Tyler, Colin. "Hobson on Democracy and the Humanized Economy." *Democratic Moments: Reading Democratic Texts*. . London: Bloomsbury Academic, 2018. 169–176. *Bloomsbury Collections*. Web. 26 Apr. 2023. <<http://dx.doi.org/10.5040/9781350006195.ch-022>>.

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CHAPTER TWENTY-ONE

Hobson on Democracy and the Humanized Economy

Colin Tyler

Pacific internationalism, not merely in the sense of disarmament and political co-operation, but expressed in a growing solidarity of economic institutions, is not merely in the long run but even in the short run essential to the survival and revival of democracy within each State. This judgment does not, however, signify that we must wait for an international solidarity, which now seems remoter than in 1918, before attempting seriously such national planning as is needed to replace the fumbling wastes and failures of a capitalism which can no longer be operated so as to secure its prime object, profit.

A revival of democracy upon a reformed basis will need a simultaneous activity upon the national and international fronts. The planning of economic life must be taken out of the hands of dictators and placed in the hands of the freely elected representatives of the people. This conscious struggle for economic democracy, with its equality of opportunity and standard of living, must be fought out within each nation. For only within the national area is the democratic sentiment strong enough and the concrete gains of victory clearly envisaged. And yet the separatist policy of 'setting your own house in order

*first' is not adequate to the solution. For we have seen that this sentiment and policy are weapons utilised by capitalists and their politicians for the defence of their economic dominance. Militarism and protectionism are the direct products of this nationalism, and the newly developed arts of propaganda are even more skilfully applied to the production of 'emergencies' which shall keep 'the people' under discipline. While, therefore, the areas of this democratic struggle are primarily national, the need for the wider appeal to constructive internationalism is very urgent.*¹

These words appeared in 1934, in the book *Democracy and a Changing Civilisation* written by the New Liberal radical thinker and journalist JoŸ Atkinson Hobson (1858–1940). The civilization to which Hobson referred here was not merely changing however, it was struggling for survival. Europe was still attempting to recover from the First World War (which had killed approximately 17 million people) and the world was only gradually recovering from the 1918–19 influenza pandemic (which had killed between 50 million and 100 million people, 3 percent and 5 percent of the world's population). The global economy was failing to recover from the stock market crash of 1929, while the international system was witnessing the gradual collapse of the League of Nations. Finally, Europe was witnessing the rise of extremist regimes in the form of the Union of Soviet Socialist Republics (USSR) and the Fascists in Italy, and was just beginning to see Nazi Germany asserting itself against Britain, France and the lesser Powers. 'Change' was too small a word to describe these realignments. Rather, the period was, in Richard OverŸ's words, 'a morbid age' during which, like much of the rest of the world, 'British society . . . wrestled sometimes fatalistically, sometimes with undisguised relish, with this idea of crisis'.²

Hobson was at the epicentre of this public debate and he was cited as a pivotal influence by politicians and writers as diverse as the American educationalist and philosopher JoŸ Dewey, the British economist JoŸ Maynard Keynes, the Russian revolutionary Vladimir Ilyich Lenin and the South African social reformer Olive Schreiner. Even today, Hobson is quoted with admiration by the likes of Jeremy Corbyn, the leader of the UK Labour Party and others on the liberal left such as the economist and journalist Will Hutton. Hobson's most tangible influence was as one of the intellectual driving forces behind the New Liberal governments of Sir Henry Campbell-Bannerman and H. H. Asquith which, between 1905 and 1916, passed various forms of social legislation in the United Kingdom, including old age pensions and unemployment benefits.

Even though Hobson wrote a huge amount for the educated general reader over nearly fifty years, he returned to certain themes throughout his career, all of which impacted on the relationship between democratic institutions and virtues on the one hand and the corrosive effects of wealth and power on the other. Hobson's most important recurring themes are encapsulated within the quotation from his 1934 book *Democracy and a Changing Civilisation* given above. They included the interlinking of social life, democracy and economic processes, the destructive tendencies of the current, materialistic forms of corporate capitalism, the need for planned state intervention to prevent and correct the damage caused by these corporations, a great scepticism regarding elite rule – even when the elite is well-intentioned – and the associated need for interventionist states to be moderated by effective liberal democratic institutions. Other very significant themes included the internationalization and militarization of economic life and the need for the creation of effective mechanisms by which to manage that internationalism and militarism. Some themes were critical because they highlighted problems, while others were constructive because they sought to reform the world. All of these aspects are explored below. The discussion begins with the critical themes as these are most obvious in the quoted passage.

