal balance between consumption and saving than do the poor (they have less need and less incentive to do so), but there seems to be bo good reason why this should be linked to effort. The second problem is that in this passage Hobson appears to be suggesting that, if everyone were deciding their saving behaviour in an optimal way, the resulting level of savings would be socially optimal. But the point of Hobson's other arguments is that there is a divergence between the private and social benefits from saving: that it is in the interests of individuals, when considering their own position, to save more than is socially optimal. The argument about the surplus thus seems irrelevant to Hobson's main theory. This is not, of course, to say that the distribution of income may not be an important cause of high saving.*

Hobson and 'Keynesian' unemployment

Hobson's main explanation of unemployment was clearly the one outlined above. There are, however, some passages that suggest an explanation of unemployment that is much closer to Keynes's. Consider the following passage from *The Physiology of Industry*.

The community considered as the recipient of money incomes produces consumable articles; the community considered as the spender of money incomes buys and consumes these articles. If, owing to its desire to save, it refrains from spending the whole of its money income, the whole of the consumable articles produced cannot be sold. Over-supply is, in consequence, caused, and prices and incomes fall until the production of consumable articles is reduced to the total actually consumed.[71]

The significant feature of this passage is that it distinguishes saving from investment: contrary to what is claimed elsewhere, this passage analyses saving independently of investment. Such saving is, furthermore, related explicitly to hoarding, for his argument is that people save up for the future either through investing their savings or through hoarding money (Mummery and Hobson referred to storing up money in a stocking).[72] Interestingly, Mummery and Hobson quoted Alfred Marshall as saying that 'though men have the power to purchase, they may choose not to use it', describing him as being 'alone amongst economists' in holding this view.[73] They fail to note that such a remark could just as easily have been taken from John Stuart Mill.[74]

The final point to note is that it is because Hobson neglected the possibility of hoarding that his monetary theory remains separate from his theory of saving and investment.[75] If we take his theory whereby expenditure comprises income and newly created money and introduce hoarding, we can very easily show that this is the same as assuming that demand equals income plus the difference between investment and saving.[76] This is very close to the theory Keynes put forward in his *Treatise on Money* and it has much in common with Wicksell's theory.

CONCLUSIONS

Hobson was, despite his many failings, a remarkable macroeconomic theorist. First, his theory of money and output, with its stress on the role of expenditure flows in determining the price level, contained important insights. Had Hobson allowed for the possibility of hoarding, he might easily have produced a theory very similar to that found in Wicksell's *Interest and Prices*[77] or Keynes's *Treatise on Money*. Allowing for the possibility of hoarding would also have provided a link between his monetary economics and his underconsumption theory. Secondly, his statement (jointly with Mummery) of what we now call the acceleration principle, over a decade before other economists took up the idea, could hardly be bettered. The only doubt here is whether it was Hobson or Mummery who was responsible for it. Finally, in perceiving the connection between the accelerator, the savings ratio and the growth rate he was anticipating a problem not tackled until Harrod's work many years later. Like his predecessor, Malthus, even though he never managed to express his ideas in a form that convinced his orthodox colleagues, he was right in persisting with his theory of underconsumption.

Hobson's main failure was his failure properly to understand the arguments of his orthodox contemporaries. As things were, not only were there serious weaknesses in some of his arguments, but he expressed his ideas in such a way as to make it easy for economists to dismiss them. For example, although *Gold, Prices and Wages* was a *much* better book than

Keynes claimed,[78] Keynes was to a great extent justified in claiming that,

One comes to a new book by Mr. Hobson with mixed feelings, in hope of stimulating ideas and of some fruitful criticisms of orthodoxy from an independent and individual standpoint, but expectant also of much sophistry, misunderstanding, and perverse thought.[79]

Hobson's complete dismissal of the ideas underlying the multiplier represented not just a failure to anticipate later Keynesian theory, but rather a rejection, apparently for no good reason, of generally accepted ideas. More important, his failure to analyse demand for stocks and the consequent neglect of hoarding on the one hand resulted in his misunderstanding of the quantity theory and on the other hand caused him to produce a theory of money and income that had some very strange implications. His definition of money as income and of saving as investment in order to derive paradoxical results could be seen as examples of sophistry.[80]

Of course, Keynes did, as Peter Clarke points out in Chapter 6 in this volume, later make amends when he described Hobson and Mummery as members of 'a brave army of heretics' who preferred to see the truth obscurely and imperfectly rather than to maintain error, reached indeed with clearness and consistency and by easy logic but on hypotheses inappropriate to the facts.[81] However, although there are places where Hobson, in his work with Mummery, seemed to have approached a 'Keynesian' theory of deficient demand, these were no more coherent and were given no more prominence than the equivalent passages of J.S. Mill, whose work we have to take as representing the classical orthodoxy. Though it may have led him to similar policy conclusions, Hobson's real break with orthodoxy did not run on Keynesian lines, but involved his argument for long-term stagnation, where he has to be seen as a precursor, not of Keynes, but of Harrod and Domar.[82]

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1 E.E. Nemmers, *Hobson and Underconsumptionism* (Amsterdam: North Holland, 1956) gives the subject two pages. Others neglect Hobson's treatment of money altogether, despite the fact that, as we shall see, this is fundamental to any appraisal of his theory of underconsumption.

2 See Nemmers, op. cit.; D.J. Coppock, 'A reconsideration of Hobson's theory of unemployment', *Manchester School*, vol. 21 (1953), pp 1–21; W.F. Richmond, 'John A. Hobson: economic heretic', *American Journal of Economics and Sociology*, vol. 37 (1978), pp. 283–94; and J. Allett, *New Liberalism. The Political Economy of J.A. Hobson* (Toronto: University of Toronto Press, 1981).

3 *The Physiology of Industry* (London: John Murray, 1889), pp. 196–7.

4 J.A. Hobson, *Gold, Prices and Wages* (London: Methuen, 1913; reprinted, New York: Augustus M. Kelley, 1973), p. 9.

5 When he wished to refer to what we now define as money he used terms such as 'money-instruments' (ibid., p. 62) or 'pieces of money' (ibid., p. 152).

6 ibid., p. 14.

7 ibid., p. 15.

8 ibid., p. 19.

9 ibid., p. 13.

10 This process can be described by a simple equation. Using modern terminology define Y as nominal income and ΔM as the increase in the money supply (which may comprise either new currency or bank deposits). Hobson's theory is then

$$Y_t = Y_{t-1} + \Delta M_t$$

It is easy to see that the conclusions described in the text follow from this equation.

11 The role of new money in this theory is very similar to that of government expenditure in Keynesian theory.

12 *Gold, Prices and Wages*, op. cit. (n4), pp. 16–17.

13 *The Industrial System* (London: Longmans, Green, 1910), pp. 272–3. See also *Gold, Prices and Wages*, op. cit. (n4), pp. 25–9.

14 *Lombard Street* (London, 1873).

15 F.A. Walker, *Money, Trade and Industry* (2nd edn, London, 1889). See R.E. Backhouse, 'F.A. Walker's theory of "hard times"', *History of Political Economy*, vol. 19, no. 3 (1987). For further discussion of the history of the multiplier theory, see J.F. Wright, The genesis of the multiplier theory', *Oxford Economic Papers* (1975).

16 *Gold, Prices and Wages* was clearly a response to Irving Fisher's *The Purchasing Power of Money* (1911).

17 Bimetallism (basing the currency on silver as well as gold) was being proposed as a remedy. For a concise introduction to the main monetary controversies of this period see R.E. Backhouse, *Economists and the Economy* (Oxford. Basil Blackwell, 1988), pp. 110–20.

18 *Physiology of Industry*, op. cit. (n3), pp. 200–1. For reasons that we will not go into here, Hobson argued that this represented the maximum effect of the shortfall in gold production.

19 *Gold, Prices and Wages*, op. cit. (n4), p. 25.

20 ibid., p. 71. The statistics on which this conclusion is based are on pp. 50–1. It is worth noting that these statistics are also used to provide support for some of the arguments discussed below: for example, the argument that credit has expanded in response to demand and that the rise in holdings of gold is a response to this (see the summary on pp. 51–2).

21 ibid., pp. 72–3 and 88.

22 ibid., p. 35.

23 Though Hobson did not refer to it by name, this is the so-called 'real bills doctrine', used by Adam Smith and widely held in the early nineteenth century.

24 *Gold, Prices and Wages*, op. cit. (n4), pp. 88–9.

25 ibid., p. 63.

26 ibid., p. 81.

27 ibid., pp. 62, 151.

28 Hobson discussed this equation, though he did not write it down explicitly, in ibid., pp. 143–6. The equation is of course a generalization of Fisher's more well-known $MV=PT$.

29 They also argued that it would be P rather than T that changed in response to M. Hobson, however, was not concerned with this stage in the argument.

30 See *Gold, Prices and Wages*, op. cit. (n4), pp. 36–7. Hobson was here presenting the orthodox argument.

31 Wicksell's evidence is discussed in Backhouse, *Economists and the Economy*, op. cit. (n17), pp. 117–19.

32 This theory explained why the greatest credit expansions should have been in North and South America, countries where enormous investment opportunities were available. *Gold, Prices and Wages*, op. cit. (n4), pp. 49–53.

33 Wicksell's argument was expressed in terms of the natural rate of interest. Increased opportunities for investment would raise the natural rate relative to the market rate of interest, causing inflation. Though expressed in a different way, Fisher's explanation of the paradox was substantially the same.

34 The same theory, including the cumulative process, had also been worked out by H.

Thornton, *An Enquiry into the Nature and Effects of the Paper Credit of Great Britain* (1802; edited by F.A. Hayek, London: LSE, 1939). There is no evidence as to whether Hobson had read either Thornton or Wicksell.

35 *Gold, Prices and Wages*, op. cit. (n4), p. 153.

36 ibid., p. 178.

37 *Essai sur la nature du commerce en generale* (1755; translated by H Higgs, London, 1922).

38 Using the terminology of a previous footnote,

$$Y_t = Y_{t-1} + \Delta M - \Delta H,$$

where ΔH is the increase in hoards of money. Y will rise or fall according to whether ΔM is greater or less than ΔH. Hobson's reasons for neglecting hoarding are discussed below.

39 *Physiolog of Industry*, op. cit. (n3), p. 189.

40 In terms of a supply and demand diagram, Hobson and Mummery's argument is that the supply curve for money is vertical This does not mean we cannot draw a demand curve

41 If we had a small fall in the price of a car together wih a large rise in the interest rate it would be possible for the purchase price to fall and the hire price to rise.

This aspect of the stock/flow relationship is not merely a modern theoretical construction. It was clearly stated by L. Walras, *Elements of Pure Economics* (1874; translated by W. Jaffé, London: Allen & Unwin, 1954).

42 *Gold, Prices and Wages*, op. cit. (n4), pp 145–6.

43 Fisher's quantity theory was certainly far from being such a simple theory. He presented it, however, using a series of extremely simplistic, mechanical analogies, playing down the complications, in such a way as to leave himself open to misinterpretation.

44 His writing touched on such issues in several places, such as where he referred to the need for additional credit to be absorbed, but he did not follow them up.

45 *Physiology of Industry*, op. cit. (n3), p. 47.

46 J.A. Hobson, *The Evolution of Modern Capitalism* (London: Walter Scott, 1906), p. 292.

47 *Industrial System*, op. cit. (n13), p. 50.

48 Coppock, op. cit. (n2), p. 3, refers to this as a concern with the normative aspects of saving.

49 He defined real capital as capital that is 'animated by the productive force in economical work' (*Physiology of Industry*, op. cit. (n3), p. 51). In other words, it is the capital stock adjusted to remove any excess capacity.

50 This was discussed in a different, though related, context in the previous section.

51 *Industrial System*, op. cit. (n13), p. 50.

52 *Rationalisation and Unemployment* (London: Allen, 1930), p. 33.

53 *Modern Capitalism*, op. cit. (n46), p. 295.

54 That Hobson's view is, terminology aside, substantially the same as Mill's is shown by a passage where Hobson writes, 'So long as the "saving" is actually in progress—i.e. *so long as the factory and machinery are being made* [note the identitication of saving and investment]—the net employment of the community is just as large as if the money were spent to demand commodities' (*Physiology of Industry*, op. cit. (n3), p. 79).

55 See, for example, *Physiology of Industry*, p. 75; *The Problem of the Unemployed* (2nd edn, London: Methuen, 1906; 1st edn, 1896), pp. 74ff; *Industrial System*, op. cit. (n13), pp. 305–6.

56 *Industrial System*, p. 54.

57 Define

$$g = \frac{\Delta Y}{Y}$$

as the growth rate of income,

$$v = \frac{I}{\Delta Y}$$

as the incremental capital-output ratio (the accelerator) and

$$s = \frac{I}{Y}$$

(savings are identical to investment). It is then easy to show that

$$s = \frac{I}{Y} = \frac{\Delta Y}{Y} \frac{I}{\Delta Y} = gv$$

Given *v*, therefore, we can calculate the value of s needed to sustain any given growth rate.

58 R.F. Harrod, 'An essay in dynamic theory', *Economic Journal*, vol. 49 (1939), pp. 14–33; E. Domar, 'Capital expansion, rate of growth and employment', *Econometrica*, vol. 14 (1946), pp. 137–47. See Coppock, op. cit. (n2), pp. 9–10; Nemmers, op. cit. (n1), p. 86.

59 *Physiology of Industry*, op. cit. (n3), pp. 85–6.

60 Because this idea is found only in *The Physiology of Industry* it is impossible to know how far it should be associated with Hobson. It is possible (though there is no evidence for this) that it was an idea of Mummery's to which Hobson never paid any attention.

61 See, for example, *Modern Capitalism*, op. cit. (n46), p. 306; 'Underconsumption: an exposition and a reply', *Economica*, vol. 13 (1933), pp. 407–8.

62 *Modern Capitalism*, pp. 306–7.

63 *Physiology of Industry*, op. cit. (n3), pp. 114–16. He likens the situation to that of a competitive examination.

64 Allett, op. cit. (n2), p. 105.

65 *Problem of the Unemployed*, op. cit. (n55), pp. 88–9.

66 ibid., p. 92.

67 This theory is discussed in *The Economics of Distribution* (New York: Macmillan, 1900; reprinted New York: Augustus M. Kelley, 1972).

68 *Industrial System*, op. cit. (n13), ch. 4, especially p. 80.

69 ibid., pp. 284–5.

70 Coppock, op. cit. (n2), p. 4.

71 *Physiology of Industry*, op. cit. (n3), pp. 98–9.

72 ibid., pp. 107–8. Once again we have the problem of not knowing how far this passage reflects Hobson's thinking.

73 ibid., p. 102.

74 See, for example, J.S. Mill, *Essays on Some Unsettled Questions of Political Economy* (1844), p. 70.

75 Keynes, *A Treatise on Money*, vol. I (reprinted as *The Collected Writings of John Maynard Keynes*, edited by D. Moggridge, vol. V, London: Macmillan), p. 161, referring to 'Mr J.A. Hobson and others', commented that 'I do not think they have succeeded in linking up their conclusions with the theory of money or with the part played by the rate of interest'.

