

*J.A. HOBSON'S APPROACH TO INTERNATIONAL RELATIONS:  
AN EXPOSITION AND CRITIQUE*

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Thesis submitted in fulfilment of the requirements for the degree of Doctor Of Philosophy  
in International Relations at the London School of Economics.

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## Abstract

This thesis argues that Hobson's approach to international relations coheres around his use of the biological analogy of society to an organism. An aspect of this 'organic analogy' - the theory of surplus value - is central to Hobson's modification of liberal thinking on international relations and his reformulated 'new liberal internationalism'.

The first part outlines a theoretical framework for Hobson's discussion of international relations. His theory of surplus value posits cooperation as a factor in the production of value understood as human welfare. The organic analogy links this theory of surplus value to Hobson's holistic 'sociology'. Hobson's new liberal internationalism is an extension of his organic theory of surplus value. This approach is contrasted to the domestic analogy and economism as bases of liberal internationalist thought.

The second part examines Hobson's 'sociology' of international relations. Hobson's theory of imperialism is placed in the context of his theory of surplus value. Imperialism is sectionalism in the international system. For Hobson, internationalism advances from the isolation of the pre-industrial era, through the noninterventionism of Cobden, to positive internationalism, including some international economic management. Hobson's proposals for international government rely on the domestic analogy. A broader vision of world society, however, emerges from the extension of the organic analogy to international relations.

The third part locates Hobson in international relations scholarship. Hobson's work is not straightforwardly idealist. His new liberal internationalism modifies liberal thought towards institutional solutions to international problems. It is concluded that some aspects of his analysis remain of interest to the contemporary international relations theorist.





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The staff of the British Library of Political and Economic Science and the libraries of University College, London, University of British Columbia and Carleton University helped make my research a pleasant occupation rather than an onerous chore. My special thanks go to the officers of the South Place Ethical Society who permitted me to consult materials in the convivial surroundings of the library in Conway Hall and to the archivists at the BLPES and the Brynmor Jones Library at Hull University who patiently helped me find pamphlets and papers in their collections.

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## PART ONE

### *Chapter One*

#### **Introduction**

This thesis critically examines the approach to international relations in the writings of J.A. Hobson. Hobson was a writer, a journalist, a lecturer, a political activist, and propagandist for a group of left liberals in the late nineteenth and early twentieth centuries. He is famous in international relations for originating the theory of imperialism subsequently adopted by Lenin. Focusing on Hobson's writings on international relations, the thesis explores the theoretical structure and tensions in Hobson's international theory; his analysis of, and concrete proposals for, contemporary international relations; and the social, political and economic theory that underlies his approach to international relations.

Hobson's framework for analysing international relations is a new liberal modification of liberal internationalism. Hobson's new liberal internationalism entails the application of his theory of cooperative surplus beyond the boundaries of national societies and of his idea of an organic unity to international relations and the world economy. Hobson's new liberal internationalism suggests that international relations and the world society as a whole is, like the several national societies, shifting away from *laissez faire* and individualism, towards increased social organisation and collectivism. The thesis draws on recent work in political theory and the history of political ideas on Hobson to develop his framework for international relations.

The thesis demonstrates that Hobson's international relations are an integral part and an extension of his analysis of social, political and economic life. The coherence (and the problems) of his international thought follow from the consonance of his international theories with his writings on domestic matters. For instance, the all-encompassing dichotomy of internationalism and imperialism in Hobson's writings on international affairs is the dual aspect of his theory of the social surplus. While internationalism is associated with peace and democracy, through rational conscious collective control of social (international) life by the people (nations), imperialism connotes militarism and dictatorship, through the imposition of rule by a powerful sectional interest within the national (international) social organism.

The thesis assesses the important contributions Hobson made to international theory, in the theory of imperialism but also beyond, that have been overlooked. This includes, first, a reassessment of Hobson's theory of imperialism in international relations scholarship,

especially recent work on hegemonic stability theory. The prevalent opinion of Hobson's imperialism theory as 'second image reductionism' and 'economic determinism' is also refuted. Hobson was an important figure in the transformation of liberal internationalism, as he was with liberalism in domestic society. He was a forerunner of the functionalist approach to international organization. He was a theoretical and historical link between classical and 'embedded' liberalisms and a major mover in the shift away from free trade and classical liberal international political economy. He can also be interpreted as an alternative to the current agenda for liberalism in international relations.

Finally, the thesis examines the theoretical tensions that appear in Hobson's writings on international relations and a number of the criticisms of Hobson's international theory. Hobson's writings on international relations are particularly open to the charge of being too abstract, of relying heavily on a problematic domestic analogy and of being imbued with an economic determinism.

In addressing the theoretical issues in Hobson's discussion of international relations, the thesis is none of the following things: a chronology of Hobson's thought on international relations; a study of Hobson's international relations in terms of the great events of his lifetime, *e.g.*, the Boer War, the Great War and the Great Depression; a consideration of the specifics or the policy implications of Hobson's proposals on international economic issues, like tariffs; or a discussion of the theory of imperialism beyond Hobson's contribution to it. The thesis also excludes an examination of issues that bear on Hobson's discussion of international relations but are not intrinsic to it, such as the population question and the notion of the 'democratic control of foreign policy'. There is, furthermore, only a brief excursion into the genealogy of Hobson's arguments, *e.g.*, his intellectual forebears, Cobden, Mill, Ruskin, and the influence he had on later international theory, such as functionalism and imperialism, in the concluding chapter.

The thesis is divided into three parts containing eight chapters. The theoretical framework for Hobson's approach to international relations is set out in part one. Hobson's theoretical analysis of social, political and economic life, discussed in chapter two, is the basis for a framework of four types of international system, examined in chapter three.

Part two critically examines the theoretical issues underlying Hobson's writings on international relations. Chapter four challenges the orthodox interpretation of Hobson's theory of imperialism in international relations. Chapter five traces the tension in Hobson's economic internationalism between his defence of free trade and his interventionist constructive internationalism. Chapter six examines the conflicting logics behind Hobson's proposals for

international government.

Part three considers Hobson in the context of and his contribution to international relations scholarship. Chapter seven locates Hobson within the idealist approach to international relations. Hobson's place in the liberal tradition of international thought is considered in the concluding chapter.

I turn now, however, to a brief sketch of Hobson's background and writings before surveying the scholarly literature on Hobson.

### Biographical Sketch

John Atkinson Hobson was born in Derby on 6 July 1858, the second son of newspaper proprietor and local Liberal luminary, William Hobson. The young Hobson was sent to the local grammar school before obtaining an open scholarship to Lincoln College, Oxford in 1876. Graduating from Oxford in 1880, Hobson was a school teacher in Faversham, until 1882, and in Exeter, from 1882 until he left for a life of journalism in London in 1887. In Exeter, Hobson met his future wife, Florence Edgar, an American, and A.F. Mummery, a businessman and mountaineer, with whom Hobson co-wrote his first book, *The Physiology of Industry*.<sup>1</sup>

Hobson's move to London brought him into contact with a variety of radical intellectuals and groups. He was a member of the London Ethical Society from 1890 to 1895, when he left to join the more radical South Place Ethical Society. In 1894, he was a founder-member of a meeting club of radical intellectuals and politicians called the Rainbow Circle. For most of the rest of his life, the Rainbow Circle and the South Place Ethical Society provided congenial fora in which Hobson could develop his ideas and have them subjected

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<sup>1</sup> Accounts of Hobson's life and work can be found in Hobson's autobiography, *Confessions of an Economic Heretic*; A.J.F. Lee, 'The Social and Economic Thought of J.A. Hobson', ch. 1, and 'Hobson, John Atkinson (1858-1940) Economist and Journalist', pp. 176-81; J.A. Townshend, 'J.A. Hobson and the Crisis of Liberalism', pp. 7-13, and 'Introduction', *Imperialism: A Study*, 1988 reprint of 1938 edn., pp. [11]-[14]; J. Allett, *New Liberalism: The Political Economy of J.A. Hobson*, ch. 1; R.H. Tawney, 'Hobson, John Atkinson', pp. 435-6; Michael Freedon, 'Introduction', in *J.A. Hobson: A Reader*, pp. 2-4, 'Introduction', in *Reappraising J.A. Hobson: Humanism and Welfare*, pp. 1-10, and 'Introduction', in *Confessions of an Economic Heretic*, 1974 reprint, pp. v-xiv; P.F. Clarke, 'Introduction', in *The Crisis of Liberalism*, 1974 reprint, pp. ix-xxxviii; and H.N. Brailsford, 'The Life-work of J.A. Hobson'. It is also worthy of mention that, in Exeter, Hobson taught at the author's old school.



to sympathetic criticism.<sup>2</sup>

Imperial and international affairs influenced the development of Hobson's liberal thought. An early significant turning point in his career was an invitation in 1899 from C.P. Scott, editor of the *Manchester Guardian*, for Hobson to go to South Africa to report for the paper on the turbulent political situation in that country.<sup>3</sup> In South Africa, Hobson became convinced of the mine-owners' conspiracy and the manipulation of politics. He returned to England to, among other things, a 'Welcome Home' dinner at the National Liberal Club, co-chaired by David Lloyd George. However, the anti-war, anti-imperialist lecture tour of the country on which Hobson subsequently embarked had its meetings frequently disrupted or broken up by jingoistic mobs. In the next couple of years, as part of his anti-war campaigning, Hobson published a collection of his reports for the *Manchester Guardian* in book-form as *The War in South Africa* in 1900; spelled out his response to the unpleasant reception of his anti-war views in *The Psychology of Jingoism* in 1901; and analysed the phenomenon of imperialism at greater length in *Imperialism: A Study* in 1902.

Hobson's main occupation, besides writing books, was journalism. Hobson propounded his views through the medium of the liberal periodicals. While the high point of his journalistic career was his contribution to the *Nation* from 1907 to 1923 under the editorship of H.W. Massingham, he also contributed to numerous journals - far too many list here - but notably to the *Ethical World*, the *Progressive Review*, the *Contemporary Review*, the *Manchester Guardian*, the *Tribune*, the *New Leader*, the *New York Nation*, and the *New Republic*.<sup>4</sup>

When he first arrived in London, Hobson was a University Extension Lecturer for Oxford and London Universities. Though he lectured two courses at the London School of Economics, his university lecturing was to play less of a role after his inheritance from his father's estate gave him sufficient income to allow him to concentrate on his books and journalism. The poor reception of the economic heresies of his first book had resulted in an exclusion from academic life. Hobson was not invited to a university post until late in his life,

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<sup>2</sup> Michael Freeden (ed.), *The Minutes of the Rainbow Circle, 1894-1924*, lists Hobson's talks to this group from its inception to 1923.

<sup>3</sup> *Confessions*, p. 59-61.

<sup>4</sup> For the most comprehensive list of articles Hobson contributed to journals and newspapers, see A.J.F. Lee, 'The Economic and Social Thought of J.A. Hobson', pp. 676-713.

when he turned down an offer from the University of Manchester due to ill health.<sup>5</sup> He continued to lecture at South Place, however, and was a frequent speaker to a wide variety of groups.<sup>6</sup> He also travelled abroad a number of times, for example, Denmark, Switzerland, the United States and Canada, to research for books and on lecture tours.

Hobson was a political activist until the last decade of his life in the 1930s. Many of the groups in which he was involved were concerned, at least indirectly, with international issues. Prior to the First World War, besides his political activity during the Boer War, Hobson was a member of the Free Trade Union and the International Arbitration League. In the summer of 1914, Hobson and others set up the British Neutrality Committee to campaign against British intervention in a European war, just in time to hear Grey make the speech that committed Britain to defend Belgium militarily.<sup>7</sup> During the War he campaigned for an early, negotiated peace settlement, and against a number of the restrictions of civil liberties imposed by the National Government in the name of the war effort.<sup>8</sup> Hobson was a member of the Bryce Committee, set up to investigate possible arrangements for a post-war international order. His *Towards International Government* was Hobson's dissenting opinion from that committee's deliberations. He was also a member of a number of peace groups, by far the most significant of which was the U.D.C. Hobson contributed the U.D.C.'s Fifth Cardinal Point, wrote a number of U.D.C. pamphlets, such as *A League of Nations, Labour and the Costs of War* and *A New Holy Alliance*, and was on the executive committee for over a quarter of a century.<sup>9</sup>

The U.D.C. was to influence Hobson's politics, though more his affiliations than his

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<sup>5</sup> Reputedly, this was in part because of the unfortunate impact of Hobson's first book, *The Physiology of Industry*. See *Confessions*, pp. 29-31. For an alternative interpretation of this episode, see Alon Kadish, 'The non-canonical context of *The Physiology of Industry*' and 'Rewriting the Confessions'.

<sup>6</sup> See the various incarnations of the journal of the South Place Ethical Society for reports of Hobson's talks there. A couple of Hobson's speeches appeared as pamphlets, for instance, 'Poverty', a speech given at the South Sectional Conference, and a speech given to the National Union of Gasworkers; *Industrial Unrest*, given at the National Liberal Club; and *Rationalism and Humanism*, a Conway Memorial Lecture.

<sup>7</sup> See Clarke, *Liberals and Social Democrats*, pp. 164-9

<sup>8</sup> See his four part series on 'The War and British Liberties', *Nation* (Vol. 19), pp. 68-9, 123-5, 307-8, 524-5

<sup>9</sup> On the U.D.C., see Marvin Swartz, *The Union of Democratic Control in British Politics During the First World War*.

ideas. Having become increasingly disillusioned with the Liberal Party, Hobson resigned from the party over the proposed abandonment of free trade by the Government in the Paris allied negotiations in 1916. In the U.D.C., Hobson had made the acquaintance of Labour politicians and intellectuals. Hobson himself joined the Labour Party in 1924, though, by Hobson's own admission, he never really felt 'at home' there.<sup>10</sup>

After the War, Hobson's wrote increasingly on international affairs. Like Keynes and other Liberals, he opposed the Versailles Treaty, especially the economic provisions such as reparations payments.<sup>11</sup> He was a regular contributor to the U.D.C. journal, *Foreign Affairs*. He attended meetings at Chatham House.<sup>12</sup> He continued to give lectures and talks at South Place, the Rainbow Circle and to be chairman of the U.D.C. after the war. He was an important figure in the 1917 Club. By this time, Hobson was a regular witness to and participant on expert committees, both for government and for the Official and Independent Labour Party, dealing with practical economic matters such as industrial relations. He contributed to the I.L.P. policy statement, *The Living Wage*. He was also a member of the I.L.P. Advisory Committee on International Relations.<sup>13</sup>

By the 1930s Hobson was into his seventies. Though he was by now attracting disciples both in politics and academe, he had outlived many of his closest friends and associates. Nevertheless, his writing continued apace, though his political activism tapered off. Hobson opposed the rise of dictatorship in the thirties, and was a critic of appeasement.<sup>14</sup> He called for the greater involvement by the US in world affairs and his last paper pleaded for the early

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<sup>10</sup> *Confessions*, pp. 123-6.

<sup>11</sup> Compare his *The Economics of Reparation* and *The Obstacles to Economic Recovery in Europe* with J.M. Keynes, *The Economic Consequences of the Peace*.

<sup>12</sup> David Mitrany is mistaken when he claims that Hobson was excluded from the new international relations institute at Chatham House. Hobson did attend a number of meetings and there is a record of his comments on one talk in *International Affairs* (Vol. 10, No. 3, May 1931), p. 303. See Mitrany's 'The Making of the Functional Theory: A Memoir' in *A Functional Theory of Politics*, p. 39.

<sup>13</sup> Hobson was a member of the Advisory Committee of the Labour Party on International Questions, the Whitley Committee, Reconstruction sub-committee on Trusts. He was a witness to the Sankey Coal Commission.

<sup>14</sup> See the prefaces to *Democracy and A Changing Civilisation* and *Property and Impropriety*.

intervention of the United States in the Second World War.<sup>15</sup> Hobson died at his home on 1 April 1940 at the age of 81.<sup>16</sup>

Hobson's wrote over thirty books on a wide range of topics. Often they were compiled from journal articles, lectures and talks, either at South Place or the Rainbow Circle, or as part of his political campaigning. Even his autobiography was first aired at South Place. Sometimes these collections had a strong theme, as with *The Social Problem, Imperialism* and *The Crisis of Liberalism*. Others were selections of Hobson's newspaper reports from abroad, some on Hobson's travels, like *The War in South Africa* and *Canada Today*, others on current issues, such as *A Modern Outlook*. Offers to write books occasionally came from friends or through connections in the Ethical Movement, the origins of both *The Evolution of Modern Capitalism* and *John Ruskin Social Reformer*. Hobson wrote biographies of John Ruskin, Richard Cobden and Thorstein Veblen, and the co-edited collections of work by L.T. Hobhouse and William Clarke. All of the subjects were major influences on Hobson's thinking.<sup>17</sup>

Hobson's writings on international relations are scattered through his writings. His concern with international affairs, beginning with the Boer War, continued, his writings becoming more concrete, explicit and sophisticated. During the period under discussion, 1890-1940, many scholars began to consider international affairs and look at the international perspective or dimension of domestic issues. As with many others, the Boer and Great Wars stimulated Hobson's interest, yet gave a traumatic jolt to his optimistic belief in humanity's rationality. As a liberal journalist, Hobson modified his theories and his ideological orientation with the current of events, yet interpreted those events through the prism of his liberal ideological and theoretical framework. An important problematic for Hobson had been what he described as the social problem, the requirement for social solutions to the problems of poverty and unemployment. International relations appears briefly in Hobson's early writings on these issues. However, international relations were not seen so much as a problem in and of themselves as a background to a specific domestic social problem. Especially after

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<sup>15</sup> 'America in the War?', *South Place Monthly Record* (December 1939), pp. 3-4.

<sup>16</sup> See the obituaries by G.D.H. Cole, 'J.A. Hobson, 1858-1940), pp. 351-60; C.D. Burns, 'J.A. Hobson: The Humanist', p. 3; C. Delisle Burns, 'J.A. Hobson'.

<sup>17</sup> Throughout the thesis, I shall refer to Hobson's books without naming Hobson. In any case where I refer to other authors, I refer to those authors by name. Any reference to *Imperialism* is to the third edition, reprinted with a new introduction in 1988; and to *The Evolution of Modern Capitalism* is to the fourth edition, unless indicated otherwise.

the Great War, the 'Bad Peace' and the disruption of inter-war international relations, Hobson began concentrate more on international relations as a problem in itself. There was, in other words, an international problem, parallel to the social problem.

### Literature Survey

Until recently it was true to say that Hobson was both neglected and well-known.<sup>18</sup> There was a great deal of analysis, particularly by economic historians and Marxist scholars, of Hobson's theory of imperialism. There was, though, little analysis of Hobson's work as a whole; only a brief account in a lecture given by Hobson's friend, H.N. Brailsford.<sup>19</sup> However, since the publication of Bernard Porter's ground-breaking study, *Critics of Empire* in 1968 and A.J.F. Lee's 1970 PhD thesis on Hobson, there has been a burgeoning literature on Hobson, as well as the turn of the century new liberalism of which he was a key figure.<sup>20</sup> Much of this recent work has been conducted in the history of ideas, while studies of Hobson in international relations are largely derivative earlier work on the theory of imperialism. The interpretation of Hobson's contribution to international theory is dominated by Kenneth Waltz's evaluation of Hobson's ideas on the causes of war and the theory of imperialism.<sup>21</sup> The focus in this thesis on Hobson's international theory provides a counterweight to the neglect or marginalisation his discussion of international relations have received. The large number of studies on the theory of imperialism, when they assess Hobson's theory have rarely integrated this discussion with an analysis of Hobson's other social, political and economic writings or attempted to reconcile Hobson's theory of imperialism with the rest of his writings on international relations. On the other hand, the scholarly studies of Hobson have tended to relegate his writings on international matters, with the exception of the theory of imperialism, to the status of an afterthought.

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<sup>18</sup> P.J. Cain, 'J.A. Hobson and the Radical Theory of Economic Imperialism, 1898-1914', p. 565; A.J.F. Lee comments in 1970 on the lack of significant work on Hobson's writings as a whole in the Introduction to his 'A Study of the Social and Economic Thought of J.A. Hobson'.

<sup>19</sup> H.N. Brailsford, *The Life-work of J.A. Hobson*.

<sup>20</sup> The most recent work includes Michael Freeden (ed.), *J.A. Hobson: A Reader and Reappraising J.A. Hobson: Humanism and Welfare*; and a collection of papers from a conference on Hobson held in Malvern in May 1990 to be edited by John Pheby.

<sup>21</sup> K.N. Waltz, *Man, the State and War and Theory of International Politics*.

*Intellectual History*

Among those who have studied Hobson's life and work, there is agreement on two matters. First, Hobson's corpus of work can be understood through a couple of central concepts: organic and surplus. Second, Hobson's theory of imperialism is better understood as a facet of his general social philosophy than a separate from it as a contribution to the theories of imperialism.<sup>22</sup> A.J.F Lee's PhD thesis, 'The Social and Economic Thought of J.A. Hobson', is the most detailed historical account of Hobson's life and work. Lee claims that Hobson's work coheres around the concept of surplus and organises his study around that theme. Though more theoretically oriented and thematically organised, John Allett's *New Liberalism: The Political Economy of J.A. Hobson* also concentrates on what Allett calls Hobson's 'theory of the organic generation of surplus value'.<sup>23</sup> Julian Townshend disagrees with this assessment of the overall coherence of Hobson's work. In his PhD thesis, 'J.A. Hobson and the Crisis of Liberalism' and in later work, Townshend emphasises the historical context to Hobson's thought and accuses Hobson of eclecticism and inconsistency.

Much of Peter Clarke's study of Hobson for his book *Liberals and Social Democrats* is summarised in his introduction to the 1974 edition of Hobson's *The Crisis of Liberalism*. Clarke's historical treatise is an enjoyable anecdotal study, mainly discussing Hobson, L.T. Hobhouse, J.L. Hammond and his wife Mary, and Graham Wallas, with a powerful defence of Hobson as a flawed but important thinker in a group of radical liberals and social democrats that indirectly but significantly influenced liberal ideology and the social policy debate in Britain.<sup>24</sup> Peter Weiler's study stresses the change from laissez faire to state intervention in the new liberalism. As well as Hobson, he examines the work of L.T. Hobhouse, C.P. Scott of the *Manchester Guardian* and H.W. Massingham of the *Nation*.<sup>25</sup> Covering the same time frame as Clarke, Michael Freeden insists that Hobson is a much-neglected major liberal thinker whose importance derives from his modification of liberalism by the use of the organic analogy. Freeden has written two major studies of the new liberalism in which Hobson features significantly, and has edited and introduced Hobson's *Confessions*,

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<sup>22</sup> Bernard Porter's *Critics of Empire* is a paradigm of the historical examination of Hobson's theory of imperialism as part of his social and economic thought.

<sup>23</sup> J. Allett, *New Liberalism: The Political Economy of J.A. Hobson*.

<sup>24</sup> P.F. Clarke, *Liberals and Social Democrats*.

<sup>25</sup> Peter Weiler, *New Liberalism: English Social Theory in Great Britain, 1889-1914*.

as well as a collection of Hobson's writings and a collection of research papers on Hobson. Freeden has also edited the Rainbow Circle minutes in which Hobson appears frequently as a speaker.<sup>26</sup>

All of the studies of Hobson's work discuss Hobson's theory of imperialism and his writings on international affairs, such as free trade, the First World War and the League of Nations.<sup>27</sup> However, Hobson's writings on imperialism and international relations generally are considered together. Further, it has been argued that Hobson's theoretical development was all but complete by the turn of the century.<sup>28</sup> The implication of this is that Hobson's ideas on international relations are simply a practical application of Hobson's completed social, economic and political theories, as with issues such as unemployment and taxation. Hobson's arguments for internationalism, a predominant concern towards the end of his life, is a marginal concern for most Hobson scholars.<sup>29</sup> These writers concentrate on Hobson's gloomy prognosis of contemporary international relations, exemplified by his writings on imperialism, which looms larger in his earlier writings where his theoretical approach is considered to have been forged.

For Freeden, Hobson's internationalism derived, as it did for other liberals at the time, from liberal principles 'writ large' applied to international affairs.<sup>30</sup> This, like Porter's study of Hobson's internationalism, demonstrates that Hobson's constructive writings on international relations were less prescient than his critical analysis of imperialism.<sup>31</sup>

### *Underconsumption and Economic Theory*

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<sup>26</sup> Michael Freeden, *The New Liberalism; Liberalism Divided*; (ed.), *J.A. Hobson: A Reader*; (ed.), *The Minutes of the Rainbow Circle*; (ed.), *Reappraising J.A. Hobson*.

<sup>27</sup> With the exception of Weiler who explicitly excludes imperialism from his discussion.

<sup>28</sup> See P.F. Clarke, 'Introduction', *The Crisis of Liberalism*, 1974 reprint, p. xix.

<sup>29</sup> Lee, Allett, and Freeden all collapse Hobson's international relations into one chapter towards the end of the study with imperialism predominating. See the Lee, 'The Social and Economic Thought of J.A. Hobson', ch. 8; Allett, *New Liberalism*, ch. 5; Freeden (ed.), *J.A. Hobson: A Reader*, ch. 4. While Townshend devotes more space to imperialism and Hobson's international relations, imperialism is even more to the forefront, see 'The Crisis of Liberalism', chs. 8-9.

<sup>30</sup> M. Freeden, *Liberalism Divided*, pp. 365.

<sup>31</sup> Bernard Porter, 'Hobson and Internationalism', in Freeden (ed.), *Reappraising J.A. Hobson*.

While Hobson scholars emphasise the importance of a focus on Hobson's work as a whole, there have been a number of studies of Hobson's underconsumption theory and his theory of imperialism that do not discuss the rest of his work.

Unfortunately, Hobson nowadays attracts little attention from economists. The decline of interest can be accounted for by Hobson's opposition to the mathematisation of economics and the so-called marginal revolution, and the decline in the institutionalism that Hobson might most closely be associated with. Hobson's version of welfare economics has not taken root in the discipline and he is less likely to be considered an economist now than he was during his lifetime.<sup>32</sup> J.M. Keynes's famed discussion of Hobson's underconsumption theory in his *General Theory of Employment, Interest and Money* was also something of a mixed blessing. While he applauded Mummery and Hobson's underconsumption theory as marking 'an epoch in economic thought', Keynes claimed that he had exposed the root of Hobson's mistake. In short, for economists, Keynes definitively transcended Hobson's analysis of unemployment, depression and trade cycles in economic theory.<sup>33</sup>

Subsequent studies have complained of Hobson's defective understandings of the role of the interest rate, of money and credit, his failure to distinguish between saving and investment, the vagueness of his concept of surplus, his neglect of the distinction of positive and normative economics, the 'theological terminology' of his discussion of the 'social organism', the inadequacies of his theory of underconsumption, and his lack of academic rigour and anti-academic bias. E.E. Nemmers and Michael Bleaney, following the Keynesian critique, have examined Hobson's theory of underconsumption. Proposing that it is possible to separate Hobson's theories of underconsumption, taxation and imperialism from his welfare economics, Nemmers outlines four phases in Hobson's writings on economics according to his attitude to underconsumption. Wesley Mitchell and William Liu analyse Hobson's welfare economics and find it stimulating but wanting. Wesley C. Mitchell, a sympathetic critic of Hobson, condemns him for his vagueness and failure to supply a working definition of his central concept, welfare. Paul Homan gives a review of the context of Hobson's work and Hobson's own background, before exploring the development of his theory of the unproductive surplus. Roy Harrod critically assesses Hobson's theory of surplus and finds it

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<sup>32</sup> Though he is included in Mark Blaug's *Great Economists Before Keynes*, pp. 93-5. Similar revision has befallen Thorstein Veblen.

<sup>33</sup> Mark Blaug denies the theoretical link of Hobson to Keynes, see *Economic Theory in Retrospect*, p. 665, and *Great Economists Before Keynes*, p. 94. See also John R. Commons review, 'Hobson's "Economics of Unemployment"', *American Economic Review* (Vol. 13, No. 4, Dec. 1923), pp. 644-7.



wanting because it is too vague.<sup>34</sup>

These studies, while enlightening on the theoretical deficiencies of Hobson's economics, have treated his economic theories in isolation from his other work and from his social philosophy that integrates economics, politics, and sociology under ethics.

### *The Theory of Imperialism*

There have been many books and articles on the theory of imperialism. This has been the largest area of discussion of Hobson. Both because of this, and because imperialism theory is particularly relevant to Hobson's approach to international relations, I shall devote some space to it. The studies of Hobson's contribution to the origin and structure of the theory have come from almost every conceivable methodological, theoretical and ideological standpoint. Most of this work has been done by the intellectual historians, economic historians and Marxist scholars. Specialists of international relations, with the exception of Kenneth Waltz and Charles Reynolds, have been content to adopt the conclusions of the work from other disciplines.

The main issues in the discussions of Hobson's contribution to the theory of imperialism have been the shape and major components of the classical theory of imperialism originated by Hobson and refined by Lenin, the distinction or otherwise between Hobson and Lenin (or the extent of Hobson's influence on Lenin), the facts of the imperial expansion, and the nature of the explanation in the theory.

Richard Koebner has claimed that Hobson systematised an anti-imperialist sentiment of the turn of the century, and took the Cobdenite critique of foreign policy onto 'another historical level' by identifying capitalists as the guilty party.<sup>35</sup> While some have doubts as

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<sup>34</sup> E.E. Nemmers, *Hobson and Underconsumption*, pp. 32-3, 48, 66, 86ff; Paul T. Homan, *Contemporary Economic Thought*, p. 364-8; T.W. Hutchinson, *Review of Economic Doctrines*, p. 118-29; Michael Bleaney, *Underconsumption Theories: A History and Critical Analysis*, ch. 8; William Liu, *The Welfare Economics of J.A. Hobson*; Wesley C. Mitchell, *Lecture Notes on Types of Economic Theory*, chs. 37-39; Roy Harrod, 'Epilogue', *The Science of Wealth*, 4th Edn.; J.M. Keynes, review of Hobson's *Gold, Prices and Wages* in *Economic Articles and Correspondence: Academic*, p. 388-94. For other general considerations of Hobson's economics, see John M. Ferguson, *Landmarks of Economic Thought*, 2nd Edn., pp. 197-203; Joseph A. Schumpeter, *History of Economic Analysis*, pp. 832-3, 1130; Philip Charles Newman, 'John A. Hobson and Heterodox Economics in Britain', in *The Development of Economic Thought*, ch. 29.

<sup>35</sup> Richard Koebner, 'The Concept of Economic Imperialism', in Kenneth Boulding and Tapan Mukherjee (eds.), *Economic Imperialism: A Book of Readings*, p. 93-4.

to the validity of identifying an 'economic imperialism' at all, there has been a large literature on the basic elements of that theory. Norman Etherington points to the connection between Hobson's *Imperialism* and American writings on the Spanish-American War. His contention that the link of trusts to imperialism was taken from Gaylord Wilshire and that it was central to his theory has been challenged by Peter Cain. Cain has, over a number of articles, defended the view of Hobson's original formulation of the theory in *Imperialism* as a contradictory but innovative approach that was subsequently dropped by Hobson in favour of a more straightforwardly Cobdenite position. This is challenged by P.F. Clarke, who points out that Hobson's theory of imperialism is a collection of diverse influences that does not necessarily hang together, as is true of much of his work. In essence, for Clarke, Hobson's theory is contradictory and suffers from serious lacunae, but is more consistent over time than Cain pretends. Elsewhere Clarke argues Hobson's theory was a political rather than an economic theory, and that underconsumption, contrary to Cain's opinion was the coping stone rather than the origin of Hobson's theory. Bernard Porter's study of Hobson's theory points to two different forms of explanation, the economic structural theory and the conspiracy theory. These are distinct, the first deriving from Hobson's economic studies and the second from his confrontation with business leaders and politicians on his visit to South Africa. Porter also accuses Hobson of rationalising imperialism by looking for a guilty party. In short, for Hobson, he claims, imperialism was an irrational outcome, but was the product of a rational interest for one group. Julian Townshend attempts to summarise the various interpretations of Hobson's theory, and criticises simplistic criticisms of Hobson. He concludes that Hobson offers an 'economic sociology' of imperialism, but does not tell us by what criteria it might be evaluated. There are thus many different perspectives on the form that Hobson's theory of imperialism takes.

In his *Imperialism, The Highest Stage of Capitalism*, Lenin described Hobson appropriately as a 'social-liberal', pacifist and reformist. While clearly deriving his statistics from Hobson, there is some dispute as to how much Lenin owes to Hobson's theory. Most Marxist and neo-Marxist theorists have contended that there is a marked difference. Lenin's theory is more systematic than Hobson's. Lenin believes that capitalism must be abolished to end imperialism because the latter is a necessity for the former; Hobson saw imperialism as a policy choice of a perverted social system under capitalism and an issue of distribution. Lenin develops the concept of finance capital and emphasises the importance of monopoly to

a greater degree than Hobson.<sup>36</sup> Non-Marxist economic historians, like Fieldhouse and Cairncross, have been content to consider Hobson's and Lenin's theories as one Hobson-Lenin economic or capitalist theory of (economic) imperialism. Both the Marxists and the non-Marxist economic historians suffer an analogous defect to that noted above with the economists, considering Hobson's theory through the Leninist version, and also condemning Hobson for not accounting for developments after he was writing and of which he could have no knowledge. For those who have concentrated on Hobson's work rather than on the theory of imperialism, such as Peter Clarke, there is a clear distinction between Hobson and Lenin, similar to that made by the Marxists, but with the approval reversed!

Hobson's theory of imperialism enjoyed a brief vogue, through Lenin's acknowledgement and his refinement of the theory and because other radicals in Britain and America adopted the premises of the argument in their campaign against the European empires.<sup>37</sup> However, since the Second World War in particular, economic historians have rejected Hobson's theory on empirical grounds. Among others, D.K. Fieldhouse and A.K. Cairncross have shown that there is no significant correlation between the expansion of empires at the end of the century and any of the variables that might be pointed to as economic causes, such as the existence of surplus capital, higher rates of return in the colonies and actual investment in the new colonies.<sup>38</sup>

Others, notably the diplomatic historians Gallagher and Robinson, and Bernard Semmel, have criticised Hobson's reading of past events through the ideological prism of

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<sup>36</sup> See V.I. Lenin, *Imperialism, the Highest Stage of Capitalism*, p. 78, 87, 91-3, 98, 105, and his review of Hobson's *Evolution of Modern Capitalism*, reprinted in translation in *Economica* (Nov. 1925), pp. 362-4. For those who make a strong distinction between Hobson and Lenin, see Eric Stokes, 'Late Nineteenth Century Colonial Expansion and the Attack on the Theory of Economic Imperialism: A Case of Mistaken Identity?', *The Historical Journal* (Vol. 12, No. 2, 1969), pp. 285-301; Tom Kemp, 'Hobson and the Radical Democratic Critique of Imperialism', in his *Theories of Imperialism*, ch. 3; Michael Bleaney, *Underconsumption Theories*, pp. 181-3. Those who see rather more of a similarity between Hobson and Lenin include Michael Barrat Brown, 'A Critique of Marxist Theories of Imperialism', pp. 52-4; Giovanni Arrighi, *The Geometry of Imperialism*, pp. 23-26; and John Strachey, *The End of Empire*, ch. 6.

<sup>37</sup> Norman Etherington, *Theories of Imperialism*, chs. 5-6, on the discussions of imperialism by Norman Angell, Henry Brailsford and Leonard Woolf.

<sup>38</sup> D.K. Fieldhouse, *Economics and Empire; The Colonial Empires; 'Conclusions'*, in Fieldhouse (ed.), *The Theory of Capitalist Imperialism; 'Imperialism: A Historiographical Revision'*; A.K. Cairncross, *Home and Foreign Investment. 1870-1914*; Davis and Huttenback, *Mammon and the Pursuit of Empire*; John R. Oneal and Frances H. Oneal, 'Hegemony, Imperialism, and the Profitability of Foreign Investments', especially p. 347, 368, 373.

liberalism. The belief that there were halcyon days of Cobdenite free trade and *pax Britannica* is an error. These authors deny the categorical break in the history of the empire that Hobson proposes, and thus problematise Hobson's claims of a 'new imperialism'. They claim, instead, that while the form of imperialism might have changed somewhat over the years, from the imperialism of free trade to formal governmental control, the fact of imperial expansion was a constant over the nineteenth century. There was, then, nothing new about Hobson's new imperialism.<sup>39</sup>

In much of the literature there has been a revulsion from the theory of imperialism because it is considered a mono-causal explanation of international events supposed to be universally applicable to all times and situations. In its origin, it is, clearly limited to a particular time-frame and to specific countries. Closely linked to this point, the theory is criticised as being determinist. Hobson's theory is also interpreted as an economic theory, putatively explaining political outcomes from economic variables. However, as Clarke and Porter spell out, Hobson is often contradictory and rarely spells out a position with sufficient clarity to make it 'falsifiable'. Furthermore, interpretations in economic history have distorted Hobson's position so much that suggested refutations of his theory actually support it! Hobson's key claims that the nation as a whole is being misled into the imperialist enterprise and that there is a misperception about the gains and who is gaining from imperialism, are made redundant by the interpretations imposed by analysts.<sup>40</sup>

The problem with this work as a whole is the tendency to ignore the importance of imperialism in Hobson's work and the significance of other work and the context in which Hobson was writing for the theory of imperialism.<sup>41</sup>

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<sup>39</sup> Gallagher and Robinson, 'The Imperialism of Free Trade', *Economic History Review; Africa and the Victorians*; see the controversy stirred up by this argument, collected in Wm. Roger Louis (ed.), *Imperialism: the Robinson and Gallagher Controversy*; Bernard Semmel, *The Rise of Free Trade Imperialism*.

<sup>40</sup> For the interpretations of Hobson's theory and their mistakes in terms of what Hobson was trying to do, see Clarke, 'Hobson, Free Trade and Imperialism', p. 312. For the incorrect premises adopted by the economic historians from Hobson, see Trevor Lloyd, 'Africa and Hobson's Imperialism', pp.130-1. For a different interpretation of what Hobson was in fact discussing, see Etherington, *Theories of Imperialism*, ch 3.

<sup>41</sup> Though this does not apply to E.M. Winslow's account in 'Hobson and the Theory of Economic Imperialism', *The Pattern of Imperialism*, ch. 5.

*International Relations*

The discipline of international relations has adopted imperialism theory, mainly the Leninist version, via the interpretations of the economic historians. Imperialism has even, lately, become the focus for a challenge to the realist orthodoxy in international relations, through the development of dependency theory, world systems analysis and the so-called structuralist paradigm.<sup>42</sup> The impression generated by the attention to the theory of economic imperialism is that this constitutes the totality of Hobson's contribution to international theory. Hobson's theory of imperialism is briefly referred to, described, or caricatured, in many of the textbooks on international relations.<sup>43</sup>

The major contribution to the discussion of Hobson's imperialism in international relations has come from Kenneth Waltz. Following the simple descriptions of the theory given in previous studies, Waltz accuses Hobson's theory of being a state-level explanation of war, that is, of ignoring the importance of the international system, and of being a simplistic mono-causal explanation of imperialism. In his *Man, the State and War*, Waltz claims that Hobson's theory of imperialism differs from the Marxist explanation in the hope for the reform of the capitalist system and benign wish that socialist states will not come into conflict. In *Theory of International Politics*, Waltz classes Hobson's and Lenin's theories together as a single 'reductionist' explanation of international political outcomes.<sup>44</sup> This interpretation of Hobson's contribution to international theory and specifically his theory of imperialism has become the predominant one in international relations. Two other important studies of Hobson's imperialism within international relations are Giovanni Arrighi's *The Geometry of Imperialism: The Limits of Hobson's Paradigm* and the discussion of Hobson in Charles

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<sup>42</sup> See Michael Banks, 'The Inter-paradigm Debate', in Light and Groom (eds.), *International Relations: A Handbook of Current Theory*, p. 18.

<sup>43</sup> For example, Tony Thorndike, 'The Revolutionary Approach: the Marxist perspective', in Trevor Taylor (ed.), *Approaches and Theory in International Relations*, p. 71; Martin Shaw (ed.), *War, State and Society*, p. 53; Geoffrey Blainey, *The Causes of War*, pp. 146-7; Keith L. Nelson and Spencer C. Ohlin, Jr., *Why War? Ideology, Theory, and History*, pp. 78-81; Dougherty and Pfaltzgraff, Jr., *Contending Theories of International Relations*, pp. 176-8; Charles Reynolds, *Theory and Explanation in International Politics*, ch 7; Hans Morgenthau, *Power Among Nations*, 3rd Edn., p. 48; Raymond Aron, *Peace and War*, ch. 9; Ian Clark, *The Hierarchy of Powers: Reform and Resistance in the International Order*, p. 136; J.D.B. Miller, *The World of States: Connected Essays*, p. 118, n. 8.

<sup>44</sup> Kenneth N. Waltz, *Man, the State and War*, pp. 145-56; *Theory of International Politics*, pp. 19-27.

Reynolds' *Modes of Imperialism*. Arrighi examines Hobson's theory of imperialism in an innovative way concentrating on the distinctions between imperialism, colonialism, nationalism and internationalism made by Hobson in the introduction to *Imperialism*. However, he reads Hobson's theory as a scientific precursor to Lenin's theory, and thus falls into anachronism; and this is exemplified by his misreading of Hobson's internationalism as 'informal empire', a concept that would have had no meaning for Hobson.<sup>45</sup> Reynolds analyses the types of theories used by Hobson and Lenin in their respective theories. While Lenin's is a 'dogmatic' theory based on scientific laws, Hobson's is described as 'voluntarist' founded in an historical explanation. Reynolds then accuses Hobson of failing to consult the evidence that this type of explanation requires, and claims that the evidence that does exist refutes Hobson's theory.<sup>46</sup>

Hobson's other writings on international relations are under-researched. His writings on internationalism have earned scant acknowledgement in international relations. The history of ideas is relatively marginal to current international relations scholarship,<sup>47</sup> and even here Hobson's writings on international economic relations and on the League of Nations and international organization have largely been overlooked. F.H. Hinsley quotes a secondary source in his reference to Hobson proposing a world state. Martin Ceadel includes Hobson as one of the inter-war peace activists in his *Thinking About Peace and War*.<sup>48</sup> Recently,

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<sup>45</sup> Giovanni Arrighi, *The Geometry of Imperialism: The Limits of Hobson's Paradigm*, pp. 23, 27-30, and 'Afterword'. Much of the later chapters is devoted not to Hobson's theory but to Arrighi's development of the problematic beyond that considered by Hobson. While the remark that Hobson's theory is no longer applicable to current forms of imperialism may be justified, Arrighi's commentary makes little contribution to an examination of Hobson's theory.

<sup>46</sup> Charles Reynolds, *Modes of Imperialism*, ch. 3; see also his *Theory and Explanation in International Politics*, ch. 3. Reynolds' distinction is close to Porter's, though Reynolds sees Hobson only as holding a conspiracy theory.

<sup>47</sup> Whether this be blamed on positivistic behavioural closure to historical approaches or on an inherent problem of political philosophy as eloquently argued in Martin Wight, 'Why is there no international theory?', in Butterfield and Wight (eds.), *Diplomatic Investigations*.

<sup>48</sup> Martin Ceadel, *Thinking About Peace and War*, p. 96, 118. Though Ceadel reflects something of the schizophrenic attitude to Hobson's international writings noted above. He both notes Hobson's social-democratic interest in an extensive League of Nations that would deal with socio-economic problems of the world, and also Hobson's updating of Cobden's international relations. Hinsley's source is a Foreign Office report by one of the authors of the British proposals for the League of Nations - hardly a neutral observer. See F.H. Hinsley, *Power and the Pursuit of Peace*, p. 143; and Lord Phillimore, *Schemes for Maintaining General Peace*, esp. pp. 10-11. Fred Parkinson in his *The Philosophy of International Relations*, pp. 114-6, notes Hobson's contribution to the neo-Marxist theory of imperialism, but claims that Hobson was working for the *Daily Telegraph* in South Africa!

however, a number of articles have appeared focusing on inter-war international theorists.<sup>49</sup> However, Hobson is not one of the figures addressed. The theory of imperialism that has secured Hobson's name for specialists of international relations turns out to be something of a mixed blessing for an understanding of his contribution to international theory. International relations analyses of Hobson's work have tended to reduce Hobson's contribution to international theory to an economic determinist explanation of imperialism and have ignored his contribution to international theory elsewhere. This thesis seeks to remedy this misplaced view of Hobson's discussions of international relations and to demonstrate the theoretical sophistication and value of Hobson's work in the discipline.

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Hidemi Suganami's recent study of reformist ideas in international relations, *Domestic Analogy and World Order Proposals*, does not mention Hobson at all.

<sup>49</sup> Cornelia Navari, *The Great Illusion Revisited: The International Theory of Norman Angell*; Don Markwell, 'Sir Alfred Zimmern Revisited: Fifty Years On'; and Brian Porter 'David Davies: A Hunter After Peace'. In international relations studies concentrate predominantly on the Great Men of political theory, e.g., Hobbes, Kant, Rousseau. However, even some great political thinkers have had to have their reputations restored in international relations, see R.J. Vincent, 'Edmund Burke and the Theory of International Relations'. See the challenge by James Der Derian to the scope of intellectual history in international relations in his 'Introducing Philosophical Traditions in International Relations', p. 191. Though Der Derian's record on Hobson is less than perfect - he refers to Hobson as J.B. Hobson throughout his *On Diplomacy: A Genealogy of Estrangement*.

*Chapter Two*  
**Hobson's Theoretical System**

This chapter examines the theoretical system through which Hobson discusses social, political and economic issues. The chapter concentrates on the central concepts of Hobson's analysis, organic and surplus, and discusses his ideas on cooperation, organisation and distribution through them. It discusses the theoretical system and major concepts that form the framework for Hobson's approach to international relations considered in chapter 3.

The chapter opens with an examination of Hobson's methodology and underlying assumptions. The second section examines Hobson's conception of human welfare. The third section analyses Hobson's theory of cooperative surplus, its relationship to his evolutionary theory of human progress and the economy of organisation in human life. The fourth section discusses Hobson's theory of distribution according to costs and surpluses. Hobson's different formulations of the theory of underconsumption and their relationship to his theoretical system are explained in the fifth section. The sixth section considers Hobson's use of the term organic. Hobson's most significant use of the term is the ideological supersession of nineteenth century liberalism by the new liberalism through the turn to methodological holism. However, organic also conjures up other associations important to Hobson's work. The seventh section advances a series of criticisms of Hobson's analysis. The conclusion notes the importance of the concept surplus and of organic terminology in Hobson's writings. It is concluded that Hobson's theoretical system is not without major flaws, but that his theoretical orientation and the organic and surplus concepts provide the basis for a novel approach to international relations.<sup>1</sup>

### **Hobson's Methodology**

This section examines the underlying assumptions that inform Hobson's work and his method of enquiry into political, social and economic questions. His work is underpinned by an instrumental, evolutionary notion of human rationality. Hobson emphasises the unity of the human personality, of society, and the need for a social science to reflect this unity and guide social improvement.

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<sup>1</sup> Another account of Hobson's theoretical system appears in John Allett, *New Liberalism*, chs. 2-4.



*Rationality, Science and Social Science*

A central hypothesis in Hobson's work is that man can be understood and judged as a rational or semi-rational animal. While this view was shaken by the experience of war, Hobson clung to this presumption as the hope for civilisation and progress.<sup>2</sup> For Hobson, human reason was part of the urge towards a fuller, better life. This was pursued through an increasing control over the physical environment.<sup>3</sup> Hobson, thus, conceived reason instrumentally as a 'scientific instrument ... applied to furnish means to the satisfaction of the particular instincts, interests, and desires of man.'<sup>4</sup> At the same time, rationality was the 'passion of Wholeness'.<sup>5</sup> The fuller life would therefore satisfy the whole of the human being, not only the conscious intelligence but also the instincts or passions. Nonetheless, it is clear that, for Hobson, it is reason that guides the passions and not vice-versa.

For Hobson, reason was part of human evolution. The development of rationality allows purposive action and the establishment of some ideal. Hobson posits the growth of consciousness in evolution, and the evolution of consciousness and rationality itself, permitting the purposeful pursuit of an ideal of human progress in the growth of reason and civilisation.

In all organic life there is a limited amount of transmitted energy, or urge, capacity to strive, directed to secure the survival and growth of the individual and the species. It belongs to the economy of this struggle that some direction of the several instinctive urges and desires in the interest of the organic whole should be exercised. This directive control, so far as it is conscious, is some thin form of 'reason', and it involves some conscious or intuitive valuation of the claims of the several instincts upon the organic resources.<sup>6</sup>

The development in humanity of conscious purpose, its reasoning nature, transforms the nature of human social evolution. The blind fumbling of nature is replaced by the conscious application of reason. This permits man, as a higher organism, to interfere with the processes of reproduction and adaptation to the environment, and even to drastically change

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<sup>2</sup> For Hobson's confidence see *John Ruskin Social Reformer*, p. 208, *Sociology*, p. 22. For his shaken attitude see *Confessions*, p. 96; *Problems of a New World*, ch. 2; *The Psychology of Jingoism*, p. 20, 31, 33.

<sup>3</sup> *Social Problem*, p. 105, *Sociology*, p. 20-1, *Crisis of Liberalism*, p. 176.

<sup>4</sup> *Free Thought*, p. 19.

<sup>5</sup> *Social Problem*, p. 3.

<sup>6</sup> *Wealth and Life*, p. 17.

the environment itself. It permits, in short, humanity to interfere with the lower processes of evolution. The teleology of humanity heading towards an ideal of civilisation apparently exogenous to the process of evolutionary selection appears because humans are reasoning animals.<sup>7</sup>

For Hobson, 'the chief organising process of Reason' is science.<sup>8</sup> However, he denied the possibility of pure disinterestedness and value freedom in scientific investigations. Hobson describes the origin and ultimate purpose of science in the ordering and control of the human and physical environment.<sup>9</sup> Science is thus set in the context of human development and social life. While shaped by practice, or social 'art' as Hobson calls it, science in its turn limits social development by determining the methods and attainability of social improvements.<sup>10</sup>

While he followed Comte and Spencer in his belief in the applicability of the term science to studies of human action and society, the social context and instrumental nature of science led Hobson to make a distinction between the natural and social (or, as he occasionally called them, mental) sciences. Hobson believed that 'natural laws' did not apply to individuals and society because of the operation of human will. In *Wealth and Life* Hobson delimits four realms of science: the inorganic, the organic, the psychic (sic, or psychological), and the self-conscious.<sup>11</sup> The intractability of the subject matter of social science, its complexity and the impossibility of constructing any historically generalisable 'laws' cast doubt on the idea that it was possible to have a social science.<sup>12</sup>

It is not merely that ethics, politics, economics, sociology, are backward in the discovery and formulation of their laws: the laws are not 'there' to be discovered, in

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<sup>7</sup> Though Hobson took this as an axiomatic part of evolution, see *John Ruskin Social Reformer*, p. 88; *Wealth and Life*, p. 131. Hobson here parallels closely his friend Hobhouse. See L.T. Hobhouse, *Mind in Evolution*. This is the meeting point of Hobson's use of biology and his adaptation of the ideas of the Philosophical Idealists such as Green and Bosanquet. See Michael Freeden, 'J.A. Hobson as a New Liberal Theorist', pp. 422-6.

<sup>8</sup> *Free Thought*, p. 61.

<sup>9</sup> *Free Thought*, p. 11, 19; *Social Problem*, p. 66; *Wealth and Life*, p. 19. For Hobson's description of science conceived as 'a solemn marshalling of the several orders of concrete phenomena', see *John Ruskin Social Reformer*, p. 313-4.

<sup>10</sup> *Free Thought*, p. 19, 235; *John Ruskin Social Reformer*, p. 59.

<sup>11</sup> *Wealth and Life*, p. 95-6.

<sup>12</sup> *Work and Wealth*, p. viii; *Free Thought*, p. 5-6, 17; *Sociology*, p. 21; *Wealth and Life*, p. 95, 109.

the sense in which they are 'there' in physics and chemistry.<sup>13</sup>

However, Hobson equivocated on this point, not wishing to jettison a scientific approach to society altogether. He claimed that 'human nature is after all only a branch of nature, and is amenable to laws as regular in their normal operation over the human field of enquiry as is the case in other fields.'<sup>14</sup>

Hobson identified a number of qualifications to the use of the methods of natural science in the study of human activities and institutions. He distinguished the scientific exactitude of the physical sciences from the relative vagueness of the human sciences.<sup>15</sup> He was especially concerned with two tendencies in the social sciences, the growth of specialisation and the move to quantification, both following successes in the natural sciences.

Specialisation of the social sciences into economics, politics, sociology, psychology and so on broke the essential unity of human experience into separate parts. For Hobson, this method was fallacious: 'This is no doubt the way to simplify science. But it is also the way to falsify it.'<sup>16</sup> Scientific specialisation resulted in what Hobson called 'overwrought theory', increased abstraction as a consequence of the scientist's distance from the subject of his study.<sup>17</sup>

According to Hobson, specialisation and quantification reflected the mentality of industrialism and the success of applied natural science. However, the implicit mechanistic metaphor was contrary to the needs of society: 'The net effect is to deny the existence and operation of the creative power of the human will, by presenting human nature itself as a static being, responding to laws that are immutable in the same sense and degree as those which govern the operations of stars and plants.'<sup>18</sup> Quantification also artificially separated elements of complex objects of study, such as an individual or society.<sup>19</sup> Hobson claimed

<sup>13</sup> *Wealth and Life*, p. 95.

<sup>14</sup> *Wealth and Life*, p. 95.

<sup>15</sup> *John Ruskin Social Reformer*, p. 69; *Free Thought*, p. 281; *Wealth and Life*, p. xxxi, 95.

<sup>16</sup> *Social Problem*, p. 62. See Hobson's discussion on pp. 52-62.

<sup>17</sup> *John Ruskin Social Reformer*, p. 200; *Social Problem*, p. 235.

<sup>18</sup> *Free Thought*, p. 30. See also p. 23, 25-6; *Crisis of Liberalism*, p. 185. *Social Problem*, p. 59-61, *Crisis of Liberalism*, p. 265, *Free Thought*, p. 123-4. This also played into the hands of conservatives who sought to rule out dramatic change of the social system. See *Free Thought*, p. 52.

<sup>19</sup> *Social Problem*, pp. 59-60; *Wealth and Life*, p. vii.

that quantitative social science was useless as a guide for human conduct and was merely 'intellectual gymnastics'.<sup>20</sup>

### *Social Science and Social Reform*

Hobson claimed that all scientific studies relied on ideas to order the 'facts' being studied.<sup>21</sup> Hobson denied the validity of inductively based empiricism: facts could not be understood without some prior ordering.<sup>22</sup> But this made judgement and measurement in social science especially problematic because the selection of social facts was influenced by the values of the observer and even the interpretation of the facts was plastic. Beneath these methodological concerns, Hobson was making a significant ontological claim about social science. This was that, in social science, values and beliefs were facts.<sup>23</sup> It followed that the separation of ought and is was artificial:

The "ought" is not something separable or distinct from the "is;" on the contrary, an "ought" is everywhere the highest aspect and relation of an "is." If a "fact" has moral import ..., that moral import is a part of the nature of the fact, and the fact cannot be fully known without taking it into consideration.<sup>24</sup>

These facts included illusions and superstitions. Thus Hobson concluded that there was no objective fact in the human sciences as there was in physical sciences.<sup>25</sup>

Hobson's attack on the objectivity of social science might seem to lean towards relativism. This is not the case because this relativism is couched in terms of the evolutionary development of human reason. There were no fixed facts because man was evolving. Hobson's ideas on social science follow from his assumptions on human nature, that man is distinct in evolution for the development of conscious reason. Man was a purposive animal, set on survival in the first instance, but also, more widely, for human improvement. For Hobson, therefore, social science might not be able to establish any fixed facts or have any fully objective standards for methods, but there remained an ultimate goal or purpose, the

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<sup>20</sup> *John Ruskin Social Reformer*, p. 314.

<sup>21</sup> *Social Problem*, p. 66, 281-2.

<sup>22</sup> *Social Problem*, pp. 281-2.

<sup>23</sup> *John Ruskin Social Reformer*, p. 79, 314; *Social Problem*, pp. 66-8.

<sup>24</sup> *Social Problem*, pp. 66-7.

<sup>25</sup> *Crisis of Liberalism*, p. 216, 273; *Free Thought*, p. 17-8, 222-3.

normative injunction to guide human conduct. The ultimate goal of social as for natural science was the improvement of human life through human practice as social reform.<sup>26</sup>

Hobson combined these insights into a science of society, at once analysing and prescribing appropriate social reforms and institutions. This was to be a

sociology [which], by the distinctively intellectual operation of enabling individuals to realise society as an elaborate organic interaction of social forms and forces, and so to understand the worth of social conduct, will alter the scale of human values and desires.<sup>27</sup>

This sociology would analyse society as a whole:

The study of social value of individual men no more constitutes sociology than the study of cell life constitutes human physiology. A recognition of the independent value of the good life of a society is essential to any science or art of Society.<sup>28</sup>

This sociology was a unified conception of the social whole and included necessarily the consideration of individual human and social good as a value and goal.<sup>29</sup> As such it was the most important of the social sciences, coordinating as it did the separate sciences of ethics, politics and economics.<sup>30</sup>

The basis for this science was the extension of the 'reign of law' to all spheres of human conduct, premised on the notion that there was a fundamental uniformity in human nature: that people are more alike than unlike each other. For Hobson this was 'a valid assumption for the possibility of any social science.'<sup>31</sup> Hobson's method was therefore, inevitably, holistic, 'because by the order of its descent from the whole to the constituent parts it brings out more definitely the slight consciousness and integration of industry ...'.<sup>32</sup>

In summary, Hobson's sociology was a holistic science correlating the separate studies of human value (ethics), material value (economics) and government (politics). This science was unlike physical sciences because it dealt with the life of humans in society, where facts

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<sup>26</sup> *Sociology*, p. 23, 25; *Work and Wealth*, p. 2.

<sup>27</sup> *Social Problem*, p. 264.

<sup>28</sup> *Work and Wealth*, pp. 15-6. Hobson derived his focus on society as a whole from Herbert Spencer. See *Free Thought*, p. 5; *Crisis of Liberalism*, pp. 184-5, 263.

<sup>29</sup> *John Ruskin Social Reformer*, p. 87, 198; *Social Problem*, pp. 60-1, 254.

<sup>30</sup> *Sociology*, p. 28; *Social Problem*, p. 61.

<sup>31</sup> *Free Thought*, p. 5; *Wealth and Life*, p. x.

<sup>32</sup> *Evolution of Modern Capitalism*, 1st Edn., p. 10-11.

were neither easily accessible nor forever fixed. As Hobson concluded, this made his sociology a difficult and ambitious enterprise, but '[b]ecause a "unified social science" is so much more difficult, that is no reason for neglecting it, but is rather a reason for putting more intellectual energy into its pursuit.'<sup>33</sup>

This conception of a social science was integral to Hobson's campaign for human improvement through social reform. For Hobson, a unitary approach was integral to the future success of social reform. A social science would provide the basis for a broad-based social reform examining the social structure as a whole, instead of piecemeal practical measures and fragmentary analysis.<sup>34</sup> Reformers would, Hobson thought,

pay the price which short-sighted empiricism always pays; with slow, hesitant, and staggering steps, with innumerable false starts and backslidings, they will move in the dark along an unseen track towards an unseen goal. Social development may be conscious or unconscious. It has been mostly unconscious in the past, and therefore slow, wasteful, and dangerous. If we desire to be swifter, safer, and more effective in the future, it must become the conscious expression of the trained and organised will of a people not despising theory as unpractical, but using it to furnish economy in action.<sup>35</sup>

According to Hobson, the ideals of social reform would not be fixed but would shift with the evolving needs of individuals and society.<sup>36</sup> Hobson believed that social reformers should not be looking for grand theories, but rather 'middle principles' that demonstrated the interconnectedness of different arenas of human society and could be comprehended and acted upon by significant numbers of ordinary people.<sup>37</sup> Most importantly, practical experience of the common people must fill out any ideals or principles. The principles could not be the vapid theorising of ivory-tower professors. There was a need for 'sound information and sound modes of thinking ... [which must] percolate into the general mind. Thus alone can progress of a people become conscious and rational, and, therefore, take at once a faster and surer pace.'<sup>38</sup>

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<sup>33</sup> *Social Problem*, p. 61.

<sup>34</sup> *John Ruskin Social Reformer*, p. 18, 87.

<sup>35</sup> *Crisis of Liberalism*, p. 132. See also *Social Problem*, p. 284.

<sup>36</sup> *Social Problem*, p. 4, 6, 31.

<sup>37</sup> *Crisis of Liberalism*, p. 272, 274; *Social Problem*, p. 4. He disliked neo-Hegelian Idealist philosophy prevalent in Oxford at the turn of the century, because he felt that the Idealists' abstract ideals were fixed and distant from present realities of society. See *Crisis of Liberalism*, p. 187, 272.

<sup>38</sup> *Social Problem*, p. 262; *John Ruskin Social Reformer*, p. 258.

## Human Welfare

Hobson conceived a unitary social science guiding human progress through social reform. The end towards which humanity was heading according to Hobson was improvement in individual and social well-being. Thus, Hobson's ideal of human progress is first and foremost welfare rather than freedom or liberty, order or justice, though these latter do come into his analysis of welfare.

Hobson conceived welfare as both the ideal for human progress and social reform, and the basis of measurement for social science.<sup>39</sup> His study of welfare is where his science of society joins economics and ethics as complementary studies of individual and social value. Hobson's concept of welfare is broad in two respects: it incorporates social as well as individual welfare and it extends welfare beyond economic measures into human valuation. There are two aspects to Hobson's discussion of welfare. First, there is the content or meaning of welfare as an ideal of human progress. Second, there is the measurement of welfare as a standard for contemporary society.

### *The Meaning of Welfare*

Hobson understands welfare broadly as the well-being of the entire human organism. Welfare derives from the satisfaction of individual and social needs. Welfare of individuals involves the development of the human personality. A holistic view of individual welfare follows from the development of personality emphasising the interconnections of the physical, moral, and intellectual facets of human life. Hobson advised that we should 'seek our standard [of welfare] in the conception of man as a psycho-physical organism with various related satisfactions of its functions.'<sup>40</sup> That is, both the physical and psychological needs of human beings had to be taken into account in the conception of welfare.<sup>41</sup>

According to Hobson, human welfare results from the satisfaction of the needs of each personality. This satisfaction is achieved through the production of human value. Hobson

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<sup>39</sup> See *Free Thought*, p. 142, 168-9; *Social Problem*, p. 39, 50, 69, 76, where it is called 'social utility'.

<sup>40</sup> *Wealth and Life*, p. 16.

<sup>41</sup> *Wealth and Life*, p. 21. Hobson acknowledged, however, that there may be a different selection mechanism for cultural compared to biological needs.

wrote a number of books on the relationship of work, wealth and life. Hobson was profoundly influenced in his opinions by John Ruskin's critique of political economy, and adopted a number of Ruskin's maxims, most notably 'There is no Wealth But Life'. Following Ruskin, he defined 'vital' value as 'the power to sustain life'. Hobson attempted to found a science of ethics, that is, a science of human values, on the humanisation of economics.

Human welfare also included the social aspects of humanity. Thus, for Hobson, '[h]uman welfare will be not merely the welfare of human beings taken as an aggregate, but of society regarded as an organic unity.'<sup>42</sup> Hobson claimed that an objective social standard of welfare was possible because '[i]n so far as the members of a society own the same nature, habits, education, institutions, and range of vision, they possess a common grasp of what is good for the society ...'<sup>43</sup> This standard would shift with the change in level of civilisation of a people, for sure. However, at any one time, in any one place, there would a standard which would address the question:

Given a number of human beings, with a certain development of physical and mental faculties and of social institutions, in command of given natural resources, how can they best utilize these powers for the attainment of the most complete satisfaction?<sup>44</sup>

The basis for this standard would be 'objective social good' over individual self-interest, 'our standard must be conceived in terms of a life that is good or desirable.'<sup>45</sup> Hobson assumed that people are in large part similar, the precondition for meaningful social standard.<sup>46</sup>

Hobson's conception of welfare invoked Ruskin with a utilitarian twist. It was '[t]he

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<sup>42</sup> *Work and Wealth*, p. 17, 309.

<sup>43</sup> *Social Problem*, p. 69; *Free Thought*, p. 142, 172. See also Hobson's belief that this standard could be decided on by the most cultured members of society, in parallel to Mill's claim on this subject, *Wealth and Life*, pp. 60-1.

<sup>44</sup> *Social Problem*, p. 7.

<sup>45</sup> *Work and Wealth*, p. 12. There is a problem here. If each individual's conscious satisfactions are the basis of welfare, how is it possible to get to the notion of social welfare from such divergent estimations of the standard of welfare? Hobson states the problem baldly in reference to the population question: 'Who shall say whether one Darwin or Mozart is worth as much as a hundred million happy negroes?' Hobson's introduction of distinctions of quality as opposed to quantity made this even more difficult. See *Wealth and Life*, p. xxvi. *Free Thought*, p. 64, 135; *Wealth and Life*, p. 51.

<sup>46</sup> *Social Problem*, pp. 39, 45-7. See the discussion on the translation of economic into ethical values in *Wealth and Life*, pt. 1.



largest number of happy and healthy human beings.<sup>47</sup> Hobson's conception of welfare as the ideal for human progress is clearly a utilitarian approach, though he eschewed the narrow hedonistic, quantified calculus of utilitarians such as Bentham and James Mill. Hobson's ethics were 'a New Utilitarianism in which physical, intellectual, and moral satisfactions will rank in their due places.'<sup>48</sup> This led Hobson to criticise and modify the utilitarian calculus that appeared in classical political economy, through examples from the development of primitive communities as well as more modern industrial society.

At the primitive stage of development (and in the isolated context of, for instance, Robinson Crusoe), Hobson claimed, each person or group produced what it needed for its consumption, and consumption provided the energy needed for subsequent production.<sup>49</sup> There was a natural balance of production and consumption. This balance was still a feature of industrial society despite its complexity. Hobson broadened his notion of welfare to include psychological or spiritual needs as well as physiological in the economy of production and consumption, as these former became more important in the increasingly civilised peoples. Finally, he asserted that '[w]elfare consists of ordered, organised values', and thus 'value and purpose [are], if anywhere in the total harmony of nature as a whole.'<sup>50</sup> Both production and consumption had costs and satisfactions. Production involved costs in terms of the expenditure of life, i.e., work or labour, to produce the necessities of life, but it was also a fulfilment of a natural human function. Consumption promoted life and/or happiness, contributing to the potential productivity of the individual, but could be bad for the individual if the wrong thing is consumed.<sup>51</sup>

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<sup>47</sup> *Free Thought*, pp. 167-73; *Social Problem*, pp. v-vi, 5, 7.

<sup>48</sup> *Wealth and Life*, p. 16. See also p. 47, and *Free Thought*, p. 170. Hobson advocated a standard to avoid the chaos of subjectivism where each person's valuation is worth as much as another, a view he took to be incorrect.

<sup>49</sup> If this was not the case, then logically the individual or group would have perished. *Social Problem*, p. 221 - 'an intelligent individual ... may be conceived as working out a perfect organic economy of production and consumption designed to support him in full physical health and satisfaction.' See also *Free Thought*, pp. 133-4.

<sup>50</sup> *Wealth and Life*, p. 11, 14.

<sup>51</sup> The difference between work and labour was that the former was a wholesome activity, while the latter was toil or loss of life. *John Ruskin Social Reformer*, pp. 76-7, 84, 98n; *Social Problem*, p. 47; *Wealth and Life*, p. xxi.

*From Economic to Human Valuation*

The economics of human welfare as a systematisation of ethical valuation was one of Hobson's central concerns. He attempted to broaden economic valuation of wealth to include non-market and other than monetary values, so that his was a human valuation of welfare. Hobson's welfare economics can be construed as an attempt to systematise Ruskin's humanist critique of the commercial science into an alternative political economy.<sup>52</sup>

The foundation of Hobson's economics of human welfare involved several steps transforming the monetary valuation of welfare in orthodox economics to a human valuation.<sup>53</sup> First, money values of goods are translated into the concrete wealth that they engender, what they are in terms of goods or services. Second, concrete goods are translated into subjective satisfactions and dissatisfactions of the people who produce and consume them. Third, the second step must bear in mind the fact that each person is both a producer and consumer, and that different persons have different needs and capacities. The distribution of work and income affects the satisfaction of individual and social needs. Finally, these satisfactions must be translated from those currently desired to be measured according to the standard of the objectively desirable. In each person's individual standard of consumption and conditions relating to production, there will inevitably be "illth" as well as wealth, for the individual and for society as a whole.<sup>54</sup>

Hobson intended his standard of welfare to guide social reform. It was broad enough to be a standard for all human actions and institutions. As a tool of analysis and as normative standard, it was broad enough to encompass the variety and differing qualities of satisfactions and dissatisfactions in human life. This human standard could not, however, have the perfect fit for an individual in society, because of differing valuations and the disruptive effect of the distribution of income and work on social welfare. Though not as precise as the money standard of economics, it would, though, be more accurate. Hobson accepted that there might be theoretical difficulties, perhaps, some of which might prove to be strictly insuperable. For instance, he admitted that '[t]he general conception of human well-being is itself vague and

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<sup>52</sup> *John Ruskin Social Reformer*, p. 74; *Free Thought*, p. 90.

<sup>53</sup> These steps are outlined in *Work and Wealth*, ch. 3; *Social Problem*, bk. 1, ch. 5; and *Wealth and Life*, pp. vii-ix, pt. 2, ch. 3.

