

# HOBSON, LENIN, AND SCHUMPETER ON IMPERIALISM

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## I

In recent years the charge that capitalism is imperialistic has taken on new meaning. In the ideological war being fought between the free world and Communism, this charge has become an important weapon in the Communist propaganda arsenal. As the "cold war" developed and lines were clearly drawn, the Communists have been beating the propaganda drums incessantly: "Capitalism is imperialistic!" "Capitalism feeds on war and aggression!" "The capitalist countries are warmongers!" Variations on this theme have been used doggedly by Communist writers and speakers. Whenever the Soviet delegate arises to speak in the United Nations, some variant of this theme appears. In numerous articles in *Pravda*, as reported in *The New York Times* in the last few years, the same charges have reappeared in one form or another. There is a determined attempt on their part to portray capitalism as imperialistic—especially to the countries of Asia and Africa.

In view of this "official position" of the Communists, a study of imperialism has a modern flavor. The bases for such declarations need to be examined in an effort to place them in their proper perspective. The intellectual roots for these charges are found in the writings of Nicolai Lenin, who in turn borrowed heavily from John A. Hobson. In this paper the writings of Hobson and Lenin on imperialism will be examined, as well as those of Joseph A. Schumpeter, who has advanced, in the writer's opinion, the best counter-declaration to the Communist claim that capitalism is inherently imperialistic.

It must be stated at the outset that this study does not purport to exhaust the subject, even as to the writers covered. Adequate research on a single item in the vast complex that constitutes imperialism would require more than a single lifetime. This should not discourage endeavors to relate the present phenomenon to its intellectual foundation in an effort to understand better one of the dominant issues in today's ideological battle.

One difficulty in the study of imperialism has been to ascribe a meaningful definition to this term.<sup>1</sup> It is certainly misleading to describe by the same word "imperialism" both the European statesman who plans ruthlessly to overrun a country in Asia or Africa and the American company building an automobile assembly plant in Israel. Because the term is so elusive and covers practices and procedures of such varying and oft-times contradictory character, no attempt will be made to contribute to the confusion by spelling out another definition. The definitions used by the writers under consideration will be presented.

## II. JOHN A. HOBSON

In discussing Hobson's writings on imperialism, two time periods must be considered. In 1902, Mr. Hobson wrote the book on imperialism in which his original position is stated. After 1911, he altered his theory so as to negate his original position completely. At the outset of his *Imperialism*, Hobson uses the word with some reluctance.

<sup>1</sup> For a good discussion of the pitfalls encountered in the use of this term, see E. M. Winslow, *The Pattern of Imperialism* (New York, 1948), 60-64.

Amid the welter of vague political abstractions, to lay one's finger accurately upon any "ism" so as to pin it down and mark it out by definition seems impossible. . . . A certain broad consistency in its relations to other kindred terms is the nearest approach to definition which such a term as Imperialism admits. Nationalism, internationalism, colonialism, its three closest congeners, are equally elusive, equally shifty and the changeful overlapping of all four demands the closest vigilance of students of modern politics.<sup>2</sup>

Imperialism he defines as "the endeavor of the great controllers of industry to broaden the channel for the flow of their surplus wealth by seeking foreign markets and foreign investments to take off the goods and capital they cannot sell or use at home."<sup>3</sup> Thus, according to Hobson, the most important factor in the economics of imperialism is foreign investments. The great banking institutions, which form the central ganglion of international capitalism, are the sinister elements which promote imperialistic policies and find profitable markets for investment. These financial houses use the instrument of the state for private business purposes to implement their policies.<sup>4</sup>

Imperialism is not a choice; it is a necessity. Markets must be obtained for growing manufacturers; new outlets must be found for the investment of surplus capital and for the energies of the adventurous surplus of the population. With the great and growing powers of production, such expansion is a necessity to the life of an industrial power. Imperialism, Hobson writes, is thus the natural product of economic pressures of a sudden advance of capitalism which cannot find occupation at home and needs foreign markets for goods and investment. As the nations become more industrialized, the growth of production exceeds the growth in consumption; more goods are produced than can be sold at a profit; more capital exists than can find remunerative investment. Since it becomes more difficult for manufacturers, merchants, and financiers to dispose of their economic resources, they bring pressure to bear on the government to secure for their particular use some distant, underdeveloped country by annexation and protection. It is these economic conditions which form the "taproot of Imperialism."<sup>5</sup>