Throughout the passage, Hobson was careful to emphasize the interconnectedness of the domestic level of sovereign states and the international level of global institutions and economic trade: 'A revival of democracy within each State' was possible only through economic planning, international peace and a strong sense of economic solidarity between citizens and states. Only following a thorough revision of domestic and international structures could civilization be salvaged. The most significant enemies of this process fell into two main groups. In political terms, there were corrupt governments and the newly empowered 'dictators' in Germany, Italy and the USSR on one hand, and in economic terms, there were the capitalist corporations which had risen to international prominence by the mid-1930s. These two groups merged, however, as power was exercised across the world in accordance with the latter's division into competing imperial blocks. These blocks were key to the mechanisms by which the financial interests of capitalist elites took almost absolute precedence over the poor's need for food, shelter and warmth as well as the resources they required in order to flourish as social and creative beings. The elites produced and entrenched patterns of profound inequality both within and between countries. Elite dominance combined material and ideological power, for without true democratic control of the state, public policy based on orthodox capitalist thought would continue to serve the financial interests of the wealthy and powerful and to marginalize humanist conceptions of economics (examined below) which prioritized the health and flourishing of citizens and society. Corrupt politicians, dictators and corporations infected society. Only when the levers of power were controlled by 'freely elected

representatives of the people' could individuals flourish, societies regain their health and democracy be made a reality.

Hobson saw democratization as particularly significant because extensive state intervention was required to counter the growing power of capitalist corporations. Yet, he held this growing power to be too complex and all-pervasive to be addressed effectively by any system of direct democracy. Against conservatives and individualists who retained their faith in limited government, Hobson argued that governing a modern complex society was an increasingly technical exercise. Consequently, governing a modern state could be done well only by large organizations that were dedicated exclusively to skilfully managing complex and rapidly changing data. Hence, direct democracy was no longer a realistic aspiration and, in light of the rise of extremist populist parties such as the fascists and Nazis, a very dangerous one. Nevertheless, specialized government had to be moderated through representative institutions, such as parliaments and elections. First, a centralized national government lacked the concrete knowledge and responsiveness required to implement policies in a nuanced and effective manner given local realities. Second, elites always tended to become dogmatic and unresponsive to changed circumstances and popular sentiment. For these and many other reasons, ordinary citizens, local administrations and non-state bodies had an obligation to monitor central government plans and actions, and to seek to change those plans where they judged the central government to be misguided. Hobson saw this as the most effective way to keep experts true to the public trust.

Achieving this critical citizenship required the democratic state to prioritize social justice and education. These policies should be based on awareness of the need to understand economics in human terms and of the organic nature of well-functioning societies. Certainly, while Hobson was a vocal opponent of the impersonal logic of capitalism, he did not claim that we should completely jettison monetary conceptions of 'wealth' and 'value'. Measuring wealth and value in monetary terms provided a relatively stable and universally-agreed basis for economic transactions. Nevertheless, as noted above, he insisted throughout his writings that the current capitalist obsession with understanding value in monetary terms tended to distort economic life in ways that favoured the vested interests of the wealthy at the expense of personal growth of the poor. An alternative was required. In one of his earliest books, a biography of the British art critic and social reformer John Ruskin, Hobson observed that:

'Goods' which are not 'wealth' in the [monetary,] 'mercantile' sense, the fruits of goodwill and self-sacrifice, friendship, family affection, neighbourly or civic feeling, intellectual efforts, not destined for the market, are, both in their 'production' and their 'consumption', in vital relation to industrial goods. The activities employed upon such 'goods' have the intimate reaction upon the distinctively 'industrial' activities, while the enjoyment of these higher moral and intellectual goods is a chief determinant of the nature of demand for mercantile wares.³