76 Define savings as

$$S = \Delta H + I^s$$

where I^s is the amount of investment directly financed by savers. Similarly, assume that new money is created by banks lending money to investors, so that

$$I = I^S + \Delta M.$$

Our earlier equation thus becomes

$$\begin{aligned} Y_t &= Y_{t-1} + \Delta M + \Delta H \\ &= Y_{t-1} + I - S \end{aligned}$$

The explanation of why I and S can be unequal is that we have postulated an income-expenditure lag: this year's income equals last year's spending. Saving is thus the difference between this year's consumption and last year's expenditure, whereas investment is the difference between this year's consumption and this year's expenditure. In his *Treatise on Money* Keynes achieved a similar result through defining saving as the difference between consumption and 'normal earnings'. We have simply used last year's earnings instead of 'normal' earnings.

77 Wicksell, *Interest and Prices* (1894; translated by R.F. Kahn, London: Macmillan, 1934).

78 Keynes described the book as 'very bad' and 'much worse than a stupid book could be'. See his review of *Gold, Prices and Wages* in *Economic Journal*, vol. 23; reprinted in *The Collected Writings of John Maynard Keynes*, edited by D. Moggridge, vol. XI (London: Macmillan).

79 ibid., p. 388.

80 We should perhaps be charitable towards the latter in view of the problems Keynes and his colleagues had, during the 1920s and 1930s, in working out appropriate definitions of saving and investment.

81 J.M. Keynes, *The General Theory of Employment, Interest and Money* (1936; reprinted in *The Collected Writings of John Maynard Keynes*, edited by D. Moggridge, vol. VII), pp. 364, 366 and 371.

82 See Keynes, *A Treatise on Money*, vol. I, p. 161. See also Peter Clarke's essay in this volume (Chapter 6).

8
Rewriting the Confessions: *Hobson and the Extension movement*

ALON KADISH

‘My first definite approach to Economics’, Hobson wrote in his autobiography, ‘was by way of the Cambridge University Extension Movement of the seventies.’[1] Hobson had attended an early Extension course in political economy in Derby, wrote weekly papers, and took the examinations, using as textbooks Mill, Mrs Fawcett and some chapters from Adam Smith. ‘From this early study’, Hobson was to recall,

I learned that, in the sphere of activity which absorbed most of the thought, interest, and energy of all our population, except a small leisure class, principles and laws governed the production and distribution of wealth which intelligent men and women accepted as belonging to the order of Nature. They established the justice, necessity, and finality of the existing economic system.[2]

However, Hobson added, ‘while accepting these principles and laws in the spirit of a true believer, I discovered later on that a seed of doubt had been sown in my mind’.

In reconstructing his initiation into economics Hobson failed to identify the said sower of doubt, thereby conveying the impression recurrent throughout his memoirs that he owed little to any formal or informal teachers in the shaping of his economic views.[3] In fact it may well be that from the outset Hobson had been taught a brand of political economy fundamentally critical of orthodox theory. The course of economics he referred to was delivered, in Michaelmas 1874,[4] by the Rev. William Moore Ede (1849–1935), a Cambridge graduate with a first in Moral Sciences (1871) and a future Dean of Worcester (1908–1934), described in his obituary as a dedicated social reformer in the mould of early new liberalism, who ‘threw himself eagerly into any crusade which commended itself to him, but his enthusiasm mostly had its practical side’.[5] ‘He believed’, according to Lord Dickinson, ‘in making his Christianity serve in all problems of daily life. It was this faith that inspired him in all his various social and economic experiments.’[6] His political economy, as taught to Extension students, constituted an early brand of moral economics whereby classical theory, rather than completely rejected, was made to submit to the higher authority of moral considerations. At his first Derby lecture (as reported in Hobson Sen.’s newspaper), Ede stated:

Adam Smith was the first to show how all the phenomena of wealth were the result of a few simple causes, and among these causes one of the most striking in his [Smith’s] opinion was the natural selfishness of mankind. … Dr Adam Smith separated in thought that which was inseparable in reality, by dividing human motives into unselfish and selfish, and attempting by reasoning, first from one and then from the other, to explain all the actions of men.[7]

Nor did he consider economic theory as having reached a stage approaching finality. Political economy, Ede believed, 'had still work to do in the discovery of fresh truths'. Existing economic doctrines were to be modified and supplemented rather than scrapped altogether.

An example of Ede's relative theoretical conformism combined with his moral approach to economic theory may be seen in a later (1879) discussion of the economic history of England.[8] Ede repeated the standard explanation of industrialization as the result of spontaneous technological change in a free market system, an explanation still evident in Toynbee's industrial revolution lectures as well as in Hobson's early work.[9] On the other hand, Ede chose to emphasize the dire social consequences of rapid and unregulated industrialization such as '(a) Squalor and misery of the working classes (b) Overcrowding (c) Frugality (d) Discontent, which often resulted in riots'.[10] In other words, rather than reject the standard explanation of the causes of Britain's recent material progress, Ede concentrated his criticism on the reprehensible and dangerous results of an undisturbed free market system. The alternative was the relatively radical reformism of the later Mill[11] rather than socialism. The 'aims of the socialists', Ede declared at Derby, 'generally were good, but the hasty means which they proposed were unsound, and destructive of some of the primary principles on which society and political economy are based. He thought that to realise their aims they should proceed rationally, and without violent reversion improve the present condition of things.'[12]

Mild as Ede's reformism may seem in retrospect, his views were seen by some as dangerously radical. In the course of an earlier series of lectures at Keighly he incurred the wrath of the *Keighly Herald* for his support of trade unionism. In accordance with classical theory, Ede had condemned union attempts to control the size of the labour force and regulate production by 'limiting the amount of work that a workman shall do', although he was less assertive in pronouncing upon regulation of the supply of 'generally produced commodities' where unions were prepared 'to suffer the loss consequent on their not being able to take advantage of times of great activity and demand for goods they produced', thereby 'willing to submit to the loss of extra work and other benefits for the sake of stability and regularity of prices and wages'.[13] But what the *Keighly Herald* found especially objectionable was Ede's praise for the unions' contributions to the worker's moral outlook in encouraging him to rise above self-interest and seek the interest of his class, which, Ede believed, was a progressive step towards the emergence of a wider social awareness. The *Keighly Herald* wrote that

It was to the moral effect of trade unions that he looked for the greatest amount of good—as providing a solution of the question of the self-education of the masses. Our local self-government had very much declined,…and this substitute came in to take its place to teach the people the art of self-government.
We admit that trade unions have done good and that without combination the working man would have suffered grinding which through the unions they have escaped. But Mr. Ede misses the chief objection against them. He thinks class interest, a more elevating motive than self-interest… Water cannot rise higher than its source; and unionism cannot rise higher than the level of the inferior workman to whose size the superior workman and his chances for self-elevation are ruthlessly sacrificed. The true interests of democracy are best advanced by its being allowed, and stimulated to evolve continuously a democracy of merit. But trades unionism levels down the individual while undertaking, with some success and much failure, to regulate wages and work so that the class may wrench a good share of the profits from the employer.[14]

Thus it can hardly be maintained that Hobson had initially been indoctrinated in individualistic classical theory only to challenge its authority later by a largely self-generated heroic effort.

In June 1887 the Oxford Committee for University Extension received Hobson's application to be added to its list of lecturers.[15] The Committee agreed to allow Hobson a trial six lecture course on 'Prose Writers of the Nineteenth Century' delivered at Oxford, following which he was added to the Oxford extension list.[16] At the same time Hobson taught his first courses—both of ten lectures, delivered at Basingstoke and Kingston on Thames—on the same subject for the London Society for the Extension of University Teaching.[17] As an Oxford Extension lecturer Hobson offered in the March 1888 list three courses on English literature and a course on political economy, which being a Greats man he was probably deemed qualified to teach as much as any other Oxford graduate.[18] In the March 1888 list Hobson offered in addition to three literature courses a course on 'Economics of Production and Consumption', and in March 1890, i.e. after the publication of *The Physiology of Industry* (1889), in addition to four literature courses, a course on The Problem of Poverty and Some Proposed Solutions' and one on 'Wealth: its Making and Sharing'.[19] But it was not until spring 1891 that one of Hobson's political economy courses—'Problems of Poverty'—was asked for by an Extension centre (Bridport). The same course was repeated in autumn 1891 at five Cornwall centres.[20] Hobson continued lecturing for the Oxford Extension until 1896 (a course scheduled for spring 1898 was cancelled owing to illness) on both literature and economics. He delivered a total of forty-two courses, of which twenty-five[21] were on economic history, social thought, economic theory, and 'practical issues relating to working-class life.'[22]

Hobson's inclusion on the London Society's list may have fallen under the arrangement between the Society and the Oxford and Cambridge Extensions whereby 'any lecturer on the staff of the Oxford Delegacy or the Cambridge Syndicate, was *ipso facto* on their [London's] own staff, if application was made for his services by any London centre'.[23] In return Oxford had agreed not to undertake any lecturing within the Metropolitan postal district.[24] Until Michaelmas 1890 Hobson's s London courses were all on literature. In November 1890 the London Society noted a request from Essex Hall to recognize Hobson's course 'Problems of Poverty'. The Society decided to turn it down 'for the present'.[25]

Hobson's attempt to obtain the London Society's permission to add political economy to his London Extension courses, by using a fairly common technique whereby centres first engaged lecturers and then asked for recognition, appears to have been the beginning of a series of manoeuvres aimed at overcoming, or rather sidestepping, Professor H.S. Foxwell's objections to Hobson's lecturing on economics. The problem of official Extension recognition appears to have first arisen albeit indirectly in connection with a resolution adopted by the Council of the Charity Organization Society, following a report of the Visitors to the District Committees, 'That the Council should, if possible, in connection with University Extension and other similar centres, arrange for addresses or courses of lectures on the history of charity, on poor law, and on social economy, and that they should, if necessary, pay for such addresses or lectures out of the Society's general funds.'[26] On 26 June 1890, C.S. Loch, the COS's secretary, submitted to the Administrative Committee 'the names of one or two persons who appeared likely to be able to give trustworthy and interesting lectures on the subjects referred to in the resolution. He also reported as to the kind of lecture which on enquiry appeared to be most likely to be successful, and as to the centres at which such lectures might be given.'[27] At the Committee's 10 July 1890 meeting, it was agreed that 'one or two persons whom it might seem desirable to appoint as lecturers should be asked to meet some members of the Administrative Committee informally'. In addition, a recommendation

that the Council approve of the allocation of a sum of £100 for the purpose was adopted by the Council.[28]

In between the two meetings Loch wrote to H.S. Foxwell for advice on the matter, laying down his initial views on the form and substance of the proposed lectures. It had been generally agreed that the COS could not effectively execute its self-appointed tasks 'without a firm grasp of principles and a well-considered aim'. It was accordingly stressed that 'the sustained study of the principles on which charity ought to be administered, and the discussion, in the light of these principles, of each new scheme for social amelioration as it arises, so far as it has any bearing on charity, have assumed a place in the aims of the Society scarcely, if at all, less important than actual organisation'.[29] The initial form the study of principles had taken was, according to Loch's account, a club named the Denison Club (after Edward Denison who had been adopted as one of the COS's patron saints), which met monthly in the rooms above the COS offices at 15 Buckingham St, Adelphi. During its meetings 'papers are read on Denisonian subjects, i.e., subjects chiefly social and economic'. 'We have fairly good meetings', Loch wrote to Foxwell, 'and several members are themselves practically interested in work which leads them to care for discussions of the kind I have mentioned. Or, in a few instances, they are engaged in some kind of investigation.'[30] 'We are very keen just now', Loch added, 'about getting up some lectures of a somewhat concrete and practical description, though historical in treatment, bearing on social and municipal life, and perhaps I may come to you for help on that point'.

By the end of July 1890 the COS had narrowed its choice of possible lecturers to Graham Wallas, Hobson and Clara Collet, of whom Wallas was the obvious favourite. And on 7 August 1890 the Administrative Committee, after hearing a report of an interview with Hobson, decided to appoint Wallas as lecturer despite not having even interviewed Collet.[31] There remained the problem of the connection with the London Extension. It seems that the COS had set its heart on having an official Extension course, whereas Wallas was not on the Extension's lecture list. This was arranged by means of an appeal from Essex Hall to the London Society to recognize a course given there by Wallas and thereby add him to the list of permanent lecturers[32] (a similar request, noted above, on behalf of Hobson was turned down). As the COS instance would seem to indicate, such recognition had become essential for securing lecturing appointments on a more than occasional basis.

Lectures at Essex Hall—headquarters of the British and Foreign Unitarian Association[33]—were delivered under the auspices of the London Ethical Society and, as of 1887, the Essex Hall education committee, which operated as an extension centre. Founded in 1886, chiefly by Oxford men, the Ethical Society aimed at establishing 'in the world a religion of devotion to the ideal of righteousness without supernatural sanctions', a morality without theology on the lines of T.H. Green's teachings.[34] In practice, the Ethical Society's members believed such an ideal could 'be realised by accepting and acting in the spirit of such common obligations as are enjoyed by the relationships of family and society, in so far as these are a means to the fullest development of our nature as man'. In addition to the effort to establish 'the true principles of social morality', the Ethical Society professed 'a special claim on the interest of social and political reformers. It aims at cooperating with these by means of its lectures and publications, in the formation of a true conception of human good. Believing as it does in the supreme importance of character as the determining element in a nation's well-being, it claims that all educational and social reform should be tested by the question: — Does it or does it not further the development of good character among the citizens?'[35] This the Ethical Society proposed to do by means that included 'Sunday Lectures and Courses on Ethical and Political Philosophy, in connection with University Extension, Political and Social Clubs, as well as religious and other organizations'. These had initially taken place at

Toynbee Hall from whence they were transferred to Essex Hall.