Hobson contends that it is not industrial progress that demands the opening up of new markets and areas of investment, but the mal-distribution of consuming power which prevents the absorption of commodities and capital within the country. Oversaving is the economic root of imperialism. This oversaving consists of rents, monopoly profits, and other unearned or excessive elements of income, which, not being earned by any labor, have no legitimate *raison d'être*. Since these types of income have no relation to the productive process, and do not increase consumption, they form a surplus wealth, which, because they have no proper place in the natural economy of production and consumption, tend to accumulate as excessive savings.

<sup>2</sup> John A. Hobson, *Imperialism, a Study* (New York, 1902), p. 1.

<sup>3</sup> *Ibid.*, 91. <sup>4</sup> *Ibid.*, 61-68. <sup>5</sup> *Ibid.*, 85-86. <sup>6</sup> *Ibid.*, 91-92.

According to Hobson, the causes of imperialism would be eliminated if there were better distribution of wealth.<sup>6</sup> If the surplus wealth, that is, oversavings, were distributed either to the workers in the form of higher wages or to the community in the form of taxes, so that it were spent instead of being saved, serving in either of these ways to increase consumption, there would be no need to fight for foreign markets or foreign areas of investment. A progressive community with substantial equality of economic and educational opportunities would increase consumption to correspond with every increase in production and could find uses for an unlimited quantity of capital and labor within the economy. If incomes were distributed so as to enable all groups in the economy to increase their consumption, there could be no overproduction, no underemployment of capital and labor, and no necessity for the state to pursue a policy of imperialism.

This, in essence, was Hobson's theory of imperialism in 1902. In a work published in 1938, he confessed that his heretical view of capitalism as the source of mal-distribution, oversaving, and the economic impulse to adventurous imperialism had led him, for a time, to an excessive and perhaps oversimplified advocacy of the economic determination of history.<sup>7</sup> He admitted that when he wrote his volume on imperialism he had not yet gathered into clear perspective the nature of the interaction among economics, politics, and ethics. Practical experience with movements and causes (one of which was anti-imperialism), he added, had given him a clearer perspective.

In his *Imperialism*, Hobson viewed international finance as the sinister element promoting imperialistic policies. By 1911, he had altered this view and concluded that international finance might be the guarantee of peace. Though other non-economic motives might eventually bring about an organized endeavor to expel Western political and financial control from the backward areas, a prolonged utilization of Western capital would afford the strongest assurance of pacific development in which all the creditor nations would take their share of profitable exploitation.<sup>8</sup>

While nine years previously Hobson had chastised the policies of the United States, especially those of the larger financial houses, he now stated that the maintenance of the "open door" policy by the United States was likely both to promote good order and development among the backward nations and to assuage the jealousies of the Great Powers. He went on to point out that "unless some reckless racial animosity should overpower the operation of these economic motives,"<sup>9</sup> the capitalist countries investing capital in the backward areas would make for peace and good government in proportion as finance grew more distinctively international. Cross ownership of capital involved in international investment would be a strong and steady pledge of peace.

<sup>7</sup> Hobson, *Confessions of an Economic Heretic* (London, 1938), 63.

<sup>8</sup> Hobson, *An Economic Interpretation of Investment* (London, 1911), 116-17. Note the shift away from an economic interpretation.

<sup>9</sup> *Ibid.*, 118. <sup>10</sup> *Ibid.*, 95-96. <sup>11</sup> *Ibid.*, 98-102.