In consequence, monetary measures of value should be largely superseded by a more humanistic measure. For this humanistic alternative, Hobson turned to Ruskin's writings, and particularly Ruskin's famous claim that 'THERE IS NO WEALTH BUT LIFE. Life, including all its power of love, of joy, and of admiration.'⁴ An object was valuable for Ruskin and Hobson to the extent that it helped the individual to live in the sense of being able to love and be joyful, and to admire and contribute to the beauty, virtue and truth found in the world. Given the marked differences between individuals' respective characters, circumstances, concrete needs and so on, there would be marked differences between the value that any particular object had for different people. All other things being equal, a guitar was useful to the extent that the owner could play it well, a book was valuable to the extent that its owner could read and understand it and so on. Nevertheless, some fundamental goods were always needed: food, warmth, shelter and so on. Similarly, other products such as heroin always had disvalue, because consuming them always made it more difficult for the user to feel love, joy and admiration and to enjoy other properly 'human' experiences. Consequently, society had an obligation to do what it could to ensure that individuals could always acquire the fundamental goods and avoid harmful products. Achieving the former required the maintenance of an economic system that allowed individuals to sustain themselves and their families through their own labour. Where self-provision proved effectively impossible the state had an obligation to maintain the poor via a welfare net. It was for this reason, and as noted above, that representative democratic states were required to protect individuals from harmful products via such mechanisms as education and legislation.

This shift of outlook had a transformative effect on the attitudes of democratic citizens and therefore on the governments that they elected. Specifically, reconceiving value in humanist terms tended to humanize the citizen's self-image and their attitude towards those around them. The citizen tended to reject the instrumental view of their social relationships and the institutions that structured those relationships. Hence, they tended to vote for political policies on humanistic grounds rather than narrowly materialistic ones. Consequently, democratic priorities tended to focus on social justice rather than profit-maximization.

Yet, this refocusing propagated a profound and, for many liberals, disturbing insight. The democratic citizen tended to recognize the necessary and intimate interconnectedness of their particular life and the life of the wider society. In other words, Hobson argued that by altering their conceptions of value citizens tended to arrive at the realization that they were part of a society which functioned in a way that was similar to the way in natural organisms functioned. As Hobson wrote in his 1909 essay 'The Re-statement of Democracy': 'Society is rightly regarded a moral rational organism in the sense that it has a common psychic life, character and purpose, which are not to be resolved into the life, character and purpose

of its individual members.⁵ He was emphatic that the society had value independently of the services that it provided to its individual citizens: 'This Spirit of the Hive or of the Herd is a true spirit of Society, a single unity of purpose in the community. . . . [T]he individual always is a means to the collective end of the maintenance of the good of the race.'⁶ (By 'race' here, Hobson did not mean some type of biological sub-species of human beings endorsed by far right political groups, but rather the population of a country or humanity as a whole.)

In claiming that the well-ordered community was an organic unity that possessed intrinsic value, Hobson was in clear danger of focusing on the collective good at the expense of the good of individuals. He responded in several ways. Firstly, he argued that merely holding an organic conception of society did not commit one to accepting uncritically the pronouncements of political, economic or military elites regarding what those interests required at any particular time. This point underpinned his rejection of dictatorships and his advocacy of representative democracy. Secondly, he was at great pains to point out that society was often regarded in popular and public discourse as having its own interests, and that great weight was placed on maintaining those interests even at the expense of the individual's interests. Here, he had in mind the need to preserve society during times of war (for example, through military conscription) and to use education and coercion to maintain the norms, conventions and institutions which were partly constitutive of the social organism. Thirdly, even though Hobson tended to ascribe greater weight to society than to the individual, he did not believe that society's interests automatically invalidated the individual's interests. In fact, he took great care to explore not merely the ways in which the interests of the social organism coincided with the well-being of its individual citizens, but also the ways in which serving the interests of the individual helped the social organism to flourish as well. He set out the key policy areas for a healthy society and individual in the following terms:

Health, education, security, these three departments of the 'public good', adequately administered by society, would, by their reaction upon the standard of life in all classes of the community, so change the relative valuation of wealth, and so operate through changed demands upon industry, as to produce an incalculably great increase in subjective or real [i.e. humanized] wealth. . . . For health, education, and security will individualise the character, develop a varied personality in each, and give free play to all the faculties to seek the activities and enjoyments which belong to them. This individuation and variety of needs will create a corresponding character in the productive work required for their satisfaction.⁷

By attending to the 'health, education, [and] security' of the individual citizens, then, the whole society would be gradually transformed, the public

culture would be oriented towards 'real' values and away from narrowly-monetized measures of wealth, new and varied types of product would be demanded and supplied, and more humane modes of production would flourish. One of Hobson's key objectives was to remove the inequalities of status and income that scarred modern societies and hindered the flourishing of citizens. In these and many other ways, the social organism would diversify and flourish with a new life that also accorded with citizens' real needs.