<sup>54</sup> The idea that value is derived from the right use of a good by the right person comes from John Ruskin, see *John Ruskin Social Reformer*, p. 79. On the objective human standard, see pp. 84-5.

insubstantial, until it has acquired and assimilated the very sorts of knowledge the collection of which it is here assumed to be able to direct.<sup>55</sup> But this was an issue that could, for practical purposes, be ignored in the setting up of the ideals or standards of human welfare. Hobson hoped that his human standard would be practically possible on the basis of some reliable physical indices.<sup>56</sup> His aim was a standard for welfare that included '[h]onest production, just distribution, wise consumption.'<sup>57</sup>

In summary, Hobson attempted to create a science of human welfare, bridging the gap between economics and ethics with a new, widened utilitarianism. The broad standard of human welfare was the measure of this new utilitarianism and was also the ideal of social improvement. Hobson founded the social aspects of human welfare on the basis of the common features of people. However, social welfare also arises from the theory of the cooperative surplus that Hobson advanced.

### The Cooperative Surplus

This section considers Hobson's theory of surplus value that demonstrates the productivity of cooperation. It shows that this is used by Hobson in his evolutionary view of the development of human society towards increasing rationality, manifested in organisation. Hobson proposed that welfare is social because human value is produced through social cooperation. Hobson claimed that '[o]rganized cooperation is a productive power.'<sup>58</sup> Cooperative surplus is the difference between the value of the individual contributions and the total sum of social value produced. The difference between aggregate production and separate contributions is surplus value which constitutes the benefit of cooperation. In short, individual welfare is enhanced by cooperation. Hobson's analysis suggests that cooperation results in a surplus beyond the contributions of individuals, and that human value is determined socially. It is the cooperative surplus that gives Hobson's approach to society its evolutionary dynamism. For Hobson, the

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<sup>55</sup> *Work and Wealth*, p. 2. See also *John Ruskin Social Reformer*, p. 239. On the insuperable nature of these problems, see *Wealth and Life*, p. viii. For a criticism of Hobson along these lines, see Wesley C. Mitchell, *Lecture Notes on Types of Economic Theory*, chs. 37-9.

<sup>56</sup> *John Ruskin Social Reformer*, pp. 84-5; *Social Problem*, p. 87; *Work and Wealth*, p. v, 309; *Free Thought*, p. 65, 141; *Wealth and Life*, p. 58.

<sup>57</sup> *John Ruskin Social Reformer*, p. 310; *Free Thought*, p. 94.

<sup>58</sup> *Social Problem*, p. 147.

development of human personality depended on the ability to devote time and energy to diverse, 'higher' pursuits. This was only possible if there was more than sufficient time and energy to satisfy immediate needs.

Hobson used a parable involving three men building a boat, in a way that closely resembles Adam Smith's story of a pin factory demonstrating the importance of the division of labour.<sup>59</sup> Hobson's account of the production of cooperative surplus is orthodox classical political economy. His conclusions, however, are less orthodox. Hobson asks, if three men build a boat, is it true to say that one of them could have built the same boat but taken three times as long, or that one man could have built a third of the boat in the same time? Hobson answers no. The advantages of cooperating together mean that the three men can produce something together that they could not have produced alone. Further, the development of each of cooperants their skills and the provision of materials for their endeavour is the result of the cooperation of the wider society of which they are a part.

The men might also gain by selling the boat. According to Hobson, the social institution of the market also raises the boat's value. If these men are selling the boat they produce, they depend on the market for boats to establish the value of their product. Hobson suggested that cooperation modifies individual welfare and value, so that there is social determination of the total value of a good or service beyond any individual or group's control. As soon as exchange in markets decides the value of an item, there is what Hobson calls social determination of value.<sup>60</sup>

From his theory of surplus value, society or any cooperative activity is seen to be irreducible to its component parts. A social feeling is engendered which cannot be reduced to individual feelings without losing its essential character:<sup>61</sup> 'organised cooperation, voluntary participation of individuals in some common activity, can produce a valuable effect, spiritual or even material, different both in quantity and in character from that which the unorganised activities of the individual participants could compass.' This is true even in businesses and in the apparently disorganised and competitive markets. Classical economists of *laissez faire* had demonstrated the value of cooperation, yet had played down the

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<sup>59</sup> *Social Problem*, pp. 146-7.

<sup>60</sup> *Social Problem*, p. 144, 159; *Free Thought*, p. 245; *Wealth and Life*, p. 43, 152, 168. While the market might be a form of the social determination of value, it was criticised by Hobson as working inefficiently and inequitably as we shall see in the next section.

<sup>61</sup> *Wealth and Life*, p. 24, 27, 29; *Work and Wealth*, p. 162, 281.

importance of social as opposed to individual contributions.<sup>62</sup>

This approach to surplus value is close to that of the classical economists. Indeed, Hobson's economics are undoubtedly, from a Marxist perspective, bourgeois.<sup>63</sup> Hobson's discussion may also seem somewhat economic and exclusive of his concern for a broader standard of human welfare. However, Hobson asserts that in all interaction, of which economic is only one form, cooperation produces 'social' surplus.<sup>64</sup> Further, the production of economic, material value is seen by Hobson as the prerequisite for the development of higher values of human personality and society.

### *Evolution and Organisation*

Influenced by Spencer, Hobson applied evolution and adaptability to change to explain social change.<sup>65</sup> Not only did physical organisms evolve, but so did human culture and society. This view of society added a dynamism and a responsiveness to external change that was lacking in the static models and mechanical approaches of other sociologists and classical

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<sup>62</sup> John Ruskin *Social Reformer*, pp. 134-5; *Free Thought*, p. 157; *Wealth and Life*, p. 162, 201; *Work and Wealth*, p. 6.

<sup>63</sup> For Marx's criticisms of arguments like Hobson's, see his *Theories of Surplus Value*, pp. 387-8. The difference between Marx and Hobson's theories of surplus value lies in Marx's stress on the labour theory of value and Hobson's cooperative approach. Hobson's approach justifies the payment of profits and interest as maintenance costs, and suggests that even wages can include elements of unproductive surplus. See Robert Freeman (ed.), *Marx on Economics*, pp. 70-93. The bourgeois nature of Hobson's approach was quite apparent to Lenin. See his review of Hobson's *Evolution of Modern Capitalism* in *Economica* (Vol. , No. , Nov. 1925), pp. 362-4. For a conflation of the two positions, see James Der Derian, *On Diplomacy: A Genealogy of Western Estrangement*, p. 186.

Hobson admired Marx's analysis but found it deficient. He criticised socialist economics' reliance upon a crude labour theory of value, their failure to show how the capitalists expropriated the surplus from labour, and their neglect of the pressures of competition on capitalists. See *The Economics of Distribution*, p. 353; *Free Thought*, p. 147, 152-3, 163; *Wealth and Life*, p. xvi, 192-3. For Hobson's other criticisms of Marx and Marxism, see *Sociology*, p. 22; *Free Thought*, p.29, 77-8; *Crisis of Liberalism*, p. 138, 237; *Free Thought*, p. 249; *Physiology of Industry*, pp. 76-7.

<sup>64</sup> According to Hobson, this is an organic law that applies to all organisms and organic systems of which human society is one. For an example of Hobson's emphasis of the role of surplus in organic systems, see *Social Problem*, p. 108: 'Man is the owner of a recurrent fund of superfluous energy...' See the discussion of the organic analogy below.

<sup>65</sup> Hobson referred to Spencer's 'novel conception that social organisation could be material for scientific study, and that laws of evolution could be discovered in the history of human institutions'. See *Free Thought*, p. 5. See also *J.A. Hobson: A Reader*, pp. 60-3.

economists.<sup>66</sup> It also provided the possibility of historical relativism in his analysis of the social system. Hobson suggested that evolution shows the importance of cooperation and organisation as a route to higher forms of life and that if there be competition, that it is at the level of higher values.<sup>67</sup> Evolution joined his theory of cooperative surplus in an optimistic interpretation of the development of human personality and society.<sup>68</sup>

Hobson tended to use the example of an isolated family or village or a version of the Crusoe story as his 'original position' for the development of humanity, though he acknowledged the importance of social interaction in the early stages of the development of the human species.<sup>69</sup> Initially, value is mainly produced through human control of the material environment. However, cooperative surplus provides the basis for the development of higher, spiritual values. Hobson's view of this development deserves to be quoted at length:

Taking the life of an individual in society, and regarding that life as constituted as an organic complex of functions - physical, intellectual, moral, etc. - we find a continuous evolution of wants and satisfactions. In a general historical review of this development, there will arise first the want of foods, clothing, shelter, absolutely necessary to support the continuance of physical life. Certain improvements in quality, character, and variety of these prime satisfactions will follow. Complementary food appealing to taste, ornamental elements in clothing, commodiousness and dignity of dwelling, may come next. Gradually, higher or more delicate sensations are educated, craving satisfaction; crude arts grow, providing utilities which were "unnecessary" to primeval man. The beginnings of aesthetic, intellectual, and moral needs are manifested; a general widening of life, bringing a conscious and continuous process of developing new wants whose satisfaction gives increased value to life, ensues.

In tracing the historical process of development of wants and satisfactions, each earlier element seems more important than each succeeding one, the need of food and physical protection being more pressing and essential than the needs of "the higher nature." Logically, however - or in the order of nature, considered as a complete system, not as a process - each subsequent need or satisfaction is more important and more valuable than the preceding one in time, because it represents a higher type of life.<sup>70</sup>

This evolutionary perspective on social interaction underlies all of Hobson's work

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<sup>66</sup> John Ruskin *Social Reformer*, p. 103; *Wealth and Life*, p. 131.

<sup>67</sup> Hobson realised that the analogy could have conservative overtones, depending on the one hand the necessity or desirability of ruthless competition or social stability at the cost of justice. For an example of Hobson's attack on this view, *Crisis of Liberalism*, pp. 184-5.

<sup>68</sup> John Ruskin *Social Reformer*, p. 105.

<sup>69</sup> See, for example, *Social Problem*, pp. 142-5; *Free Thought*, pp. 133-4.

<sup>70</sup> *Social Problem*, p. 76, 81.

though it is rarely stated as explicitly as this. Lower values are historically prior, but in terms of valuation at any one time higher values are prior to lower. The surplus raises life to a higher level of civilisation. At this higher level, further cooperation is possible and thus a further progress in civilisation can be effected. This is the wider significance of Hobson's discussion of economic surplus. In practical terms, Hobson's evolutionary perspective imposed the temporal priority of physical needs over spiritual; it put economic reform before moral reform. People needed to be free from physical restraints before they could have access to higher values, as in culture and so on.<sup>71</sup> But a comparison of the worth of spiritual and material values showed that the former were of higher value than the latter.<sup>72</sup>

Hobson also stressed the efficiency and economy of organisation; it is *organized* cooperation that is a productive factor. As we have seen, Hobson's underlying methodology suggests that direction from the centre is the most rational. Similarly, cooperation centrally organised is the most efficient. Consciousness and reason gives human beings the ability to organise and plan rationally, thus reducing waste.<sup>73</sup> Central direction maximises society-wide welfare, by minimising loss through the growth of rationality and social feeling.<sup>74</sup> 'Civilisation has its chief meaning in the extension and growing realisation of this unity of Society, by utilising these secret threads of social feeling for the weaving of the fabric of social institutions.'<sup>75</sup>

Thus, following Hobson's evolutionary theory, an 'expanding circle' of cooperation and organisation is completed.<sup>76</sup> Cooperation creates a social surplus, that can be maximised by organisation; the existence of surplus permits the pursuit higher activities; cooperation in these activities results in the creation of further surplus, again maximised through rational organisation of that cooperation. Surplus sets the basis for a system of cooperation that its own

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<sup>71</sup> *Crisis of Liberalism*, p. 191, 208; *John Ruskin Social Reformer*, p. 102; *Social Problem*, p. 49.

<sup>72</sup> Here, Hobson is following Mill's distinction of higher and lower values. The distinction of higher and lower values appears in John Stuart Mill, *Utilitarianism*. For a further discussion of utilitarianism, see J.C.C. Smart and Bernard Williams, *Utilitarianism: For and Against*.

<sup>73</sup> *Free Thought*, p. 12, 228-9; *Evolution of Modern Capitalism*, p. 402; *Crisis of Liberalism*, pp. 265-6.

<sup>74</sup> *Wealth and Life*, p. 218; *Social Problem*, p. 255, 259-61; *Free Thought*, p. 31.

<sup>75</sup> *Work and Wealth*, p. 307. See also *Free Thought*, p. 265; *Evolution of Modern Capitalism*, p. 402.

<sup>76</sup> This phrase is borrowed from the title of a book by Peter Singer. See his *The Expanding Circle: Ethics and Sociobiology*.

surplus, and so on.

'Organised cooperation', then, is more productive than disorganised. In economic theory and in liberal ideology, Hobson rejected *laissez faire*, and claiming that while '[t]he idea that man is really a social being and that his reason can be applied so as to make his social cooperation effective for the common good is still regarded as the supreme economic heresy',<sup>77</sup> in fact '*laissez faire* ... is not only impracticable in view of the actual forces which move politics, but it is ethically indefensible in the last resort.'<sup>78</sup> Hobson's analysis of the development of modern industry verified his evolutionary theory. While industrial and financial combination were already established facts, social control of industry was also advancing apace. Hobson claimed that there was a trend for social control of industries to increase. Following the model of individual progress through organisation, society would organise its resources to eliminate waste. With some qualifications this is what was in fact occurring.<sup>79</sup> Small firms were combining into Joint-Stock companies, which themselves were transformed into trusts and private monopolies. Subsequently these were being 'nationalised', so that some form of social control would give the benefits of combination to the whole of society. There was a consonance of the development of routine production techniques and economies of scale in firms and trades, with the provision of routine wants in society and the need to provide social control of private monopolies in the public interest. This led to the conclusion that firms would pass through stages of combination to become nationalised: 'The natural evolution of modern industry is bringing many large routine businesses into a position of dangerous power, to which State organization will be found to be the only effective remedy.' The State's economic role would thus naturally grow to cope with the failing of the capitalist system: 'There are certain wastes of economic power involved in all competition; there are certain dangers of monopoly attaching to all private conduct of industry. Collective control deals with these wastes and dangers, adjusting itself to their extent and character.'<sup>80</sup>

Hobson's position on combination in industry might seem at first blush somewhat ambivalent. He applauded the replacement of wasteful competition, yet he condemned the

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<sup>77</sup> *The Recording Angel: A Report from Earth*, p. 20.

<sup>78</sup> *Imperialism*, p. 225.

<sup>79</sup> *Work and Wealth*, p. 172.

<sup>80</sup> *Social Problem*, pp. 175-7; *Evolution of Modern Capitalism*, p. 410; *Wealth and Life*, p. 173, 219. This control might be through nationalisation, the enforcement of arbitration or fair wage legislation.



combinations themselves.<sup>81</sup> In fact, combinations are good for their eradication of blind competition, they are the 'highest reach of capitalist evolution', but bad for the creation of a strong sectional interest which might wield power over society.<sup>82</sup>

As portrayed so far, Hobson's theory might seem rather authoritarian: the process of organisation being inexorable, human life comes increasingly under the reign of centralised control. However, this is not the case, because the social surplus is not just applied to social activities and institutions such as the state, but also goes towards individual development. Socialism, as Hobson called it, was balanced by individualism. First, collectivist organisation finds its limits at the point which individuals differ in tastes.<sup>83</sup> Second, the 'economy' of organisation allows individuals to satisfy their lower needs easily and turn more time and energy to higher-valued pursuits.<sup>84</sup> Third, the authoritarianism of centralisation is mitigated by the information supplied by individuals to the centre.

According to Hobson, state organisation of industry would not eliminate private industry because of the limits on collectivisation. Public industries would provide routine common wants, while private enterprise would devote itself to providing those higher differentiated wants, which were in their nature less regular or standardised. Hobson's framework is beautiful in its simplicity and symmetry. Following the theory of surplus value, the involvement of the state in the economy and increased standardisation would release energy and time for the pursuit of higher ends. Thus, while the absolute level of standardised industry would continually rise, its proportion of society's industrial energy would fall.<sup>85</sup> Hobson called this shift to the higher private needs the qualitative conception of social progress.

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<sup>81</sup> Though he entertained the idea of a general will, Hobson severely criticised the 'mob mind' of jingoism and war fever. See *Psychology of Jingoism*, 'Introductory', chs. 2-3, and *Democracy After the War*, pt. 2. The determining factors in Hobson's differing opinions appear to be the limited and sectional nature of the combination as well as the irrational, directionless and malleable state of mind of the masses.

<sup>82</sup> *Poverty*, pp. 201-2, 207-11, 213; *Evolution of Modern Capitalism*, p. 113-40; *Work and Wealth*, pp. 277-8; *Wealth and Life*, p. 9; *Social Problem*, p. 177.

<sup>83</sup> *Crisis of Liberalism*, pp. 120-2; also on the impossibility and undesirability of complete central control, see *Wealth and Life*, pp. 30-40, 43, 235, 238; *John Ruskin Social Reformer*, pp. 204-5.

<sup>84</sup> *Wealth and Life*, p. 33, 68; *Social Problem*, pp. 245-6.

<sup>85</sup> *Evolution of Modern Capitalism*, p. 418, 420; *Social Problem*, pp. 183-5.

*Costs, Surpluses and the Human Law of Distribution*

Hobson's theory of distribution was innovative. While the cooperative surplus appeared as a benefit to all, in classical political economy the rewards from production are assumed to be distributed fairly among the various contributors to production, that is, the four factors, land, labour, capital and ability.<sup>86</sup> Hobson eschewed these distinctions and instead outlined a theory of distribution according to costs and surpluses. His theory is first rigorously outlined in *The Industrial System*, but dates back to his extension of the concept of rent from land to the other factors of production.<sup>87</sup>

In Hobson's scheme, there are three categories: costs of maintenance (or subsistence); costs of growth (productive surplus); and unproductive surplus (or waste). Costs of maintenance are subsistence wages and salaries for labour and ability and wear-and-tear funds for capital and land. If these are denied, as in the case, say, of subsistence wages, production is halted because the work-force is starved.<sup>88</sup> Costs of progress, or growth, 'consist of the minimum payments needed to call into industrial use the various sorts and quantities of labour, land, capital and ability needed for effective co-operation in the enlarged structure of industry.'<sup>89</sup>

Costs are 'payments necessary for the maintenance and efficient functioning of the factors of production.'<sup>90</sup> Because they are necessary, they are rationally distributed and there is a harmony of individual and social interests in regard to their apportionment.<sup>91</sup> However, as we have seen, surplus is initially produced through social cooperation and, belonging to no single cooperant, would not necessarily be rationally distributed.

Contrasted with the 'costs' it may be regarded as an irrational element in the system.

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<sup>86</sup> This last is commonly labelled entrepreneurship in economics today. Ability and entrepreneurship are not exactly the same, however. For Hobson, ability meant particularly the ability to organise the other factors, the reward for which was a salary; for economic theorists today, entrepreneurship means risk taking as well as organisation, the reward for which is profit.

<sup>87</sup> 'Law of Three Rents'. Hobson's discussion of costs and surpluses in *The Industrial System* is presented in an abbreviated form in *The Science of Wealth*.

<sup>88</sup> *Science of Wealth*, p. 68.

<sup>89</sup> *Science of Wealth*, p. 69.

<sup>90</sup> *Wealth and Life*, p. xviii; *Work and Wealth*, p. 177, 276.

<sup>91</sup> *Wealth and Life*, p. 213; *Work and Wealth*, p. 276.

It [the surplus] belongs nowhere by necessary law... There is a sense in which the economic surplus is entirely rational... [it] is the sole source and substance of economic progress. Its irrationality lies in the defective provision for its serviceable distribution.<sup>92</sup>

According to Hobson, under capitalism, there is no rational mechanism to distribute this social surplus. The ideology of *laissez faire* permits the appropriation of the surplus by sectional interests to the detriment of others and of society as a whole. This unproductive surplus, as Hobson calls it, is a result of the flawed system of distribution that exists under capitalism.<sup>93</sup> Unproductive surplus is appropriated through scarcity, whether natural, artificial (*e.g.*, monopoly power) or purely fortuitous. Because the cooperative surplus has no necessary place, it is distributed under capitalism according to bargaining power or force. The owner of a scarce factor, be that land, labour, capital or ability, makes forced gains.<sup>94</sup> The main gainers from such a system are, then, the economically or physically strong. Under capitalism, it is the capitalists.

The unproductive surplus is a harmful element in industry and society in a number of respects. It results in no stimulus to production, as is the case with the costs of maintenance and growth; it takes from a possible application to the growth of production; and finally, it acts as 'a demand for idleness' and so depresses production.<sup>95</sup> Further, because it is an appropriation of the cooperative surplus, a main claimant on this surplus, the State, is deprived of funds. Unproductive surplus is the source of discord in industry and society, because its appropriation becomes a matter of struggle, not rational distribution.<sup>96</sup>

How *should* the surplus be distributed? Hobson's answer is that it should go to benefit all, according to needs. This involved the concerted action of the whole society through the instrument of the state:

an enlightened community, recognizing the growing social needs, will continually use its enlarging income from State monopolies and taxation to raise the standard of public consumption, but providing a fuller, richer, and more complex social life, as

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<sup>92</sup> *Wealth and Life*, p. xviii, 190.

<sup>93</sup> He elsewhere calls this element in the system of distribution unearned income or impropriety. See *The Industrial System: An Inquiry into Earned and Unearned Income and Property and Impropriety*.

<sup>94</sup> *Work and Wealth*, p. 276; *Wealth and Life*, p. 190, 195-6; *Science of Wealth*, pp. 105-6, 111. For the vagueness of the distinction between costs and surplus see *Wealth and Life*, p. 211.

<sup>95</sup> *Science of Wealth*, pp. 80-1.

<sup>96</sup> *Science of Wealth*, p. 82.

well as by furnishing such support and aid to the weaker members of society as is held to be consistent with a true interpretation of social utility.<sup>97</sup>

Taxation of the unproductive surplus is Hobson's basis for an extended state finance and for the morality of state intervention in the economy and society.<sup>98</sup>

The solution to this problem of strife resulting from the struggle over the surplus was to apply the human law of distribution: a modified rendering of the Saint-Simonian doctrine 'from each according to his powers [or capabilities], to each according to his needs'.<sup>99</sup> According to Hobson, this human law of distribution allocated work and wealth according to needs and capacities and so maximised social welfare also. Refuting the claims of those who emphasised effort or productivity, Hobson suggested that it was best to allocate according to needs. Hobson interpreted needs as the costs involved in producing for society and the need for personal growth. The cooperative surplus if rationally distributed would be absorbed into the costs of growth, both individual and social.

From the economic point of view, just as '[e]very failure to put the right man or woman in the right place, with the best faculty of filling that place, involves social waste', so does any system of distribution that deprives some and produces 'illth' for others. Only by the balanced application of income to individual needs as incurred costs and revealed values could the maximum level of production be obtained in the future. In economic theory and industrial society, individuals were considered as specialised producers or isolated consumers. The human law of distribution acknowledged individuals as whole persons whose consumption affected their production and *vice versa*. Distributing work and wealth according to each individual's needs and capacity to use the wealth would 'secure the minimum of Human Costs and the maximum of Human Utility'. It would thus be the 'true principle of 'economy''<sup>100</sup> inasmuch as it obtained the most welfare out of current production possible, and led to the development of production and consumption in the future so as to maximise welfare, even if this were to mean the reduction of current material well-being. The law would economise industrial resources and 'liberate more and more time, energy and conscious interest of its members for occupations, both individual and social, that lie outside the distinctively

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<sup>97</sup> *Social Problem*, p. 254.

<sup>98</sup> *Wealth and Life*, p. 198.

<sup>99</sup> *John Ruskin Social Reformer*, p. 104; *Work and Wealth*, p. vii, 163, *Free Thought*, p. 131; *Wealth and Life*, p. xxx; *Social Problem*, p. 162; *Crisis of Liberalism*, pp. 80-1.

<sup>100</sup> *Free Thought*, p. 131.

economic field.<sup>101</sup>

To sum up the last two sections, for Hobson, the origin of social surplus was cooperative activity. The surplus is the fount of human progress, through improvements in welfare. Hobson believed that there was an evolutionary process towards increased organisation, and that welfare would be enhanced by social organisation and his human law of distribution. His theory of distribution accounts for the strife in capitalist society through the appropriation of the surplus by powerful sectional, usually business, interests.

### **The Theory of Underconsumption**

The theory of underconsumption is one of the more famous aspects of Hobson's work. Three elements of Hobson's theory of underconsumption are outlined here: overproduction resulting from technological progress; oversaving caused by the 'any/every' paradox; and maldistribution and subsequent integration of the theory of underconsumption into Hobson's theory of distribution according to costs and surpluses. The section deals purely with Hobson's account of the origins and possibility of underconsumption in a modern economy.<sup>102</sup>

What is underconsumption? It is a situation in which there is an excess of production over consumption, a condition of general over-supply. The result is a surplus of consumption goods, but particularly of capital. Orthodox political economy and modern neo-classical economics has denied the possibility of underconsumption on the grounds that a capacity to purchase is created with each good produced, the notion that all markets must clear and the idea that the interest rate will create the correct level of saving relative to spending.

#### *Overproduction*

The first way in which Hobson explained underconsumption was as the 'flip-side' of overproduction. As we have seen, Hobson argued that organisation, concentration and planning increased productivity. Overproduction resulted from the application of science to industry. The technology of machine production, improved transportation facilities and

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<sup>101</sup> *Wealth and Life*, p. xxx.

<sup>102</sup> I will not be discussing the various stages through which trade depression passes and the relationship of underconsumption, oversaving and overproduction to depression. For accounts of Hobson's discussion of these matters, see John Allett, *New Liberalism*, ch. 4; E.E. Nemmers, *Hobson and Underconsumption*; Michael Bleaney, *Underconsumption Theories*, ch. 8.

increasing returns to scale immensely enhanced production possibilities. Hobson believed that industrial capitalism had developed the technology to produce huge quantities of goods, but that there was no proportionate increase in consumption.<sup>103</sup> Habits of consumption were conservative by comparison, Hobson argued. This meant that production was outrunning consumption:

[T]he improved technique of every branch of industry, in manufacture, mining, agriculture, commerce, transport and finance, in every part of the civilised world, has developed a power of production which is wildly excessive in the sense that goods it could put on the market cannot be sold at a price that would cover costs and yield a profit.<sup>104</sup>

This explanation tends to accompany the next two elements, but is relegated by Hobson to background status.<sup>105</sup> This is because Hobson realised that it ignored the fact that each production is rewarded by an income which, theoretically at least, is sufficient to purchase the good. That is, Hobson accepted this version of Say's Law, that what is produced will be consumed, and that therefore markets will clear:

Whatever is, or can be, produced, can be consumed, for a claim upon it, as rent, profit, or wages, forms part of the real income of some member of the community, and he can consume it, or else exchange it for some other consumable with someone else who will consume it. With everything that is produced a consuming power is born. If then there are goods which cannot get consumed, and if there is a quantity of capital and labour which cannot get full employment because its products cannot get consumed, the only possible explanation of this paradox is the refusal of owners of consuming power to apply that power in effective demand for commodities.<sup>106</sup>

Thus, despite the advance of production and the conservative habits of consumption, the extra goods produced would be consumed.

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<sup>103</sup> *Recording Angel*, p. 33. He thought that modern productive techniques could provide enough to feed humanity. For the production processes increasing disproportionately to consumption, see, among many others, *Imperialism*, p. [45].

<sup>104</sup> *Democracy and a Changing Civilisation*, p. 36. See also p. 123, and *Imperialism*, p. 80.

<sup>105</sup> Or is dismissed entirely. See the Preface to *Poverty in Plenty*.

<sup>106</sup> *Imperialism*, p. 81; see also p. [45]; *Property and Improperly*, p. 38; *Recording Angel*, p. 48. For brief and accessible explanations of Say's Law, see William J. Barber, *A History of Economic Thought*, pp. 68-70, and Robert Heilbroner, *The Worldly Philosophers*, p. 77 (see also pp. 148-9 on Hobson's underconsumption). On Hobson and Say's Law see P.J. Cain, 'J.A. Hobson, Cobdenism and the Radical Theory of Economic Imperialism, 1898-1914', pp. 571-2, and 'International Trade and Economic Development in the Work of J.A. Hobson Before 1914', p. 410.

## Oversaving

If Say's Law were true, then, there would be no fixed limit to demand and no overproduction or underconsumption. Hobson's acceptance of Say's Law was qualified, however. In the co-written *The Physiology of Industry*, Hobson and his co-author Mummery attempted to demonstrate, against the classical political economy orthodoxy, that general oversaving was both theoretically possible and that it was the cause of industrial depression. Mummery and Hobson argued that any individual in society can save as much of their income as they wish. This is possible because others to consume now rather than later, so that the saving individual may consume later. However, there *is* a limit to social saving, the provision for a level of consumption presently and in the future. There is, they argued, a social saving-spending ratio. The problem was, wrote Mummery and Hobson, that

the thrift of the community is composed of the thrift of individuals. It is clear, then, that if the united thrift of individuals passes the limit imposed by the interests of the community, thrift ceases to be as effectual as before, even from the individual's point of view; that is to say, though any individual may anticipate all future labour, every individual cannot.<sup>107</sup>

This is Hobson's any/every paradox a variant of his critique of the separatist fallacy of *laissez faire*. In contrast to the orthodox classical economic view, according Mummery and Hobson, individual interests do not harmonise with or add up to the social interest:

If the interests of each individual in the community were always identical with the interests of the community there could be no such thing as over-supply. It is impossible to suppose that a company of men, producing in common for the common good, would at any time produce more than required for consumption in the present or near future. It is, in fact, the clash of interests between the community as a whole and the individual members in respect to Saving, that is the cause of Over-supply.<sup>108</sup>

Mummery and Hobson exposed the fallacy of the Victorian virtue of thrift. Individual thrift, they claimed, can lead to socially detrimental effects.<sup>109</sup> Though they blamed the wealthier sections of society in particular, the logic of their argument merely suggested that because individually rational saving did not accord with socially rational decisions, that oversaving was theoretically possible and had in fact been the source of trade depression. According to this analysis, Say's Law does not operate because there is no rational mechanism

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<sup>107</sup> *Physiology of Industry*, p. 111.

<sup>108</sup> *Physiology of Industry*, p. 105.

<sup>109</sup> *Physiology of Industry*, p. iv, 205.

to equate social saving and spending.

Rebutting the classical political economists, Mummery and Hobson claimed that a cut in wages to reduce costs or fall in the rate of interest were parts of the problem of underconsumption and depression.<sup>110</sup> The interest rate did not provide a rational mechanism for balancing saving and spending. Mummery and Hobson's alternative was to propose that the state should intervene to create this rational mechanism by expanding consumption relative to saving in periods of over-saving. They cited fighting a war as one way of alleviating the problem, but this was not the only alternative:

[I]f the community, instead of expending its surplus accumulations in the endeavour to cut its members' throats, consented to increase its consumption of luxuries, or applied the surplus funds to the improvement of the condition of the working classes or the sanitation of its great towns, all the contingent economic advantage of a war would be reaped, and the direct advantage of increased consumption of luxuries, of an improved condition of labourers, or of sanitary towns would be obtained.<sup>111</sup>

This explanation is most closely associated with Hobson's work with Mummery. However, the 'any/every' paradox reappears in Hobson's later work. Though it is overtaken by the last element of the explanation, maldistribution, in regard to national economies, it is revived in Hobson's explanation of the international aspects of the Great Depression.<sup>112</sup>

#### *Maldistribution and Underconsumption*

Hobson's most famous explanation of underconsumption is that it is a result of the maldistribution of income. Underconsumption was, for Hobson, a social malady causing economic depression. Hobson wrote that 'our main economic troubles are of a distinctively moral origin.'<sup>113</sup> The 'fundamental logic' of his argument was 'that rents, excessive interest and profits constitute an irrational surplus income, the irrationality of which must be represented in an attempt to save and invest a larger proportion of the total income than can

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<sup>110</sup> *Physiology*, pp. 130-2.

<sup>111</sup> *Physiology of Industry*, p. 162.

<sup>112</sup> There are a number of anomalies to the *Physiology* as part of Hobson's work. For instance, on page 37, there is a distinction of the concerns of economics from the ethical concerns. This, along with other textual indications and the violation of the alphabetical convention on the listing of the authors' names, has led some scholars to wonder whether it was Mummery who had the larger influence on this book. For an example of a recurrence of the any/every paradox, see 'Underconsumption: An Exposition and a Reply', pp. 407-8.

<sup>113</sup> *Poverty in Plenty*, p. 85.



be utilised as capital.<sup>114</sup>

In an early version of the argument, without a discussion of the influence of unproductive surplus, Hobson argued:

In a well-ordered society, where distribution of wealth as consuming power was proportioned either to the efforts or the needs of the producers, every increase in the powers of production of the community would automatically be attended by a corresponding rise in the general standard of consumption, effective demand rising to correspond with every increased power of supply.

If, on the other hand, inequality of economic opportunities is such as to impose a grave inequality in the distribution of wealth, some classes getting a power of purchase greater than is required to supply legitimate and pressing needs, we have an economic condition which explains the paradox of over-production, under-consumption, and unemployment.<sup>115</sup>

Hobson had argued, as we have seen, that the system of distribution under capitalism was flawed. Underconsumption was a consequence of maldistribution because some sections of the community got more than they deserved and some less, according to Hobson's needs criterion. This disrupted the 'economically sound ratio between saving and spending'.<sup>116</sup>

Where property is acquired by labour, involving personal cost, it is naturally and proportionately related to some personal utility of consumption. If all property and all purchasing power were apportioned in accordance with this natural law, no disequilibrium could arise between the rate of production and the rate of consumption.<sup>117</sup>

But if in any society you get considerable groups of men whose incomes come to them by others' toil instead of their own, and if these incomes are so large as to afford them little or no additional satisfaction by any considerable increase of their expenditure, [the] natural balancing of present against future enjoyment is upset.<sup>118</sup>

For the wealthy, the unproductive surplus that they had appropriated stimulated little or no desire to consume. Therefore, 'a large part of the surplus unearned income of the rich is found to be excessive, even for purposes of luxurious and wasteful consumption, and accumulates to form an investment fund of capital which is larger than is required...'<sup>119</sup>

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<sup>114</sup> 'Rejoinder' to 'Underconsumption: An Exposition and a Reply', p. 427.

<sup>115</sup> *International Trade*, p. 149, 150. See also *Imperialism*, p. 29.

<sup>116</sup> *Economics of Unemployment*, p. 8.

<sup>117</sup> *Property and Improperly*, p. 39.

<sup>118</sup> *Economics of Unemployment*, p. 41.

<sup>119</sup> *Economics of Unemployment*, p. 8. For further discussion of the 'automatic' nature of the saving of the wealthy, see pp. 35-7.

They saved too much and consumed too little. Furthermore, too little purchasing power was allocated to the working classes who would have used the extra income consuming to improve their standard of living, thus reducing underconsumption.<sup>120</sup>

Thus, the workers had the desire but not the ability to consume, and the capitalists the ability but not the desire. The result was a failure of aggregate effective demand. However, the wealthy would attempt to invest their surplus income anyway. Maldistribution caused a disjunction of production and consumption, thus undoing Say's Law, because productive capacity increases despite insufficiency of demand. The ultimate outcome was trade depression with declines in prices, in profits, and in production. Unfortunately, these falls do not themselves solve the problem, as economists had claimed. Calling on his underconsumption explanation for the depression, Hobson noted that a reduction in production reduced wages, but a reduction in wages in turn their reduced effective demand.

For Hobson, the conclusion was that society was not generating the maximum possible welfare from the available resources. Having been merged into his theory of the unproductive surplus after *The Industrial System* in 1909, his discussion of underconsumption is resurrected after the First World War as an alternative explanation, first, for the economic dislocations in Europe immediately following the war, but later as an alternative to monetary explanations of and radical solutions to the Great Depression of the thirties.<sup>121</sup> However, underconsumption has other implications in Hobson's work. In trying to avoid the losses attendant in a depression in trade, those with surplus income were prompted to look for investment opportunities abroad. Another tactic was the dumping of consumption goods on foreign markets in order to maintain the prices at home.<sup>122</sup> However, it is the pressure to export capital because of underconsumption-induced trade depression that is more famous, as it became, for Hobson, one of the central causes of modern imperialism.

Hobson's solution, however, was straightforward: tax the surplus from the wealthy and apply it either to public works by the State or in redistribution to the workers. This was not only a just solution but was economically defensible.

The application of this surplus ... to enlarge the spending power and consumption of the workers and the community, will remedy [the] chronic maladjustments [of saving

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<sup>120</sup> See *Rationalisation and Unemployment*, p. 55; *Economics of Unemployment*, pp. 47-8.

<sup>121</sup> See, in the first case, *Economics of Unemployment and Problems of a New World*, and in the second, *Rationalisation and Unemployment, Poverty in Plenty, From Capitalism to Socialism, Recording Angel, Democracy and a Changing Civilisation and Property and Improperly*

<sup>122</sup> See 'The Mystery of Dumping', in *International Trade*.

and spending] by raising the aggregate power of consumption to keep pace with every increase of productive power.<sup>123</sup>

### The Organic Analogy and Hobson's Transformation of Liberalism

Hobson's discussions of welfare, surplus, cooperation, organisation, distribution and underconsumption have a unity and rhetorical power because they are couched in 'organic' terms. The organic analogy appears throughout Hobson's work. This section considers the part that organic terminology plays in Hobson's thought. It discusses whether Hobson's 'almost mystical attachment' to the 'alarming' organic analogy is anything more than rationalising rhetoric.<sup>124</sup>

Today, Hobson's references to society as a 'social organism' might seem dated, quaint or a little alarming. The terminology is often associated with the ruthless theories of social Darwinism or with Parsonian structural functionalism in sociology. Darwin's evolutionary doctrine had an immense impact on social, political and economic thought in the nineteenth century.<sup>125</sup> As Freeden has shown, however, the use of a biological analogy was by no means limited to social Darwinists. Hobson lifted the conception of the social organism from Herbert Spencer, but turned it to the cause of social reform.<sup>126</sup>

My discussion of Hobson's use of organic terminology is in three parts. First, organic refers to the nature of human beings as organisms. This not only emphasises the physiological aspect of humanity but is also used by Hobson as a means of attacking the Cartesian dualism of mind and body. Second, Hobson transformed liberalism through his use of the analogy of society to an organism. He justified the increased role of the state and the supersession of

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<sup>123</sup> *Poverty in Plenty*, pp. 63-4. See also *Economics of Unemployment*, pp. 47-8.

<sup>124</sup> Peter Clarke, 'Introduction', *Crisis of Liberalism*, 1974 reprint, p. xvii; Bernard Porter, *Critics of Empire*, p. 174; William Liu, *A Study of Hobson's Welfare Economics*, pp. 82-6, 92. Hobson's use of organic terminology is also examined in Michael Freeden, 'Introduction', *Confessions*, 1974 reprint, pp. vii-viii; and 'Introduction', *J.A. Hobson: A Reader*, pp. 6-8. For a commentary on Freeden's discussion of new liberalism including Hobson, see Stephan Collini, 'Political Theory and the 'Science of Society' in Victorian England', pp. 226-31.

<sup>125</sup> Greta Jones, *Social Darwinism and English Thought*. Economists had also adopted the language of natural selection through free competition in a market economy. See the Preface to Alfred Marshall, *Principles of Economics* Hobson commented on the use and abuse of the terms organic and evolution in *Free Thought*, pp. 24-30. Talcott Parsons, *The Structure of Social Action*, pt. 1.

<sup>126</sup> Michael Freeden, *New Liberalism*, pp. 102-5.

*laissez faire* through the analogy. This ideological purpose is accomplished through an substantive emphasis on the interdependence of modern society and the methodological holism of the organic analogy. In sum, Hobson claimed that society must be studied as the organic whole that is. Third, 'organic' is used by Hobson as a device to organise and give unity to his own work, and as a way of indicating his approval.

### *The Human Organism*

Organic terminology highlights the physical nature of humanity. Together with his evolutionary approach to social life, this led to Hobson to emphasise the physiological basis of issues in social reform.<sup>127</sup> However, organic also brought attention to the fact that each individual, human personality was an integrated whole, that could not simply be analysed into its separate parts, physical and emotional, intellectual without some loss of scientific exactitude. In this emphasis on the integrated nature of human existence, Hobson rejected the Cartesian dualism of mind and body.<sup>128</sup>

Hobson also sought to evaluate human society in terms of the evolution of a spiritual, and even occasionally physical, organism. For Hobson, society was a collectivity of human organisms, or even an organism itself, rather like Mandeville's bees. The social aspects of industry, production and consumption could thus be construed in terms of biological nutrition and function.<sup>129</sup> Despite doubts as to whether organism was an over-stretched term in discussing the spiritual dimension of human life, Hobson maintained his use of the organic terminology because he believed that a spiritualised interpretation of organism was more appropriate than any other description of humanity.<sup>130</sup>

### *The Transformation of Liberalism*

The most significant use of organic by Hobson is the analogy of society to an organism. Hobson's use of the organic analogy transformed liberalism from nineteenth century *laissez*

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<sup>127</sup> John Ruskin *Social Reformer*, p. 155; *Crisis of Liberalism*, pp. 80-3.

<sup>128</sup> *Social Problem*, p. 156, 236; *Work and Wealth*, p. 16.

<sup>129</sup> *Work and Wealth*, pp. 19-20. Hobson also referred to race and humanity as collectivities.

<sup>130</sup> *Work and Wealth*, pp. 17-8.

*faire* into what was called new liberalism,<sup>131</sup> by shifting the methodology that underpinned liberalism away from individualism and atomism (monadism) towards a methodological holism. Yet liberalism was maintained through an affirmation of the importance of the individual in the interdependence of organic cooperation, and denying the authoritarianism of bureaucratic socialism and Oxford Idealism. Hobson's new liberalism, inspired by the organic analogy, brought the State into liberal conception of the common good and placed social reform on a firm theoretical footing.<sup>132</sup>

For Hobson, the organic view of society demonstrated the methodological fallacy of the individualism or monadism in *laissez faire* liberalism. For Hobson, it was not possible to construct a theory of individual, let alone social, value on an individualistic basis because of the changes wrought by social interaction and cooperation.<sup>133</sup> Such monadism 'looks upon society as embodied in the separate action of individual wills, without allowance for any organic relation among those wills, constituting spiritual solidarity.'<sup>134</sup> Thus, 'such separatism and atomism is the repudiation of creative action and the organic unity which it expresses.'<sup>135</sup>

Following his theory of the cooperative surplus and the social determination of value, society was more than the mere aggregation of individual personalities. Society was an entity in its own right. It had an existence beyond the aggregation of individuals and welfare could be said to attach to it as well as individuals separately:

We are told indeed that "Society only exists in individuals." This, however, is only true in the same restricted sense in which it is true that an animal organism only exists in the life of its cells. There is nothing but the cells *plus* their organic cooperation. But I should rather say that the organism exists in the cooperation of the cells. So I should

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<sup>131</sup> See the aims of the Rainbow Circle in Samuel Papers, A.10, quoted in Bernard Porter, *Critics of Empire*, p. 164.

<sup>132</sup> See, among others, Freeden, *New Liberalism*, ch. 3; Allett, *New Liberalism*, chs. 6-7; Clarke, 'Introduction', *Crisis of Liberalism*, 1974 reprint, pp.xiii-xv.

<sup>133</sup> *Social Problem*, p. 67; *Work and Wealth*, p. 307; *Crisis of Liberalism*, p. 77. On individual rights, see *Social Problem*, p. 88, 95, 101; *Crisis of Liberalism*, p. 77, 79-80. Hobson does concede the primacy of individual on welfare, *Social Problem*, p. 172. On this issue see Freeden, 'J.A. Hobson as a Political Theorist', pp. 10-18.

<sup>134</sup> *Crisis of Liberalism*, p. 207. Parallel repudiation of economic calculus in *Free Thought*, pp. 122-3.

<sup>135</sup> *Free Thought*, p. 130.

say that Society exists in the cooperation of individuals.<sup>136</sup>

Only from an individualistic perspective would cooperation seem to involve the sacrifice of individual development:

Not only industrial but social life in general requires a certain sacrifice of free individual development, represented by a specialisation of certain powers and a comparative neglect of others. This, of course, is only a sacrifice, so long as we regard individuals as self-sufficient units, which they are not: the so-called sacrifice becomes a gain as soon as we recognise the social character of man, which requires that he be formed not merely with regard to his individual perfection, but with regard to the perfection of the social organism of which he is part.<sup>137</sup>

According to Hobson, developments in society and the economy had undermined the viability of *laissez faire* and set the ground for the new liberalism with which he was so closely associated. There was need for a change of policy, 'a coherence of purpose, an organic plan of social progress, which implies a new consciousness of Liberal statecraft.'<sup>138</sup> Hobson's new liberalism entailed a changed beneficent view of the state. There were philosophical and practical rationales for this extended role for the state. Hobson's conception of the development of conscious control as a superior form of human rationality suggested that markets were seen as anarchic, or at best diffuse systems, and that the economy would perform better with a measure of central social control. Hobson's evolutionary theory, buttressed by the theory of surplus value, supported this conclusion. Extrapolating from man's developing consciousness and applying the possibilities of control and planning to the state in society, Hobson believed that state control would reap the economies of organisation.

His theory of cooperative surplus legitimised state finance through taxation of the surplus.<sup>139</sup> Through the organic analogy, the state could, further, be seen as the central social direction needed to control the powerful sectional interests of industrial combination, both of business and labour, that had emerged in modern society. This vision of the role of the state in the economy and in social policy contrasts sharply with the nightwatchman state of *laissez faire*. Hobson proposed the state as a bulwark against separate interests. He claimed that *laissez faire* individualism and the autonomy of politics and economics envisaged in classical political economy no longer existed due to the growth of combination and monopoly

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<sup>136</sup> *Work and Wealth*, p. 308. See also *Social Problem*, p. 146; *Wealth and Life*, p. 167.

<sup>137</sup> *John Ruskin Social Reformer*, pp. 247-8.

<sup>138</sup> *Crisis of Liberalism*, p. xi.

<sup>139</sup> For example, *Taxation in the New State*.

in industry. The ideology of *laissez faire* remained nonetheless as a support to the interests of the ruling class. Sanctioning the right of each individual to take what they could for themselves, it blessed the predominance of stronger groups or classes. This challenge to the priority of social interests constituted for Hobson a challenge to civilisation itself.<sup>140</sup>

Hobson's new liberalism was an attempt to reinvigorate liberalism with reforming zeal, and to move it away from the influence of the wealthy classes, particularly the powerful industrial magnates and financiers. It aimed for more intervention by the state in socio-economic matters and for a reformation of democracy.<sup>141</sup> However, Hobson did not only use organic against the individualism and separatism of *laissez faire*. He also used it to distance his new liberalism from the authoritarian view of society held by the socialists and the Idealists. Here, Hobson contrasts organism with mechanism and holism.

Hobson claimed that a mechanistic conception of society underlaid arguments for a 'rational' control of society by an elite of experts, be they the captains of industry or political economy or the administrators of Fabian or Soviet-style bureaucratic socialism. Hobson pointed out that the mechanistic analogy is drawn from the natural sciences, and so stressed a version of cause, process and system, which divorce them from human will and intervention. It conceived of society as a giant manipulable mechanism: 'Great national issues really turn, according to this judgement, upon the arts of political management, the play of the adroit tactician and the complete canvasser.'<sup>142</sup> In attempting to reduce individual and social life to quantifiable categories, however, mechanism 'can neither handle an organism as structure, nor as the system of activities in which the organism expresses itself.'<sup>143</sup> For Hobson, the failure to acknowledge that society is an organic system resulted in an anti-democratic distortion, an authoritarian view of society, that usually favoured political conservatives and the bureaucratic establishment.<sup>144</sup>

Hobson attacked neo-Hegelianism of Oxford idealism for its abstractness, its failure

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<sup>140</sup> *Crisis of Liberalism*, p. 116.

<sup>141</sup> See 'The Re-statement of Democracy' and 'The Tasks of Reconstruction' in *Crisis of Liberalism*.

<sup>142</sup> *Crisis of Liberalism*, p. 115; *Wealth and Life*, p. 84.

<sup>143</sup> *Wealth and Life*, p. 134.

<sup>144</sup> *Wealth and Life*, p. 117.

to address the concrete practical issues of society, and for its authoritarianism.<sup>145</sup> The Idealists, according to Hobson, stressed the importance of society over individuals; social ends reigned supreme. Hobson criticised the Idealists' prescriptions to ameliorate the conditions of the poor, because they stressed individual spiritual salvation rather than social causes of the maladies of unemployment and poverty. Fundamentally, he objected to the authoritarian tone of the Idealist prognosis on social problems. Hobson's organic conception of society retained the value of the individual: 'The organic conception of society ... demands a self-government in which the whole of the self, the organic experience and judgment of the whole rational system, shall find direct conscious expression.'<sup>146</sup> Organic terminology acknowledged that the individuals were essential for the existence of the social whole, that is, that there was no society beyond the people that made it up. Hobson opposed both Idealist and socialist conceptions of society, and instead claimed that:

Society exists, not, as is sometimes maintained, in order consciously to secure the separate welfare of its individual members, but to secure the health and progress of society always realised as a social organism; but this end, interpreted at any given time in terms of "social utility," has been seen to involve the care and promotion of individual health and progress. It can never be the interest of society to attempt to dominate or enslave the individual, sucking his energies for the supposed nutriment of a State; any such endeavour would be futile, for ... an attempt to exploit those energies, or to take away that "property" which nature has set aside for individual support and progress, would defeat its end by drying up the sources of such energy and "property."<sup>147</sup>

Hobson's new liberalism, inspired by organic terminology, was, then, an attempt at a democratic compromise between the *laissez faire* of nineteenth century liberalism and the authoritarian tones of contemporary socialistic doctrines of both the Idealists and the radical working class groups.

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<sup>145</sup> Early in his career Hobson was quite close to this position himself. For his critique, see 'The Social Philosophy of Charity Organisation', in *Crisis of Liberalism*. He remained unimpressed by Hegelian dialectics, but the attack on Hegel's philosophy and its influence was conducted with more fervour by Hobson's friend L.T. Hobhouse. See the latter's *The Metaphysical Theory of the State*, a critique of Bernard Bosanquet's *The Philosophical Theory of the State*.

<sup>146</sup> *John Ruskin Social Reformer*, p. 207.

<sup>147</sup> *Social Problem*, p. 224. See also *Crisis of Liberalism*, p. 76, 82-3. For Hobson's rather less liberal views, see for instance, *John Ruskin Social Reformer*, p. 16 on marriage, *Crisis of Liberalism*, p. 85 on democracy, and *Social Problem*, p. 88 on the impossibility of self-regarding actions.



### *Organisational and Rhetorical Uses of Organic*

Organic is put to two further uses by Hobson: as an organisational device for his work and as rhetoric. The various aspects and different concerns in Hobson's work are coordinated by the overarching concept, organic. It gave a unity to his diverse writings, from poor relief to internationalism, from taxation to eugenics, creating a coherent campaign for social reform. Though his use of organic terminology waned, the emphasis on the unity of politics, economics and ethics in a single social science remained.<sup>148</sup> Hobson's use of organic linked together and brought a common theme to his political and economic principles, the differentiation of functions (division of labour), the theory of surplus value, the human law of distribution, and the principle of federalism.

Hobson used the terms organic and organism rhetorically as gestures of approval, using the term to apportion praise and blame. This point is not trivial because Hobson's arguments might be made without recourse to organic terminology and yet remain substantively unchanged. The phrases 'organic interconnection' and 'organic unity' are good examples. For instance, '[t]he organic unity of man as producer and consumer renders invalid the statistical separatism which our neo-classical economics seeks to impose.'<sup>149</sup> The use of organic here tells us little more than that Hobson approved of connection and unity, and disapproved of separatism. Beyond this there is little substantive distinction, for instance between mechanical and organic systems, other than that Hobson approved of the latter over the former.<sup>150</sup> To read *Imperialism*, for instance, is to read Hobson complaining about the parasitical nature of capitalism. 'Parasitical' conveys some meaning but is also highly effective as a derogatory slight against capitalists.<sup>151</sup>

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<sup>148</sup> Hobson substituted federalism for organism in *Wealth and Life*.

<sup>149</sup> *Confessions*, p. 209. See also *Work and Wealth*, p. 308, and *Crisis of Liberalism*, p. 116. Hobson referred on occasion to his preferred system of distribution according to needs as the 'organic law of distribution'.

<sup>150</sup> However, see the contrast in terminology used to excoriate the forces of reaction, from the mechanistic tones of *Imperialism*, to the organic tones of *Democracy After the War*, p. 146.

<sup>151</sup> And is part of the particularly dire warning issued to Western civilisation at the end of *Imperialism*, pp. 365-8.

## Critical Assessment

Hobson's ideas have not gone unchallenged. This section considers some of the critiques of Hobson's work and explores further objections not raised in the critical literature. It closes with a defence against these criticisms.

### *The Organic Analogy*

Criticism of Hobson's organic analogy begins with the weaknesses of analogy as a description or explanation of human actions or institutions. Language, even science, relies on analogies and metaphors.<sup>152</sup> Hobson's overt use of the organic analogy is a useful antidote to the use of mechanical metaphors in international relations, where we consistently hear talk of the *balance of power*, the use of *force*, trade *flows* and so on. These physical and mechanical analogies and metaphors are so prevalent that we hardly realise that they are there. While biological analogies are also common in the social sciences, it is only recently that scientists and social scientists have become interested in the biases and the rhetorical power of these linguistic forms.<sup>153</sup> Hobson was aware of the effects of metaphor and was particularly critical of the use of mechanical metaphors.<sup>154</sup> Nonetheless, the organic analogy suffers from the same problems as other analogies, that it does not have the validity of logical reasoning and that there are disanalogies as well as analogies.<sup>155</sup>

Another criticism is that Hobson's use of organic contributes little to our understanding of society. This is partly because of the inappropriateness of the analogy, perhaps, but also because such a broad generalisation explains little. Indeed, all the organic analogy tells us is that society can be understood as a whole made up of related parts, but both system and mechanism convey this meaning. This is a significant turn to methodological holism, but is not aided greatly by the biological terminology. Hobson's use of organic

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<sup>152</sup> Cristina Bicchieri, 'Should a Scientist Abstain from Metaphor?', pp. 100-14, esp. 104.

<sup>153</sup> See particularly, Donald McCloskey, *The Rhetoric of Economics*. In international relations, see the intriguing analysis by Isabelle Grunberg, 'Exploring the "Myth" of Hegemonic Stability'.

<sup>154</sup> See *Free Thought*, pt. 1, ch. 2.

<sup>155</sup> See Hidemi Suganami, *Domestic Analogy and World Order Proposals*, ch. 2; Irving M. Copi, *Introduction to Logic*, 5th Edn., ch. 11; Duncan Snidal, 'The Game Theory of International Politics', pp. 29-32.

terminology may, indeed, be the reverse of an organic analogy; rather, the lessons he sought to draw derive from political and economic analogies to organisms. Hobson's notions of the cooperative surplus, the division of labour and so on are liberal presumptions about the nature of society given a biological gloss.<sup>156</sup> As Peter Clarke has pointed out, the organic analogy has conservative implications. The emphasis on the importance of social welfare and order in an organic harmony as the basis for individual well-being verges on being a conservative tautology and ultimately a defence of the status quo.<sup>157</sup>

The analogy was, as Hobson admitted, an 'unphilosophic compromise'.<sup>158</sup> The resolution of the competing claims of the social and the individual or the whole versus the parts is problematic. Hobson, for instance, assumed that this antagonism cannot take place in an organic system, except as a result of the influence of sectional interests. Here, Hobson has assumed a version of the harmony of interests between individuals or groups in society that he claimed to have refuted elsewhere. This was not, of course, the natural harmony of the laissez faire liberals to be sure, but rather a harmony emergent in conscious collective human control of the physical and social environment.<sup>159</sup> Despite the importance of human consciousness and active intervention in social life, the difficulty with the harmony of interests remains. Indeed, a consciously willed harmony of interests might seem more difficult to conceive of and realise in practice than a natural harmony, if the diverse wills of men are to be reconciled rather than the resort to an appeal to a natural order.

Hobson's discussion of separate interests is problematical. Inasmuch as each individual or group should realise its fullest potential within the whole, this is can be dealt with through education as to true interests. Hobson, however, admits the possibility that separate interests might gain, at least in the short run.<sup>160</sup> But this puts any harmony, natural or 'conscious', into question. How long is the short run? On what grounds should an individual prefer these

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<sup>156</sup> See Anatol Rapoport, *Conflict in Man-Made Environment*, pp. 17-24, for a persuasive argument concerning the transfer of human concepts onto the natural world. Rapoport's central examples are also relevant here: cooperation and conflict do not make sense in the animal world, for instance, because it is not clear what animals are conflicting about. See also Stephan Collini, 'Political Theory and the 'Science of Society' in Victorian England'.

<sup>157</sup> Peter Clarke, *Liberals and Social Democrats*, p. 50. See also John Allett 'The Conservative Aspect of Hobson's New Liberalism'.

<sup>158</sup> *Social Problem*, p. 155.

<sup>159</sup> See L.T. Hobhouse, *Liberalism*, pp. 127-30.

<sup>160</sup> See *Imperialism*, pt. 1, ch. 4.

short run gains to long term common interests? Hobson did not resolve the issue of the possible conflict of individual and social rationality, though he acknowledged as much in his discussion of the continued requirement for individual incentives to work.<sup>161</sup>

Finally, Hobson's organic analogy emphasised the similarity between societies and between the various levels of social cooperation. Yet it is far from clear whether it is helpful to call a family a society. Furthermore, the differences between a local community based on affective ties and a multinational society under a single state are huge. In short, the use of organic terminology commits Hobson to an isomorphism of social forms that is illegitimate.

Hobson is not without a defence against these charges. The organic analogy remains a useful start for a holistic analysis of society. Hobson's use of the organic analogy was progressive at the time. In terms of contemporary sociological analysis, it is also worthwhile remembering that Emile Durkheim used the comparison between mechanical and organic solidarity to compare the differences in social organisation between feudalism and modern industrialism.<sup>162</sup> As we saw, science consists, initially at least, of metaphor and analogy. It might be valuable, as Manning points out, to multiply analogies, if only to avoid being under the commanding influence of one, probably misleading analogy.<sup>163</sup>

The isomorphism charge falls because it *is* important to draw attention to the similarity between forms of cooperation and community as much as the contrasts. The assumption of an implicit harmony of interests is an unresolvable issue. Whether social relations are essentially harmonious or conflictual is perhaps not the right way of looking at it. The most that can be said is that Hobson's assumption of a harmony is no less justified than the assumption that there must be a conflict of interest. It is as illegitimate to assume the latter as the former.

Thus, as long as the organic analogy is not pushed too far, or used too specifically, *i.e.*, in the search for a social sensorium equivalent to the brain, the use of organic may be helpful. We should not expect too much from the analogy, but rather look for the broad vision of society implied by it. Finally, the conservative aspect of the analogy is avoided through the superimposition of an evolutionary socialism. Hobson believed in the social good, to be sure, but this would do away with the *status quo* because society was evolving towards greater democracy.

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<sup>161</sup> For example, see *Incentives in the Industrial Order*.

<sup>162</sup> Talcott Parsons, *On Institutions and Human Evolution*, p. 191.

<sup>163</sup> C.A.W Manning, *The Nature of International Society*, p. 151.

### *Theory of Surplus Value*

Surplus has been described as a concept that is impossible to operationalise. A number of critics have pointed out that Hobson's analysis lacks the precision of neo-classical studies. His concept of surplus is too vague, for instance, to inform taxing policy, unless with the aid of some *ad hoc* assumption, for example, that the unearned element in income rises proportionately with increases in income.<sup>164</sup>

According to Hobson, an income is cooperation's due. The question then becomes how to pay this income and to whom. Hobson seems to prefer the state, through taxation, but there is no clear justification for this, except that the state is said to be the representative of society, itself a tendentious statement. Hobson's argument is a better defence of guild socialism and syndicalism than the variant of state socialism he hoped for. A further problem is that the state has a dual role. It is both an active participant, as an organiser and ultimate provider of skills and experience of society as a whole, in the creation of social value. It is therefore due its reward. However, the state is also the representative of all society and the body which is expected to arrange and enforce an equitable distribution of social value. The state's neutrality must be in question.

Hobson suggested distribution according to needs to remove the unproductive surplus. But he defined needs as costs of production and the need for personal growth, mediated by the value of that individual to society. This idea is circular, because individual needs are determined by their social value. Allett has defended Hobson against the charge that he held a 'bourgeois' conception of needs.<sup>165</sup> In *Wealth and Life*, however, Hobson collapses needs into 'the capacity to use', thus rendering the human law of distribution redundant; it becomes 'from each according to his capacities, to each according to his capacities', not far from neo-classical economics. Furthermore, the measurement of needs or human costs is going to be a huge task. Empirical estimation of capacities would involve a fantastic amount of work to complete, collate and compile. The theoretical and practical difficulties meet in the problems of assigning what needs to whom, that is of determining the social utility of one course of

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<sup>164</sup> Roy Harrod, 'Epilogue', in *Science of Wealth*, 4th Edn.; Peter Clarke, 'Introduction', to *Crisis of Liberalism*, 1974 reprint, p. xxviii; T.W. Hutchinson, *A Review of Economic Doctrines, 1870-1929*, p. 126.

<sup>165</sup> John Allett, *New Liberalism*, p. 69.

action as against another, appear insurmountable.<sup>166</sup>

The concept of surplus in his theory of distribution contradicted neo-classical marginal analysis. According to marginalism, Hobson noted, value was determined, not by a rational decision from the centre, but by the peripheral expenditures. Hobson understood marginalism well enough to realise that it was a methodological substitute for the dogma of *laissez faire*, that there was no unproductive surplus because wealth was distributed according to worth under a perfectly competitive economy.<sup>167</sup> Unfortunately, Hobson misconstrued the mathematical analysis of marginal economics and the idea of opportunity cost, thus weakening his criticisms.<sup>168</sup>

Despite his attempt to humanise the standard of welfare, Hobson's human welfare remains a utilitarian calculus. Indeed, Hobson recognised as much and defended a 'modified utilitarianism'. This leaves Hobson's analysis open to the criticisms levelled at utilitarianism generally, such as the problems of consequentialism, the difficulties of measurement and the contradiction with human integrity.<sup>169</sup> Furthermore, just as far as Hobson mixed humanism with utilitarianism, he is led into the contradiction of the ultimate sanctity of human life as against the overall welfare of individuals and society.<sup>170</sup>

Finally, the evolutionary dynamism of the theory of the cooperative surplus allows Hobson a certain relativism with regard to individual and social development. However, in thus resolving all current problems, oppositions and conflicts in the abstract ideal of a distant utopia, Hobson's teleological explanation is simply an evasion that (like the organic analogy) restores an ultimate harmony of interest.<sup>171</sup>

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<sup>166</sup> As argued famously by Friedrich Hayek, *Road to Serfdom*.

<sup>167</sup> For some of Hobson's more sustained treatments of marginalism as well as classical economic theory, see *Social Problem*, chs. 3-4; *Free Thought*, pt. 2; *Industrial System*, Appendix to ch. 5.

<sup>168</sup> See Nemmers, *Hobson and Underconsumption*, p. 95ff.; J.M. Keynes, review of Hobson's *Gold, Prices and Wages* in the *Economic Journal* (1913), reprinted in *Collected Works*, Vol. 11, pp. 388-94; T.W. Hutchinson, *A Review of Economic Doctrines, 1870-1929*, p. 123. The Oxford English Dictionary lists Hobson as the originator of the word 'marginalism'.

<sup>169</sup> J.C.C. Smart and Bernard Williams, *Utilitarianism: For and Against*, pp. 108-18; A.K. Sen, *On Ethics and Economics*, p. 40-6, 74-6; A.K. Sen and Bernard Williams, *Utilitarianism and Beyond*, pp. 1-21.

<sup>170</sup> For instance, see H.B. Acton, 'Introduction', to J.S. Mill, *Utilitarianism*, p. xiv, xvii, xx.

<sup>171</sup> For a criticism of utilitarianism and evolutionary positivism, see Talcott Parsons, *On Institutions and Human Evolution*, pp. 103-5, and J.W. Burrow, *Evolution and Society*, pp. 263-4.

Again, these criticisms can be rebuffed. Cooperative surplus underlies almost all economics. If there were no benefits to cooperation, people would be unlikely to cooperate. Hobson claims that the social surplus is beyond the 'rational' distribution of the market. Hobson acknowledged the political aspect of distribution. This is not insignificant in the face of the depoliticising discourse of rational (or social) choice theorists in economics and philosophy alike. However, Hobson's pronouncements on the social surplus do not accept the possibility of justifiable conflict of interest between individuals. His thus analysis stops where social philosophers, such as Rawls, Nozick and Barry, now begin.<sup>172</sup>

Furthermore, the criticism that the surplus concept is difficult, if not impossible, to operationalise does not mean that surplus does not exist.<sup>173</sup> Hobson's discussion of human needs is incomplete, but it does contribute to a persuasive defence of the economy of high wages for the workers.

Subsequent developments in modern societies have made Hobson's surplus analysis and its focus on imperfect competition and monopoly even more plausible. Hobson's concern with the relationship of political and economic issues, and his demonstration that economic problems have ethical roots, remain significant contributions. The social emphasis within the theory of cooperative surplus and unproductive surplus restores a notion of the common good to a liberal economics that has all but banished it.<sup>174</sup>

### *Underconsumption*

The first criticisms of Hobson's theory of underconsumption came from those economists who succeeded in excluding him from the economics profession. For these economists, the theory was the economic equivalent of claiming the earth was flat. A fall in the interest rate or in costs would restore equilibrium and prosperity, according to this

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<sup>172</sup> See generally John Rawls, *A Theory of Justice*; Robert Nozick, *Anarchy, State and Utopia*; Brian Barry, *Theories of Justice*.

<sup>173</sup> For Hobson's defence of the surplus as the basis for taxation policy, see *Poverty in Plenty*, p. 55.

<sup>174</sup> For criticisms of liberals and liberalism along these lines, see William Connolly, *Appearance and Reality in Politics*, ch. 4; John Dunn, *Rethinking Modern Political Theory*, ch. 9; and Bernard Crick, *In Defence of Politics*, pp. 127-34.

argument.<sup>175</sup> Hobson's maldistribution argument countered the interest rate solution by suggesting that saving is more closely related to income than to the interest rate.

As Nemmers has suggested, Hobson's account of underconsumption was 'realist', that is, it discounted the role of money as an active factor in the determination of economic activity. Hobson downplayed the influence of monetary factors and the role of credit in the trade cycle in his depreciation of other explanations of cyclical depressions and unemployment, from the classical arguments to the 'social credit' proposal of Major Douglas.<sup>176</sup>

Nemmers also points out that Hobson understood investment as the extension of current productive potential, *i.e.*, 'capital widening'. As Nemmers suggests, investment can also go towards 'capital deepening', the improvement of productive technique and the change of processes of production. Such use of capital might be much larger than Hobson anticipated, using up the surplus he identified.<sup>177</sup>

However, the 'root of Hobson's mistake' is his equation of saving and investment. This means that Hobson shares the classical economists ideas that savings and investment are in equilibrium. The possibility of disequilibrium between saving and investment is one of the central tenets of the so-called Keynesian revolution in economics. Where Hobson believed that saving and investment were basically the same process, Keynes distinguished saving of funds from investment in plant and showed that these were carried out by different sections of the community. This distinction leads to the difference between Hobson and Keynes on the cause of deficient aggregate demand that both identified as the root of trade depression: for Hobson, oversaving was over-investment and meant underconsumption; for Keynes, oversaving meant under-investment. For Hobson, there was too much capital investment; for Keynes, there was too little. Michael Bleaney's criticism that Hobson failed to identify the dual aspects of investment as both saving and consumption follows from this Keynesian distinction.<sup>178</sup>

In most of his writing on underconsumption, Hobson claimed that maldistribution of

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<sup>175</sup> F.Y. Edgeworth's review of *Physiology* is cited in T.W. Hutchinson, *A Review of Economic Doctrines, 1870-1929*, pp. 118-9.

<sup>176</sup> See Nemmers, *Hobson and Underconsumption*, p. 48. For Hobson's account of alternative explanations of trade depressions, see *Economics of Unemployment*.

<sup>177</sup> Nemmers, *Hobson and Underconsumption*, p. 40.

<sup>178</sup> J.M. Keynes, *The General Theory of Employment, Interest and Money*, p. 367-70; Michael Bleaney, *Underconsumption Theories*, p. 180; Peter Clarke, *Liberals and Social Democrats*, pp. 226-31, and 'Hobson and Keynes as Economic Heretics'; Nemmers, *Hobson and Underconsumption*.



wealth results in trade depression in the capitalist countries. This maldistribution and consequent disharmony was, for Hobson, a false antagonism inspired by sectional interests. In his first, co-written book however the source of underconsumption is a paradox of aggregating individual saving decisions. This argument, though Hobson did not acknowledge it, posits a more fundamental conflict than merely the interference of sectional interests, the conflict of social and individual interests. Furthermore, because it highlights individual saving, it does not fit well with Hobson's social reform and equity arguments. The role of government in economic reform would also be different under the two types of explanation. Thus, Hobson's maldistribution explanation of underconsumption does not so much subsume the Mummery-Hobson explanation, but is different from it.

Keynes discussed the Mummery-Hobson formulation of underconsumption rather than Hobson's maldistribution argument. Keynes agreed with the problematic as posed by Mummery and Hobson but explained over-saving differently, both from this first explanation and Hobson's subsequent discussion. In today's terminology, Hobson's maldistribution argument explains underconsumption as a result of a falling marginal propensity to consume with rising income. A distribution of income that benefitted the wealthy would result in higher saving and lower consumption. However, Hobson only hinted at this explanation, preferring instead to emphasise the surplus income of the wealthy as a cause of over-saving. This use of the surplus concept led Hobson astray, and could be the reason why Keynes felt the earlier Mummery-Hobson discussion to be more valuable.

