Old notes on a work that influenced Lenin

Reading J. A. Hobson's classic *Imperialism: A Study* (1905). He focuses on Britain, asking: Wherefore imperialism? (The *new* imperialism, since the 1870s.) Concludes that it isn't because of commercial benefits, giving a lot of statistics showing that trade with the colonies (imports and exports) is fairly marginal and hasn't grown much since the 1880s. In fact, foreign trade as a whole, even with other industrialized countries—which contribute *much* more to it than the colonies—has [as of 1905] been diminishing relative to the growth of the domestic market since the 1880s. And colonial trade has been diminishing relative to that with foreign countries. And of all colonial trade, that with the new possessions (in tropical regions) has been "the smallest, least progressive, and most fluctuating in quantity, while it is lowest in the character [i.e. quality] of the goods which it embraces." So the new imperialism isn't explained by its commercial benefits to the British economy as a whole. [This argument is too quick, though.] Nor is it explained by the supposed need for an outlet for Britain's (nonexistent) surplus population, as was sometimes argued in Hobson's time.

So, why imperialism? "Seeing that the Imperialism of the last six decades is clearly condemned as a business policy, in that at enormous expense it has procured a small, bad, unsafe increase of markets, and has jeopardised the entire wealth of the nation in rousing the strong resentment of other nations, we may ask, 'How is the British nation induced to embark upon such unsound business?' The only possible answer is that the business interests of the nation as a whole are subordinated to those of certain sectional interests that usurp control of the national resources and use them for their private gain." Which are these interests? The answer isn't hard to find. "What is the direct economic outcome of Imperialism? A great expenditure of public money upon ships, guns, military and naval equipment and stores, growing and productive of enormous profits when a war, or an alarm of war, occurs; new public loans and important fluctuations in the home and foreign Bourses; more posts for soldiers and sailors and in the diplomatic and consular services; improvement of foreign investments by the substitution of the British flag for a foreign flag; acquisition of markets for certain classes of exports, and some protection and assistance for British trades in these manufactures; employment for engineers, missionaries, speculative miners, ranchers and other emigrants." It's pretty similar today, with the "splendid little wars" America likes to start. (Politically connected industries, foreign investment, greater power for certain government bureaucracies that therefore have an interest in wars, chauvinism in the domestic population that allows power-structures to seize more power, etc. Also, displays of force usefully intimidate our allies and enemies, and, in addition, it's important for us to exert control over Middle East oil supplies so as to shape global politics.)

"By far the most important economic factor" is foreign investment. Officially, between 1884 and 1903 the income from such investment (in securities, railroads, etc.) rose from about 34,000,000 pounds to 64,000,000 pounds, although the real amount was probably 100,000,000. The "capital value" of these investments was probably at least 2,000,000,000 pounds. It is evident that "the income derived as interest upon foreign investments enormously exceeded that derived as profits upon ordinary export and import trade."

"It is not too much to say that the modern foreign policy of Great Britain has been primarily a struggle for profitable markets of investment. To a larger extent every year Great Britain has been becoming a nation living upon tribute from abroad, and the classes who enjoy this tribute have had an ever-increasing incentive to employ the public policy, the public purse, and the public force to extend the field of their private investments, and to safeguard and improve their existing investments.... Aggressive Imperialism, which costs the taxpayer so dear, which is of so little value to the manufacturer and 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." This book could hardly be more timely. For instance, in the neoliberal period America has increasingly been living on tribute from abroad, as David Harvey argues in *A Brief History of Neoliberalism*. This seems to be the norm for empires in their declining phase. It was also the case, I recall, in the late Roman Republic and the late Roman Empire.

Aside from the investors, there are also the financiers, "the general dealers in investments." The great financial houses "use stocks and shares not so much as investments to yield them interest, but as material for speculation in the money market." These financial dealers, who coordinate enormous transfers of money, are "the gravest single factor in the economics of Imperialism." "To create new public debts, to float new companies, and to cause constant considerable fluctuations of values are three conditions of their profitable business. Each condition carries them into politics, and throws them on the side of Imperialism." J. P. Morgan, for instance, made millions off the Philippine war.