At the time of his move to London, Hobson's views on economics and society had largely coincided with the aims of the Ethical Society—the investigation of the 'principles of well-doing and well-being', the search for the means of developing the citizen's moral character, and a general reformism which assumed that 'the improvement of the present surrounding of many is an indsipensable condition of the moral welfare of all'. Similarly Hobson believed that the true measure of social and economic phenomena should be moral rather than material. Since 'the industrial system exists for man, every industrial process, whether of production, exchange, or consumption, must be reduced to terms of vital worth, human satisfaction, before its value or its contribution to the wealth of the nation can be adjudged'.[36] The end, therefore, of all reform was not, say, a quantitative increase of material wealth, but 'the production of "souls of a good quality"'. Hobson joined the Ethical Society during 1889–1890 and a year later became a member of both its general and education committees.[37] In December 1890 he delivered his first Sunday lecture on 'Competition as a Principle of Social Progress', and in April 1891 on 'Democratic Literature'.[38]

Meanwhile it was decided at Essex Hall to try and arrange a systematic series of lectures on social and economic topics, a subject on which Wicksteed wrote to Foxwell in July 1890, offering him 'to lead off with a course of ten lectures between October and Xmas on some such subject as the Industrial Revolution—i.e. some historical account of how the industrial problems of today have arisen and how the way of looking at them of the Classical Economists and more recent schools was formed'.[39] It was important, Wicksteed thought, that the lectures should not be confused with the type of teaching conducted next door at King's College. To my mind', he wrote to Foxwell, 'the whole thing would be top sided and barren if it did not attempt to make itself *socially* educational'.[40]

Apparently Essex Hall ran into some difficulties in realizing its plans, for on 21 March 1891 the Ethical Society accepted an offer of the Essex Hall education committee to hand over the Extension centre, thereby uniting forces that had already dwelt under the same roof in an attempt to establish systematic teaching on economic and social subjects.[41] A committee of eleven members was duly formed including J. Bonar, B. Bosanquet and J.A. Hobson. A special effort would be made to arrange a programme of 'organically related' courses, 'embracing some of the most important aspects of Social Philosophy', as well as 'classes with a more directly practical aim on the Theory of Education, the Duties of Citizenship, etc…should the funds of the Society permit or volunteer teachers be found'. The committee began its work by engaging A.W. Flux (1867–1942), a Senior wrangler (1887) and winner of the Marshall Prize (1889), who as a Cambridge Extension lecturer (mainly on non-economic subjects) was added to the list of the London Extension in October 1891.[42] Flux lectured on 'First Principles of Political Economy', which was to be followed in the spring of 1892 by a course by Hobson. But once again the London Extension Society refused the request to allow Hobson's inclusion on its list.

As before, the main obstacle was Foxwell. Professor J.H. Muirhead of the Ethical Society pleaded with him on the grounds that the London Extension Society's refusal 'has naturally upset our arrangements & really has put us into such a muddle that I doubt the possibility of holding two courses next spring at Essex Hall'.[43] But Foxwell remained unmoved. Officially his objections were procedural.

The notion seems to have been growing of late that it is the business of the Board [of the London Society] to register the appointments & confirm the arrangements made by Local Committees. This view I have always thought wrong in principle, & likely to lead to many difficulties in practice, as it has done in this instance.

There has been more informality in the case of Essex Hall, I think, than of any other centre. The board has more than once gone out of its way to make matters easy. But it is really going a step too far when you seek to make either the Board or individual members of it responsible for 'muddles' which may have arisen out of such informalities.
I fail myself to see that the situation is a very tragical or urgent one. If you prefer your own methods & instruments of instruction, the absence of the Board's sanction does not prevent the delivery of the courses as apparently arranged in anticipation of that sanction.[44]

However Foxwell's true objections are revealed in a note he added to the copy of his letter to Muirhead: 'a curious example of the purposes of an Ethical Society, they asked a man only notorious for a very fallacious attempt to prove that thrift is morally & socially a vice'. In a word, he summed up his view, 'more humbug of a fussy clique'.

Muirhead replied that the London Society's policy towards Essex Hall would result in its unnecessarily restricting its activities and narrowing its influence. 'It seems odd', he wrote to Foxwell, 'that the only centre which so far as I know is worked by a committee which really represents the Universities should be suspected by the Council of designs unfavourable to the movement'. As for Hobson's views, he too confessed to some misgivings:

We certainly were not enthusiastic about him and had we been able to get Wicksteed or [Hubert] Smith [we] should not have thought of him … I have my own doubts about his teaching on several points that have come under my notice outside his published work. What I like about him is his evident determination to think the subject out freshly for himself. This of course cannot take the place of scholarship but it goes a long way to make the man interesting and stimulating.[45]

Foxwell was further infuriated by what he believed was a leak from the Extension Board's meetings leading to his identification as Hobson's main opposer. He even went so far as to accuse R.D. Roberts of having passed the information to Muirhead. Not so, Roberts protested; 'When Hobson's application came before the Board about a year ago & it was decided not to put him on the list I communicated to him…& said that the economic experts on the Board viewed his application unfavourably because of the ignorance of economics displayed in his book. As the names of the Board are known to every one he not unnaturally concluded that you were the member whose views carried most weight in the Board on the matter & he said so to me when I met him shortly afterwards.'[46]

In a final effort to prevent the Board from once again turning down his application to add political economy to his subjects Hobson approached Foxwell, asking him for his main objections to his views. In response to Foxwell's reply Hobson wrote:

It is I fear hardly possible for me to convince you that a person capable of so rash an act of publication may possess sufficient knowledge of the peculiar character of the Extension Movement and sufficient discretion to refrain from using the lecture room to…[disseminate] dangerous opinions.[47]

As for Foxwell's more specific objections to Hobson's view on thrift, Hobson humbly added:

I do not condemn thrift though I wrongly permitted certain sentences to stand in 'T. Physiology of Industry' which detached from their context will naturally support the

appearance of this heresy. My position briefly stated is that periodic under consumption is a…disease which, cured, would render possible an increased quantity of effective thrift. This position may be wrong but it does not approach the doctrine of Mandeville.
I hold with no fanatical pertinacity the views I put forward in my book. I would gladly yield them up before the pressure of argument… I have no special 'sympathies' which would make me cleave obstinately to a position taken on purely intellectual grounds.

Foxwell, however, remained unconvinced. On 14 January 1892, the London Extension's Board discussed the matter and recorded its decision:

An application was received from Mr. J.A. Hobson to be recognised as a Lecturer on Economics. Some years ago a similar application had been considered by the Board, and it had been decided in view of the fact that the book published by Mr. Hobson in conjunction with Mr. Mummery displayed a want of knowledge of Economics, that he could not be recognised as a lecturer in that subject. An application had been received from the Essex Hall Centre for Mr. Hobson's services which had been pressed in a somewhat irregular way. After careful consideration the Board decided that while they expressed no opinion as to Mr. Hobson's ability they were not sufficiently satisfied of his peculiar fitness for the kind of work proposed, and were not at present prepared to recognise him as a Lecturer in that subject.[48]

The views expressed at the Board's meeting apparently were not unanimous, since Foxwell seems to have felt that further assurances were required as to Hobson's unfitness to teach economics. At the Board's meeting on 22 February 1892, Foxwell stated 'that he had seen Mr. Bonar who is a Member of the Essex Hall Committee which had applied for the services of Mr. Hobson on Economics, and that Mr. Bonar, who is an authority on the subject, expressed his opinion that the appointment of Mr. Hobson to lecture on Economics would have been a mistake'.[49] Any possible complaint of persecution on personal grounds was dissipated by the addition of two courses on literature to the list of subjects offered by Hobson to Extension centres.

So far the record seems to confirm the impression conveyed in Hobson's autobiography of deliberate exclusion on intellectual grounds, although his own conduct appears less than heroic in the light of his letter to Foxwell and his attempts to force the Board's hand by having Essex Hall back his application. However, contrary to the impression one might get from Hobson's account, Foxwell was hardly a last-ditch defender of classical economics. On the contrary, he had criticized Ricardian economics on both moral and theoretical grounds.[50] Foxwell condemned the social misery wrought by unregulated capitalism, 'the fatalistic, crude, anti-social doctrine of *laissez-faire*'. and unbridled individualism.[51] He would have economics proceed from a moral point of departure, and, like Hobson, was highly critical of the tendency displayed by economic theorists to overlook the misery of current unemployment while concentrating on long-term trends. Foxwell's observation: 'Social disorganisation never balances itself. You cannot say that what a man loses at one time he gains at another; still less, that what one man loses another man gains. The very facts of uncertain transitions, of doubt, and of partial distress, must always be absolute social disadvantage',[52] shares the sentiment of Hobson's: The loss of employment may be only "temporary", but as the life of a working man is also temporary, such loss may as a disturbing factor in the working life have a considerable importance.'[53] Both had set out to reveal the causes of the trade depression. But whereas Foxwell had remained within the confines of acceptable economic theory by singling out unstable currency as the main cause of price fluctuations and, thereby, of general economic instability, Hobson and Mummery had not

only identified a completely different cause—underconsumption (or overproduction)—but had also claimed that their theory rendered current economic theory redundant. Foxwell dismissed the 'overproduction' explanation as ridiculous.[54] Hobson and Mummery argued that the price of gold was determined by the price of other commodities rather than vice versa and that, therefore, its scarcity could not be seen as the reason for the trade depression.[55] In addition there were, of course, their heretical views on thrift, which undermined one of the main tenets of Victorian self-help. It is, consequently, hardly surprising that Foxwell considered Hobson's views as disqualifying him from teaching economics for the Extension, whose role was seen as including the education of the working classes in the best means of improving their material and moral well-being.

Nor was Foxwell's reaction exceptional. *The Physiology of Industry* was roundly condemned by both established economists such asF.Y. Edgeworth,[56] and young aspiring ones such as W.A.S. Hewins, an Oxford Extension lecturer, and the future (1895) first director of the LSE. Mummery and Hobson, in Hewins' view,

in the field of economics, are not unlike those social reformers who propose, as a first step, 'the reconstruction of society from its foundations.' Economists would probably be the first to admit the possibility, in the science, of more accurate conceptions and greater logical precision, but a sudden break in the continuity of its development is in the highest degree improbable. Messrs. Mummery and Hobson appear to have a mistaken idea of the character of economic science. They speak of J.S. Mill's theories as a 'creed', of their own divergence from the 'orthodox school,' and of 'currently accepted dogmas,'—expressions which are meaningless applied to economics. Their main argument is fallacious, and conclusions untenable.[57]

However, with the publication of *Problems of Poverty* (1891) and *The Evolution of Modern Capitalism* (1894) the general tenor of the reviews of Hobson's works had undergone a marked change. H.L. Smith, one of Booth's *Labour and life* assistants, and one of the sources of material for *Problems of Poverty*,[58] praised it as a 'digest of information and a stimulus to independent thought', while pointing out, as did the *Westminster Review's* reviewer, that its careful and balanced analysis could be of little service for those more interested in immediate practical measures.[59] As for *The Evolution of Modern Capitalism*, L.L. Price wrote that

whether we agree with him [Hobson] or not…we must admit that no one can read his book without being impressed by the care with which he has collected and examined his material, and the patience, independence, and subtlety with which he had formed his conclusions. No one can question his evident determination to conduct his investigations for himself independently of the opinions pronounced by other writers. No one can deny that his suggestions are the product of a thoughtful and well-informed mind; and he is no less ready to combat a fallacy, when it enjoys popular support, than, with popular sentiment at his back, to assail the dogmas of the orthodox economist. His book will, we think, reward the attention even of those who are inclined to dissent from his doctrines[60] *[—e.g. Price].*

Price was even prepared to concede 'that a large part of his [Hobson's] quarrel with the older economists turns on the use of words', thereby suggesting that the theory of underconsumption may not be entirely incompatible with modern theory.[61] Another reviewer grudgingly admitted that, apart from Hobson's 'crotchet', his 'account of changes at present

in progress, if not always accurate, is invariably thoughtful and suggestive'.[62] Whereas W.G. Pogson-Smith, an Oxford don, had no similar reservations. This is a very excellent—and a very remarkable book', he wrote.

Without laying claim to infallibility, he knows remarkably well how to interrogate evidence of all kinds; and although his conclusions are seldom dogmatic, there are few readers who will not feel that his luminous treatment of particular questions has left their own minds in a more intelligent, if a more balanced, attitude.[63]

As for Hobson's 'crotchet', Pogson-Smith stated that whereas a Very short time ago, to speak of "over production" argued ignorance of the rudiments of political economy; now economists are changing their front'. In a similar vein, the *Westminster Reviews* reviewer wrote: 'We shall be safe in saying that Mr. Hobson has contributed one of the most valuable and instructive works on economics that has appeared of recent years. The book is full of original and suggestive thought, and Mr. Hobson is thoroughly scientific in his treatment of the subject.'[64]

Hobson's ostracism was not only short lived, it was also limited in scope. At the Oxford Extension he was allowed to teach whatever subject he chose including economics. He remained a regular Sunday lecturer to the Ethical Society, where he spoke on a variety of social and economic topics, [65] continuing his lecturing at the South Place Ethical Society after the London Ethical Society had reorganized as the School of Ethics and Social Philosophy.[66] Finally, in 1894, the London Society for the Extension of University Teaching recognized his 'Problems of Poverty' course delivered at Essex Hall, thereby lifting the restriction on Hobson's lecturing on economics.[67] According to his own account, Hobson's post *Physiology of Industry* work had 'helped in some measure to cover up the discredit of my earlier work and almost to win for me a place of academic respectability'.[68] This was not despite it containing 'all the departures from economic orthodoxy which my subsequent writings disclosed', but, rather, because many, if not most, of his contemporary economists either failed or ceased to regard his views as sufficiently heretical to justify his permanent exclusion from the emergent profession. Some had even gone as far as to praise Hobson's work as a positive contribution to economics, thus confuting the impression of complete professional isolation.

Some university graduates turned to Extension lecturing as a means of acquiring teaching experience while waiting for a suitable opening elsewhere. Others held the Extension as an agent through which culture and knowledge would be disseminated amongst the lower classes thereby enabling them to join the march of progress. Hobson, who was closer in his views to the latter group, went a step further in regarding his lecturing not as a simple extension of university teaching to the general public but rather as a different, better approach to education. To begin with, the self-imposed isolation of the university teacher from the common everyday experience of society undermined both the development of his thought and his position in society.

Take a number of intelligent beings [Hobson wrote], remove them from the stress and strain of close continual contact with the average life of working society, place them in a social ring-fence, where all are alike engaged in some kind of 'theoretic' work—looking at the ordinary work-a-day world either not at all or through a refracting mirror of books—you have a special environment which must operate upon those men and women not merely as individuals, but as a species. Thus …you get this special atmosphere, the book view of human nature.[69]

‘Excess of solitude’, Hobson maintained, ‘is one mark of the academic life. One who draws largely upon books or leads a life of contemplation must be much alone, with the result that what he gains in direct self-cultivation he loses in social experience’[70]—a condition which Hobson held in barely concealed contempt.

I know several university men who are students of social subjects; they will diligently collect information upon the various aspects of the labour movement, upon cooperation, trades unions, figures of pauperism, schemes of relief. They will carefully pack away these facts in the pigeon-holes of their mind, labelled ‘Information bearing on the conditions of the working classes.’ There the knowledge will remain; you must not ask them to disturb it. Do not expect them to stir themselves to act or even to vote in order to assist the cause of progress. Not at all. It would be a degradation of such knowledge to put it to a useful end. Besides, they could not venture to take a side. To form a decided judgment is an act of intellectual rashness which disturbs the exquisite poise of a well-balanced intelligence. The academic mind gravitates to compromise with the same accuracy with which the magnetic needle turns north.[71]

The same could be said of academic studies of social and economic phenomena, which were characterized by ‘the intricate avoidance of an expression of opinion which might be twisted into a practical application’, as well as of the academic curriculum, which consisted of subjects guaranteed to possess no practical application. The branches of intellectual exercise which have the most signal and direct bearing upon life, literature, economics, sociology, philosophy, are either left untouched or degraded and devitalised by academic superstitions.’