However, Hobson's theory of underconsumption still has some value. It is probably best understood as part of his theory of unproductive surplus. Maldistribution is an economic result of a moral problem; that force and scarcity are used to distribute the rewards from production rather than some method just apportionment. Generally, Hobson's explanation suggested that social equity would lead to efficiency, whereas, for Keynes, the requirement of efficiency could only be reached with some measure of equity. This might seem a fine distinction, but in terms of liberalism in the early part of this century it was significant.<sup>179</sup>

The criticism that Hobson failed to distinguish savings and investment is anachronistic. When Hobson was writing, economists had not distinguished the two functions, and it is only with Keynes that the distinction is drawn. Many of the other criticisms of Hobson's underconsumption similarly are valid in terms of current economic theory but are of dubious

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<sup>179</sup> See Michael Freeden, *Liberalism Divided*, p. 12-14. Hobson's emphasis on the moral aspect of economic problems will be discussed further in chapter four as a response to the charge of economic determinism in the theory of imperialism.

validity for an examination of Hobson because they see Hobson through Keynesian glasses. Indeed, Hobson and Keynes's theories may not be as irreconcilable as has been portrayed, and there have been attempts to systematise Hobson's theory into modern economic terms.<sup>180</sup>

Hobson's underconsumption did, as Keynes pointed out, mark an epoch in economic thought. Hobson broadened the concerns of economics other than in his welfare economics by highlighting important economic issues relatively neglected or rationalised by classical and neo-classical economists. Hobson reintroduced the economic analysis of unemployment, poverty, depression, trade cycles, deficient demand, and the possibility of social and state remedies to economic problems.

## Conclusion

Despite these criticisms, Hobson's theoretical system provides an interesting and innovative basis for the study of international relations. A number of the criticisms reappear in later chapters.

The discussion of Hobson's theoretical system leads to three major conclusions. First, Hobson ably demonstrated the failures of methodological individualism. He successfully undermined the atomistic presuppositions of the Manchester School of *laissez-faire*, the hedonistic utilitarianism of the Philosophic Radicals, and the individualistic prejudices of classical political economy. In sum, Hobson transformed liberalism through the surplus and organic concepts.

Second, Hobson advanced an evolutionary perspective of individuals and society, in which an economic division of labour and the political structure of federalism featured importantly. His perspective was also, through the organic analogy, holistic, seeing society as a whole, rather than merely an aggregation of the individuals that made it up.

Third, Hobson's theory of the cooperative surplus value and the idea of the social determination of value took his economic analysis towards an argument for social control, i.e., state planning. This suggested the increasing organisation and socialisation of social life, especially as manifested in the growth of the functions of the state in the provision of the welfare of its citizens. The bias towards cooperation and particularly organisation is a significant feature of Hobson's theoretical system.

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<sup>180</sup> For instance, Michael Schneider, 'Modelling Hobson's Underconsumption Theory'; D. Hamilton, 'Hobson with a Keynesian Twist'; Roger E. Backhouse, Mummery and Hobson's 'The Physiology of Industry': A Centennial Evaluation'.

These conclusions are of interest because we find the same concepts in Hobson's writings on international relations. While the concepts surplus and organic, as well as the notion of the evolution of human society, will be a major part of the framework for the rest of the thesis, other matters will also reappear. Underconsumption and the notion of an unproductive surplus are important to the theory of imperialism. Hobson's humanistic conception of welfare and the growth of organisation appear in his discussion of international economic relations. The justification of an expanded role for the state has parallels with Hobson's arguments for an international government.

### *Chapter Three*

#### **Hobson's Framework for International Relations**

Chapter two has examined Hobson's new liberal approach to politics, economics and society, especially the concepts organic and surplus. This chapter will show that Hobson's discussion of international relations is moulded by his new liberalism. Guided by the organic and surplus concepts, his study of international relations is holistic and evolutionist. Hobson considered current international relations to be an emergent society being created through international cooperation and organisation. The chapter introduces the general framework within which Hobson discusses international relations. More specific analysis of some of the issues raised in this chapter is conducted in part two.

The first section delimits four types of international system that Hobson discussed. They are the balance of power system, where states relate to each other through formal channels of diplomacy or physical force culminating in war; Cobdenism, an international community of freely interacting national communities with minimal government interference; the system of the competing empires in imperialism; and constructive internationalism, an international society with a government and a network of specialised international and transnational organisations. The first three of these are parts of Hobson's analysis of contemporary international relations; the last is both Hobson's optimistic observation of developments in contemporary international affairs and his hope for the future organisation of international relations. They are also related one to another through the implicit evolutionary logic of Hobson's writings on international relations, that is revealed through an application of the two concepts of organic and surplus to international relations.

In the second section Hobson's holistic approach to international relations, based on the extension of the organic analogy to apply to all humanity, is investigated. Hobson's organic view of international relations construed international relations, not as a world of interacting states, but as a network of individuals, groups and communities within a single world society. Again, the tendency of Hobson's analysis is to suggest a preferred ordering of international relations in the shape of constructive internationalism.

The third section considers Hobson's discussion of nations and nationalism, especially as part of his perspective of an organic world society. The fourth section adds to the criticisms advanced in chapter two the charges of domestic analogy and economism as well as considering the additional difficulties for Hobson's theoretical system when applied to international relations.

### Hobson's Framework of Four International Systems

This section and the next analyse the framework within which Hobson discusses international relations. Here I consider the influence of the two sides of his theory of surplus value, the idea of cooperative surplus and the evolution towards organisation, and the theory of unproductive surplus. In this section, the four types of international system are outlined. It also shows that Hobson's opinions of each is determined by its position on an evolutionary scale of forms derived from the theory of surplus value applied to international relations.<sup>1</sup> These appear in Hobson's writings on international relations (and elsewhere) but they are not explicitly distinguished by Hobson himself.

The theory of cooperative surplus showed that cooperation and organisation of the rising industrialism has changed not only domestic politics and economics but also international relations. Hobson claimed that civilised nations were by their nature interdependent, and that the more civilised nations became, the more interdependent they had to become also.<sup>2</sup> This was not only an interdependence spurred by developments of industrial capacity but by the growth of cultural links.

Hobson discussed four international systems, the balance of power, Cobdenism, imperialism, and constructive internationalism. Though largely implicit, Hobson suggested a progression from the balance of power, the least cooperative and organised international system, through Cobdenism to his constructive internationalism, the most organised and cooperative. There is not all plain sailing toward a rational organisation of humanity, however. Because of the pervasive struggle over and appropriation of unproductive surplus, Hobson's analysis of contemporary international relations is dominated by imperialism, a retrogressive stage of separatism, conflict and the use of force.

In addition to the motif of increasing interdependence, cooperation and organisation, the four system reflect a changing relationship of politics and economics. In the balance of power and Cobdenism, economics and politics are autonomous spheres. The theory of surplus value exploded this conception; combination in industry (monopolies) and in politics (empires and federations) merged political and economic power. Hobson extended his concepts of surplus beyond national boundaries. The extension of the unproductive surplus results in

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<sup>1</sup> These four international systems differ from Giovanni Arrighi's four coordinates in *The Geometry of Imperialism*, ch. 1.

<sup>2</sup> 'Free Trade as a Factor in Civilisation'.

imperialism, the cut-throat competition of the Great Powers. The cooperative surplus in international relations suggested an international federation of nations serviced by a network of functional institutions.<sup>3</sup>

These stages in the development of the international system are more than abstractions for Hobson, however. They are different views of the contemporary international system reflecting different ideological standpoints. Balance of power was the vision of the traditional diplomatist and foreign office minister; Cobdenism was increasingly in Hobson's time, the view of the moneyed commercial and financial interests; imperialism was the vision of a particular group of financiers, businessmen and ambitious politicians; and constructive internationalism reflected the hopes of the radical liberals and social democrats. Nor are the international systems just ideological visions; there were (and were going to be), historical periods in which each of the visions would be the dominant ideology of the age. For Hobson, balance of power was the predominant vision of the international system in the pre-Industrial Revolution era. It reflected a world before the rise of machine production and communications had undermined national isolation.<sup>4</sup> Cobdenism was ascendant in the mid-nineteenth century, coinciding with the *pax Britannica*. This period had closed in the late nineteenth century (in 1870 or 1884), with the rise of monopolies and trustification in advanced economies and the increase in imperial activity of the Great Powers.<sup>5</sup> Hobson hoped that the end of the First World War would see the establishment of constructive internationalism. However, with the apparent betrayal and failure of this vision in the League of Nations, his analysis of international relations after the Great War oscillated between the apocalyptic vision of a Great Power condominium of inter-imperialism or the gloom of a reassertion of the competition of the imperial and protective systems in the Great Depression.<sup>6</sup>

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<sup>3</sup> In addition to this analysis of the connection or autonomy of politics, there is the issue of predominance. It might be suggested that politics is the over-riding concern in the balance of power, economics in Cobdenism, politics reigns in economics in imperialism but is prompted by economic concerns, and economic function shapes political institutions in constructive internationalism.

<sup>4</sup> *Evolution of Modern Capitalism*, ch. 3.

<sup>5</sup> From a British perspective, at least, see 'Free Trade and Foreign Policy', *Imperialism*, pt. 1, ch. 5.

<sup>6</sup> Compare his prognosis in *Democracy and a Changing Civilisation* or *Property and Impropriety* with *Towards International Government*.

*Balance of Power*

This traditional view of the international system was that it was made up of morally self-contained states interacting through the official contact of traditional diplomacy or through the physical force of war or armed intervention. Hobson used the term Hobbes-Machiavellianism, and occasionally Prussianism, to refer to this international system in which there is little cooperation and precious little organisation.<sup>7</sup> This international system lacks moral community, instead emphasising 'splendid isolation'. Its economic corollary is autarky or mercantilism. Hobson labelled moral isolationism the 'fundamental vice' of traditional foreign policy;

this false, immoral doctrine, inimical to humanity, that a State is an absolute morally self-contained being, living in a world with other similar beings, but owing no duties to them and bound by no obligations that it may not break on the plea of necessity...<sup>8</sup>

For Hobson, this international system operated according to the balance of power (what Hobson called the 'core of diplomatic falsehood').<sup>9</sup> While his views owed something to Cobden's critique of Palmerstonian foreign policy, and were also influenced by the impact of the First World War, Hobson criticised the balance of power as a disorganised and decentralised system.

Following Cobden and Bright, Hobson saw the balance of power as the doctrine of a self-aggrandising foreign office keen to interfere in foreign affairs and a government which distracted their electors from domestic social reform with foreign quarrels.<sup>10</sup> The root cause of international discord was the balance of power. Each state had sought this 'vile idol', competing for security through arms races and psychological warfare. World War One was a result of the secret treaties, covert diplomacy and competitive foreign policies of the Great Powers, especially outside Europe. The international balance of power was, then, a war-

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<sup>7</sup> Hobson's reference to Hobbes and Machiavelli tended to show that *Realpolitik* had roots in European countries other than Germany. See for instance, *Free Thought*, p. 187; 'The Morality of Nations', p. 249; *Morals of Economic Internationalism*, p. 5-6; *Problems of a New World*, p. 77; *Democracy After the War*, p. 113, 188; *Towards International Government*, p. 179.

<sup>8</sup> *Towards International Government*, p. 180. See chapter seven for Hobson's condemnation of traditional diplomacy.

<sup>9</sup> *Towards International Government*, p. 182.

<sup>10</sup> For an example, see *Traffic in Treason*, p. 9, 61.

system. Its operation rested on military force.<sup>11</sup>

According to Hobson, the international balance of power ‘present[ed] no true harmony of interest and no organic policy.’<sup>12</sup> Hobson rejected *all* balances of power, whether domestic or international, because they failed to provide justice: ‘the term Balance of Power resolves itself into a policy of Pulls, distribution alike of effort and of product being determined by the relative strength of the parties or groups.’ Furthermore, the balance of power is an international equivalent of *laissez faire*. As with his theory of distribution, discussed in chapter two, force is the ultimate means of settling disputes; the powerful win in the resolution of conflicts. The inequitable distribution of income he so fiercely attacked in the domestic context was, for him, the result of the logic of a balance of power. This system was flawed to start with because balance did not mean equilibrium. There was the constant possibility of conflict.<sup>13</sup> Hobson also opposed the balance of power as unjust and fraught with potential for future conflict, as can be seen in his criticisms of *ad hoc* resolution in industrial disputes.<sup>14</sup>

According to Hobson, the traditional view was promulgated largely by a Realpolitik school of political theorists, but was also the operating premise of traditional statecraft and political conservatives.<sup>15</sup> The view persisted, also, in the use of mechanical metaphors in the discussions of international relations: ‘The description of nation-states as Powers, great or small, ... are naive records of what politics actually means.’<sup>16</sup> For Hobson, ‘[t]he fact that peoples are related to one another in the world not as groups of human beings, with the common quality and interests of humanity, but as Powers, is a stark negation of all morality in international relations.’<sup>17</sup>

Despite international law and treaties, states arrogated to themselves the right to breach commitments according to their own national interest. For Hobson,

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<sup>11</sup> *Towards International Government*, p. 181.

<sup>12</sup> *Incentives in the New Industrial Order*, p. 147-8.

<sup>13</sup> Hobson denied that there would be equilibrium, see *Towards International Government*, p. 182.

<sup>14</sup> *Incentives in the New Industrial Order*, pp. 147-8; see also *Democracy After the War*, pp. 175-6.

<sup>15</sup> ‘The Morality of Nations’, p. 248-9; *Democracy After the War*, p. 114.

<sup>16</sup> *Free Thought*, p. 182. See also pp. 22-5, 30n; *Towards International Government*, p. 181-2; *Modern State*, p. 32; and *Problems of a New World*, p. 33-4.

<sup>17</sup> *Democracy After the War*, p. 22.



the actual history of treaty obligations indicates that a nation, as a moral personality, is on a lower level of development than an individual ... A nation, in its political aspect as a State, using as an instrument a Government, is not fully realised as a moral being, a personality at all.<sup>18</sup>

Hobson claimed that the different ethics of individuals in society and nations in a society of nations 'only implies a feebler development of moral personality in the Nation, and a feebler structure of international society.'<sup>19</sup>

Hobson, however, expected this to change; moral isolation and mercantilism were outmoded and obsolete. The argument that there was no significant intercourse between nations (rather than states) and that therefore there was no international society had become untenable. States increasingly found themselves bound by international law; they sought more commitments through treaties and international conferences and alliances.<sup>20</sup> Most importantly:

[T]hat political and moral isolation and self-sufficiency, only qualified by agreements or conventions of no final validity, has, under conditions of modern intercourse, given place to an ever closer and more intricate internationalism ... Under the old philosophy there was not 'society of nations'. States moved 'like dragons of the prime' or like stars in their courses. Now the facts of intercourse have brought into being a rudimentary Society of Nations...<sup>21</sup>

Hobson was convinced that the advances in communications between nations had rendered the teachings of the *Realpolitik* school unrealistic. Interaction between peoples was both inevitable and beneficial; anything that opposed such intercourse was against the progress of civilisation.<sup>22</sup>

### *Cobdenism*

The second international system operates according to Richard Cobden's maxim: 'As little intercourse as possible between *Governments*; as much connection as possible between

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<sup>18</sup> 'The Morality of Nations', p. 254

<sup>19</sup> 'The Morality of Nations', p. 260.

<sup>20</sup> *Modern State*, p. 31.

<sup>21</sup> *Free Thought*, p. 199.

<sup>22</sup> On the impossibility of splendid isolation, see *Towards International Government*, p. 23, 90; *Morals of Economic Internationalism*, p. 4; and *Democracy After the War*, pp. 85-6. On America as a possible exception to this rule, see *Morals of Economic Internationalism*, pp. 28-9. On *Realpolitik* and unreason, see *Towards International Government*, p. 99.

the nations of the world.<sup>23</sup> This international system consists of self-governing political communities trading and travelling freely, interacting as much as possible, but not interfering in each other's political affairs. Government, both national and international, is reduced to a minimum, its goals reducing to the maintenance of law and order, to liberate the intercourse between people and peoples. This is an international society of peoples or nations, not of governments or states. It is also premised on the extension of democratic national self-government, contributing to a pacific international environment.<sup>24</sup>

Hobson has been labelled a Cobdenite, reformed or otherwise. He admitted to being steeped in Cobdenite principles for freer trade.<sup>25</sup> He supported free trade and condemned protectionism as a violation of progress and civilisation. He applauded the growth of international commercial, industrial and financial connections, advocating the open door to trade and investment. He claimed that economic internationalism led political internationalism.<sup>26</sup> During the War, he was a prominent member of the U.D.C., the twentieth century inheritor of the radical liberal critique of foreign policy.

Hobson identified Cobdenism as a improvement on the balance of power. There are two sides to Cobdenism: the negative political principle of nonintervention and the positive economic doctrine of free trade. Nonintervention was 'the negative condition' of free human cooperation:

Remove the fetters and obstructions which governments, laws, and customs have placed upon the free play of the harmonious forces which bind man to man, let their real community of interest have full sway to express itself in economic, intellectual and moral intercourse, the false antagonisms which now divide nations, classes and

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<sup>23</sup> *Richard Cobden*, p. 34.

<sup>24</sup> *Political Basis of a World State*, p. 260-1. Hobson examines Cobdenism in his biography, *Richard Cobden: The International Man*, though it is also implicit in his critique of imperialism in *Imperialism: A Study*.

<sup>25</sup> See Peter Clarke, *Liberals and Social Democrats*, pp. 177-8, and Bernard Porter, *Critics of Empire*, pp. 195-7. Though this identification of Hobson as a Cobdenite only makes sense in terms of the contemporary development of liberal international theory as then understood, that is Hobson was a radical liberal theorist of international relations, thus carrying on in the spirit of Cobden and Bright, not Gladstone. However, as we shall see the portrayal of Hobson as a Cobdenite is woefully inadequate when we examine his international theory. In short, if Hobson's international theory can be called Cobdenite, then so can his new liberalism - a patently absurd proposition. For Hobson's admission, see *The Morals of Economic Internationalism*; also see *The German Panic*, a conscious reference to Cobden's pamphlet, *The Three Panics*.

<sup>26</sup> *The Modern State*, p. 32.

individuals, will disappear and a positive harmony of mankind be established.<sup>27</sup>

Hobson argued that nonintervention was an antidote to the interference from feudal aristocracies and their influence: 'by removing the active obstacles of diplomacy, war, and protective tariffs it enabled the mutual interests and good feelings of the peoples to operate freely.'<sup>28</sup> Hobson interpreted Cobden's doctrine as suggesting that '[i]f the peoples are to get into sane, amicable and profitable relations with one another, that intercourse is best promoted by leaving it to them, with as little interference as possible either in the way of help or hindrance by their respective Governments.'<sup>29</sup>

In Cobdenism, all relations between nations are important, but trade is the most important of all, particularly in the encouragement of pacific and civilised relations. Cobden himself claimed that 'commerce is the great panacea, which, like a beneficent medical discovery, will serve to inoculate with the healthy and saving taste for civilisation all the nations of the world.'<sup>30</sup> For Hobson, 'commerce has always been the greatest civiliser of mankind. All other fruits of civilisation have travelled along trade routes ... Cut off commerce, and you destroy every mode of higher intercourse.'<sup>31</sup> Similarly, Hobson rejected protection: '[t]he more numerous and higher tariff barriers by which each nation seeks to minimise its co-operation with its neighbour ... is a continuous source of friction and ill-will.'<sup>32</sup> And he followed Norman Angell in extending Cobdenite principles to the growth of international finance: 'Modern finance is the great sympathetic system in an economic organism in which political divisions are of constantly diminishing importance'<sup>33</sup> His international relations writings in the decade prior to the First World War betray Angellite tendencies in his extension of the Cobdenite argument beyond international trade to the free

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<sup>27</sup> *Richard Cobden*, p. 21. See also, pp. 9-10.

<sup>28</sup> *Richard Cobden*, p. 390-1. See also p. 35.

<sup>29</sup> *Richard Cobden*, pp. 388-9.

<sup>30</sup> *Richard Cobden*, *The Political Writings of Richard Cobden*, p. 36.

<sup>31</sup> *The New Protectionism*, p. 115. See also *Democracy After the War*, p. 198; *Property and Improperly*, p. 205; *International Government*, p. 95; *The Case for Arbitration*, p. 3. See also 'Free Trade as a Factor in Civilisation'. The arguments put forward by Hobson for free trade are considered in greater depth in chapter five.

<sup>32</sup> *Modern State*, p. 33.

<sup>33</sup> *Economic Interpretation of Investment*, p. 121.

flow of capital.<sup>34</sup>

Cobdenism entails the autonomy of politics and economics. It is based on *laissez faire* and denies the need for an extensive role of the state in the economy or society. Free trade is the corollary of *laissez faire* in international economic relations, nonintervention its corollary in international politics. Therefore, while a certain degree of political separateness is maintained, this is within the general conception of the world that encourages international commercial and cultural exchange and cooperation. Both the moralistic tone of nonintervention and the economic verities of free trade are challenges to the *Realpolitik* vision of the international system. Nonintervention brings morality into inter-state relations; free trade suggest that international interaction is beneficial and that there is a harmony of interests.

After the War, with the rise of economic and political instability, Hobson's acknowledged the limits of free trade and called for more state and international intervention to remedy economic ills. The experience of the War taught Hobson that international law and the sense of justice would be insufficient to maintain international peace.<sup>35</sup>

### *Imperialism*

Imperialism has attracted the attention of scholars since the publication of *Imperialism: A Study*. There are, in fact, four dimensions to Hobson's discussion of imperialism. For Hobson, imperialism is an aggressive and acquisitive foreign policy, the domination and dictatorial rule of a foreign people, an international system of competing empires and a phase in world politics. This section examines imperialism in terms of the latter two categories. Imperialism results from the expropriation of the unproductive surplus by sectional interests, both nationally and internationally. It was 'the powerful movement in the current politics of the Western world.'<sup>36</sup>

Hobson usually dated imperialism as beginning in the mid-1880s. The precise date is 1884, the year that the Great Powers discussed the division of Africa into spheres of influence at the Berlin Conference. This conference and treaty highlighted attempt to settle the rival claims of the imperial powers. The collusion in territorial division, though a superficial

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<sup>34</sup> See particularly the *Economic Interpretation of Investment*.

<sup>35</sup> *Democracy and a Changing Civilisation*, p. 138-9; *Problems of a New World*, pp. 17-8, 32.

<sup>36</sup> *Imperialism*, p. [42].

contribution to peace for Europe and possibly the world, was unlikely to hold, as with economic monopoly, because of the persistence of cut-throat competition between the imperial Powers.<sup>37</sup>

According to Hobson, imperialism is a pathological social form. He argued that

The exclusive interest of an expanding nation, interpreted by its rulers at some given moment, and not the good of the whole world, is seen to be the dominant motive in each new assumption of control over the tropics and lower peoples; that national interest itself commonly signifies the direct material self-interest of some small class of traders, mine-owners, farmers, or investors who wish to dispose of the land and labour of the lower peoples for their private gain.<sup>38</sup>

Hobson, as we have seen, had by the First World War started to doubt the validity of Cobdenism. In fact, his questioning of Cobdenism had begun much earlier, and is indeed implicit in his discussion of international finance. For Hobson, the significant development in world economics and politics was the growth of combination and the decline of competition, in industrial and financial cartels and monopolies and in political empires. Combination rendered the autonomy of politics and economics an untenable premise. Another significant development in the growth of the world economy was the rise of foreign investment and the internationalisation of capital that had overtaken the importance of international trade in the course of international economic relations. Imperialism is in some senses the logical development from Cobdenism in the face of growing combination and the establishment of an international economy where finance, and especially direct foreign investment, play a major role. In this respect, imperialism, the contact of advanced and backward peoples, the end of laissez faire and free trade, are inevitable. They are the result of the development of the international economy along the lines of the theory of surplus value.

As we have seen, Hobson's theory of surplus value showed that cooperation and organisation would replace competition. In the context of a modern industrial society, this meant that laissez faire was giving way to the control of the economy by combines, trusts, and monopolies. In parallel to this, world politics could no longer be a system of the relatively independent nations, the simple harmony of self-interest did not work here either. The

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<sup>37</sup> An alternative date is 1870-1, the unification of Germany and the Franco-Prussian War. This marks the beginning of Germany's challenge to Britain's ascendancy in international relations. See *Imperialism*, p. 19, where Hobson prefers 1884 over 1870.

<sup>38</sup> *Imperialism* [1938], p. 281. For further examples of Hobson's discussion of imperialism as or as the subjugation of national to sectional interests, see *Property and Improperly*, p. 105; *Problems of a New World*, pp. 269-72; *Democracy After the War*, pp. 85-6; *Imperialism*, p. 106, 127, 168.

modern world was being divided into spheres by competing empires, the political equivalent of monopolies, vying for supremacy.<sup>39</sup>

Imperialism was the international conflict engendered by the unproductive surplus. In his theory of underconsumption, maldistribution of income results in underconsumption and thus surplus capital. Hobson argued that, in the capitalist system, economic surpluses appropriated by the powerful or wealthy for their own ends issue internationally in a drive for imperial ascendancy in the world. Financiers and investors call on politicians to protect their investments abroad and play upon feelings of national and personal pride, acquisitiveness and beliefs in the necessity of racial struggle. Foreign investment then becomes a rationale for increasing imperial control and expansion.<sup>40</sup> The rise of combination and the merging of political and economic sectional interests turned the Cobdenite equation of economic relations with peace on its head. In the modern phase of world politics marked by imperialism, economics were now the source of war.<sup>41</sup> Concentration is not only a description of modern industry, but the quality that allows finance to dominate other interests: 'the financial interest has those qualities of concentration and clear-sighted calculation which are needed to set Imperialism to work.'<sup>42</sup>

Imperialism's international context is that it is a form of separatism - a denial of the benefits of international cooperation and organisation. Imperialism modified logic of the division of labour, that the wider area reaps greater benefits, by applying the logic only to areas under the political control of the state and resorting to protection of that area. Hobson suggested that national or imperial boundaries are not limits to economic intercourse or benefits therefrom. Hobson also objected to the political and moral aspects of imperialism, based as they are, in part on a throw-back to the moral isolation of *realpolitik* and in part on the social Darwinist theories of the 'survival of the fittest'.<sup>43</sup> It was also sectionalism in the sense that a group of international financiers were identified by Hobson as predominant in

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<sup>39</sup> For the supersession of the premises of Cobdenism, both in terms of the growth of imperialism and constructive internationalism, see *Richard Cobden*, pp. 406-8; *Problems of a New World*, pp. 19-21, 23-9, 190; *Democracy After the War*, p. 28; *Imperialism*, p. 225.

<sup>40</sup> On foreign investments, see *Richard Cobden*, p. 403-6; *Imperialism*, p. 357-8.

<sup>41</sup> *Richard Cobden*, p. 400-1.

<sup>42</sup> *Imperialism*, p. 59. For concentration and control being one of the facets of the new imperialism, see p. 356.

<sup>43</sup> *Imperialism*, p. 135, 167, 181.

this stage of world politics. Financiers, who had a significant and beneficial role to play in the growing world economy, were exploiting political division and nationalist ideologies to their own interests.<sup>44</sup> Imperial sectionalism was also manifested in nationalistic and racialistic ideologies, such as the idea of Manifest Destiny, the provision of 'good government', the pressure of population and the Christian civilising mission.<sup>45</sup> Hobson described the wealthy nations exploitation of the backward peoples as parasitism. The wealthy few live off the majority of workers, not only in their own country, but in the empire.<sup>46</sup>

### *Constructive Internationalism*

Constructive internationalism is Hobson's ideal for international relations.<sup>47</sup> Hobson proposed an international federation with functional organisations dealing with issues with the potential for conflict such as the global maldistribution of income. Constructive internationalism returns to the emphasis on the freedom of international intercourse and the possibility of cooperation for the international good in Cobdenism. However, the logic of cooperative surplus and his theory of distribution leads to the requirement for international organisation of international economic intercourse. There was a philosophical reason for this:

Modern internationalists are no longer mere noninterventionalists, for the same reason that modern Radicals are no longer philosophic individualists. Experience has forced upon them the truth that governments are not essentially and of necessity the enemies of personal or national liberty, but that upon certain conditions they may become its creators, either by removing fetters or by furnishing the instruments of active co-operation by which both individuals and nations better realise themselves.<sup>48</sup>

Hobson believed that 'conscious collective self-control ... [would] enlarg[e] the orderly political government of the single city or the nation state to that society of nations which comprises mankind.'<sup>49</sup> International cooperation was based in 'rational idealism' and

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<sup>44</sup> See 'For Whom Are We Fighting?', in *The War in South Africa*.

<sup>45</sup> See *Imperialism*, pt. 2, for Hobson's discussion of these ideologies.

<sup>46</sup> For examples of Hobson's use of 'parasitism', see *Democracy After the War*, p. 145, 172; *Imperialism*, p. 59, 107, 151, 313-4, 364-8, especially pp. 367-8.

<sup>47</sup> He also referred to it as real or positive internationalism. See *Modern State*, p. 36, *Richard Cobden*, ch. 13.

<sup>48</sup> *Richard Cobden*, p. 406.

<sup>49</sup> *Recording Angel*, p. 111.

the co-operation of one personality with others in membership of a society continually [was] widening so as to comprise in closer contacts the entire body of contemporaneous mankind, while continually extending its outlook, so as to pay regard to the more distant welfare of humanity.<sup>50</sup>

According to Hobson, constructive internationalism involves increased governmental intervention in international relations and also international organisation, both inter-governmental and non-governmental, and perhaps a central international government to manage human welfare in the international society.

This form of internationalism was based on an application of the theory of cooperative surplus and the human law of distribution beyond the boundaries of national societies to the international relations of the modern interdependent global economy. For Hobson, human society was evolving towards a society of all mankind, with the aid of improved communications:

There is in the modern widening of human intercourse a large and various growth of common interests and activities among men of different nations which for certain purposes requires and evokes the friendly co-operation of States and calls into being genuinely international institutions.<sup>51</sup>

The implications, for Hobson, of this development were that *laissez faire* had to be abandoned and functional institutions and instruments of international governance set up in order to ensure the control of the world economy in the interest of all humanity to achieve the greatest human welfare.<sup>52</sup>

Hobson argued that the rise of industrialism and the use of machine technology had transformed modern societies and brought them into closer contacts with each other, through improved communication and the growth of mass production techniques. Increased financial integration of the world was making for a truly world economy, governed to a large extent by a single economy rather than separate national economies.<sup>53</sup> With the advent of a world economy, cooperation was already international, and Hobson believed that it was time for

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<sup>50</sup> *Problems of a New World*, p. 139. See also *Work and Wealth*, pp. 350-1, 355.

<sup>51</sup> *Democracy After the War*, pp. 85-6.

<sup>52</sup> I use the term functional in the context of functionalism in the international relations literature. See Paul Taylor, 'Functionalism: The Theory of David Mitrany'; E.B. Haas, *Beyond the Nation-State: Functionalism and International Organization*; David Mitrany, *A Functional Theory of Politics*; James A. Caporaso, *Functionalism and Regional Integration: A Logical and Empirical Assessment*; and R.J. Vincent, 'The Functions of Functionalism'.

<sup>53</sup> *Evolution of Modern Capitalism*, pp. 458-60; *Economic Interpretation of Investment*, p. 17ff; 'A World Economy', pp. 274-5.



international control and organisation to regulate and mitigate the excesses of the world market as had been done with capitalism in the domestic context: '[t]he chief desiderata of economic welfare, productivity, and economic justice, are impractical without international government'. 'Real internationalism', he argued, 'means that nations and their governments shall consciously realise and co-operate in achieving common forms of welfare, positive in their nature and consciously conducive to the prosperity of the world.'

Hobson expected political internationalism to be shaped by, yet facilitate and further encourage, the growing international cultural and economic intercourse. At first, arrangements would be *ad hoc* and private, but increasingly governments would become involved in dealing with common interests and issues largely (though not exclusively) concerning technical matters, specifically regarding communications, as seen in the emergence of the functional international bodies such as the Inter-Telegraphic Union and the Universal Postal Union. There were also the Hague conferences, establishing general treaties and codifying international law. Hobson regarded the greater institutionalisation of the relations of the Great Powers in the Concert of Europe as a precursor to an international government that he hoped would be found in the League of Nations.<sup>54</sup> Hobson saw these developments as the basis of a new arrangement of international relations.<sup>55</sup> He also proposed the need for international organisation in the immediate aftermath of the First World War. Hobson proposed inter-governmental cooperation for post-war reconstruction in Europe. For Hobson, the inter-war period was a time when humanity had to face the task of reconstructing domestic and international, social, political and economic arrangements after the dislocations and destruction of the Great War and the mistakes of the Bad Peace.<sup>56</sup>

This account of Hobson's constructive internationalism makes it appear that Hobson anticipated David Mitrany's functional approach to international organisation with his emphasis on the satisfaction of welfare needs through the innovation of international institutions. As with Mitrany, though at first international cooperation was conducted privately by individuals and groups, it would proceed by the establishment of functional

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<sup>54</sup> *Case for Arbitration*, pp. 1-2; *League of Nations*, p. 4,7.

<sup>55</sup> *International Government*, p. 193-4; *League of Nations*, p. 4ff. See also 'The Origins of the I.L.O.', pp. 497-9; 'Political Basis of a World State', p. 268.

<sup>56</sup> *Morals of Economic Internationalism*, p. 31ff.

institutions and the direction of economic internationalism by international political control.<sup>57</sup> Where Hobson differs from Mitrany is in his emphasis the requirement of a beneficent and neutral instrument of government intervention at both the domestic and international levels. Hobson believed in an international government, Mitrany was more sceptical.<sup>58</sup>

Hobson's proposals for an international government varied. In *Imperialism*, Hobson proposes international government as one of the necessary elements of a just solution to the problem of the development of backward countries, as an institution to oversee the control of world population growth and as a guardian of free trade.<sup>59</sup> The ideal of internationalism conveyed in his books on human welfare, and even more so in his books on the economic maladies of the Depression period, was an international government supervising a global redistribution of wealth to avoid the world-wide underconsumption:

Closer and more effective international movements for such improvements in the distribution of income as will enable world consumption to keep pace with and stimulate improvements in production, form the foundation of the progressive economy and the humaner civilisation of the future.<sup>60</sup>

However, it was the First World War that prompted Hobson to formulate a scheme for an international government, though even this, as he admitted, was only an outline.

While Hobson had high hopes for constructive internationalism, his evolutionary approach made him bluntly realistic in his assessment of morality in the conduct of contemporary international relations. Because international relations was an undeveloped realm of cooperation, Hobson did not expect morality to be well developed either. He believed that centralisation of force in an international government would reduce the aggregate level of force used in the international system.<sup>61</sup> Thus, in the current state of international relations, morality was backward, economics factors were more international than political factors, distribution according to needs was absent, laissez-faire predominated in politics and

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<sup>57</sup> *Work and Wealth*, p. 16; *Democracy and a Changing Civilisation*, p. 121; *International Government*, p. 196; *Free Thought*, p. 259.

<sup>58</sup> See David Mitrany, *A Working Peace System*.

<sup>59</sup> *Imperialism*, pp. 191-3, 232-39.

<sup>60</sup> *Rationalization and Unemployment*, pp. 124-5; *Modern State*, p. 36; *Wealth and Life*, p. 390.

<sup>61</sup> *Democracy and a Changing Civilisation*, p. 78. See also chapter six below. On the backward state of international morality, see 'Morality of Nations' and *Morals of Economic Internationalism*. For one of Hobson's harshest statements on contemporary international relations, see *The New Holy Alliance*.

economics, in the form of the balance of power, imperialism and the primacy of national interest, and *laissez faire* free trade and economic exploitation. For Hobson, the society of nations was as yet undeveloped and international relations constituted a primitive, emergent community rather than a fully established and organised society.

### **Conceiving Humanity as a Social Organism**

Hobson applied the analogy of society to an organism to international relations. The extension of the 'organic analogy' to international relations was the basis for Hobson's new liberal version of internationalism. When humanity is conceived as a social organism by Hobson, inter-state relations appear as just one part of a global society of all humanity. The organic analogy applied to humanity as a whole did not, however, lead Hobson to conceive global mass society of isolated individuals. Instead, Hobson argued that '[e]veryone lives in a series of concentric circles of association which affect him in general as a human being. Such are the home, the neighbourhood (village or town), his class, his country, the world.'<sup>62</sup> This is a vision of a world society of overlapping groups and affiliations of which nations and international relations are only one facet.

The organic view is fundamentally at odds with monadistic disjunction of the domestic and the international which is the usual starting point for international relations analysis. It is not a state-centric view of international relations, but a vision of world society. Hobson's schema suggests that the international realm is an integral part of social life and cannot be understood apart from it. International relations is dissolved into a web of systems overlaid on systems. The international system is, in many respects perhaps, the last and highest system, being the interaction of nations politically organised as states, but also representing the level, albeit currently disorganised, of the relations of humanity as a whole. In the organic view of the world as an expanding circle of order and rationality, rational ordering of global relations will constitute the achievement of the highest global welfare for all of humanity, through the coordination and organisation of the cooperative surplus of the nations of the world.<sup>63</sup>

This perspective on international relations as one facet of a society of all mankind shapes Hobson's internationalism. According to Fred Halliday, 'internationalism is the idea

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<sup>62</sup> *Wealth and Life*, p. 36, 222.

<sup>63</sup> *Problems of a New World*, p. 266; *Poverty in Plenty*, p. 81; *Rationalism and Humanism*, p. 20; *Moral Challenge to the Economic System*, p. 19.

that we both are and should be part of a broader community than that of the nation or the state.<sup>64</sup> Hobson's organic approach to international relations provided the theoretical basis for his advocacy of internationalism. For Hobson:

Internationalism, as a policy of peace and progress, demands that the individual feelings of goodwill which give substance to the smaller groupings, from family to nation, shall be so extended that the single citizen of England, America, Germany, France, Russia, shall supersede the governments of these countries as units of internationalism.<sup>65</sup>

Hobson's internationalism was, indeed, 'a generally optimistic approach based upon the belief that independent societies and autonomous individuals can through greater interaction and cooperation evolve towards common purposes, chief among these being peace and prosperity.'<sup>66</sup> Internationalism is both the peaceful relations of states regularised in inter-governmental organisations, but is also marked by transnational relations of groups and individuals.<sup>67</sup>

According to Hobson, social problems could only be solved rationally by starting with 'the hypothesis of humanity as itself a collective organism.'<sup>68</sup> Thus, rational solutions to international problems had themselves to be international. However, while communications were widening and deepening the international interdependence of social relations, Hobson was not prompted to propose a unified world state. He argued along similar lines to his rebuttal to the Idealist conception of the State, that national and international interests should be balanced. What he described as an organic principle, federalism, was the appropriate mechanism for the organisation of the world under constructive internationalism. Hobson argued that a federation of nations as a world organisation to supersede the balance of power, provided

an economy of government, each area, from the family through the widening areas

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<sup>64</sup> Fred Halliday, 'Three Concepts of Internationalism', p. 187.

<sup>65</sup> 'The Ethics of Humanity', p. 4.

<sup>66</sup> Halliday, 'Three Concepts of Internationalism', p. 192.

<sup>67</sup> Hobson's internationalism retains the meaning of national within it, unlike international (as in international relations) which has come to mean inter-state. See H. Suganami, 'A Note on the Origin of the Word International', pp. 226-32, for a discussion of the meaning of international. Internationalism has deviated from this meaning, although lately it has also been used to refer to the building of state relations, that is, inter-governmentalism. See Samuel Huntingdon, 'Transnational Organizations in World Politics', p. 338.

<sup>68</sup> *Work and Wealth*, p. 16.

of local and national government to internationalism, practising free self-government in such matters as fall predominantly within the compass of its own knowledge, interest and capacity ... Its moral root lies in the basic concept of fraternity, interpreted in various phases and areas of the common life, the humanity which binds man to man ever more closely as practicing furnishes closer and more numerous modes of communication, material, intellectual and moral.<sup>69</sup>

This conception of federalism permitted international control, while at the same time acknowledging the separate features of individual nations. Arguing against both a wholesale world state and the absolute right of national independence, Hobson claimed that:

The principle of federalism must qualify the principle of self-determination. This is the harmony of unity and diversity as it shows itself in every field of conduct. Autonomy so far as aims are separate, union so far as they are identical. Federation connotes the political harmony of the opposing principles. Upon every scale of social co-operation, from family to humanity, the problem is continually before us.<sup>70</sup>

The organic conception of international relations was the basis of Hobson's attacks on the claims of priority of separate national interests in international relations. For Hobson, national separatism was harmful to the whole of humanity and also to the members of that nation. He argued that:

History is rife with instances where fear, hubris, or hate, rushes nations into wasteful or destructive wars. So likewise the narrow selfishness of small group-life everywhere cramps the progress of humanity, the preference of our city to our country, our empire to the world, in matters where the wider is the truer economy.<sup>71</sup>

In summary, Hobson's analysis highlighted the increasing level and widening range of cooperation and organisation into international relations. Underlying this analysis are Hobson's ideas of cooperative surplus and the notion of humanity as a social organism that both prompt his ideal of constructive internationalism, culminating in an international federation. Hobson's analysis does not focus on international relations solely, but considers international relations as part of the emerging world society. This world society is not identified with any one level of relations, personal, professional, social, international, but applies to all of them. Hobson's constructive internationalism of international organisation is thus a theory of an emergent world society not of inter-state relations. It is a vision of international relations as one part of a global network of interaction, cooperation, and

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<sup>69</sup> *Democracy and a Changing Civilization*, p. 138. See also *Work and Wealth*, p. 17; *The Social Problem*, p. 132, 261; *Wealth and Life*, pp. 23-4. For Hobson's criticism of the Victorian complacency of the Cobdenite version of this argument, see *Rationalism and Humanism*, p. 20.

<sup>70</sup> *Poverty in Plenty*, p. 84; *Problems of a New World*, p. 253.

<sup>71</sup> *Wealth and Life*, p. 69. See also *Problems of a New World*, p. 151.

organisation.<sup>72</sup>

### Nations and Nationalism

During his long writing career, Hobson held a number of different and some conflicting opinions on nations and nationalism. This would not be a major issue, were it not for the fact that nations are central to Hobson's conception of internationalism. As we have seen, Hobson's constructive internationalism is a call for a federation of nations as well as an encouragement of functional institutions. His framework for international relations conceives a set of concentric circles, outward from the individual to the nation and humanity, and finally 'in dimmer outline ... some larger cosmic organism'.<sup>73</sup> In his earlier writings, as exemplified by *Imperialism*, Hobson maintains an orthodox liberal perspective on nations, nationality and nationalism: that they are not incompatible with, but are the foundations of internationalism. However, with his increasingly Angellite acceptance of the financial integration of the world, and particularly after World War One, Hobson became a strident critic of nationalism and of the sovereign state.

Throughout his writings, a nation is considered an organic unity.<sup>74</sup> Hobson distinguished nation, state and government clearly, and emphasised the importance of nations over the latter in his internationalism.<sup>75</sup> Nations were a feature of civilisation, a beneficial social form as they encouraged and were the product of healthy cooperation that had ended local particularism in the nineteenth century. Nationalism a force for the good, because it was the political expression of the desire of nations for self-government.<sup>76</sup>

Hobson saw nations as integral to internationalism. Not only was national self-government the first step to internationalism, but internationalism would not merit its name

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<sup>72</sup> By extension from Hobson's comments in *Social Problem*, p. 61, 261, 271.

<sup>73</sup> *Work and Wealth*, p. 17.

<sup>74</sup> *Work and Wealth*, p. 358.

<sup>75</sup> *Crisis of Liberalism*, p. 254.

<sup>76</sup> *Imperialism*, p. - both on self government and nations as combinations. It is worth noting that the connection between nationhood and civilisation is close for Hobson. How close is indicated by the fact that he never refers to backward nations, but only backward peoples. As we shall see, this has further implications for his ideas on the participation of backward peoples in an international government.

without self-respecting nations. Hobson's view on the relationship of nationalism and internationalism was that '[n]ationalism is a plain highway to internationalism.' In his *Imperialism* and in later work, Hobson contrasted internationalism with cosmopolitanism:

A true strong internationalism in form or spirit would ... imply the existence of powerful self-respecting nationalities which seek union on the basis of common national needs. Such a historical development would be far more conformable to laws of social growth than the rise of anarchic cosmopolitanism from individual units amid the decadence of national life.<sup>77</sup>

Cosmopolitanism disregarded the importance of nations and nationality, and of other groups or cultures, in the creation of world order. There are, however, two forms of cosmopolitanism in Hobson's work. The first was cultural, considering each person as an isolated individual apart from their allegiances and background. Hobson was opposed to this. A second form was the cosmopolitanism of global capitalism and the world market. Though Hobson often approvingly called this economic internationalism, it rendered every one an 'economic man', and reduced the significance of nations or nationalism.<sup>78</sup>

Hobson modifies his opinion of nationalism later. This change resulted from his criticisms of economic nationalism and, after the First World War, his argument that capitalism and nationalism (as joined in imperialism, in particular) were the main threats to civilisation.<sup>79</sup> With the defeats for democracy, peace and internationalism in the 1930s, Hobson retreated to the idea of internationalism as a halfway house between a world policy and nationalism.<sup>80</sup> Later in his life, Hobson began to stress the requirement of a reformed sense of nationhood that would have to come before internationalism. He claimed that each nation must put its own social, political and economic house in order before internationalism could succeed.<sup>81</sup> In sum, Hobson maintained his belief in the importance of nations to internationalism. He changed his mind about nationalism, which began as a beneficent force, but became a separatist, exclusive and aggressive ideology,

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<sup>77</sup> *Imperialism: A Study*, pp. 10-11.

<sup>78</sup> See for instance the discussion of international finance in *Economic Interpretation of Investment*, p. 112, *The Case for Arbitration*, p. 4, and *Problems of Poverty*, pp. 202-6. The second was a spiritual cosmopolitanism, a belief in the unity of all people as human beings, regardless of race, sex, age, etc. in *Imperialism: A Study*, p. 5, 10. In *Imperialism*, internationalism is also the third alternative between imperialism and nationalism.

<sup>79</sup> See, for example, *The Recording Angel: A Report From Earth*, p. 43, 101.

<sup>80</sup> Compare his opinions in *Imperialism*, p. 169, with *From Capitalism to Socialism*, p. 49.

<sup>81</sup> *Confessions*, p. 113; *Property and Improperly*, p. 106.

As we have seen, Hobson was hoping for

the displacement of national by human sentiment, involving a willingness to sacrifice the interest of one's own nation for the general good of humanity, ... the spirit needed to make the mind of modern man conform to the moral and economic fabric of the world in which we live.<sup>82</sup>

However, there were a number of arguments that this could not or would not happen. The first of these was that the state was the limit of people's 'consciousness of kind'. People only had a limited ability to feel community with others, and a national society was its greatest extent. Hobson conceded that a problem with the conception of humanity as a social organism was that there was little feeling for its existence among people. He agreed that people were more concerned with (and possessed more knowledge of) their own situation, their family and friendship ties, than the wider whole of human relations. Hobson denied, however, that this could be made the basis of a permanent obstruction to international understanding or that such sympathy as was needed for a global social organism, in fact, halted at state boundaries.<sup>83</sup> Hobson countered the sociological argument by stressing 'social instincts, and the loyalties and ideals which flow with them, [that] work through a series of concentric circles of widening area and weaker feeling, from the close circle of the home to the wide limits of humanity.'<sup>84</sup> While therefore such feeling for humanity might be weak, it was not ruled out. Further, it was certainly not held permanently within the national state. Growing international intercourse, especially in commerce, increased nations reliance on each other and also their mutual sympathy: 'Civilisation has expanded areas and weakened narrower loyalties.'<sup>85</sup> Hobson also claimed that education would overcome national separatism and extend the range of human sympathy. Education would lead people to make welfare valuations based on wider than merely national criteria. Finally, he suggested that experience of international cooperation and organisation would itself educate a broader sense of the meaning of internationalism.<sup>86</sup>

There were also arguments that states would be unlikely to give up their central role

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<sup>82</sup> *Poverty in Plenty*, p. 84.

<sup>83</sup> *Social Problem*, pp. 284-5; *Free Thought*, pp. 158, 259-60; *Recording Angel*, p. 112.

<sup>84</sup> *Problems of a New World*, p. 142.

<sup>85</sup> *Wealth and Life*, p. 36. But see p. 43.

<sup>86</sup> *Wealth and Life*, p. 222; *Social Problem*, pp. 284-5; *Democracy and a Changing Civilisation*, p. 163; *The Importance of Instruction in Internationalism*.



in deciding international policy. These arguments rested on the importance of state sovereignty. One variant of this argument was that the historical record showed that states had not given up their sovereign powers in the past. A second variant argued that on legal and philosophical grounds there was no reason why sovereign states *should* give up their powers.

Hobson was a fervent critic of sovereignty. He argued that state sovereignty was the corollary of individualism or separatism in international relations. It was a failure to acknowledge the increasing connectedness and interdependence of the society of nations. Following a conventional liberal argument, Hobson opposed sovereignty as an absolutist doctrine and as empirically inaccurate. Hobson objected to the state drawing under one authority the right to decide policy on social, political and economic issues, without recourse to reason or even to reasonable discussion. Actions taken purely on sovereign right were likely to be irrational from the point of view of human welfare, he argued.<sup>87</sup> He criticised sovereignty as an outdated doctrine no longer reflecting of the true interests of the several national elements of mankind. It was, indeed, an obstruction to civilisation as it educated habits of thought opposed to the developing cooperation of humanity. Hobson claimed that sovereignty encouraged a power-oriented view of the world, and that this view had made for the anarchy of international relations.<sup>88</sup> On the other hand, he argued that sovereignty was increasingly being tempered by obligations under international law and because of the growth of international interdependence brought on by trade, travel, *etc.*<sup>89</sup> Sovereign independence was undercut by the increasing contacts of nations despite governments' attempts to control national economies. Attempts at economic planning and control were hampered by the cross-national links of the world economy.<sup>90</sup> Finally, sovereignty was an obstruction to the ultimate construction of an international government and cooperation between nations because of its emphasis on separate national interests; 'being the judge in your own cause' was the root problem of sovereignty, as it privileged national interests over the global common good.<sup>91</sup>

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<sup>87</sup> See *Free Thought in the Social Sciences*, pp. 50-1, 234, 259; *Incentives in the New Industrial Order*, pp. 150-1. For a recent example of this argument, see Roy E. Jones, 'The English School of International Relations' and 'The Myth of the Special Problem in International Relations'.

<sup>88</sup> *Free Thought*, p. 257.

<sup>89</sup> On international law limiting sovereignty, see *The Case for Arbitration*, p. 7; *Towards International Government*, pp. 33, 124-5.

<sup>90</sup> *Democracy and a Changing Civilisation*, pp. 134-5; *Towards International Government*, p. 180.

<sup>91</sup> *Towards International Government*, pp. 81, 86-7, 178.

To summarise, Hobson believed that nations were integral to internationalism, though he came to believe that nationalism and internationalism were implacably antagonistic. Though he realised that the state was the political aspect of the nation, he focused on the relations of *nations* and not states in his internationalism. States emphasising absolute sovereign rights and propounding exclusive and aggressive nationalist ideologies are accused of separatism by Hobson.

### **Critical Assessment**

Hobson's holistic and evolutionary framework for his study of international relations is an integral part of the theoretical system he developed to analyse domestic social, political and economic life. It is, therefore, open to the criticisms that were discussed in the last chapter. There are a number of other criticisms that apply to Hobson's application of the organic and surplus concepts to international relations.

#### *Economism*

The first criticism is that Hobson's framework is economistic when it is applied to international relations. Economism is 'an exaggeration of the economic sphere's importance in the determination of social and political relations, and as a result, an underestimation of the autonomy and integrity of the political sphere.'<sup>92</sup> For example, national income may be seen as the prime indicator of development or of great power status, and as the goal of national policy; outflows of capital to foreign countries cause imperialism; free trade leads to the peaceful relations of states; or the satisfaction of welfare needs causes international integration and removes the causes of international conflict. Hobson was particularly attentive to economic factors in internationalism to the expense of other political, social and cultural elements. In short, it could be asserted that the extension of the theory of cooperative and unproductive surplus to international relations shows that Hobson betrays a bias towards materialism and economism, because he emphasised the importance of international economic relations as the vanguard of the coming internationalism.

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<sup>92</sup> Richard K. Ashley, 'Three Modes of Economism', p. 463. Economism entails, first, the division of the various elements of social life into economic, cultural, personal, political, and so on. Second, it entails the privileging of economic factors over the rest, and usually the determination of the other factors by economic factors.

Economism in Hobson's internationalism is most evident in his defence of free trade along Cobdenite lines and his Angellite hopes for the financial integration of the world. For both Cobden and Angell, and Hobson as one of their followers, 'economic peace would lead to military peace.'<sup>93</sup> Hobson has also been accused of economic determinism in his theory of imperialism.<sup>94</sup>

Economism has been attached to at least two of the international systems Hobson described, therefore. However, there is a more subtle and pervasive form of economism in Hobson's application of the theory of cooperative surplus to international relations. Hobson's emphasis on the cooperative or destructive aspects of international economic relations (in internationalism and imperialism) overshadows his discussion of international politics. His theory of cooperative surplus is economic because this clearly leads political relations: economic interests predominate, for Hobson, in both imperialism and internationalism.

There is another dimension to the economism of Hobson's surplus concept applied to international relations. While Hobson wrote of humanity as society in its largest aspect, this depends on the facts of interdependence rather than being a statement of community on the basis of each person's humanity. Though Hobson did acknowledge that a world community might exist even without contact between the nations of the world, the logic of his argument was that community depends upon communication and exchange.<sup>95</sup>

The charge of economism is unfair because it fails to take into account Hobson's holistic approach, especially the priority of ethics over economics. Hobson's notion of human welfare is much more than economic factors, but is broadly based in the full range of human satisfactions. In the application of the theory of cooperative surplus to international relations, economic relations come first, but there is, nonetheless, a dialectic between the improvement of physical welfare brought on by economic exchange and gains in more spiritual, cultural or intellectual welfare gains. However, the bias towards economic factors in Hobson's international relations has to be admitted, and this bias derives in no small part from his evolutionary theory of cooperative surplus.

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<sup>93</sup> *Property and Improperty*, p. 205. The context of this quotation is not, however, Hobson defending a Cobdenite or Angellite position.

<sup>94</sup> For a discussion of Hobson's defence of free trade doctrine, see chapter five. For a consideration of the charge of economic determinism in Hobson's theory of imperialism, see chapter four.

<sup>95</sup> *Wealth and Life*, p. 398. In other words, Hobson's is not a theory of universal human rights, but is an analysis suggesting the obligations consequent on interdependence and cooperation.

*Domestic Analogy*

The second charge is that Hobson's approach to international relations and especially his constructive internationalism are premised on a domestic analogy. The domestic analogy is the analogy of institutions, theories or units of analysis from domestic society to international relations. Classically, it has entailed the advocacy of the creation of institutions for international relations along the lines of successful domestic institutions or arrangements.<sup>96</sup>

There are two variants of the domestic analogy in Hobson's writings on international relations. The first is a straightforward application of an analogy of nations in international society to persons in domestic society. For instance, Hobson argues that 'just as an individual can only fully realise his personality in a society of other individuals, that is, a nation, so nations cannot rise to the full stature of nationalism save in a society of nations.'<sup>97</sup> However, this is underlaid by a more pervasive, yet more subtle use of the analogy by Hobson. Hobson's international (or world) society is merely a domestic society writ large. He applies his concepts to international relations with little reflection that they might be specific to domestic society, frequently to Western or even just British society. The problem with this is that, at the very least, it fails to take various aspects of domestic society into account, for example, that all domestic societies also have international relations. Hobson's use of the organic and surplus concepts collapses to an application of domestic logic and principles to international relations. His analogy of society to an organism usually refers to domestic society. The application of these concepts beyond the state to inter-state relations or to global society is a presumption based on domestic rather than international experience and on guesswork about tendencies in international relations.

There are three criticisms of the domestic analogy that might apply to Hobson's international thought. First, even if an international society can be said to exist, it is not similar enough to the domestic realm for the unreflective import of domestic institutions and

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<sup>96</sup> H. Suganami, *Domestic Analogy and World Order Proposals*, p. 1, and 'Reflections on the Domestic Analogy', p. 155.

<sup>97</sup> *The Morals of Economic Internationalism*, pp. 62-3; see also *Problems of a New World*, p. 251. Hobson's use of the domestic analogy as an institutional shortcut to radical reform of the international system combined with an argument for the centralisation of power as a route to international peace and order are discussed in chapter six.

theory into the international realm.<sup>98</sup> Second, it is simply illegitimate to draw an analogy between a domestic society populated by individual human beings and an international society populated by states. There are too many disanalogies: states do not sleep, for instance!<sup>99</sup> Third, and related to the second point, the domestic analogy is flawed because international politics has to deal with the contrasting obligations of people as citizens and as humans.<sup>100</sup>

There are, however, problems with the idea that Hobson's framework and his internationalism are based on the domestic analogy. First, Hobson imported international analogies to discuss, for example, domestic industrial strife, as in *The Conditions of Industrial Peace*. Here, industrial conflict is compared to international war, and the lessons from the international arena are re-imported to domestic affairs. Thus, industries' 'present condition, regarded from the standpoint of human security, appears analogous to the wider political groupings within the various countries, which, by repressing internal conflicts and establishing strong States, enlarged the areas of hostility and made warfare more destructive than before.'<sup>101</sup> Much the same can be said of Hobson's use of the term 'balance of power' in the context of domestic politics. Thus, there is an exchange of metaphors between international and domestic affairs in Hobson's writings rather than a mere application of domestic examples to international relations.

Second, Hobson referred to international changes permitting the extension of domestic principles to international relations. Such recourse to evidence or principles from the world of international affairs refutes the charge of domestic analogy, which relies solely on evidence drawn from the domestic sphere.<sup>102</sup> Hobson argued that communications and facilities for travel had improved, and that institutions such as the Hague and other international arrangements were the basis of the change in international relations.<sup>103</sup> Such reference to changes in the conduct of international relations suggest that Hobson's proposals for international institutional reform are based in an understanding of the changing nature of the

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<sup>98</sup> See Hedley Bull, 'Society and Anarchy in International Relations' and *The Anarchical Society*.

<sup>99</sup> For a classic statement of the difference between international relations and domestic society, see Thomas Hobbes, *Leviathan*, ch. 13.

<sup>100</sup> See Andrew Linklater, *Men and Citizens in the Theory of International Relations*.

<sup>101</sup> *The Conditions of Industrial Peace*, p. 22. Also p. 13, 30.

<sup>102</sup> See Suganami, *Domestic Analogy and World Order Proposals*, pp. 29-33.

<sup>103</sup> *International Government*, p. 193; *League of Nations*, p. 4ff.

international system, not merely by analogy to domestic arrangements. Thus Hobson's references to the increasing institutionalisation of the Concert of Europe and the developments in the Hague somewhat mitigate the claims that Hobson's internationalism was a case of a straightforward domestic analogy.<sup>104</sup>

Third, one of the criticisms of Hobson's organic analogy was that it committed him to an isomorphism of all social forms. For Hobson, federalism applied throughout organic systems including the international system.<sup>105</sup> This undermines the charge of domestic analogy as the prior division of the social world into domestic and international society at the basis of the domestic analogy is blurred. Hobson's unitary perspective is another reason to suspect that the charge of domestic analogy might be misplaced. Internationalism based on the domestic analogy reinforces the very distinction of domestic and international that it is trying to overcome, because the domestic 'inside' is considered superior to (more ordered, organised, or peaceful than) the international 'outside'.<sup>106</sup> Thus we see the application of solutions to the international problems of strife, conflict, poverty, and economic problems drawn from domestic political experience where these have apparently been solved. The solutions however involve the establishment of the state boundaries that are the reason that there is a problem in international relations. Hobson's insistence that domestic and international affairs were linked refutes the implicit separation being made in the domestic analogy.

Finally, there is a rebuttal to the charge of domestic analogy that is concerned with the portrayal of Hobson's theories and concepts as domestically bounded. Under such a broad definition of domestic analogy, it is difficult to conceive what international theory, concepts, or indeed experience, might be; all social, political and economic theory, in this sense, has to begin 'at home'. Domestic analogy is a less serious criticism because it is impossible to avoid in any theoretical discussion of international relations. Insofar as it is unavoidable, the charge either renders international theory *in toto* problematic or is itself a weak criticism because it simplistically identifies all political experience with domestic political experience.<sup>107</sup>

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<sup>104</sup> *Case for Arbitration*, pp. 1-2; *League of Nations*, p. 4,7.

<sup>105</sup> *Problems of a New World*, p. 253.

<sup>106</sup> R.K. Ashley, 'The Powers of Anarchy: The Domestic Analogy and the Anarchy Problematique', p. 47.

<sup>107</sup> See Suganami, 'Reflections on the Domestic Analogy'.

*Further Problems with the Organic Analogy*

Some criticisms of Hobson's use of the organic concept have already been outlined and the further charge that this amounts to domestic analogy in international relations has also been considered. However, there are several further potential practical problems with constructive internationalism that are rooted in Hobson's organic conception of a world society and the role the international government.

According to Hobson's organic analogy, in the domestic context the state is beneficent and necessary to a just order in its legitimate appropriation of the cooperative surplus of society. It is difficult to see why this legitimate position should be compromised by a weak (some would claim, nonexistent) international community of nations, peoples, or people. The interrelations of states would also compromise their ability to be impartial judges of their own society's or of humanity's good. For example, the growth of what today we would call welfare states does not appear to enhance but rather to upset the international order.<sup>108</sup> Hobson's reply is that to the extent that such states are closed, they are militarist and dictatorial, because of the constraints of maintaining security of the national state. Only by being open, being part of the world economy and society, can nations and their governments fulfil the interests of themselves and the world in terms of welfare.<sup>109</sup>

The problem of conceptualising the relations of the beneficent organic state and its society is magnified in international relations. Hobson is impressionistic on the role of an organic global authority and what its powers should be. An organic international government would in many ways be lacking a constituency; it would appear distant from the concerns of the member nations, let alone the people whom it was supposed to represent. Hobson provided few concrete answers to the puzzle of an international government in an organic world society.

Constructive internationalism looks forward to the rational management of international affairs, especially international economic relations, through some form of institutionalisation. The organic analogy in constructive internationalism implies, as we have seen, the application of government at the appropriate level. This is a thorny problem in the domestic context where there is already a state administration. The problems are multiplied

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<sup>108</sup> This is E.H. Carr's opinion in *Nationalism and After*, pp. 17-24, where he predicts that the socialisation of the nation will lead to the nationalisation of socialism.

<sup>109</sup> *Democracy After the War*, pt. 2, ch. 5; *Democracy and a Changing Civilisation*, chs. 7-8.

by the fact that an international government has to be created to fulfil these functions. Furthermore, Hobson failed to account for the evolution of this institutionalisation in international relations. His ideas of an evolution to organisation in international relations are couched in vague terms. Such evolution is subject to the counter-influence of the states which it is supposed to transcend. As with liberal theories so often, Hobson's conceptualisation of power, particularly the structural dimension, is inadequate.<sup>110</sup>

In short, the application of the organic and surplus concepts to international relations suffers from the problems of the assumed harmony of interest reconciling the international and national interests and questions regarding the legitimate functions and powers of the international government. The very comprehensiveness of the organic and surplus concepts renders ideas drawn from them a collection of contradictory proposals, suitably malleable for rhetorical purposes, but ill-suited as the foundation for a substantive position on international relations.

### *Conclusion*

The first fundamental conclusion of this chapter is that Hobson's approach to international relations is unusual in that it is not a state-centric approach. Being based on the concepts he developed regarding human welfare, it was a holistic approach that considered humanity as a society. This is not simply a world society approach, however, because Hobson accorded the most important role to nations, politically organised as states. Hobson conceived four visions of the international system. These international systems - balance of power, Cobdenism, imperialism and constructive internationalism - are implicitly located by Hobson on an evolutionary scale of forms. In an innovative piece of political economy, Hobson's four systems are identified according to the relationship of political and economic factors, which are autonomous in the balance of power and Cobdenism and integrated in imperialism and constructive internationalism, and national interest and internationalism, balance of power and imperialism for the former, Cobdenism and constructive internationalism for the latter.

In his constructive internationalism, and the theory underlying it, Hobson had created a novel approach to international relations that was shortly to be adopted and modified by David Mitrany and called functionalism.

There were a number of serious theoretical criticisms of Hobson's framework and his

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<sup>110</sup> See Michael Freedon, *Liberalism Divided*, p. 363. On structural power, see Susan Strange, *States and Markets*.



constructive internationalism, but though these were damaging, they were not conclusive. The next part of the thesis will examine Hobson's writings on international relations in greater detail.

## PART TWO

### *Chapter Four*

#### **The International Relations of Imperialism**

Hobson's *Imperialism: A Study* is a classic in the field of international relations. His theory of imperialism is regularly cited in the international relations literature and has been an influence on neo-Marxist theories of imperialism from Lenin onwards. This chapter rectifies the stylised impression of Hobson's theory conveyed in the international relations literature. It is argued that Hobson's critique of imperialism was a political statement, not the statement of scientific theory as it has subsequently been understood. Hobson intended to unmask the ideology of imperial necessity and also transform the liberal discussion of international relations. The chapter particularly stresses the frequently overlooked international dimension of Hobson's theory of imperialism.

The chapter is in seven sections. The first deals with the meaning of imperialism in Hobson's theory. Hobson elaborated on one basic meaning of imperialism in his definition of the 'new imperialism'. The second section outlines the economic, social and political context of imperialism as an aggressive foreign policy. Hobson's economic theory of imperialism applies his theory of underconsumption and of unproductive surplus as it concerns industrial combination. Combination creates powerful organised financial and industrial interests that possess both economic and political power. Hobson's account of the ideology and psychology of imperialism is then discussed as a mask for economic interests and as an active reason for imperialism.

The third section examines the international relations of imperialism in Hobson's theory. These are the competition of rival empires, global underconsumption, protectionism, and militarism and war. These result from competitive imperial expansion and the imposition of imperial rule on unassimilable backward peoples. Hobson's consideration of the domestic impact of imperialism as an international system entailing protectionism and militarism is described. The fourth section analyses Hobson's proposed reforms of imperial societies and international relations that he believed essential to end imperialism.

The fifth section criticises the caricature of Hobson's theory of imperialism in the international relations literature, concentrating on Kenneth Waltz's elegant and powerful summary of prevalent ideas. The section rebuts the charges of reductionism, economism and determinism, and proposes an alternative understanding of Hobson's theory of imperialism.

The sixth section notes Hobson's prophesy of the possible development of the collusion of imperial powers in inter-imperialism. The seventh section considers some of the some of the criticisms of Hobson's theory. In the concluding remarks, it is suggested that Hobson's theory is more sophisticated, ambiguous and contradictory than is frequently given credit in the international relations literature.

### **The Meaning of Imperialism**

Imperialism has been a term with a wide variety of uses, so wide in fact that some have suggested that the concept is too broad to have any meaning and should be dropped from academic discourse. Hobson was well aware of the changing meaning of political 'isms'.<sup>1</sup> He maintained a basic but unstated meaning of imperialism throughout his work: imperialism is the forcible conquest and control of foreign peoples. Hobson embellished the basic meaning of imperialism through contrasts with other 'isms'. There are four elements to Hobson's understanding of modern or, as he called it, new imperialism. It is aggressive and exclusive unlike nationalism; it is unlike colonialism, by which Hobson meant what we now call colonisation, in that it imposes rule over foreign peoples; and it is unlike ancient empire because it involves competing empires.<sup>2</sup>

Imperialism and colonialism, according to Hobson, were the expansion of the nation beyond its natural limits. Colonialism was the overflow of nationality into vacant or sparsely populated areas of the world. Hobson approved of colonialism because the civilisation of the colonising nation is extended across the world. Hobson pointed out, however, that most colonies did not satisfy the conditions of genuine colonialism. So-called colonies were governed by a small, predominantly Western, elite, without any pretence of bringing civilization to the colony's population, the vast majority of whom were native and (Hobson

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<sup>1</sup> *Imperialism*, p. 3. On the changing senses of imperialism, see Richard Koebner and Helmut Dan Schmidt, *Imperialism: The Story and Significance of a Political Word, 1840-1960*, p. 221. On the contradictory nature of some of the more recent meanings, see Roger Owen, 'Introduction', in Roger Owen and Bob Sutcliffe (eds.), *Studies in the Theory of Imperialism*.

<sup>2</sup> These distinctions are made in 'Nationalism and Imperialism' in *Imperialism*. Giovanni Arrighi has also used this chapter as the basis of his analysis of Hobson's theory of imperialism. However, Arrighi's aim of clarifying the Leninist theory of imperialism through an analysis of the 'scientific treatment' of Hobson leads him into error, specifically his understanding of empire and internationalism, which he conceives as formal and informal empire respectively, far from Hobson's meanings. See G. Arrighi, *The Geometry of Imperialism: The Limits of Hobson's Paradigm*, ch. 1. On Hobson's use of the term colonialism, see *Imperialism*, p. 6.

believed) unassimilable peoples. The colonial administration only ruled by proxy being themselves directly controlled by the government of their home country. For Hobson, this situation denoted imperialism rather than colonialism. Because of the nature of tropical lands, for instance the climate, 'White men cannot "colonize" these lands and, thus settling, develop the natural resources by the labour of their own hands; they can only organize and superintend the labour of the natives.'<sup>3</sup> The structure of imperial rule was superficial yet devastating. It was superficial because the links established by the imperial rulers were loose, temporary, nor did they bring Christianity or civilization to any great extent. Hobson argued that imperialism extended the area of despotism and exploitation in the world and destroyed ancient or native civilizations.<sup>4</sup>

Hobson claimed that '[t]he root idea of empire in the ancient and mediaeval world was that of a federation of States, under a hegemony, covering in general terms the entire known recognized world, such as was held by Rome under the so-called *pax Romana*.'<sup>5</sup> Such empire was the realm of peace and internationalism, insofar as citizens came from across the whole empire. The new imperialism of the late nineteenth century, on the other hand, involved many empires. 'The novelty of recent Imperialism regarded as a policy consists in its adoption by several nations. The notion of a number of competing empires is essentially modern.'<sup>6</sup> These empires competed for territory and were mutually antagonistic. The outcome, therefore, was not internationalism and peace, but militarism and war.