One of the grounds on which Hobson argues against imperialism is that protectionism, on which he says imperialism rests, is not a sound economic doctrine. If France shuts Algeria off from trade with Britain, Britain will still indirectly benefit from France's increased trade with its colony, since that stimulates economic activity that eventually gets around to interacting with the British economy. Thus, there is little reason for Britain to fight other countries for their colonies, especially given the expense of maintaining them and so on. Britain will profit regardless. I'm not sure this argument is wholly successful, though. For one thing, having captive markets and sources of raw material can surely benefit particular domestic industries, since it means they don't have to engage in price-competition with foreign companies. For *consumers*, on the other hand, I doubt that imperialism is particularly beneficial.

Actually, in the next chapter Hobson qualifies his previous argument. This is where his famous "underconsumptionism" comes in. Too much capital and too many goods (i.e., too much productive capacity); not enough investment opportunities and effective demand in the home market. Hence the need to look to foreign markets. Business concentration is the culprit: it leads to reduced utilization of capital and higher profits. (See Baran and Sweezy's *Monopoly Capital* for details.) "It was this sudden demand for foreign markets for manufactures and for investments which was avowedly responsible for the adoption [in the U.S.] of Imperialism as a political policy and practice by the Republican party to which the great industrial and financial chiefs belonged, and which belonged to them." (See Walter LaFeber's classic *The New Empire: An Interpretation of American Expansion, 1860–1898* (1963).) The reason companies couldn't just use European markets for their surplus capital and goods is that tariffs against manufacturing imports prevented them.

Hobson's conclusion intuitively seems true: if you prevent the super-rich from having excessive income, which they don't spend as the less-rich would but unproductively *save* and/or invest abroad (or speculate with), and instead give all this income "to the workers in higher wages or to the community in taxes, so that it will be spent instead of being saved, serving in either of these ways to swell the tide of consumption—there will be no need to fight for foreign markets or foreign areas of investment." [I.e., low domestic demand and excessive "surplus capital" are what lead to imperialism.] I think that makes sense. It seems to me that with a more egalitarian distribution of income—a healthier economy at home, with sky-high demand—imperialism and foreign adventurism à la McKinley and G. W. Bush would diminish. Or at least business would have less interest in it. In fact, that's just a truism, isn't it? In general, business has a reason to venture abroad only if the domestic market and domestic investment opportunities are insufficiently profitable. One major way to remedy that is to increase home demand. (Of course foreign trade and foreign investment would continue, but not to the same extent.)

Surely another way to prevent all this "fighting over markets" (and colonies) would have been to forbid hostile, aggressive kinds of protectionism. The race for colonies had a lot to do with pressures from politically connected companies/industries that wanted raw materials, investment opportunities, and markets for finished goods. If England, say, got some colony first, then German businesses were shut out of it. Hence the *race*. And the arms race, etc. Considering the lack of supranational bodies to regulate world trade and investment at the time, the *hostile* protectionist behavior of European countries was understandable and predictable; but from the perspective of national economies (as opposed to special industrial interests) it was, perhaps, unnecessary, as shown by the post-World War II global economy. After 1945 or so there were international regulatory bodies and, especially, a gigantic superpower (the U.S.) that forced Europe to abandon most of its colonies and eventually oversaw the construction of a global regime of relatively free trade (or at least of less *hostile* protectionism).[1] And things worked rather well, until foreign competition got too stiff and neoliberalism began. But the problems of foreign competition *this* time manifested themselves differently than they had around the turn of the century, in part because there wasn't as much protectionism as before—and *no* protected colonies. This time there was no arms race [between countries whose industries competed against each other] and little vicious nationalism;[2] instead, among other things, there was (is) greater suppression of workers' rights, a rollback of the welfare state, and a search abroad for cheap *manufacturing* labor (a search made possible by new technologies, global integration of managerial hierarchies, etc.). The rise of business concentration in both periods is the same, though, as is the growth of financial capital.