In *Imperialism*, Hobson deprecates foreign investment by Western countries in the "backward" areas. In his *Economic Interpretation of Investments*, foreign investment is viewed as stimulating home industries to turn out large quantities of goods at lower costs and prices for both domestic and foreign markets. Another and equally important objective of foreign investment is to raise the standard of living of the people in "backward" areas. By building roads for them, by developing their mines, fields and forests, by supplying them with machinery and other manufacturing equipment, by helping to build and equip their cities, by building railroads to join the sources of raw materials to the ports, by training and organizing an industrial population, the Western countries would undoubtedly be raising these people towards a better standard of living.<sup>10</sup>

In Hobson's view of 1911, foreign investments aid in a better distribution of income both in the investing country and in the country being developed.<sup>11</sup> Large imports accruing from foreign investments are advantageous to the consumers of the investing country, in that real incomes are raised by the lower prices resulting from the accessions to domestic supplies. With the development of these areas, foreign trade would more and more be based on the doctrine of comparative advantages, each country producing that which is most advantageous to it—with the result that goods would become cheaper both in the undeveloped areas and in the country supplying the capital. In the former countries, with every sort of wealth being produced, the competing farmers, transport companies, and other dealers, by the very process of seeking markets for their goods, would be obliged to hand over a large share of the gains of development, not merely to the foreign capitalists in the form of interest, but to local groups of consumers and other producers who have had dealings with them. Thus investments would be the great dynamic instrument of the economic system in determining the distribution of economic energies over the various localities and industries so as to produce the largest amount of marketable goods and services. They would forward the production and distribution of world wealth.

### III. NICOLAI LENIN

These later views of Hobson were completely ignored by Lenin in his book, *Imperialism, the Highest Stage of Capitalism*. His theory of imperialism grew out of a study of two books, Hobson's *Imperialism* and Rudolf Helfferding's *Finanz-Kapitalismus* (1910). In his analysis, Lenin attempted a three-fold objective: (1) to save revolutionary Marxism; (2) to annihilate the "opportunists," namely, Kautsky, who is painted as the villain for his defilement of Marxism; and (3) to provide a truly Russian or Eastern version of socialism which would be applicable to backward, agricultural, semi-colonial and colonial countries. With the publishing of this book, a new chapter in European history, "Leninism," was opened. Leninism, as defined by Stalin, "is Marxism in the epoch of imperialism and proletarian revolution."<sup>12</sup>

<sup>12</sup> Joseph Stalin, *Leninism* tr. E. & C. Paul (New York, 1928), 13.

Hobson is the hero of Lenin's book. In his preface, Lenin charges Hobson with adopting the point of view of bourgeois social reformism, but holds that he nevertheless gives an excellent and comprehensive description of the principal economic and political characteristics of imperialism. To lend credibility and support to his thesis, Lenin quotes Hobson, whom he regarded,

. . . as a more reliable witness, since he cannot be suspected of leaning towards orthodox Marxism; moreover, he is an Englishman who is very well acquainted with the situation in the country which is richest in colonies, in finance capital, and in imperialist experience.<sup>13</sup>

In his economic analysis of imperialism, Lenin merely echoes Hobson:

Imperialism is the monopoly stage of capitalism, or, capitalism in that stage of development in which the domination of monopolies and finance capital has taken shape; in which the export of capital has acquired pronounced importance, in which the division of the world by the international trusts has begun, and in which the partition of all the territory of the earth by the greatest capitalist countries has been completed.<sup>14</sup>

According to Lenin, the economic quintessence of imperialism is monopoly capitalism. Monopoly grew out of the concentration of production into the cartels, syndicates and trusts which play a very important rôle in modern economic life. These monopolies have "captured the most important sources of raw materials," which fact in turn has enormously increased the power of "big capitalists" and has sharpened "the antagonism between cartelized and noncartelized industry."<sup>15</sup>

The banks have contributed heavily to this development. Several of the largest financial institutions in each of the foremost capitalist countries control the bulk of the capital and income and exert great influence over all the economic and political institutions of their particular country.

Finally, this growth of monopoly has been accentuated by colonial policies. Finance capital has intensified the struggle for the sources of raw materials, for the export of capital, for spheres of influence, for profitable deals, concessions, and monopolist profits and economic territory in general. When the whole world had been divided up, a period of colonial monopoly was ushered in with an intense struggle for the partition and repartition of the world. The growth of these powerful monopolies and oligarchies, with their striving for domination, annexation, and ruinous exploitation of backward areas, has given rise to imperialism, which, as Lenin puts it, is parasitic or decaying capitalism.