Hobson cited John Stuart Mill's definition of nationality with approval. Modern imperialism was associated with the perversion of nationalism, the denial of internationalism and sacrifice of peace. Hobson claimed that '[w]hile co-existent nationalities are capable of mutual aid involving no direct antagonism of interests, co-existent empires following each its own imperial career of territorial and industrial aggrandisement are natural necessary enemies.'<sup>7</sup>

Imperialism had one final connotation, important for scholars of international

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<sup>3</sup> *Imperialism: A Study*, p. 227.

<sup>4</sup> See generally, 'Imperialism in Asia', *Imperialism*, pt. 2, ch. 5.

<sup>5</sup> *Imperialism*, p. 8.

<sup>6</sup> *Imperialism*, p. 8. See also p. 19, 304

<sup>7</sup> *Imperialism*, p. 12. Mill's definition of nationality is cited on p. 5. As we have seen in chapter three, Hobson's opinions of nationalism subsequently changed.

relations. In *Imperialism*, Hobson sketched the imperialism of competing empires, the world hegemony of ancient empire and the internationalism of self-governing nations as alternatives forms of world order. Hobson claimed that the transformation of world politics into imperialism posed a threat to civilisation.<sup>8</sup>

In summary, new imperialism is an aggressive and conquering foreign policy, contrasted to nationalism. It is a dominating relationship of one people over another, contrasted to colonialism. It is a struggle between rival empires, contrasted to ancient empire. It is a phase in world politics, contrasted to internationalism.

### **The Domestic Context of Imperialism as a Foreign Policy**

The most studied aspect of Hobson's theory of imperialism is his account of the domestic determinants of an imperial foreign policy. This section examines Hobson's account of the economic bases of imperialism, the psychology and ideology of imperialism and some of the common misunderstandings of the theory. The economic theory Hobson used identified the groups that gained from imperialism. His social and political theory explained how the rest of the nation was convinced or coerced to go along with imperialism. Hobson's analysis does not rest, however, wholly on domestic determinants of foreign policy.

#### *The Economic Bases of Imperialism*

Hobson argued that imperialism was bad business and politics for nations (and for the world), but is beneficial for certain sectional interests. These sectional interests use their power and influence to push for imperialism at the expense of the rest of the nation and the world. Imperialism can, by analogy, be seen as a form of sectionalism in international society. But this international sectionalism is itself founded on the imposition of a sectional interest within a single nation. Hobson explained the economic interests in favour of imperialism in terms of underconsumption and industrial combination.

The theory of imperialism begins with Hobson's identification of some oddities about recent foreign policy (especially British). He noted the rapid expansion of empire of the advanced industrial nations. Running through the usual economic arguments for empire, Hobson found that empire has neither benefitted trade nor been an outlet for excess

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<sup>8</sup> 'Nationalism and Imperialism' in *Imperialism*.

population.<sup>9</sup> Instead, Hobson identified a number of groups who had an economic or professional interest in imperialism: arms manufacturers, export trades, shipbuilding, the armed services, the colonial civil service, and certain professions where employees could find lucrative employment in the empire, such as lawyers, teachers, clerics, and engineers. 'These men', claimed Hobson, 'are Imperialists by conviction; a pushful policy is good for them'.<sup>10</sup> 'The vast expenditure on armaments, the costly wars, the grave risks and embarrassments of foreign policy, the checks upon political and social reforms within Great Britain, though fraught with great injury to the nation, have served well the present business interests of certain industries and professions.'<sup>11</sup>

During the period of imperial expansion after 1884, the most significant economic aspect of imperialism was the growth of capital export. Hobson noted that investment income from overseas had increased dramatically in comparison to the sluggish performance of the profits from foreign trade. Investment income also was an increasing proportion of the value of imports.<sup>12</sup> While imperial expansion had not benefitted the nation politically or economically, Hobson could now answer the *cui bono?* question:

Aggressive Imperialism, which costs the taxpayer so dear, which is of so little value to the manufacturer and the trader, which is fraught with such grave incalculable peril to the citizen, is a source of great gain to the investor who cannot find at home the profitable use he seeks for his capital, and insists that his Government should help him to profitable and secure investments abroad.

Hobson used economic theory of underconsumption and his explanation of combination in industry to explain why investors and particularly financier, the controllers of investment capital, were involved in imperialism. Underconsumption, Hobson had argued, resulted from the maldistribution of income, leaving too much capital in the hands of the wealthy. Unable to spend all of the income they received, the wealthier classes sought to invest their savings. However, because of their own and the workers' underconsumption, there was a correspondingly lower need for capital expansion. The result was, as we have seen, depression in trade, resulting not only in more goods on the market than would sell, but especially, surplus capital beyond current and future consumption requirements. This surplus capital and depressed market rendered investment opportunities poor, with prices, profits and

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<sup>9</sup> *Imperialism*, pt. 1, chs. 2-3.

<sup>10</sup> *Imperialism*, pp. 49-50, *Democracy After the War*, pp. 44-8.

<sup>11</sup> *Imperialism*, p. 46, 49.

<sup>12</sup> *Imperialism*, p. 53.

returns on capital falling.

Underconsumption resulted in a pressure to export capital. Hobson reasoned that investment in the domestic market looked unfavourable and that capitalists seeking to maximize returns from their investments would look to the higher returns available overseas. This would relieve the pressure on the home market. Hobson's underconsumption theory explains why there was a differential, *i.e.*, lower, rate of return on capital in the advanced industrial countries than in the underdeveloped areas.<sup>13</sup> Hobson's theory of imperialism as a foreign policy shows that capital is exported via trusts and financial institutions. The role that trusts and financial institutions play in Hobson's theory is double-edged: 'the controllers of capital are not only the largest recipients of "surplus" wealth, but the personal embodiment of what is dangerous and wrong in the economic system, regarded from the standpoint of the social good.'<sup>14</sup> In other words, they are both the product of a system in the grip of underconsumption, with its surpluses of capital, and the agents of imperialism who invest abroad and manipulate politics both at home and in the foreign country in order to protect their investments. Trusts and financial institutions are the controllers of surplus capital that was exported.<sup>15</sup>

According to Hobson, trusts, cartels, monopolies, and the financial institutions are the creation of an economic system suffering from underconsumption.<sup>16</sup> Combination is an

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<sup>13</sup> The theory of underconsumption has been discussed in greater depth in chapter two. For divergent opinions on the role of underconsumption and trustification in Hobson's theory of imperialism, see P.J. Cain, 'J.A. Hobson, Cobdenism and the Radical Theory of Economic Imperialism'; Norman Etherington, *Theories of Imperialism: War, Conquest and Capital*, ch. 3; T.O. Lloyd, 'Africa and Hobson's Imperialism', p. 134; E.E. Nemmers, *Hobson and Underconsumption*, ch. 4. Some have insisted on the necessity of trustification for Hobson's theory (Norman Etherington, 'The Capitalist Theory of Capitalist Imperialism'); others who have claimed that underconsumption produces trusts which are therefore merely the conduits of surplus capital (P.J. Cain's reply to Etherington, 'Hobson, Wilshire, and the Capitalist Theory of Capitalist Imperialism'). As we shall see, there is also an international context to underconsumption that contributes to imperialism proper rather than merely to the pressure to export capital.

<sup>14</sup> *Democracy After the War*, p. 34.

<sup>15</sup> Hobson's main example of the trusts and trust-makers in *Imperialism* is America. It was here that the processes of industrialisation and monopolisation in capitalism were most clearly played out without the obstacles of tradition. *Imperialism*, p. 73ff.

<sup>16</sup> For Hobson's discussion of trusts, under which head he included all similar combinations, associations, agreements, monopolies and cartels, see *Evolution of Modern Capitalism*, chs. 7-9.

attempt to avoid the cut-throat competition ensuing from underconsumption crises.<sup>17</sup> In order to avoid the losses from cut-throat competition, firms combined and the created powerful trusts regulated, that is, limited, output to maintain profits, either through price rises or the closure of plants or both. Competition had led to waste; combination was an attempt to remedy the situation by substituting regulation of output for reckless overproduction.<sup>18</sup> Unfortunately, 'this concentration of industry in "trusts," "combines," etc., at once limits the quantity of capital which can effectively be employed and increases the share of profits out of which fresh savings and fresh capital will spring', and thus exacerbated the maldistribution of income at the root of underconsumption and the depression in trade. According to Hobson,

An era of cut-throat competition, followed by a rapid process of amalgamation, threw an enormous quantity of wealth into the hands of a small number of captains of industry. No luxury of living to which this class could attain kept pace with its rise of income, and a process of automatic saving set in upon an unprecedented scale.<sup>19</sup>

The logic of combination in face of trade depression created an alliance between the trust-maker and the financier. It also formed the basis of the export of capital.

The profitable management of a trust depends primarily upon regulation of output, which involves a limitation of the employment of capital. It is thus impossible *ex hypothesi* for a trust-maker to find full continuous employment for the high profits he makes by extending the plant and working capital of his own business: such a policy would be evidently suicidal. He must look outside his own business for fields of profitable investment for his profits.

These profits pass ... into general finance, and are thence directed into forming and financing other trusts and large businesses. Thus the process of concentration and consolidation proceeds apace over all the industrial fields where capitalist methods of production prevail. But if a single trust cannot usefully absorb its profits, neither can a group of trusts. The movement, therefore, seems to be attended by a growing restriction of the field of investment. Thus there is a growing natural pressure towards the acquisition of markets outside the present area of monopoly...<sup>20</sup>

This is the primary economic basis of imperialism for Hobson. He went on to argue:

The economic tap-root, the chief directing motive of all the modern imperialist expansion, is the pressure of capitalist industries for markets, primarily markets for investment, secondarily markets for surplus products of home industry. Where the

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<sup>17</sup> While they could be the product of a healthy economic system, they were also powerful sectional interests. See chapter two.

<sup>18</sup> *Imperialism*, p. 85.

<sup>19</sup> *Imperialism*, p. 74, 76.

<sup>20</sup> *Evolution of Modern Capitalism*, p. 257, 261.



concentration of capital has gone furthest, and where a rigorous protective system prevails, this pressure is necessarily strongest. Not merely do the trusts and other manufacturing trades that restrict their output for the home market more urgently require foreign markets, but they are more anxious to secure protected markets, and *this can only be achieved by extending the area of political rule.*<sup>21</sup>

Hobson has explained the economics of capital export of capital has been explained. My emphasis of the last phrase of the quote draws attention to the fact that Hobson believed that the extension of imperial control was part of the investor, financiers and industrialists aims. Intuitively, this might appear somewhat odd. After all, businessmen are usually thought to dislike government interference and prefer a policy of *laissez faire*. Hobson provided three different reasons for the change of attitude towards imperial control among capitalists. Capitalists were eager to protect their investments.

Foreign investment was different from trade in the fixity of interest in the host country that it entailed. For the industrialists, the increased connection of investment in a foreign country (compared to the temporary and superficial links forged by international trade) led them to push for a policy of increased involvement of government in the internal affairs of other countries to protect their interests. This longer term interest heightened the desire for protection, first, in terms of governmental provision of law and order in the empire. For industrialists, not usually in favour of governmental interference, imperialism secured business for themselves, through monopoly privileges and a cheap supply of law and order. Imperialism was a means by which investors could protect and raise the returns on their money. The investments were protected from instabilities of the host country: 'Investors who have put their money in foreign lands, upon terms which take full account of the risks connected with the political conditions of the country, desire to use the resources of their Government to minimize these risks, and so to enhance the capital value and the interest of their private investments.'<sup>22</sup>

Second, imperialism and imperial protection excluded potential foreign competition. Protection from rival capitalists from other nations was provided through

the combined or separate action of capital to obtain the help, financial, diplomatic, military, of the national government so as to secure preferential access to foreign markets and foreign areas of development by colonies, protectorates, spheres of preferential trade and other methods of pushful economic foreign policy.<sup>23</sup>

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<sup>21</sup> *Evolution of Modern Capitalism*, pp. 262-3. My emphasis. See also *Imperialism*, pp. 77-8.

<sup>22</sup> *Imperialism*, p. 55, 56.

<sup>23</sup> *Imperialism*, p. [58-9].

Third, financiers, as large institutional investors and the middle men between investors and entrepreneurs, were especially well placed to benefit from imperialism. Hobson argued that financiers lack of a real connection with industry led them to push for a risky imperial policy.<sup>24</sup> Their financial power allowed them to make further gains at the expense of the ordinary investor.<sup>25</sup> Financiers not only gained as investors but as speculators on the value of investments. 'To create new public debts, to float new companies, and to cause considerable fluctuations of values are the three considerations of their profitable business. Each condition carries them into politics, and throws them on the side of Imperialism.' According to Hobson, financiers made profits from the instability associated with imperialism as opposed to the gains made from the extension of imperial control itself:

A policy which rouses fears of aggression in Asiatic states, and which fans the rivalry of commercial nations in Europe, evokes vast expenditures on armaments, and ever-accumulating public debts, while the doubts and risks accruing from this policy promote that constant oscillation of values of securities which is so profitable to the skilled financier.<sup>26</sup>

Hobson believed that capitalism and capitalists were a major source of international conflict and war. He believed that financiers benefitted from the wars that resulted from imperialism. He did not argue that they consciously aimed for war.<sup>27</sup> For financiers, war created uncertainty and arbitrariness by which they might gain. This was, however, a matter of degree; too much instability would undermine the system from which the financiers derived their profits.

### *The Ideology and Psychology of Imperialism*

According to Hobson, there are few gainers from imperialism. Yet, it was a popular

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<sup>24</sup> *Democracy After the War*, p. 81, 203.

<sup>25</sup> *Imperialism*, p. 57; *Evolution of Modern Capitalism*, pp. 241-2.

<sup>26</sup> *Imperialism*, pp. 57-8. Hobson believed that financiers were not interested in the actual operations of industry but merely the paper value of assets. They were interested in the gambling aspect of finance in order to make their gains. Hobson described the financiers as analogous to the owners of gambling halls, and the ordinary investor as the gamblers. *Evolution of Modern Capitalism*, pp. 250-1. This gambling was the reason that financiers benefitted from a policy that might lead to war. See also 'The Ethics of Gambling'.

<sup>27</sup> He appreciated that this view could be refuted by evidence from diplomatic records, but argued that theories based simply on biography of leaders were superficial historical explanations. See *Problems of a New World*, p. 150.

policy, supported by politicians and public opinion. Hobson explained this apparent irrationality through an analysis of the ideology and psychology of imperialism. He attempted to unveil the real nature of imperialism. There are three parts to this revelation. First, as we have seen above, Hobson linked the maldistribution of capitalist economies with imperialism and war. This overturned the liberal belief (advanced by Cobden and by Spencer) in the inherently pacific nature of capitalism and economic relations.<sup>28</sup> Second, Hobson demonstrated that a sectional interest's gain was behind imperialism; that there was no gain to society as a whole. Finally, Hobson exposed the fallacies in the various ideological defences of imperialism.

Hobson identified a bloc of supporters of imperialism among the political and social establishment and also the various vehicles that were used to propound imperialist ideology. He devoted the majority of *Imperialism: A Study* to a critical analysis of the contending explanations for imperialism that made up its ideological defence. Empire was the ideology of the time. Those with a stake in the new colonies or neighbouring areas were disproportionately influential in political circles because of the prevalent ideas. Despite its great cost, imperialism could be put forward as a viable option through phrases such as 'a field of corn does not ripen in a day'. Hobson argued that

it is only the interests of competing cliques of business men - investors, contractors, export manufacturers, and certain professional classes - that are antagonistic; ... these cliques, usurping the authority and voice of the people, use the public resources to push their private interests, and spend the blood and money of the people in this vast and disastrous military game, feigning national antagonisms which have no basis in reality.<sup>29</sup>

Industrialists and financiers are the central agents behind imperialism. Their economic and political power permitted them to influence the decisions of their national government, through the manipulation of the press and public opinion, as well as directly through some government ministers. They also had the power to manipulate conditions in the empire or neighbouring area. While the trusts needed foreign outlets, they also had the political power to pressure for government protection of their assets. 'Diplomatic pressure, armed force, and where desirable, seizure of territory for political control...' were the means of this

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<sup>28</sup> *Imperialism*, pp. 124-39. For a view of Hobson's theory along these lines, see P.J. Cain, 'J.A. Hobson. Financial Capitalism and Imperialism in Late Victorian and Edwardian England' and 'J.A. Hobson, Cobdenism and the Radical Theory of Economic Imperialism', p. 565.

<sup>29</sup> *Imperialism*, p. 127; see also p. 46, [48]-[49].

protection.<sup>30</sup>

Hobson rebutted the idea that capitalism had no interest in imperialism. The operation of sectional interests invalidated the claims of the defenders of capitalism. Hobson wrote:

While it may be true that capitalism as a whole cannot in the long run gain by expenditure on armaments and territorial conquests, this consideration does not dispose of the facts that certain well-organized and politically influential industries gain for a short run by this spirited foreign policy, and that few business men concern themselves with "the long run" or the interests of capitalism as a whole.

But the economic interest was not the sole support of imperialism. Far from it. The strength of imperialism derived from the patriots, jingoes and nationalists who, projecting their egos onto their nations, supported imperialism as the extension of national power and prestige. The political establishment, conservatives and bureaucrats supported imperialism because it helped to maintain the status quo and their positions at home. Hobson extended this analysis during the First World War into an interconnected 'circle of reaction' of which imperialism was one part. The circle of anti-democratic forces included imperialism, protectionism, militarism, legalism, distractions, emollients (charity, sport, etc.), regulative socialism, conservatism, state absolutism, authoritarianism (church, school, press, etc.), and bureaucracy; all of which revolved around the pivot of what Hobson termed 'improperty', under which he listed landlordism, capitalism and armaments. Hobson melodramatically used his organic metaphor to describe the connections of the reactionary forces:

The mechanical analogy of an endless chain is not adequate. For the vicious circle is organic and alive. It is a poisonous co-operative interplay of parasitic organisms, feeding on the life of the peoples by mastering and perverting to their own selfish purposes the political, economic and moral activities of humanity. Political oligarchy, industrial and spiritual authoritarianism, find natural allies in the servile Press, the servile School, the servile Church, which they utilize to drape their selfish dominion with the gallant devices of national service, Imperialism, "scientific management" and other cloaks of class mastery.<sup>31</sup>

Hobson claimed that the educational establishment, the church, the press and certain political parties propounded the ideology of imperialism. While these groups taught the lessons of authoritarianism learned from the Empire in the schools and the church, they conveyed an impression of imperialism as a Christian mission for civilisation or as a necessary struggle for existence between nations. Hobson claimed that the press was largely in the pockets of the entrepreneurs behind imperialism, but noted also that newspapers had an interest in the

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<sup>30</sup> *Evolution of Modern Capitalism*, p. 263. See also the example of South Africa on pp. 265-72.

<sup>31</sup> *Democracy After the War*, pp. 145-6.

sensationalism of imperialism to sell copies.<sup>32</sup>

Nearly two-thirds of *Imperialism* is devoted to refutations of various arguments put forward in defence of imperial expansion. In his revelation of an economic interest behind imperialism, Hobson did not play down the influence of other honest motivations and reasoning in the initiation of imperial policy. According to Hobson, these other reasons and motivations were functional for imperialism. They were a mask for the economic exploitation of the imperial enterprise. Nonetheless, these ideas were mobilizing forces for imperialism, the main reasons why the great majority supported imperialism. Hobson criticised such reasons by showing that these ideas are misplaced or erroneous and that imperialists use of such arguments was self-serving in terms of an economic interest.

Hobson examined the arguments concerning the civilizing mission, biological necessity, pressure of population, and the extension of good government. One of the most prevalent and dangerous myths, according to Hobson, was that there was a 'scientific basis of Imperialism regarded as a world-policy', where

[t]he maintenance of a military and industrial struggle for life and wealth among nations is desirable in order to quicken the vigour and social efficiency of the several competitors, and so to furnish a natural process of selection, which shall give an ever larger and intenser control over the government and the economic exploitation of the world into the hands of the nation or nations representing the highest standard of civilization or social efficiency, and by the elimination or subjugation of the inefficient shall raise the standard of the government of humanity.<sup>33</sup>

Hobson refuted this and other arguments, such as the White Man's Burden, that posited a mission of civilization of the backward countries by the most advanced peoples; the idea that the British, for example, had a genius for government and a duty to pass their expertise on to less civilised peoples; and the argument that imperialism is the necessary response to a growing population. Biological and sociological theory supported international cooperation as much as international conflict. The mission of civilization was a fallacy, that, through imperialism, had destroyed other civilizations rather than establishing a higher civilization, particularly in Asia. British 'good government' could not be exported by imposition on unassimilable peoples. Indeed, imperialism had extended the realm of despotism in the world, rather than democratic self-government. Finally, Hobson refuted population

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<sup>32</sup> On the press, see *Imperialism*, p. 60, 216; *The Psychology of Jingoism*, pt. 2, ch. 1. On conservative forces using other institutions in general see *Imperialism*, pp. 214-7. On the role of the church see in particular *Psychology of Jingoism*, pt. 1, ch. 3. Also *Democracy After the War*, pt. 1, chs. 6-7.

<sup>33</sup> *Imperialism*, p. 161. See also p. 155.

outlet argument on three grounds: that economic progress supplied the needs of a growing population, that the new colonies had not in fact taken any greater number of British immigrants and that, with the advance of civilisation, population in the Western nations was not growing that fast anyway.<sup>34</sup>

Hobson also examined the psychology of imperialism, both as it related to the beliefs of politicians and to public opinion. Hobson claimed that any explanation which relied purely on economic variables was either incomplete or stretched the meaning of economic to include psychological and biological factors.<sup>35</sup> His economic theory of underconsumption was founded on an ethical malady, the distribution of the product of cooperative enterprise through bargaining power rather than justice.<sup>36</sup>

Hobson identified the instincts of pugnacity, acquisitiveness, assertiveness, and most of all, the 'will to power' in statesmen, financiers and industrialists as stimuli to their drive for imperialism. The jingoistic support for imperialism among the masses, Hobson attributed to the mob-mind. Hobson applied a crowd psychology in his suggestion that civilised values were submerged in the instincts of the herd. People were credulous and brutal in a way that civilised individuals were not. Pugnacity, bellicosity and predacity, basic instincts supposedly mitigated by in civilisation came to the fore, Hobson claimed, in imperialism and war.<sup>37</sup>

#### *Myths About Hobson's Theory of Imperialism*

In this section, I consider a number of common misunderstandings of Hobson's theory that persist in international relations literature.<sup>38</sup> Scholars of international relations and economic history have attempted to expose Hobson's theory through the analysis of the

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<sup>34</sup> These arguments appear in *Imperialism*. On social Darwinism, pp. 153-65; on the civilising mission, pp. 285-306, 325-6; on the British genius for government, pp. 114-24; on the outlet for population, pp. 41-5.

<sup>35</sup> *Democracy After the War*, p. 9, 36; *Imperialism*, p. [47].

<sup>36</sup> See chapter two on force in bargaining.

<sup>37</sup> See *Psychology of Jingoism*, pt. 1, chs. 1-4; *Imperialism*, p. [51]; 'Militarism and the Will to Power' in *Democracy After the War*; 'The Spirit of the Herd' and 'The Submergence of Personality' in *Problems of a New World*. Also see *Property and Improperly*, p. 121 and Hobson's satire of government policy during the First World War in *1920: Dips into the Near Future*.

<sup>38</sup> More serious misunderstandings are dealt with in the section below on Hobson's theory in the international relations literature.

economic data concerning the costs of imperialism to states.<sup>39</sup> However, in demonstrating that England (or any other nation) did not gain from imperialism, the empirical evidence supports Hobson's theory, rather than refuting it. As we have seen, Hobson attempted to show that the nation as a whole did not gain from imperialism, but that sectional interests gained at the nation's expense. If the evidence shows that nations did not in fact gain from imperialism, Hobson's case against imperialism is in part proven. Hobson expected a negative balance sheet. Hobson's problematic remains: despite the manifest losses, nations still embarked on imperialism. He argued that this was because of a contemporary delusion of necessity of imperialism and the belief that, for any number of reasons, imperialism was good for the nation and/or the world. The data cited against Hobson is, in short, irrelevant: it is the perceptions of the time, not the statistics as they appear now, that determined imperialism and by which Hobson's theory must be judged.

Second, critics have claimed that Hobson believed that most capital exported abroad went to the new colonies. This is a mistake. In fact, Hobson compared the rise in foreign investment with accelerating colonial expansion, but cited no figures showing that a large proportion of overseas investment actually went to the new colonies. He merely denied that the foreign investment figures and the expansion of empire could be a coincidence and provided an explanation of the reasons why it was not so.<sup>40</sup> This is a weaker argument than is usually attributed to Hobson. While underconsumption and industrial combination form the background to imperialism, it has been argued that Hobson's theory posits influential people with investments in certain colonies, who asked for and obtained protection for their

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<sup>39</sup> Lance E. Davis and Robert A. Huttenback, *Mammon and the Pursuit of Empire: The Political Economy of British Imperialism, 1860-1912*; A.K. Cairncross, *Home and Foreign Investment*; John R. Oneal and Frances H. Oneal, 'Hegemony, Imperialism and the Profitability of Foreign Investments'. Though Hobson's discussion is specifically concerned with nations, some have investigated the effects on governments/states, e.g., Phillip Darby, *Three Faces of Imperialism* and D.K. Fieldhouse, *The Colonial Empires*, ch. 16. See also D.K. Fieldhouse (ed.), *The Theory of Capitalist Imperialism*, where it is acknowledged by the editor that there was no gain to the nation in imperialism, while some of the contributions, by A.K. Cairncross and by R. Nuske, use data based on states. There are doubts as to the consonance of imperial expansion with the flow of foreign investment, claims that little capital was exported to the new territories, claims that the differential gains for investment in the new colonies were small if not non-existent; challenges the assertion that all imperial states had economic surpluses, that few national economies, including Britain, were in fact trustified and cartelised in the way in which Hobson described. See the contributions in D.K. Fieldhouse (ed.), *The Theory of Capitalist Imperialism* and the critiques listed in Julian Townshend, 'Introduction' to *Imperialism*.

<sup>40</sup> Compare Hobson's discussion of the growth of foreign and colonial trade in 'The Commercial Value of Imperialism' with his discussion of foreign investments on pp. 51-2 of *Imperialism*. Cf. D.K. Fieldhouse, 'Imperialism: An Historiographical Revision', p. 110.

investments from the government in the shape of imperial law and order. In this reading of Hobson's theory, there is no necessary correlation between the size of the investment or the return on capital and imperial activity.<sup>41</sup>

Third, the theory of imperialism has been associated with the search for foreign markets and for supplies of raw materials. However, Hobson linked the new imperialism to the growth in foreign investment. Capital export was primary in this process, the export of goods and the securing of raw materials secondary. The search for markets due to conditions of underconsumption at home does not, however, make sense. Backward peoples who have lower incomes than in advanced societies cannot be expected to buy these goods at the market price commanded in advanced economies. Foreign markets for goods must be advanced industrial societies to have the purchasing power to buy the goods. Undeveloped markets could only be useful areas in which to dump excess goods in order to maintain prices at home or as potential markets for the future.<sup>42</sup> This is how Hobson argued imperialism as a market for surplus goods: '[t]he maldistribution of wealth, which keeps the consuming power of the people persistently below the producing power of machine industry, impels the controllers of that industry to direct more and more of their energy to secure foreign markets so as to take the goods they cannot sell at home, and to prevent producers in other countries, confronted with the same necessity, from entering the home market.'<sup>43</sup>

### **The International Relations of Imperialism**

Imperialism was an international phenomenon for Hobson. Imperialism as an international system entailed the clash of competing imperial powers, global underconsumption, the rise of protectionism in the international system, and the stimulation of militarism and war. Hobson was also concerned with the impact of the international relations of imperialism as protectionism, militarism and war, on domestic society. Hobson defined the new imperialism

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<sup>41</sup> See T.O. Lloyd, 'Africa and Hobson's Imperialism', p. 141, 152; P.F. Clarke, *Liberals and Social Democrats*, pp. 97-8, and 'Hobson, Free Trade and Imperialism'; Bernard Porter, *Critics of Empire*, pp. 216-8.

<sup>42</sup> See 'The Mystery of Dumping', in *International Trade*. For an examination of the significance of this paper, see W.P. Culbertson, Jr., and R.B. Ekelund, Jr., 'John A. Hobson and the Theory of Discriminating Monopoly', pp. 273-82. For the argument that backward countries are inadequate markets for surplus goods, see Michael Bleaney, *Underconsumptionist Theories*, p. 167.

<sup>43</sup> *Problems of a New World*, p. 26; see also *Democracy and a Changing Civilisation*, p. 57.



as the conflict of imperial powers for control of the rest of the world. Imperialism in the post-1884 period involved the competition of advanced nations. This new imperialism meant that 'nations trespassing beyond the limits of facile assimilation transform the wholesome stimulative rivalry of varied national types into the cut-throat struggle of competing empires.'<sup>44</sup>

As we have already seen, one reason for the formal conquest of territory was the competition of foreign firms for markets for surplus capital. Hobson's discussion of imperialism is marked by the prevalence of competition and the absence of central control in the international system. Hobson drew analogies between the monopolization of national economies and monopolization of the world by the imperial powers. Hobson believed that the era of *laissez faire* was drawing to a close, in international politics as in economics, and that politics, like economics, was entering a phase of cut-throat competition.<sup>45</sup> The new imperialism had transformed the nature of world politics. It entailed the final division of the remaining areas of the world as yet not under imperial rule and the closing off empires to the entry of other nationals. Both these factors bespeak monopoly, the monopoly of the imperial powers.<sup>46</sup>

Imperial competition resulted in an international system based on force, a system that is frequently convulsed by war.<sup>47</sup> But conflict is engendered not just between imperial powers, or between imperial powers and backward peoples. In his 1938 'Introduction' to *Imperialism*, Hobson identified a major conflict in the international system between the 'have' and 'have not' nations, those that had empires and those that did not. The 'have nots' claimed their own right to areas of the world for their exclusive exploitation. These nations were given the pretext for imperial expansion and war by the actions of the 'have' nations that had already obtained substantial empires. They were also prompted to aggressive, competitive action because the international system of competitive empires was based on militarism and force. Hobson was perturbed by the implications of this analysis. Developing these ideas in

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<sup>44</sup> *Imperialism*, p. 11.

<sup>45</sup> This is the basis for Hannah Arendt's incisive analysis of imperialism in *The Origins of Totalitarianism*. On the lack of control in international economic relations, see *Poverty in Plenty*, p. 17-9.

<sup>46</sup> *Confessions*, p. 59, 185. This is similarly Lenin's meaning of monopoly as applied to the relations of states. Lenin acknowledged the dual meaning of monopoly in Hobson's analysis and criticized Kautsky for neglecting this insight. See Lenin, *Imperialism*, pp. 83-7.

<sup>47</sup> *Wealth and Life*, pp. 392-3, 401.

the thirties, Hobson realised that Germany, Italy and Japan could justify their aggressions on the grounds that the earlier imperial powers had done the same.<sup>48</sup> This made for a dangerous world. However, Hobson believed that the wealthy ruling classes in the 'have' nations would prefer to avoid settling this issue because the system of imperialism benefitted them.<sup>49</sup>

### *Global Underconsumption*

Hobson claimed that underconsumption affected all advanced capitalist states as they embarked on industrialisation and mechanisation. According to Hobson,

the system prevailing in *all* developed countries for the production and distribution of wealth has reached a stage in which its productive powers are held in leash by its inequalities of distribution; the excessive share that goes to profits, rents and other surpluses impelling a chronic endeavour to oversave in the sense of trying to provide an increased productive power without a corresponding outlet in the purchase of consumable goods.<sup>50</sup>

Notice that this is a phenomenon that occurs in all developed states. In an argument strikingly similar to his any/every paradox explanation of underconsumption, however, Hobson extended his argument beyond the plurality of capitalist states to the international competition of states. Underconsumption and the competitive economic expansion that resulted from it thus have international dimensions. In a passage that is worth quoting at length, Hobson argued that though each nation separately could industrialise and adopt a capitalist system of distribution, it was not possible for every nation to follow this path without conflict:

The members of any single nation, taken as an aggregate, may ... save an indefinitely large proportion of the national income, provided that other nations, saving less themselves, will borrow and apply to productive purposes or to increased consumption the savings thus made available. This was the position of Britain during the greater part of the nineteenth century. No limit was set upon the savings of her people when most of the world were insufficiently provided with capital. But when the whole Western world and large parts of the hitherto undeveloped lands of Asia, America and Africa had been equipped with modern machinery of manufacture and transport, while agriculture in many staple branches was passing under machine-economy, the problem of the proportion of saving to spending stood out in its true significance. When the United States and Germany, with some smaller European countries, equalled

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<sup>48</sup> *Problems of a New World*, pp. 269–70; *Imperialism*, p. [55].

<sup>49</sup> *Problems of a New World*, p. 177; *Confessions*, p. 109. *Property and Improperly*, p. 113, and *Imperialism*, pp. [49]–[50], [62]. Hobson had predicted a re-emergence of the balance of power and imperial competition if there was no just solution to imperialism in *Problems of a New World*, pp. 269–70

<sup>50</sup> *Imperialism*, pp. [51]–[52]. My emphasis.

or passed England in the use of machinery and power, and competed for the export of capital-goods, while Japan cut into the Asiatic markets heavily, the restriction upon the effective saving in England and other advanced industrial countries began to be manifest. It appeared first in a strong competitive drive towards imperialism, the acquisition of exclusive or preferential areas for markets and for capitalist development in the remaining backward countries.<sup>51</sup>

It is this competition that explains the economics of the new imperialism. Britain's nineteenth century economic expansion had little need of formal political control because there were no challengers to British supremacy. Once Germany and the US had become industrial powers comparable to Britain, however, competitive economic expansion ensued, of which formal imperial control was a fundamental part. The imperial rivalry following 1884 posed a dilemma for Britain, argued Hobson:

The spread of modern industrialism tends to place our "rivals" on a level with ourselves in their public resources. Hence, at the very time when we have more reason to fear armed coalition than formerly, we are losing that superiority in finance which made it feasible for us to maintain a naval armament superior to any European combination.<sup>52</sup>

The international logic of imperialism is simple and straightforward. Without international competition, underconsumption in one nation might issue only in capital export, but imperial expansion. Once every developing nation embarks on this course, imperialism as the political securing of economic advantage appears to be necessary. This competition itself results in the reduction in the areas of profitable exploitation as each imperial power seeks to obtain and secure areas for itself. The limits of expansion are the various spheres of influence of rival states. Conflict intensifies as areas of the world set aside for exclusive exploitation diminish and expansion is restricted.<sup>53</sup>

That trade depression was not merely a domestic economic problem had become quite manifest in the Great Depression of the thirties. Hobson resurrected his theory of underconsumption to explain the world depression. However, he also examined the economic dislocations of the post-war period according to his underconsumption theory. Hobson denied other economic analyses that suggested that economic woes were due to the tumult of the First World War as well as theories that posited monetary or credit explanations for depression. By

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<sup>51</sup> *From Capitalism to Socialism*, pp. 11-12. See also *The Recording Angel*, p. 50.

<sup>52</sup> *Imperialism*, p. 139. See also p. 72; *Recording Angel*, p. 53.

<sup>53</sup> The logic of Hobson's theory suggests that expansion would eventually result in crisis for the capitalist power. The outcome is different, however, for different international scenarios. If there was only one imperial state expanding, the limit would be the world, a world governed under the hegemony of free trade.

contrast, he claimed that the war and the depression both had a common cause in the developing social relations of capitalist international economic relations, that is the appropriation of the social surplus and consequent maldistribution of income.<sup>54</sup>

### *Imperialism and Protectionism*

As we saw in the last chapter, Hobson believed that an increasingly interdependent global economy was emerging. Industrialization, specifically the development of machine economy, was transforming the world.<sup>55</sup> According to Hobson, this meant the possible extension of the division of labour and of specialization across the entire globe. On the other hand, the connection of economies rendered each economy vulnerable to trade disruption caused by its trading partners. 'When a nation depends for the supply of its daily bread upon the economic activity of other nations, its political independence is felt to be imperilled.'<sup>56</sup> Combined with the problems of trade depression due to underconsumption making the need for markets abroad appear compelling, economic interdependence made control of external areas for investment and trade also appear necessary.

Imperialism, the extension and enforcement of political control over foreign peoples, was one means of securing the nation's economic future. But imperialism, Hobson argued, was naturally allied with protectionism, the exclusion or discrimination against foreign goods and capital. National firms called for protection of their home markets and for preferential access to imperial markets. Both imperialism and protectionism are reactions to the an increasingly interdependent world economy. 'Protectionism ... is an endeavour to struggle against certain dangers inherent in the world-economy of Free Trade, and to keep within the territorial limits of the nation [or Empire] a sufficient volume and an adequate variety of industry.'<sup>57</sup> Protectionism is an attempt to defend the nation against the apparently 'disintegrating influences of commercial internationalism'.<sup>58</sup>

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<sup>54</sup> 'Underconsumption: An Exposition and Reply', 'Reactions of National Policy on Trade and Unemployment' and 'The World's Economic Crisis'.

<sup>55</sup> *Evolution of Modern Capitalism*, chs. 3-5.

<sup>56</sup> *International Trade*, p. 173.

<sup>57</sup> *International Trade*, p. 174.

<sup>58</sup> *International Trade*, p. 179. See generally 'Imperialism and Protectionism' in *Imperialism; The New Protectionism; Democracy After the War*.

Hobson opposed imperialism and protectionism. He followed Cobden, believing in the economic and pacific benefits of free trade. The argument was that openness to trade, participation in the global division of labour and specialization would lead to economic gains for all nations and would encourage friendly relations between trading peoples. Free trade was the route to peace and prosperity.<sup>59</sup> Hobson's critique of imperialism was an attempt to demonstrate that imperialism was a bad policy for the imperial nation and for the world as a whole. It was a bad policy because it entailed the abandonment of free trade.<sup>60</sup> Hobson's first article concerning imperialism addresses the refutation of free trade in British foreign policy. He argued that:

In total contravention of our theory that trade rests upon a basis of mutual gain to the nations that engage in it, we undertook enormous expenses with the object of "forcing" new markets, and the markets we forced were small, precarious and unprofitable. The only certain and palpable result of the expenditure was to keep us constantly embroiled with the very nations that were our best customers, and with whom, in spite of everything, our trade made the most satisfactory advance.<sup>61</sup>

Protectionism was simply 'economic militarism', claimed Hobson.<sup>62</sup> It reinforced a view of the world as a dangerous place, composed of hostile, exclusive empires each attempting to keep trade to itself,

where a nation is exposed to have its foreign trade cut off during war, common prudence, it is held, must impel the State to make arrangements enabling the nation to be as self-sufficing as possible in supplies of the requisites of civil existence and military use ... Protection is urged, not as an instrument of national wealth, but of national defence.<sup>63</sup>

Imperial protection was the policy of keeping the imperial and home markets closed

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<sup>59</sup> Hobson's discussion of free trade and refutation of economic nationalism is discussed in depth in chapter five.

<sup>60</sup> 'Free Trade and Foreign Policy'. This is the first formulation of the imperialism theory and the influence of Cobdenite principles is clearer here than some of the later formulations. See P.J. Cain, 'J.A. Hobson, Cobdenism and the Radical Theory of Economic Imperialism, 1870-1914'.

<sup>61</sup> *Imperialism*, pp. 65-6.

<sup>62</sup> *Imperialism*, p. 15; *International Trade*, p. 171.

<sup>63</sup> *New Protectionism*, p. 16. For Hobson such a division was also a crime against civilization. See also p. 58, 113. Hobson applied this analysis to the proposals for a protective system around the allied powers after the First World War. The result of this proposal, claimed Hobson, would be a reinforcement of the war battle-lines and the breaking of Europe into hostile camps. See *The New Protectionism*, p. xvi, 58. Hobson also opposed the idea of Imperial federations or preference. Such closure to trade and investment would further stimulate the rivalry of other states. See *Imperialism*, p. 340ff., and 'Colonial Preference' and 'Canada's Fiscal Future' in *Canada Today*.

to rivals' trade. This closure of markets was achieved in the last resort by military force. Hobson criticised imperial protection as economically unsound and politically dangerous. Free trade was preferable to any policy of forcing markets open or keeping them closed to other competitors. The costs of this policy were prohibitive, due to the administrative and military cost of maintaining imperial exclusion and also of dealing with the strained relations with erstwhile trading partners, now imperial rivals.<sup>64</sup>

Hobson argued, however, that imperial protection was bound to fail. Imperial self-sufficiency was an impossible end. The British Empire, for instance, could not be self-sufficient in food, could only pursue a policy of self-sufficiency at great cost, and would remain vulnerable in time of war. The final fallacy of imperial protection, then, was that it was a viable alternative. Indeed, according to Hobson, imperial rivalry created a perverse form of interdependence, that of the competition of an arms race: 'Imperialism ... has brought a great and limitless increase of expenditure of national resources upon armaments. It has impaired the independence of every nation which has yielded to its false glamour. Great Britain no longer possesses a million pounds which it can call its own; its entire financial resources are mortgaged to a policy to be dictated by Germany, France, or Russia.'<sup>65</sup>

*Imperialism, Militarism and War*

For Hobson, militarism was 'the organization of physical force by the State, so as to be able to compel members of another State, and some members of the military State itself, to act against their will.'<sup>66</sup> Militarism entailed a constant preparedness for war. The new imperialism was militaristic because it was a policy of forcible expansion, in its use of military force to exclude rivals and fight them when necessary.<sup>67</sup> Imperialism fostered exclusive and aggressive nationalism with a 'close state' that attempted to secure for itself national or imperial self-sufficiency.

In international relations, militarism became self-reinforcing, claimed Hobson in a crude formulation of the security dilemma:

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<sup>64</sup> *Imperialism*, pt. 1, ch. 5.

<sup>65</sup> *Imperialism*, p. 138.

<sup>66</sup> *Democracy After the War*, p. 21.

<sup>67</sup> *Democracy After the War*, pt. 2, ch. 5; *From Capitalism to Socialism*, p. 12; *Democracy and a Changing Civilisation*, p. 125.

The very existence of this militarism, by stimulating the fears, suspicions and hostility of other States, similarly dominated and directed by their group-interests, appears to justify itself by helping to create a dangerous world in which strong martial force is a necessary precaution.<sup>68</sup>

Militarism was the product of imperialism as an international system:

'The hostile grouping of nations for superior strength in a balance of power, the failure alike of economic and of military disarmament, the open preparations for a future war...'<sup>69</sup>

Hobson claimed that this militarism chilled international intercourse and led to dictatorship. It was a retrograde step for humanity, because an international system in the grip of militarism was ruled in the last instance by force rather than claims of reason or justice.<sup>70</sup> While militarism was the normal result of imperialism, Hobson argued that war was also a likely consequence. Instability and suspicions made for a constant potential outbreak of war. War followed from the instability and the injustice of the international system and the militarism engendered by imperialism.

Unfortunately, according to Hobson, war and militarism were not solely the result of the direct competition of imperial states. Increasingly imperial conflicts were being fought by proxies. Hobson forcefully condemned this: 'The expansion of our Empire under the new Imperialism has been compassed by setting the "lower races" at one another's throats, fostering tribal animosities and utilising for our supposed benefit the savage propensities of the peoples to whom we have a mission to carry Christianity and civilization.'<sup>71</sup> Furthermore, the *kilometritis* of imperial expansion and the compulsion to stiffen imperial control bred bloody conflicts with backward peoples.

Hobson claimed that war was to a certain extent functional for the capitalist system:

Capitalism no doubt favours expenditure on armaments as a profitable business proposition. But it needs armaments because it needs war. War is a profitable business policy. Its destructiveness is the other way out of the plethora of peaceful productivity. If foreign markets do not expand fast enough to take off the surplus of capitalist production, an era of destructive waste is the only acceptable alternative.<sup>72</sup>

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<sup>68</sup> *Democracy After the War*, p. 101. See also *Imperialism*, p. 128.

<sup>69</sup> *Democracy and a Changing Civilisation*, pp. 55-6.

<sup>70</sup> *Imperialism*, p. 13, 186, 325; *Democracy And a Changing Civilisation*, p. 16, 129; *Problems of a New World*, p. 245, 251-2, 272. This was reflected in the adoption by politicians and academics of *realpolitik* and various other nationalist-imperialist theories. See *Imperialism*, pp. 12-13, 167.

<sup>71</sup> *Imperialism*, p. 138. See also p. 126.

<sup>72</sup> *Democracy and a Changing Civilisation*, p. 54.

Hobson criticised the argument, exemplified by Norman Angell, that war does not pay for capitalism and that capitalism leads to peace rather than war. According to Hobson, this argument missed the role of sectional interests, which supported war. Hobson argued that 'though war, with its revolutionary aftermath, may well seem dangerous to the capitalist system, it is open to argument whether such risks may not appear worth running in view of the alternative piling up of unsaleable surpluses which the extension and improved methods of modern capitalism involve.'<sup>73</sup> Furthermore, resuscitating an argument he first made with Mummery in 1889, Hobson claimed that 'war ... does for the time being rectify the balance between productivity and consumption and give prosperity alike to capital and labour in the uninvaded and the neutral countries.'<sup>74</sup>

While Hobson initially criticised the financiers as the central agents of imperialism, during the First World War, he turned his attention to the arms manufacturers. He ironically remarked that the arms industry, an industry that would gain by the destruction of civilisation, was capitalism's leading cosmopolitan industry. These industries had a positive interest in the strife of nations and were parasites on an international system based on military force.<sup>75</sup>

### *The Domestic Impact of Imperialism*

This section discusses the domestic impact of imperialism, protectionism, militarism and war.<sup>76</sup> According to Hobson, imperialism reinforced anti-democratic forces in domestic society in three ways. First, following the nineteenth century radical critique, Hobson accused establishment vested interests of using foreign policy as a distraction from important political issues at home. Involvement in international and imperial politics diverted time and money away from domestic social and economic causes:

Whenever real issues of "the condition of the people" grew insistent, they were edged

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<sup>73</sup> *Imperialism*, p. [53].

<sup>74</sup> *Democracy and a Changing Civilisation*, p. 54. This is very close to the situation Hobson claims that Veblen is describing. See *Veblen*, p. 146; *Imperialism*, p. [53]. Hobson argues a similar case regarding the effects of the Franco-German War in *The Physiology of Industry*, pp. 161-2, 176-7.

<sup>75</sup> *Democracy After the War*, p. 48. See also p. 50.

<sup>76</sup> The domestic impact of the foreign policy and international relations of imperialism was one of Hobson's prime concerns in his *Imperialism*. In this sense, at least, Hobson's theory of imperialism is as much a theory of British society as a theory of international relations theory.



aside by one of those stage monsters of foreign or imperial policy, the menaces or the misdeeds of France, Russia, Turkey, or Germany kept for the purpose. In the early seventies the political wizard of the day invented Imperialism in order to keep the people quiet for a generation.<sup>77</sup>

"To stay giddy minds with foreign quarrels" has long been a recognised expedient for threatened home despots, and a certain admixture of plausible economic incentives is found useful in order to turn the emotions of a confused popular mind away from, dangerous attacks on property.<sup>78</sup>

Second, Hobson claimed that the despotism of imperial dependencies was reimported into the imperial state. This was the consequence of the return of imperial administrators and military officers used to autocratic rule in the empire. Hobson argued further that "[i]t is, indeed, the nemesis of Imperialism that the arts and crafts of tyranny, acquired and exercised in our unfree Empire, should be turned against our liberties at home."<sup>79</sup> Precedents set in the undemocratic empire reacted upon domestic institutions and traditions. Third, Hobson argued that the requirements of controlling a huge heterogeneous empire resulted in centralisation of political power. This centralization of government was reinforced by the need for secrecy in dealings with foreign powers. The cumulative domestic impact of imperialism, then, was to oppose democracy and encourage autocratic and bureaucratic government.<sup>80</sup>

Hobson claimed that protection was a producers' policy. He claimed that organized financial, industrial, and trading groups within a nation [that] strive to direct its political and economic policy so as to secure for themselves as large a share as possible of the world's wealth "under the name and pretext of the commonwealth." Thus a protectionist, imperialist, militarist system is maintained in order that these interests may make profits by isolating the home market and taxing "the consumer,"...<sup>81</sup>

At the expense of the mass of consumers, powerful industries and firms able to get the attention of government sought the protection of their profits through import controls and tariffs. Cartels could use their sheltered status to make large profits. Protection was itself an encouragement to the creation of national monopolies. Protection funded imperial expenditure at the expense of the less well-off, Hobson claimed, because protection was a tax on

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<sup>77</sup> *Traffic in Treason*, p. 9; see also *Democracy After the War*, pp. 181-2; *Imperialism*, pp. 141-2.

<sup>78</sup> *Property and Improperly*, p. 143. See also pp. 107-8. *Imperialism*, p. 58, 127.

<sup>79</sup> *Imperialism*, pp. 151-2. Also p. 150, *Democracy and a Changing Civilization*, pp. 108-9.

<sup>80</sup> *Imperialism*, pp. 145-7.

<sup>81</sup> *Poverty in Plenty*, pp. 75-6.

consumption and such indirect taxes were regressive.<sup>82</sup> Hobson's opinions were qualified by his support for social planning, which, though he did not acknowledge it, entailed interference in the market tantamount to protection. He was impressed by the progress made towards social control and planning of the economy during the War, claiming that this demonstrated the gains from social organization.<sup>83</sup>

Finally, Hobson claimed that, with an aggressive and exclusive imperial policy, the aim of a national policy of protection became an economic nationalism premised primarily on national defence or imperial efficiency rather than welfare. Protection was a central pillar of an economic nationalism that encouraged wasteful military spending, withdrawing workers from productive employment to put them into the armed services.<sup>84</sup> Hobson argued that gains from social organisation were wasted not only by the costs of militarism and war, but by the expropriation of the surplus by the ruling classes and the aura that the War had given to force in the settlement of disputes.<sup>85</sup> International competition also limited the possibility of raising the standard of living of the workers because of the prospect of being undersold by cheaper foreign goods.<sup>86</sup>

Militarism restricted civil liberties and was an opponent of reason and democracy, according to Hobson. The impact of war was similar, only more extreme. While he conceded the necessity of some restrictions in time of war, he objected strongly to the imposition of arbitrary rules over civil conduct, such as the suspension of *habeas corpus*. 'War necessarily cancels liberty, forcing obedience to imposed authority, and the war mentality is not unnaturally carried on into the emergencies of an unstable and dangerous peace', argued Hobson. He refuted the argument that,

the personal rights good for peace are bad for war. By this argument have been defended military and industrial conscription, the persecution of conscientious objectors, the repression of liberties of speech, Press and meeting, the imprisonment

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<sup>82</sup> *Evolution of Modern Capitalism*, pp. 195-6; *International Trade*, p. 181; *New Protectionism*, p. 12.

<sup>83</sup> *Democracy After the War*, p. 161; *Problems of a New World*, p. 49. For discussions of this issue during the inter-war period, see Lionel Robbins, *National Planning and International Order* and E.H. Carr, *Conditions of Peace*.

<sup>84</sup> *Imperialism*, pp. 124-35.

<sup>85</sup> *Problems of a New World*, p. 246, 267-8; *Free Thought in the Social Sciences*, p. 267; *Modern State*, p. 6.

<sup>86</sup> *From Capitalism to Socialism*, p. 28.

upon suspicion and without trial by administrative action, and, in short, the claim of absolute power by the Executive.<sup>87</sup>

State autocracy, Hobson wrote, flowed from militarism short of war because

peace hath her emergencies no less than war, and the economic emergency, the creeping paralysis, which has seized the world during the past few years may seem to call for the suspension of the ordinary processes of government. Liberty and equality under such circumstances must give place to an enforced fraternity called the 'Corporate State.'<sup>88</sup>

The imperatives of militarism and protectionism created an exclusionary, dictatorial state, Hobson argued:

Not only the material life of the people but its soul would thus be nationalised and militarized under the closed State. Democracy could have no place in such a State. In industry, as in politics, the Government dominated in all matters of importance by considerations, not of general human welfare, but of national defence qualified by business pulls, must impose the arbitrary will of the political and business rulers and their paid agents upon the people.<sup>89</sup>

The effect of imperialism was a 'moral degradation' from military and industrial ethics.

In the inter-war period, Hobson played down the significance of World War One as a cause of economic troubles. While the War had buttressed the use of force in the settlement of industrial and social disputes, Hobson argued, that it was easy to over-emphasise the importance of the War's dislocating effect on the world's economy and the economic relations of Europe in particular. This disguised problems associated with the social and international order prior to World War One. Hobson stressed that attention to the War, like analyses of the Depression that emphasised monetary factors, missed the key factor, that is, maldistribution of income as the source of capitalism's maladies.<sup>90</sup>

Hobson neatly summarised the domestic effects of the new imperialism on democracy, peace and justice:

It is a constant menace to peace, by furnishing continual temptations to further aggression upon lands occupied by lower races and embroiling our nation with other nations of rival imperial ambitions; to the peril of war it adds the chronic danger and degradation of militarism, which not merely wastes the current physical and moral resources of the nations, but checks the very course of civilization. It consumes to an

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<sup>87</sup> *Problems of a New World*, p. 83. See also *Wealth and Life*, p. 221.

<sup>88</sup> *Democracy and a Changing Civilisation*, p. 18; *The Modern State*, p. 6. See also *Democracy and a Changing Civilisation*, pp. 129-30; *Imperialism*, p. 135.

<sup>89</sup> *Democracy After the War*, pp. 202-3.

<sup>90</sup> For a general discussion of the atmosphere in pre-War Europe, see 'The Surprise of 1914' in *Problems of a New World*. On economic matters, see *Economics of Unemployment*, chs. 1, 8.

illimitable and incalculable extent the financial resources of a nation by military preparation, stopping the expenditure of the current income of the State upon productive public projects and burdening posterity with heavy loads of debt. Absorbing the public money, time, interest and energy on costly and unprofitable work of territorial aggrandisement, it thus wastes those energies of public life in the governing classes and the nations which are needed for internal reforms and for the cultivation of the arts of material and intellectual progress at home. Finally, the spirit, the policy, and the methods of Imperialism are hostile to the institutions of popular self-government, favouring forms of political tyranny and social authority which are the deadly enemies of effective liberty and equality.<sup>91</sup>

In conclusion, imperialism, for Hobson, was a consequence of

the confident belief that no real solidarity of interests exists between the various units of humanity, and that, therefore, it is possible for each person, class, or nation, to make a separate gain for himself by seizing and utilising the political and economic resources at his disposal.<sup>92</sup>

It was a product of sectionalism, not only domestically or in economics, but in international politics.

#### **Hobson's Proposals for Reform**

This section discusses Hobson's remedy for the malady of imperialism. Hobson succinctly summarised his position: 'Imperialism is the fruit of ... false economy; "social reform" is its remedy'. This social reform aimed to 'raise the wholesome standard of private and public consumption for a nation...'.<sup>93</sup> However, this does not mean that Hobson's remedies are entirely confined to domestic proposals. Domestic and international reform are connected his proposals. Maldistribution of income and underconsumption are not merely a domestic phenomena but occur between nations and globally. For Hobson, the problem of maldistribution at the root of underconsumption can only be resolved through a combination of domestic and international measures.

Hobson's analysis suggested that imperialism was an attempt to alleviate domestic economic and social problems. Imperialism was a policy choice for nations.<sup>94</sup> According to

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<sup>91</sup> *Imperialism*, p. 152.

<sup>92</sup> *Democracy and a Changing Civilisation*, pp. 160-1.

<sup>93</sup> *Imperialism*, p. 88.

<sup>94</sup> *Imperialism*, pp. [59-60]. This is one of the differences between Hobson and Lenin often remarked upon. For Hobson, imperialism was a policy pursued by capitalists which could be remedied by a change in governmental policy. Lenin suggested that it was the system of capitalism that was to

Hobson, the imperial solution was only effective in the short run as it did not address the root problem of underconsumption due to maldistribution of income. Furthermore, the imperial solution created more problems than it solved: at home, it exacerbated the maldistribution of income and, in international relations, it stimulated imperial competition. Hobson claimed that imperial necessity is a 'popular delusion'; a delusion he tried to dispel.<sup>95</sup>

It is not inherent in the nature of things that we should spend our natural resources on militarism, war, and risky, unscrupulous diplomacy, in order to find markets for our goods and surplus capital. An intelligent progressive community, based upon substantial equality of economic and educational opportunities, will raise its standard of consumption to correspond with every increased power of production, and can find full employment for an unlimited quantity of capital and labour within the limits of the country which it occupies. Where the distribution of incomes is such as to enable all classes of the nation to convert their felt wants into an effective demand for commodities, there can be no over-production, no under-employment of capital, and no necessity to fight for foreign markets.<sup>96</sup>

Hobson's social reform aimed at tapping the improproperty, the appropriation of unproductive surplus by the wealthy that was the source of maldistribution. He claimed that only truly democratic organization of polity, society and economy would resolve the ethical basis of maldistribution underlying underconsumption. He proposed political and social reform to remedy a social and ethical problem which has given rise to an economic dysfunction. Hobson specifically advocated fiscal measures to redistribute income through taxation, benefits, a minimum wage and some nationalisation and extensive public works. He also believed that trade union organisation could wrest some of the unproductive surplus from the wealthy.<sup>97</sup> He hoped that the rise in consumption due to higher wages/incomes of the workers to pick up the industrial slack and make productive previously unproductive investment ventures. Hobson believed that a policy that mitigated underconsumption would remove the pressure to export capital, thus undercutting the drive to imperialism.

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blame and that nothing short of its overthrow would rid the world of the scourge of imperialism. See Lenin, *Imperialism*, p. 105. Though they have been described as reformist, Hobson's proposals were nothing short of revolutionary in their implications, involving the restructuring of the entire system of distribution in the economic system. On attitudes to reformism, Hobson's and others, see Peter Clarke, *Liberals and Social Democrats*.

<sup>95</sup> *Imperialism*, p. 71.

<sup>96</sup> *Imperialism*, p. 86.

<sup>97</sup> Unlike Keynes he was not a proponent of deficit financing. See John Allett, *New Liberalism*, p. 128. Hobson attached his hopes not to the creation of credit, or to the taking out of loans in order artificially to stimulate demand, but purely in redistribution of income.

Hobson was aware, however, of the international limits to high wage policies. Each national economy was exposed to the vagaries of international economic forces. Faced with the prospect of being undersold by nations where there were lower wage rates, nations could follow one of two courses. They could either rescind the wage rises to avoid being undersold by other nations, or to close off the nation from the international economy as much as possible. Hobson questioned both the viability and the desirability of the latter, while condemning the former.<sup>98</sup> The fact that each nation had to consider their place in the international economy was an obstacle to the solution to underconsumption. With underconsumption being both a common problem for capitalist economies and one that prompted competitive economic policies between nations, Hobson's proposals for economic reform had to include a significant international aspect.

If the scope of the economic problem underlying imperialism is unclear, there is no doubt that imperialism is an international political issue. As such, Hobson's social reform ceased to be entirely concerned with domestic matters. Because the scope of the problem, imperialism, is international, the remedies also needed to be international, if they were to be addressed to the appropriate level. Thus, Hobson's proposals for international reform reflect his concern with the international relations of imperialism. There are three proposals. First, Hobson proposed an international government to arbitrate the claims of the Great Powers. International government which could put down wars and suppress imperial competition would allow for the healthier competition of nationalities. International rivalry would be conducted on a 'higher' level. International government would allow nations to pursue policies for advancing national welfare rather than military preparations for war. Also Hobson suggested that nations should not come to the aid of their nationals in their dealing with foreign countries. A policy of nonintervention here would reduce the friction between nations, Hobson believed.<sup>99</sup>

Second, he suggested the need of an international government to supervise the development of natural resources in the backward countries. Mandate policy would be a system whereby international government would be the arbiter of the rival claims of the Great Powers. The international authority would have the power and duty to monitor the respective mandated power to ensure that development policies were not prejudicial to the welfare of

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<sup>98</sup> For example, *Property and Improperty*, p. 106; 'The Close State vs. Internationalism', in *Democracy After the War*; and 'The Closed State', in *Democracy and a Changing Civilisation*.

<sup>99</sup> *Imperialism*, p. 360.

the native population or the interests of other nations or humanity as a whole.<sup>100</sup>

Third, Hobson hoped that an international government would institutionalise an international economic order of free trade, thereby undercutting imperialism's drive to protection. He acknowledged that international interdependence had proceeded too far to permit a return to a system of *laissez faire*, because this would merely result in the reinstatement of the imperial conflicts. Hobson believed that free trade and the Open Door could thus be made to apply to all nations, a condition conducive to global welfare.<sup>101</sup> Hobson is suggesting an international government as a neutral beneficent instrument that would enforce the rules of free trade, decide imperial claims and direct the development of the world in terms of global welfare.

#### **Hobson's Theory of Imperialism in the International Relations Literature**

The theory of imperialism has become something of an industry in itself since Hobson's writings on the subject.<sup>102</sup> This section considers the characterisation of Hobson's theory in the international relations literature. The orthodox international relations interpretation of Hobson's theory of imperialism is summarised elegantly and powerfully by Kenneth Waltz.<sup>103</sup> Waltz's reading of Hobson's theory is examined as the most straightforward presentation of an interpretation of Hobson's theory common in international relations.

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<sup>100</sup> See H.N. Brailsford, *The Life-work of J.A. Hobson*, p. 25, who claims that Hobson was a forerunner of the mandate policy. See *Imperialism*, p. 232, and chapters five and six for further discussion of Hobson's ideas on mandates.

<sup>101</sup> *Imperialism*, p. 164, 186, 193.

<sup>102</sup> There has been much work developing neo-Marxist theories of imperialism and dependency theory. For example, see Owen and Sutcliffe, *Studies in the Theory of Imperialism*; Johan Galtung, 'A Structural Theory of Imperialism'; Samir Amin, *Unequal Development*; Paul Baran and Paul Sweezy, *Monopoly Capital*; Andre Gunder Frank, *Capitalism and Underdevelopment in Latin America*. For a collection of writings on imperialism, see Kenneth Boulding and Tapan Mukherjee (eds.), *Imperialism*. There are even different names for the theory: the theory of economic imperialism, the economic theory of imperialism, and the theory of capitalist imperialism. See Charles Reynolds, *Modes of Imperialism*, ch. 3; Kenneth N. Waltz, *Theory of International Politics*, p. 19; and D.K. Fieldhouse (ed.), *The Theory of Capitalist Imperialism*.

<sup>103</sup> *Man, the State, and War*, pp. 145-55, and *Theory of International Politics*, pp. 19-27. The discussion is also a contribution to the restoration of the reputations of scholars criticised by Waltz. For counter-critiques of Waltz's interpretations of Rousseau and Kant, see Michael Williams, 'Rousseau, Realism and *Realpolitik*', and Andrew Hurrell, 'Kant and the Kantian Paradigm in International Relations'.

There are three areas in which Waltz's criticisms of Hobson are seriously mistaken.<sup>104</sup> First, Waltz portrays Hobson's theory as a 'second image analysis' or 'reductionist theory' of international relations, claiming that it explains external outputs, *i.e.*, state behaviour, through the specification of internal conditions. Second, Waltz criticises Hobson's theory as being economicist, claiming that Hobson saw political outcomes as the result of changes in economic variables. Third, Waltz misinterprets Hobson's theory aspiring to natural scientific status. On the basis of this misunderstanding he charges that Hobson's theory is a monocausal determinist account of the relationship of maldistribution of income and imperialism. However, Waltz's version of Hobson's theory of imperialism lacks the complexity, the ambiguities, and contradictions of the original. His criticisms of Hobson are misplaced.<sup>105</sup>

Waltz claims that Hobson's theory of imperialism 'can be summarized in one sentence: Uncontrolled capitalist production gives rise to industrial surpluses; from the attempt to market these surpluses an international fight for markets ensues; war results, directly or

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<sup>104</sup> Waltz makes other less serious errors of interpretation. For instance, Hobson was a liberal in 1902 and cannot in any case be regarded a Marxist revisionist (*Man, the State and War*, p. 149).

Waltz makes a number of points against the general theory of imperialism he attributes to Hobson. For instance, if Hobson is pointing to a condition of capitalist countries causing imperialism, there are the problems that imperialism, the effect, as in the Roman Empire, is older than the cause, capitalism; that not all imperialist countries were capitalist or surplus-producing for the time Hobson discussed; and that not all capitalist countries were imperialist. Waltz attempts to soften this test of Hobson's theory by stressing that only *most* (not all) capitalist states must be imperialist, and only *most* imperialist states must be capitalist. Waltz, *Theory of International Politics*, p. 24-5. These are well-worn criticisms derived from the economic history literature cataloguing the deficiencies of Hobson's empirical analysis. See footnote 40, above. Waltz fails to specify what he means by 'capitalism', 'socialism', 'imperialism' and 'surplus', and whether these are Hobson's meanings. For instance, Hobson's notion of surplus differs from the Marxian notion that Lenin used and Hobson's economic theory lacks the monetary aspects so central to Keynesian economics (*Theory of International Politics*, p. 21n.). Waltz conflates Hobson's and Lenin's theories of imperialism (*Theory of International Politics*, p. 20). Waltz misunderstands the importance of the distinction between ancient empire and new imperialism. As we have seen, Hobson extended the meaning of imperialism beyond the basic meaning of control of foreign territory to incorporate the competition of empires in the new imperialism (*Theory of International Politics*, p. 25).

Underlying all of these misinterpretations is a fundamentally different approach to international relations. This is exemplified by Waltz's claim that Hobson neglects the 'good' international political reasons for war. It is, indeed, true that for Hobson there were no 'good' reasons for war, international political or otherwise (*Theory of International Politics*, p. 36).

<sup>105</sup> Waltz, *Man, the State and War*, p. 81, 146; *Theory of International Politics*, p. 18, 20.



indirectly, from this struggle for markets.<sup>106</sup> Waltz has constructed a theory of linear causality where capitalism means the maldistribution of income, which causes underconsumption, which causes excess capital in the national economy, which leads to foreign investment, that causes imperialism, which causes war. This characterisation leads Waltz to criticize Hobson for second image reductionism and economic determinism in his link of a domestic economic condition, surplus capital, to an international political outcome, imperialism.

The description of Hobson's theory in the previous two sections contradict Waltz's view. Waltz claims that in the theory governments are somehow 'easily drawn' or 'led naturally' into imperialism.<sup>107</sup> Hobson, however, explained government involvement in imperialism, one of the major causes being the international competition of states. When Waltz accuses Hobson of a second image analysis of the cause of war he has overlooked Hobson's attention to the international system of competitive empires that issued in militarism, conflict, and war. Waltz determinedly concentrates on the social conditions examined in Hobson's theory, reduces them to domestic and economic factors and then extrapolates these into a theory of imperialism.<sup>108</sup> It is only through a discussion of Hobson's ideas of an international system of rival empires, however, that it makes sense to talk of Hobson believing that imperialism *caused* war.<sup>109</sup>

There is further evidence that Waltz is wrong in his accusation of reductionism when Hobson's proposals for reform are considered. Hobson proposed a classically third image - international system level - solution to imperialism in the shape of an international

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<sup>106</sup> K.N. Waltz, *Man, the State and War*, p. 145. See also *Theory of International Politics*, pp. 20-21.

<sup>107</sup> Indeed, Waltz recognises this rationale. See *Theory of International Politics*, pp. 21-22, in particular the question 'If one government supports its businessmen abroad, can other governments do less?'

<sup>108</sup> Waltz, *Theory of International Politics*, p. 20, advises students wishing to understand Hobson's theory of imperialism to read only Chapter 6 of the wide-ranging *Imperialism*. For a criticism of Waltz's tendency to reduce an argument and then accuse the author of reductionism, see R.K. Ashley, 'Three Modes of Economism', p. 467.

<sup>109</sup> Accepting Waltz's characterisation would mean that Hobson's theory would break down before we reached Waltz's criticisms regarding a domestic condition causing an international outcome. Hobson's theory of underconsumption has been challenged by economists, including Keynes. Indeed, every link in the chain of causation has been challenged. Waltz's is only one, and not the most significant, criticism of Hobson's theory. See chapter two for some of the criticisms of the economic theory that underlies the theory of imperialism.

government. Hobson also wandered beyond strictly domestic analysis when he examined the effects of imperialism domestically. The impact of the international system on domestic institutions and policy making has been called 'The Second Image Reversed' because it turns the direction of causation of Waltz's second image upside down. This was an important part of Hobson's study of imperialism.<sup>110</sup> Finally, Waltz considers underconsumption to be a domestic phenomenon. However, it was a problem that Hobson identified for all capitalist countries and was exacerbated by imperial competition. Imperialism, Hobson could argue, was the product of several nations attempts to deal with common problems of underconsumption.