[Regarding the U.S's forcing Europe to abandon its colonies after World War II, the economist Arthur MacEwan has this to say: "The current era of globalization was quite consciously planned by the U.S. government and U.S. business during and after World War II. They saw the United States replacing the British Empire as the dominant power among capitalist countries. But in place of 19th century-style colonial control, they looked to a 'free trade' regime to give U.S. firms access to resources and markets around the world. While U.S. business and the U.S. government did not achieve the 'free trade' goal immediately, this has been what they have promoted over the last 65 years." In other words, the free-trade version of imperialism, as opposed to the colonial version, could work only because it was in the interests of an

[1] [There also emerged multinational corporations, many more than in the past, which militated against protectionism and colonization. As Anthony Brewer says, when there is an interpenetration of different national capitals (businesses or industries), "a struggle to enlarge one nation's territory at the expense of others becomes economically pointless. To give an example, there would be no point in Ford or General Motors seeking to extend their markets by sponsoring U.S. annexation of parts of the EEC, when they are securely established in the European industry already. In the same way, tariff barriers between different markets become a hindrance rather than a benefit once multinational firms are well established." (*Marxist Theories of Imperialism*, pp. 125, 126.) Actually, in an age of multinationals there can still be a great deal of protectionism, though probably less than there was in, say, the first decade of the 20th century.]

[2] [At least until very recently.]

overwhelming hegemon that could enforce it. There was no such hegemon between about 1880 and 1945.]

There are other interesting parallels between the past and the present. From the middle to the end of the 19th century Britain had a policy of free trade, opening its domestic markets to whomever. And from the middle to nearly the end of the 20th century, the U.S. basically had a policy of free trade. That partly changed with Reagan. In both cases, the intensification of foreign competition led to greater protectionism. And in both cases, *that* led to nationalism among much of the populace (through propaganda, etc.). But the U.S. couldn't help itself out by getting colonies this time, in the 1980s, because that era was over. Companies from around the world were forced to compete against each other in the same foreign markets, which meant lower profits, more cost-cutting, i.e., mass layoffs and lower wages, and therefore lower demand, eventually the stagnant world economy of the present. Because (in part) no colonies! (Right?) I'm just "thinking out loud" here, so I don't know.... Did the possession of colonies in the past permit major industries not to cut costs as much as they have in recent decades, or as much as they would have otherwise, thus keeping demand relatively buoyant for a while (and thus the world economy continuing to function until, finally, the Great Depression)? *Je ne sais pas.*

De jure colonies haven't been necessary recently, however, because manufacturing companies can get cheap labor now without having their governments *directly* politically control the country from which they're getting cheap labor.[3] In the past, Western governments had to, in effect, wage war, install friendly governments, and violently force the peasantry to work in mines or factories or wherever, because otherwise the "colonial" population would have just stayed in the countryside doing what it had been doing from time immemorial. Governments and companies had to *radically disrupt* things in order to profit off the land and the people. (And naturally the governments that went to the expense of disrupting wouldn't want to share the place with others; hence imperialist protectionism.) But that has been less necessary in the last forty years, because the economic transformations have already more or less happened.[4] People in the global South need employment, so in order to get a labor force, all that's necessary is to make sure a friendly government is there and go set up shop (through subsidiaries or subcontractors or whatever). Full-fledged colonialism is no longer a requirement for getting an obedient, cheap labor force or getting cheap access to raw materials. The South has already been made pliantly capitalist, through the efforts of earlier Western savages.

In other words, conservative scholars who argue that colonialism and imperialism were unnecessary to the development of world capitalism, or even counterproductive, and were merely political mistakes or whatnot, are wrong. Even if you accept their arguments that particular colonies weren't of great benefit to the metropolitan country's economy as a whole, the fact remains that the world had to be *violently* made capitalist in order for the West's economic growth to continue indefinitely at a compound rate, and in order for capitalism to expand everywhere. Pre-capitalist social structures had to be smashed (and they were *bound* to be smashed, as Marx said, because of capitalism's irrepressible drive for expansion). Besides, it just defies common sense to say that the colonial system in its totality was of no use to the development of European industry.