The obvious exaggeration and unfairness of Hobson’s account of academic life and university studies bear the marks of a highly personal statement set to contrast with his auto-didactic intellectual development and his Extension lecturing. He claimed to have derived nothing from Greats. Plato and Aristotle were dead letters, ‘their works are abstruse and set in vexed terminology, and may be therefore safely studied’[70] whereas ‘Hegel, Spencer, Schopenhauer are modern writers; their meaning is apt to break out inconveniently among the conventions of polite society, to force their way into the vulgar region of the practical in religion, politics, and morals’, and, therefore, were ignored by the universities. Dead languages were, for similar reasons, preferred to live ones and classical to modern literature, the latter being ‘alive with modern issues,…steeped in passions of to-day that are the feeders of present conduct’. As for economics,

The academic mind sniffed at it for some time, as a dog might a hedgehog, touching it gingerly at this point and that, not daring to tackle it, yet unable to leave it alone. It has now reduced it to an academic study. For this purpose it must secure a rigid orthodox structure. This it has sought to secure by elevating Adam Smith, Ricardo, Mill, and one or two more recent writers to a position they neither claimed nor deserved as authoritative exponents of a cut-and-dried logical system … Although the very text-books which are taken as ‘authorities’ bristle with contradiction and antagonism upon the most essential points, yet by a judicious process of word-twisting, selection, and interpretation, a body of dogma has been improvised into a system presenting a specious show of consistency to the hasty observer who is contented not to peer too curiously behind the scene.[73]

Elsewhere Hobson argued that, whatever the reasons for the alienation of economic theory from the experience of everyday life, it resulted in a popular suspicion of the subject.

Most cultivated people still complain that political economy does not tell them anything they much wish to know, and it does not assist the wise direction of their social sympathy. Most self-educated workmen frankly confess their disappointment in the text-books of economic science which are put into their hands. Both classes still complain that the science is lacking in 'humanity'.[74]

Nor was the historical school of economics exempted from criticism. The bulk of its efforts, Hobson felt, 'consists of laborious collection and arrangement of facts and figures which have no appreciable value, either theoretic or practical, but are dull monuments of patience'. Attempts such as J.E. Thorold Rogers' to circumvent theory by extreme empiricism were summarily, if anonymously, dismissed as ludicrous. The academic spirit turned on practical affairs fails from being too purely practical, just as in theoretic matters it fails from being too purely theoretic'

Hobson's diatribe against academia may well have been, at least partly, a response to the harsh treatment *The Physiology of Industry* had received from the hands of both theoretical (Edgeworth) and historical (Hewins) academic economists. Be that as it may, in rejecting academic economics and universities in general Hobson had, in effect, committed himself to an alternative approach to higher education—a system 'which shall make an enlightened democracy'.[75]

The ideal which the true democratic university must set before it is not so much the labour of research, the selection and preparation of students who shall devote their lives to some special branch of learning, though these functions have their importance. It is the citizen—student, man and woman, which must be the chief care of the democratic university—men and women who, in becoming students, shall not relinquish the workshop, the duties of the home, the duties of citizenship, but shall continue to be at one and the same time student, citizen, worker and man.

In the current state of higher education the one exception was the Extension, which had succeeded despite the apathy shown by most members of the ancient universities who had left its administration 'to a few less academic and more liberal-minded members of their body'.[76]

Yet Hobson was not entirely happy with some aspects of the Extension, especially its emphasis on technical education in cooperation with county councils following the 1889 Technical Institution Act and the 1890 Local Taxation Act. To base popular education on utilitarian principles was contrary to the Ruskinian educational ideals adopted by Hobson:

The understanding of the nature and sources of social wrong and social waste, the feeling of pity and indignation which stimulate redress, the patient labour undertaken for a distant common good, the 'habits of gentleness and justice' which shall keep a new and better order safe and strong—these things are only possible by education of a true civic character.[77]

Elsewhere Hobson added to his ideological reservations a criticism of. technical education on practical grounds, the weakness of which seems to indicate an instance where economic reasoning was produced after the fact in support of normative judgement.

A mere increase in the efficiency of labour, though it would increase the quantity of wealth produced, and render a rise of wages possible, would of itself have no economic force to bring about a rise… [T]he industrial force which operates directly to raise the wages of the

workers, is not technical skill, or increased efficiency of labour, but the elevated standard of comfort required by the working-classes.[78]

It may well be argued that the increase in labour efficiency through technical education, even if only an insufficient but necessary condition for working-class material progress, hardly warranted the verdict—'the most fatuous notion that ever entered the head of official man';[79] the product of 'national avarice inflamed by fears of competing Germany'.

A purely utilitarian approach to Extension economics teaching was objected to on particular as well as general grounds. In a somewhat heavy-handed attempt at irony, Hobson wrote in 1891:

Political Economy is concerned with trade, and trade, as we know is 'vulgar.' University Extension at all costs must not be vulgar. But should that really stand in the way of its [Political Economy's] popularity? Are we not all vulgar? A nation of shop-keepers! Even if we are a little ashamed of the shop, should we not like each of us to know how to shop-keep a little more successfully? Ah! but you see though Political Economy may instruct us how a nation may become rich, it does not teach us how to get rich as individuals. So the vulgarity is not tempered by consideration for the personal pocket. If Political Economy taught 'you' and 'me' how we might make money by overreaching our neighbours, the price of tickets for such lectures would rise… If we are not allowed to better our neighbour we could at least beggar him.[80]

Hobson maintained that the true intellectual focus of the Extension ought to be 'in the first instance, that not of specialism, but of the communication of "race-knowledge", that common stock of information and ideas which belongs by right to the general education of citizens'.[81] Currently, Hobson believed, the Extension was the one educational movement able to contribute to the creation of a true community spirit in line with the Ruskinian ideal: 'In order to comprehend rightly the sense in which "humanity" is the educational end, the place and work of the human being in society must be clearly understood… [N]o one lives for himself alone, the end of education cannot be regarded as the perfection of individuals as such.'[82]

In his account of Ruskin's position on education Hobson identified 'two spinal thoughts—the rightful dominance of moral ideas in directing the formation of character, and the need of an accurate first hand and vital study of the facts of nature and of human life', [83] which, for Hobson meant the study of literature and of economics in the manner adopted by him in his Extension courses. 'Literature', he stated, 'shall be used, not only for teaching language, but for the "story", as history, travels, romance, or fairy-tale'.[84] Literature was clearly not a side-line, a popular subject which ensured Extension appointments. Hobson intended his literature courses as moral instruction and an introduction to the study of society, part of the general objective of 'enabling men and women to perform effectively their duties towards themselves and their neighbours'.[85] In his lectures, Hobson praised Walter Scott for bringing 'a powerful and luminous imagination to bear on a large mass of historical and antiquarian knowledge', thereby, in effect, acting as an historian 'by embodying in dramatic art the Spirit of the Age'. And, while Scott's history was hardly reliable, he succeeded in raising 'fiction from a mere narrative of imaginary private individuals, by the fusion of public spirit and public interests'.[86] Dickens was lauded for his social and moral sensitivity:

In the midst of much unrealism, with distorted motives and extravagant sentiment, Dickens' books are dominated by a keen instinct of social justice and humanity which have made the

novel, through his example, a great power for good. Child-life and the virtues of the poor are Dickens' special contribution to the scope of fiction.'

To which Hobson added in another course Dickens' humorous view of life—the 'first phase of social science'.[87]

Thackeray, on the other hand, was criticized by Hobson for the presence of 'some defect or weakness' in his few virtuous characters, for the 'Absence of Poetic Justice' in his works, and for fostering a sympathy towards 'the rascals' who, as a rule, end up 'not appreciably miserable'—a curious reflection on Hobson's own moral view of life in general and the rewards of the just in particular. Still, Thackeray had used his powers 'to forward the work of social reformation by showing as "mean" and "ridiculous" those social evils, the moral wickedness of which cannot be brought home to those who practice them, *e.g.* false humility, flattery, etc. Thackeray chose for representation an abnormally bad section of society, and gave literary emphasis to its vices.' George Eliot was seen by Hobson as aiming 'to show by dramatic illustration human life as the education of the soul. The raw material of character consists of vague, indefinite, undirected yearnings and desires. Friction with the life of the world, experience, gives definite colour, shape and direction, to these unconscious, blind, emotional forces.' The Psychological Novel', Hobson wrote in another syllabus, 'is engaged in teaching, by means of fictitious dramatic illustration, the Science of Character'.[88] Literature thus offered an important tool in the education of the citizen, promoting, by means of story-telling, rather than direct preaching, the development of a social consciousness and a social as well as an individual morality.

Teaching economics added a further dimension to Hobson's Extension work. In his book on Ruskin, Hobson argued:

How can an economist theorise regarding 'unskilled' labour when he does not know what driving wagons or carrying sacks of grain means physically? I do not suggest that no man must theorise on matters the precise nature of which he has not experienced, but that, if he is safely to theorise, he must have had direct experience of facts and feelings belonging to the same order as those involved.[89]

The same observation is repeated in the *Confessions:*

It is sometimes urged that a serious student of our economic system ought to obtain direct personal experience in a number of focal situations. He should serve in a textile factory, on a railway, a farm, should hold a past in a bank or a city office, a wholesale and retail store, so as to have real understanding of the business terms and facts he has to handle as economist. Though such varied experience is perhaps impossible, much of the best recent economic thinking undoubtedly has come from men who have served in business or official capacities that have brought them into close contact with detailed realities of economic life.[90]

Extension teaching provided Hobson with an acceptable alternative, bringing him, as he was to recall, 'into contact with a good many business men and trade unionists who were willing to show me the works in which they were engaged. Even such fragmentary contacts with industrial realities were of great service in correcting my jejune generalizations.'[91] Thus at Accrington in Michaelmas 1893, while lecturing under the auspices of the local co-operative society, Hobson was helped by his hosts to gather information 'upon the working of local industrial undertakings'.[92] A similar experience occurred at Tean in Michaelmas 1892

where The practical experience of several of the audience was of the greatest service in throwing local light upon points where obscurity arises from lack of statistics and of other accurate means of information.'[93] 'Young men', Hobson wrote in 1891, 'whose intellects have not infrequently been unduly forced in a hot-house of academic culture, and who have been for some four years shut off from the ordinary life of the work-a-day world, require some time to recover and to gain that closer contact with the world which is required to enable them to do useful work in it'.[94]

Whereas the ideal literature students were 'well informed and cultured middle class people',[95] who were at least partly acquainted with the novels under consideration and with sufficient leisure to catch up with the rest, Hobson hoped to draw to his economics courses working men untaught in the scientific approach to the subject. In his initial rejection of high theory Hobson had stated that the teaching of economics should be based on monographic subjects rather than general theory. The rigid and definite system of classical theory had been shattered following the introduction of 'wider human considerations', and 'in spite of the endeavour of mathematical economists either to squeeze out "the qualitative" or reduce it to terms of "quantity", the general drift has been towards a broader, more complex, and more fluid study',[96] which, for didactic purposes rendered the teaching of general principles anachronistic. In addition, working men, in Hobson's experience, found the standard textbooks disappointing in their lack of humanity,[97] a mistrust exacerbated by the use of specialized terminology and a tendency towards over-generalization. 'Most of the little textbooks', Hobson observed after a course in Bridport in 1892–93, 'cover in 150 or 200 pages the whole field of Political Economy in a superficial manner and are of very little use for serious students'. More up-to-date works such as Marshall's *Economics of Industry* (1892) were 'too difficult in expression for any but highly intelligent students'.[98]

For teaching purposes Hobson adopted as the best alternative the 'Here and Now' approach.

This means, in economic teaching, an appeal to that interest which a worker and a citizen is bound to feel in his industrial and civil environment, an attempt to induce him to final order and causal relations in what first appears as a chaos of unrelated items, and to stimulate a curiosity in the origin of facts and the working of economic forces. … No large amount of positive knowledge may be communicated by such a course of study, but the untrained mind may be brought to understand something of the nature and complexity of the industrial forces and events in the midst of which it moves, and the need of free, constant and unbiased study."

Hobson was fully conscious of the shortcomings of such an approach, for both teaching and research purposes.

[O]nly a limited proportion of the phenomenon which at any given time constitute Industry are clearly and definitely ascertainable, and it may always be possible that the laws which satisfactorily explain the statical and dynamical relations of these may be subordinate or even couteracting forces of larger movements whose dominance would appear if all parts of the industrial whole were equally known.

By concentrating on the particular, one risked losing sight of 'the inherent complexity of Industry, the continual and close interaction of a number of phenomena whose exact size and relative importance is continually shifting and baffles the keenest observer'.[100] However, since the study of the 'whole' was in a state of continuous flux, subject to constant

modifications by the results of particular studies, the monographical approach was currently more practical, although both were ‘equally valid, or, more strictly speaking,…equally balanced in virtues and defects’.[101]

In his 1891 article ‘Why is political economy unpopular?’ Hobson expressed a more generous view of the value of the study of theory, but only if preceded by the ‘here and now’ approach.

As in all studies it is the first step which costs. The early hardships are perhaps in a measure due to the false mode in which the study has been approached. The first rudiments of educational method should induce us to move along a line of least resistance, which means, in learning, along the line of strongest human interest. The endeavour to plunge students into the dark metaphysical bogland of the analysis of terms such as ‘Value’ and ‘Capital’ is a strange way of encouraging timid students. The result is that at a time when the daily newspaper and all ordinary reading is simply saturated with economics and the problems of poverty and labour, the great social questions are on every tongue, and conversation turns glibly on schemes for the salvation of ‘darkest England’, there is no desire for the study of Political Economy. Surely the unpopularity of Political Economy is really due to the fact it has been too commonly approached from the abstract, metaphysical point of view, instead of from that concrete present-day statement of living facts and forces, which would recommend it to the attention of students whose interests are not purely academic, but in the first and fullest sense those of citizens.

However, once the students’ interest in the study of economics has been kindled by an examination of current and past conditions, then ‘last of all, let them enter the study of the principles of the science of Political Economy, that they may inform with the true order of scientific law the loose or partially related facts they have gathered, so as to learn the meanings of progress from the industrial point of view.’[102]

Hobson had, in effect, questioned the value of the standard Extension ‘principles of economics’ introductory course. The examiner of his second London economics course, W.E. Johnson (1858–1931), a Cambridge teacher and coach whose main interest in the subject lay in mathematical economics,[103] complained in his report that ‘but little evidence was given of historical or theoretical knowledge’, and that while specific problems had received serious attention, on ‘the whole it appeared that there was need for more grounding in fundamental economic principles in order that the complex facts of modern industry be properly grasped’.[104] Careful not to endanger his economic lecturing, Hobson readily admitted that ‘several of those who wrote papers for me would I think have benefited more by well-ordered instruction upon economic theory’, but did not, for the time being, change the contents of his courses.