Waltz seems to be on safer ground with the charge of economism. Hobson conceded in his autobiography that he initially overemphasised the economic elements of imperialism.<sup>111</sup> Yet there are a number of reasons why Hobson's concession need not be taken as an admission of economism in the theory of imperialism. First, new imperialism has political and ethical causes domestically. Maldistribution was the result of a social and ethical malady that issued in economic dysfunction. In other work, Hobson had stressed the importance of non-economic factors in the determination of economic activity. Indeed, Hobson believed this to be his own contribution to economics.<sup>112</sup> Second, Hobson concentrated on financiers as the beneficiaries of imperialism. But theirs was not a purely economic interest. To begin with, those behind imperialism used power their political power to influence press, public opinion, parliamentary representatives and even ministers. Hobson emphasised the key role of some economic actors, but their influence in bringing about imperialism is primarily political. Furthermore, Hobson's conception of combination in industry and in social life generally meant that, for Hobson, economic and political interests could no longer be divorced as had been claimed by the proponents of *laissez faire*. Hobson's opinions on the economic determination of history varied over his lifetime, but usually he condemned it as one of the errors of Marxism, overstretching the meaning of the term, economics.<sup>113</sup> Third, Hobson's theory of imperialism was an attempt to undermine the liberal belief that economic relations are inherently pacific that rested on the supposition of the autonomy of economics and politics. Hobson did concentrate on economic factors as a

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<sup>110</sup> Peter Gourevitch, 'The Second Image Reversed'.

<sup>111</sup> *Confessions*, p. 63.

<sup>112</sup> See *Confessions*, ch. 16. Hobson's humanist welfare economics is developed in, for example, *Work and Wealth* and *Wealth and Life*.

<sup>113</sup> *Free Thought*, pp. 77-8.

means of subverting this liberal tenet. However, Hobson's analysis reintegrated economics and politics into what might now be described as a political economy of imperialism. Finally, clearer indications of economism appear in Hobson's internationalism, where economic forces are directed towards peace.<sup>114</sup>

Waltz's third charge is that Hobson advanced a simplistic monocausal, determinist theory of imperialism. This underpins the previous two charges in their assumption of unilinear causation in Hobson's theory, but is a misinterpretation by Waltz. Hobson's theory is not a 'hard', natural scientific theory of international politics. Waltz, in common with many other international relations scholars, interprets Hobson's analogies as if they were assertions of scientific fact.<sup>115</sup> The result of such an interpretation is a hard but brittle theory, a general theory of wide application that Waltz has little trouble demolishing.<sup>116</sup>

First, Waltz fails to take account of Hobson's complex formulation of the relationship of international and domestic, political and economic, ethical and social factors. While Waltz accuses Hobson of developing a theory where domestic economic conditions cause international political outcomes, in fact, Hobson developed a political economy of imperialism where international and domestic political and economic conditions result in international and domestic political and economic outcomes. Hobson did not claim that maldistribution of income caused all or most wars. He provided the intervening factors of political interest and international structure. Hobson never claimed that imperialism was the sole cause of war or that peace would reign supreme if only imperialism were eliminated.

Second, the theory itself was developed in the heat of controversy over the British involvement in the Boer War. *Imperialism: A Study* is a collection of essays written for different journals over four years from the initial formulation presented in *Contemporary*

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<sup>114</sup> This is discussed in greater detail in chapter five. See *Economic Interpretation of Investment*, pp. 121-2; *The Case for Arbitration*, p. 4. This change in Hobson's position has been noted by Peter Cain, 'Variations on a Famous Theme: Hobson, International Trade and Imperialism, 1902-1938', pp. 31-4.

<sup>115</sup> Waltz, *Theory of International Politics*, p. 25, even compares the theory to Newtonian physics.

<sup>116</sup> Construed as a general theory applying across time and space, Hobson's theory is easy to falsify. However, the most significant doubt concerns the credibility of any general theory as an explanation of history. Any such theory must inevitably overlook other important factors in specific imperial expansions, and thereby be compromised.

*Review* in 1898.<sup>117</sup> This belies the criticism of Hobson that he generalised his experiences in South Africa just before the Boer War into a general theory of international relations. In fact, it was the article 'Free Trade and Foreign Policy', Hobson's first presentation of his imperialism thesis, and his contacts in radical circles that led to his being sent to South Africa. The theory preceded Hobson's trip to South Africa, not the other way around.<sup>118</sup> Further, the chapter Waltz isolates as the key chapter was one of the last to be written by Hobson.<sup>119</sup>

Third, the theory continued to evolve over the rest of Hobson's life. It receded somewhat during the decade before the First World War, only to reappear with renewed force in the context of the War and the troubled inter-war period. The changed context of imperialism involved an expansion of its application during the First World War, similar to the imperialism as an international system, propounded by Lenin around the same time. Some of Hobson's views on imperialism and its vital elements changed, notably, as we have seen, with regard to the influence of international finance and the role of nationalism.<sup>120</sup>

The result of controversy, changing historical context and Hobson's exclusion from academia is that his theory of imperialism is considerably less neat than Waltz claims. Waltz simplifies Hobson's theory, making its ambiguities and contradictions invisible. Waltz has not giving us Hobson's 'best' theory, however, but has, rather, extracted his own theory from Hobson's writings.

Fourth, Hobson's theory of imperialism is not as straightforwardly determinist as Waltz believes. Hobson's is an explicitly normative theory: social reform is posited as the alternative to imperial policy. He did not see imperialism as an inevitability; rather, he believed that given certain social conditions imperialism was one solution to a series of domestic problems

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<sup>117</sup> Parts of *Imperialism* were published as articles in *The Speaker*, *The British Friend*, *Political Science Quarterly* and *Contemporary Review*. *Imperialism* was preceded by *The War in South Africa*, *The Psychology of Jingoism*, and a number of articles and letters written to newspapers and journals during the Boer War. There were a number of extremely hostile reviews of *Imperialism* in the press of the time. See Hobson papers for cuttings of these reviews. For another controversy, see Hobson's critique of the Fabian support for imperialism in 'Socialistic Imperialism'.

<sup>118</sup> See Waltz, *Man, the State and War*, p. 145, and J.D.B. Miller, *The World of States*, p. 116n.

<sup>119</sup> It appeared first in the *Contemporary Review* in the summer of 1902. For alternative estimations of the significance of this article/chapter, see Bernard Porter, *Critics of Empire*, p. 176-7, 190, and Peter Clarke, *Liberals and Social Democrats*, p. 96, on the historical context of the development of Hobson's theory.

<sup>120</sup> See P.J. Cain, 'J.A. Hobson, Cobdenism and the Radical Theory of Economic Imperialism, 1898-1914'; P.F. Clarke, 'Hobson, Free Trade and Imperialism'; and P.J. Cain, 'Hobson's Developing Theory of Imperialism'.

that conditioned the relations of states. In this sense, it is reduction of Hobson's analysis to contrast his idea of imperialism as a policy with Lenin's view of imperialism as a system. That imperialism was a policy chosen by nations implied for Hobson that this was an moral issue requiring ethical analysis. Hobson was, therefore conscious of the temporal and geographical limitations of his theory. The notion that imperialism was a necessary part of advanced civilised society was abhorrent to him. He hoped that imperialism would be a passing phase in the development of Western civilisation. The notion that Hobson's theory of imperialism is a general theory of Western capitalism is erroneous.

Fifth, a large part of the purpose of his theory was ideological. He attempted to reveal the delusion of imperial necessity and suggest that imperialism and its deleterious consequences were avoidable.<sup>121</sup> Hobson's theory of imperialism, like much of the rest of his writing, is a conscious attempt to adapt liberal ideology to the changing circumstances of the late nineteenth and early twentieth centuries. It is addressed 'the intelligence of the minority who are content neither to float along the tide of political opportunism nor to submit to the shove of some blind destiny...'.<sup>122</sup> It was a political theory, not a scientific theory. Lastly, as we have seen, Hobson opposed the importation of natural scientific methodology into the social sciences.<sup>123</sup>

The notion that Hobson's theory aspires to scientific status is wholly a creation of Waltz himself. In fact, Waltz's attribution of linear causality in the theory is inappropriate. The theory of imperialism rests, as does much of Hobson's theoretical writings, on an organic analogy. Imperialism is sectionalism in both domestic and international society. These rebuttals of Waltz's criticisms suggest that two important revisions of the common international relations interpretation of Hobson's theory of imperialism are necessary. First, Hobson's theory is more sophisticated than is usually given credence, especially with regard to international relations. Waltz's version of the theory neglects Hobson's discussion of the international relations of imperialism and accuses him of attempting to construct a general theory of international relations from an explanation of British economic conditions. However, this is a consequence of an illegitimate extrapolation, in the common international relations version, of Hobson's theory of imperialism as an aggressive foreign policy into a general theory of international relations. While Lenin's concept of uneven development has

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<sup>121</sup> *Psychology of Jingoism*, pt. 1, ch. 6.

<sup>122</sup> *Imperialism*, p. [43].

<sup>123</sup> See chapter two.

been adopted, Hobson's monopolistic competition of empires has been completely ignored.<sup>124</sup>

Second, the nature of theory in Hobson's theory of imperialism has been misconstrued. While this is part of a much greater miscomprehension of political theory in the behavioural revolution, there is a specific implication of the confusion over Hobson's theory. Hobson has been accused by some historians of seeing history through a Cobdenite lens. His view that there was an increase in imperial activity is premised on the idea that there was a mid-nineteenth century pause, in short, the *pax Britannica* of free trade and nonintervention. This is an ethnocentric viewpoint to begin with, but is arguably inaccurate even for Britain.<sup>125</sup> However, despite these criticisms of Hobson and because of the 'scientific' interpretation of Hobson's theory, international relations has uncritically accepted his statement that there was a period of increased imperial activity at the turn of the century. This appears in Waltz's reformulation of the theory as the 'imperialism of great power', but even more significantly in hegemonic stability theory. In short, international relations scholars have interpreted Hobson's interpretation, including his ideological assumptions, as history.<sup>126</sup>

### The Problem of Inter-imperialism

After writing *Imperialism*, Hobson became increasingly concerned by the possibility that the competition of national empires might be transformed into collusion and combination, much as had the cut-throat competition of firms. Much maligned by Lenin, and called ultra-imperialism by Karl Kautsky, Hobson initially discounted the idea. Increasingly, however, he came to accept the possibility of 'an economic international co-operation of advanced industrial peoples for the exploitation of the labour and the undeveloped natural resources of

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<sup>124</sup> On Lenin and uneven development, see Robert Gilpin, *The Political Economy of International Relations*, p. 39-41.

<sup>125</sup> John Gallagher and Ronald Robinson, 'The Imperialism of Free Trade'. Also see their *Africa and the Victorians*; and Bernard Semmel, *The Rise of Free Trade Imperialism*.

<sup>126</sup> In this context, Hobson is a possible avenue of criticism of the anti-democratic tendency of theorists of hegemony. Hobson also provides arguments that suggest that any hegemony is chronically unstable. While the debt to Lenin in hegemonic stability theory is well known, Hobson's liberal democratic critique of imperial policy, paradoxically perhaps, provides more room for criticism of recent international theory. For the acceptance of Hobson's claim about the increase of imperial activity, see Waltz, *Theory of International Politics*, p. 26. The classics of the hegemonic stability theory literature are Robert Gilpin, *War and Change in World Politics*; Robert O. Keohane, *After Hegemony*; Paul Kennedy, *The Rise and Fall of Great Powers*.

backward countries, chiefly in Africa and Asia.<sup>127</sup> Inter-imperialism, as he called it, described the organisation of the world through the collusion of the imperialist states to set up a world economic system which would benefit them as a group at the expense of the backward nations. Pitting the rich nations of the world against the poor, this is the final twist of Hobson's analysis of the sectional interest that produces imperialism. Logically, national imperialism cannot be the final stage of combination. National capitalisms could collude and bring their national states together, solving the problem of imperial strife in order that the imperial system be maintained. The change in the imperial system from national competition to international combination of businesses and of states is analogous to the movement from competition to combination in the capitalist economy.<sup>128</sup>

Inter-imperialist combination was a possibility created by the growth of international cartels and cosmopolitan finance.<sup>129</sup> 'As capitalism generated imperialism,' Hobson wrote, 'this intercapitalism will generate an inter-imperialism.'<sup>130</sup> He argued that by substituting a race cleavage for the class cleavage at home:

Western industrial civilisation, organised internationally under industrial, commercial, transport, and financial cartels, would exploit the tropics, and other backward countries containing or receiving supplies of cheap submissive labour, for the benefit primarily of profit-making syndicates, but, secondarily, of the skilled white labour in the final manufacturing processes and other economic services still retained in the Western world.<sup>131</sup>

Hobson claimed that inter-imperialism was a means by which domestic opponents of imperialism were bought off, as it allowed high wages in industrial countries. The workers as well as the capitalists in the advanced countries could then live comfortably off the sweated labour of the rest of the world. This would be a 'world-order' where 'the ruling classes of the most powerful Western allies undertake in the name of pacific internationalism the political government and the economic exploitation of the weaker peoples and the less developed

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<sup>127</sup> *Rationalisation and Unemployment*, p. 115.

<sup>128</sup> *Problems of a New World*, p. 183.

<sup>129</sup> Hobson had previously been skeptical of the prospects of international cartels. See *The Fruits of American Protection*, p. 34.

<sup>130</sup> *Wealth and Life*, p. 402,

<sup>131</sup> *Wealth and Life*, p. 402.

countries of the world.<sup>132</sup>

Hobson thought that this might give capitalism a lease of life for a generation.<sup>133</sup> However, the inter-imperialist system was the final world conflict of economic interest. The sectional interests within firms, trades, industries and nations would be represented at the international level: 'The conflicts of economic interest ... between capital and labour within the single business and industry, between sheltered and unsheltered industries within each nation, between Western national capitalisms, struggling for a restricted world market, will now have given place to a final conflict between the interests of the advanced and backward peoples.'<sup>134</sup> Inter-imperialism could only delay the day of reckoning for the imperialist system. Though the problem of inter-capitalist rivalry would have been transcended and the possibility of war between the Great Powers reduced, the underlying conflict in the capitalist system, engendered by the appropriation of surplus value would have reached its climax.<sup>135</sup> This system would ultimately collapse because, as with industrial and financial combination, it failed to address the root problem of the unjust system of maldistribution of income. Increasingly the profits extracted from this 'huge 'sweating system'' would fall because of the insufficiency of demand as it had in the competitive and monopolised national economies and also in the competitive imperial system.<sup>136</sup> Furthermore, like imperialism, inter-imperialism stimulated exclusive nationalism in the exploited backward peoples, potentially engendering a global conflagration between the advanced and backward countries.<sup>137</sup>

While the Berlin Conference on the partition of Africa between the Great Powers was the first inkling of an attempt at inter-imperialism, Hobson was most concerned with the fate of China. With the fervour for a new world order after the First World War, Hobson argued that the new League of Nations might become a vehicle for inter-imperialism. It would be a League from which all non-European States, except perhaps the United States and

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<sup>132</sup> *League of Nations*, p. 20; *Democracy After the War*, p. 191. See also *Problems of a New World*, p. 183, 186.

<sup>133</sup> *Poverty in Plenty*, pp. 79-80.

<sup>134</sup> *Poverty in Plenty*, p. 80. See also *Democracy After the War*, p. 195. Hobson withdrew the comment 'final' from this passage in *Problems of a New World*, p. 185.

<sup>135</sup> *Problems of a New World*, pp. 28-9.

<sup>136</sup> *Conditions of Industrial Peace*, p. 111, 116; *Wealth and Life*, p. 403, *Poverty in Plenty*, pp. 80-1.

<sup>137</sup> *Wealth and Life*, pp. xxvii-xxviii.



Japan, were excluded, would be exceedingly likely to develop a wide conscious "imperialism" which would in the long run prove not less dangerous to the peace of the world than the national antagonism of the past, in that it was the expression of the joint ambitions and pretensions of a group of powerful white nations masquerading as world government.<sup>138</sup>

### Critical Assessment

There are a number of criticisms above and beyond those advanced by Kenneth Waltz. In this section I will consider a few of the more significant theoretical controversies concerning Hobson's theory.

Some accounts of Hobson's theory have seen it as a series of accusations about the activities of a number of people or groups of people as they manipulate governments and popular opinion for their own selfish purposes. Hobson extended the Cobdenite critique of foreign policy to include the businessmen who Cobden applauded.<sup>139</sup> These accounts suggest that Hobson's theory of imperialism is a conspiracy theory, one that has a heritage in liberal radical approaches to foreign policy. Conspiracy theory personalises issues and suggests that the reform of policy will be effected by the removal of certain people or classes from their dominant positions. The evidence for this type of theory could be gleaned from the official statements, private remarks (for example, in memoirs) and actions of the representative actors in the imperial drama. However, Hobson is criticised for providing little evidence to prove that these people actually did conspire and influence policy makers, even in his strongest case, the Boer War.<sup>140</sup>

There is no doubt that conspiracy theory plays a large part in Hobson's explanation of the Boer War, and that the Boer War was, for Hobson, the classic instance of modern imperialism. In this case, Hobson was not afraid to name names. Nor did he flinch from claiming that a particular race were at the centre of the financial machinations leading to the war, that is, that the war in South Africa was the result of a Jewish conspiracy.<sup>141</sup>

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<sup>138</sup> *A League of Nations*, p. 20.

<sup>139</sup> Richard Koebner, 'The Concept of Economic Imperialism', *Economic History Review*, p. 3, 6; Charles Reynolds, *Theory and Explanation in International Politics*, pp. 219-20.

<sup>140</sup> Charles Reynolds, *Modes of Imperialism*, pp. 108-9, 113-4.

<sup>141</sup> See *The War in South Africa*; 'Capitalism and Imperialism in South Africa'; *Evolution of Modern Capitalism*, pp. 266, 268-72. On Hobson's anti-semitism, see Hannah Arendt, *The Origins of Totalitarianism*, p. 135; Harvey Mitchell, 'Hobson Revisited', pp. 398-405; and A.J.F. Lee's PhD

However, the Boer War case was 'only exceptional in the directly conscious nature of its "engineering"', according to Hobson.<sup>142</sup> Hobson does not provide the documentary evidence that critics charge he should, because conspiracy is not the central feature of Hobson's theory of imperialism. Elsewhere, the conspiracy aspect of Hobson's theory gives way to more general accusations against particular classes or groups.<sup>143</sup> Hobson also queried the idea that the wealthy and powerful who benefitted by imperialism consciously sought their interest in an imperial policy. The ideology of imperialism encourages the self-deception, not only of the public, but of statesmen and businessmen.<sup>144</sup> In addition, it is difficult to conceive why Hobson would propose social reform if his theory rested merely on the actions of a group of malefactors.

Bernard Porter has claimed that Hobson had not one but two theories of imperialism, a conspiracy theory derived from his experiences in South Africa and an economic structural explanation derived from his economic studies.<sup>145</sup> While Porter's claim appears plausible, there are reasons to reject it. Porter has rejected the idea that structural and conspiracy theories are mutually complimentary, indeed, integrally linked, in Hobson's theory. The trusts and financiers could not, indeed would not need to, play the role they do in imperialism if the domestic economy were structured differently. By the same token, Hobson's structural theory is complemented by mechanisms for capital export of which the trusts and the financiers are manifestations.

Furthermore, Hobson provides a structural explanation of the power and influence of this group in his economic theories of underconsumption and combination. Financiers and industrial magnates have benefitted from the growing concentration of industry and interdependence in the economy, both national and international.<sup>146</sup> However, there is a double meaning in Hobson's writings that has been overlooked by other studies. Concentration, as it is used by Hobson in reference for instance to industry, means that

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thesis. For further examples of Hobson's pursuit of the conspirators, see 'The Proconsulate of Milner', 'The Testimony From Johannesburg', and 'Mr. Rhodes on the Future of South Africa'.

<sup>142</sup> *Democracy After the War*, p. 85.

<sup>143</sup> For instance, in *Imperialism* and in *Democracy After the War*.

<sup>144</sup> *Imperialism*, p. [49]; *Democracy After the War*, pp. 131-2.

<sup>145</sup> As argued by Bernard Porter, *Critics of Empire*, p. 215.

<sup>146</sup> *Imperialism*, pp. 357-8.

businesses have combined and/or become more organised. But concentration also denotes conscious thought and planning. Concentration of industry and finance makes, then, for an organised powerful interest that knows what it wants. As sectional interest groups, financiers and magnates are both powerful and able to influence policy makers because they are organised. Where this intention is lacking, the disorganisation of opposing interests is enough to permit their manipulation. This double meaning of concentration has two important implications. First, there is just one 'structural' theory of imperialism. Concentration joins structural and personal influence. Second, the double meaning of concentration reinforces the importance of the ideological purpose of Hobson's theory. It was Hobson's attempt, through an appeal to an intelligent minority, to raise the consciousness of the silent majority, to get them to concentrate, a preliminary to their organisation against imperialism.

Bernard Porter also accuses Hobson of basing his theory on 'intellectualist' assumptions.<sup>147</sup> Porter argues that Hobson observed a malady in British politics, and then sought a rational cause. Thus, Hobson showed that while the whole of the imperial enterprise is irrational, it was in fact rational for some, *i.e.*, the financiers. This is fallacious because Hobson has deduced backwards from the financiers' gains in imperialism to their active part in the enterprise. It is not implausible that they could in fact have been third party beneficiaries of imperialism. Porter argues that the strategic concerns of statesmen led to imperialism which was a situation where no-one benefitted and no group or individual was specifically to blame.<sup>148</sup> According to this view, substantially supported by, among others, Fieldhouse and Waltz, the security dilemma facing each state forced it to pursue imperial policies. Hobson failed to account for irrational action or for the irrational outcome of the aggregation of rational actions of statesmen. In his critique of the anti-democratic forces, Hobson also exaggerated the congruence of interests in imperialism. There are numerous differences that divide financiers and imperial entrepreneurs. Financiers have no clear interest in protection, while some manufacturers do and some do not.<sup>149</sup> The pride and aggrandisement behind the imperial politician and entrepreneur are unlikely to find favour with those who believe in the Christian mission of civilisation. In short, Hobson's

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<sup>147</sup> Porter, *Critics of Empire*, p. 225.

<sup>148</sup> Porter, *Critics of Empire*, p. 229.

<sup>149</sup> *Imperialism*, p. 359. As Hobson conceded (*Wealth and Life*, p. 402), '[w]hile for some purposes [big business] may disregard tariff barriers, its general interests are definitely opposed to such interferences with free trade and the commercial division of labour that it serves.'

identification of groups behind imperialism is high on polemic and low on rigorous analysis.

Though it is doubtless accurate to describe Hobson as a rationalist, the problem with this critique is that the security dilemma/strategic interest explanation is dangerously close to being an *apologia* for imperialism. Also, this critique rests on a problematic distinction between political, military, strategic interest and economic and social interests. It is exactly the consonance of these interests that makes Hobson's theory of imperialism so powerful, both theoretically and rhetorically.<sup>150</sup>

Peter Cain has criticised Hobson for overlooking a serious contradiction in his economic explanation of imperialism. According to Cain, Hobson's underconsumption theory is founded on a rejection of Say's Law, but his critique of imperialism as undercutting rests on a Cobdenite argument that must validate Say's Law.<sup>151</sup> Cain goes on to claim that Hobson remedy this contradiction but only in reducing his critique of the operation of international financial capitalism. Peter Clarke refutes Cain's arguments and points out that Hobson was both less consistent at any one time and more consistent over time than he is given credit by Cain. Both Clarke and Cain, however, fail to grasp the changing nature of Hobson's understanding of the international economy. Both also consider Hobson a Cobdenite on international economic issues. This is a misleading categorisation of Hobson's ideas that I deal with in the next chapter.<sup>152</sup>

Hobson has been criticised for failing to develop his concept of finance. Hobson did not make distinctions between real and money capital or between finance as part of the structure of a world economy and finance as the personnel and managers of financial houses.<sup>153</sup> Giving credence to Porter's claim that Hobson has two theories of imperialism, he oscillated between a view of finance as an overflow created by surplus capital due to underconsumption and the identification of finance as the activities of certain financiers. In *Imperialism*, when he discussed finance, Hobson meant the business of financiers

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<sup>150</sup> See John Allett, *New Liberalism*, p. 150; Julian Townshend, 'Introduction', *Imperialism*, p. [39], for criticisms of Porter.

<sup>151</sup> P.J. Cain, 'J.A. Hobson, Cobdenism and the Radical Theory of Economic Imperialism, 1870-1914', p. 570-6.

<sup>152</sup> P.F. Clarke, *Liberals and Social Democrats*, pp. 177-8; Bernard Porter, *Critics of Empire*, p. 197; and also P.J. Cain, 'J.A. Hobson, Cobdenism and the Radical Theory of Economic Imperialism, 1870-1914', p. 581.

<sup>153</sup> I discuss the distinction of national and international finance further in chapter five.

manipulating domestically produced surplus capital.<sup>154</sup> His theory neglects the influence of transnational firms that build plants abroad, seeing capital movements across national boundaries purely in terms of money.<sup>155</sup>

Though Hobson's theory was not simplistically economic determinist, there is determinism in his theory. While Hobson attempted to expose the illusion of imperial necessity, he wrote that underconsumption was a real problem for the business community with only two basic solutions. His argument was that only radical reform would be successful: in short, given unreformed capitalism, then imperialism. However, the choice for social reform is hardly a choice at all, at least for a civilised people. Hobson did not supplant imperial necessity by choice, but merely imposed a parallel necessity for social reform. Hobson's theory is, in this sense, determinist; his argument is that a rational course of action must be adopted if catastrophic consequences are to be avoided. The dichotomisation of imperialism and social reform suggests a necessitarian outlook.<sup>156</sup>

## Conclusion

There are a number of conclusions that follow from the foregoing analysis. The first section demonstrated that Hobson maintained one basic meaning of imperialism, of which the 'new imperialism' was a variant. The second section revealed that, while domestic economic factors were important, Hobson also critically examined the ideology and psychology of the new imperialism. The third section showed that Hobson's theory of imperialism contained a significant international relations dimension; imperial competition, imperial protection and militarism are not reducible to domestic factors. The fifth section applied lessons from the previous three sections to refute the prevalent conception of Hobson's theory in international relations as exemplified by the interpretation of Kenneth Waltz.

Hobson's theory is an attempt to expose certain fallacies. First, the liberal doctrine of *laissez faire* had been invalidated by the facts of increasing political and economic combination both nationally and internationally. Second, the trend to combination invalidated

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<sup>154</sup> *Imperialism*, pp. 56-7, 59, 84-5.

<sup>155</sup> This is an unfortunate omission because if he had dealt with this distinction, he would have been close to developing a theory that included multinational corporations. See Arrighi, *Geometry of Imperialism*, ch. 4, for a critique of Hobson along these lines.

<sup>156</sup> This necessitarian perspective and strict bifurcation into imperialism and social reform is redolent of idealism as identified by R.N. Berki. See his *On Political Realism*, pp. 194-5.

the view that politics and economics were autonomous spheres of social life. Both in fact and in theory Hobson argued this was an untenable view. Hobson also unseated the liberal conceit that capitalism led to peaceful international relations - capitalism was now exposed as a cause of war. Finally, Hobson exposed the self-deception of the ideology of imperial necessity. Imperialism was definitively a choice for nations.

In conclusion, the chapter has suggested that Hobson's theory of imperialism has been stylised and caricatured in the international relations literature. There remain a number of serious ambiguities and lacunae in Hobson's theory of imperialism. It is a complex and sometimes contradictory political theory, a *political* diagnosis of the social pathology of imperialism, rather than the scientific theory it is usually understood to be.<sup>157</sup> He also exposed the self-deception of the ideology of imperial necessity and restored imperialism as a definitively political choice for nations. A renewed examination in international relations of these aspects of Hobson's theory is long overdue.

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<sup>157</sup> *Imperialism*, p. [43]. This is Hobson's description of the book in the preface to the First Edition. Note that Hobson claimed this was a scientific treatment in the sense of diagnosing an ill and providing a remedy, a distinctively normative aim.

## Chapter Five

### Economic Internationalism, Free Trade and International Government

Many of Hobson's writings on international relations concentrate on economics. The chapter explores the apparent contradictions in Hobson's economic internationalism, between his defence of free trade and his advocacy of international economic government. Considering Hobson's theoretical framework for his writings on international relations, it explains why Hobson saw no contradiction. In his discussion of economic internationalism, Hobson divorced free trade from its dependence on *laissez faire* doctrine, instead making it part of his evolutionary approach to economic relations between nations.

The chapter is structured thematically rather than chronologically. The first section considers Hobson's arguments in defence of free trade as the condition for the maximisation of national and global welfare. For Hobson, free trade was also a bulwark against the sectional interests of protectionism and imperialism. The second section considers Hobson's reservations and criticisms of the free trade argument.

The third and fourth sections consider Hobson's proposals for international economic government. First, he proposed that an international government might establish the conditions for the orderly and just operation of a free trade world economy. Second, he suggested that, ideally, international institutions should plan and direct the world economy, with the aim of maximising total human welfare through redistribution of income. Hobson's opinions on international economic relations are placed in the context of his evolutionary perspective on international relations. Hobson's arguments for and against free trade, and for international economic government, were his prescriptions for an emerging international economic order.

The fifth section examines his analysis of three issues in international economic relations: the internationalisation of capital, the international mobility of labour and the development of the world's natural resources. The sixth section considers a number of critiques of Hobson's economic internationalism. The chapter concludes by suggesting that Hobson's contribution to international political economy is not limited to his explanation of the economic bases of imperialism. Hobson advanced theoretical arguments that transformed the liberal debate on economic internationalism, moving it away from *laissez faire* and individualism.

## Defending Free Trade

Hobson was quite open as to the bias of his perspective on international economic issues. He wrote:

As an economist, steeped in the principles of Cobden and his British school of liberals, my predilections (prejudices if you will) have always been in favour of the freest possible movement, alike of trade and persons, and against fiscal protection and immigrant restrictions.<sup>1</sup>

In defence of the validity of free trade principles, Hobson followed orthodox liberal and classical economic tenets. For Hobson, free trade was good for all concerned; there was nothing to be gained from national economic isolation and many benefits to be lost. His view was that 'liberty of exchange benefits a whole society and each of its members where complete mobility of capital and labour and equal access to natural resources of the land exist', and '[t]he wider the area, the freer and more secure the nature of this intercourse, the greater is the net gain, both to those parties directly engaging in each act of commerce and to those who indirectly profit by doing business with parties thus enriched.'<sup>2</sup>

In *International Trade* and *The Science of Wealth*, Hobson used parables of a small trading community to illustrate the benefits of free exchange between communities and, by extension, nations.<sup>3</sup> According to Hobson, free trade principles showed that the division of the community of traders into two separate political communities did not alter the gains from the division of labour and specialisation through exchange:

Freedom of exchange would still tend to make each person on either side dispose of his labour-power and his capital in a manner which conduced to the maximum productivity of the two villages, regarded as an economic group ... The political separation of the two villages could not itself affect the economic gain of maintaining old relations. Except where political interference with these trade relations is expressly contrived, there is no plausibility in the mistaken notion that villages, towns, or nations engage in trade with one another.<sup>4</sup>

Hobson claimed that this logic applied to the nations of which these smaller political communities were a part; national boundaries could only be a harmful interference to the

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<sup>1</sup> *The Morals of Economic Internationalism*, p. 29.

<sup>2</sup> *International Trade: An Application of Economic Theory*, p. 13. See also, *Imperialism: A Study*, p. 68; *Democracy After the War*, pp. 70-1. Compare these opinions with the analysis advanced by David Ricardo, *Principles of Political Economy and Taxation*.

<sup>3</sup> *International Trade*, pp. 14-22; *The Science of Wealth*, ch. 13.

<sup>4</sup> *International Trade*, p. 20. See also *Economics of Unemployment*, p. 148.



gains from free exchange so far as nations were part of a single economic system. Hobson claimed that with a single world economy of trade, nations could not be considered economic units.<sup>5</sup> International trade was not, argued Hobson, trade between nations conceived as acting like unitary firms, but trade between the individuals, households, groups, firms and industries that constituted nations. It was only the intervention of governments that led people to believe that nations were economic rivals.<sup>6</sup> In fact, international trade did not imply conflict between nations: 'no such collective competition exists at all. So far as trade involves competition, that competition takes place, not between nations, but between trading firms, and it is much keener and more persistent between trading firms belonging to the same nation than between those belonging to different nations.'<sup>7</sup>

Indeed, far from being an economic heretic, on international economic issues, Hobson's extension of the free trade argument to apply to factors of production as well as goods suggested more rather than less *laissez faire*.<sup>8</sup> Hobson argued that international economic relations were governed by the same laws of economics as the domestic economy. This meant that the economic theory could be applied not only to the trade of commodities but also to international movements of the factors of production.

Hobson's observation of the theoretical implications of a single world economy paralleled his observation of the increasing volume and importance of foreign investment as compared to commerce between nations. He believed that with the increasing mobility of capital, the world was becoming one economic system, and that there was a consonant international interdependence of industries and nations. In this sense, Hobson goes beyond classical free trade arguments to claim that Ricardian comparative advantage is outmoded in

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<sup>5</sup> In *International Trade*, chs. 1-4, esp. p. 53, Hobson refuted the argument that nations were non-competing groups, the argument he believed to be the basis of the separation of theories of national and international trade.

<sup>6</sup> For Hobson's discussions of why the nation was not an economic unit, see *Problem of the Unemployed*, Second Edition, p. 86; *International Trade*, p. 21; *The Case for Arbitration*, p. 3; *Economic Interpretation of Investment*, p. 95; *The German Panic*, pp. 25-6; *Work and Wealth*, p. viii; *The New Protectionism*, pp. 2-5; *Democracy After the War*, p. 75; *Morals of Economic Internationalism*, pp. 9-10. The fallacies of economic nationalism were further supported by mistaken impressions of a national economy created by national accounting. On economic nationalism, see below.

<sup>7</sup> *Work and Wealth*, p. 273.

<sup>8</sup> 'Economic Heretic' was Hobson's self-adopted label, a reflection of his challenge to the liberal economic orthodoxy on social organisation and distribution. See chapter two.

the modern industrial world because of the increased fluidity of capital and the emerging global economy. This is the difference, essentially between Cobdenism and free trade doctrine, on the one hand, and Angellism and the interdependence of international finance.<sup>9</sup>

In conclusion, Hobson stressed the overriding importance of a wider division of labour - a truth handed down by political economists from Adam Smith onwards. This view of course fits well with Hobson's theory of surplus value in one major respect: greater cooperation leads to the production of a greater surplus and higher (in this case global) welfare.

### *The Critique of Protectionism and Economic Nationalism*

A central element of Hobson's economic internationalism was his rejection of the arguments put forward in favour of protection and economic nationalism. Hobson countered these with classical free trade arguments. Protection, for Hobson, was a futile attempt to close off a national economy from the effects of internationalisation. The result of protection was that there would be a worse division of labour and thus lower productivity in the protected area, and thus a rise in prices. A corollary was that capital would flow out of the protected area, because '[e]very fresh barrier against freedom of exchange, rendering less effective the division of labour among nations, causes the capital and labour in the country which imposes it to be less productively employed than it would otherwise have been.'<sup>10</sup>

Hobson was well aware of the various justifications and rationalisations of protectionism as an argument against free trade. He discussed and dismissed the arguments for protection of key industries, of infant industries, protection as military necessity, and the argument that defence comes before opulence. In each case, Hobson attempted to show that the arguments fall for both political and economic reasons. Protection neither enhances economy, due to the imposed constraints on the division of labour, nor does it help defence. Rather it stimulates rivalry and conflict.<sup>11</sup> He argued that all these arguments appealed to sections of society, but that they could not be applied generally to the economic system

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<sup>9</sup> Particularly *Economic Interpretation of Investment*.

<sup>10</sup> *International Trade*, p. 165. For similar arguments, see *International Trade*, p. 120, 177-8; *Towards International Government*, pp. 131-2; *New Protectionism*, pp. 50, 56-9; *Economics of Unemployment*, 151-2; *The Modern State*, p. 33; *Imperialism*, pp. 103-4.

<sup>11</sup> *Work and Wealth*, pp. 348-9; *Democracy After the War*, p. 76; *Economics of Unemployment*, pp. 20-1; *Imperialism*, p. [50].

without huge costs.

Hobson claimed that import taxes could not both protect and keep prices down, that protection would retard rather than encourage economic development, that it would result in damaging retaliation from trade rivals, that it benefited certain producers (usually the more powerful) over others and that producers as a whole would benefit at the expense of consumers, and that this was a bad policy globally.<sup>12</sup> Protection was a sectionalist policy according to Hobson because it could only benefit the protected firms or industries. Other industries and consumers would lose out in lower incomes and higher prices. Powerful business interests called for a policy of protection to defend their interests at the expense of the rest of the nation and indeed of global welfare as a whole.<sup>13</sup>

Hobson extended the argument further to imperial protection and regional customs unions. According to the free trade argument, it was clear that *any* barrier to exchange would result in a loss of the benefits from the division of labour: 'It is true that the *possibility* of economic self-sufficiency is greater as the group is larger and admits more division of labour; but this does not cancel the damage of erecting barriers. For every extension of the area of free markets secures a more effective division of labour, and a larger absolute share for each free participant.'<sup>14</sup> Imperial protection viewed the world market as something to be fought over and failed to recognise the benefits of free trade were available to all should the reduction of obstacles occur. Similarly, though customs unions could mean the reduction of tariffs within the union, they also entailed exclusion of other nations's goods. This exclusion constituted a loss to productivity and hence welfare. Hobson claimed that 'Free Trade has nothing but commendation for proposals for closer or more effective trade relations between allies, provided they are not intended, and do not in fact work out, as a policy of exclusion and hostility to other countries.'<sup>15</sup> According to Hobson's free trade arguments, in each case

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<sup>12</sup> For examples of Hobson's examination of the economics of tariffs, see *The Fruits of American Protection; Canada Today*, pt. 2; *The Industrial System*, ch. 15; *New Protectionism*, ch. 3; *Taxation in the New State*, pt. 1, ch. 8. Hobson was also concerned by the potential impact of an economic boycott imposed by the League of Nations. See *Towards International Government*, ch. 7.

<sup>13</sup> *The Fruits of American Protection*, p. 29; *New Protectionism*, p. 11; *Poverty in Plenty*, p. 65.

<sup>14</sup> *International Trade*, p. 21. See B. Semmel, *The Rise of Free Trade Imperialism* for a discussion of attempts to reconcile imperialism and free trade.

<sup>15</sup> See *New Protectionism*, p. xiii. For Hobson's discussions of the prospects for systems of imperial preference and the more extensive suggestions for an imperial federation, see *The War in South Africa*, pt. 3, ch. 5; *Canada Today*, pt. 2; 'The British Imperial Conference', 'The British Empire in Conference' and 'Britain's Protective Budget'. On regional zollvereins, particularly the suggestion for

there would, however, be a loss in terms of a potential global division of labour. An increased chance of international conflict engendered by the competition of rival imperial or regional blocs was a potential economic cost, as well as a hazard for humanity.

Hobson claimed that the retrogression to economic nationalism would lead to the deterioration of international relations which would have its own costs above and beyond those resulting from the reduction in trade and thereby economic activity. First, there were the costs of setting up the protective system both in terms of civil government and the need for military expenditure. Second, the economic costs included the need for constant preparedness to fight for markets in the instance of imperial protection, for instance to force doors open and to protect trade routes and markets from the encroachments of competitors. Third, the economic consequences of retaliation for both sides redoubled the losses caused by the initial protection by closing down more of the trade and commerce on which welfare depended. Hobson condemned protection as leading to conflict both domestically and internationally.<sup>16</sup>

There were more than just economic costs to protection and economic nationalism, however. Hobson claimed that free trade was part of an 'economic internationalism [which] is an essential feature of civilization.' Free trade was, for Hobson as it had been for Cobden, the foundation of peace and prosperity: 'commerce has always been the greatest civilizer of mankind. All other fruits of civilization have travelled along trade routes ... Cut off commerce, and you destroy every mode of higher intercourse.'<sup>17</sup> Economic nationalism, as we have seen, Hobson believed to be a form of militarism. This militarism prompted international conflicts. Meanwhile, should there be conflict between nations, Hobson claimed that protection was a feeble instrument of national defence both before and during war. Hobson denied the opposition of defence and opulence. Free trade made for economic strength, the basis of military power, while also making friends of neutrals in the conflict, thus potentially helping in terms of supplies in the war effort.<sup>18</sup>

In contemporary disputes over free trade, Hobson opposed Chamberlain's British tariff

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an economically united Europe, see 'The Economic Union of Europe', 'The Economic Organization of Europe' and 'The United States of Europe'

<sup>16</sup> *Imperialism*, pt. 1, ch. 5; *New Protectionism*, ch. 4.

<sup>17</sup> *New Protectionism*, p. 115; *Morals of Economic Internationalism*, p. 20. See also *Free Thought in the Social Sciences*, p. 79; *New Protectionism*, p. 107.

<sup>18</sup> *New Protectionism*, pp. 24, 103-5, 112.

reform movement on the grounds that it was a producers and a capitalist policy which would reduce the incomes of the least powerful groups, workers and unsheltered industries, and would encourage conflict between Britain and its economic rivals.<sup>19</sup> Hobson opposed imperial protection and condemned the abandonment of the free trade by Britain during the War. Hobson opposed the proposals, made at an allied conference on trade issues during the First World War, for a post-war blockade of enemy nations, the curtailing of trade with those nations and with certain neutrals, and the proposals for a trade bloc of the entente powers after the War. After the War, Hobson was a vociferous critic of the Versailles peace settlement, especially its reaction on the international economy in the reparations forced on Germany, the failure to cancel war debts, and also the implications of the creation of new states in Eastern Europe. Hobson argued that the defeated Austro-Hungarian Empire at least permitted the relatively free flow of goods across a large part of Europe. On the other hand, the new states, being weak economically attempted to control their own economies with state direction of the economy and high tariffs. This along with the rise of protectionist sentiment in Europe meant that the new boundaries in Eastern Europe were a hindrance to trade between nations.<sup>20</sup>

### Hobson's Critique of Free Trade

While he supported the general goals of free trade doctrine, Hobson recognised a number of problems with the free trade argument. First, protectionism was on the rise in the international economy. This was especially the case with the rise of competitive imperialism and even more so after the First World War. Even if free traders were winning the theoretical argument, Hobson wrote, they were nonetheless losing in the struggle to implement their policies.<sup>21</sup> Free trade theory and practice were beginning to look like distant ideals,

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<sup>19</sup> 'Free Trade and Foreign Policy'; 'The Approaching Abandonment of Free Trade'; and *The New Protectionism*, ch. 3.

<sup>20</sup> In these criticisms of the post-war settlement Hobson differed little from Keynes' *The Economic Consequences of the Peace*, in that he also attributed many of then political and economic woes to the artificial division of Europe into separate small states. However, Hobson, like Keynes, was aware however that a return to the free trade era was now impossible because of the shattering effects of the War and because of the trend to combination in industry superseding laissez faire that was evident before the War. For Hobson's criticisms of the economic aspects of the Peace, see *The Obstacles to Economic Recovery in Europe* and *The Economics of Reparation*.

<sup>21</sup> *Democracy After the War*, pp. 73-5; *Veblen*, pp. 144-5.

irrelevant to the contemporary world economic situation, particularly during the Great Depression.<sup>22</sup> Second, Hobson realised that free trade was part of the ideology of *laissez faire*. As such, far from being a universal principle, free trade was a Victorian illusion and a pretext and cover for British imperialism. Third, free trade doctrine, as a part of the *laissez faire* ideology, did not address questions of unequal distribution of income and opportunities, either within or between national societies. It thus glossed over the questions of the just operation of free trade in conditions of national or international inequality, or whether free trade principles would be applicable to a protectionist world economy at all. In this section, three qualifications to Hobson's support for free trade are considered.

#### *Free Trade and Unemployment*

Hobson became increasingly disaffected with free trade arguments during the period after the First World War and especially during the Great Depression. Arguing against those who claimed that economic troubles were solely the result of deviations from free trade, he asserted that 'the irrational condition of general unemployment during a world depression throws out of gear the simple logic of Free Trade...'.<sup>23</sup> Under conditions of general unemployment, protection may benefit a nation, he claimed. He had already argued that free trade logic determined that no individual nation's level or configuration of employment could be guaranteed. The dynamics of competition led to the creation of new products, and different countries taking advantage of new products and innovations in production techniques.<sup>24</sup> Free trade, therefore could not guarantee full employment at any particular time. However, general unemployment undercut the *laissez faire* assumptions of free trade doctrine. 'Given a general depression and unemployment in the industrial world,' Hobson argued, 'a tariff might be used to distribute the aggregate volume of employment for the time being favourably to the political area which set it up.' With a margin of unemployment in the national economy, a tariff would exclude foreign competition and redirect production to national industries. Protection thereby increased national employment and 'exported' unemployment to other countries, assuming 'that the tariff keeps out foreign goods and so substitutes domestic goods, increasing the total volume of goods made in this country and

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<sup>22</sup> *International Trade*, p. 22; *Property and Improperty*, p. 175-6.

<sup>23</sup> *The Science of Wealth*, p. 192.

<sup>24</sup> *Imperialism*, pp. 308-9; *International Trade*, p. 174.

reducing the volume of goods made in the foreign exporting countries.<sup>25</sup>

Hobson supported this argument with a quote from Adam Smith. If all trade is beneficial, Hobson reasoned, international trade could not result in greater gains than domestic trade. However, because domestic trade involved gains for a buyer and seller both of whom were from that nation, there was a gain 'at both ends' of the exchange for the nation. In the case of international trade, only one national gained. Domestic trade, thus, had twice the impact on the national economy that international trade had.<sup>26</sup>

While, for the nation setting up tariff barriers, a protectionist policy would maintain employment and incomes, Hobson cautioned that tariffs only redistributed unemployment to other countries; they did not reduce the world level of unemployment. Indeed, as we have seen above, Hobson believed that further barriers to trade would tend to reduce the productivity of capital and labour, thereby creating more, rather than less, unemployment in the world economy.

More generally, Hobson was not convinced by the argument for protection as a solution to unemployment. He used the argument solely to point out the defective reasoning of free traders. Hobson cited four flaws in the protectionist case. First, there was the possibility of retaliation and 'beggar thy neighbour' policies. If other states also raised tariffs, then unemployment would effectively be re-imported back into the country that imposed the first tariff. Worse still, with more and higher barriers to trade, unemployment would rise, both globally and in the protecting nations. Second, such a policy would only work if the redirection of production did not involve large increases in domestic prices. If domestic prices rose, then the real value of national incomes would fall and the gain to the nation from increased levels of employment would be wiped out. Similarly, the redirection of funds to protected industries might well result in the failure of unsheltered industries, again resulting in a decrease in employment. Third, Hobson argued that, once established, tariffs tended to be difficult to remove. Politically, strong interest groups behind the tariffs argued for their maintenance. Economically, protection encouraged the dependence of industries on protective measures and an 'appropriate' time for the removal of protection never arrived, because there were always reasons not to remove the tariffs. Tariffs, then, tended to persist into periods of 'normal trade' with all the deleterious effects noted above.

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<sup>25</sup> *Economics of Unemployment*, p. 149-50; *The Science of Wealth*, pp. 190-1. See also, *International Trade*, pp. 154-8; *Property and Impropriety*, pp. 125-8.

<sup>26</sup> *The Science of Wealth*, p. 192; *Economics of Unemployment*, p. 147. See Adam Smith, *The Wealth of Nations*, p. 469-72.

Most seriously, however, Hobson pronounced that '[p]rotection is a bad palliative [for unemployment], because it does not increase the capacity of consumption to keep pace with production.'<sup>27</sup> Hobson argued that, though free trade had failed to deal with the depression at the root of unemployment, this did not mean that protection was the solution to trade depression. Hobson preferred to explain trade depression in terms of the failure of effective demand in capitalist economies. Unemployment was a result of underconsumption, itself a consequence of the maldistribution of income. Protection was no solution because it did not tackle the maldistribution of income. Indeed, Hobson claimed that tariffs encouraged the formation of national cartels which restricted competition and production, thereby worsening the distribution of income and also reducing employment. Furthermore, indirect taxation, hitting the poorer sections of the nation harder than the richer, exacerbated the maldistribution of income which was at the root of unemployment. Hobson's opinion was that, even in periods of general unemployment, free trade was, in the long run, the best international economic policy.<sup>28</sup> National economic policy, however, had, according to Hobson, to be modified if free trade was to operate fully and justly.

#### *National Economic Reform and Free Trade*

Hobson applied his insight that *laissez faire* doctrine was no longer relevant to modern industrial economies to his discussion of international economic relations.<sup>29</sup> Underconsumption reduced the relevance of free trade doctrine because it compelled capitalists to seek foreign trade and capital exports as a way of avoiding trade depression. This compulsion, Hobson had argued in his theory of imperialism, resulted in the 'irrational' policies of protectionism and imperialism.<sup>30</sup> Such circumstances made a return to free trade unlikely, and meant that it would not have the desired effects should it be implemented.<sup>31</sup>

Hobson argued (against *laissez faire* doctrine) that governments could be the creators

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<sup>27</sup> *International Trade*, p. 163.

<sup>28</sup> *Property and Improperly*, pp. 128-30; *The Science of Wealth*, p. 193; *International Trade*, pp. 155-8.

<sup>29</sup> *Democracy After the War*, p. 78; *Democracy and a Changing Civilisation*, p. 161.

<sup>30</sup> *The Science of Wealth*, pp.186-8; *Democracy After the War*, p. 178; *Richard Cobden*, p. 402; *Physiology of Industry*, pp. 205-6.

<sup>31</sup> *Property and Improperly*, pp. 56-7; *Confessions*, p. 186-7; *Imperialism*, p. [50].



as well as the destroyers of liberty.<sup>32</sup> He claimed that state intervention in the economy to mitigate the maldistribution of income in the advanced industrial nations would undermine the drive to imperialism and economic nationalism. Addressing the problem of underconsumption at the root of imperialist and protectionist policies, Hobson advocated a policy to establish the domestic conditions for just and orderly operation of free trade in international economic relations. Hobson hoped that domestic reform would bring fundamental economic equality within societies, and that, in these circumstances, free trade could operate justly and efficiently between people(s). National economic peace was essential to peaceful internationalism.<sup>33</sup>

Hobson did not follow the implications of domestic economic intervention as a basis for free trade. He only briefly discussed the idea that nationally planned economies would trade with one another as corporate entities.<sup>34</sup> The discussion of national economic reform as the primary solution to international economic problems only appears in Hobson's writings in the thirties as the prospects for international cooperation and the League looked bleak. Though this went against his earlier arguments that the nation was not an economic unit, Hobson hoped that state intervention in domestic economic affairs would not disrupt the freedom of individuals and groups in their commercial and financial relations across state boundaries.

#### *Free Trade and Human Welfare*

Hobson advanced a humanist critique of the emphasis in free trade on economic (that is, material) values to the exclusion of wider notions of welfare, such as the quality of life. Early in his career, particularly before the turn of the century, Hobson applied Ruskin's critique of political economy, that the division of labour was a mechanism that achieved monetary gain at the expense of human well-being, to international economic relations. He

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<sup>32</sup> *New Protectionism*, pp. 122-3; *Richard Cobden*, pp. 398-9; *Imperialism*, pp. 230-1.

<sup>33</sup> *Property and Impropriety*, p. 106-7. See also, pp. 204-5; *Confessions*, p. 113. Similarly Hobson denied the right of intervention in national economic government, *e.g.*, with regard to the setting of tariffs. See *International Trade*, pp. 184-90; *International Government*, p. 136. For a discussion of the conflicting logic being employed by Hobson here, see Peter Cain, 'J.A. Hobson, Cobdenism and the Radical Theory of Economic Imperialism'.

<sup>34</sup> In *Property and Impropriety*, p. 200-5. See the discussions of the problems of national economic planning and international relations in Lionel Robbins, *National Planning and International Order*.

claimed that specialisation degraded producers, that the division of labour divided not just of tasks but the people doing those tasks. Hobson used this argument to claim that Britain's place in the international division of labour had removed of British workers from clean air and pleasant scenery to put them into crowded towns in unhygienic conditions.<sup>35</sup>

Free trade was a doctrine of the rising middle classes, the merchants and industrialists who had done well out of the industrial revolution. Hobson did not follow Ruskin as far in the latter's critique of the effects of industrialism. While Ruskin claimed that industrial system degraded workers through the division of labour and over-specialisation, the effects of mechanisation and of urbanisation, Hobson believed that the industrial revolution was indeed progress and that machines could improve productivity, allowing more time for welfare enhancing leisure.<sup>36</sup> Hobson vacillated on the benefits of the division of labour. Early in his career, he was an ardent critic.<sup>37</sup> But soon the benefits of this 'mechanism' as part of the division of functions in society became clear. Thus, 'the one great "economy" which modern science has most powerfully impressed upon us as a means of progress - the division of labour, or "differentiation of functions."' <sup>38</sup> Nonetheless, he cautioned that 'division of labour is only a true economy when a sound principle of co-operation underlies and dominates division, maintaining the unity and harmony of the whole process.'<sup>39</sup> Hobson was, then, aware of the two sides to the division of labour in the national and international economies. This qualified his adherence to the free trade principle as is demonstrated in his hesitations on the question of the international mobility of labour, considered below.

### International Government and Free Trade

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<sup>35</sup> *John Ruskin Social Reformer*, pp. 230-1; *Social Problem*, pp. 17-20, 229-30.

<sup>36</sup> *Wealth and Life*, pp. 7-8 has a four point critique of industrialism. See also *Crisis of Liberalism*, p. 162. For Hobson's disagreement with Ruskin, see, for example his opinions in *Free Thought*, p. 283, and *Wealth and Life*, p. 8, 83.

<sup>37</sup> *John Ruskin Social Reformer*, pp. 116-8; *Problems of Poverty*, p. 125; *Social Problem*, pp. 11-12.

<sup>38</sup> *Social Problem*, p. 9.

<sup>39</sup> *Crisis of Liberalism*, p. 265. See also *Social Problem*, p. 237; *Work and Wealth*, p. xx; *Free Thought*, p. 95.

Free trade principles can be considered the international analogues of *laissez faire* doctrine.<sup>40</sup> According to Hobson, combination had come to predominate over competition in the contemporary world economy.<sup>41</sup> It had become clear to Hobson through his studies of imperialism that Cobdenism and free trade had been transcended by the monopolistic developments of modern industrial economies.<sup>42</sup> This was evident in the emergence of national and international cartels. The growth of an international financial market and increasing levels of foreign investment further qualified the simple logic of free trade. Governmental interference in international economic relations, in the shape of imperialism, was an established fact.

In the modern world economy, Hobson claimed, *laissez faire* solutions would not operate effectively or justly. The challenge was to establish a government to watch over the economic relations of nations. Hobson's suggestions for reform of international economic relations parallel his proposals domestically. He believed that the free traders' analysis of the world economy was incorrect because they neglected the maldistribution of income within and between nations. Hobson realised that competitive imperialism and rising protectionism made any national arrangements a fragile basis for free trade. The increasing interdependence of the world economy meant unilateral national policies had international repercussions. The danger of the disorganised world economy was that each nation pursuing its own immediate self-interest, for example in protectionist policies, would culminate in global rivalry, uncertainty and impoverishment. Liberal free trade rules could only be maintained through an international institution or, at the very least, the coordination of national economic policies. Hobson proposed an institutionalisation of the principles of free trade in some form of international government to alleviate the problem of exclusionary economic policies. Free trade would be established by 'the extension of its principles to the new conditions of international intercourse by the establishment of public international control and guarantees.'

The first function of the Hobson's international economic government was the maintenance of free trade rules, particularly the 'open door' to trade and investment, that is,

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<sup>40</sup> See R.D. McKinlay and Richard Little, *Global Problems and World Order*, pp. 29-36.

<sup>41</sup> However, his opinions on the implications of this trend varied over his lifetime. Compare Hobson's belief, in *Evolution of Modern Capitalism*, that a world market would establish true prices and, in *The Fruits of American Protection*, that there could be no international cartels, with his worries about inter-imperialism and capitalist collusion in *Wealth and Life* and his changing opinions on international finance discussed earlier.

<sup>42</sup> Richard Cobden, ch. 13; *Problems of a New World*, p. 20.

free and fair access of each nation to the natural and human resources of the whole world. Reasserting that '[t]he effective liberty of every people demands freedom of commercial intercourse with other peoples...', Hobson claimed that an 'International Government ... representing the commonwealth of nations ... would seek to remove all commercial restrictions which impair the freedom of economic intercourse between nations.' According to Hobson, if the international government could enforce an open door provision, then the 'sting' of national imperialism would be drawn and needless wars averted.<sup>43</sup> The matters to be dealt with by this international authority included freedom of access to trade routes, admission to markets, equal opportunities for investors, and an international commission to oversee the development of the backward countries.<sup>44</sup>

The second function of the international government or of coordinated national economic policies was to instil certainty into the world economy so to enhance economic performance by reducing the role of chance and uncertainty in economic decisions. Hobson believed that an international government would ensure equitable and stable international economic relations and thus encourage international trade and investment. 'Let international government put down wars and establish Free Trade, the truly vital struggles of national expression will begin.'<sup>45</sup>

Hobson hoped that 'so far as the needs and interests of the peoples can find expression in foreign relations, the deep constant underlying identity of human interests will constantly react in efforts to mould international institutions that are favourable to cooperation.'<sup>46</sup> An international economic government would, Hobson believed, reveal this underlying harmony in free exchange:

Remove all the fetters and obstructions which governments, laws, and customs have placed upon the free play of harmonious forces which bind man to man, let their real community of interest have full sway to express itself in economic, intellectual and moral intercourse, the false antagonisms which now divide nations, classes and

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<sup>43</sup> *International Government*, pp. 134-5; *New Protectionism*, p. 137. See also *New Protectionism*, p. 121. Hobson's first proposal for an international government to maintain free trade appears in *Imperialism*, p. 146.

<sup>44</sup> *New Protectionism*, p. 132-4.

<sup>45</sup> *Imperialism*, p. 185. See also, *Veblen*, p. 152; *Problems of a New World*, p. 228; *New Protectionism*, pp. 127-8; *Work and Wealth*, p. 280; *Economic Interpretation of Investment*, p. 105.

<sup>46</sup> *Richard Cobden*, p. 408.

individuals, will disappear and a positive harmony of mankind will be established.<sup>47</sup>

### **International Government and Human Welfare**

According to Hobson, international economic organisation had a second function beyond providing stability and maintaining the rules of free trade. Hobson argued that 'social control ... must in the long run be international, so as to correspond with the area of the economic system itself.' What Hobson called constructive internationalism, his proposals for the economic functions of an international government, were not limited to the negative conception of the role of removing obstacles to free exchange or stabilising contemporary international economic relations. He claimed the international government would play a part in the creation of international economic equality of opportunity that just international economic relations and the goal of maximising human welfare required.

Hobson argued that ideally an international government would manage international economic relations rather than be merely the guarantor of free trade. International government would implement policies to remedy inequality and maximise global human welfare, to provide '[t]he world's wealth for the world's wants...'.<sup>48</sup> Hobson posited 'the authority of some international government competent to deliver 'the economic goods', i.e., to control the development of world-resources in the interests of humanity...'.<sup>49</sup>

The goal, or ideal, itself, derives its validity from the same principle which is the ruling element in all forms of community, the essence of all economy, viz., distribution of work and wealth in accordance with ability to make and enjoy. If the world for economic purposes could be organised upon this principle, its natural resources, assigned to the cultivation of the inhabitants of the various countries, according to their capacities, and supplemented where necessary by suitable drafts from other countries: a broadcasting of the pooled skill and technique and organising power available from all world-sources, a central distribution of capital, a common saving fund, available according to the industrial needs of different countries and industries, the world would then be raised to the level of its highest productivity. If also, this greatest economic product were able to be distributed, or rationed, according to the diverse needs, or capacities of enjoyment of the members of this world community, such an economy of production and consumption would yield a maximum economic contribution to human welfare.<sup>49</sup>

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<sup>47</sup> *Richard Cobden*, p. 21

<sup>48</sup> *Morals of Economic Internationalism*, p. 67. See also *Wealth and Life*, p. 390; *Modern State*, p. 36; *Poverty in Plenty*, p. 83. *New Protectionism*, p. 121; *Democracy and a Changing Civilisation*, pp. 134-5.

<sup>49</sup> *Wealth and Life*, p. 399-400.

International economic government could deal with the malady of global underconsumption that had undercut *laissez faire*, through coordination of economic policies and directives to ensure a just distribution of wealth.<sup>50</sup> Hobson argued that

as full productivity implies international co-operation in industry, commerce and finance, so the provision of an adequate expenditure upon consumption goods involves, if not a fully planned international policy, at any rate the adoption by all advanced industrial nations of a common economic strategy of high wages, public services and increased leisure, in order to secure a right equilibrium between productivity and consumption.<sup>51</sup>

Hobson only made a few scattered and sketchy remarks concerning the specific functions and shape of an international economic organisation. He was most specific on the policies needed to assure rapid reconstruction of Europe in the emergency immediately following World War One. He called for international cooperation to aid the devastated countries. In particular, he called for the US with its relative gains from the War to transfer some of its surplus to destitute Europe.<sup>52</sup> Hobson was cautious to note, in his discussions of the need for an international economic government during the twenties and thirties, that this phrase did not necessarily mean centralised international control and planning, but the extension of some already existing common national principles to the international economy and a federal economic authority to monitor national policies.<sup>53</sup> He believed that inter-governmental conferences, agreements, and institutions would widen in scope and become increasingly institutionalised. He was especially hopeful with regard to international cooperation on labour and working conditions in the newly formed I.L.O. He thought that some form of international bank and financial controls should be set up. He also suggested that an international economic government might be a gatherer and disseminator of information on the world economy.<sup>54</sup>

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<sup>50</sup> *Economics of Unemployment*, p. 132.

<sup>51</sup> *Rationalisation and Unemployment*, pp. 124-5; *Democracy and a Changing Civilisation*, p. 162. See also *Poverty in Plenty*, pp. 80-1; *Free Thought in the Social Sciences*, p. 245; *Conditions of Industrial Peace*, pp. 112-3; *Confessions*, p. 112.

<sup>52</sup> *Richard Cobden*, pp. 408-9; *Morals of Economic Internationalism*, pp. 35, 44-5.

<sup>53</sup> *Conditions of Industrial Peace*, p. 114

<sup>54</sup> *Modern State*, p. 33; *From Capitalism to Socialism*, pp. 50-1; *Democracy and a Changing Civilisation*, pp. 145-6; *Economics of Unemployment*, p. 138; *Conditions of Industrial Peace*, p. 110, 115. Hobson was suspicious, though, of formal economic organisation at the imperial or regional level, arguing that this would likely reinforce and magnify rather than mitigate economic conflicts.

*International Government, Free Trade and the Theory of Cooperative Surplus*

Hobson did not consider his opinions on free trade and his advocacy of a redistributive international government to be in contradiction. On the face of it, though, Hobson's constructive internationalism appears to compromise free trade. Hobson's ideal vision of an international economic government and his proposals to restore the European economies through inter-governmental cooperation leaves little room for free exchange or *laissez faire*. This is a defensible position, given Hobson's evolutionary theory of cooperative surplus, which, if super-imposed onto international economic relations, maps out a logical development from free trade to interventionism in international economic relations.

In Hobson's evolutionary theory, international relations are the last and least developed realm of human organisation. Hobson claimed that cooperation produces a social surplus. In his theory of cooperative surplus as applied to international economic relations, free trade is the minimal requirement for international economic cooperation. Free trade encouraged openness of nations to the exchange of goods and ideas and opposition to imperialism and protectionism. Such openness is the precursor to 'higher' forms of cooperation and organisation. In so far as the international relations were relatively primitive, that is, based on nationalism, mercantilism or imperialism, free trade was a progressive principle. However, as the global economy became more organised, there was a need for central rational control of international economic relations. Such control was absent in the so-called world market and could only be rationally administered and the world economic international system efficiently organised by an international government. Hobson believed that the nascent international functional institutions, such as the I.L.O., would be forerunners of and subsequently agencies of a new international economic government.

Hobson's proposals for international economic institutions were premised on the internationalisation of economic activity and growing international interdependence. For Hobson, international economic cooperation and organisation were well in advance of primitive international political relations. Following his theory of cooperative surplus, Hobson suggested the importance of organisation and the correct distribution in achieving maximum human welfare. Accordingly, free trade was inadequate to international welfare as far as it relied on the outdated dogmas of *laissez faire* and construed contemporary international economic exchange as free and fair market relations. Though he acknowledged the importance of free trade as a starting point and minimum for international economic relations, Hobson suggested national and international governmental intervention in the international economy,

reflecting the need for the organisation of economic relations and a solution to global underconsumption and capitalism's cyclical depressions.

In his constructive internationalism, Hobson extended the meaning of equality of opportunity beyond mere freedom from hindrance in exchange, advancing a conception of 'positive liberty' in international relations parallel to that he discussed in the domestic context. This positive conception of economic equality of opportunity demonstrated that equality and liberty were not opposed but complements. 'Equality of opportunity for commerce, for investment of capital, and for participation in the development of the world's resources,' argued Hobson, 'is the first condition for the progress of national civilization in the world. In the fruits of such progress every people should get its share, and the co-operation in this common task is the surest bond of peace among nations.'<sup>55</sup> Hobson's arguments for international government and free trade converge as principles for free and fair exchange between nations and people.

Hobson did not, however, maintain any one position with constancy. This variation in opinions can be explained not as inconsistent analysis but as the application of his theoretical system to the changing circumstances of the world economy, especially the tumultuous period during and after the First World War. Before the Great War, Hobson was becoming more confident of the importance and beneficence of international financial relations. He became less optimistic about the benefits of untrammelled free trade during the First World War. He was ambitious for his plans for economic government during the War and immediately afterwards. He believed that economic government was a central pillar of the function of the League of Nations, and that if it did not address economic issues that it would fail. With this failure becoming increasingly obvious in the thirties, Hobson became more cautious in his advocacy of international economic government, at the end of his life calling for domestic social reform in order to remedy international economic ills. Living through a period of major international economic dislocation, Hobson's proposals reflected his hopes, fears and realistic assessments of the contemporary international economic outlook, but all within his theory of cooperative surplus applied to international relations.

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<sup>55</sup> *International Government*, p. 137. See also *Imperialism*, p. 318; *International Trade*, p. 192. See Michael Freedman, *Liberalism Divided*, p. 148-50, on Hobson's arguments on equality of opportunity. See *Crisis of Liberalism*, p. .



### Three Aspects of Economic Internationalism

The focus of Hobson's discussions of international economic relations are the same as the focus of the rest of his work: through what (international) economic arrangements for the development and allocation of human and material resources, can the greatest human welfare be attained? This section addresses three issue areas which Hobson discussed as part of his analysis of international economic relations, and highlights some of the difficulties he encountered.

#### *Foreign Investment, International Finance and Cosmopolitan Capital*

It has been argued, by Peter Cain among others, that Hobson's attitude to foreign investment changed after his denouncement of the role of capital export in *Imperialism*. Finance appears in the theory of imperialism as a national and international sectional interest that is the cause of national and international conflict. But, in the decade before the First World War, it is argued, Hobson held a more simplistic view of the effects of foreign investment on international relations, believing that international finance was the developer of the world and therefore beneficial in terms of both peace and prosperity. These views contradict one another, it is said.<sup>56</sup>

Peter Clarke has challenged this view, but only on the grounds that Hobson contradicted himself less over time than he did at any one moment. Catching Hobson in inconsistency is an easy game, according to Clarke. While this is true, it does not challenge Cain's thesis.<sup>57</sup> In fact, Cain is incorrect because throughout his writings Hobson conceived finance as potentially playing a functional role in the world economy, while having the potential to be a powerful sectional interest.

In *Imperialism*, Hobson offers three reasons why capital export, as opposed to the export of goods, should lead to pressure for extension of imperial control: first, investors wanted to secure or enhance the value of their investments; second, investors hoped that the new colony would make possible new speculative ventures; and third, financiers as an

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<sup>56</sup> P.J. Cain, 'J.A. Hobson, Cobdenism and the Radical Theory of Economic Imperialism, 1870-1914', pp. 569-76. See also E.E. Nemmers, *Hobson and Underconsumption*, p. 22; Harvey Mitchell, 'Hobson Revisited', p. 415.

<sup>57</sup> P.F. Clarke, 'Hobson, Free Trade and Imperialism', p. 308.

international class benefitted from the instability and public debt created by imperialism.<sup>58</sup> In the first two cases, the reason for imperialism is the pressure of *national* capital on its governmental representatives to secure investment opportunities. In the last, Hobson's explanation of the sectional interest behind imperialism is that '[t]he wealth of these houses, the scale of their operations, and their cosmopolitan organisation make them the prime determinants of imperial policy.'<sup>59</sup>

These views do not contradict those expressed later, at least not in terms of Hobson's theoretical system. Investment abroad 'binds members of different political communities more closely by bonds of plain business interest' and is 'a powerful interest in the peace, well-being and progress of those foreign countries [where capital is invested]'.<sup>60</sup> What Hobson objected to in *Imperialism* and continued to object to, was the pressure to invest created by trade depression at home as a result of underconsumption.<sup>61</sup> There was, on the other hand, nothing inherently malevolent about foreign investment. Hobson argued that 'the cross-ownership among nations is by far the substantial guarantee of the development of a general policy of peace.'<sup>62</sup>

Furthermore, according to Hobson, so far as finance is truly international, it will be a harbinger of peaceful international relations. There is a fundamental difference between *foreign* investment, i.e., national surplus capital financing of production overseas, and *international* finance. The reference point for the first is the national interest, and for the second is the international economy. With improvements in transport and communications, the world was truly a single economic system. In this system, finance had an important role to play as 'an automatic apparatus for the application of economic stimuli and the generation of productive power at points of industrial efficiency...'.<sup>63</sup> Deprecating the defects of modern finance (which I will discuss shortly), Hobson claimed that 'genuinely international finance' would be a pacific force:

Where the international character of an investment has been further marked by the

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<sup>58</sup> *Imperialism*, p. 56-8.