Control by democratically-elected representatives and humanist economics was crucial at the international level as well, as elite dominance and degeneration obtained there just as they did at the domestic level. This was especially true given the increasing dominance of international capitalist corporations. Hobson explored this problem at great length throughout his long career, and not least in his most famous work, his 1902 book *Imperialism: A Study*, the work which Lenin admired so greatly. For Hobson, contemporary capitalism strongly tended towards imperialism for four key reasons.⁸ First, corporations needed new secure foreign markets because their domestic markets had reached a saturation point, or in other words domestic demand was insufficient to absorb domestic supply. Second, secure sources of raw materials and cheap productive capacity were required. Third, significant sections of wealthy countries sought to satisfy their jingoistic urges by conquering other nations. Fourth, imperial conflicts created a greater economic demand for domestically-produced military ordinance. In short, Hobson argued that imperialism grew out of 'capitalist-military nationalism'.⁹

Despite Hobson's profoundly critical analysis of contemporary corporate global capitalism, he did not believe that transnational trade should be brought to an end. Indeed, he was an ardent advocate of international free trade where it was conducted in a socially-beneficial, non-exploitative manner. His alternative to the current dangerous and exploitative international trade system was the creation of an economic League of Nations. This organization would be formed through a treaty signed by every state in the world, with each state being reformed internally to become a representative democracy. The League would be given the responsibility of maintaining a truly free trade system that nevertheless treated even the weakest states with respect and without exploitation. In this way, democracy might be made a reality across the world. Hence, one of Hobson's main concerns was to eradicate the domination of poor countries by the rich. In this way, a new economic League of Nations would bring profound benefits to societies and their citizens. As he wrote in 1931: 'The conscious ordering of world industry and commerce as the organic whole it is, can alone serve to give peace, prosperity, and progress to the economic life of the several parts of that organic whole. The simple fact that we are all members one of another underlies all the complexities of trade relations.'¹⁰

From the perspective of democratic theory and practice, the passage from Hobson's *Democracy and a Changing Civilisation* quoted at the beginning

of this chapter is remarkable in many ways. It was at once prescient in the central role that it ascribes to corporate power in the corruption of political power and the process of capitalist development, and profoundly insightful in its critique of monetary measures of wealth and particularly its search for a humanized alternative. Certainly, many critics have expressed great concern about economic planning and Hobson's claim that society was best understood using an organic metaphor. Yet, ultimately the passage shows Hobson to have offered reasons for hope. Not least are the possibilities that he saw for the reform of capitalism and for the power of international institutions to control national and global economic development, as well as his optimism regarding the power of representative governments to give some reality to democratic ideals.

Notes

- 1 JoŸ Atkinson Hobson, *Democracy and a Changing Civilisation* (London: JoŸ Lane The Bodley Head, 1934), 133–4.
- 2 Richard Overly, *The Morbid Age: Britain and the Crisis of Civilisation, 1919–1939* (London: Penguin, 2010), xiii.
- 3 JoŸ A. Hobson, *JoŸ Ruskin: Social Reformer* (London: James Nisbet, 1898), 75.
- 4 JoŸ Ruskin, 'Unto this Last', in his *Unto this Last, The Political Economy or Art, Essays on Political Economy* (London: Dent, 1968), 168.
- 5 JoŸ Atkinson Hobson, 'The Re-statement of Democracy', in his *The Crisis of Democracy: New issues of democracy* (London: P. S. King, 1909), 73.
- 6 Hobson, 'Re-statement', 74.
- 7 JoŸ A. Hobson, *The Industrial System: An Inquiry into Earned and Unearned Income*, new and revised edition (London: P. S. King, 1910), 332.
- 8 JoŸ A. Hobson, 'Introduction to the 1938 edition', in his *Imperialism: A Study* (London: George Allen and Unwin, 1938 [1902]), ix–x.
- 9 Hobson, 'Introduction to the 1938 edition', xxi.
- 10 JoŸ A. Hobson, *Poverty in Plenty* (London: George Allen and Unwin, 1931), 81.