Johnson repeated his observations in a report on two courses delivered by Hobson a year later, while adding that ‘in most cases the candidates had evidently learnt much from the lecturer’s exposition and from the books prescribed for the course’.[105] Other examiners were far less critical of Hobson’s approach. L.R. Phelps of Oriel College, Oxford, reporting on an early course at Falmouth (Michaelmas 1891), found that a ‘good deal of perhaps rather vague general knowledge has been systematised & reduced to its proper proportions, the importance & difficulty of the problems treated has been brought home’.[106] E.C.K. Gonner thought the answers produced in the examination following an 1895 course at Tunbridge Wells bore ‘testimony to the care bestowed…by the lecturer’.[107] L.L. Price, examining on behalf of the London Extension Society, thought that Hobson’s lectures at Woolwich in 1896 had ‘succeeded in stimulating a thirst for instruction and in satisfying that thirst’.[108] And G.

Armitage Smith, another London Society economics lecturer, thought that the papers written for a course in Westbourne Park in 1897 showed 'considerable familiarity with the practical side of industrial problems & a more than average knowledge of their theory'.[109]

In the course of the 1890s Hobson had come to recognize the value of deductive theorizing. As early as 1891 he admitted that, contrary to common opinion, modern theory as stated in Marshall's *Principles* was a thing of beauty.

I venture to think that those who take courage and pass the gloomy portals of the science will be surprised at the grace and delicacy of its modern structure. They will find a gratification of the intellectual sense of proportion, and an atmosphere of humanity in the study set forth in so great a book as that of Professor Marshall, which will almost stagger them with the falseness of their previous misconception.[110]

However, true to his auto-didactic approach, Hobson appears to have regarded the state of economic theory as unsatisfactory, referring in his 1892 *Economic Journal* review of S.M. Patten's *The Theory of Dynamic Economics* to 'those students who agree in thinking that the science of deductive economics is yet in its infancy'. In his *The Economics of Distribution* (1900), which was based on lectures delivered at the LSE in 1897,[111] Hobson complained of 'a visible reluctance among students to engage upon purely deductive or speculative problems, except within a certain narrow field of mathematical analysis'. This, he felt, was largely due to the 'dominance of the historical spirit on the one hand, and the rapid advance of specialisation in economic study on the other', both of which 'have unduly drawn attention from the root-problems of deductive economics, which are too often assumed to have been solved, or not to be worth the trouble of solution'.[112] Speculative analysis, Hobson now maintained, 'with all its dangers, is indispensable to the social sciences' as a means of overcoming the impossibility of 'inductive reasoning from experiments'. To 'take, first, cases true to the essential facts of life, though contained in a simpler setting of circumstances than that in which they are actually found, and afterward to introduce the excluded circumstances gradually, in order to see what difference is wrought,—such substitute for the experimental method of the physical sciences is both defensible and highly profitable as a mode of gradual approach toward a real issue'.[113]

Hobson's methodological shift resulted in his adding a course consisting mainly of economic theory—The Making and Sharing of Wealth'—which dealt with subjects such as the law of demand and supply, increasing and diminishing returns, land and rent, wages, etc. Furthermore, it was in teaching economic theory that the need for a better textbook was most strongly felt, with the result that it may be argued that *The Economics of Distribution* may have originated in the absence (expressed in a report following a 'Making and Sharing of Wealth' course in 1892–3) of a 'textbook up to date dealing with Distribution of Wealth'.[114] And the comment, in his report on an 1894 course on 'Sharing of Wealth',

[the want] of any suitable textbook dealing clearly and systematically with the economic ability of the several claimants to make good their claims to the Wealth which is produced, was brought home to me more than ever. Few of the students appeared able to understand Marshall's Elements of Economics [sic]… More reading and more systematic thought is required to master the outlines of the theory of sharing than were given during the course.[115]

It may be thus argued that Hobson's Extension courses were not simple spin-offs of his own work, but, rather, that his courses influenced in some ways his thinking and writing. For

instance, he found that the papers produced for his Tean course ‘Problems of Poverty’ (Michaelmas 1893) threw ‘in several cases new practical light upon common questions too often left to the discussion of imperfectly informed theorists. This was particularly the case with regard to topics bearing on the influence of machinery in modern industry. I have to thank the class for much information of value to myself upon these and other subjects.’[116] Appropriately, *Problems of Poverty* was published in the University Extension Series edited by J.E. Symes. The subject matter of *The Evolution of Modern Capitalism* is reflected in courses such as The Structure of Modern Industry’,[117] and the contents of the course The Making and Sharing of Wealth’[118] were incorporated in *The Economics of Distribution.* Hence, in some instances, Hobson’s Extension courses may be seen as precursors of his later published work.[119]

Hobson tended to regard the success of his economics courses as dependent on the number of working men who, having attended the lectures, stayed on for the classes where ‘a free thoughtful and animated discussion’ might take place with the lecturer serving as a chairman rather than a teacher.[120] Under such conditions the aim of ‘the formation of critical opinion’[121] might be realized, resulting in ‘a clear grasp of the principles of economics in their application to workingclass problems and a recognition of the vital value of such a study at the present time’.[122] Unfortunately such classes were not as frequent as Hobson, or other Extension lecturers of economics, had wished.

Reasons for the relatively low demand amongst the working classes for Extension courses in economics were, Hobson reasoned, both general and particular. Working men were deterred from Extension courses by the price of tickets, the problem of distance, and the occasional inconvenience of the hour, to which, in mixed class communities, was added the problem of frequent domination of the local Extension committees by middle-class members, who possessed the leisure and means to organize lectures, arrange appropriate publicity, and guarantee the expenses.[123] Wherever it was thought that middle-class-dominated committees were responsible for the scarce attendance of working men, Extension lecturers might recommend the inclusion of working-class representatives on the committees,[124] but since these were entirely voluntary the central Extension organizing bodies had no jurisdiction over their social composition or mode of operation. Finally, in some cases an existing working-class demand for higher education might result in self-organized activity outside the framework of the Extension.[125]

More particularly there was the relative unattractiveness of economics, which, Hobson claimed, was due to the loss of the definitiveness of economic dogma and its consequent failure to satisfy ‘the natural craving of practical people for that premature exactitude and certainty in the subject of their study which was fostered by the writings of the classical economists’.[126] Extension students often were found to prefer subjects that had as little to do as possible with their work life.

Worker and employer are too often sick of the mill or the shop at the end of a long day’s work, and, if they have any intellectual interests, turn by preference to those studies which take them as far as possible from business. … [T]he preference for studies which shall furnish a strong relief to the care and toil of business has barred for many the entrance to economic study.

Finally, the standard introductory course, consisting of ‘schedules of demand and supply prices, laws of rent and interest, and bewildering definitions of value and money’, often frightened potential students, especially wherever the level of general education was low to begin with.[127] ‘Many working-men of real intelligence’, Hobson felt, ‘are baffled and

deterred by the metaphysical intricacies of definition which have, by many writers, been so carefully laid upon the threshold of their study'.[128] Finally, Hobson believed,

There is a feeling on the part of some Committees that Economics is a'dangerous' subject. Now this is a most 'dangerous' opinion, acting as it does as a deterrent of economic study, and leaving the settlement of economic issues to the arbitrament of ignorance, selfishness, and brute force. The most powerful claim of economic teaching is the growing need of an enlightened public opinion upon industrial and social questions.

A related problem was the difficulty the central organizing bodies encountered in their attempts to induce local centres to arrange schedules of systematic studies. Most centres tended to prefer short—six-lecture—introductory courses, while most lecturers, including Hobson, maintained that the full twelve-lecture course was a more adequate unit of work —'twice as valuable as two courses of six lectures'.[129] Hobson, for instance, believed that the full 'Making and Sharing of Wealth' course was far better than two consecutive short courses on 'Making' and on 'Sharing'. '[I]n dealing with such a subject,' Hobson reasoned, 'it is essential that the whole thing…should be set forth.'[130] He therefore opposed the suggestion that two short courses might be recognized as one big one. In a different context Hobson also defended examinations and the award of certificates and marks of distinction, which were a central feature of the long Extension courses. 'Where competition', he wrote, 'acts as a spur to excellence of work, concentrating the thoughts upon the work in hand, and does not cause malicious brooding and contrivance to secure the failure of another, it occupies a legitimate place'.[131]

Whatever the length of the course or its methodological approach, Hobson tried to provide his students with some elementary tools for the analysis of particular current problems. In his 'Work and Wages' course, for instance, he discussed matters including female wage labour, the eight-hour day, the co-operative movement, minimum wages, etc. In The Making and Sharing of Wealth', although the syllabus was mainly theoretical and general, Hobson had set as subjects for weekly essays topics such as:

2 Should the following things be reckoned as Capital?
(1) the coat on a labourer's back; (2) the goodwill of a business; (3) the voice of a public singer; (4) a doctor's carriage; (5) the water of Burton; (6) bills of exchange.
If they are capital, state whether social or individual capital.[132]

20 State the chief causes determining the remuneration obtained for their labour by (1) soldiers, (2) miners, (3) lace-designers, (4) judges, (5) hangmen, (6) professional cricketers.

23 How would the general wage-level, or class-wages, be affected by (1) a successful system of technical education, (2) the disuse of alcoholic drinking, (3) 'Nationalisation' of Land.

Hobson proved a highly successful Extension lecturer. From Michaelmas 1887 until Michaelmas 1897 he lectured during every lecturing season but one (Lent 1889) sometimes at up to six (Michaelmas 1893, Michaelmas 1896) and even seven (Michaelmas 1891) centres, and at many centres he had lectured more than once (four seasons at Bridport and Tean, three at Westbourne Park and Woolwich, etc). Economic necessity may have been a factor in his choice of an Extension career, but, while the number and frequency of his Extension engagements dropped after 1897 following his father's death and his consequent economic security, he continued to lecture for the London Society, delivering five courses, the last in

1906–7 and in 1909–10, for three consecutive seasons.[133] Judging by his criticism of standard university teaching and his stated views on higher education, Extension work was not Hobson's second-best alternative but his first. It would indeed be difficult to reconcile these statements with coaching at Oxford or the pursuit of a college fellowship. Nor did his views necessarily preclude the possibility of any university appointment, as his engagements at the LSE (1896–7, 1914–16) would seem to indicate.

Finally there remains the question of the inaccuracies contained in Hobson's autobiography concerning his Extension career and the related matters discussed above. In some instances the wording in the *Confessions* would seem to indicate a conscious attempt to create an impression contrary to the facts revealed by research: the 'seed of doubt' anonymously planted in the young Hobson's mind regarding the orthodoxy taught by Ede; his failure to mention the London Society's eventual permission in 1894 for him to teach economics; his teaching on behalf of the Oxford Extension economic courses covering subjects other than merely 'practical issues relating to working-class life';[134] the sudden inexplicable withdrawal of an invitation by the COS to deliver a course that, in fact, he was never asked to teach; his unmentioned less than heroic attempts to persuade the London Society to change its mind; his Virtual abandonment of University Extension work in the beginning of the new century',[135] whereas his last extension course was delivered in 1910; etc. The reasons for and the significance of these digressions from factual truth must await a comprehensive biography of Hobson.

I am grateful to R.D. Free for his invaluable help in compiling the material for this paper.

1 J.A. Hobson, *Confessions of an Economic Heretic* (1938; Hassocks, Sussex, 1976), p. 23.

2 ibid., p. 24.

3 See Peter Clarke, *Liberals and Social Democrats* (Cambridge, 1978), p. 46, in which Hobson is compared to Spencer in their 'touchy reluctance…to acknowledge any intellectual debts'. The one exception in Hobson's instance is Ruskin. See also P.J. Cain, 'J.A. Hobson, Cobdenism and the radical theory of economic imperialism, 1898–1914', *Economic History Review*, vol. 31 (November 1978) in which Cain traces the tradition of opposition to Say's Law while accepting Hobson's claim of having been unaware of his heretical predecessors.

4 University of Cambridge Library, BEMS, 26/1.

5 *The Times*, 3 June 1935.

6 *The Times*, 6 June 1935.

7 *The Derbyshire Advertiser and North Staffordshire Journal*, 16 October 1874.

8 Rev. W. Moore Ede, *Syllabus of a course of lectures on The Age of George III* (Sheffield, 1879), p. 9.

9 e.g. J.A. Hobson, *The Evolution of Modern Capitalism. A Study of Machine Production* (London, 1894), p. 363: 'The love of science, the pure delight of mechanical invention, the attainment of some slight personal convenience in labour, and mere chance, play the largest part in the history of industrial improvement.' Also J.A. Hobson, *Problems of Poverty. An Inquiry into the Industrial Condition of the Poor* (London, 1891), p. 132: 'If the mere accumulation of material wealth…be regarded as the industrial goal, it is quite conceivable that a policy of *laissez faire* might be the best means of securing that end.'

10 Compare Hobson, *Modern Capitalism*, ibid, p 351: The unprecedented rapidity and irregularity of the discovery and adoption of the new methods [of production] made it impossible for the structure of industrial society to adjust itself at once to the conditions of the new invironment.'

11 See Hobson, *Confessions*, op. cit. (n1), p. 24n.

12 *Derbyshire Adv Advertiser*, 16 October 1874.