<sup>59</sup> *Imperialism*, p. 59.

<sup>60</sup> *Science of Wealth*, pp. 241-2.

<sup>61</sup> *Imperialism*, pp. 85, 87-8.

<sup>62</sup> *Evolution of Modern Capitalism*, p. 237. See also *Economic Interpretation of Investment*, p. 104.

<sup>63</sup> *Evolution of Modern Capitalism*, p. 236.

substantial participation of investors of several nationalities, there will not be either the same temptation or the same ability to induce a government to bring pressure upon a foreign state in the interests of financiers, many of who, are not its own subjects.<sup>64</sup>

Hobson believed that 'international will continue to gain upon national purely finance, and that this will help to secure peace and order over all areas of international investment.'<sup>65</sup>

Hobson also considered the cosmopolitan as opposed to international aspects of finance. Investors abroad became 'cosmopolitan capitalists', true 'men of the world'.<sup>66</sup> But the truly cosmopolitan figure was the financier. While they had a functional role in the world economy 'using skilled foresight, so as to direct the flow of industrial capital into the most serviceable channels',<sup>67</sup> they could also become a powerful sectional interest, a global financial interest exploiting the products of world industry. Cosmopolitan financiers were 'in a unique position to manipulate the policy of nations.'<sup>68</sup> They promoted companies, were the unproductive middle-men between investors and entrepreneurs, and through their control of finance, particularly credit, they could manipulate prices. Their interest in public debts and in financial fluctuations through them on the side of risky and conflict-ridden ventures such as imperialism.<sup>69</sup>

Cain overstates the importance of Say's Law in Hobson's analysis and attributes a chronology to Hobson's thought where there is not one. While there is, as Cain points out, a contradiction in Hobson's imperialism theory between his Cobdenism and his underconsumption theory, his later writing on economic internationalism is not fundamentally different. Say's Law applies to a closed economy. Hobson draws our attention to the implication of Say's Law in the national context in *Imperialism*. However, despite the omission of a reference to this in his analysis of economic internationalism, Say's Law is being applied to the international economy. The contexts, in short, are different, but the analysis

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<sup>64</sup> *Economic Interpretation of Investment*, p. 112-3.

<sup>65</sup> *Economic Interpretation of Investment*, p. 132.

<sup>66</sup> *Economic Interpretation of Investment*, pp. 104-5.

<sup>67</sup> *Evolution of Modern Capitalism*, p. 248-9.

<sup>68</sup> *Imperialism*, p. 57.

<sup>69</sup> *Evolution of Modern Capitalism*, p. 242ff.

is the same.<sup>70</sup>

Hobson continued to be a critic of imperialism after 1902. His criticisms of finance's role in imperialism can be found, even during his support of international finance in the years before 1914. During and after the War, Hobson returned to his critique of imperialism, yet maintained his belief in the importance of economic internationalism, of which international finance was a central element. For Hobson, there would be no contradiction between the deleterious impact of foreign investment as a root of imperialism and the beneficial impact of international finance in economic internationalism. The first derives from national sectionalism in international relations; the second is a part of the development of an organic world economy. The difference between his opinions in *Imperialism* and in *Economic Interpretation of Investment*, so often referred to, is traceable to differences in immediate and contemporary social contexts rather than being rooted in theoretical inconsistency. *Economic Interpretation of Investment* was written with a capitalist investor audience in mind. Hobson moderated a number of his criticisms of investment activity because of the audience. In the pre-World War One period, there was a good deal of optimism concerning international economic and social relations - this was the high tide of Norman Angell's influence, especially in his book, *The Great Illusion*, which Hobson cited at length.<sup>71</sup>

Hobson's discussion of finance is problematic for another reason, though. His economic internationalism involved cosmopolitan capital and cosmopolitan financiers directing it so despised in *Imperialism*. Hobson usually condemned cosmopolitan finance, using a racist jibe in *Imperialism*, but also acknowledged the positive role played by financiers in greasing the wheels of the new world economy.<sup>72</sup> Nonetheless, at times, his economic internationalism became indistinguishable from cosmopolitanism.

#### *International Mobility of Labour*

Hobson expounded the logical conclusion of *laissez faire* doctrine in his suggestion

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<sup>70</sup> On Say's Law, see Robert Heilbroner, *The Worldly Philosophers*, p. 77, and William J. Barber, *History of Economic Thought*, pp. 68-9, 187-8.

<sup>71</sup> See, for instance, *Economic Interpretation of Investment*, p. 119-20. There were simultaneous concerns with the international political situation and the accelerating arms race, but this only heightened the emphasis of writers such as Hobson on the benefits (and constraints) of the new economic interdependence.

<sup>72</sup> *Imperialism*, pp. 56-7.

that maximum human welfare would be achieved with free mobility of both capital and labour factors of production. Hobson, therefore, sanctioned the internationalisation of labour to parallel the internationalisation of capital. Not only was this desirable because of increased prosperity, *i.e.*, welfare, but was inevitable in view of the improved communications and transport of the international economy, Hobson believed.<sup>73</sup> National and local attachments were already loose and would become weaker, he claimed. The world economy determined this, free trade could not guarantee employment in a particular national area, competition of foreign labour would be beneficial in global welfare terms but would mean that labour could not be certain of staying in one place, and communications had so improved that labour could be more mobile.<sup>74</sup>

However, Hobson was alive to the fact that labour was not made up of 'economic men', nor was it a fluid factor, infinitely divisible. The idea that there was a single world labour market was false and would remain so. Other attachments and other aspects of welfare were important. These conditioned and opposed the fluidity of labour as proposed in *laissez faire*.<sup>75</sup>

There were even greater difficulties when it came to protecting the social measures, such as minimum wage, improved working conditions and terms of employment, from being undercut by cheap imports, either of labour itself or by the products of cheap labour imported from abroad. The social policies of the advanced nations in particular aimed at improving the quality of life for workers in the national area. But these policies were dependent upon the exclusion of immigrants who would undersell the native workforce. Here, human welfare and economic welfare appeared to be in contradiction for Hobson. He failed to see the contradiction of an open labour market and his standard of human welfare. Presumably, he assumed that social reform and increased civilisation would remedy the inequalities in labour rates. He criticised the policies of states, like Australia, which had large undeveloped natural resources, yet sought to exclude immigrants.<sup>76</sup> He admitted, however, that this issue would

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<sup>73</sup> *Economic Interpretation of Investment*, pp. 137-9; *Work and Wealth*, pp. 274-5; *Poverty in Plenty*, p. 73.

<sup>74</sup> *Rationalisation and Unemployment*, p. 119; *Physiology of Industry*, p. 212; *Social Problem*, p. 207; *Problems of Poverty*, pp. 59-62, 125.

<sup>75</sup> *Problems of Poverty*, p. 136; *Economics of Distribution*, p. 161; *Economic Interpretation of Investment*, pp. 138-9; *Rationalisation and Unemployment*, pp. 119-20.

<sup>76</sup> *Economic Interpretation of Investment*, p. 139; *International Government*, pp. 143-4; *Economics of Unemployment*, p. 135; *Recording Angel*, pp. 76-7.

be a difficult issue for an international government to resolve. Hobson pointed out that the advanced West was unlikely to welcome unlimited numbers of immigrants. Yet, in his attempt to compromise on this issue, the taint of bias attaches to him: why should the West with its riches of economic development be permitted to exclude to poorer workers from other countries. Why should they be permitted to evade a policy that would be for the benefit of the whole of mankind including themselves in the long run? This is a protection scheme for Western labour. Presumably, again, Hobson was hoping that a reformed capitalism would mean that such flows of labour and capital would either not be necessary as each nation developed its own resources or that they would not cause drastic dislocations. This seems a somewhat vain hope. Indeed, Hobson seems to believe that freedom of movement would lead to flows of labour to the undeveloped world. In fact, it seems much more plausible to expect that immigrants will come to the wealthiest parts of the world - a conclusion a *laissez faire* economist could embrace, but one which Hobson, hoping for overall development of the world according to global welfare could not.

Hobson contradicted his *laissez faire* attitude to labour mobility when he considered the role of an international government in the direction of the world's labour force. Neither absolutely free mobility nor exclusion seemed to Hobson to be the best policy for the achievement of the greatest human welfare. Instead, he fudged.<sup>77</sup> However, he argued that one of the roles of an international government in the future would be to direct labour where it was needed, rather than where it would desire to go:

Such a World-Government, devoted to the best development of Earth's resources for the benefit of mankind, would find its chief task in the direction of migration from over-populated into under-populated areas, and the selection of fit types of immigrants, having regard to racial, climactic, and other conditions.<sup>78</sup>

Though Hobson discussed this ideal in abstract terms, it is all too easy to see an implicit authoritarianism in the direction of a mass labour force over the entire face of the earth. The role of an international government in the direction of world labour is a stark rebuttal of his *laissez faire* position of allowing labour freely to flow to the best paying jobs.

His proposal of international direction of labour also brings into stark relief the problem of value in international relations. While Hobson stressed human welfare over economic welfare elsewhere, this is lost in most of his discussions of labour mobility. Beside this blurring, Hobson also acknowledged but turned away from the difficult issue of cross-

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<sup>77</sup> *Wealth and Life*, pp. 356-7; *International Government*, p. 143; *Physiology*, p. 214.

<sup>78</sup> *Recording Angel*, pp. 79-80.

cultural valuation of work and of the individual units of labour, that is, human beings.<sup>79</sup> He noted only that this was a difficult question, but one that must be addressed.

Hobson was similarly illiberal in his discussion of the international implications of and need for an international policy of population control.

While he acknowledged rational planning of population intruded upon 'the most highly valued of the self-determining functions of nations', and that it was a distant ideal, Hobson embraced the idea as one of his four conditions for civilised humanity.<sup>80</sup> Hobson argued that ideally internationalism would be guided by 'the right of mankind as a whole to determine what numbers and kinds of men shall occupy the different areas of the earth.'<sup>81</sup>

The arguments for free trade in labour, being based on the idea that the international division of labour is a good thing, collide with Hobson's humanism. He never set about resolving the contradiction between his Ruskinian attack on industrialism's alienated labourer with his view that human welfare was enhanced by the international specialisation of the world capitalist economy. Hobson did have an argument that could deal with this contradiction, but he failed to use it. Productivity gains from specialisation and organisation create the potential for increased leisure time, thereby improving workers' human welfare. Nevertheless, his defence of free trade and cosmopolitan finance bore the marks of capitalist apologia; it was an analysis based on material rather than his much vaunted human welfare.

#### *The Development of the World's Natural Resources*

The issue of how to develop the world's natural resources was to be one of the most serious problems for economic internationalism, Hobson claimed. This is because the development is central to the attainment of welfare, yet the exploitation of resources by imperial countries had led to international conflict.

Hobson was aware of the problem of exploitation of backward peoples by the advanced countries. By keeping the benefits to themselves the imperial nations deprived the rest of the world of the benefits of the diffusion of wealth throughout the economic system. Imperialism also involved the exploitation of the workers of the backward country. The result would be that the distribution of the benefits of the development would be unjust and

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<sup>79</sup> *Wealth and Life*, p. 353; *Social Problem*, p. 275.

<sup>80</sup> *Wealth and Life*, p. 453.

<sup>81</sup> *Wealth and Life*, p. 357.

'inefficient' in terms of global welfare. The waste of imperialism, despite the gains from development, are in the exploitation of the native population and the stimulation of conflict between the Great Powers in their rivalry to gain areas for exploitation.

By the same token, Hobson was not persuaded by the Socialist or nationalist arguments for the absolute right of nations to do what they wanted with 'their' natural resources. Hobson rejects this on the grounds that there is no such absolute right to property. He refutes the right of nations to do with their territory and what's in it, under it, *etc.*, as they wish, just as he denies that individuals have an absolute right of private property. The criterion for national as well as individual property is, for Hobson, the ability to use it. Thus, for example, any backward nation occupying territory that could be exploited for the common good of humanity had no right to stand in the way of that development.<sup>82</sup>

Some interference was inevitable, however, because of the increasing connection of the international economy. It was the responsibility of western governments to make sure that this process was not overtly exploitative as it would be if left to private business interests.<sup>83</sup> Rather than imperialism or nationalism, Hobson looked to his touchstone of human welfare. His approach here can be construed as global utilitarianism of the maximum of human welfare. Hobson supported interference in other countries to exploit natural resource *in principle* because this was a route to the attainment of higher human welfare. Many of these resources were in backward countries populated by peoples unable or unwilling to exploit the resources. Under such circumstances, advanced countries could benefit all of humanity, and not just themselves, by developing these resources. Accordingly, advanced nations who could exploit these resources *should* do so, even if this was at the expense of the inhabitants of a particular area.<sup>84</sup> Thus, 'all interference on the part of civilized white nations with "lower races" is not *prima facie* illegitimate' and 'civilized Governments *may* undertake the political and economic control of lower races - in a word, ... the characteristic form of modern Imperialism is not under all conditions illegitimate' because '[t]he natural resources of the soil belong to nobody.'<sup>85</sup>

Having said that imperialism to develop natural resources is not in principle

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<sup>82</sup> *Crisis of Liberalism*, p. 256; *Democracy and a Changing Civilisation*, pp. 141-2.

<sup>83</sup> *New Protectionism*, p. 128.

<sup>84</sup> *Crisis of Liberalism*, p. 257; *International Government*, pp. 139-40; *Economic Interpretation of Investment*, p. 77; *Wealth and Life*, p. 394.

<sup>85</sup> *Imperialism*, p. 232; *Recording Angel*, p. 77.



illegitimate, Hobson went on to place a number of conditions on such activity. First, the aim of the interference should be humanity-wide welfare: 'every act of "Imperialism" consisting of forcible interference with another people can only be justified by showing that it contributes to the "civilization of the world."' <sup>86</sup> It followed that such interference must be premised on the Open Door for all people(s) to have access to the developed resources. This is Hobson's principle of equality of economic opportunity derived from his views on distribution. 'If all backward countries, whether under the political control of some European or other "advanced" State or still politically independent, were formally recognized by Conventions of the civilized Powers as similarly open to the trading and investing members of all countries on a basis of economic equality, with adequate mutual guarantees for the enforcement of treaty obligations, the greatest step towards lasting and universal peace would have been taken.' <sup>87</sup> Second, the rights of and benefits to the native population should be of primary importance in the consideration of whether intervention to exploit natural resources might take place. These would, most likely, be upheld though not by the 'backward' nations themselves but by international agreement. <sup>88</sup> Third, there must be international sanction for the interference. In other words, imperial countries should not intervene on the basis of a claim that their self-interest accords with the global good or that their self-interest has priority. Such self-assertion was, for Hobson, the 'radical moral defect' of imperialism. <sup>89</sup> Hobson was thus one of the early proponents of the Mandate system set up in the League of Nations. Advanced nations could only develop the natural resources of a backward country with the permission of an international government and if monitored by that international government so that it abided by the first two conditions above. <sup>90</sup>

While mandates might seem a perfectly reasonable suggestion on practical grounds, it throws the whole of Hobson's suggestions with regard to economic equity on the international level into doubt. Hobson conflated the issues of the global utilisation of natural resources with the unequal relationship of the advanced and backward nations. Hobson's concern with the

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<sup>86</sup> *Imperialism*, p. 232.

<sup>87</sup> *New Protectionism*, p. 131-2. See also, *International Government*, p. 141; *Wealth and Life*, p. 393; *Recording Angel*, p. 78; *Democracy and a Changing Civilisation*, p. 142.

<sup>88</sup> *New Protectionism*, p. 130; *Wealth and Life*, p. 393; *Recording Angel*, p. 78; *Imperialism*, p. 232.

<sup>89</sup> *Crisis of Liberalism*, p. 259.

<sup>90</sup> *Wealth and Life*, p. 393; *Recording Angel*, p. 79; *Imperialism*, p. 232.

development of natural resources as an international issue was skewed through this conflation. The issue of natural resources poses the problem of the rival claims of humanity and nationality, that is, universal versus particular claims. Hobson addressed this almost exclusively as an issue in the relationship of the backward and advanced nations. While he tried to counter the imperialist arguments for the rights of the advanced nations to exploit the resources of the undeveloped countries, this conflation only leads him to advocate a form of international paternalism. For some reason, the allocation of resources in the advanced countries is left undiscussed. Because of this conflation, we are faced with the notion that backward peoples were to be the subjects of paternalism, to be led to development by the advanced West - presumably for the benefit of all, but with little choice it would seem for the large population of the world that was the backward nations.

There are problems with Hobson's scheme for the development of global resources. To begin with he does not spell out what part the mandated territories would play in the international government. If they were not represented it would appear that international government is merely an institutionalisation of the inter-imperialism of advanced nations Hobson hoped to avoid. It would certainly take on the air of paternalism. If mandated territories were represented, interference by other states and by the international government would give them a lower status than that of advanced nations. Hobson was apparently untroubled by such paternalism.<sup>91</sup> This is a strange conclusion for someone who was supposedly so concerned about questions of welfare and just peace in the relations of advanced and backward peoples<sup>92</sup> He condemned inter-imperialism of the League of Nations as it was established, and yet his own proposals seem to imply the same conclusions.<sup>93</sup> Hobson also seems to forget the distinction between material and human welfare that he is usually so careful to draw. For instance, one of the more startling contradictions in his work is his eulogy of the development of natural resources by Western capitalism in *Economic Interpretation of Investment*:

The development of a backward country by foreign capital is always beneficial to the country itself, to the industrial world at large, and to the investing country in particular.

Compare this with his opinion ten years earlier:

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<sup>91</sup> *Democracy and a Changing Civilisation*, p. 143.

<sup>92</sup> *Wealth and Life*, p. 391.

<sup>93</sup> *Problems of a New World*, p. 186; *Modern State*, p. 35.

The successful exploitation of certain sources of material wealth might, for a time, be taken as tokens of success, and as constituting a service to the world; but a wider range of vision would show that these material gains were purchased by great racial disturbances, which made the price too costly.<sup>94</sup>

Finally, a number of times Hobson remarks that the producers of raw materials are at an advantage compared to manufacturers and traders. This argument seems to be a remnant of Ricardian worries for the future of the capitalist compared to the landlords. Yet this perspective suggests an improving condition for the countries with these natural resources. This was clearly not the case in Hobson's time; it is an even more dubious proposition today. It is especially problematic in relation to Hobson's other claims with regard to economic internationalism, where the internationalisation of the economy can be expected to benefit commerce predominantly, through improved communications and a wider division of labour.<sup>95</sup>

### Critical Assessment

Hobson's economic internationalism has been a rather neglected aspect of his work. This is unfortunate, since Hobson's proposals were, if general in character, an important contribution to the transformation of liberal internationalism in the early decades of the twentieth century. Two categories of criticisms that can be levelled at Hobson's economic internationalism and his broader discussion of international economic relations are considered here. First, the relevance of Hobson's work for the current international political economy is challenged. Second, there are criticisms of Hobson's theory of international trade and his optimistic suggestions of the directions of economic internationalism on their own terms.

Despite this important contribution to liberal economic internationalism, Hobson's theory of international trade and his discussion of international finance has been superseded both by subsequent developments and by more sophisticated theory.<sup>96</sup> His discussion of international trade did not include an analysis of the effects of non-tariff barriers to trade,

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<sup>94</sup> *Economic Interpretation of Investment*, pp. 100-1; *Social Problem*, p. 278.

<sup>95</sup> *Problems of a New World*, pp. 224-5; *Wealth and Life*, pp. 181-2.

<sup>96</sup> The paradigm for international trade theory has, until recently, been the Heckscher-Ohlin modification of Ricardo's theory of comparative advantage. See Paul Krugman and Maurice Obstfeld, *International Economics: Theory and Policy*, ch. 4. This paradigm was challenged by radical development economists. For recent approaches to international trade theory, see Paul Krugman, *Rethinking International Trade*.

a significant obstruction to the operation of free trade in the post-1945 world economy. Though he acknowledged the role of international investment, Hobson did not grasp the idea of a multinational company or the internationalisation of production. For example, there is no discussion in Hobson's work of intra-firm international trade, that is, trade across international borders between branches of a single multinational firm, and the consequent problem of transfer pricing. In Hobson's defence, changing circumstances make the application of economic theory across the best part of a century tenuous at best. In his own time, Hobson was ahead of many in his recognition of the impending internationalisation of the economy, even if he could not work out the implications of this tendency. In short, Hobson's defence of Cobden is peculiarly appropriate to Hobson himself: 'The element of truth in this criticism is for the most part attributable to economic developments, the character and pace of which neither Cobden nor any other statesman of his time could have foreseen.'<sup>97</sup>

Hobson's analysis of foreign investment is unsophisticated. He did not discuss or distinguish the different implications of direct investment of physical plant and portfolio investment, foreign investment that takes over already existing businesses as opposed to those that establish new industries, the repatriation of profits and dividends, and the issue of the creation of a dependent economy in the host country. For Hobson, '[c]apital invested abroad goes out in the shape of goods, for we have no money to send out, and it is not money but money's worth that foreign borrowers want.'<sup>98</sup> This is linked to Hobson's simplistic notion of investment 'as the process of the distribution of productive energy over an ever-widening area of activity, the movement of capital which it primarily effects being accompanied by a corresponding flow of business ability and labour-power, to co-operate with concrete capital in the production of wealth.' Hobson considered activities 'divorced from the solid facts of business life', that is actual production of commodities, to be pure, wasteful speculation.<sup>99</sup>

Hobson's defence of free trade is premised on a unilateral free trade argument, that is, that each nation would benefit from free trade whatever other nations did.<sup>100</sup> This view

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<sup>97</sup> *Richard Cobden*, p. 401.

<sup>98</sup> *Science of Wealth*, p. 240. Foreign investment was thus a department of export trade, according to Hobson.

<sup>99</sup> *Economic Interpretation of Investment*, preface.

<sup>100</sup> *International Trade*, ch. 9. See Jagdish Bhagwati, *Protectionism*, pp. 24-37, for a critique of the unilateral free trade argument.

has been refuted from the experience since the inter-war period. Indeed, Hobson acknowledged the need for political institutionalisation of free trade rules in his correction of free trade logic. Hobson also over-emphasised the harmful impact of protection on international relations, claiming that was a backward step for civilisation positing nations as inherently antagonistic actors. More recently, Susan Strange has argued that the effect of protection in world politics is negligible. The relations of nations continue during periods of high tariffs and other protective measures, because these relations are more important than mere trade.<sup>101</sup>

There is something of an anomaly in Hobson's writings on the increasing importance of international trade. Hobson believed in the increasing internationalisation of the economy *in absolute terms*, but at the same time admitted that:

When a modern nation has attained a high level of development in those industrial arts which are engaged in supplying the first physical necessities and conveniences of the population, an increasing proportion of her [sic] productive energies will begin to pass into higher kinds of industry, into transport services, into distribution, and into professional, official and personal services, which produce goods and services less well adapted on the whole for international trade than those simpler goods which go to build the lower stages of civilization.<sup>102</sup>

Unfortunately, he did not follow out the implications of the quandary of an internationalising economy, yet a growing importance of domestic relative to international trade. Though this is an intriguing point, Hobson's belief that tertiary sector services and commodities were less suitable for international trade has been proven mistaken by the internationalisation of financial services, the international media and information networks and the growth of tourism.

Placing Hobson's free trade arguments in the historical context reveals another inconsistency. Hobson's imperialism can be seen as a response to the Britain's relative economic decline in the world economy. Under increasing pressure from the industrial competitiveness of the United States and Germany, British policy makers and industrialists were considering a move away from the hegemonic policy of free trade. Hobson, however, argued against, protectionism for Britain, because at the turn of the century British maintained trade supremacy. Turning from the benefits of free trade was folly for a great power which had the most to gain anyway for this policy, especially with its dominance of

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<sup>101</sup> Susan Strange, 'Protectionism and World Politics'.

<sup>102</sup> *Imperialism*, p. 30-1. See also, *International Trade*, p. 7. Though he had changed his opinion by 1911. See *Science of Wealth*, p. 241.

shipping and other transport. In the post-war period, Britain's position in the world had clearly declined. Hobson now argued that Britain could not afford adopt protectionist measures because to do so would be to cut off the trade, *e.g.*, in food and raw materials, that Britain was dependent on. Hobson shifted from free trade as beneficial to the hegemon, to free trade as essential to smaller powers reliant on foreign trade. The question remains, however, whether middle powers (for want of a better term) might benefit from protectionist policies, as the US and Germany had done.

Hobson's proposals for national reform to allow free trade to operate fairly are flawed because nationally planned economies might well behave as monopolists in the world market rather than as beneficent states looking to maximise not only their own national welfare but global welfare. The corporatist states' industries would compete with each other replicating the imperialism and protectionism Hobson was seeking to remove.<sup>103</sup>

Hobson reconciled free trade and international government within the international application of his theory of cooperative surplus. Yet, this allows him to paper over the contradictions of an interventionist international government aiming to maximise global human welfare and the international economic system based upon *laissez faire*, as we saw with his writing on the mobility of labour. The theory of cooperative surplus appears to be so broad that it is applicable to any conceivable circumstance, even - as in Hobson's work in the thirties - to the reversal of liberal hopes for a free and open international economy. Hobson avoided the contradictions by staying with general principles and abstract analysis, except for his economic analysis of the effects of tariffs.

Hobson can be charged with economism for his emphasis on the importance of economic over political internationalism and reliance on traditional political economy arguments in his defence of free trade. While economics will dominate a discussion of economic internationalism, his reduction of the theory of cooperative surplus in international relations to a defence of free trade arguments. Two forms of argument that are rejected by Hobson elsewhere appear in his economic internationalism: first, that social and political relations are determined by economic relations; and second, that social and political relations are irrelevant to the more important economic aspects of international relations. In short, the autonomy of politics and economics that he challenged in old liberalism is restored in his economic internationalism. In contrast to his writings on the domestic economy, in international relations Hobson put economic advance ahead of social justice. Hobson's

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<sup>103</sup> Hobson acknowledged the monopolistic tendencies of such an arrangement in *Property and Improperty*, p. 205.

economic internationalism reveals more clearly than elsewhere in his work the materialist, economistic aspect of his evolutionary theory of cooperative surplus. He claimed that nations were not economic units. This sounds plausible until it is asked, what then is an economic unit? Hobson's implicit answer was that the individual or the firm is the unit in the global market. This, though, is an answer dangerously close to *laissez faire* dogma.

Hobson acknowledged that states were becoming important traders in their own right, just as they grew to fill the welfare role that Hobson carved out for them. It might be argued that Hobson disposed of the economistic arguments of *laissez faire* in his proposals for international economic government. Yet, the basis for his argument for political intervention in the economy is itself economistic, the need to control the economy to maximise welfare. We have seen that, for Hobson, welfare was not exclusively an economic category. However, in his stress on the predominance of economic relations in international affairs, Hobson deviated greatly from his humanism. Even as he proposed the need for political control in international economic relations in parallel to the control of the economy domestically, economics rather than politics still seem to predominate: 'international economics must be supported and sustained by international politics.'<sup>104</sup> In international organisation, as for the functionalists, political form follows economic function. Economic factors lead where they do not determine political factors.<sup>105</sup>

Hobson was optimistic on the prospects for international economic relations. He believed that the economic contacts of nations were beneficial and encouraged cooperation and with it brought the prospect of political unity, peace and prosperity. This optimism can be a bourgeois Western ideology of international relations, as is reflected in Hobson's discussion of mandates and the development of natural resources. Hobson was unconscious of the authoritarian tenor of his open door proposals and the possibility that contacts between nations could be disastrous for some, though he was aware of the possibility of abuse of international economic government.

In Hobson's defence, his proposals were meant to be general rather than specific and to sketch the outline of what was needed rather than construct a blueprint or analyse a particular aspect of international economic relations. His economic analysis has been superseded, perhaps, but the political purpose remains. In the context of his time, Hobson

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<sup>104</sup> *Evolution of Modern Capitalism*, p. 493. *International Government*, p. 196; *Democracy After the War*, pp. 175-6.

<sup>105</sup> Ashley, 'Three Modes of Economism'.

attempted to push forward discussion of important political issues without getting sidetracked by details or detained by excessive caution. In the longer term, Hobson's special contribution was the development of a new context for theorising about international economic relations. Hobson transformed the liberal debate on international economic relations, from the free trade of Cobdenite radicalism towards a functional approach to international economic organisation. Hobson's approach foreshadows the work of scholars concerned with the development of international institutions to stabilise economic relations, to mitigate the effects of the world market and to alleviate poverty. However, the similarity between Hobson and the functionalists and those who followed on from functionalism can be over-stretched. Hobson's political purpose and his normative standards, that underlie his advocacy of an international economic government, distinguish him from the positive analysis in international relations today.<sup>106</sup>

### Conclusion

The majority of Hobson's discussion of international relations is devoted to the positive and negative aspects of the economic relations of nations, imperialism and economic internationalism. Hobson held apparently contradictory views on international economic relations that he made compatible with his theory of cooperative surplus. While there are some problems of internal consistency, of the theory being outdated by subsequent events and being too general to be operationalisable, Hobson's work was influential in the study of international relations. He was one of the contributors to what has since been labelled the functional approach to international organisation.

Hobson deviated from the liberal paradigm in international economic relations. Liberal approaches to international economic relations are usually characterised as individualist and *laissez faire*. The paradigm liberal international economic policy is free trade.<sup>107</sup> Hobson developed an approach to international economic relations at odds with the usual characterisation of liberal approaches. While he supported free trade, he also advocated

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<sup>106</sup> For instance, John Gerard Ruggie, 'International Regimes, Transactions, and Change: Embedded Liberalism in the Post-War Economic Order'; R.O. Keohane and J.S. Nye, Jr., *Transnational Relations and World Politics*.

<sup>107</sup> See for instance, R.D. MacKinlay and R. Little, *Global Problems and World Order*, chs. 2, 5. For the paradigmatic status of 'economic liberalism' in interpretations of liberal international political economy, see R. Gilpin, *The Political Economy of International Relations*, p. 26-31, and Stephen Gill and David Law, *The Global Political Economy*, ch. 4.



international economic government, qualifying the classical liberal tenets of economic internationalism and proposing reforms of international economic relations to make them more equitable.

## Chapter Six

### International Government and the Maintenance of Peace

That Hobson should propose an international government as a rational organisation of international relations appears to follow logically from a consideration of Hobson's theoretical system. The functional logic of his theory of surplus value, emphasising the benefits of cooperation, organisation and social control by the state, also points to government for the society of nations. Hobson's detailed proposal for international government appeared during the First World War. In *Towards International Government* and the Union of Democratic Control pamphlet, *A League of Nations*, Hobson addressed the questions of international peace, security and order, and suggested international government as an alternative to the Balance of Power system which, he believed, had been a major cause of the First World War.<sup>1</sup> He argued that peace could only be achieved by centralising force to strengthen international law and methods of peaceful resolution of international conflicts. Hobson justified his ideas on centralised force through an appeal to the surplus and organic concepts. His discussion of international government as the culmination of the growth of international institutions and his broader proposals for an international federation are also couched in terms of these concepts. Hobson's reliance on a centralised force sits uneasily with his evolutionary discussion of international relations, however. This chapter explores the tension between Hobson's idea of an international government maintaining the peace and his ideas on the emergence of peace through international cooperation.

The first section of the paper examines Hobson's proposals for an international government involving extended provisions for arbitration and conciliation and the establishment of an international force. Hobson's broader conception of international government as a federation of nations united by a network of international functional institutions is discussed in the second section. The third section considers Hobson's reaction to the League of Nations and international developments during the twenties and thirties. The fourth section places Hobson's proposals for an international government in the context of his surplus and organic concepts. The fifth section assesses his proposals for an international government and his critique of the fledgling League as a preliminary stage to international

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<sup>1</sup> *Towards International Government, A League of Nations*. Hobson was not alone in making such proposals. Other proposals, Leonard Woolf, *International Government*, Viscount Bryce and others, *Proposals for the Prevention of Future Wars*. See the collection of schemes and proposals in Leonard Woolf (ed.), *The Framework of a Lasting Peace* and in Lord Phillimore, *Schemes for Maintaining General Peace*.

government. In conclusion, Hobson's discussion of the foundations of the international government is placed in the context of the tradition of institutional reform of international relations.

### **The Logic of International Government: Collective Security, Law and Peace**

Hobson argued a simple, logical case for international government. He did not detain himself with the intricate details of how such an institution might actually operate. Hobson claimed that it would be bad intellectual economy to get bogged down in the details.<sup>2</sup> He argued that the international government must have extensive powers and functions ceded to it by states. He proposed that arbitration and conciliation should replace war as the means to resolve disputes between states not settled through diplomatic means. The kernel of his proposals, however, was that nations should use their joint pressure to ensure that disputants agree to go to peaceful settlement. Members of the new international organisation would deter aggression both from within and outside the organisation through the threat of the use of their predominant force in joint action against an aggressor. Hobson believed that collective force would not only enhance peaceful settlement but would encourage nations to disarm.

Hobson hoped that his proposals fulfilled three requirements of international peace: first, the consolidation, extension and addition of sanction to international law; a second, the establishment of a method of just and peaceful settlement; and third, the reinforcement of methods for constructive cooperation.<sup>3</sup> The first two of these are the subject of this section; the last is discussed in the next.

#### *Arbitration, Conciliation and the Extension of International Law*

Hobson approved of the development of arbitration agreements in the Hague and in bilateral treaties before World War One. He argued, though, that the War had exposed their flaws as means of peaceful settlement. Arrangements for arbitration were weak because there were a multitude of separate treaties with different rules. There was little consistency among them to permit the extension the rules of arbitration into general principles of international

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<sup>2</sup> *Towards International Government*, preface.

<sup>3</sup> For a summary statement of Hobson's version of what a League treaty should look like, see *Towards International Government*, p. 27; 'Political Bases of a World State', p. 263.

law. While agreements on arbitration varied widely in scope and application, Hobson decried two common features. First, honour and vital interests were usually excluded from arbitration treaties. Second, dispute settlement utilised a tribunal putatively balanced by an equal representation of partisan judges. For Hobson, the first created a loophole for aggression; the second mistook 'balanced' partisanship for impartiality. Hobson also condemned arbitration arrangements before the War for their lack of sanction.<sup>4</sup>

Hobson proposed a single arbitration treaty to be signed by all states. This universal treaty would standardise international legal procedure. He argued that submission of disputes and observation of arbitration awards be compulsory. He called for a sanction to be attached to failure to submit disputes or to honour awards.<sup>5</sup>

Hobson acknowledged that not all disputes were amenable to arbitration. Disputes that could be arbitrated were those involving legal interpretation of treaties or international law, disputes that could be settled within international law, and disputes concerning facts that could be scrutinised according to the legal rules of evidence.<sup>6</sup>

Non-arbitrable disputes were those that involved political issues and economic and other interests. These were by their nature more controversial, but also were likely to be the greater source of international strife. To deal with these disputes, Hobson suggested drastic changes to the Hague's International Commissions of Inquiry to transform them into what he called a Conciliation Commission. Hobson's proposals for the new Commission parallel those for the arbitral tribunal. There was to be a general treaty adhered to by all states, including provision for the compulsory submission of all disputes without reservations. The proposal that the restructured Commission should be permitted to discuss all non-arbitrable disputes widened the scope of the Commissions of Inquiry considerably.<sup>7</sup>

Hobson further proposed that the Conciliation Commission should not be limited to making reports based on their inquiries and attempts at conciliation. It would, like the arbitral court, make awards. Awards would propose resolutions to disputes which must be abided by

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<sup>4</sup> See *Towards International Government*, ch. 3; *League of Nations*, p. 8; and 'Political Basis of a World State', p. 272.

<sup>5</sup> *Towards International Government*, pp. 34-40. *League of Nations*, p. 8

<sup>6</sup> *Towards International Government*, p. 34; *League of Nations*, p. 10; 'Political Bases of a World State', p. 269.

<sup>7</sup> *League of Nations*, p. 11; *Towards International Government*, pp. 47-8.

the disputants.<sup>8</sup> Hobson suggested another major innovation: he hoped that the Conciliation Commission could have a preventive as well as a curative role in dispute resolution. To this end, he recommended that the Commission should have the power to initiate inquiries into disputes or potential areas of conflict, even if the case had not been submitted by the disputants. Hobson hoped that the commission might intervene in the early stages of disputes and thus facilitate peaceful resolution and avoiding outbreak of hostilities.<sup>9</sup>

Hobson also advanced the idea of 'cooling off' as an aid to peaceful settlement.<sup>10</sup> For Hobson, halting a state's pursuit of its cause by military means gave 'the opportunity for a full rally of the resources of informed public opinion on the side of peace'. He claimed that:

Delay, the statement of the case and the consequent appeal to justice, will, therefore, insensibly and not slowly undermine the absolutism of the modern State, by enabling statesmen to perceive that the reasonable self of a nation can only be maintained by membership of a Society of Nations, and that such membership involves a submission of its private arbitrary judgement on international matters of conduct to the rational will of the whole Society.<sup>11</sup>

In short, rational thought would prevail given time and the pacific influence of world and national public opinion would have time to assert itself.

Finally, Hobson wished to support the activities of the commission with a sanction to enforce submission of disputes and compliance with its awards, if required.<sup>12</sup>

To summarise, Hobson proposed measures to facilitate and enforce legal settlement of disputes between states. These measures were to replace war and mitigate states' attempts to be the judges in their own cause. To effect these proposals, Hobson insisted upon two fundamental changes in the nature of contemporary international law. First, treaties for peaceful settlement of disputes through arbitration and conciliation had to be made wider in their scope and have the (near) universal adherence by states. Submission of disputes to the Court or Commission was to be compulsory and without reservation, as was the observation of awards handed down. Hobson tried, then, to close the loopholes through which states had

<sup>8</sup> Or an alternative resolution agreed to by both disputants.

<sup>9</sup> *Towards International Government*, pp. 55-6.

<sup>10</sup> He cited as examples the treaties made in 1914 between the United States and a number of other countries, that established a 'cooling off' period and set up Permanent International Commissions to examine any disputes between the signatories. See *Towards International Government*, pp. 51-2.

<sup>11</sup> *Problems of a New World*, p. 134, p. 136. See also *Towards International Government*, pp. 50-3; 'Political Bases of a World State', pp. 270-2.

<sup>12</sup> *Towards International Government*, pp. 47-8; *League of Nations*, p. 11.

been able to avoid arbitration and fight aggressive wars, such as the First World War.

Hobson's proposal for peaceful settlement of disputes entailed a treaty setting up an international organisation of which all states would be members:

The Treaty establishing a League of Nations would, ... in the first instance, bind the signatory Powers, not to a particular mode of settlement by Arbitration or otherwise, but to submit all issues on request to a Joint Committee of Investigation, empowered to determine whether the particular issue was by reason of its nature, or the point of its development suitable for settlement by Arbitration or Conciliation, or by a preliminary process of Inquiry by the Council of Conciliation with a view to subsequent reference to Arbitration.<sup>13</sup>

*Collective Force. an International Executive and Disarmament*

Resolution of disputes by arbitration and the rules of international law instead of war rested ultimately on the ability of the international community to compel disputants to come to arbitration or conciliation and observe awards. The third major change in international law Hobson called for was that there be sufficient sanction to enforce submission and compliance with awards. Hobson claimed that arbitration and conciliation would come to nought if there was no adequate sanction for non-compliance with the obligation to submit disputes or honour awards. Without a credible sanction, Hobson argued, states would not be able to trust in arbitration or conciliation. He asked 'If no provision is made for enforcing the acceptance of the recommendations of [the conciliation commission], what measure of security has been attained?'. States would fear that others would 'defect' (to use recent game theory terminology), that is, continue to use war as an instrument of national policy and not abide by international decisions. They would therefore continue to rely on traditional means of providing for national security. This fear, Hobson pointed out, was at the root of the arms races between states and was a major source of international conflict.

Collective force involved a cession of certain sovereign powers by states. Hobson recognised that states would be reluctant to undertake to make an international force that could conceivably be used against themselves. He hoped, however, that the manifest failure of international mechanisms lacking such central power to back up the law would persuade states that collective force was the only way forward.<sup>14</sup>

The emphasis on the necessity of force is a novelty to Hobson's discussions of

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<sup>13</sup> *Towards International Government*, p. 56.

<sup>14</sup> *Towards International Government*, pp. 99-100.

international relations.<sup>15</sup> Hobson both defended and criticised the arrangements for peaceful settlement at the Hague. These arrangements failed, he claimed, not because they were fundamentally misguided but because they were not supported by an adequate sanction. According to Hobson, the first essential of the international government was to keep the peace and that it must be strong enough to do so.<sup>16</sup> In *The Case for Arbitration and Imperialism*, Hobson had argued that public opinion and a sense of justice *are* sufficient for the operation of international arbitration. Arbitration is taken to be the peaceful alternative to settlement of disputes by war. By contrast his view in *Towards International Government* shows a something of a realist turn towards the use of force in the face of the failure of such moral sanctions.<sup>17</sup>

Hobson argued that a sanctioned scheme would encourage peace because it would be an incentive to disarmament. A collective force as a sanction for arbitration decisions would break the cycle of fear of one state of another's aggression, Hobson believed. Such an arrangement would only work though, if all states were convinced that there is no gain to be made from aggression. Under such conditions, it might even attract states initially outside the treaty: 'If the united strength of the Treaty Powers remained so great as to render the pursuance of [a state's] aggressive designs impossible or too dangerous, the lawless Power might learn the lesson of the law, and abandoning its hopes of aggression, come into the League.'<sup>18</sup>

Hobson believed that states would trade their nationally provided security through military forces for the international law backed by a collective force. He claimed that alliances are notoriously short-lived and that the new international government collective security mechanism would reverse the motives of national policy, encouraging particularist ties will

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<sup>15</sup> The turn to force was not uncommon in international relations writing at the time. See H. Suganami, *The Domestic Analogy and World Order Proposals*, ch. 5; Fred Northedge and Michael Donelan, *International Disputes: The Political Aspects*, p. 21.

<sup>16</sup> *Towards International Government*, p. 84, 96; cf. 'Political Bases of a World State', p. 269.

<sup>17</sup> Kenneth Waltz is thus in error when he claims that Hobson emphasizes the force of public opinion as a sanction for the international government. This is misreading of Hobson's ideas of the long-term nature of democratic international government. See Waltz, *Man, the State and War*, p. 150. For the context of Hobson's remarks, see *Towards International Government*, ch. 12.

<sup>18</sup> *Towards International Government*, p. 21. See also pp. 22-3. Hobson believed that the treaty would be so effective as to have to bind member states to 'maintain a proper quota of military and naval forces for common purposes of defence.' (p. 58).

tend to fade away.<sup>19</sup> Hobson hoped that states would calculate their security gains in the international government and thereby be convinced to abandon their old alliances, intrigues and arms races.

Hobson dismissed the idea of creating an independent international force or permanently allocating national units to a joint force. Instead, he advocated a formal arrangement whereby member states in a collective security arrangement would take joint action as decided against an aggressor.<sup>20</sup> He also proposed that, as a result of increasing international interdependence, an economic blockade of an aggressor could be a weapon in the collective security mechanism. However, he counselled that boycotts were prone to evasion by those supposedly implementing them and liable also to rebound on the initiators. Nonetheless, he particularly approved of the idea of a financial (as opposed to trade) boycott. A financial boycott, he suggested, would be facilitated by the creation of an international financial institutions as part of the international government.<sup>21</sup>

Hobson conceded that a Joint Standing Committee would be sufficient to direct the collective force of a minimal League of Peace. More extensive international arrangements for peace, such as he was proposing, would require an international council, representing the member-states, to act as the executive of international decisions.<sup>22</sup> 'Without such a representative body in permanent being,' he argued, 'a deep sense of unreality will continue to attach to the Court of Arbitration and the Committees of Conciliation and to the treaty which shall claim to establish them as authoritative modes of settlement.'<sup>23</sup> The international council would embody the universality of the arbitration and conciliation agreements as well as the collective security mechanism. Being a permanent international body, the international council could take action to prevent as well as remedy international conflicts.

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<sup>19</sup> *Towards International Government*, p. 84.

<sup>20</sup> *Towards International Government*, pp. 76-9, 96-100. Collective security is not a term used by Hobson but his proposals are equivalent to such a system.

<sup>21</sup> *Towards International Government*, pp. 90-5.

<sup>22</sup> *Towards International Government*, pp. 55-6, 101-9; *League of Nations*, p. 12.

<sup>23</sup> *Towards International Government*, p. 109. See also pp. 110-11, and 'Political Bases of a World State', pp. 272-5.



*The Membership and Structure of the International Government*

Hobson's use of terms such as international government and society of nations are not particularly specific. By world state, Hobson meant 'any body of political arrangements to which most of the principle nations of the world are parties, sufficiently stable in character and wide in scope to merit the title of international government.'<sup>24</sup> He is not even consistent in his use of the phrase 'society of nations', which sometimes appears to mean the collectivity of the nations of the world, and sometimes the government of that collectivity.<sup>25</sup> The binding together into a treaty for arbitration, for Hobson was the basis for confederation.<sup>26</sup>

An international court overseeing arbitration and conciliation and an international executive council, Hobson believed, formed the basis of an international government. Hobson did not discuss an international secretariat or administration to any great degree, except to assume that there should be one to support the operations of the new international institutions. More significantly, Hobson proposed that there should be an international legislature to go with the executive and judiciary. Hobson suggested that an international council would be an inadequate solution to the problems of international relations. The potential for international conflict was constantly being created by the rapidly changing world. He proposed that a legislative institution was essential to the new international government. This international parliament would make and amend international law and treaties to facilitate international cooperation and avoid potential conflicts. For Hobson, an international legislature was a logical consequence of his analysis. He had allocated the Conciliation Commission the power to initiate inquiries into disputes and potential conflict situations. He acknowledged that the awards and inquiries of the Commission would amend old international law and create new ones. A legislative body was required to oversee the modifications and development of international law to ensure its coherence and relevance to contemporary international

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<sup>24</sup> 'Political Bases of a World State', p. 260.

<sup>25</sup> Michael Freedon mistakenly argues that Hobson used 'Society of Nations' as a replacement for the flawed League of Nations during the thirties. See his Introduction to *J.A. Hobson: A Reader*, p. 21. In fact, Hobson used the term inconsistently. However, he used the term both before and during the First World War, usually to mean the collectivity of nations. Occasionally, using capitals Hobson referred to the Society of Nations to mean the government of the collectivity of nations. For Hobson's early uses of the term, see 'The Morality of Nations', p. 248; *The Case for Arbitration*, p. 2; and *Towards International Government*, p. 192.

<sup>26</sup> *Towards International Government*, ch. 2.

conditions.<sup>27</sup>

Hobson argued that all willing nations should be admitted into the new inter-governmental arrangements. There were immediate and practical as well as long-term reasons for Hobson's arguments for universality in his international government. After the First World War, the exclusion of the defeated powers, particularly Germany, would mean that the international government was effectively a continuation of the victorious alliance. Ultimately, Hobson believed, a League only of the war-time allies would bring about the reassertion of the balance of power. Inclusion of Germany would, he believed, aid the reduction of lingering resentment of war between the combatant nations. While Hobson hoped that the new international government would be the international manifestation of democracy, Hobson argued that non-democratic states, such as Russia, and of non-European states such as Japan and the USA, because 'an attempt to treat Europe as a separate political system would be mischievous'. Furthermore, in the long term, international justice and the 'wider task of preserving world-order could only be performed with equity if all the nations were represented in the League'.<sup>28</sup>

In his discussion of voting power in the international council, clearly the hub of the international government in Hobson's eyes, he argued against 'one state one vote'. To begin with there was a huge disparity between states. There was little prudential need for formal equality of nations in an international government, as there was with individual representation in national government. Hobson argued, further, that setting voting rights according to sovereign statehood would have a deleterious impact on internationalism. He speculated that population might be a basis for representation and voting, and later that standard of civilisation might be an important qualification to a strict population measure. Hobson claimed that this utilitarian notion was not sound in principle but the most likely to be adhered to by the statesmen of the Great Powers who will be the ones most needed in the establishment of the new organisation: 'putting the matter at its worst,' he argued 'it would be better for the interests of the great nations to prevail than for those of the small nations, not because a great nation is more likely to be in the right, but because it is better for a larger

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<sup>27</sup> *Towards International Government*, pp. 114-9.

<sup>28</sup> The quotes are from *League of Nations*, p. 19 and *Towards International Government*, p. 157. For more extensive discussion, see pp. 24-5, 154-61; *League of Nations*, pp. 17-9.

number of human beings to have their way than for a smaller.'<sup>29</sup>

Hobson was concerned about the matter of the type of person who should participate in the activities of the international government. Appropriate appointments for the Court of Arbitration and, to a lesser extent, the Conciliation Commission, would be 'men of legal eminence'.<sup>30</sup> The Executive Council should be made up of representatives from the member-states. These representatives, Hobson hoped, would be men of public affairs, such as politicians, literary figures, and so on, rather than the career diplomats who represented and espoused what he regarded as the old order. He hoped that democratic nations would elect their representatives. Democratic representation would give the representative legitimacy and ensure that he was respected at home. Democratic election would also, Hobson believed, encourage the participation on the Council of men imbued with the spirit of internationalism. To operate effectively, Hobson believed that the Council would have to be made up of permanent representatives. These men could devote their time and energy to the international government and avoid the distraction of national commitments.

The issues of the character of international personnel and (where possible) democratic representation were critical in Hobson's eyes. To remove the diplomats of the old order was essential in order to give the experiment in internationalism a chance of succeeding. Old ways would cramp internationalism and infuse international cooperation with the tradition of suspicion that had predominated in the past. In the long run, election of representatives to the international government was considered by Hobson a step towards a truly democratic international government, accurately representing 'the international mind'.<sup>31</sup>

Though he later admitted (in *Confessions of an Economic Heretic*) that the notion of democratic control of foreign policy was harder to pin down than many had thought, in *Towards International Government*, he stressed the importance of public scrutiny and input from democratically-elected representatives into the main lines of foreign policy, including

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<sup>29</sup> *Towards International Government*, p. 165. See also, pp. 162-6, *League of Nations*, p. 19, though he was to contradict this argument later. See *Democracy and a Changing Civilisation*, pp. 147-50; *The Modern State*, p. 35.

<sup>30</sup> *Towards International Government*, pp. 64-71. No doubt intending this remark also to apply to women, women maintained the convention throughout his writing of using 'men' to mean all people.

<sup>31</sup> *Towards International Government*, pp. 62-4, 67-70, 104-9; *League of Nations*, pp. 15-6. International Mind was a phrase first coined before the First World War by Nicholas Murray Butler in *The International Mind: An Argument for the Judicial Settlement of International Disputes*.

the signing and amending of treaties.<sup>32</sup> First, in the early stages of the international government, democratic control would prevent a swift return to the old politics by ousting the personnel of that era. Second, democratic control was part of Hobson's larger vision of a democratic federation of nations; in other words it was a long-term goal of 'real internationalism' and the triad of peace, democracy and internationalism.

### **International Government, Cooperation and Peace**

Hobson's arrangements for international government conceived peace and security as of the greatest importance. However, according to Hobson, the institutional arrangements of arbitration, an international council and collective force were of curative or preventive measures. Hobson believed that international government could resolve some of the underlying tensions that led to the outbreak of hostilities. He proposed international cooperation as a route to a more fundamental peace than would be achieved merely through institutional innovation; it could do more than simply keep the peace. The positive role of international government in encouraging international cooperation, Hobson's constructive internationalism, was based on his organic analogy and theory of cooperative surplus. Constructive internationalism was, as we have seen in chapter three, the latest stage in the evolution of international relations, according to Hobson.

Hobson's suggestions for international government-led cooperation mirror his surplus and organic concepts. Hobson hoped that the international government would be able to tackle international economic problems and especially to address the issue of international economic inequality. He claimed that international institutions had grown over the course of the nineteenth century, largely to deal with international issues raised by commerce, transportation and communications, and other technical matters. Hobson believed that '[w]e possess already the beginnings alike of the legislative, judicial, and administrative apparatus of international government' and advocated building on these rudimentary organs of international government.<sup>33</sup>

Hobson argued for international regulation of the rapidly changing and increasingly complex technical cooperation across national boundaries. An international body to monitor

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<sup>32</sup> *Confessions of an Economic Heretic*, p. 104; *Towards International Government*, p. 200-11; on British policy, *League of Nations*, p. 20, but compare to point 2 in *New Holy Alliance*, p. 8. Also see *Democracy After the War*, p. 210.

<sup>33</sup> 'Political Bases of a World State', p. 268-9. See also pp. 261-2; *League of Nations*, p. 3-4.

and oversee these new developments was required. Regulation effectively created new law, implying a role for the international legislature. He argued that the benefits of central organisation of technical and commercial international cooperation would lead to a steady growth in functions for the international government, because 'an immensely enhanced economy would be given to this co-operation if its various branches could be gathered into a single centre and placed under a single international supervision and control.'<sup>34</sup> This centralising tendency had been manifest in all smaller areas of society, and Hobson believed that the same would apply to the society of nations.<sup>35</sup> At the same time, international functional agencies would be delegated specific functions. Thus, the international government would grow from its beginnings as a minimal arrangement to secure peace to one that would forward human welfare through constructive cooperation and positive internationalism.

Another serious issue in international relations was nationalism.<sup>36</sup> While he supported the rights of nations, Hobson was concerned about the exclusive and aggressive aspects of nationalism. He suggested therefore that the international government should be organised according to the twin concepts of federalism and autonomy. Reflecting the concentric circles of community, autonomy did not require, Hobson argued, full sovereign rights in the form of a nation-state. Autonomy could be achieved within the current states, once they had been reformed and democratised, he argued.<sup>37</sup> The alternative, the creation of many small, new states was fraught with potential dangers, from international instability to a stimulation of economic nationalism.<sup>38</sup>

Federalism was, according to Hobson, 'the international aspect of democracy'.<sup>39</sup> An international federation would be a single overarching political structure for the world, to

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<sup>34</sup> *Towards International Government*, p. 117. See also pp. 112-118; *League of Nations*, p. 7. Such private intercourse could also benefit from the central direction of the international government.

<sup>35</sup> *Towards International Government*, pp. 147-8, 170-2.

<sup>36</sup> *Towards International Government*, pp. 119-27.

<sup>37</sup> *Towards International Government*, pp. 23, 126, 134.

<sup>38</sup> This idea fulfilled a significant political purpose for Hobson as well as being a theoretically satisfying solution to the problem of nationalism. At the end of the First World War, the victorious allies were openly discussing the dismemberment of their erstwhile opponents. Hobson and others on the Left opposed this idea as destabilising and reactionary. The irony of Leftist support for Austria-Hungary, Turkey and Russia has been remarked upon by A.J.P. Taylor in *The Trouble-Makers*, p. 147.

<sup>39</sup> *Democracy and a Changing Civilisation*, p. viii.

match the world economy, while reflecting the diversity of political and cultural world. Federalism was, for Hobson, a functional mode of government:

Federalism implies everywhere the subordination of the absolute sovereignty of one political area to the claims of a wider rule on the ground that certain aspects of local or national government vitally affect the wider area. It may be regarded as an economy of government, each area, from the family through the widening areas of local and national government to internationalism, practising free self-government in such matters as fall predominantly within the compass of its own knowledge, interest and capacity.<sup>40</sup>

The international government would be concerned with matters of international peace, security, economy and so on, but would delegate many of the other functions to national governments, which in turn would deal with their particular concerns and delegate the rest to local governments.

An international federation was Hobson's ideal for an international government. He believed that an international federation was an expression of civilisation. It would give substance to the emerging international mind, the spirit of internationalism, that was growing among civilised peoples. Besides the federal structure, Hobson's ideal involved democratic states, along the lines of Kant's scheme in *Perpetual Peace*. Another important facet of Hobson's vision was the democratic control of foreign policy. If the peoples controlled their relations with one another, there would be less likelihood of armed conflict. The operation of public opinion within the nation and worldwide would be in favour of peaceful international relations. Education in internationalism, part of which was participating in the experiment in international government itself, would be required for an informed and reasonable public opinion to be formed, Hobson thought. This public opinion as expressed in the nation's foreign policy would then be in tune with the international mind. Hobson hoped that education would correct public opinion and mitigate the influence of the capitalist media. Hobson also believed in education through experience in internationalism; international government teaches the benefits of international co-operation.<sup>41</sup> Similarly, Hobson hopes that nations and their governments who are, as he puts it 'unenlightened' about internationalism, will learn from the experience of international government and the activities of the internationalist-inclined nations, that this is the way forward.

Hobson did not hold that all these elements were required for any experiment in international government, such as the League of Nations, to be worthwhile. However, he did

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<sup>40</sup> *Democracy and a Changing Civilisation*, p. 138. See also *Problems of a New World*, p. 253, 260.

<sup>41</sup> *Towards International Government*, chs. 12-13.

believe that an international federation of democratic nations was the political arrangement of the world to guarantee a true, lasting peace.

Hobson's conception of the international government differed from his idea of the League as a collective security mechanism. The latter involved a strong central government with decisions being made at the centre in order to be authoritative. The international federation Hobson saw as the ideal would have to delegate authority for many political decisions to the respective national states, and on industrial, financial and commercial matters to what he calls 'federal functional bodies'.<sup>42</sup> The contrast between these two approaches is the subject of the fourth section.

### The League of Nations

It would be an understatement to say that Hobson was not impressed with the League of Nations. He poured scorn upon the new international arrangement, 'this sham league', as he called it. The League of Nations was 'oligarchic', 'a conspiracy of autocrats', 'a League of Governments', 'a travesty of internationalism', 'a Holy Alliance of the Entente Powers', but most explicitly, 'a League of the Foreign Offices of the Governments of the victorious Allies...'. The League was a sham because it was not the League of Nations or Peoples but a 'League of Conquerors'.<sup>43</sup> The tenor of Hobson's criticisms of the new League can be indicated in a sentence: it was an inadequate international government. All this, despite the fact that he had initially dismissed the idea that a League of Nations could become a New Holy Alliance!<sup>44</sup>

Hobson wrote a stinging critique of the Peace negotiations at the end of the First World War and the creation of the League within that framework. He exposed what he called the idealism of the peoples and the politicians, and demonstrated how this idealism was exploited by powerful cliques of politicians and businessmen who had an interest in the re-establishment of the old order of international relations.<sup>45</sup>

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<sup>42</sup> *Towards International Government*, p. 117, 148, 191-2; *Democracy and a Changing Civilisation*, p. 143-7, 150-2, 173.

<sup>43</sup> *New Holy Alliance*, p. 1, 7; *Problems of a New World*, pp. 119-20, 186, 228, 235; *Democracy After the War*, p. 196.

<sup>44</sup> Cf. *Democracy After the War*, p. 209; *New Holy Alliance*, p. 1.

<sup>45</sup> See *Problems of a New World*, pt. 3, particularly, chs. 1-2.

Hobson criticised the creation of new nationalities in the Peace terms.<sup>46</sup> Hobson decried unfair application of the principle of national self-determination. The principle was qualified by 'military necessity', 'historical right' and 'economic need'. The principle and its exceptions were invoked in such a way that they worked against the defeated central European powers. The new states in central and Eastern Europe created new German minorities. The most stark abuse of the principle of national self-determination, however, was the refusal to allow the newly truncated Austria to join Germany, despite the express wishes of the Austrian population to do so.

The pandering to nationalist sentiment and the creation of new national boundaries to trade in the break-up of the Ottoman and Austro-Hungarian Empires fostered resentment in the defeated nations, stimulated aggressive nationalism across Europe and stored up economic troubles for a stricken continent following an exhausting war.<sup>47</sup> The implications for the League were disastrous. With few provisions for sound economic internationalism in the League Covenant, Hobson correctly predicted that the League would preside over an increasing level of nationalist animosity and economic exclusion.

### *The Critique of the League of Nations*

The first problem with the League was that it was part of the peace negotiations. 'Instead of being founded on the broad basis of peaceful equality of nations,' Hobson claimed that the League was 'an appendage to a dictated peace, thus absorbing the principle not of equal justice but of force in its very origin.'

Hobson accused the makers of the League of seeking to perpetuate the conditions of the international order established by the Entente Powers victory. According to Hobson, the Covenant was 'an extended War Alliance impudently masquerading as international'.<sup>48</sup> The League was made by the victorious allies and was composed of that alliance plus 'good' neutrals. Bad neutrals and enemies from the War were excluded from the new international organisation. This injustice was magnified by the provision in the Covenant that subsequent

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<sup>46</sup> Hobson's opinions on the outcome of the Great War, its effects on national and international relations, along with some of his reactions to the Peace at Versailles, can be found in *Problems of a New World*, pt. 5.

<sup>47</sup> Cf. *Towards International Government*, p. 120; *Problems of a New World*, pp. 111, 117, 234, 252; *Democracy and a Changing Civilisation*, pp. 121-2.

<sup>48</sup> *Democracy After the War*, p. 208.



accessions to the League would be accepted only on a two-thirds vote of the League Assembly. Even then new member-states joined at the status of a small power. Hobson pointed out that the terms for Germany's accession to the League meant that it would rank with Siam and Newfoundland rather than France or the United Kingdom.

Hobson was worried by the exclusion of Germany and Soviet Russia and the refusal of the US to take part in the League. The lack of universal membership, particularly the absence of a number of great powers, rendered the justice of its arbitral decisions and the activity of its collective force problematic. It created another complication: the League should not intervene in non-member states' affairs. Hobson argued that such interference was to rule without consent. The League Covenant should apply only to those states that signed it.<sup>49</sup>

According to Hobson, the victorious great powers domination of the new international arrangement was institutionalised by their control of the Council, the most powerful decision-making body in the League set-up.<sup>50</sup> Hobson also criticised the allocation of votes in the League Assembly to the self-governing dominions of the British Empire. Hobson denied that these dominions were self-governing, particularly in the all-important area of foreign relations. The votes of the self-governing dominions were in fact British votes. He argued that this violated any pretence to democratic representation as it gave Britain six votes to every other state's one.<sup>51</sup> Hobson argued, however, that the League was 'futile' anyway, because amendments to the League Constitution could only be effected with a unanimous vote of the membership. Hobson scoffed that this gave every member-state a veto on internationalism, effectively reinstating state sovereignty as the organising principle of the international experiment.<sup>52</sup>

According to Hobson, the League was designed not as a mechanism for disarmament but as a second line of military defence for the great powers. The first means of defence was the retention of full national forces.<sup>53</sup> Hobson pointed out that the retention of large national forces by League members would render disarmament impossible, because the arms

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<sup>49</sup> *Problems of a New World*, p. 229.

<sup>50</sup> *Towards International Government*, p. 173, *Democracy After the War*, p. 208; *New Holy Alliance*, pp. 3-5; *Problems of a New World*, p. 113, 124, 228-9, 269-70; *Modern State*, p. 32.

<sup>51</sup> *New Holy Alliance*, p. 5.

<sup>52</sup> *New Holy Alliance*, p. 8; *Problems of a New World*, p. 229.

<sup>53</sup> *New Holy Alliance*, p. 6.

race would continue.

He later criticised the League for failing to acknowledge underlying tensions that were major causes of international instability, such as imperialism and exclusive nationalism. League supporters had, claimed Hobson, over-emphasised narrow concerns with peace and disarmament to the neglect of the positive, constructive cooperation required as the basis of a true, lasting peace.<sup>54</sup> Disarmament and arbitration had failed and would continue to fail, he argued, if the international antagonism and fears that caused nations to build up their armouries were not removed.

Hobson attacked the Mandate system instituted in the League as 'a thin veneer for the distribution of colonial spoils among the Big Five.'<sup>55</sup> League Mandate provisions were to apply to derelict empires and territories unable to govern themselves. However, this was a pretext for the division of the Ottoman and German overseas empires between the Allies, especially favouring the British dominions. The division of mandates had been decided by the victorious allies *at a conference before* the creation of the League. This division of mandated territories was then imposed on the League and the vanquished empires by the allies.

Hobson claimed that '[t]he mandatory clauses of the Covenant furnish the political machinery for the completion of the process by which Western Europe has absorbed in colonies and protectorates so large a section of the earth.'<sup>56</sup> The League mandates constituted a new phase in imperialism where the ruling classes of certain Powers would govern the entire world under the cloak of internationalism. Hobson was outraged that the League permitted the evasion of a provision only for 'equitable' (as opposed to equal) treatment of all trading and investment concerns in mandate territories. The mandatory power was effectively accorded economic privileges that it could hand to its nationals, excluding or restricting other nations' industries. The transformation of the mandate idea, which Hobson supported as beneficial to internationalism, into a new form of imperial control was most obvious for Hobson in the absence of effective monitoring of the mandate territories by the League.<sup>57</sup>

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<sup>54</sup> *Modern State*, p. 36; *Democracy and a Changing Civilisation*, p. 171; *Problem of a New World*, p. 227. Cf. *League of Nations*, p. 6

<sup>55</sup> *New Holy Alliance*, p. 6.

<sup>56</sup> *Democracy After the War*, p. 193.

<sup>57</sup> *New Holy Alliance*, pp. 6-7; *Democracy After the War*, pp. 191-3; *Problems of a New World*, pp. 106, 186, 219, 226, 230-2; *Modern State*, p. 35; *Democracy and a Changing Civilisation*, pp. 141-3.

*A Qualified Defence of the League*

Hobson was not, however, all criticisms. He reserved a few kind words for the League as the first tentative steps towards organising international cooperation and ultimately international government. He defended the ultimate end of the League as the permanent embodiment of an internationalism that had been evolving since the nineteenth century.<sup>58</sup>

Before the War, Hobson had argued that '[t]he insistence upon freedom to make war and bring havoc into the social order of the world, is a right not to rational liberty but to anarchy.'<sup>59</sup> Hobson continued his opposition to unreserved rights for states after the War. Indeed, the failure of the League was making 'manifest the urgent peril of an anarchy of States as an alternative'.<sup>60</sup> Rampant sovereignty resulted in international anarchy, of which international government was the only solution.

An ill-constructed State is generally better than anarchy. Now, the present alternative to a League of Nations, however unsatisfactory in its personal control, is a return to international anarchy.

This might appear a rather conservative idea, being the defence of the status quo. However, the League was, for Hobson, a flawed but vital institution in the creation of international peace and human welfare.

Hobson approved of the League's acknowledgement of the principle that 'effective self-government requires that the area of such government shall be related to the particular groups interested in the objects of such government.'<sup>61</sup> The League, thus, incorporated national interest as part of internationalism. This was preferable to an attempt to transform international relations with a cosmopolitan government or unitary world state. While wary of assertions of nationalism and sovereignty, Hobson viewed a single world state as unnatural in the context of contemporary international relations.<sup>62</sup>

Hobson even excused the League's failure to make significant advances in international cooperation. Hobson accounted for the slow progress in the tying of the new

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<sup>58</sup> *Modern State*, p. 32, *Democracy and a Changing Civilisation*, p. 140.

<sup>59</sup> *The Case for Arbitration*, p. 6.

<sup>60</sup> *Democracy After the War*, p. 208; *Democracy and a Changing Civilisation*, p. 160. Cf. *Towards International Government*, p. 5.

<sup>61</sup> *Democracy and a Changing Civilisation*, pp. 135-6; see also p. 144.

<sup>62</sup> *Towards International Government*, pp. 192-3; *Political Basis of a World State*, pp. 260-1.

international organisation to an unjust peace treaty. Furthermore, in the post-war period there was, according to Hobson, an unparalleled atmosphere of antagonism and desire for revenge in international relations. The suspicions of France, the exclusion of Soviet Russia, the isolation of the United States, the feeling of betrayal and disillusionment in Germany and the struggles of new European nation-states contributed to a renewed militarism and nationalism.

Hobson apologised for the failures of the League's economic institutions. Effectual operation of international economic institutions was precluded by the international economic dislocation created by national economic insecurity, the fall-out of indebtedness and monetary instability from the War and then the onset of the Great Depression.<sup>63</sup>

Hobson proposed a series of reforms to improve on the League's feeble performance and reduce its biases. Reiterating the requirements of a successful international government, he listed the following conditions:

The inclusion at the formation of the League of all willing nations, the detachment of the constitutions and functions of the League from all war associations, the adoption of open diplomacy and popular representation in the League government, effective international control over the relations between advanced and backward peoples, the application of the Open Door policy to all backward countries and new areas of economic development...

He also called for the immediate inclusion of Germany with status equal to the other Great Powers, a truly representative international Parliament with deliberative and legislative powers, a fairer basis for representation on the League Council, the replacement of the unanimity provision by majority rule, and the creation of an international commission reflecting the interests of labour to decide on international standards for working conditions.<sup>64</sup>

In *Towards International Government*, Hobson was cautious enough to admit that his more extensive proposals could not be expected to happen overnight.<sup>65</sup> In his calls for reform, however, Hobson calls for immediate changes to the League that go far beyond

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<sup>63</sup> *Problems of a New World*, p. 234; *Modern State*, pp. 32-4; *Democracy and a Changing Civilisation*, p. 140. Hobson had hoped that the post-war world would not be so disrupted, see *League of Nations*, p. 2. This, however, does call into question Hobson's optimistic belief in the transformative capacities of the populations in the wake of the war.

<sup>64</sup> *New Holy Alliance*, p. 8; *Problems of a New World*, p. 233. The International Labour Office did come into existence. For an example of Hobson's later thoughts on constructive internationalism, see 'The Origins of the I.L.O.'

<sup>65</sup> Compare the tone of *Towards International Government*, preface and p. 127 with *New Holy Alliance*.

merely remedying its defective origin. His calls for change to more constructive cooperation are apparently to be enacted as soon as possible.

*The League and Internationalism in the Twenties and Thirties*

Hobson continued to advocate reform in the name of the progress of civilisation through peace, democracy and internationalism, though he claimed that the First World War shook his conviction in the rationality of man. While he was concerned during this period with the problems of a new world, as he called it, there were new opportunities as well as looming dangers.