When Lenin was writing his book, the war of 1914-18 was being fought. He viewed the war as the "first imperialist war," and concluded that the struggle of world imperialism was becoming more aggravated. As capitalism develops, competition becomes more bitter, in obtaining both markets and sources of raw materials. This in turn has intensified the struggle for

<sup>13</sup> Nicolai Lenin, *Imperialism, the Highest Stage of Capitalism* (New York, 1939), 102.

<sup>14</sup> *Ibid.*, 88-89. <sup>15</sup> *Ibid.*, 123-127. <sup>16</sup> *Ibid.*, 82. <sup>17</sup> *Ibid.*, 10.

the acquisition of colonies. "Possession of colonies alone gives complete guarantee of success to the monopolies against all the risks of the struggle with competitors, including the risk that the latter will defend themselves by means of a law establishing a state monopoly."<sup>16</sup> Thus capitalism has grown into a world system of colonial oppression and of financial strangulation of the overwhelming majority of the people of the world, by a handful of large capitalist countries, which involves "the whole world in their war over the sharing of their booty."<sup>17</sup> Under capitalism, Lenin wrote, the only way to remove the disparity between the development of productive forces and the accumulation of capital on the one hand, and the division of colonies and spheres of influence for finance capital on the other, is through war.

#### IV. JOSEPH A. SCHUMPETER

While Hobson and Lenin looked to the basic causes of imperialism in the market place, Schumpeter viewed it as a throwback to a primitive form of human behavior. In Hobson, this atavistic character of imperialism is incidental and implied rather than worked out. It was left to Joseph A. Schumpeter to take this idea and develop it into a well-rounded theory, and at the same time to provide the proponents of capitalism with a refutation of the charge that capitalism must inherently utilize its resources for militarism and war in order to find markets for goods and surplus capital.

At the outset Schumpeter points out that the word "imperialism" has been so abused as a slogan that it threatens to lose all meaning. Whenever the word *imperialism* is used, there is an implication of aggressiveness—of aggression for its own sake, as reflected in such terms as "hegemony" and "world dominion." In the light of this common usage, Schumpeter defines imperialism as "the objectless disposition on the part of a state to unlimited forcible expansion."<sup>18</sup> By "objectless," he means that the expansion has no adequate object beyond itself.

To illustrate imperialisms and the basic trait they have in common, Schumpeter examines the historical record. From his studies he concludes that not all the causes of imperialism are economic. Among these are: the necessities of the social structure, the inherited dispositions of its ruling class, the personal whims of rulers, imperialist individuals who need ever new military successes to maintain their positions, tradition, and the availability of appropriate means. Furthermore, his analysis, he contends, has shown that many wars for expansion and conquest have been waged "without adequate reason—not so much from the moral viewpoint as from that of reasoned and reasonable interest."<sup>19</sup> Secondly, this "drive to action" or "will to war" has developed from situations which have required peoples to become warriors in order to avoid extinction. These psychological dispositions and social structures, acquired in the dim past in such situations, once firmly established, tend to maintain themselves and to continue in

<sup>18</sup> Joseph A. Schumpeter, *Imperialism and Social Classes*, tr. Heinz Norden (New York, 1951), 7.

<sup>19</sup> *Ibid.*, 83.

effect long after they have lost their meaning and their life-preserving function. Thirdly, these inclinations and social structures orientated toward war are perpetuated by the domestic interests of the ruling class and by all who stand to gain economically or socially by a war policy. Therefore, Schumpeter argued, imperialisms differ greatly in detail, but they all have a common basic trait which makes for a single sociological problem of imperialism in all ages.<sup>20</sup>

Imperialism, Schumpeter maintains, is a feature surviving from earlier ages that plays an important rôle in every concrete situation. It is "an atavism in the social structure, in individual, physiological habits of emotional reaction."<sup>21</sup> Since the vital needs which created imperialism have passed away, it too must gradually disappear, even though every warlike involvement, no matter how non-imperialist in character, tends to revive it. Imperialism tends to disappear

. . . as a structural element because the structure that brought it to the fore goes into a decline, giving way, in the course of social development, to other structures that have no room for it, and eliminating the power factors that supported it. It tends to disappear in an element of habitual emotional reaction, because of the progressive rationalization of life and mind, a process in which old functional needs are absorbed by new tasks, in which heretofore military energies are functionally modified.<sup>22</sup>

By this line of reasoning, Schumpeter takes the position that imperialisms should decline in intensity the later they occur in the history of a people and of a culture.