13 *The Keighly News*, 28 March 1874.
14 *The Keighly Herald*, 28 March 1874.
15 University of Oxford Archives, Minutes, Committee for University Extension, 18 June 1887, DES/M/1/1.
16 ibid., 24 November 1887, and Historical Register, DES/RG/8/1.
17 Hobson was appointed lecturer for the London Society in February 1887 (University of London Library, Senate House, London Society Archives, Minutes of the University Board, 10 February 1887, EM1/1). See also advertisement in *Hants and Berks Gazette*, 8 October 1887, and Hobson's report in Lecturers' Reports, EM2/23/5.
18 List of Lectures, March 1888, DES/M/1/1.
19 DES/M/1/2.
20 Historical Register, DES/RG/8/1.
21 In addition he delivered at Coventry in spring 1894, by private arrangement, a course on 'Making of Wealth', which was continued in the autumn as an official Extension course.
22 Hobson, *Confessions*, op cit. (n1), p. 31.
23 G.J. Goschen (first president of the London Society) to the Oxford Vice Chancellor, 19 December 1889, DES/M/1/2.
24 M.E. Sadler to Hobson, 5 December 1891, Oxford Extension Letter-book #4, Oxford Archives. For example, the Chelsea centre engaged in Michaelmas 1888 H. Ll. Smith of the Oxford Extension for a course on political economy, which was consequently approved of and recognized by the London Society (Minutes, EM1/1, 23 November 1888; see also 22 February 1889).
25 London Society, Minutes, 26 November 1890, EM1/1.
26 Greater London Record Office, A/FWA/c/A1/19/1, 17 February 1890. The resolution was moved by the Rev. Cannon E.H. Bradly, chairman of the Council, and adopted unanimously
27 Administrative Committee minute book, vol. 33, 6 March 1890—February 1891, pp. 114–15; Greater London Record Office, A/FWA/c/A3/27.
28 ibid., 10 July and 24 July 1890, pp. 127, 139.
29 *Twenty-Third Annual Report of the Council of the Society for Organizing Charitable Relief and Repressing Mendicity* (London, 1892), pp. 2, 3.
30 C.S. Loch to H.S. Foxwell, 2 July 1890, Foxwell papers 9/191. The present location of the Foxwell papers is registered with the National Register of Archives.
31 Administrative Committee minute book, vol. 27, p. 153; see also p. 147.
32 London Society, Minutes, 26 November 1890, EM/1, and COS Administrative Committee minute book, vol. 28, 12 February 1891–14 January 1892, A/FWA/c/A3/28.
33 On Essex Hall see Mortimer Rowe, *The Story of Essex Hall* (London, 1959).
34 Lord Snell, *Men Movements and Myself (London,* 1936), p. 160.
35 *Ethical Society. Third Annual Report 1888–1889*.
36 J.A. Hobson, 'Introduction' to John Ruskin, *Unto this Last* (London, 1903), p. 13.
37 Fellow members of the education committee were B. Bosanquet and James Bonar.
38 *London Ethical Society, Fifth Annual Report. July 1890 to June 1891*.
39 Wicksteed to Foxwell, 11 July 1890, Foxwell papers, 11/191.
40 Wicksteed to Foxwell, 14 July 1890, Foxwell papers, 10/191.
41 'London Ethical Society. Proposed scheme of work under the society for extension of university teaching', appended to *London Ethical Society. Sixth Annual Report, July, 1891 to June, 1892*.
42 London Society, Minutes, 18 October 1891, EM1/1.
43 J.H. Muirhead to Foxwell, 9 December 1891, Foxwell papers, 16/241.
44 Draft dated 11 December 1891 in ibid. See also Muirhead's reply, 12 December 1891 in

Foxwell papers 87/122.

45 Muirhead to Foxwell, 31 December 1891. Foxwell papers.

46 Roberts to Foxwell, 22 December 1891, Foxwell papers, 19/241.

47 Hobson to Foxwell, 12 January 1892, Foxwell papers, 15/241.

48 London Society, Minutes, 14 January 1892, EM1/1.

49 ibid., 22 February 1892.

50 e.g. H.S. Foxwell, 'The economic movement in England', *Quarterly Journal of Economics* (October 1887).

51 H.S. Foxwell, 'Irregularity of employment and fluctuations of prices', in *The Claims of Labour* (Edinburgh, 1886), p. 271.

52 ibid., p. 194.

53 Hobson, *Modern Capitalism*, op. cit. (n9), p. 237.

54 Foxwell, 'Irregularity of employment', op. cit. (n51), p. 221.

55 Hobson and Mummery, *Physiology of Industry* (London, 1889), p. 194.

56 Edgeworth's review in *Education* is quoted at some length in T.W. Hutchison, *A Review of Economic Doctrines 1870–1929* (Oxford, 1953), resulting in the later confusion of Edgeworth with the 'Economics professor' mentioned in Hobson's *Confessions*. In 1886 a request by Edgeworth to the London Extension Society to be allowed to teach economics on its behalf was declined due to lack of demand for more economics lecturers. His name was added to the lecturers' list in February 1890.

57 *Economic Review*, vol. 1, no. 1 (January 1891).

58 Hobson, *Problems of Poverty*, op. cit. (n9), pp. vi, 53 n1.

59 *Economic Journal*, vol 1 (September 1891), and *Westminster Review*, vol. 136 (July 1891).

60 *Economic Journal*, vol. 4 (December 1894).

61 In a later correspondence with E.R. Pease of the Fabian Society (following Pease's criticism of *The Problem of the Unemployed* in the *Fabian News*, December 1896), Hobson insisted that his use of the terms 'consumption' and 'consumption goods' was in keeping with 'all the leading textbooks up to Marshall' while, in a subsequent letter, acknowledging the problem of conducting a discussion on economic matters with the use of 'shifty terminology' (Hobson to Pease, n.d., Fabian Society papers, A7/3, 34–39, Nuffield College, Oxford). I am grateful to Michael Freeden for bringing the Hobson-Pease correspondence to my attention.

62 *Oxford Magazine*, 21 November 1894.

63 Economic Review, vol. 5 (January 1895).

64 *Westminster Review*, vol. 142 (November 1894).

65 e.g. 'Democratic Sentiments', 29 November 1891, 'Quantity and Quality of Life', 4 December 1892, 'The Growth of Town Life', 26 February 1893, 'Rights of Property', 14 May 1893, etc.

66 *London Ethical Society. Eleventh Annual Report July 1896 to October, 1897*. See also John Allett, *New Liberalism. The Political Economy of J.A. Hobson* (Toronto, 1981), pp. 25–6.

67 *London Ethical Society. Eighth Annual Report, July 1893 to June 1894* and Lecturers' Reports (London) EM2/23/18. The record on the matter had been first set straight by J.H. Burrows, The teaching of economics in the early days of the university Extension movement in London 1876–1902', in *History of Economic Thought Newsletter*, spring 1978. Burrows' account is partly based on a book of minutes of the London Society's Board which has since gone missing.

68 Hobson, *Confessions*, op. cit. (n1), p. 37.

69 J.A. Hobson, The academic spirit in education', *Contemporary Review*, no. 326 (February 1893), p. 287.

70 ibid., p. 238.

Contrary to the self-image of the ideologically committed academic social reformer Hobson believed that academia and effective reformism were mutually exclusive.

71 ibid., pp. 239–40.

72 ibid., p. 241.

73 ibid., pp. 241–2.

74 J.A. Hobson, 'Human cost and utility', *Economic Review*, vol. 6 (January 1896), p. 10.

75 Hobson, 'The academic spirit', op. cit. (n69), p. 245.

76 ibid., pp. 246–7.

77 J.A. Hobson, *John Ruskin. Social Reformer* (London, 1889), p. 233.

78 Hobson, *Problems of Poverty*, op. cit. (n9), p. 180.

79 Hobson, *John Ruskin*, p. 235.

80 J.A. Hobson, 'Why is Political Economy unpopular?' *The Oxford University Extension* Gazette (March 1891).

81 J.A. Hobson, 'The teaching of economics', *The University Extension Journal* (Oxford, Cambridge, London and Victoria), (March 1896).

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86 J.A. Hobson, *Syllabus of a course often lectures on Great Novelists of the Nineteenth Century* (London, 1891), Senate House EM/2/20/40.

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89 *Hobson, John Ruskin*, op. cit. (n77), p. 256.

90 Hobson, *Confessions*, op. cit. (n1), p. 71.

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92 Lecturers' Reports (Oxford), DES/Q/16.

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95 Lecturers' Reports (London), EM2/23/37, Southwark, Michaelmas 1900, 'Great Novelists of the Nineteenth Century'.

96 Hobson, 'The teaching of economics', op. cit. (n81).

97 Hobson, 'Human cost and utility', op. cit. (n74).

98 Lecturers' Reports (Oxford), DES/R/13.

99 Hobson, The teaching of economics', op. cit (n81).

100 Hobson, *Modern Capitalism*, op. cit. (n9), p. 2.

101 ibid. p. 11.

102 Hobson, 'Why is Political Economy unpopular?', op. cit. (n80).

103 See R.B. Braithwaite's article on Johnson in *D.N.B. 1931–1940* (Oxford, 1949), and C.D. Broad's in *Proceedings of the British Academy*, vol. 17 (1931). Johnson held no permanent at Cambridge until 1902 when he was appointed to the newly created Sidgwick lectureship in moral science.

104 Lecturers' Reports (London), EM2/23/22, Borough Polytechnic, Lent 1896.

105 ibid.., EM1/23/24, Westbourne Park, Lent 1897, and Woolwich, Lent 1897.

106 Lecturers' Reports (Oxford), DES/R/9.

107 ibid., DES/R/20.

108 Lecturers' Reports (London), EM2/23/23.

109 ibid., EM2/23/24.
110 Hobson, ‘Why is Political Economy unpopular?’ op. cit. (n80).
111 J.A. Hobson, ’ *The Economics of Distribution* (1900; New York, 1907), p. vi. Hobson lectured again at the LSE in 1914–16; see *The London School of Economics and Political Science. Register 1895–1932* (London, 1934), p. 250.
112 Hobson, *The Economics of Distribution,* ibid., p. 3.
113 ibid., p. 4.
114 Lecturers’ Reports (Oxford), DES/R/13, Bridport 1892–93.
115 ibid., DES/R/19, Coventry, Michaelmas 1894.
116 ibid., DES/R/16, Tean, Michaelmas 1893.
117 J.A. Hobson, *Syllabus of a course of ten lectures on the Structure of Modern Industry* (London, 1896), Senate House, EM2/20/17.
118 J.A. Hobson, *Syllabus of a course of ten lectures on the Making and Sharing of Wealth* (London, 1896), Senate House, EM2/20/18.
119 e.g. compare Hobson on value in ibid., lecture 8, and in *The Economics of Distribution,* op. cit. (n111), ch. 3.
120 e.g. Lecturers’ Reports (Oxford), DES/R/8, Bridport, Lent 1891.
121 ibid., DES/R/16, Leamington, 1893–4.
122 ibid., DES/R/13, Leek, Michaelmas 1892.
123 e.g. see ibid., DES/R/5, Hobson’s report on courses in Ramsgate and Margate: ‘the work is supported by the foundation of a sub-committee of ladies who take so many tickets each and press the movement on the attention of their friends so that they have no excuse for not knowing about it.’
124 See ibid., DES/R/13, Leek, Michaelmas 1891, and Lecturers’ Reports (London), EM2/23/23, Mansfield House, Canning Town, Michaelmas 1896.
125 A. Kadish, ‘University extension and the working classes: the case of the Northumberland miners’, *Historical Research,* vol. 50 (June 1987).
126 Hobson, ‘The teaching of economics’, op. cit. (n81).
127 See Hobson’s comments in Lecturers’ Reports (Oxford), DES/R/13, Bridport, 1892–3: ‘The absence of any comprehensive system of secondary education is at present an impenetrable barrier to the progress of University Extension work on its literary and philosophic side among the working classes in the South of England.’
128 Hobson, ‘The teaching of economics’, op. cit. (n81).
129 Minutes (Oxford), 10 February 1890, DES/M/1/2.
130 Lecturers’ Reports (Oxford), DES/R/13, Bridport 1892–3.
131 *Hobson, John Ruskin,* op. cit. (n77), p. 240.
132 Compare with the question set by W.E. Johnson for the course’s examination: ‘Define the terms “capital”’, etc.
133 The last two lectures of Hobson’s last course at Morley College were taught by his son-in-law, E.T. Scott (1883–1932), a recent graduate of the LSE; see Lecturers’ Reports (London), EM2/23/62.
134 Hobson, *Confessions,* op. cit. (n1), p. 31.
135 ibid., p. 74.

9
Hobson and internationalism

BERNARD PORTER

J.A. Hobson was born in British liberalism's golden age, and died at a time when liberalism seemed finally eclipsed. 1858 was a year of prosperity, of domestic stability, and of political optimism; it also marks the start of a long period of international peace so far as Britain was concerned. By contrast, 1940 was the year in which Germany overran Belgium, Holland and northern France, and Britain's real war with her began. Much of Hobson's writing in the years between, and particularly in the 1910s and 1920s, was devoted to trying to account for and if possible reverse this devastating fall from grace. For Hobson it was more devastating than for some others, because of his early 'steeping', as he put it in a lecture in 1920, 'in the principles of Cobden and his British school of liberals'.[1]

Cobden came into the picture because of his belief, which Hobson desperately wished to share, that free trade would achieve international peace. That belief was most eloquently stated in a speech he gave to his supporters in Manchester on the eve of the repeal of the Corn Laws, in January 1846. 'I have been accused', he stated, 'of looking too much to material interests'. That is a common charge against free marketeers. In Cobden's case, however, he felt it was unfair. Material comfort was one of the benefits of the 'mighty principle' of free trade, but it was not the chief one. 'I look farther', he went on.

I see in the Free-trade principle that which shall act on the moral world as the principle of gravitation in the universe,—drawing men together, thrusting aside the antagonism of race, and creed, and language, and uniting us in the bonds of eternal peace. I have looked even farther. I have speculated, and probably dreamt, in the dim future—ay, a thousand years hence—I have speculated on what the effect of the triumph of this principle may be. I believe that the effect will be to change the face of the world, so as to introduce a system of government entirely distinct from that which now prevails. I believe that the desire and the motive for large and mighty empires; for gigantic armies and great navies—for those materials which are used for the destruction of life and the desolation of the rewards of labour—will die away; and I believe that such things will cease to be necessary, or to be used when man becomes one family, and freely exchanges the fruits of his labour with his brother man. I believe that, if we could be allowed to reappear on this sublunary scene, we should see, at a far distant period, the governing system of this world revert to something like the municipal system; and I believe that the speculative philosopher of a thousand years hence will date the greatest revolution that ever happened in the world's history from the triumph of the principle which we have met here to advocate.[2]

It was this kind of vision that justified the subtitle Hobson chose for his biography of Cobden, published in 1919: 'The International Man.'

The logic of the connection between free marketism and world peace is easy to grasp. It

rests on the assumption, which all free marketeers make, that trade is good for everyone. Left to follow its own natural proclivities it maximizes prosperity, distributes it efficiently, and allows all men and women a share. It is more profitable in the long run than theft, which might at first glance seem a quicker way to riches, because theft arouses resentments whose repercussions may require costly measures to protect the thief against. Trade—the exchange of goods, labour, capital and services—does not arouse resentments, because it is freely entered into on both sides. You can choose not to sell in a particular market, in a way you cannot choose not to be robbed by a particular bandit. The same applies internationally. The equivalent of banditry on this level is imperialism, which means taking over other countries against their will. That is an expensive process, because it involves diverting valuable resources into holding those countries down. The effect of this is to impoverish the producers—the wealth-creators—either in the bandit country, or among its victims, or both. If the money is raised by imposing monopoly restrictions on the trade of those victims, that compounds the damage, by stifling competition, which is vital to economic growth. Because the international economy is interdependent, or should be, this has knock-on effects throughout the whole world. Whichever way you look at it, wars and imperialism are bad business, which is why *good* business—free trade—is the only sure antidote to war. This is what elevates it above the merely mercenary, into Cobden's grand *moral* principle of universal peace.