Hobson's tone on international issues changed during the thirties. He became increasingly disillusioned with the League and the prospects for internationalism. The thirties were a period of instability and crisis, to be sure. Hobson was by now an old man who had outlived most of his life-long friends. The difficulties were greater still. The crises of the thirties, the failure of the League as a system of collective security, the rise of fascism and the Great Depression, confronted Hobson and his liberal and radical friends with the apparent failure of all they had hoped for. Can democracy survive? was a central question in Hobson's *Democracy and a Changing Civilisation*. He even asked whether, in its present form, it should survive. His answer was (as ever), more or less, yes. Internationalism and peace, the other two parts of the triumvirate of political causes to which Hobson applied himself appeared to be suffering secular decline. For Hobson, the League manifestly failed in the crises over Abyssinia, Manchuria and Spain. His belief in the League as an instrument of international cooperation waned.<sup>66</sup>

Hobson changed his opinion on the need for a single international force. He called for an international air force to deter aggression and keep the peace, a proposal similar to that by David Davies. This rather fantastic suggestion for reform can be seen simply as another variant of the centralised force, advanced in *Towards International Government*. However, there is a tone of desperation here. The suggestion strikes one as the outdated view of a Victorian who considered bicycles revolutionary.<sup>67</sup> Hobson closed his discussion of an

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<sup>66</sup> *Property and Improperty*, foreword, p. 132ff.; 'Thoughts on our Present Discontents', p. 48.

<sup>67</sup> For an instance where Hobson appears rather Victorian, see *Problems of a New World*, p. 42. A note of caution should be added to this criticism. After all, the structure of the suggestion of an international air force is not too dissimilar from the proposal that all nuclear weapons and knowledge concerning such weapons be collected in the United Nations. This latter proposal has been, and

international air force on an alarming note that sums up one of the problems with the idea of an international force: 'can we look forward to an early time when humanity will triumph over nationality - or when the bombing of a city will be accounted a defence of humanity?'.<sup>68</sup>

Hobson's renewed emphasis on the importance of domestic reform further reflected his withdrawal of support from the League. The 'hard saying' of 1915 became the only way forward in the late thirties:

It is impracticable to hope for peace and justice in international affairs unless the conditions for internal peace and justice within the nations have already been substantially obtained.<sup>69</sup>

Internationalism, democracy and peace were still intimately linked. However, now Hobson believed that democracy within the nation-state had to come first, controverting his warnings about the 'Close State' being of necessity militaristic. Though Kenneth Waltz has suggested that Hobson's is a state-level analysis of international relations, this is the first time that Hobson places a temporal priority on domestic reform over international reform.<sup>70</sup>

What remained of Hobson's commitment to practical internationalism became a defence of the achievements of democracy against the rise and aggression of the Fascist Powers. He conceded the necessity of a limited organisation for collective defence. No doubt, he admitted, this would reinstate the balance of power, but such were the circumstances that this policy was necessary. For instance, Hobson approved of Clarence Streit's plan for the union of the democratic countries.<sup>71</sup> At the beginning of the Second World War, Hobson hoped for US intervention in the war in the hope that the war would thus be prevented from escalating or made shorter. His gloomy conclusion was that the Second World War could end in a victory for Fascism or, even if the Western Powers were to win, a re-run of the iniquities of Versailles.<sup>72</sup>

In his war-time proposals, Hobson hoped that the peoples would lead internationalism.

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continues to be in some quarters, considered seriously. See also Fred Northedge and Michael Donelan, *International Disputes*, p. 20.

<sup>68</sup> 'Force Necessary to Government', p. 342.

<sup>69</sup> *Confessions*, p. 113. See also *Property and Improperly*, p. 106; and 'Ethics of humanity'.

<sup>70</sup> Waltz, *Man, the State and War*, p. 146; J. Townshend, 'Introduction', *Imperialism*, p. [32].

<sup>71</sup> 'Nationalism, Economic and Political', p. 4.

<sup>72</sup> 'America in the War?', p. 4.

He closed *Towards International Government* in a confident mood:

[The peoples] 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.

With his growing disillusionment with the League, Hobson admitted, however, that '[t]he sentiment of humanity, human sympathy, still lags far behind the requirements of a sound World Government' and also behind the actual facts of economic and political internationalism.<sup>73</sup> In his last writings, Hobson argued that a spirit of internationalism was needed, rather than rational arguments why internationalism was sound or institutions claiming to represent the international interest. While this spiritual internationalism was a theme common to many of Hobson's writings, here he contrasted it with the failure of the practical experiment. There is the suggestion that true internationalism would have to wait until the distant future and that no amount of international institutional reform would change that.

### **The Logic of International Government and Hobson's Evolutionary Approach to International Relations**

Hobson's discussion of international government is underpinned by his organic and surplus concepts. However, his proposals for the extension of international law and an international force, though he claimed it as a part of his scheme for a fully democratic international government, does not fit well with his evolutionary approach to international relations.

A central feature of Hobson's proposals for an international government in 1915 was his emphasis on the need for a central force. Hobson claimed that peace was the first function of government. In international relations, he argued that the international government had to use force to maintain peace. The collective international force would impose justice and enforce decisions of the international court, as well as deterring aggression. He argued for a centralised force by appealing to an argument analogous to the theory of cooperative surplus.<sup>74</sup> According to Hobson, force could not be done away with entirely, because society or the world was neither entirely rational nor entirely just. However, with advances

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<sup>73</sup> *Political Basis of a World State*, p. 276-8. Cf. *League of Nations*, p. 2; *Towards International Government*, p. 100, 153, 196-9. For the quotes, see p. 212 and *Modern State*, p. 36.

<sup>74</sup> *Towards International Government*, p. 89.

in civilisation, force was a diminishing element in social relations. Legitimate force had become more or less monopolised by a central agency representing the whole of society, *i.e.*, the state, creating what Hobson called the economy of force in the progress of civilisation. Force (nearly) monopolised by the central agency resulted in an aggregate reduction in the use of force in society.<sup>75</sup> Furthermore, Hobson argued, along the lines of his organic theory, that physical force *per se* was not a bad thing. It was only a malevolent factor when used disproportionately to ends secured or for an irrational purpose. For example, war in the international system was a bad thing because of its sectional nature. International force, representing the will of the international society, would be more likely to just. Nonetheless, Hobson argued, other rational methods of altering behaviour were to be preferred over force if these were available. Opponents of a world super-state, 'moral force anarchists', as Hobson called them, opposed Hobson's arrangement on the grounds that as states were tyrannical, a super-state would be super-tyrannical. Hobson argued against this that central force was needed in all societies, large and small, throughout history, and that it was highly irresponsible to abjure the use of force in a society where morality was as yet undeveloped. 'It is idle to imagine,' he argued, 'that a society starting with so little inner unity of status and purpose can dispense entirely with the backing of physical force with which the most highly evolved of national societies has been unable to dispense.'<sup>76</sup>

In *Towards International Government*, Hobson was hoping for a revolutionary change, exemplified by significant institutional innovation, in international relations. He described this, in his organic terminology, as a 'rapid mutation'.<sup>77</sup> At the end of the First World War, he expected that the nations, tired of war, would call for a drastic change in international arrangements to avoid a recurrence of the Great War. He appears to have believed that such a rapid transition was possible, indeed a necessity, because of the unusual and traumatic conditions of the war and its immediate aftermath. He believed that the dread of the alternative, that is, a return to the war system of the balance of power, would be sufficient to convince people to support an international government.<sup>78</sup>

Hobson's economy of force argument for international government rested on a

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<sup>75</sup> *Towards International Government*, pp. 86-9.

<sup>76</sup> *Towards International Government*, p. 96. See also p. 74-7, 87-9.

<sup>77</sup> 'Political Bases of a World State', pp. 276-8.

<sup>78</sup> *Towards International Government*, p. 109, 153, 212.



presumption derived from his evolutionary approach to international relations: international relations was a backward realm of social organisation when compared to domestic society. As we have seen, Hobson believed that the morality of international relations was primitive but developing with the advance of internationalism. The economy of force argument suggested that force was necessary even in an advanced and civilised society such as Britain. How much more, Hobson maintained, did international relations require central force to maintain peaceable and just relations in the primitive, predominantly egoistic, morality of the society of nations.

Hobson's conception of the primitive nature of international relations gave rise to an anomaly in the first half of *Towards International Government*. Though he condemned the use of the term Power when referring to the relations of nations, Hobson used this term throughout his discussion of his proposed League as an arbitration treaty, a collective security system and in his sketch of the structure of an international government.<sup>79</sup>

Though adopting some of the rhetoric of an evolutionary approach, the force-oriented perspective of his international government proposals contrasts with the evolutionary perspective on international relations embodied in his broader suggestions for an international federation. Hobson recognised that government's role goes beyond peace-keeping, as he had shown in the domestic context. Hobson stressed the need for curative or constructive cooperative measures over the purely preventive or curative for peace to be achieved in international relations.<sup>80</sup> International government, like national governments, could encourage and direct cooperation. With Hobson advancing his view that international relations was developing and becoming more integrated, particularly in international economic relations, it would be appropriate for an international government to fulfil the role of the international cooperative institution representing the interests of the society of nations as a whole. The premise underlying this suggestion is that it is cooperation rather than a centralised force that brings peace. It also follows that international government reflects not the economy of force but the economy of organisation. This argument contradicts the premise of his argument for a centralised force. The argument for centralised force suggests that peace and order needs to be maintained in international relations for the achievement of improvements in human welfare to be possible; the argument for constructive internationalism

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<sup>79</sup> He even attacked the use of the term power in international relations later in *Towards International Government!* See pp. 180-1.

<sup>80</sup> *League of Nations*, p. 6; *Towards International Government*, p. 116.

suggests that the satisfaction of human welfare involves human interaction and institutions that will bring peace and order to international relations.

Hobson's organic analogy and theory of cooperative surplus are incremental compared to the revolutionary change he called for his blueprint in *Towards International Government*. In contrast to his centralised international government as a collective security mechanism, Hobson's ideas on international government as an international organisation performing welfare functions and reflecting the federal nature of international political life are evolutionary and incrementalist. They rest not on the dramatic changes of political opinion grasping international institutions and bending them to its will, but on gradual change in international organisation as a response to the underlying conditions of global welfare requirements. This, again, reflects Hobson's belief that international relations was an evolving realm. Though it was backward, the emerging internationalism brought a more developed sense of morality for international relations. The standard bearers of the developing morality of civilisation were the democratic, advanced nations of the world, rather than the powers that currently ruled international relations to whom Hobson had turned in his force-oriented proposal.

Despite the similarities and Hobson's attempt to portray them as a unified approach, the path of institutional reform through the centralisation of force and Hobson's constructive internationalism conflict. The latter fits into his evolutionary framework, suggesting the development of functional international institutions and a federal government to reflect the changed nature of international relations. The force-centred analysis of *Towards International Government* and also his argument for an international police force is less easily reconciled with the rest of Hobson's work. His arguments for a central force appear to be illiberal and anti-democratic. The incongruity results from an error by Hobson. Hobson mistook an emergency measure, the last resort of established authority, for the foundation of that authority. International force is an emergency measure both at the end of the First World War and in the face of the threat of fascist aggression. The international force was a way of stabilising international relations in a time of chaos. However, Hobson did not question the premise of this stabilisation sufficiently; it is not a basis for a democratic federations of nations. For instance, Hobson hoped for the inclusion of all the nations of the world, yet his international set-up strictly only required the adherence of the Great Powers for its successful operation.<sup>81</sup>

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<sup>81</sup> *Towards International Government*, p. 161.

Hobson was not simply inconsistent in his discussion of international relations, however. His analysis of international relations remained the same. What changed was his estimation of the current potentialities and progress of international relations. His force-centred analysis reflected a deep pessimism about the morality and altruism in the relations of states. Considering the state of the world in 1915, in the period immediately after the War and during the crises of the thirties, this pessimism is not surprising. Pessimism led Hobson to emphasise the need for central force as the vanguard of more constructive internationalism later. The condition of international relations required immediate, revolutionary change, and the condition of the peoples indicated that such a change might indeed be possible. This contrasts with the optimism of the progress of civilisation that predominated in his discussion of constructive internationalism as the pinnacle of his evolutionary scale for world order.

### Critical Assessment

Hobson's proposals for an international government sit uneasily with his evolutionary perspective on international relations. There are further difficulties with his proposal for an international government and the assumptions that underlie the proposal.

Hobson's proposal for international government as a collective security mechanism suffers from many of the problems common to collective security schemes.<sup>82</sup> In world of diverse nationalities, states and their interests, Hobson's desire for a universal international organisation conflicted with his emphasis on the need for a coherent and coercive international government punishing non-compliance. Hobson understood the problem: the heterogeneity of nations meant that an international government would need a long list of aims and/or there will compromise, say on the matter of sanctions, inimical to his scheme. Hobson preferred a wider membership, but admitted that this would result in a looser union.<sup>83</sup> Yet a looser union must mean the absence of mandatory sanctions, compulsory arbitration and the centralisation of force. Surely, by Hobson's own logic, his scheme must, therefore, fail.

Hobson hoped for universal consent from the nations of the world for the international government, with its consequent benefits in terms of impartiality and justice from true

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<sup>82</sup> For a classic statement on collective security, comparing it as an international system to the balance of power and world government, and surveying some of the criticisms of each system, see Inis Claude, *Power in International Relations*.

<sup>83</sup> *Towards International Government*, p. 39.

internationalism. However, the logic of the centralisation of force to keep the peace suggests stringent restrictions on the sovereign rights of states in the international government. In short, the universalist organisation presumes finding a consensus, while the international force presumes a consensus already exists. Hobson can only avoid this dilemma by ignoring his own criticism of political thought, that 'we do not believe in ideas as we believe in force'.<sup>84</sup> This tendency reveals a potentially reactionary streak in Hobson's thought.<sup>85</sup>

Another problem is that Hobson's hopes for disarmament rest on the creation of a preponderantly strong universal organisation. Any non-universal organisation would have to retain arms to defend itself from potential aggression from an outsider. This might, as Hobson argued, result a reinstatement of the balance of power. Hobson believed that the League also had to be strong enough to continue should one of its members defect from the organisation.<sup>86</sup> These precautions make it seem implausible that arms will be reduced rapidly through Hobson's international government. Indeed, the dispersion of forces in the collective security arrangement he envisaged makes matters worse because coordination of the international force will reduce the gains from the economy of force.

Hobson tended to wish away the problems of internationalism in his assumption of an implicit harmony of national interests. Yet, it can be argued that nations do indeed have conflicting interests, and that these conflicts of interest are not the product of irrationality on the part of individual nations, but a reaction to their circumstances. Still, he optimistically believed that democratic election of representatives to the international government would enhance internationalism. The potentially conflicting role of an international representative (between the international and national interests) are not simply be solved by correct representation. Hobson believed that democratic control of foreign policy would bring peace, as it would give expression to the true pacific nature of the peoples of the world. Hobson believed that populations would be at the least more pacific than their governments, even though he also attacked the mob mind and the manipulations of the press whipping up bellicosity and xenophobia.<sup>87</sup> Hobson also assumed that a cooling off period would

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<sup>84</sup> *Crisis of Liberalism*, p. 110.

<sup>85</sup> For a comparison of conservative tendencies in Hobson's thought, see John Allett, 'The Conservative Aspect in Hobson's New Liberalism'.

<sup>86</sup> 'Political Bases of a World State', p. 273-5; *League of Nations*, p. 9; pp. 13-14; *Towards International Government*, p. 42-3, 81-5.

<sup>87</sup> *International Government*, p. 204-5.

encourage rational consideration by the parties of the issues in a dispute, thus facilitating a peaceful settlement. Unfortunately, a cooling-off period could also be exploited in order to build up forces. Furthermore, cooling-off may be a fundamentally conservative idea: where there is no institutionalised means for peaceful change, cooling off may maintain an unjust status quo. While he intended there to be a system of peaceful change, Hobson's proposals on this issue were more nebulous than his concrete suggestions on cooling off. The assumption of harmony in international relations, indeed, can be seen more as a conservative device than a liberal one from this example. Hobson's assumption of the justice of international force rests on the argument that the international authority or international interest appealed to is clear to all. If this were not the case, an appeal to the justice of international action would be problematic: what one nation regarded as the international interest would be regarded as merely as that first nation's interest by other nations.

Besides the common realist rejection of his proposals that Hobson gave short shrift, there were also criticisms from other reformers, among others, Leonard Woolf and J.M. Keynes. Lowes Dickinson argued that Hobson's project was too ambitious and far-reaching to be achieved. Furthermore, Hobson's revolutionary scheme would scare governments from *any* of the less ambitious international schemes, he argued. In short, Hobson was making the best the enemy of the good. Hobson replied that the logic of international government demonstrated that smaller proposals were themselves unworkable.<sup>88</sup>

It could also be objected that Hobson's scheme would be impossible to realise. Hobson noted the argument Rousseau's argument against St. Pierre's *Projet* - that the statesmen who would be required to agree to the plan would be opposed to it. Despite this, Hobson goes on to propose what Rousseau rejected, a Social Contract of Nations. Hobson tried to close the loopholes in his scheme with compulsory arbitration and conciliation backed up by a military sanction to punish non-compliance. Unfortunately, if the sanction and compulsion of the treaty are credible, it would more than likely deter states from joining the arrangement, as Hobson admitted.<sup>89</sup>

Hobson turned out to be wrong on the potential transformative effects of public

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<sup>88</sup> *Towards International Government*, p. 175-6; *League of Nations*, p. 13. Dickinson's criticism quoted in Clarke, *Liberals and Social Democrats*, p. 178-9. See also the debate between Hobson and Leonard Woolf, *Nation* (Vol. 17, August 1915), p. 615, 639; J.M. Keynes, *The Collected Writings of J.M. Keynes*, Vol. 28, p. 11; and Alfred Zimmern, 'Nationality and Government'.

<sup>89</sup> *Towards International Government*, pp. 81-5; *League of Nations*, p. 9, 13-14; 'Political Bases of a World State', p. 275.

opinion at the end of World War One. The peoples of Europe carried the resentment and nationalist fervour of the War into its aftermath, rather than seeking to change the international system that Hobson believed was at the root of the strife between nations. He realised this and later described the change of ideas necessary to bring international government as being akin to a religious conversion. Where he had hoped for the rational expression of a desire for peace among the peoples of the world, he later believed that a leap of faith (in internationalism) by civilised humanity was required.

Hobson eschewed a detailed programme and analysis of international government, but it is in the practical details, as we have just seen, that problems emerge. Another example is the lack of specification of the meaning of federalism. This term is made so general that it becomes meaningless. This is especially true of Hobson's use of the term confederation in *Towards International Government*. Hobson argued that there should be confederation of states rather than a single federal state, but used the terms loosely.<sup>90</sup>

There are a couple of broader criticisms of the assumptions underlying Hobson's proposals. The first is that Hobson has a pro-organisation bias that blinded him to a number of inadequacies of his proposals. Hobson defended the League as the only alternative to nationalist anarchy and an important contribution to the struggle for national democracy against militarism. It could be argued that, for many peoples, an oligarchic League dominated by the great powers would be worse than a less ordered alternative.<sup>91</sup> Hobson argued in *Imperialism* that the Congo Conference of 1884, where the European Great Powers divided Africa into spheres of influence, was the starting point of the modern period of imperialism. However, in *A League of Nations*, he claims that the Berlin Treaty (that followed the Congo Conference) could have been a basis for pacific internationalism.<sup>92</sup>

Hobson attacked the oligarchic nature of the League of Nations, yet his proposal for

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<sup>90</sup> *Towards International Government*, ch. 2.

<sup>91</sup> He was accused by his friend H.N. Brailsford, of attempting to build an international government, before the democratic basis of domestic governments were laid. The implication is that Hobson unwittingly supported a capitalist project. See H.N. Brailsford, *The Life-work of J.A. Hobson*. Also J. Townshend's Introduction to *Imperialism*, p. [31]. Hobson proposes but dismisses this problem in *Democracy After the War*, p. 191-6, 209. But he takes a rather different view in *Democracy and a Changing Civilisation*, p. 133, and his reference to Kant in *Towards International Government* along with his reversion to putting your own house in order qualify this assessment.

<sup>92</sup> Compare *Imperialism* with *League of Nations*, p. 3. Also qualification in *Towards International Government*, p. 139.

an international government would have been very similar.<sup>93</sup> Hobson hoped that small states, concerned at the prospect of constitutional tyranny of the Great Powers where 'one state one vote' was no longer the rule, would still join the international organisation because the alternative, international anarchy, was worse and, he argued, the prospect of great power condominium small. On the other hand, Hobson's ideas on voting according to population and size, and later some measure of the level of civilisation and contribution to internationalism, would also have been controversial.<sup>94</sup> While a pure population measure might have had unfortunate consequences, the application of a civilisation test, especially tied to the contribution to the advance of internationalism, would be biased in favour of the Western nations. Hobson's self-consciously utilitarian proposals would have trampled the rights of minorities and would effectively have set up a 'tyranny of the majority'.<sup>95</sup>

Another product of his pro-organisation bias is that Hobson sees all international(ist) factors as good and all national(ist) factors as bad.<sup>96</sup> Having argued that force is necessary in a morally undeveloped realm, Hobson believed that international force was just, because it was international. He defended the League longer than he might have any national institutions that had failed him as badly. According to Hobson's logic, the only alternative to international government is anarchy. Besides the fact that this misconstrued the economic (if not the political) character of the modern world, Hobson committed an error for which he had previously criticised imperialists. Hobson's proposal reinvoked 'the inevitable in politics', but this was an international as opposed to an imperial necessity.

The organisational bias also contributed to Hobson's ethnocentric blindness to the integrity of cultures other than Western civilisation. His arguments for the defence of backwards peoples are a form of paternalism that, it has been argued since Hobson's time, place the undeveloped countries forever in a subordinate position in the global political

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<sup>93</sup> With the exception of the detachment from any Peace Treaty. Hobson stated in *Towards International Government* that the constitution of the League should not be in any peace at the end of the war, see p. 173. See also *Towards International Government*, p. 166. Similarly his views on mandates and the possibility of inter-imperialism on pp. 144-6. Also see *Democracy and a Changing Civilisation*, p. 141-3.

<sup>94</sup> Compare *Towards International Government*, p. 164-6 with *Democracy and Changing Civilisation*, p. 148.

<sup>95</sup> *Towards International Government*, pp. 165-6.

<sup>96</sup> See William T.R. Fox, *The American Study of International Relations*, p. 8, for a critique of this bias.

economy. The tyranny of the powerful Western nations is completed by Hobson's arrangements for the inclusion of the colonies into the international government. Such territories and the peoples living there are not to be represented by their own appointees, but the territories are to be trusts of the international government.<sup>97</sup> The second broader criticism is that, in the logic of international government, Hobson's organic analogy became a simplistic domestic analogy. He considered the international government to be a government of the society of nations like any other government of a society. Hobson argued that his proposals for international government involved 'the introduction of no new political principle, but only an extension of that moving force of the mutuality of interests which has everywhere and always been operative upon smaller areas.'<sup>98</sup> Thus principles that applied domestically could be applied to the international realm.

A domestic analogy drives Hobson's view that it was crucial to a scheme for international peace to strengthen international law to make it more like domestic law. Hobson's proposal for some form of sanction to deter states from engaging in aggressive war is analogous to the role of the police and the courts domestically. Hobson relied on a domestic analogy of states or nations in international relations to persons in domestic society in his discussion of international arbitration, national self-government, the role of an international legislature in international law, and in his arguments that international government must be based on consent, denying the private right of states to wage war, against absolute national property rights and the right of rebellion in international relations.<sup>99</sup> An interesting case here is the principle of representation in the international government. Hobson argued that domestic equality in voting, that is, one person one vote, was maintained not on the principle of equality but for prudential reasons. In international relations, with the patent inequality of states and fewer prudential constraints, the principle of equality could be dropped in favour of, what Hobson considered the more fundamental maxim, treating only equals equally.<sup>100</sup>

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<sup>97</sup> There is also a linguistic aspect to Hobson's paternalism. Hobson never referred to backward peoples as nations. This is because a reference to nationhood would be an admission that these peoples were civilised and should be part of the international government on an equitable basis.

<sup>98</sup> *Problems of a New World*, p. 253; see also *Towards International Government*, p. 85, 153.

<sup>99</sup> *International Government*, p. 70, 125, 176; *A League of Nations*, p. 19; *Free Thought*, p. 259; *Wealth and Life*, p. 395; *Democracy and a Changing Civilisation*, pp. 115-6, 121.

<sup>100</sup> *League of Nations*, p. 19.



Hobson's evolutionary constructive internationalism is also reduced to a form of the domestic analogy. Hobson interpreted past internationalism, such as Hague institutions and conferences as well as the private international cooperation as the rudiments of an international government, that is, a primitive form of domestic institutions and law. Hobson's conception of international institutions as if they were stages to international government prohibited him from considering the institutions on their own merits in the international system in which they operated. This led him both deprecated the diverse functions of international institutions and law and to advocate changes inappropriate to the peculiar circumstances of contemporary international relations.

In Hobson's defence, a blueprint for an international government is easy game for the realist critic. Realists simply assert the primacy and logic of the contemporary states-system and point to the eternal verities of international politics, such as the struggle for power and the pursuit of national interest. Blanket condemnation of utopian schemes is a staple of international relations scholarship. However, the challenge to reform is based on an assumption of recurrence and repetition that is as unwarranted as the assumption of progress. During the inter-war period, Hobson himself came to wonder if international government overextended the world's current 'enthusiasm for humanity', in short, the belief in internationalism. He was also largely unimpressed by the League of Nations.<sup>101</sup> Furthermore, Hobson dealt with a number of the realist criticisms. His argument that consciousness of kind extends beyond national states is a plausible retort to realist emphasis on national over international interest, and that the previous failures of internationalism need not be repeated because economic and social conditions had changed.

A number of Hobson's criticisms of the betrayal of the internationalist ideal in the League of Nations still have considerable purchase. Finally, the logic of the increasing cooperation of people and peoples, the extension of the theory of cooperative surplus to international relations, can be characterised as proto-functionalist. As such, Hobson contributed to the formulation of the functionalist approach to international organisation.

## Conclusion

To summarise, Hobson's proposals for international government have two logics within them: the logic of centralised force and the logic of the centralisation of function. These involve

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<sup>101</sup> *From Capitalism to Socialism*, p. 36; *Democracy and a Changing Civilisation*, p. 140; *Imperialism*, p. [62].

different routes to internationalism. The logic of centralised force is an anomaly in Hobson's evolutionary approach to international relations.

In the context of other proposals for the reform of international relations, Hobson's is admittedly quite bold. At the end of the War a considerably watered-down version of the League idea was instituted, indicating that Hobson's proposal was too much for statesmen and other reformers of the day. Plans for international government have since fallen out of favour, making Hobson's ideas appear rather quaint. Nevertheless, with the end of the Cold War and the ideological struggle between capitalism and communism that went with it, there is the prospect that some of Hobson's ideas will again be apposite. For today's reformers, the main lesson to be learned from Hobson's discussions of international government, like so many others of its kind, is that international peace and global welfare cannot be fabricated simply by innovating institutions based on a domestic model without some critical examination of the original and the new (*i.e.*, international) contexts. Specifically, international institutions must have legitimacy if they are to contribute to the progress of justice and civilisation.

## PART THREE

### *Chapter Seven*

#### **Hobson and Idealism in International Relations**

This thesis has examined the logic underlying Hobson's approach to international relations as well as assessing his writings on imperialism, economic internationalism and international government. Hobson is famous in international relations for his theory of imperialism. He is also, though less famously, categorised as one of the idealist writers on international relations. In addition, he contributed to a tradition of liberal thought on international affairs. Hobson as an idealist is the subject of this chapter, while his place in the liberal tradition of thinking about international relations is discussed in the concluding chapter.

Hobson lived just long enough to see the final collapse of his hopes for an international government and peaceable international relations. Appropriately enough for a writer who has been identified as an idealist international theorist, Hobson died on April Fools' Day in the first year of the Second World War.<sup>1</sup> There has been a recent growth in the literature on idealist international theorists, with papers on Alfred Zimmern, David Davies and Norman Angell.<sup>2</sup> This chapter critically assesses whether Hobson's international relations writings can fairly be categorised as idealist. It is shown that there are three strands of idealist thought of Hobson's writings. Though idealist in their own terms, they differ on fundamental propositions about international relations as well as in their prescriptions for a reformed world order. The implication for the history of international thought is that a consideration of Hobson's work revealing three modes of idealism destabilises the monolithic category of idealism in international relations. To put it another way, the idealist label blurs important distinctions in Hobson's writings.

The first section outlines idealism in international relations and notes Hobson's rationalist world-view and its ramifications in his approach to international relations. The second section examines Hobson's idealist-inspired critiques of contemporary international relations. The third section considers Hobson's prescriptions for an ideal international polity

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<sup>1</sup> A.J.P. Taylor uses Hobson's tumble down the stairs from the 1917 Club as a metaphor for the collapse of idealism in 1931. See *The Trouble-Makers*, p. 145-6.

<sup>2</sup> D.J. Markwell, 'Sir Alfred Zimmern Revisited: Fifty Years On', pp. 279-92; Brian Porter, 'David Davies: A Hunter After Peace', pp. 27-36; Cornelia Navari, 'The Great Illusion Revisited: The International Theory of Norman Angell', pp. 341-58.

and demonstrates that there are three different approaches within Hobson's writings: traditional idealism, Cobdenism, and constructive internationalism. The fourth section assesses the significance of the three modes of idealism developed in the third section, first for Hobson's writings on international relations, and second, for international relations scholarship on idealism.

### **Idealism in International Relations**

In international relations, idealism is the label commonly attached to the well-wishing, optimistic rationalists, particularly of the inter-war period, who believed that progress in human relations is attainable through the application of human reason and that underlying human interaction is a basic harmony of interests. Realism, with which idealism in international relations is routinely contrasted, recognises the nature of man as an essentially self-interested creature, that the relations between men, especially in international relations, are mediated by political power and are based on conflict and the exercise of physical force.

The opposition of realism and idealism has dominated, indeed, has been constitutive of the international relations discipline.<sup>3</sup> The story of the development of international relations tells us that idealist international theory was predominant in the inter-war period but that its hopes were dashed by the disasters of the thirties, including the rise of aggressive fascism and the collapse of the League of Nations leading up to the beginning of the Second World War. We are told by Carr that '[n]early all popular theories of international politics between the two world wars were reflexions, seen in an American mirror, of nineteenth-century liberal thought'.<sup>4</sup> A legalistic, rationalistic worldview dominated the early years of the Anglo-Saxon pursuit of international relations as an academic discipline. After a period of normatively based analyses (for example, the search for 'peace through law'), the discipline saw the errors of its ways and took a more empirically sound approach, centring on the recognition of the supremacy of sovereign states and the requirements of state power.<sup>5</sup>

The tenets of idealism in international relations can be stated negatively (in opposition to realism) as the foolish searching for something beyond current international realities and

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<sup>3</sup> See M. Banks, 'The Inter-Paradigm Debate', pp. 14-5; K.J. Holsti, *The Dividing Discipline*, pp. 28-31; and S. Smith, 'International Relations as a Social Science', pp. 190-2.

<sup>4</sup> Carr, *The Twenty Years' Crisis*, p. 27

<sup>5</sup> H. Suganami, 'The 'Peace Through Law' Approach: A Critical Examination of Its Ideas'.

the hope for change in an unchangingly repetitive realm.<sup>6</sup> For Hedley Bull, idealist writing was 'not at all profound' and 'none is worth reading now except for the light it throws upon the preoccupations and presuppositions of its time and place.'<sup>7</sup> Idealism can, however, also be defined positively in terms of its claims about the nature of human beings and the world in general. People are rational, there is a fundamental harmony of interest between people(s), and there is the possibility - or even inevitability - of progress.<sup>8</sup>

Hobson believed in man's rationality despite the setbacks of the Boer War and the First World War.<sup>9</sup> He even believed in the (albeit limited) rationality of the agents of the irrational phenomenon of imperialism. While developments in philosophy and in science had thrown some doubt on the certainty of the claims of nineteenth century determinists, Hobson stoutly defended the rationalist tradition. For Hobson, '[t]he wide significance of rationalism surely demands a reasonable explanation of every course of human thought and conduct, especially in that great area, or arena, of political, social, and economic reconstruction which confronts every reasonable man or woman as essential to the salvation of a civilized world.'<sup>10</sup> He modified but still accepted the idea of a basic harmony of interests between people. Rather than being a natural law, though, harmony was, for Hobson, the result of a conscious collective application of reason. Finally, he believed in progress, despite his criticisms of nineteenth century complacency in this regard.<sup>11</sup> The First World War and the rise of Fascism was certainly a setback to the progress of democracy, civilisation and justice, but this was expected to be temporary. Just as important, Hobson believed that some notion of progress motivates human action: 'If we really disbelieved in any process of betterment of ourselves and for humanity, every human activity would be sapped at the source...'<sup>12</sup>

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<sup>6</sup> M. Wight, 'Why is there no International Theory?'

<sup>7</sup> Hedley Bull, 'The Theory of International Politics 1919-1969', p. 34.

<sup>8</sup> For various discussions of the liberal, rationalist world-view which underlies idealism in international relations, see B.L. Crowley, *The Individual, Self and Community*, p. 2; J. Gray, *Liberalism*, p. x; M. Oakeshott, *Rationalism in Politics*, p. 11; B. Crick, *In Defence of Politics*, p. 128; and H. Morgenthau, *Scientific Man vs. Power Politics*.

<sup>9</sup> *The Modern State*, p. 30; *Confessions of an Economic Heretic*, p. 96, 104; *Rationalism and Humanism*, p. 31.

<sup>10</sup> *Rationalism and Humanism*, p. 10, 34-46.

<sup>11</sup> *Rationalism and Humanism*, pp.20-1; *Democracy and a Changing Civilisation*, pp. 17-8.

<sup>12</sup> *The Recording Angel*, p. 75.

According to the *South Place Monthly Record*, Hobson was 'strangely unworldly' and 'an unrepentant idealist'.<sup>13</sup>

There is a further element to idealism as it appears in politics in general and not only in international relations. 'Idealism is born of the endeavour to comprehend political reality in *unitary* terms, in a series of straightforward and precise propositions', according to R.N. Berki. However this means that '[t]he world of idealism is the bifurcated, abstract world of good and evil, black and white, desirable and undesirable, something to be advocated and justified, something to be relentlessly opposed, rejected.'<sup>14</sup>

Hobson's work is full of dichotomies between good and evil. His theory of cooperative surplus is opposed to the sectional appropriation of 'unproductive surplus'. Upon this dichotomy, Hobson produced a series of oppositions, such as wealth and 'illth', socialism and capitalism, combination and competition and justice and force. These dichotomies were given their most stark presentation in *Democracy After the War*, where Hobson lines up the forces of reaction on one side against the forces of peace, democracy and internationalism on the other.<sup>15</sup> In each opposition, we find that Hobson condemned present arrangements for failing to come up to the standards of his rational ideal.

Hobson hoped that the world could undergo a spiritual and social transformation. The categorisation in international relations of Hobson as an idealist contrasts with the other work for which he is famous, namely the so-called theory of economic imperialism. Yet here again Hobson's gloomy prognosis of contemporary world politics is a reflection in an idealist mirror of his idealist internationalism, the manifestation in international relations of his belief in progress. For Hobson, imperialism was the dark reality of modern world politics. It was the product of a sectional interest, certain financiers and industrial magnates, manipulating the press, public opinion and politicians of industrialised societies in order to attain their self-interested goals. While Richard Cobden had blamed aristocratic meddling in the political affairs of nations, Hobson attacked financiers for their economic interest in imperialism and

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<sup>13</sup> Article commemorating the one hundredth anniversary of the birth of J.A. Hobson, *South Place Monthly Record*, 63 (July 1958).

<sup>14</sup> R.N. Berki, *On Political Realism*, pp. 193-4. According to Berki's definition, Carr's dichotomy of realism and utopianism as the opposition of power, relativism and necessity on the one hand, and reason, universalism and choice on the other, is itself a product of idealism. E.H. Carr, *Twenty Years' Crisis*, ch. 2. Thus, both Hobson and Carr are idealists in Berki's definition. The difference between Carr and Hobson is that, in *The Twenty Years' Crisis*, Carr placed himself on the realist side, while Hobson remains on the utopian, according to Carr's criteria.

<sup>15</sup> *Democracy After the War*, pt. 2, ch. 1.

even international conflict. Contrasting this gloomy view of present politics, Hobson's vision of the alternative to imperialism is a paradigm of idealism. Social reform and redistribution of income for industrial societies, and an international government to monitor nonintervention between nations would bring peace, prosperity and the reign of reason, justice and humanity to the world.<sup>16</sup>

Hobson condemned the betrayers of idealism, among those he accused being the American President most closely identified with the idealism of the inter-war period: '[Woodrow] Wilson ... has made the very name of idealism a term of derision.'<sup>17</sup> He also hoped for the vindication of idealism from the assaults upon in the years at the end of the First World War.<sup>18</sup> This brief survey of Hobson's worldview and his opposition of internationalism and imperialism in international relations appears to confirm that Hobson has accurately been labelled an idealist.

### **Hobson's Idealist Critique of Contemporary International Relations**

Hobson's concern with international affairs was prompted by a perceived problem in international affairs with which his reforming spirit sought to grapple. Hobson was profoundly dissatisfied with contemporary international relations. He criticised a number of the central elements of contemporary international theory: sovereignty, international law, diplomacy, the balance of power and the use of force. Hobson's assessment of these elements of international theory differ from contemporary analysis and subsequent realist theory. His critique of the 'old', 'traditional' or 'obsolete' ideas can be identified with a rationalist, idealist, liberal conscience.<sup>19</sup>

#### *Sovereignty and International Law*

He argued, as we have seen, that sovereignty was associated with a power-oriented

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<sup>16</sup> *Imperialism*, pp. 86-90, 360.

<sup>17</sup> Hobson's review of W.E. Dodd, *Woodrow Wilson and His Work*, *The Nation*, pp. 189-90.

<sup>18</sup> *Problems of a New World*, chs. 4-5.

<sup>19</sup> M. Howard, *War and the Liberal Conscience*.

view of the world, that had contributed to the creation of international anarchy.<sup>20</sup> For Hobson, assertions of sovereign independence were instances of individualism in international relations, a failure to acknowledge the increasing connectedness and interdependence of the society of nations. Sovereign independence was outdated, he argued because it was tempered by obligations under international law and because of the growth of interdependence nations brought on by trade, travel and other communications.<sup>21</sup> It no longer reflected the true interests of the several national elements of mankind. Privileging national interests over the global common good, it was an obstruction to international cooperation and an international government.<sup>22</sup> It was thus an obstruction to civilisation, educating habits of thought opposed to the developing cooperation of humanity. Sovereignty, according to Hobson, was states being a law unto themselves. He denounced the absence of a central enforceable sanction and called the legal rules of international relations 'a loose code' of 'so-called international law'.<sup>23</sup> Peace and justice in international relations, according to Hobson, relied on the extension and strengthening of international law, so that nations could no longer plead 'vital interests' or 'honour' to evade their obligations. International law could no longer be merely 'voluntary' for states. The lawlessness (as he saw it) of contemporary international relations prompted him to offer suggestions in terms of backing up law with sufficient force.<sup>24</sup>

Hobson believed that domestic law was the model for all law. In common with much contemporary opinion, Hobson believed that international law was at a primitive stage of development. In so far as international law failed to measure up to the standard of domestic law, it was not law at all. Its progress could be measured by its increasing similarity to domestic law, through the growth of universal rather than bilateral treaties, conferences on international legal matters, an international judiciary, and the strengthening of sanctions. While international law was feeble, Hobson was hopeful that the mechanisms of peaceful

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<sup>20</sup> *Free Thought in the Social Sciences*, p. 257.

<sup>21</sup> On international law limiting sovereignty, see *The Case for Arbitration*, p. 7; *Towards International Government*, pp. 33, 124-5.

<sup>22</sup> *Towards International Government*, pp. 81, 86-7, 178.

<sup>23</sup> *Democracy and a Changing Civilisation*, p. 139.

<sup>24</sup> *Democracy and a Changing Civilisation*, p. 139, 145; *The Case for Arbitration*, p. 4. This might appear to be a realist proposition: only force could compel nations to behave in terms of the international interest rather than their own narrow self-interest. However, though the logic is realist, the prescriptions are unlikely to be sanctioned by realists.



settlement and of functional cooperation set up in the latter part of the nineteenth and the early part of the twentieth centuries would be a basis for future development, paralleling the supersession of the priority of individual over social interests domestically.<sup>25</sup>

Sovereignty, as understood in much of the international relations literature today, however, is a category of legal status, a badge needed to participate in international relations.<sup>26</sup> According to this perspective, Hobson's critique based on the facts of interdependence are an idealist critique of the consequences of sovereign statehood and not of the concept *per se*. His idea that international law qualifies sovereignty misunderstands the nature of both sovereignty and international law. Sovereign statehood is the basic qualification for a state to be party to international law. International law is by definition the law between sovereign states. Thus, as states have to consent to be bound by international law, it is difficult to argue that international law is a limitation on states.

Hobson's mistake with regard to sovereignty is compounded by his flawed conception of law. International law is usually considered distinct from domestic law by virtue of its different enforcement measures and the structure of the society within which it is placed. Nevertheless international law is law, not just a primitive set of rules or pre-law.<sup>27</sup> In his analysis, Hobson assumed that international law would take on the character of English criminal law. He neglected the civil law aspect of the English legal system and also the different approaches to law in other parts of the world. His critique of international law did not extend to the argument, advanced by Carr, that international law merely reflected the interests of the Great Powers.<sup>28</sup> He optimistically believed that the weakness of international law was a greater danger to small states and weaker peoples because it gave powerful states a free hand. He discounted, as we have seen in his discussion of the League of Nations, the long-term prospects of constitutional tyranny in international relations.

### *Diplomacy and Foreign Policy*

Hobson had criticised the diplomacy that led to the Boer War. The experience of the

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<sup>25</sup> *Notes on Law and Order*, pp. 24-5; *The Case for Arbitration*, p. 7; on functional cooperation, see *A League of Nations*, p.2; *Towards International Government*, p. 177; *Imperialism*, p. 167.

<sup>26</sup> See Alan James, *Sovereign Statehood: The Basis of International Society*.

<sup>27</sup> See Michael Akehurst, *A Modern Introduction to International Law*, ch. 1.

<sup>28</sup> Carr, *The Twenty Years' Crisis*, p. 182.

First World War and his involvement in the U.D.C. both reflected and reinforced these strong opinions on diplomacy and foreign policy. Hobson's critique derived from the nineteenth century Radicals' attacks on British foreign policy. Hobson did not wish, as did the Radicals before him, for the end of foreign policy, but rather looked to the democratic representation of the true interests of society in foreign policy.

The first problem with traditional diplomacy, according to Hobson, was class bias. Diplomats were drawn from the ranks of and propounded the viewpoints of the rich and powerful; they were 'unrepresentative types of men, with ... false, antiquated conceptions of States and statecraft...' These conceptions were opposed to the interests of society as a whole and to the interests of the international society. Instead, modern diplomacy required 'able, broad-minded men of large personal experience of the people and the popular activities of the people, experience amplified by contact with the peoples and activities of other countries, men accustomed in large, free intercourse to test and assimilate new facts and valuations and to practise arts of mediation and of arrangements'.<sup>29</sup> If the old diplomatic and foreign ministry officials could be removed and replaced by people who more truly represented the interests of society, then the relations of states would cease to be competitive and the relations of peoples, thus freed up, would be a harmonious pursuit of welfare.<sup>30</sup>

The structure of traditional diplomacy also bred to international antagonism. The cult of secrecy, distrust of foreigners, calculations of your rival's power and unprincipled compromise, multiplied the problems of class bias in the embassies and foreign ministries.

Drawn from this narrow section of society, they [recruits to the diplomatic corps] enter a calling strongly stamped with the traditions of an even less enlightened and more autocratically ordered past, in which the normal relations of States and Governments are envisaged in terms of suspicion, hostility, and jealousy.<sup>31</sup>

Diplomacy reflected and reinforced the militarist attitude engendered by the competition of sovereign states with one another. Hobson also thought that multilateral diplomacy was preferable to bilateral negotiation.<sup>32</sup> Hobson criticised traditional diplomacy for its class bias

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<sup>29</sup> *Towards International Government*, pp. 65, 67-8. See also p. 7, 70, 169; *A League of Nations*, p. 15, 20.

<sup>30</sup> *Free Thought in the Social Sciences*, p. 217; *Richard Cobden: The International Man*, p. 10, 408; *Democracy After the War*, p. 210; *The Case for Arbitration*, p. 1; *The German Panic*, p. 23.

<sup>31</sup> *Towards International Government*, pp. 67-8.

<sup>32</sup> *Richard Cobden*, p. 388; *Democracy After the War*, p. 210; *The German Panic*, p. 27; *A League of Nations*, pp. 15-6; *Towards International Government*, pp. 66-8, 70.

and its formal structure of diplomacy, and criticises the formulation and evaluation of foreign policy. If, Hobson claimed, the whole process of foreign policy making were public and open to debate, different, more pacific, foreign policies would emerge, as the pacific nature of the people gained expression.<sup>33</sup>

In summary, the necessary reforms were, first, opening the foreign office and diplomatic corps to all qualified people; second, public discussion and Parliamentary sanction of treaties, including the establishment of a Standing Committee on Foreign Affairs; third, representatives to the International Council that Hobson had proposed should be directly elected rather than appointed diplomats.<sup>34</sup> On diplomatic negotiations, Hobson's view, was similar to the Wilsonian call for 'open covenants, openly arrived at'. He summarised his approach as follows: 'Different men, different methods, different motives and ideals are required.'

Hobson countered the suggestion that the people could not be trusted with diplomacy and foreign policy because they were too ignorant of international affairs or as bellicose as their representatives. Hobson retorted that the ignorance and bellicosity of peoples was a function of their being kept in the dark about international affairs. Publicity and openness would at least mitigate against these factors, if not end them altogether. Hobson's response to this challenge highlights his idealist critique of traditional diplomacy and foreign policy.

Hobson claimed that democratic formulation, execution and evaluation of foreign policy would significantly alter international relations. This is a reductionist idea so effectively criticised by Kenneth Waltz. Waltz's realist retort is that all states in the international system face constraints imposed by that system and that changes to the domestic formulation is insufficient to change international relations. Hobson would have agreed with this, however, suggesting that democratic control was just one aspect of his reform of international relations that also included social reform and an international government.<sup>35</sup>

Hobson's ideas deviate from mainstream international relations literature that says little about the personnel of diplomacy, other than to suggest that skill and tact are useful characteristics. The structure of diplomacy, as the formal communication of states, is accepted as a reflection of the structure of international society, within which diplomacy is beneficial

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<sup>33</sup> *Free Thought in the Social Sciences*, p. 259; *The Crisis of Liberalism*, p. 9; *Towards International Government*, p. 184-6, 203-6, 211; *Confessions of an Economic Heretic*, p. 104.

<sup>34</sup> *A League of Nations*, p. 20. See also *Towards International Government*, pp. 200-1, 209.

<sup>35</sup> See Waltz, *Man, the State and War*, p. 150.

in so far as it is an alternative mode of communication between states to physical force.<sup>36</sup> Hobson's involvement in the UDC and discussions of how democratic control should be implemented, tempered his radical views, though only marginally. By the end of his life, he was admitting that it was difficult to be specific about the precise meaning of 'democratic control' or its implementation.<sup>37</sup>

#### *The Use of Force and the Balance of Power*

Hobson's opinions on the use of force by states follow his general views on the role of force in social life. Special problems do appear, however, because of the lack of a central enforcement agency in international relations. For Hobson, the legitimate use of force entailed its use by the right authority, only in so far as it achieved some definite just end, and only as a last resort. The use of force by states violated all these criteria. States used force indiscriminately or universally in the pursuance of sectionalist or separatist interests in order to 'settle' disputes or to (re)create social order.<sup>38</sup> War was the classic instance of the misuse of force. Wars resulted from states pursuing their own ends; the results were frequently inconclusive but always bloody.

Hobson believed that, in civilisation, reason increasingly supplanted force as the means of settling disputes, and that cooperation replaced conflict at the 'lower' levels of existence, which was transposed into beneficial competition at 'higher', *e.g.*, intellectual and cultural, levels. His proposals for international government, as we saw in chapter six, were attempts to economise on this use of force as well as making it more just. International force as articulated by an international authority was legitimate for Hobson to even to the point of using force to compel the backward nations to participate in the international economy, on the grounds of an argument that drew parallels between backward nations and the education of children.<sup>39</sup>

International government was designed to replace the balance of power system. Balance of power did not, claimed Hobson, result in a sensible or civilised ratio of force to reason in the relations of states. Instead, international relations was an arena where force was

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<sup>36</sup> For an example, see K.J. Holsti, *International Politics: A Framework for Analysis*, ch. 7.

<sup>37</sup> *Confessions of an Economic Heretic*, pp. 104-5.

<sup>38</sup> *Rationalism and Humanism*, p. 31.

<sup>39</sup> *Democracy and a Changing Civilisation*, p. 72. See also chapter five.

the ultimate arbiter: 'What we are now confronted with is force as a gospel and a mission, force as the supreme arbiter within the nation and among the nations that constitute humanity.'<sup>40</sup> This was reinforced by the outbreak of the First World War, which Hobson attributed to the balance of power, and the war's consequences, that Hobson claimed was a celebration of force in all forms of human relations and a derationalising effect on personal and social life in general. This second outcome contributed itself to the increased possibility of war in the future, argued Hobson.

The legitimacy or otherwise of the use of force by states in the pursuit of their interests is conceived to be at the centre of the differences between idealists and realists. Realists on the whole sanction such the national use of physical force. The centrality of the use of force as the ultimate arbiter of the relations of states is accepted in realist scholarship in international relations. Contrary to Hobson's view, while there may be concern to limit the use of force by states, there is little love among international relations specialists for the idea of centralising force in an international government in order to eradicate state-sponsored conflict or as a route to disarmament. Practically, this has seemed an unlikely prospect. There are also doubts as to the validity of the theory that centralised force would be just or would lead to a less armed world. For Hobson, on the other hand, so long as an international government is democratic, that is, federal in structure with the rights of all nations fairly represented, then, by definition, its use of force could not be arbitrary.

To summarise the last two sections, there are idealist tendencies in Hobson's general approach to social and political life, including international relations. Hobson's criticisms of contemporary international relations are inspired by an idealist desire to transform international relations. So far, then, it would appear to be quite appropriate to call Hobson an idealist.

### **Three Modes of Idealism in Hobson's International Theory**

This thesis has provided a more sophisticated interpretation of Hobson's writings on international relations than can be summarised in the term idealist. The estimation of Hobson as an idealist provided above is qualified by an examination of his ideal international polity. There are, in fact, three contending visions of the ideal for future world order. These are

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<sup>40</sup> *Democracy and a Changing Civilisation*, p. 72.

traditional idealism, Cobdenism and constructive internationalism.<sup>41</sup> These modes of internationalism emerge from the discussion in chapters three, five and six: Cobdenism and constructive internationalism are the two internationalist phases of Hobson's evolutionary framework for international relations. Traditional idealism is evident in Hobson's proposals for an international force during the War. The three modes of idealism differ on the fundamental goal of the international polity, whether it should be world order or global welfare. They also differ as to whether or not it is necessary to establish some form of international government to attain the goal. In the discussion that follows, the modes of idealism will be sketched in abstract, with examples from Hobson's writings. The discussion is thematic rather than historical in order to highlight the differences between the three modes. It shows how they differ, why they might be labelled idealist, and provides examples of the three modes Hobson's writing.

### *Traditional Idealism*

Traditional idealism is the projection of a need of a centralised world state with a monopoly of legitimate force to obtain and maintain peace and order in international relations. While, traditional idealists 'advocate progressive reform, via such devices as disarmament, collective security, strengthened law, sanctions against aggressors, and even - potentially - world government', the most important feature is the use of force internationally in order to discipline deviant members of the international community.<sup>42</sup> Traditional idealism creates international order by abolishing the anarchy of inter-state relations through the establishment of a world state. The perspective follows Hobbesian logic but applies it to inter-state relations. Following a domestic analogy, it stresses the importance of the state control over society in enforcing justice, peace and order.

Traditional idealism is idealist in its belief that the abolition of anarchical state relations by the centralised power of a world state is possible and that it can be achieved quite soon and relatively painlessly. The idealism of this perspective is not its neglect of the importance of power and the security dilemma between states. In fact, the issue of power is central. Traditional idealism accepts the overriding importance of power in an analysis that

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<sup>41</sup> Banks, 'The Inter-paradigm Debate', p. 15. Traditional idealism is a phrase used by Michael Banks to refer to inter-war progressive thought in international relations. Hobson also described Cobden's approach to international politics as noninterventionism. See *Richard Cobden*, p. 406.

<sup>42</sup> Banks, 'The Inter-paradigm Debate', p. 15.

stresses the need for centralising power. It is thus different from the rationalism and liberalism of the other two modes.

Traditional idealism appears in Hobson's writings during the First World War and during the crises of the thirties. Hobson supported collective security, the need for military sanctions to back up international arbitration and called for an international police force.<sup>43</sup> He argued for a strong League of Nations, in effect an international government with a Court, Executive and Legislature to which states would bring their disputes; and a collective security system whereby the use of legitimate force was concentrated in the hands of the society of states' representative, the international government. This League would have to be as inclusive and as powerful as possible in order to avoid the possible reinstatement of the balance of power within the League and between the League and outside powers.<sup>44</sup> For Hobson, the balance of power in contemporary international relations had failed to maintain peace. International government was the solution to the anarchy and constant menace of war of the old international system. Hobson's main concern in the early pages of *Towards International Government* and in 'Force Necessary to Government' is to impose order on the anarchy of inter-state relations through the institutional innovation of an international government.<sup>45</sup>

### *Cobdenism*

Cobdenism advocates a policy of political nonintervention of one nation in another nation's affairs. In international relations, Cobdenism rests on a belief in national self-determination as the realisation of political maturity, though it sees this as the achievement of individual nations and not something that can be achieved through intervention from without. It advances the doctrine of free trade for the world economy. Richard Cobden

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<sup>43</sup> *Democracy and a Changing Civilisation*, p. 145; *Confessions of an Economic Heretic*, p. 112-3; *Notes on Law and Order*, p. 24; *The Case for Arbitration*, p. 8; *A League of Nations*, p. 14; *Towards International Government*, p. 21, 77. On an international police force, see 'Force Necessary to Government', pp. 338-42.

<sup>44</sup> *A League of Nations*, p. 18; *Towards International Government*, pp. 3-6, 86-7.

<sup>45</sup> With regard to anarchy in international relations being based in national sovereignty, see *Confessions of an Economic Heretic*, p. 111; *Free Thought in the Social Sciences*, p. 257. For the inadequacy of noninterventionism in the face of the international anarchy, see *Confessions of an Economic Heretic*, p. 112; *Towards International Government*, p. 6, 86. For Hobson's preference of an international government over a return to anarchy, see *Democracy and a Changing Civilisation*, pp. 150-1; *Towards International Government*, pp. 86-7.

believed that governments should as far as possible stay out of the affairs of their people. It was still worse, following this line of argument, for governments to interfere in the affairs of foreign peoples.<sup>46</sup> In the absence of government interference, it is argued, the hidden hand of the market would conjure up not only the greatest possible welfare, but also social order and security. Cobdenism presumes that liberty is the primary social goal, but believes that this will inevitably lead to an optimum of welfare and social order. In international relations, this was an argument for the removal of all arbitrary political restrictions to trade and travel, and the restriction of government activity in international relations. Foreign policy for Cobdenites should be reduced, or at the least democratised.

A Cobdenite noninterventionist could propose an international government, but it would be a 'the night-watchman state' of *laissez faire* liberalism writ large. The role of government nationally and internationally is conceived to be that of maintaining the rule of law only. The international government fulfils a function analogous to the domestic minimal state in maintaining the a rule of law to prevent interference by states in the affairs of individuals. In contrast to traditional idealism, international government does not so much maintain law and order between states as prevent interference of states in both foreign people's and their nationals' affairs. Competition and the free market is protected by preventing states from having interventionist constitutions that restrict individual liberties.<sup>47</sup>

Cobdenism is idealist because it assumes a natural harmony of interests between people(s) in the achievement of global common welfare. It also presumes that order will be established 'naturally', that is, spontaneously. Cobdenism commonly relies on the operation of world public opinion and the rule of law in international relations' in the settlement of disputes.<sup>48</sup>

Hobson's Cobdenism was a restatement and modification of the radical liberal perspective on foreign policy.<sup>49</sup> Political nonintervention in international relations was part of his solution to imperialism. Nonintervention was also central to the distinction that Hobson made between inclusive and exclusive nationalism. Inclusive nationalism, for Hobson, was the basis for the construction of an international order of self-governing nations with minimal

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<sup>46</sup> See R.J. Vincent, *Nonintervention and International Order*, pp. 45-54.

<sup>47</sup> An example of this argument appears in F.A. Hayek, *The Road to Serfdom*, ch. 15.

<sup>48</sup> See F.H. Hinsley, *Power and the Pursuit of Peace*, ch. 5.

<sup>49</sup> See, e.g., Peter Clarke, *Liberals and Social Democrats*, p. 178.



relations between their governments and internationalism based purely on enlightened individual self-interest; exclusive nationalism, on the other hand, promoted aggressive imperialism and national self-glorification.<sup>50</sup>

Hobson's defence of free trade and proposals for the open door to trade and investment are arguments along Cobdenite lines. He believed that free trade and the mobility of capital and labour would be a force for peace and prosperity. In discussions of international trade especially, Hobson emphasised the 'negative' aspects of liberalism - the removal of obstacles to free exchange of ideas and goods.<sup>51</sup> Cobdenism appears in Hobson's earlier work particularly, in his optimistic hopes for economic internationalism in the decade and a half before the First World War and in some of his work for the U.D.C. Economic internationalism and free trade persist in Hobson's later writings but they are invariably accompanied by a call for a more extensive international government.

### *Constructive Internationalism*

Constructive internationalism follows some of the logic of Cobdenism. However, it questions the idea of the natural harmony of interests in Cobdenism. For constructive internationalism, global welfare is only achievable through the application, *i.e.*, intervention, of conscious human reason. Social order is not 'natural' or spontaneous, but can only be achieved through collective action. Constructive internationalism seeks to remedy the failings of Cobdenism with elements of control and planning by the state. The agenda of welfare can only be achieved through planning and attention to positive as well as negative liberty. Contrasted to traditional idealism, this intervention is premised on the importance of welfare, not on the supreme requirement of order as in traditional idealism. Likewise, constructive internationalist proposals for the future governance of the world do not derive from the imperatives of law enforcement. Instead, they range from establishing the conditions under

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<sup>50</sup> *Richard Cobden*, pp. 9-10, 34-6, 74, 388-9; *Democracy After the War*, p. 85-6; *Imperialism*, p. 356, 360; *The German Panic*, p. 26. On the distinction of inclusive and exclusive nationalism, see *Imperialism*, p. 10-2. For Hobson's future perplexity on this issue of economic internationalism and rising political nationalism, see *Democracy and a Changing Civilisation*, p. 22. For a discussion of Hobson's ideal of independent nations, see P.J. Cain, 'International Trade and Economic Development in the Work of J.A. Hobson Before 1914', p. 415.

<sup>51</sup> *Democracy and a Changing Civilisation*, pp. 22-3; *Wealth and Life*, p. 187; *The Morals of Economic Internationalism*, p. 29; *The New Protectionism*, p. 116; *Economic Interpretation of Investment*, pp. 110-2, 117; *The German Panic*, p. 26; *Towards International Government*, pp. 134-7.

which Cobdenism can operate to a federal international government to control and direct global welfare policies. The logic of this mode of idealism is close to the functionalist perspective of David Mitrany in its emphasis of the provision of welfare needs through increasing international functional organisation.<sup>52</sup>

Constructive internationalism is idealist in its belief that a harmony of interests can be found in the conscious application of human reason through collective planning and organisation. Harmony is manifested in and expressed through social and, in this case, international institutions. There is in the functionalist aspect of constructive internationalism a strong element of idealism, particularly in the assumption that 'form follows function'. Such a criterion for international organisation excludes considerations other than that of the felt need and concentrates on an economic conception of social welfare that can be discussed without reference to political power, which might oppose it and is probably needed to achieve it.<sup>53</sup>

Constructive internationalism emerged in Hobson's writing as a response to the failures and criticisms of Cobdenism. Hobson reacted to the rise of imperialism and the First World War by questioning the adequacy of Cobdenism as a route to peace and global welfare. In the first place, it failed to address the question of how the inequities in the international economy were a source of conflict (both between Great Powers, and between the 'advanced' nations and the 'backward' peoples). Second, Hobson acknowledged that, contrary to the free trade argument, economic interdependence could breed tensions and conflict.<sup>54</sup> On domestic social and economic matters, Hobson had refuted Cobdenism. He called for increased governmental intervention to alleviate poverty and unemployment. Hobson's interventionist proposals in the

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<sup>52</sup> David Mitrany, *A Working Peace System*. This position is similar to that of McKinlay and Little's 'compensatory liberalism' and Suganami's 'welfare internationalism'. See R.D. McKinlay and R. Little, *Global Problems and World Order*, ch. 2; and H. Suganami, *Domestic Analogy and World Order Proposals*, pp. 101-11.

<sup>53</sup> Another area where the idealism of new liberal internationalism is betrayed is in Hobson's paternalist suggestions for international development of 'backward countries', which was to be guided by an impartial international council in the interests of both the local peoples and the world at large without succumbing to the sectional interests of the capitalist Great Powers. On this issue, see, for instance, *Democracy and a Changing Civilisation*, p. 134, 145; *The Modern State*, p. 36; *Poverty in Plenty*, p. 81; *Wealth and Life*, p. 403-4.

<sup>54</sup> *Towards International Government*, p. 127-8, though he did not make much advance with regard to the unequal benefits of international exchange. Indeed, his position from *Imperialism* to the First World War and to some extent beyond, was a more orthodox free trade argument. See P.J. Cain, 'J.A. Hobson, Cobdenism, and the Radical Theory of Imperialism, 1898-1914', pp. 565-84.

domestic context challenged the *laissez faire* upon which his defence of free trade internationally was apparently founded.<sup>55</sup> While he accepted the benefits of free exchange of ideas and goods, he claimed that the present system resulted in uneven distribution of wealth because of the sectional interests of a powerful business class. As he had argued for the augmentation of the functions of the state, only institutions could remedy this inequity. 'In other words,' he wrote, 'the ideal 'natural harmony' of interests to which economic idealists of a century ago looked for the cooperation of the world, must become a conscious calculated policy of modern internationalism.'<sup>56</sup> Free trade, he argued, had to be supplemented with institutions for its effective operation:

If the Free Trade policy is to fulfil its mission as a civilizing, pacifying agency, it must adapt itself to the larger needs of [the] modern situation. ... This fuller doctrine of the Open Door, or equality of economic opportunity, cannot, however, be applied without definite co-operative action on the part of nations and their Governments.<sup>57</sup>

Constructive internationalism was the final and ideal form of international system for Hobson. 'Just as in the course of recent centuries,' he argued, 'mainly through improvements of communications, nationalism has come more and more to displace provincialism and localism for most purposes of human co-operation, so the direct conscious activities and needs of mankind will displace nationalism.'<sup>58</sup> The revolution in communications and industrial organisation, meant that 'the policy of independent sovereign States, that was compatible with some limited measure of peace and security so long as governments kept their economic functions within narrow limits, is no longer possible when every government is committed to a planning and control of all essential business processes, including the regulation of foreign trade and the money that finances it.'<sup>59</sup> There is more than a little functionalism in his discussion of the growing links of nations through the increasing numbers and power of intergovernmental regulatory bodies and of transnational relations.<sup>60</sup> In tones that are striking reminiscent of the functionalists, Hobson predicted that

[t]he gravest social-economic problems will be found insoluble except by international

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<sup>55</sup> *Richard Cobden*, p. 406. See also p. 408.

<sup>56</sup> *Wealth and Life*, p. 404.

<sup>57</sup> *The New Protectionism*, pp. 121-2.

<sup>58</sup> *From Capitalism to Socialism*, p. 49. See also *Free Thought in the Social Sciences*, p. 260.

<sup>59</sup> *Democracy and a Changing Civilisation*, pp. 134-5.

<sup>60</sup> See *The Modern State*, p. 31; *A League of Nations*, p. 12.

arrangement. An era of free conferences and of more or less loose agreements between States will lay the foundation for what in time must amount to international regulation of industry. In other words, the economic internationalism ... will weave for itself the necessary apparel of political institutions.<sup>61</sup>

Unlike the functionalism of Mitrany, however, Hobson believed that overall governmental coordination of the functional organisations, in the shape of a central international government, was an essential prerequisite for the enhancement of human welfare. Hobson's proposal of international government along constructive internationalist lines is founded in his social philosophy. For Hobson,

[t]he time has come for man to make his supreme effort at the task of conscious collective self-control ... enlarging the orderly political government of the single city or the nation state to that society of nations which comprises mankind. ... [R]eason equally favours the substitution of law for war among nations as among individuals, and the active union of all Governments for health, trade, travel, culture, and all ingredients of human welfare.<sup>62</sup>

Hobson's constructive internationalism appears in his work during and after the First World War. He was most optimistic about the prospects of the League of Nations and of large-scale change in international relations in this period, when he believed that '[t]he rudiments of political internationalism, judicial, legislative, even administrative, already exist, weak, fragmentary, circumscribed in area, no doubt, but genuine beginnings of government' were already in existence.<sup>63</sup> Unfortunately, as we have seen, Hobson only sketched in outline the nature of world society and international government under constructive internationalism. Indeed, Hobson's constructive internationalist writings are not so much the forerunner of functionalism as the working out of the theory on which functionalism is premised.

### **Hobson and Idealism in International Relations: An Assessment**

The identification of three distinct modes of idealism in Hobson's writings implies that we must revise our understanding of Hobson's international thought as it is usually understood in international relations. It also means that we must re-examine the international relations category, idealism.

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<sup>61</sup> *Wealth and Life*, pp. 405-6; *Work and Wealth*, pp. 280-1. See also *Wealth and Life*, p. 399; *Towards International Government*, p. 196.

<sup>62</sup> *The Recording Angel*, pp. 111-2. See also *Democracy and a Changing Civilisation*, p. 23.

<sup>63</sup> *A League of Nations*, p. 4; see also *Imperialism*, p. 7; *The Case for Arbitration*, p. 2.

*Hobson and the Three Modes of Idealism*

If there are three modes of idealism in Hobson's writings, what becomes of the label idealist as applied to Hobson? Idealism is too general a term accurately to describe Hobson's international theorising. His writing was too sophisticated and too varied comfortably to fit into this pigeon-hole. There is a rather different problem, however: is it possible to resolve the three modes of idealism in Hobson's writings or was Hobson merely inconsistent? Hobson's inconsistency would not be surprising. He wrote an enormous amount over a period of more than fifty years, spanning the late Victorian era to the beginning of the Second World War.

The argument that Hobson was inconsistent is not only unsatisfying; it is incorrect. Hobson's changes in outlook and even theoretical stance over the years were the result of his attempt to reconcile his evolutionary new liberal international perspective on international relations with the rapidly and drastically changing international scene. There are four potential reasons for Hobson's change of position. The first reason accounts for Hobson's inconsistency by arguing that his theoretical approach to international relations developed over the period of his writings. It has been argued, by Peter Clarke among others, that Hobson's approach to social life was more or less complete by the turn of the century.<sup>64</sup> While there were twists and turns in his articulation of his theoretical system, the completion of Hobson's theoretical system is indisputable. Hobson modified the radical critique of foreign policy in his theory of imperialism. The three modes of idealism reflect Hobson's modification of liberal internationalism as well as his estimation of the condition of international relations at the time. For Hobson, the central issue for international relations was the same as that for any social realm, that is, welfare.<sup>65</sup> However, there is no account here of the changes in Hobson's ideal for contemporary international relations. The second two reasons are linked. They are the logical and historical aspects of his evolutionary approach to social life.<sup>66</sup> In brief, according to Hobson's evolutionary logic, constructive internationalism is the ideal beside which the other forms are inadequate. However, as Hobson pointed out, according to the historical aspect of his evolutionary theory, it was impossible to attain constructive internationalism without first having gone through the stages that are represented in

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<sup>64</sup> Peter Clarke, 'Introduction', p. xix.

<sup>65</sup> See *Confessions of an Economic Heretic*, ch. 16.

<sup>66</sup> See chapter two.

traditional idealism and Cobdenism. The major premise of Hobson's approach to international relations was, as with domestic affairs, the transition from *laissez faire* (Cobdenism) to a new liberalism (constructive internationalism). However, before this transition could take place, the conditions for *laissez faire* had to be created from the anarchy of inter-state relations, the basis for the extreme centralisation of traditional idealism. The fourth reason for Hobson's apparent inconsistency is that international relations altered drastically and Hobson's estimations of the possibilities for internationalism changed with these transformations. There were a number of significant changes in the international environment which it would have been surprising if Hobson had not responded to. Among these were the internationalisation of the economy, the First World War, the Russian Revolution, the creation of the League of Nations, the liberation of the nations of Eastern Europe, renewed protectionism, the Great Depression, the rise of dictatorship and parallel decline of democracy in the thirties and, finally, the Second World War.