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[3] [But remember that a hundred years ago such cheap labor was used mainly for *extraction of raw materials*, while now it is used also for *manufacturing*. That's the difference.]

[4] Actually, that's somewhat naïve. Western governments have officially operated at more of a remove than in the past, but on a broad scale they've been almost as interventionist as always.

Anyway, I don't know enough about the international economy of the past—or the present—to make detailed comparisons between the situation that led to the Great Depression and the situation that has led to the current semi-depression [in 2009]. But even in my ignorance I can see there are fascinating parallels and divergences. The most obvious is the presence for several decades of a hegemon whose free trade policies assist the rest of the "civilized" world in its industrialization—first in the second half of the 19th century, and then in the second half of the 20th century, when Europe and Japan had to reconstruct following World War II. The decline of stability has coincided with the relative decline of the hegemon. Earlier, as I said—after the 1870s—the consequences (of heightened foreign competition) were greater protectionism and the race for colonies, which, again, were "surplus markets," sources of cheap raw materials and labor, and areas in which to invest excess capital. After the 1970s, the consequences, to repeat, were greater protectionism—though less than in the past—and hunts all over the world for cheap labor [in *manufacturing* this time] and outlets for excess capital. It would seem, incidentally, that the search for foreign outlets for excess capital, both earlier and after the 1970s, is (unlike protectionism and the search for foreign cheap labor) a direct result not so much of foreign competition—which Hobson doesn't focus on—as of the phenomena Hobson discusses, low demand and few investment opportunities in the domestic economy. But low demand is itself in part a result of heightened foreign competition leading to corporations' cost-cutting. Probably business concentration plays a role too, as Hobson says, by diverting more money into the coffers of the rich, who spend less of it than the middle and lower classes would.

Economics is confusing.

Here are more timely ideas from Hobson:

> The creation of public debts is a normal and a most imposing feature of Imperialism. Like Protection, it also serves a double purpose, not only furnishing a second means of escaping taxation upon income and property otherwise inevitable [in order to pay for imperialism], but providing a most useful form of investment for idle savings waiting for more profitable employment. The creation of large growing public debts is thus not only a necessary consequence of an imperialist expenditure too great for its current revenue, or of some sudden forced extortion of a war indemnity or other public penalty. It is a direct object of imperialist finance to create further debts, just as it is an object of the private money-lender to goad his clients into pecuniary difficulties in order that they may have recourse to him. Analysis of foreign investment shows that public or State-guaranteed debts are largely held by investors and financiers of other nations; and history shows, in the cases of Egypt, Turkey, China, the hand of the bond-holder, and of the potential bond-holder, in politics. This method of finance is not only profitable in the case of foreign nations, where it is a chief instrument or pretext for encroachment. [Think of all the hand-wringing in America over China's enormous dollar reserves.] It is of service to the financial classes to have a large national debt of their own. The floating of and the dealing in such public loans are a profitable business, and are means of exercising important political influences at critical junctures....
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> Imperialism with its wars and its armaments is undeniably responsible for the growing debts of the continental nations, and while the unparalleled industrial prosperity of Great Britain and the isolation of the United States have enabled

> these great nations to escape this ruinous competition during recent decades, both, committed as they seem to an Imperialism without limit, will succumb more and more to the moneylending classes dressed as Imperialists and patriots.

Welcome to the 21st century.

The rest of the book is less interesting, though very sensible. His predictions are far-sighted. Here's a short summary of some of his arguments, which, stated in this way, are obviously true:

> The chief economic source of imperialism has been found in the inequality of industrial opportunities by which a favoured class accumulates superfluous elements of income which, in their search for profitable investments, press ever farther afield: the influence on State policy of these investors and their financial managers secures a national alliance of other vested interests which are threatened by movements of social reform: the adoption of Imperialism thus serves the double purpose of securing private material benefits for favoured classes of investors and traders at the public cost, while sustaining the general cause of conservatism by diverting public energy and interest from domestic agitation to external employment.