There was another important aspect to it in Cobden's time. Free trade was believed to be not only moral, but also inevitable. This was because man was essentially rational, and was bound to come round to any good business proposition when it was presented to him properly. The best way of presenting it was to give him a practical demonstration of its success. One such demonstration was the Great Exhibition of 1851, seven years before Hobson's birth, and, indeed, the whole economic and social experience of Britain during the 'Golden Years' that followed. No better proof of the free trade pudding could be conceived. Foreigners, surely, were bound to agree. In June 1858, just ten days before Hobson drew his first breath, the Chinese seemed to agree, when they signed a treaty with Britain opening up some of their ports to western trade. They had to be browbeaten into this concession, true; but they would come to be thankful for it in time. Two years afterwards came the great Cobden-Chevalier commercial treaty between Britain and France, which did not involve any browbeating and was supposed to be the prelude to a general international liberation of trade. All this helps to explain why the mid-Victorians were so optimistic. Progress was in the air. It seemed guaranteed, chiefly by the fact that it rested, not on mankind's better nature, which was a questionable commodity, but on something far more dependable: his sense of his own self-interest, or, if you like, his greed. That was the mechanism that would eventually abolish war. Victorian liberals did not even have to put any effort into it. Universal peace would come about in time automatically, through the operation of God's and political economy's 'natural' laws.

Cobden died, in 1865, before any serious dents could be made in this body of assumptions—though the Crimean war seemed a blow at the time. Hobson, however, lived on, and into a period of growing disillusionment with the Cobdenite vision, which probably began with Bismarck's *realpolitik* in the later 1860s, though Hobson was far too young to be aware of the implications of that, and continued with the 'new' imperialism, as it was called, of Gladstone's and Salisbury's day. At the same time as the Scramble for Africa was raising doubts about the chances for the withering away of 'great and mighty empires', the 'Great' depression and the 'social problem' at home in Britain were beginning to nibble away at middle-class confidence in some of Cobden's other favourite nostrums too. It was this aspect of the general crisis of the 1880s that, as is well known, attracted Hobson's attention first. Depressions and social problems were not things that orthodox free marketeers could easily

cope with. They seemed to indicate inefficiencies or flaws in the system that by rights should not have been there. Hobson got into an argument about this with his friend A.F. Mummery, who at length, as Hobson relates in his autobiography, persuaded him that the fault lay with 'excessive saving', which accounted for the 'under-employment of capital and labour in periods of bad trade'.[3] From that original 'economic heresy', first published in *The Physiology of Industry* (1889), all Hobson's other ideas later sprang.

We can see the ripples spreading outwards from that first little pebble thrown into the pool in the progression of his writings thereafter. From the purely economic he moved on to the social, in the series of books and articles he wrote in the 1890s on poverty and unemployment;[4] then on to foreign trade[5] and imperialism;[6] and finally to international relations in their widest sense.[7] This development was influenced by the sequence of contemporary events, of course, as well as by the internal logic of his own thought. The two tied in nicely. One of the effects of 'excessive saving' was to create pressures on governments to find investment outlets outside Britain, which gave rise to imperialism, as exemplified dramatically - Hobson believed—in the South African war. Imperialism in its turn found itself coming into conflict with other national imperialisms, fuelled from similar sources, and eventually—in 1914—erupted into general European war. Each of these stages was depressing not only materially, but also—for someone 'steeped in the principles of the British school of liberals'—ideologically. 'In other words', Hobson wrote after the last catastrophe, 'history was playing havoc with the economic harmonies upon which Bastiat and Cobden relied for the peaceful and fruitful co-operation of capital and labour within the nation, and of commerce'—and consequently peace—'between the different countries of the world'.[8] It is not unusual to find history playing havoc with philosophy—which is why the world needs historians as well as philosophers. Hobson was not a historian; but in this instance he was less thrown by the turn of events than other liberal philosophers might have been. When the Great War, as he later recalled, 'fell upon us as a terrible surprise',[9] he had his answers ready. Twenty years earlier, in his most famous book, he had told how imperialism 'implies militarism now and ruinous wars in the future'; though he did not dwell on this then.[10] On the eve of this war, in 1913, he issued a pamphlet called *The German Panic* (after Cobden's famous *The Three Panics* of 1862), which warned his countrymen of the danger that threatened if what he took to be the unreasonable Germanophobia of the time were persisted in. In these prewar works, and in others, the main source of the danger was seen to be the ability of certain special interest groups (chiefly financiers, the armed services and certain arms-related industries) to corrupt and distort the natural cooperative and pacific tendency of commercial capitalism to the detriment of society as a whole.[11] He believed these risks could be averted. It depended, he wrote in the final chapter of *Imperialism,* 'upon the education of a national intelligence and a national will, which shall make democracy a political and economic reality', and so undermine the stranglehold of the interest groups. This would enable to be released 'the genuine forces of internationalism', which would 'first display themselves as economic forces, securing more effective international co-operation for postal, telegraphic, railway, and other transport services' and the like, then as other forms of transnational cooperation, and would finally culminate in a federation of the world.[12] In 1912 he returned to the subject of The Importance of Instruction in the Facts of Internationalism' in a paper read at a Peace Congress, in which any fears he might have had were kept well under control. A 'larger, more powerful, and truer unity' between peoples, he claimed, was on its way. Already 'the world state is advancing very rapidly on its economic side'.[13] But he knew whom to blame if there were any accidents on the way.

When the accident happened on 4 August 1914, therefore, Hobson may have been as surprised as he said he was (though many of his compatriots were not); but he was not

unprepared. Consequently he was able to limit the damage that might otherwise have been done to his liberalism. When the smoke from the initial volleys cleared a little, Cobden, for example, could still be seen standing tall amongst the ruins, like a church belfry or (perhaps more appropriately, for a 'Manchester man') a chimney stack. 'Cobden', Hobson wrote defiantly in 1915, 'was not mistaken in regarding Free Trade as a great peacemaker'. His error had been that he could not foresee 'two counteracting influences', which would vitiate its beneficent effects. One was the disproportionate influence exerted over the foreign policies of nations by Hobson's special interest groups. The other was the continuing evil consequence of the maldistribution of wealth in capitalist countries, which deprived industry of the domestic markets that a better-paid proletariat would provide for it, and so compelled it to compete dangerously with other national economies for markets abroad.[14] These were the villains of the piece: not liberal capitalism itself, but a kind of grotesque mutation of it.

This was the salvation of his liberalism through much of the war. In some ways the war even strengthened it. It *had* to shake people out of their error. What might have seemed a Utopian ideal before it, would now appear as a necessity. In July 1915 he completed a blueprint for a scheme of international government, which finished with a peroration almost worthy of Richard Cobden himself—though Hobson could never match the latter's eloquence. 'At the end of this War', he predicted, 'the people' would come to realize where its 'deeper origins' lay—in what he called the 'evil arts' of militarism, secret diplomacy and pressures from special interest groups. Then, he went on,

They will refuse to allow the practitioners of these arts to resume their sway over their lives and to force them once again like dumb, driven cattle towards the slaughter-house. They will insist that the obsolete rhetoric of Power and Sovereignty, with the ideas of exclusiveness and antagonism which it sustains, shall be swept away, and that the affairs which concern nations shall be set upon the same footing of decent, reasonable settlement that prevails in every other human relation. They will require their statesmen and their representatives to think out and establish the necessary arrangements for doing this. When they perceive that these arrangements, to be effective, involve an International Government, with council, courts, and an executive strong enough to carry into effect the common will of nations, they will not be deterred from pressing to this goal by theories about the absolutism of States or the biological necessity of war, or by false analogies from history, but will definitely declare for a Commonwealth of Nations as the only security for peaceful civilization in the future.[15]

Definitely, note; not probably, or hopefully, or when pigs might fly. That—if it can be taken at face value—indicates optimism. Many years later, in his autobiography, Hobson recollected that the 'lesson' of the war for him and his ilk had been to shake their 'belief in man as a rational and thoughtful being…almost to destruction'.[16] If that was so, then it took a little while to sink in.

Towards the end of the war it is possible to detect the disillusion percolating through. The end of his next book, *Democracy after the War*, anticipated much more of a struggle between progress and reaction, with the odds finely balanced, at best.

Such is the issue as I see it emerging from the fog of war. The forces of reaction will be more closely consolidated than before… They will have had recent and striking testimony to the submissive and uncritical character of the people, and of their own ability to impose their arbitrary will upon the conduct of affairs in which the popular temper was supposed to be most sensitive. They will have at their disposal a large number of new legal instruments of coercion and the habits of obeying them derived from several years of use. The popular mind

will have been saturated with sentiments and ideas favourable to a constructive policy of national defence, Imperialism, Protectionism and bureaucratic Socialism making for a close State under class control with the empty forms of representative government. All the educative and suggestive institutions, Church, schools and universities, Press, places of amusement, will be poisoned with false patriotism and class domination masquerading as national unity.

That was on the one hand. On the other, 'a powerful fund of genuine democratic feeling will be liberated with the peace'. The 'temper of the peoples' would be 'irritable and suspicious', and much of that irritability would be turned against the ruling classes. All over Europe 'popular discontent will be seething'. In other words, Hobson went on,

all the factors of violent or pacific revolution will exist in conscious activity. The raw material and energy for a great democratic movement will be at hand, provided that thought, organization and direction can make them effective.[17]

It is the proviso that is significant. There was no longer any guarantee that liberalism would win through. It depended, now, on a great popular effort against enormous odds.

That marked a significant stage in the process by which Hobson was being prised away, painfully, from his mid-Victorian roots. These sentiments diverged from the liberalism of the past in two ways. First, they indicated a loss of faith in the inevitability of progress. Progress was still possible, but it was an uphill, not a downhill, path. Secondly, in order to achieve it, the 'democracy' would need to be involved. The mid-Victorians had not rated democracy very highly, because they did not think it mattered who ran the state machine. The important thing was to ensure that its powers were minimal. 'The functions of the State', recalled Hobson, 'were to be purely defensive, directed to prevent the interference of one person with another, within national limits, and of one nation with another in the wider world of States and governments'.[18] That would leave everything to get better naturally. But of course it had not worked out that way. Instead, the world had seen class conflict, imperialism, militarism and the most destructive war in its history. One reason for this was that minimal states allowed sectional interests to take advantage of them. That was why 'the people' needed to be brought in.

This was crucial to Hobson's international scheme. In one way it was a return to Cobden. Cobden had maintained that the chief enemies of international peace and concord were the upper classes, who still pulled the strings of 'secret' diplomacy in his time. The rise of the middle classes had been unable to make much of an impression on that in the nineteenth century, and nor, Hobson claimed, had the rise of 'democracy' in *his* day. One of the reasons for this (and for his early involvement in the Union of Democratic Control) was that foreign policy-makers were still not properly accountable. Another was that postwar 'democracy', everywhere in the world, was a sham. In some countries there was no majority franchise. In others, where there was, 'the formal government by the people' was nevertheless 'controlled for all essential purposes by small powerful groups and interests'.[19] That was the case in Britain. Very little had changed since Cobden's day. The controlling groups were more likely now to be plutocrats than aristocrats. They also needed to be cleverer in the way they went about exerting their control. Their main technique now, claimed Hobson, was 'the artful management of that force called public opinion'.[20] They spread their poisons, in other words, through the press. So, 'The governing few…still pump down their will through the organs of public opinion upon the electorate, to draw it up again with the formal endorsement of an unreal general will or consent of the governed.'[21] That was not what Hobson understood by

democracy. And it was the main hindrance—he had come to think after the war—to the achievement of a rational world order.

'Thus', he wrote in 1921, 'education, in the wide sense of that word, emerges as the final issue'. A truly free press; non-sectarian schools; 'churches and theatres which shall be vehicles for free thought and feeling': these were the key. The main task of liberal internationalists in the future would be 'to liberate, to cleanse and to improve these organs of opinions, so as to make them fit channels for the returning tide of reason'.[22] That was the solution. Clean out the carburettor, and the car would run smoothly again. The difficulty with that, of course, is to know *how* you can clean the carburettor if the owners will not let you near the engine. Hobson was weak on this. His books rang with moral appeals to mankind's better and more rational nature, which were clearly hollow if what he also said about media manipulation was right. 'Here we enter', he wrote in 1921, 'perhaps the most vicious of all the circles that imprison us. Better education might go far, but the enemies of Democracy can see to it that education is bad. And this they do.'[23] Later on, in 1934, he returned to the problem. 'It is idle to ignore or minimise the human obstacles to success in this struggle', he wrote. The profiteers and militarists would not relinquish their grip on the channels of communication easily. 'Class-war and national war cannot be exorcised by smooth words.'[24] So, if not by smooth words, then how? Hobson did not say. The best he could do was to hope that it would get easier. Mankind, he thought, was improving. Even in his old age, and with Mussolini and Hitler rampant on the Continent, he thought he saw glimmerings of this. His readers, he wrote, 'need not despair'. Despite the 'temporary setback' of the years since the war, they could discern 'a ripening of pacific and co-operative feeling and a new perception of identity of long-range interests', which afforded, he thought, a 'rational hope' for the world.[25]

There are many passages like this in the later Hobson: expressions of confidence in mankind's future, clearly deriving more from blind faith than from empirical observation, vague in the extreme, and uttered in the teeth of almost everything that was happening around him then. One assumes that they were genuine and were a real comfort to Hobson. Whether they were to his readers must be problematical. It took an incorrigible optimist to believe in human perfectibility in the 1930s. A more promising approach may have been the one that Hobson hinted at, but did not develop, in *The Recording Angel*, published in 1932. This is a strange book. It was written in the form of a 'Centennial Report upon the condition of our Earth' compiled for the 'Recording Angel' by his agent or 'Messenger' there. Like all Hobson's later works it is mainly dispiriting. Most of it chronicles the complete domination of the forces of reaction, or the 'Great Adversary', throughout the world. But there is—again—a ray of hope at the end. This time it does not entirely rest on a belief in progress. The Great Adversary cannot be defeated by Good alone. He needs a 'shift of circumstances' against him. Mankind requires a shock, a crisis, an emergency, to release his innate powers. That crisis will be provided from *inside* the enemy. 'I see signs of a breakdown of profiteering Capitalism', says the Messenger, 'not so much from any revelation of its greed, oppression, and injustice, as from an internal malady assailing it in its most sensitive organ'. He is referring to the Slump. He does not spell it out, but it is faintly reminiscent of Marx's 'internal contradictions'. It will result in the 'collapse' of this particular capitalist mutation, which will then deprive nationalism and imperialism of *their* life-blood. Then, he predicts, The cause of pacific Internationalism would…pass from its phase of sentimental idealism into actuality.' There we have it: the transition. But it requires the Adversary to self-destruct first.[26]

Hobson's 'internal malady' was, of course, very different from Marx's. The difference between them on this was also what distinguished Hobson's theory of imperialism from Lenin's. It was fundamental. What Lenin believed to be an intrinsic flaw in capitalism

Hobson regarded as merely a perversion. Both seemed to anticipate that it would provoke a crisis. Lenin saw that crisis giving birth to socialism, via the proletarian state; Hobson hoped that it would return capitalism to its purest liberal form, via 'democracy'. There should by now be no confusion over this. Lenin and Hobson were at opposite poles of the contemporary political spectrum, with Lenin concerned to destroy, and Hobson to preserve, liberal capitalism. He wanted not only to preserve it, but also to liberate and extend it as far as it would possibly go. In this he was at one (again) with Cobden. The difference was, however, that Hobson saw that this would not happen merely by leaving capitalism alone.