Hobson argued along the lines of each of the three modes of idealism, but at different times and in different contexts. The Cobdenite noninterventionist phase in Hobson's writing more or less ends with the First World War. From his earliest consideration of international issues until the War, Hobson's arguments remained largely within the classical liberal tradition on foreign policy. This is true of his Cobdenite critique of the spirited foreign policy that led to the Boer War and of his Angellite pronouncements on the internationalisation of capital in the decade before the War. Despite his involvement in the U.D.C., and his authorship of a book on Richard Cobden, during the War Hobson turned away from the nonintervention solutions to international problems of the nineteenth century radicals. Instead, he turned to institutional reform in international relations.<sup>67</sup> During the War and into the twenties and thirties, Hobson propounded his constructive internationalist ideas on international economic government. However, during the War, he was also putting forward proposals for the strengthening of international law through the imposition of sanctions on aggressors and the creation of an international force. While his constructive internationalism was more prominent in his writings after the War, the call for an international force never goes away entirely and traditional idealism resurfaces in his writings in the thirties. By the end of the thirties, Hobson was quite disillusioned with the League of Nations and indeed the prospects of internationalism in general.

The combination of these factors accounts for the change in Hobson's (implicit) ideal

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<sup>67</sup> This applies in particular *Richard Cobden* and *The Morals of Economic Internationalism*, p. 29, that might superficially appear to be straightforward tributes to Cobden.

for international relations. Hobson's work is pervaded by the criticism that *laissez faire* was no longer a functional as a system for organising society. He extended the logic of this argument to international relations, increasingly denying the validity of Cobdenism. However, Hobson was guarded in his estimation of international relations. He believed that international society was a backward but developing social realm. Thus, he could not transfer new liberal prescriptions wholesale onto international relations. His constructive internationalism was an ideal towards which international relations was evolving rather than an established fact. For the time being, Hobson was content to encourage peaceful relations between peoples through the minimal measures of Cobdenism, with ameliorative measures taken to remedy the defects in the system, for example, the mandate system and international arbitration. Hobson's defence of free trade did not rely on a dogmatic adherence to the doctrine of *laissez faire*. Free trade policies were simply a bulwark against autarkic economic nationalism and were preliminaries to constructive internationalism.

With economic processes in the vanguard, however, international cooperation was advancing. Cooperation made possible and beneficial the organisation of international relations to attain the greatest human welfare. The main, though not the only form of organisation in international relations was, for Hobson, a beneficent government. Hobson believed that the time was ripe for constructive internationalism during and after the Great War.

The smooth progress from Cobdenism to constructive internationalism was disrupted, however, by the First World War. Traditional idealism appears in Hobson's writings during periods of crisis for example the collapse of international relations into the chaos of the First World War and the strife of the post-war period. Traditional idealism also appears with Hobson's increasing disillusionment with the League of Nations in the thirties, with the failure to deal with the rise of aggression by the fascist states. In Hobson's estimation, international relations has retrogressed (in terms of his evolutionary scale) to its primitive state during these chaotic interludes. In the context of international anarchy, coercive measures that are inappropriate to a developed society are necessary.

In summary, constructive internationalism is Hobson's ideal, which he sometimes felt to be close at hand. More often, however, his constructive internationalist ideals took a back seat to more modest reforms in his concrete proposals. Cobdenite policies such as the open door to trade are minimal requirements for international cooperation. On the other hand, traditional idealist suggestions like an international police force are an extreme reaction to what was perceived as an extreme challenge to peace and security of the emerging

international society.

### *Idealism and International Relations*

Idealism has been conceived as a single category of idealism in international relations. Yet, while the three modes of idealism remain idealist in their own way, they conflict on basic assumptions, on their analysis of the problems of international relations, and on their prescriptions for dealing with those problems. The three modes of idealism are easily distinguished. Traditional idealism aims for a World State, centralising power to provide international peace and order. Cobdenism aims for international maintenance of the rule of law between states to ensure the individual liberty and welfare through the survival of 'minimal states' domestically. Constructive internationalism ranges in its various forms from being a functionalist approach to international organisation to proposals for an international federation to achieve maximum social welfare.

The reason that these diverse prescriptions have been gathered under the one heading, idealism, is related to the development of international relations as an academic discipline. Idealism as a category itself has a history and current ideological and theoretical significance. While idealism and realism were in common currency during the inter-war period, the current understanding of idealism is anachronistic. First, Carr's famous critique caricatured the 'utopian' position as he called, distorting many of the arguments of the so-called idealists. Second, subsequent to the realist critique of idealism and the establishment of realism as the dominant paradigm in international relations, idealism was broadened to mean almost any argument for reform or even change in international relations.

The category idealism emerged as a staple of international relations scholarship following the realist critiques of the two decades around the Second World War.<sup>68</sup> Revealingly, William Olson claims that Carr's critique 'both focused and ended the debate' between realism and idealism. Indeed, '[i]n retrospect, one sometimes wonders, though, just how much of a debate it ever really was...'.<sup>69</sup> According to the realist critiques, idealism is rooted in a rationalism that is fundamentally apolitical. Idealism and realism have classically

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<sup>68</sup> These are now among the classics of the discipline: E.H. Carr, *The Twenty Years' Crisis*; H. Morgenthau, *Scientific Man vs. Power Politics*; J. Herz, *Political Realism and Political Idealism*. While Carr refers to utopianism, Morgenthau to liberalism and rationalism, and Herz to idealism, these writers identify a particular body of thought now labelled idealist.

<sup>69</sup> William C. Olson, 'The Growth of a Discipline', p. 23.



been distinguished by their contrasting attitudes to political power, especially the military power of states. The concentration on power as physical force wielded by the state in realist international relations permitted a reasonably straightforward distinction of realists and idealists: the former acknowledge its central role in politics, the latter neglect it.

The three modes of idealism are not of one voice on power, however. The liberal distinction of the state and civil society highlights the differences between the modes of idealism;<sup>70</sup> traditional idealism, Cobdenism and constructive internationalism can be distinguished by the attitude to the role of the state that they project onto international relations. Traditional idealism embraces the need for centralised government and the monopoly of legitimate force in a way that trumps the realists. Accepting the logic that peace and order are achievable only through enforcement by the state, traditional idealists turn to the establishment of a super-state to overcome the competition for power among national states. Cobdenites neglect or seek to minimise the importance of power in international relations (and in politics generally). They assume the beneficence or neutrality of the power of a minimal state 'holding the ring' and defending individual rights. Power wielded other than by legitimate states according to the rule of law is irrational and unjust to Cobdenites. The position of constructive internationalists on power is, perhaps, confusing compared to these two straightforward extremes. The state is conceived as an instrument for improving social conditions, state power is used to improve the welfare of society and therefore its power is limited to those areas and issues where it can effect welfare positively. The functionalist logic of organisation implicit in constructive internationalism tends to expand state functions, however. In short, as opposed to the 'peace through law' of Cobdenism and constructive internationalism's 'peace through organisation', traditional idealism offers a 'peace through power' startlingly close in argument to realism.

The conflation of different arguments into the dichotomy of idealism and realism makes an understanding of the actual debates conducted in the inter-war period impossible. Not only have three modes of idealism been conflated in a single category, but the monolithic category of idealism as one side of the realism/idealism dichotomy has obscured the politics of international relations thought in the inter-war period. The debate was not simply between realists and idealists, but between socialists, liberals and conservatives, internationalists, nationalists, pacifists, and so on. For example, among the so-called idealists, there were important differences between the supporters of an international force (like David Davies),

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<sup>70</sup> For an examination of the implications of the state/society distinction for international relations, see Fred Halliday, 'State and Society in International Relations: A Second Agenda'.

unreconstructed Cobdenites (such as Norman Angell), Gladstonian liberals (like Gilbert Murray), and the radicals and socialists (such as Harold Laski). Realism and idealism are inadequate to a full understanding of the development of international theory in the inter-war period.

The aggregation of the different arguments into one idealism has led to a number of misunderstandings. Inis Claude, for instance, confuses constructive internationalist and traditional idealist proposals for international government because of his distinction between international systems purely on the basis of the distribution of power. His typology of international systems makes no distinction between world government of a traditional idealist variety and an international federation along the lines of constructive internationalism.<sup>71</sup> However, the premises for the establishment of international government within traditional idealism and constructive internationalism are not only not consonant, but are diametrically opposed. While traditional idealism founds its claim on the establishment of order through the super-sovereignty of a unitary world state, constructive internationalism hopes for the dissolution of sovereignty through the progressive allocation of functions to relevant organs – not only international but national and sub-national.<sup>72</sup> The international federation of constructive internationalism is not a global Leviathan or Great Power concert inexorably seeking power for power's sake. Furthermore, the founding texts of realist international relations, Carr's *The Twenty Years' Crisis*, is itself effectively depoliticised by the realist-idealist dichotomy. After a realist critique of latter-day Cobdenism in *The Twenty Years' Crisis*, Carr advocated international planning in *Conditions of Peace*. Carr's collectivist scheme for international planning and his attacks on *laissez-faire* liberalism owed much to writers such as Hobson.<sup>73</sup> However, the collectivist aspect of Carr's critique and proposal for reconstruction is lost in the realist-idealist dichotomy as it has been constructed since then.

Idealism is not, however, merely a category for the history of international ideas. It persists as a taboo term by which much of the progressive writing in international relations

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<sup>71</sup> Inis Claude, *Power in International Relations*, p. 9. See also J. Herz, *Political Realism and Political Idealism*.

<sup>72</sup> For example, see Mitrany's critique of Clarence Streit's proposals in *A Working Peace System*, pp. 13-16.

<sup>73</sup> Carr, ch. 14. Carr's approach is probably too collectivist for the label new liberal internationalist. Nonetheless, the influence of new liberal internationalism is clear. For an exploration of Carr's 'idealism', see H. Suganami, *Domestic Analogy and World Order Proposals*, pp. 101-5. Similarly, Morgenthau, in his introduction to the 1966 edition of Mitrany's *A Working Peace System*, advocates functionalism as a route to peace.

has been labelled and marginalised through association with the apparently flawed approach to international relations of inter-war idealism. Today, those who advocate change towards a just and peaceful world politics are subjected to the derogatory label, idealists. Idealism is denoted the disciplinary immaturity of the inter-war period. Lastly, the most significant feature of the realist-idealist debate was reduction of the meaning of politics in international relations because of the emphasis on physical power as the basis and legitimisation of realism (and delegitimisation of idealism). In this emphasis on power, realism retained idealism's opposition of reason and politics. Carr and Morgenthau, the arch-critics of idealism, merely inverted the preference for power in the dichotomy of power and reason (or justice or peace or welfare).<sup>74</sup> Realism reinforced rather than challenged the defective conception of politics in idealism. International theory passed from an idealist rationalisation of politics to a discussion of the importance of power as a mediating principle of inter-state relations and the centrality of the security dilemma.<sup>75</sup>

### Conclusion

To summarise, an analysis of Hobson's worldview and his critiques of international relations convey an impression of Hobson as an idealist. However, three distinct approaches were found to underlay his proposals for world order. Differences among the three modes of idealism render a single category of idealism and therefore a simple dichotomy of realism and idealism problematic.

Renewed attention to the writers of the inter-war period, such as Hobson, would bring a clearer understanding of the development of international theory. Not all these writers were idealists and the aggregation of idealist writings does violence to the diversity of opinions that during the twenties and thirties. The three modes are a more appropriate starting point for an enquiry into inter-war international theory, because they are derived from the writings of one of the idealists and reflect some of the different approaches to international issues of the

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<sup>74</sup> A similar conclusion can be drawn from R. Niebuhr, 'Introduction', *Moral Man and Immoral Society*. See, particularly, the way in which Morgenthau's critique of rationalism becomes a set of rigid rules in H. Morgenthau, *Power Among Nations: The Struggle for Power and Peace*, 3rd edn.

<sup>75</sup> In the haste to reinstate power (or the passions) alongside or over reason in politics, realism itself became an apolitical theory of international politics. The best example of this is K. Waltz, *Theory of International Politics*. Thus, international theory under the hegemony of realism has been emptied of politics; the choice is between an ideal polity where the common good is *administered* and an international balance of power operating according to the logic of micro-economics.

period.

There is more than historical revision at stake, though. Utilising the three modes can rescue so-called idealist writings from the dustbin of history by highlighting continuities with current international theory. The concepts and concerns of idealist writers remain relevant today. Many idealist proposals are prevalent in current alternatives to realist international theory, for example, in the writings by those scholars identified with the World Order Models Project. Idealist writings can be a resource for international theorists to rediscover the roots of a particular approach or theory, such as functionalism. They can be a way of challenging the claims to a classical tradition of international relations, be that some variant on *realpolitik*, or economic liberalism in current international political economy. Inter-war studies of the relationship of international politics and economics in the inter-war period merit attention. Finally, we live in a rapidly changing world where the dogmas of realism appear inadequate and dated. The progressive, reformist aspects of idealist writings can be of renewed relevance for students of international relations, not only for what was erroneous, but for what was prescient. The three modes of idealism are a starting point for study of these writings.

## Chapter Eight

### Hobson and the Liberal Tradition in International Relations

Hobson has been labelled an idealist. To be more specific, he wrote in the liberal tradition of thinking on international relations. This concluding chapter examines Hobson's contribution to the tradition of liberal internationalist theory.

Hobson's international theory does not comfortably fit into any of the so-called paradigms of international relations. For realism, international relations is the relations of states. Hobson would have regarded this, as he considered the earlier realpolitik theories, as succumbing to the separatist fallacy. Though the theory of imperialism is the foundation of the structuralist paradigm, Hobson does not fit this category well because he is not a Marxist, criticised the labour theory of value and the Hegelian dialectic.<sup>1</sup>

Hobson's concern with the dynamics and interconnections of the social world appears to bring him close to the pluralist paradigm. However, this paradigm is also concerned with the relations of things, such as people, groups, and international organisations as well as states, and of networks. Hobson's holism, his emphasis on the interconnectedness and unity of the world system seems to place him outside the usual understanding of this paradigm. Hobson was constantly attempting to move beyond pluralism. Nonetheless, pluralism certainly comes closest to being the category to which Hobson's international theory would belong. We can get a clearer appreciation of Hobson's place in international theory by looking at the liberal tradition on international relations, of which pluralism is in many respects only one part.

Hobson's evolutionary framework for international relations has been described as new liberal internationalism. It is apposite, despite the qualms about adding another term to a field already overburdened with labels, categories and neologisms. Other terms have been suggested for the general approach to international relations that Hobson takes, such as welfare internationalism, embedded liberalism or compensatory liberalism.<sup>2</sup> While none of these

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<sup>1</sup> Further, for Hobson, the opposite of organic harmony was disorganisation rather than structural inequality. Inequality derived from disorganisation. This is a different approach to that in Marxism, which can be illustrated by the contrast of Hobson's understanding of the imperial international system with Lenin's in *Imperialism, the Highest Stage of Capitalism*, where he puts forward the idea of 'uneven development', a concept alien to Hobson.

<sup>2</sup> See Suganami, *Domestic Analogy and World Order Proposals*, pp. 100-11; R.D. McKinlay and Richard Little, *Global Problems and World Order*, pp. 36-41; and John Gerard Ruggie, 'International Regimes, Transactions, and Change: Embedded Liberalism in the Post-War Economic Order', and 'Political Structure and Change in the International Economy' in J.G. Ruggie (ed.), *The Antinomies of Interdependence: National Welfare and the International Division of Labour* (New York: Columbia

terms were in currency during Hobson's time, new liberal internationalism is preferred because it reflects more closely the historical and ideological development of Hobson's thought. Hobson's internationalism was liberal in its assumptions of rationality, the harmony of interests, and the possibility (or inevitability) of progress in human affairs.<sup>3</sup> Hobson's approach was new in a couple of respects. It was, at the time, a novel approach to international relations, using the organic and surplus concepts to highlight the importance of international organisation. It was also a new liberal approach. The new liberals, of whom Hobson was an important figure, turned away from *laissez-faire* and towards intervention in social and economic affairs, through the instrument of the State, as representative of the whole of society. His was a new liberal approach to international relations because his modifications of liberal international theory were consonant with the changes in liberalism at the turn of the century.

Hobson was a major figure in the transformation of the liberal tradition in international relations.<sup>4</sup> Hobson's part in the transformation of liberalism has recently received attention from scholars. No longer are we in the dark as to how the liberalism of Mill, Cobden and Gladstone (to take a rather diverse group of nineteenth century liberals) became the liberalism of today associated with the welfare state and intervention in the economy. Unfortunately, the parallel change in liberal international theory, from the noninterventionism that underpins Mill's and Cobden's approach to international relations to the institutionalism and managerialism of today's liberal approaches has remained under-researched. In the story of the development of international theory, the liberal approach leaps from Cobdenism to functionalism apparently with no stage in between. What would, on the face of it, appear to be a crucial period in the development in international relations, the years just before and after the establishment of international relations as an academic discipline, is thus omitted.

The omission can be traced to both scholars of international relations and those scholars studying Hobson. Hobson scholars have either considered him a Cobdenite on

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University Press, 1983), p. 433.

<sup>3</sup> For a discussion of liberalism in international relations, see Christopher Brewin, 'Liberal States and International Obligations', p. 322-3. Other writers in this tradition include John Stuart Mill and John Maynard Keynes.

<sup>4</sup> Hobson would perhaps have considered the phrase liberal tradition to be an oxymoron. Liberal, for Hobson, was synonymous with a rationalist, critical (and constructive) political philosophy that challenged the oppressive traditions and customs of society.

international matters or have been perplexed by Hobson's apparently schizophrenic approach to international relations of Cobdenite free tradism, on the one hand, and organic-inspired institutional reform, on the other.<sup>5</sup> Understanding Hobson's approach to international relations as new liberal internationalism demonstrates that it is as incorrect to label Hobson a Cobdenite in international relations as it would be to label him a Cobdenite in domestic affairs. There have been two limitations to the assessments of Hobson's international theory by Hobson scholars that have led to their confusion. First, Hobson's theories are understood as applying purely to the domestic context in the first instance, *i.e.*, the British state. While this is true to some extent, Hobson's theories were also universalist. Attention purely to the domestic context therefore results in a failure to extend the implications of Hobson's theoretical system to international relations. There is also a failure to understand that Hobson's international theory was an integral part of his social philosophy. Instead, Hobson's international theory becomes an application of theory to practical policy comparable in status to taxation, unemployment or poverty. There has been no attempt to map a parallel shift by Hobson of liberal international theory as he conducted domestically.

The problem has been exacerbated by the dominance of historians and historically-oriented research on Hobson. The commendable concern with where Hobson's ideas came from, who his intellectual predecessors were and so on underplays Hobson as a producer as well as a consumer of ideas; of Hobson himself as an intellectual forebear in the liberal tradition. The relative lack of an exchange of ideas between international theory and historians, particularly intellectual historians, has contributed to the neglect. Hobson scholars have not studied the development of international theory; international theorists have not studied the work on the development of liberalism.

### **Liberal Internationalism from Cobdenism to Functionalism**

Hobson's place in the liberal tradition on international relations and his contribution to the development of liberal international theory can best be illustrated through a comparison of his work with the contribution to international theory of three other liberal thinkers: Richard Cobden, Norman Angell and David Mitrany.

The most important liberal figures for Hobson's international theory are John Stuart Mill and, particularly, Richard Cobden. Mill provided the liberal line on nationalism and

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<sup>5</sup> See, for example, P.F. Clarke, *Liberals and Social Democrats*, p. 177; and also J. Townshend, 'Introduction' to the 1988 paperback edition of *Imperialism*, pp. 20-22.

internationalism; Cobden had supplied the radical liberal position on peace, internationalism, free trade and foreign policy.<sup>6</sup> Cobden is best known to international relations as the campaigner for free trade and for nonintervention in foreign policy. His approach to international affairs mirrors his approach to domestic affairs. He was concerned with liberty of all to go about their business without hindrance from governments and claimed that personal liberty in economic intercourse would lead to peace as well as prosperity. Cobden's position on international affairs followed this analysis: government should stay out of people's business as much as possible. He was a major proponent of free trade. According to Cobden, free trade permitted international specialisation of industry and increased commerce, thus creating the greatest good both for individuals and national societies. Prosperity was not the only result of free trade, however. Commercial intercourse encouraged sympathy and friendship between mutually dependent traders in different localities, countries, or national areas. For Cobden, peace and prosperity were mutually reinforcing; prosperity would lead to peace and peace enhance prosperity. Peace was easier to come by in a prosperous world than in a desperately poor one. Likewise, prosperity is more readily maintained or created in periods of peace than in war-stricken times. Both are dependent on arrangements to safeguard economic liberty and encourage commercial intercourse. Cobden was a strident critic of current international affairs: he was anti-protection; against the Balance of Power, which he claimed was a justification for intervention in the affairs of other nations; and strongly criticised British imperial policy.

Hobson maintained the liberal vision propounded by Mill and Cobden of peace, democracy and internationalism. Hobson updated the vision by adding positive liberty to liberal internationalism in the shape of equality of opportunity in international relations.<sup>7</sup> However, he queried the easy relationship of nationalism and internationalism, implicit in Mill's analysis, especially as he pointed when nationalism issued in aggressive imperialism. He modified Cobdenite doctrine by bringing interventionism into the liberal tradition of international thought, justifying a role for the growing numbers of international organisations and proposing a central international government to coordinate them. In his theory of imperialism, Hobson altered the radical liberal critique of foreign policy in two related ways. First, economics and politics could no longer be regarded as autonomous. Hobson conceived

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<sup>6</sup> 'Free Trade and Foreign Policy'; *Richard Cobden*, esp. ch. 13.

<sup>7</sup> Compare Hobson's discussion of the domestic implication of equality of opportunity in *The Crisis of Liberalism*, pp. 96-113, with *Towards International Government*, p. 134, 137-40, where it is discussed in an international context.



of economic power in a way that would have been meaningless to Cobden. Second, capitalism was no longer a force for peace, but was an incitement to war, due to the influence of sectional interests.<sup>8</sup> The centrality of economic issues in Hobson's analysis is not solely a result of his being an economist. He was concerned that powerful political interests in the economic system had been neglected by previous liberal, especially Cobdenite, analysis that had accorded economics autonomy from the political and social realms.<sup>9</sup>

The most important of Hobson's contemporaries in liberal internationalism was Norman Angell. Hobson and Angell were long-time associates in the U.D.C.<sup>10</sup> Angell was something of an unreconstructed Cobdenite, a defender of the pacific tendencies of international financial capitalism. His development of Cobdenite doctrine was to apply the connection of free trade and peace to international finance. Angell was also concerned very greatly with the psychology of public opinion.<sup>11</sup>

Hobson's opinions of Angell's arguments are something of a barometer for the changes in his own opinions. In 1911, he lauded Angell's *The Great Illusion*.<sup>12</sup> In the decade before the War, Hobson was an Angellite.<sup>13</sup> After the War, and particularly in the later thirties, he criticised Angell's insistence that capitalism could not gain by war. Hobson pointed out that this was debatable for the capitalist system as a whole. More importantly, Hobson argued, capitalism did not operate as a whole; individual capitalists pursued their own interests at the expense of others. Sectional interests led capitalism to be a cause of war contrary to Angell's beliefs.<sup>14</sup>

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<sup>8</sup> On the influence of sectional interests, see *Imperialism: A Study*, pt. 1, chs. 4 and 6. For the connection of imperialism and tyranny, see pt. 2, ch. 1.

<sup>9</sup> Hobson calls them economic interests, see *Imperialism*, pt. 1, ch. 4. See also his discussion of the political interests in the development of political economy in *Free Thought in the Social Sciences*, pt. 2.

<sup>10</sup> See the letter appealing for funds on behalf of the U.D.C. from Angell and Hobson in *New Statesman and Nation*, 2 October 1937, p. 483.

<sup>11</sup> Angell's works include: *The Great Illusion*; *The Great Illusion 1933*; *Preface to Peace*; *Foreign Policy and Our Daily Bread*. See J.D.B. Miller, *Norman Angell and the Futility of War*, for a discussion of Hobson's international theory.

<sup>12</sup> *Economic Interpretation of Investment*, p. 118-23.

<sup>13</sup> See J.D.B. Miller, *Norman Angell and the Futility of War*.

<sup>14</sup> *Imperialism*, p. [59].

Bernard Porter has made the claim that Angell was less of a rationalist than Hobson because he explained war in terms of the irrational beliefs of the masses rather than the manipulations of a business clique.<sup>15</sup> However, Angell is just as much of a rationalist as Hobson. He did not challenge the underlying rationalist premise, that there is a fundamental human of interests between people(s). Indeed, in his emphasis of sectional interests, Hobson comes closer to showing a real conflict of interests between individuals and between members of society and society as a whole. Angell on the other hand, believed that these irrational sentiments could be educated away and a pacific public opinion created.<sup>16</sup>

David Mitrany drew on diverse influences in his functional approach to international organisation, the institutional turn in liberal international theory. Mitrany is the first liberal international theorist discussed to be an academic. Cobden was a politician, campaigner for free trade and peace and a pamphleteer. Angell was a politician and publicist. Hobson was a journalist and public campaigner.

Mitrany's functional approach to international organisation focuses attention on economic issues and particularly welfare concerns, relegating security issues or high politics, the common subject matter of international relations. He suggests that the national basis of government is inadequate to fulfil people's welfare needs. Satisfying these needs is impossible for national governments and requires international cooperation and organisation. Mitrany argued that nation-state institutions will be superseded by functional international organisations, and that peoples' loyalties will turn to the international organisations. He claims that administrators of these functional organisations will supply the needs of humanity more efficiently and justly than national politicians or political institutions. Mitrany further argues that the shape of international organisation will be along the lines of functional requirements rather than reflecting the aggregation of political authorities of sovereign states, as had been the common shape of reformism in international relations to that time.<sup>17</sup>

While the so-called 'Red Professors', G.D.H. Cole and R.H. Tawney, as well as Fabians such as Leonard Woolf, have been put forward as prominent influences on and forerunners

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<sup>15</sup> Porter, *Critics of Empire*, p. 221-6.

<sup>16</sup> For instance, see Angell's defence of his economic internationalist argument in *The Great Illusion 1933*, p. 15.

<sup>17</sup> For example, David Mitrany, 'The Functional Approach to World Organization'.

of functionalism, Mitrany's connection to Hobson has been largely overlooked.<sup>18</sup> Mitrany remarks on his days as an undergraduate at the L.S.E. and particularly the formative influence of Leonard Hobhouse and Graham Wallas, two of Hobson's good friends with similar outlook to his own.<sup>19</sup> Both Hobson and Mitrany wrote for the *Manchester Guardian*, though at different times. Mitrany's personal connection to Hobson is confirmed in his friendship with Ted Scott, the son of the editor of the *Guardian*, who was Hobson's son-in-law. Mitrany later commented that he had been surprised at the apparent exclusion of Hobson, someone who he considered a knowledgeable writer on international issues, from the newly-created Royal Institute for International Affairs after World War One.<sup>20</sup>

The influence of these personal connections and the liberal milieu in which they both moved is reflected in the consonance of Mitrany's functionalism and Hobson's new liberal internationalism. Functionalism and constructive internationalism share certain common elements. Both stress the importance of welfare in international relations and especially in moulding the new international institutions. Both approaches are institutionalist and evolutionist.<sup>21</sup> Hobson's federalism is driven by functionalist logic, and, as such, is not perhaps as vulnerable to the anti-constitutional critique that Mitrany advanced of other international federalist schemes.<sup>22</sup> Mitrany deviated from some of Hobson's new liberal internationalist ideas, however; for instance, the emphasis on the necessity of a central international government, the belief in federalism as a way of combining states in an international government and the radical notion of democratic reform as manifested in the call for industrial democracy. Mitrany retains the decentralist aspect of the guild socialist tradition of G.D.H. Cole and the 'functional society' of R.H. Tawney. Hobson, on the other

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<sup>18</sup> Paul Taylor, 'Functionalism: The Theory of David Mitrany', p. 237; and Paul Taylor, 'Introduction', to Mitrany's *A Functional Theory of Politics*.

<sup>19</sup> Mitrany, 'The Making of the Functional Theory: A Memoir', *A Functional Theory of Politics*, p. 16-7. Mitrany notes also the influence of James Shotwell at a slighter later stage in his career.

<sup>20</sup> Hobson's exclusion from membership of the Royal Institute for International Affairs is noted by Mitrany in *A Functional Theory of Politics*, p. 39. Mitrany's personal connection to Hobson is remarked upon on pp. 53-4.

<sup>21</sup> Unlike structural functionalism in sociology, see Talcott Parsons, *The Structure of Social Action*. For the mistaken view that Mitrany's functionalism and structural functional sociology can be simply equated or cross fertilised, see R.J. Vincent, 'The Functions of Functionalism in International Relations' and Ernst Haas, *Beyond the Nation-State*, p. 6.

<sup>22</sup> Notably Clarence K. Streit's *Union Now*. See Mitrany, *A Working Peace System*, p. 13-5.

hand, sees a much larger role for the political state and sees no opposition between political and legal reform and economic reform.<sup>23</sup> Hobson's use of the organic analogy highlights the benefits from organization. Mitrany also uses organic terminology, but Hobson's constructive internationalism goes much further than functionalism towards centralisation as a means to rationalisation and organisation of international relations. Hobson and Mitrany both emphasise welfare and organisation to satisfy welfare needs. However, Hobson saw the need for central control, rather than the diffuse links that Mitrany felt would be most beneficial. Hobson's holism not only contributed to his greater centralism but also required him to deny the narrowly economic meaning welfare gained in Mitrany's formulation of functionalism.

Cobdenite liberalism and Mitrany's functionalism are usually distinguished as categorically different forms of liberalism.<sup>24</sup> However, when we consider the changes wrought in liberal theory by Hobson and Angell, it is straightforward that liberalism in international relations passed through an institutionalist 'turn' at the end of the last century. There are similarities and differences between each of the figures from liberal international theory; these are clearest in the comparison and contrast of Cobden and Mitrany. There is a similarity in both goals and analysis between Mitrany and Cobden that shows they are part of the liberal tradition. Both Cobden's and Mitrany's proposals for improving international relations are welfarist. Mitrany's welfare resolves to economic criteria control over which will result in the setting up of institutions to provide such functions as are necessary.<sup>25</sup> Cobden hoped that the removal of legal and political hindrances would enable people to increase their prosperity. Both have a negative attitude to national governments rooted in a disapproval of politics. In both cases national political government is seen as outmoded and detrimental to the improvement of the human lot. Mitrany's division of the high political and low political issues, so much attacked by his critics, mirrors the distinction made by Cobden. Peace and prosperity flow from the correct functional arrangements, and this is true also for Norman Angell.

The difference is the stress on some form of intervention, not by government to be sure but by groups in Mitrany's writing and the importance of institutions as routes to satisfying needs. The difference between Cobden and Mitrany is the attitude to liberty.

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<sup>23</sup> *Wealth and Life*, pp. 228-9.

<sup>24</sup> As in McKinlay and Little, *Global Problems and World Order*, ch. 2; and Joseph M. Grieco, 'Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Internationalism'.

<sup>25</sup> R.I. Tooze, 'The Progress of International Functionalism', p. 212-3.

Cobden defended negative liberty, the right of noninterference, though he did believe in treaties to facilitate free trade and to provide for arbitration of international conflicts. Angell, though he did not go as far as Mitrany with respect to institutionalism, has recently been plausibly labelled a functionalist, because of his search for guarantees for international financial stability in international political institutions.<sup>26</sup> Mitrany believed that international institutions were required to provide for certain welfare needs to guarantee positive liberty.

Hobson can be seen as the intermediate stage in liberal internationalism between Cobdenism and functionalism. While there is a certain amount of circumstantial evidence for this construction of Hobson's part in the development of the liberal approach to international relations, it is also peculiarly appropriate to Hobson's conception of liberalism and his self-image as a social reformer. He consciously advanced beyond previous formulations of liberalism to incorporate the implications of recent events and social phenomena. The classic example is his theory of imperialism, which was an updated formulation of a Cobdenite attack on a spirited foreign policy. Hobson's new liberalism also expresses itself, however, at the international level in his call for a free trade tempered by international institutional control modifying the excesses and deficiencies of national *laissez faire* policies.

The change of emphasis in the liberalism of Cobden and Mitrany might be seen as parallel to changes in domestic arrangements and liberal theorising concerning them. Changes in liberal internationalism have been interpreted as an instance of the domestic analogy by Hidemi Suganami.<sup>27</sup> This explanation of the changes in liberal internationalism is insufficient. It does not explain why liberalism changed, and merely draws parallels between liberal domestic and international policy. The consonance of liberal policies is not considered to be a result of the logic of liberalism itself. Studying Hobson as part of the liberal tradition in international relations shows that institutionalisation and internationalisation go hand in hand, rather than simply being applied from the domestic realm to the international. The logic of Cobden's and Hobson's domestic proposals is international; the international proposals of Angell and Mitrany are integral parts of a general social philosophy.

### **New Liberal Internationalism and Neoliberal Institutionalism**

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<sup>26</sup> Cornelia Navari, 'The Great Illusion Revisited: The International Political Theory of Norman Angell', p. 343.

<sup>27</sup> Suganami quoting Hans Morgenthau in *Domestic Analogy and World Order Proposals*, p. 2.

Liberal internationalism has taken on many different guises since Hobson's formulation. It has, for instance, been profoundly influenced by the institutionalisation of international relations as an academic discipline. Liberal academic theories and approaches have ranged from functionalism, neo-functionalism and (regional) integration theory to studies of transnational relations, interdependence and, most recently, the neo-realist synthesis of regimes and cooperation theory.<sup>28</sup> The changes wrought in liberal international theory since Hobson's time can be illustrated by a comparison of Hobson's new liberal internationalism with Robert Keohane's neoliberal institutionalism, which has been described as the 'newest liberal institutionalism' and for which Keohane self-consciously adopts the mantle of the liberal tradition.<sup>29</sup> The comparison also permits a glimpse of the contribution that a study of Hobson's approach to international relations might make to today's liberal international theory.

Keohane deploys game theory and rational choice in an attempt to transcend the anarchy problematique in international relations. Drawing particularly on Robert Axelrod's *The Evolution of Cooperation*, Keohane argues that cooperation and the creation and maintenance of international institutions are a rational and predictable part of the behaviour of states. Keohane uses this insight to deny the realist assertion of international anarchy and consequent potentiality of war of all against all and the supremacy of the (in)security dilemma.<sup>30</sup>

While Keohane's analysis has undoubted merits, its contrast to Hobson's new liberal internationalism could hardly be greater. Keohane adopts an economic liberalism or narrow utilitarianism that posits rational egoistic actors seeking their own interests.<sup>31</sup> Keohane

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<sup>28</sup> Ernst Haas, *The Uniting of Europe and Beyond the Nation State*; R.O. Keohane and J.S. Nye (eds.), *Transnational Relations and World Politics and Power and Interdependence*; Joseph Nye, *Peace in Parts*; Robert O. Keohane, *After Hegemony*; Stephen Krasner (ed.), *International Regimes*; and Kenneth Oye (ed.), *Cooperation Under Anarchy*.

<sup>29</sup> Joseph M. Grieco, 'Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism'. For Keohane's discussion of neoliberal institutionalism, see his *International Institutions and State Power*, ch. 1.

<sup>30</sup> Keohane, *After Hegemony*, ch. 5; Robert Axelrod, *The Evolution of Cooperation*, esp. chs. 1, 4; Axelrod and Keohane, 'Achieving Cooperation Under Anarchy: Strategies and Institutions', in Oye (ed.), *Cooperation Under Anarchy*.

<sup>31</sup> R.B.J. Walker, 'History and Structure in the Theory of International Relations'. This approach, the application of the methodology of economics and game theory to the other social sciences, has been called 'economic imperialism'. See Gerard Radnitsky and Peter Bernholz (eds.), *Economic Imperialism: The Economic Approach Applied Outside the Field of Economics*.

defends international institutions on economic liberal utilitarian grounds which Hobson had criticised in his attacks on classical and neoclassical political economy. Though both approaches use the concept of evolution, Keohane's depends on competition and rational selection among individuals. Hobson's conception of evolution is much broader including within it the idea not only that learning is an outcome of evolution but that culture, civilisation and reason also evolve. Hobson denied the atomistic rational egoism of Keohane's approach and sought to defend the growth of sociability and institutions in evolution as part of the realisation of the common good and a result of the operation of his theory of social surplus. Hobson sought the common good and believed in a collective social will, both alien to Keohane's approach. Finally, Keohane restricts his attention to the behaviour of states, playing down the importance of other actors. Hobson was emphatic that liberal internationalism consisted in the actions of nations, rather than states, not just in the aggregate but severally as the groups that makes up nations.

Hobson's approach to international relations based on his concepts of cooperative surplus and the organic analogy are an alternative to the subjective utility-based game theoretic approach that underpins the current literature on international cooperation of which Keohane's is the paradigm. Hobson's new liberal internationalism, by contrast, restores the common good and a broader conception of cooperation to the liberal agenda for international relations.

While Hobson can be construed as part of the liberal tradition, he is also in some important respects an outsider. His radicalism and his emphasis on the priority of social cooperation and the common good place him outside the current understanding of the classical tradition of liberalism, which centres on individual rights and *laissez faire*. He does not fit into the modern utilitarianism of cooperation theory either. Indeed, Hobson's writing on international relations avoids the economism that pervades all the other liberal approaches that I have considered. His international government goes further than Mitrany's interventionism in transcending the political/economic division at the core of the liberal tradition. In a sense, the revitalisation of economic liberalism in transnationalism in the 1970s and in cooperation theory more recently is just another manifestation of the isolation of economics from politics that marks out the liberal tradition. Instead of the concentration on economic variables, like trade and investment flows, recent liberal internationalism adopts the radically individualistic methodology of liberal economics.<sup>32</sup>

To summarise, in the development of liberal international theory, Hobson's approach

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<sup>32</sup> Richard K. Ashley, 'Three Modes of Economism', p. 471-6.

can be described as a new liberal internationalism; a new liberal institutionalist challenge to laissez-faire. Hobson's contribution to liberal internationalism consists less in the details of specific theories than in the transformation he effected in liberal social, political, economic and international theory. Hobson reflects the turn in liberal internationalism away from Cobdenism towards the welfare internationalism and integration theory of David Mitrany's functionalism, and is in a sense a transitional phase in liberal internationalism. However, Hobson's ideas have since been treated as dead-ends. Hobson's opinion on the need for an international government to maximise human welfare has been lost to current liberal theory. Hobson's contribution to the liberal critique of foreign policy is in large part contained within the theory of imperialism.

#### **The Impact of the First World War on Liberalism in International Relations**

The First World War was a cataclysmic event for European politics, society, economics and culture.<sup>33</sup> The days before 1914 now appear unnaturally distant. Even in understanding the work of authors like Hobson, there has been a tendency to expect a sharp break in writings before and after the War. The Great War was certainly a watershed in a number of respects. In regard to politics, it is now believed that the War catapulted socialism and fascism to the fore and drove a nail into the coffin of liberalism. The British Liberal Party faltered after the War and was in ideological crisis from this point forward.<sup>34</sup> Unfortunately the very drama of the Great War has meant that it has been used as casual excuse for the many drastic changes in society, politics and in international relations that occurred in the early part of this century.

Hobson was certainly shaken by the coming of war and by its protracted horrors. 1914 was a surprise and Hobson later claimed that the war had halved the percentage of rationality that he ascribed to humanity. Prior to 1914, Hobson and other liberals had been swept along on a wave of optimism, though the gathering crises of the decade after the turn of the century - the arms races and the crises in North Africa and in the Balkans - cast a cloud over the rosy assessment of advancing internationalism.<sup>35</sup> Nonetheless, the War's impact on his theoretical approach to social life, including his international theory, can easily be exaggerated. As was

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<sup>33</sup> David Mitrany quoted in Suganami, *Domestic Analogy*, p. 79.

<sup>34</sup> Michael Freedon, *Liberalism Divided*.

<sup>35</sup> For one of Hobson's less optimistic assessments, see his reaction to the treaty between Britain and Russia in 'England's Duty to the Russian People'.



shown with his international theory in the last chapter, the changes in international relations caused Hobson to alter his estimations of the potential for progress but not his outlook as a whole. The War simply led Hobson to revise his estimation of international realm downwards. Hobson's theoretical analyses of politics, economy and society were sufficient to explain the collapse into war.<sup>36</sup> Among other things, Hobson resurrected his theory of imperialism during the War and returned to it constantly afterwards. His emphasis on the importance of unproductive surplus as a source of conflict and injustice in the national and international economic systems continued unabated. His analyses of militarism and protectionism were refined in response to the Great War and the Bad Peace, but he did not need to innovate significantly to make his theoretical analyses appropriate. During and after the War Hobson emphasised the need for a strengthened international government to prevent war. The details of the proposal were new to Hobson's internationalism. Before, Hobson had only remarked on international government rather vaguely as part of the evolutionary advance of international relations. Again, however, the idea of international government pre-dated the war and was implicit even in his pessimistic estimation of international theory, diplomatic practice and the morality of nations, as his alternative. His proposals for international government were more elaborate after the War, reflecting the gains in international organisation and in intervention in domestic economic affairs. For Hobson the War had created problems and exacerbated others, but it had also revealed the potential for cooperation in societies, the resultant increases in productivity and the benefits (on the economic side) of state organisation of the economy. He hoped that, should the correct policies be implemented, recovery after the war would be swift. This was not to be. But the economic and political catastrophe of the inter-war years was not primarily the result of the dislocation of the War. In terms of economic relations, both nationally and internationally, the War created few new special problems; rather, it had worsened some, while temporarily solving others, *i.e.*, respectively, the rise of protection and the stimulation of aggregate demand. Hobson ascribed the maladies affecting the economies of the world not to the War but to the underlying structure of capitalist distribution.

Much of Hobson's analysis during World War One bears a striking resemblance to his writing during the Boer War. This is because his arguments during the World War are premised on arguments developed during the earlier war. Hobson was particularly concerned with the economic costs of war. Indeed, the scale of the First World War contributed to the

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<sup>36</sup> For Hobson's claims of surprise and his reduced faith in the rationality of humanity, see *Problems of a New World*, pt. 1, and *Confessions*, p. 96, 104.

only new aspect of Hobson's analysis compared to his examination of the Boer War, the long-term economic consequences of war. He analysed the costs of war in terms of lost trade and the growth of protection. He scrutinised the financing of the War. Hobson noted that indirect taxation and borrowing were the favoured means of raising funds for the war effort. This allowed the war to be pursued with relatively little cost during the war, lengthening the conflict Hobson believed, because people did not feel the true cost of their actions and continued to support war.<sup>37</sup> Second, the method of financing the war meant that the working classes would pay for it. The wealthy who had made war-gains in terms of contracts and lending to government at high rates of interest escaped taxation that would reduce their benefits.<sup>38</sup> In both cases Hobson argued that the underlying cause of war was the nature of capitalism and the economic relations of the Great Powers to each other and to the rest of the world, especially the backward peoples. He denied the simple explanations of inflamed nationalism, diplomatic failure or that the war was an unintended accident.

In both wars, Hobson criticised the reduction in civil liberties. Though some restrictions might be justified, he argued that wholesale suspension of democratic rights would depress rather than enhance the war effort.<sup>39</sup> He attacked the propaganda of atrocities and the demonisation of the enemy as well as the increasing secrecy of government activities. Finally, his social psychology of the brutality and credulity of the mob mind is echoed from the Boer War to the First World War.<sup>40</sup> He called for a negotiated peace and attacked those who looked for absolute victory over the enemy, calling them 'Never Endians'.<sup>41</sup>

Hobson's repetition and refinement of his previous arguments demonstrates that he was not thrown off balance by the First World War, though its scale and the intra-European factor made it considerably worse than the Boer War. The difference in the severity of the conflict and the opposition to Germany led Hobson to be distanced from some of his good friends during this period. Hobson's anti-war stance was highly unpopular, even with many

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<sup>37</sup> Compare the analysis of imperialist finance in *Imperialism*, pt. 1, ch. 7, with *Labour and the Costs of War*, p. 10, 16.

<sup>38</sup> 'The Coming Taxation'; *Taxation in the New State*, pt. 2, ch. 2.

<sup>39</sup> 'The War and Civil Liberties'; *Forced Labour*.

<sup>40</sup> As in *The Psychology of Jingoism* during the Boer War; in his satirical First World War book, *1920: Dips Into the Near Future*; and in his post-war assessment, *Problems of a New World*.

<sup>41</sup> *The War in South Africa*, pt. 3, ch. 6. Cf. *1920: A Dip Into the Near Future*.

of his own circle, such as Hobhouse and Murray.<sup>42</sup> Hobson's consistent opposition to war as a solution to conflict is a tribute to the continuity of his international theory and contrasts with the many of his friends who were transformed by the First World War from peace activists to supporters of the 'War to end all wars'.

## **Concluding Remarks**

### *A Summary of the Thesis*

This thesis has scrutinised J.A. Hobson's approach to international relations. Part one sketched Hobson's theoretical system. Hobson used an evolutionary theory of society in which surplus and organic were the central concepts. His methodology emphasised the importance of unity and rationality in human progress. Hobson's intellectual and ideological influences were diverse and sometimes contradictory. He merged Ruskin's humanism with John Stuart Mill's utilitarianism, and the Herbert Spencer's evolutionism with the idealism of the Oxford Hegelians. Hobson's theoretical analysis of social, economic and political life was part of his re-articulation of the liberal tradition towards social reform and state intervention. Widening and socialising the concerns of classical political economy, Hobson posited 'organised cooperation' as productive of 'surplus' value beyond individual contributions. He interpreted value as human (and social) welfare, the overall well-being of individuals and societies. Hobson's theorisation of surplus created a concept with two faces, cooperative and unproductive; the source of human progress on the one hand, and the fundamental cause of conflict in society on the other. It was also a concept he used to critique current social, political and economic arrangements. In the capitalist system, powerful sectional interests exploit the weaker members of society and expropriate an 'unproductive surplus'. Hobson's theory of the economic malady of underconsumption was a facet of unproductive surplus. Hobson deviated from classical political economy in his emphasis on the cooperative aspects of industrial life, including his remedy for underconsumption through redistribution of income according to the maxim 'from each according to his capacities, to each according to his needs'.

Chapter three examined Hobson's approach to international relations in the context of his theoretical system. Hobson's system lends itself to a study of international cooperation

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<sup>42</sup> Peter Clarke, *Liberals and Social Democrats*, p. 168.

and organization. Drawing on the concepts of surplus and organic, Hobson's study of international relations is both holistic and dynamic, integrating political and economic issues in a vision of an international society. According to Hobson, international relations was just one of the many levels of social interaction, albeit in a sense the 'highest' and most encompassing, constituting the beginnings of a world society of all humanity. In his approach to international relations, Hobson implicitly adopted an evolutionary framework of four types of international system: Realism, Cobdenism, Imperialism and Constructive Internationalism. Linked by an evolutionary dynamic propelled by the creation of surplus value, these types of international system were stages in the increasing organization of international relations. Hobson analysed contemporary international relations through the first three types, particularly imperialism, as a primitive but developing social realm. Constructive internationalism, the extension and final realisation of the logic of the organic and surplus concepts in an international government, was, for Hobson, the ideal towards which the humanity was evolving, though the prospect sometimes seems closer than at others.

Part two analysed the theoretical issues underlying Hobson's writings on international relations. Chapter four presented an alternative to the orthodox international relations interpretation of Hobson's theory of imperialism. Hobson's theory was defended against charges of economic determinism and second image reductionism. The theory of imperialism was Hobson's political economy of modern world politics and was a *bona fide* international theory. Imperialism was the product of sectionalism in domestic society certainly, but was also sectionalism in the nascent international society. The international relations of imperialism consisted of great power rivalry, the coercive relations of the advanced and backward countries, and the global scope of underconsumption in the world capitalist system, none of which were reducible simply to domestic or economic variables. The theory of imperialism was a political theory rather than a scientific theory. It was Hobson's expose of the sectional business interests in imperialism, of the ideology and psychology of imperialism and imperialists, as well as a demonstration that imperialism was an economic cost not a benefit to the nation and the world. Hobson bound up imperialism with protectionism, militarism and war into a social, political and economic system of exploitation and reaction, that has as its final peril the possibility of inter-imperialism, the collusion of the capitalists of the Western great powers in the domination of the rest of the world.

Chapter five traced Hobson's defence of free trade and championing of institutional intervention in his economic internationalism. Hobson explained the growth of a world economy through improved communications and transportation that facilitated increased

capital flows and international trade. He suggested that increasing economic and subsequently political, social and cultural integration would follow. While offering a qualified defence of free trade, Hobson believed that measures of international economic governance were required, though he was rarely explicit about necessary institutional arrangements. The apparent contradiction of free trade and international economic government was resolved within Hobson's evolutionary framework: free trade was the minimum policy for international economic and social cooperation, while institutional reform was the organisational corrective to the failures of free trade, ensuring equity and welfare, in an increasingly organised world economy. The organic concept resolved another apparent contradiction, that between his support for the increasing globalisation of finance and his earlier condemnation of the cosmopolitan financiers and foreign investment in the theory of imperialism.

Chapter six assessed Hobson's proposals for international government. His suggestions were greatly influenced by the experience of the Great War and the Bad Peace that followed it. Hobson's proposals for an international government, including a centralised collective international force, are difficult to reconcile with his evolutionary ideas of an emerging world society. Hobson's bold scheme for the establishment of an international government, including an executive council, as well as an international legislature, judiciary and secretariat, employed the rhetoric of his evolutionary approach to international relations to justify a revolutionary change in the international system. He also stressed the importance of democratic control of foreign policy, the need for arbitration as a means of peaceful settlement of international disputes and the imperative of satisfying the needs of national and world economic development. However, the central feature of his proposals was the centralisation of force as a remedy for war between states. The emphasis on peace and order over welfare are an anomaly in his theoretical system.

Chapter seven considered that Hobson could only be labelled an idealist with some qualifications. There are, in fact, three modes of idealism in Hobson's proposals for a reformed international order: traditional idealism, Cobdenism and constructive internationalism. These three modes were Hobson's responses within his evolutionary framework to the changing international environment. His move away from *laissez-faire* towards some form of institutional solution in international relations makes for two different approaches, but Hobson's concrete proposals for an international government are different again, being premised on the need for a centralised state to control international relations. We have just considered Hobson's part in the liberal tradition of international theory.

*The Criticisms*

The challenges to Hobson's theories have been discussed throughout the thesis. Many of the fundamental criticisms of his approach to international relations are part of an attack on Hobson's liberalism. The most common criticism of Hobson's writing, however, is that his journalistic style deprives his argument or his presentation of evidence of academic rigour.<sup>43</sup> The criticism might be expected to be particularly strong in international relations, where Hobson had little expertise or experience and no scholarly training. This common charge falls when compared to the presentation, as in the previous pages, of Hobson's theoretical system; rich in ambiguities and contradictions but also a coherent outlook, developed in the liberal tradition and modified by experience. This applies to his international theory as an integral part of his theoretical system. Hobson was not purely an opportunist in his writings, cobbling together any available theory or evidence. According to Hobson, each event and new piece of evidence was to be understood in terms of a philosophy of history stressing the unity of knowledge.<sup>44</sup>

A further difficulty arises because Hobson wrote before and during the institutionalisation of academic specialisms, not only in international relations but also economics, politics, sociology and psychology. Though he wrote a lot on economic issues, Hobson's work straddled academic disciplines. Being one of the early writers in these subsequently professionalised fields, Hobson has come to be considered an intellectual 'jack of all trades, master of none'. His work has been evaluated by the academic disciplines to which he contributed but only in terms of each separate specialism, despite the anachronism this entails as it manufactures the fictions Hobson the economist, Hobson the sociologist, Hobson the critic of imperialism and even the historical Hobson. These disciplines, with economics the most strident, have tended to construe the history of ideas in their field as the progress towards the status of science now attained. His normative and evolutionary concerns and assumptions have been rejected by the professional scholars, seeking academic credibility, predominantly by demonstrating scientific detachment.<sup>45</sup> An ahistorical misconception marginalises Hobson as a sadly misinformed and misguided early writer: his work is like the

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<sup>43</sup> Michael Freedon, 'Introduction', to Freedon (ed.), *J.A. Hobson: A Reader*, p. 2.

<sup>44</sup> *Social Problem*, ch. 20.

<sup>45</sup> Hobson was critical of the attempt of social scientists to be detached. See *Free Thought*, p. 37.

alchemy that gave way to modern science in Thomas Kuhn's account.<sup>46</sup> This is as appropriate a criticism of international relations' understanding of Hobson as it is of other academic disciplines. Hobson wrote as a generalist in the tradition of great thinkers and philosophers, and his generalism and wide vision should be embraced as an antidote to disciplinary parochialism. He provided a coherent world-view, a whole perspective of human life in society drawn from a view of human nature, evolution and the progress of civilisation.

Hobson's analyses have in many instances been superseded with the passing of time. Events, such as World War Two, and developments, such as, say, computerisation, radically alter the social context and the nature of phenomena that Hobson was attempting to explain. Much of Hobson's analysis of international economic relations has now been surpassed by more sophisticated theory. More accurate means of gathering and assessing data have been developed since Hobson's time, frequently challenging the results Hobson advanced. Hobson's theory of imperialism has been overtaken by changing world events and superseded by subsequent theory in the form of the Leninist explanation and more recently, dependency theory and world systems analysis.<sup>47</sup> However, it is a lot to expect a theorist who died over fifty years ago, and who had concerns peculiar to his era, to appear contemporary in every respect. Claims to contemporary relevance can be deceptive. The appearance of contemporary relevance is commonly based on the repetition of banalities, such as the assertion that states will always conflict, the like of which Hobson avoided, preferring to try to explain the sources and the reason for the persistence of international conflict, both much more susceptible to change.

Another common criticism of liberal writing on international relations is the apparent reliance on the domestic analogy. The extrapolation from domestic institutions to proposals for solutions for international problems is a familiar element of liberal reformism in international theory. The domestic analogy is held by many, however, to be problematic, mainly because of the disanalogies between international relations and domestic society. Hidemi Suganami has identified two variants of the domestic analogy: the internationalist, where the analogy is between states in international society and persons in domestic society; and the cosmopolitan, where the analogy is drawn between a world society of all humanity

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<sup>46</sup> See Thomas Kuhn, *The Structure of Scientific Revolutions*.

<sup>47</sup> Two examples among neo-Marxist scholarship are Fred Halliday, 'Vigilantism in International Relations', and Giovanni Arrighi, 'Concluding Remarks', *The Geometry of Imperialism*.

and domestic society.<sup>48</sup>

As we have seen, Hobson applied his theory of cooperative surplus to all organic forms from individuals to the society of all humankind, and his view of international relations was that it was an emerging global community based in the commercial intercourse of nations rather than states. This approach appears to be a form of the cosmopolitan domestic analogy. Hobson's only use of the term domestic analogy accords with this interpretation. On the other hand, when Hobson discussed the relations of nations in an international organisation, he adopted the internationalist variant, drawing parallels between nations in international society and persons in domestic society. In particular, he adopted a rather crude example of the internationalist domestic analogy in his proposal for an international government.

Problems with the internationalist domestic analogy are the greater. Even if interdependence between states advances and an international society can be said to exist, the analogy between states and people will remain far from perfect. On the other, with the advance of interdependence and the growth of a world society, people might plausibly be expected to relate to the world authority as they do to the current nationally based authorities. The issue for the cosmopolitan analogy is the extent to which this can be said to be near to realisation.<sup>49</sup> Criticisms of the domestic analogy have been part of the founding of international relations as an academic discipline, justifying as it does the autonomy of international politics and law from domestic politics and law. Such criticisms have dismissed the notion that international relations can become more like domestic society because of the anarchical relations of sovereign states in international relations.

The criticisms of the domestic analogy have themselves been subjected to criticism lately. It is pointed out that both the domestic analogy and the critique of the analogy presume the association of hierarchy and order as the premise for society. Lacking hierarchical order, because of the establishment of such order within sovereign states, international relations is conceived by realists, as the perpetually anarchical, disordered realm. So-called idealists hope for the establishment of an international political community, but on the basis of hierarchy. The political possibilities are thus constrained within the hierarchy/anarchy, realism/idealism dichotomy.<sup>50</sup> This poses a serious problem for international theory: any attempt at reform,

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<sup>48</sup> Hidemi Suganami, *Domestic Analogy and World Order Proposals*, p. 35-7.

<sup>49</sup> For an instance of the cosmopolitan domestic analogy, see Charles R. Beitz, *Political Theory and International Relations*.

<sup>50</sup> R.K. Ashley, 'The Powers of Anarchy', pp. 1-23.



or suggestion that reform is possible because international relations are becoming more like domestic society, are rendered taboo by accusations of domestic analogy. This censoring of progressive international theory conceives all truly political experience as domestic political experience; there is no such thing as an experience of international politics.<sup>51</sup> Hobson would certainly have denied this. His international government is a domestic, hierarchical government writ large, however. Only in the evolutionary framework of constructive internationalism, do we see the possibility of alternative political forms for global democracy.

Hobson wrote, I have argued, in the liberal tradition of international relations, despite the fact that he modified liberal internationalism extensively. The liberal tradition of which Hobson was a part has been charged with individualism, positivism, paternalism, modernism and rationalism. Some of these criticisms are more appropriate to Hobson than others. Hobson was, as Allett has pointed out, one of the least sociologically naive liberals.<sup>52</sup> He realised the impossibility of individualism as espoused in nineteenth century liberalism and believed that it was undesirable as an ideology for social reform.<sup>53</sup>

While Hobson was a strident critic of the application of natural scientific methods to the social sciences, he was enough of a Comtean positivist to believe in the need for a single science of society. This science would have as its purpose the improvement of the human condition and would be established by unitary scientific criteria. This scientific reason was to be the guide of civilisation following the demise of God in the face of critical rationalism. Hobson's Comtean positivism and his evolutionism were optimistic prejudices about the development of human civilisation and internationalism that have since been ruthlessly exposed both by subsequent theorists, such as Talcott Parsons in sociology and by the realists in international relations.<sup>54</sup> Before condemning Hobson as a positivist, however, we should be careful to distinguish three possible relationships between science and society that might be construed as positivism. The first is that all science should be based on the methodology

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<sup>51</sup> See, e.g., Robert H. Jackson, 'Martin Wight, International Theory and the Good Life', p. 262.

<sup>52</sup> John Allett, *New Liberalism*, p. 262.

<sup>53</sup> Yet, there is a tension between Hobson's advocacy of the importance of community and society and his maintenance of, and indeed increasing support for, the liberal tenet that human progress has to be judged in terms of the improvements for individuals. The basis for Hobson's reforms were to this extent at least individualist; social reform was to improve the individual lot. Hobson's positivism is of a different sort to the logical positivism commonly identified as a sin in recent international theory. This is most evident in his later work. See *Wealth and Life*, ch. 2, esp. p. 22.

<sup>54</sup> Talcott Parsons, *The Structure of Social Action*, pt. 1.

of the natural sciences. The second is the notion of a single social science, a science of society, that will be a guide for individual and social life. The third form is the suggestion that the natural sciences have improved the material conditions of society, thus creating the basis for a freer, more spiritual existence. Hobson refused the first utterly. He believed in the benefits of the application of science and technology. But his positivism consists in his belief in a science of society as a method of social reform. Hobson's positivism was not to advance a science of international relations, but to emphasise that similar rules apply to all forms of social organisation.

Hobson's paternalism, on the other hand, is often quite patent. His condemnation of the behaviour of the British masses during the Boer War has been attacked by John Hall as smacking of elitism.<sup>55</sup> His attitude to the backward peoples, though encouraging, implicitly treats them as children. Significantly, Hobson never describes them as the backward nations because nationhood was an indication of civilisation. Hobson's paternalism (unlike his anti-semitism, which can be ascribed to the culture of the day) is not an anomaly in his writings but a function of his conception of the evolution of civilisation and internationalism. Internationalism is to be led by those who possess the correct knowledge as assessed by scientific reason.<sup>56</sup>

Hobson was a passionate and committed modernist. The industrial revolution was the clearest material manifestation of the modern era. Despite his hesitations concerning the Ruskinian reservations about the effect on the humanity of workers of industrial routine, he celebrated mechanisation and rationalisation. These were processes that could be abused, for sure, but if used sensibly could free up leisure time and thus be harnessed to the improvement of human welfare. His approach to international relations exudes a faith in modernity in the shape of internationalism deriving from the effects of the industrial revolution on communications technology. His belief in modernity is most clear in his use of the term civilisation and his belief in human progress, both modernist concepts. Progress suggests that current industrial society is an improvement on previous forms of social organisation and ways of life. Culture and social, political and economic organisation considered pre-modern are

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<sup>55</sup> John Hall, *Liberalism*, pp. 94-5, citing R.W. Price, *An Imperial War and the British Working Classes*.

<sup>56</sup> Hobson is close in terms of his paternalism to the elitism of J.S. Mill and the emphasis on experts of the Webbs. See H.B. Acton, 'Introduction', to J.S. Mill, *Utilitarianism. On Liberty and Considerations on Representative Government*, p. xiii-iv. B.L. Crowley, *The Self. The Individual and the Community*, chs. 4-5.

implicitly and sometimes explicitly denigrated in the discourse of progress. Despite Hobson's connection of civilisation with internationalism and democracy, it remains a heady mixture of a Western world-view, race and culture combined with a faith in the increasing rationalisation, that is, Westernisation, of the world. Even in his critical remarks on Western imperialism, Hobson argued that there was no return to isolation for the backward peoples (or for that matter for any nation, even the powerful United States). They had no choice but to participate in modern civilisation.

Hobson was a rationalist. Though he held the view that reason must include the passions, he believed that civilisation resided in the supremacy of reason over the passions. He believed in the constructive mission of rationality as well as its critical aspect in subjecting each tradition, custom and custom to the judgement of sceptical reason.<sup>57</sup> Hobson was convinced that rational methods of administering international relations could be drawn up to solve the problems of nations. A scheme was required, rather than the participation or discussion of each state's representatives.<sup>58</sup>

The experience of the twentieth century, the World Wars, the rise of fascist and communist ideologies and dictatorships, and the grand opposition of the Cold War has challenged liberal ideology and particularly the rationalist belief in progress towards democracy, peace and internationalism. Even the welfare state, which can be seen as a part of Hobson's legacy for socio-economic policy, has recently been called into question. Hobson's influence on domestic policy, however, has been much larger than in foreign and international policies. His internationalist ideas have remained quite distant, both in terms of their practical realisation and the premises upon which they rested.<sup>59</sup> However, with the ending of the Cold War, the fall of communist regimes and the victory for the so-called Allies in the Gulf War, new possibilities for internationalism have opened up. With these changes, Hobson's international theory potentially gains renewed relevance. His insights might be applied to the impending single market in Europe as well as the growth of regional trading blocs over the apparently moribund liberal trading order. Hobson's critique of the ideology of imperialism can usefully be applied to the current fashion to set national goals of 'competitiveness' in the

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<sup>57</sup> 'The Task of Realism', reprinted with alterations as 'The Task of Reconstruction' in *The Crisis of Liberalism*.

<sup>58</sup> This is Michael Oakeshott's complaint about the rationalism of proposals for international government. See his *Rationalism in Politics and Other Essays*, p. 6.

<sup>59</sup> Bernard Porter, 'Hobson and Internationalism', pp. 179-81.

world economy. In this regard, current international theorists might gain from Hobson's criticisms of competition and the parallels between his critique of social Darwinism and the currently fashionable discourse of international competitiveness. Lastly, there are some similarities between the revived belief in civilisation and the advanced West in the talk of a New World Order. Hobson's critical assessment of the world order to be established by the Great Powers after the First World War resound for the contemporary scene strikes a chord today. Describing the origin of the League of Nations, Hobson remarked:

The project introduces itself under the title of world-order. Why should not the ruling classes of the most powerful Western Allies undertake in the name of pacific internationalism the political government and the economic exploitation of the weaker peoples and the less developed countries of the world? ... [The Allies] could police the world in the name of international order, and force their decisions in their international courts upon the smaller members of their League or upon unruly outsiders.<sup>60</sup>

#### *Hobson's Contribution to International Theory*

Hobson's approach to international relations might have been flawed, but this should not distract us from the seriousness of his contribution to international theory. Conventional wisdom in international relations has, however, marginalised Hobson's contribution to the theory of economic imperialism. The theory of theory is indeed an important element of Hobson's contribution, but it has wider ramifications than as a simple explanation of war. Imperialism is the basis of the structuralist paradigm in international relations.<sup>61</sup> Furthermore, Hobson's theory provided the historical interpretation of turn of the century international events upon which hegemonic stability theory rests.<sup>62</sup>

The implications of Hobson's central concepts, surplus and organic, for his study of international relations as a whole (rather than simply in the theory of imperialism) have been neglected. The theory of imperialism was not Hobson's only contribution to international theory. He developed the theoretical orientation upon which the functionalist approach to international organisation is founded by applying his theory of cooperative surplus to observed changes in the organisational arrangements of international relations. Like the functionalists, Hobson was primarily interested in welfare as the basis of his international

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<sup>60</sup> *Democracy After the War*, pp. 191-2.

<sup>61</sup> Michael Banks, 'The Inter-Paradigm Debate', p. 17-20.

<sup>62</sup> See chapter four.

theory. War, militarism and imperialism are considered aspects of a pathological social and international system.

With his background in economics and the priority of economic issues in international affairs for much of the time he was writing, it is hardly surprising that Hobson focused on political economy in his discussions of international relations.<sup>63</sup> Rather more surprising is the fact that political economy all but disappeared from academic international relations after the Second World War. Political realism, the dominant school of international relations since then, emphasised political power as the determinant of state action and concentrated on the global geopolitical struggle of the Cold War. Realism maintained a narrow conception of power, conceiving economics and economic power as either irrelevant or as elements of national political and military power.<sup>64</sup> Ironically, Hobson's marginalisation as an international theorist also obscured his potential contribution to the political economy of international relations. Hobson offers a contribution to international political economy in his analysis of the development of the economic relations of nations and the interaction of international politics and international economics. His refusal to accept the separation of economics from politics also makes him an important figure in contemporary international political economy. The context of Hobson's discussion can also inform an analysis of why international political economy should again become a major focus of study. International economic issues were significant policy issues in the 1920s and 1930s. Similarly, the rise of modern academic international political economy in the literature on interdependence and transnationalism in the 1970s was prompted by concerns over the economic dimensions of power regarding the Oil Price shock and the collapse of Bretton Woods.

The most significant aspect of Hobson's contribution to international political economy and the functional approach to international organisation was the new theoretical orientation towards organisation and the interrelations of politics and economics. Hobson's emphasis on the organic nature in social life creates a holistic approach to the study of international relations. Hobson discussed the international system or the world economy as a single, unified

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<sup>63</sup> This was the case for a number of other writers during the inter-war period in particular. I have examined the contribution of inter-war theorists to international political economy in my "Not at all Profound"? Reassessing Inter-War International Theory', paper presented at the Canadian Political Science Association Annual Meeting, Queen's University, Kingston, Ontario, Canada, 2-4 June 1991.

<sup>64</sup> For example, for the absence of economics in international relations, see Fred Northedge, *The International Political System*; Hedley Bull, *The Anarchical Society*; and Hans Morgenthau, *Power Among Nations*. For an earlier realist formulation of economics as a manifestation of national power, see E.H. Carr, *The Twenty Years' Crisis*, ch. 8 (b).

system, denying the possibility of separate analysis of parts of the system. The fundamental unit of Hobson's is not the collectivity of states, nor the global market, but humanity as a whole as a social entity.

*Hobson, the History of Ideas and International Relations*

Hobson has been shown to be more than a theorist of imperialism. This study has demonstrated that Hobson's writings on international relations ranged over a number of subjects. His writing is both a potential resource for current theorists of international relations, in the shape of the theory of cooperative surplus, and a lesson as to the development of the study of international relations, to which Hobson contributed significantly.

A study of Hobson's ideas has also enabled us to map the development of liberal international theory from nineteenth century *laissez faire* to the latest writings in academic international relations. This reintegrates liberal theory in international relations into the liberal tradition from which it has increasingly been isolated as it became an academically 'respectable'. More broadly, filling this gap in the history of liberal internationalism reveals a vital and developing tradition and also the political and ideological underpinnings of certain international theories.

There is, finally, a more general implication of this study, regarding the approach of the study and the character of thinker addressed in it. A study of Hobson's international theory, one of the neglected international theorists, widens the usual interests of the history of international ideas. While Martin Wight has ascribed the poverty of the international theory to the nature of international theory as a theory merely of survival as opposed to political theory as a theory of the good life,<sup>65</sup> there is a modest growth in the history of ideas in international relations. Commonly, however, this identifies a number of great thinkers (by way usually of *obiter dicta*) as contributors to a tradition of thought on international relations, the oldest of which is realism, including the writings of Thucydides, Hobbes, Machiavelli and Rousseau. In construing the history of international ideas this way, international relations misunderstands and neglects the contributions of these and many other thinkers, groups and movements, either by omitting them altogether or by placing them within the grand opposition of realism and idealism (or utopianism) in international relations. International

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<sup>65</sup> Martin Wight, 'Why is there no international theory?'. It might also be because international relations has been *par excellence* a social science in behaviouralist terms or because of the discipline's closeness to the centres of state policy making.

relations has yet to move away from the Great Men approach to international theory. Furthermore, the understanding of Hobbes' *Leviathan*, for example, as a contributor to a tradition of international theory distorts the context of his discussion, takes the text out of the context of his time and imagines that he is contributing to some timeless problematic of international relations.<sup>66</sup>

This thesis, as an analysis of the writings of one under-researched writer, is potentially part of a much larger project to bring to the discipline of international relations a semblance of maturity as a political, economic and social study following its naive scientism since the Second World War. It does so by examining the work of J.A. Hobson, one of its neglected thinkers, his contribution to international theory and his part in the development of the study of international relations. Hobson repays this examination by illuminating some aspects of current international theory as well as being a significant figure in the liberal alternative to the realist tradition in international relations.

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<sup>66</sup> For a discussion of the theoretical issues in the history of political ideas, see Quentin Skinner, 'Meaning and Understanding in the History of Ideas' and Bhikhu Parekh and R.N. Berki, 'The History of Political Ideas: A Critique of Q. Skinner's Methodology'.

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