As capitalism developed, Schumpeter wrote, the active structure of society was rebuilt or modified. The entrepreneurs fought for and won freedom of action. By their success, position, resources, and power, they became increasingly important elements of the political and social scene. The working class was also created with its new forms of the working day, of family life and interests. The capitalist processes continued to raise the demand for labor and with it the economic level and social power of the workers until they too were able to assert themselves in a political sense.<sup>23</sup> Then too, capitalism provided opportunities for the professionals—journalists, lawyers, etc. These new groups were democratized, individualized, and rationalized. They were democratized by an environment of continual change which the industrial revolution had set in motion. They were individualized because subjective opportunities to influence their lives took the place of immutable objective factors. They were rationalized in that their instability of economic positions made their survival depend on continual rationalistic decisions.

The capitalist system absorbed the full energies of these newly formed groups at all economic levels. As conditions of survival within the system, there was constant application, attention, and concentration of energy. There was much less excess energy to be vented in war and conquest than

<sup>20</sup> *Ibid.*, 84.    <sup>21</sup> *Ibid.*, 85.    <sup>22</sup> *Loc. cit.*

<sup>23</sup> One immediately notes the conflict with Marxism and its theory of increasing misery and the reserve army.

in any pre-capitalist society. What excess energy there is largely flows into industry itself and the rest is applied to art, science, technology and the social struggle. What was formerly energy for war now becomes energy for labor of every kind. Wars of conquest and adventure in foreign policy are bound to be regarded as troublesome distractions and destructive of life's meaning. Business becomes the normal state of affairs and war, abnormal.

Though Schumpeter's thesis brings hope that imperialism and war may eventually give way to more economic and rational behavior, the fact remains that they are still able to challenge the movement towards rationalism.<sup>24</sup> These tendencies persist in the remnants of the military caste, in historic memories and military traditions, and in the minds of those who have not learned to think in terms of economic rationality, but still think in terms of exclusive rivalry. Although militarism is not at home in an age of industrialism and is inconsistent with it, it must still be reckoned as a great force. Recent wars have demonstrated its power to imbue entire nations with grandiose ideas of conquest by force of arms which, when backed by modern technology and industry, are frightfully destructive. But the wars themselves cannot be blamed on the existence of economic power; blame must rest on other forces which are still powerful enough, on occasion, to engulf the entire economy in all-out war. Schumpeter concludes that when these sociological factors—warlike instincts, structural elements and organizational forms oriented towards war—disappear, imperialism will wither and die.

Schumpeter appears to have presented a theory which exonerates capitalism from the charge of being inherently imperialistic. He discards the attempts of Hobson and Lenin to ascribe a purely economic interpretation to the phenomenon of imperialism. Such an interpretation is incomplete, as non-economic factors must also be considered. Wars, conquests, annexations and whatever else is included in the term imperialism do not necessarily have their roots in the economic soil. The desire for power for its own sake, the machinations of demented rulers, the desire to imprint an ideology upon other peoples, the desire to be free, all have been causes of war.

Imperialism is not built into American capitalism. Since World War II American capitalism has reached the zenith of its influence in the Council of Nations. Presumably, if it were imperialism, as the Lenin-Stalin doctrine maintains, it would have displayed its bellicose actions in policy-shaping. The Communists and the Non-Communists strongly impregnated with Marxism insist that such has been the case. They have accepted this view more or less completely. However, the testimony of the rest of the world is in complete contradiction. The greater majority of countries in the free world, at a showdown, have acted to display their confidence in the United States.

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<sup>24</sup> *Ibid.*, 96-130.