This, of course, was the idea that lay at the heart of the 'new liberalism' of the early 1900s in the domestic field: that true liberty could only be secured for individuals if it were positively protected and nurtured by the state. This applied to capitalists as well as to anyone else. Left to themselves capitalists tended to take actions that maximized their sectional short-term interests at the expense of the community at large. State measures to redistribute purchasing power, for example, and prevent combinations and trusts in restraint of trade, though they might seem to be inhibiting particular capitalists, had the effect of boosting the system as a whole. This should be the 'crucial test' for all economic policy, wrote Hobson in 1921: 'Does it increase productivity'?[27] Productivity was the answer to the world's problems too. Just as in the domestic case, it justified interference in the economies of other countries, for the general good. 'Modern internationalists are no longer mere non-interventionists', wrote Hobson in his book on Cobden, 'for the same reason that modern Radicals are no longer philosophic individualists.' He could understand why Cobden had been a non-interventionist: because the only agencies that could possibly have intervened in his day had been aristocratic cliques and governments, which would certainly have intervened in the wrong way. But it would be different, Hobson insisted, with democracies, which had everyone's interests genuinely at heart.[28] This was why Hobson's internationalism envisaged an effective world government, and not just a peace-keeping force: to maximise liberty and prosperity in the world, and keep the peace better that way.

One of the first tasks of such a world government would be to liberate commerce and industrial activity generally from all *national* constraints. Hobson was particularly keen on this. The most obvious form of national constraint was protectionism, which he regarded as 'a crime -1 had almost written *the* crime—against civilization'.[29] That was because protective tariffs hampered economic growth and provoked wars. But he went further. For some of his anti-colonialist contemporaries and disciples, one of the most awkward passages in *Imperialism: a Study* was the one in which he defended the capitalist exploitation of underdeveloped countries, even against the wishes of their inhabitants, on the grounds that they should not be allowed to waste resources that properly belonged to the world.[30] He reiterated this in his international government book in 1915. 'The occupiers of a land containing rich resources which can be developed for the benefit of mankind', he asserted, 'have no "right" to withhold them. If they cannot or do not desire to develop them themselves, they cannot properly resent the claim of outsiders to come in and do this work.' Of course such exploitation had to be properly supervised. It must not lead to political 'injustice', or 'profiteering', or imperialism, or friction between the powers.[31] That was where his world government would come in. But the fact remained that national claims had absolutely no say in this kind of situation. Where the needs of international capitalist development clashed with the desires of a weak and inefficient nationality, the former—in the interests of the wider world community—must prevail.

These principles applied over the whole economic field. Not only trade must move freely, but finance and (subject to certain safeguards to forestall racial tension) labour too.[32] It must be as though there were no national boundaries at all. Hobson would even have liked to ban national trade statistics. They were misleading, because they implied that nations were

competitive economic units, like firms, which they were not. They might also be harmful if they were used to justify restrictive measures, for example to 'improve' balances of trade. In fact, national trade balances meant nothing, because 'the money received for sales has no other significance or value than its power to buy, and trade can only be imaged truly as an exchange of goods for goods in which the processes of selling and of buying are complementary'.[33] A narrowly national way of looking at trade also obscured the common interest that all peoples had in expanding the world market, for everyone's benefit. An extreme example, which Hobson gave in a lecture to an American audience in 1920, was the war-devastated economies of eastern Europe. Because they were devastated, they could not afford to pay for imported food and materials. From a narrow point of view, that made them bad customers for the Americans, who had surpluses to export. If they were not helped, however, they would never revive, and consequently never be good customers again. That would harm everyone's trade, including America's.[34] This, of course, was a view shared by Keynes.

For Hobson it was another telling argument for the creation of a supra-national authority whose main task would be to liberate the world economy from the obstacles put in its way by nationalism and by a narrow, short-sighted calculation of profit and loss. Under its wing impoverished countries would be helped to revive, backward countries forced to develop, every country encouraged to act in the common interest, and no country allowed to obstruct the general economic progress of the world. The result would be to release, almost for the first time, the *cooperative* aspect of liberal capitalism, which Hobson (together with Cobden) had always believed lay at its heart. That would achieve peace. But it could only be done through a certain kind of supra-national body. To achieve that, Hobson had written in 1915, 'the first essential is to destroy, if possible, the notion that internationalism consists in the relations between States as Powers, and to substitute the notion that it consists in the relations between Peoples'; which was entirely different.[35]

Needless to say, the League of Nations, when it finally came into being, fell sadly short of this. Hobson castigated it from the start. 'It was not a League of Peoples, but a League of Governments.' Worse: it was a League of *just some* governments—those of the dominant victorious war allies, 'with a camouflage of picked neutrals', who under its aegis were then enabled to impose *their* settlement on the world. It also had no economic role. A 'real League', he went on, would have begun by setting up an administration to distribute essential food and economic supplies, regardless of which side anyone had been on in the war, and then tried 'to secure, not merely for the present emergency but for a permanent policy, complete equality of commercial and other economic relations' between all the countries of the world. But 'The League which might have done this great work was deliberately maimed at birth by its parents.' This Hobson called 'a treason to humanity'. It was not true internationalism, but a travesty of it; arising, *au fond,* from the fact that nowhere in Europe was 'the People in effective control of its Government'; in other words, from the lack of democracy.[36]

The clear implication of that was that if the people *had* been in control of their governments, and the League had represented them rather than the victorious powers and special interests, you would have had a rush towards internationalism along Hobson's liberal capitalist lines. That must be open to question. So, in truth, must many of Hobson's other beliefs. His underlying one was the store he set by economic development, productivity, the endless expansion of the world market, as a means—the prime means—to achieve international cooperation and peace. This raises some of the biggest difficulties of all.

One problem is whether development in this sense really does or can produce amity between nations. The evidence of recent history suggests otherwise. For Hobson, the guilty parties when it came to warmongering were protectionism, nationalism and imperialism. Free

international trade was the antidote to this: it was essentially pacific because it relied (as we saw) on 'free' exchange. Since 1945 the world has seen less imperialism in the formal sense, and a general demolition of tariff barriers, enabling capitalism to operate 'freely' on a broader international stage than before. It is debatable whether this has conduced to peace. Another name for capitalist development overseas is 'informal imperialism'. It has been blamed for many of the modern world's injustices, and some of the modern world's wars. The problem with informal imperialism is that it is less accountable than the 'formal' kind—answerable only to its shareholders, whose interests are exclusively financial, rather than to governments and peoples, who (in Britain's case, at least) often used to impose conditions that sheltered their subjects from the most unwelcome of the capitalists' demands. Some of the greatest atrocities of the postwar world have been perpetrated by international ('multinational') capitalist firms in the Third World. Perhaps this is an unfair reflection on Hobson's version of international capitalism. Maybe it is the result of perversions—monopolies, exclusive concessions, corruption—which his World State would have been able to control. The real villain here is not the purest sort of liberal capitalism, genuinely free enterprise, but the 'special interests', which were the villains also in his own day. In that case the problem is different. Is 'pure' capitalism possible? Can it be stopped from turning into the perverted kind? Was Hobson realistic to believe that you could have profits, for example, without what he liked to call 'profiteering'? Is economic internationalism, in his and Cobden's sense, in the character of the beast? Hobson needed to think so. This was because he was, at heart, a Victorian liberal, with all that animal's deepest and best instincts and aspirations. He is not usually regarded as a Victorian. His most famous book was published in the first year of Edward VII's reign, and all but a handful of his other works between then and 1938. His most important intellectual contributions were to bodies of ideas that are very firmly associated with the twentieth century: the capitalist theory of imperialism and Keynesian economics. But he was born deep in the nineteenth century, when Palmerston and Lord John Russell were the leading political figures of the day; he reached his majority while Disraeli was prime minister; and when Queen Victoria died he was already 42. He was also a provincial, which made him more Victorian still. More to the point, he was an orthodox political economist until he was 30-odd, and even afterwards, when he took on and even gloried in the mantle of a heretic, he never rid himself of many of the fundamental attitudes and ideals that informed the old religion. Chief amongst these was the belief that things would get better through the medium of free enterprise and exchange, which would gradually enlighten and emancipate the whole of mankind. That was Cobden's faith, and it remained—despite the depressing evidence of most of the events he lived through—Hobson's hope.

He could only cling to it, however, by modifying it in one important respect. Cobden, in common with many other mid-Victorian liberals, had assumed that progress was inevitable. The market, and enlightened self-interest, would see to that. This was why they were so very much against *governments*, which they saw as far more likely to obstruct progress than to further it, and so better done without. Hobson, however, could not be so sanguine. The market, if it was left unattended, could be distorted by a very *un*enlightened self-interest, and often was. The results were maldistribution, imperialism, class conflict and world war. These evils would not disappear of their own accord. Positive direction was needed, from above. He accepted Cobden's point, that positive direction before then had generally made things worse. The reason for this was that the power to direct had been in the hands of privileged classes and special interests, which did not represent the best interests of humanity as a whole. It was no different in Hobson's own time. But the solution was not to diminish or abolish the directive agencies, but to seek to democratize them. Humanity as a whole had to be given a say. The effective antithesis of tyranny was not anarchy, but democracy. International capitalism had been hi-jacked by the special interests. It would not be returned to the rails in a

political vacuum. What was required was for the *general* interest to recover control.

That was all that was needed to give Cobdenism—or the core of it, at any rate—a new lease of life. Apart from this one simple adjustment, Hobson's internationalism was similar to Cobden's in many ways. It saw the salvation of the world in the peaceful and profitable exchange of goods between men. It believed that that exchange should ignore national barriers, and would eventually wear them down. It regarded economic and political liberty as essentially complementary, so that there was no question of the former needing to be *imposed*. That is what justified it ethically, even more than its material benefits: the fact that the majority of men and women, once they escaped from the manipulation of the classes and interests, must appreciate its rationality, and consequently choose it of their own free will. Lastly, it furnished a hope for the future, based on an essentially optimistic view of man's underlying nature and the laws of the universe. All this was worth holding on to, even if it meant a little intellectual effort to shore up the breaches that the spring tides of the twentieth century were making in the original Victorian liberal capitalist sea-walls.

How many of his contemporaries were convinced by it is impossible to say. There must even be doubts as to whether Hobson convinced himself. Some of his readers found him dispiriting. 'Mr Hobson', wrote a perceptive Fabian critic in 1910, 'was born too late to possess the cheerful self-confidence of the Victorian Liberal, and has failed to acquire the robust optimism of the convinced Socialist'. That, he continued, accounted for his fundamental 'pessimism'.[37] We have seen that pessimism was not an attitude that Hobson wished, at any rate, to convey. But it comes through in most of his later works, chiefly because they are so much solider and weightier on the evils of contemporary society—the imperialism and militarism and press manipulation and the rest—than when they come on to the countervailing forces for good. Hobson was really very feeble on these—abstract, woolly, pseudo-scientific and not half so convincing as with his other, blacker thoughts. This was his main failing: he was better at diagnosing diseases than at prescribing cures.

The temptation is to see that as a sign that the diseases were either incurable or else needed 'robust' surgery of a kind that Hobson could never contemplate. If he were still alive today, he would probably disagree. His liberalism was extraordinarily deep-rooted, and well tested in his own time. It had survived imperialism, the Great War, the Versailles treaty, Mussolini, Hitler, and (presumably) the outbreak of the Second World War. It would probably survive the catastrophes of the last half-century equally well, and possibly the next (and last) world war. Hobson might even find some of the events of recent years positively encouraging—like the post-1945 European settlement, and certain international economic arrangements of modern times. If not, he would have one intellectual comfort left. However badly things had gone wrong, he would still know whom to blame.

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1 *The Morals of Economic Internationalism* (Boston and New York, 1920), p. 31.

2 Cobden speech of 15 January 1846, in John Bright and Thorold Rogers (eds), *Speeches on Public Policy by Richard Cobden, M.P.* (1870), vol. 1, pp. 362–3.

3 *Confessions of an Economic Heretic* (1938), p. 30.

4 e.g. *Problems of Poverty* (1891); *Problem of the Unemployed* (1896); *John Ruskin, Social Reformer* (1898); *The Social Problem: Life and Work* (1901).

5 e.g. 'Free trade and foreign policy', *Contemporary Review* (August 1898); *International Trade: An Application of Economic Theory* (1904).

6 e.g. 'Capitalism and imperialism in South Africa', *Contemporary Review* (January 1900); *The War in South Africa. Its Causes and Effects* (1900); *The Psychology of Jingoism* (1901); and *Imperialism. A Study* (1902).

7 e.g. *The Importance of Instruction in the Facts of Internationalism* (1913); *Towards*

International Government (1915); *A League of Nations* (1915); *Richard Cobden. The International Man* (1918); *The Morals of Economic Internationalism* (1920), *Problems of a New World* (1921).

8 *Problems of a New World,* ibid., p. 20.

9 ibid., p. 3.

10 *Imperialism: A Study* (1938 edn), p. 130.

11 *The German Panic,* published by the Cobden Club with an Introduction by Lord Loreburn (1913), p. 20; *Imperialism,* part I, ch. 6.

12 ibid., pp. 362–3.

13 *The Importance of Instruction in the Facts of Internationalism,* op. cit. (n7).

14 *Towards International Government,* op. cit. (n7), pp. 137–8.

15 ibid., pp. 211–12.

16 *Confessions,* op. cit. (n3), p. 96.

17 *Democracy after the War* (1917), pp. 210–11.

18 *Problems of a New World,* op. cit. (n7), pp. 6–7.

19 ibid., p. 19.

20 *The Recording Angel: A Report from Earth* (1932), p. 25.

21 *Problems of a New World,* op. cit. (n7), p. 17.

22 ibid., pp. 272–3.

23 ibid., p. 239.

24 *Democracy and a Changing Civilisation* (1934), pp. 158–9.

25 ibid., p. 159.

26 *The Recording Angel,* op. cit. (n20), pp. 122–5.

27 *Problems of a New World,* op. cit. (n7), p. 274.

28 *Richard Cobden,* op. cit. (n7), pp. 406–8.

29 *The New Protectionism* (1916), p. 113.

30 *Imperialism,* op. cit. (n6), part II, ch. 4.

31 *Towards International Government,* op. cit. (n7), p. 140.

32 ibid., pp. 142–3.

33 *Morals of Economic Internationalism,* op. cit. (n7), pp. 8–13.

34 ibid., pp. 31–7.

35 *A League of Nations* (Union of Democratic Control, October 1915), p. 16.

36 *Problems of a New World,* op. cit. (n7), pp. 119–24, 227–34.

37 E.R. Pease, review of Hobson's *The Crisis of Liberalism,* in *Fabian News* (May 1910), p. 47.