

The Persistent Influence of Bad Ideas

BY STEPHEN DAVIES



Sometimes books, and the ideas they contain, have a much longer-lasting impact than anyone would expect or realize. Long after the book itself has been forgotten and languishes unread in the reserve stacks of libraries or on the shelves of secondhand-book dealers, the ideas it puts forward continue to influence people and the way they see and understand the world and current events. In such cases the effect on people's thinking is all the more profound for the ideas are no longer associated with a particular author or viewpoint. Instead they have achieved the hallowed status of "common sense," or things that everybody knows to be the case—even when they are not. One of the historian's most important roles is to uncover such hidden influences and, very often, to show how they are mistaken. Bad ideas have a long life and often outlive their originators.

One classic example is a book first published in 1902. This was *Imperialism: A Study*, by J. A. Hobson. Although this book is often referred to by scholars, it is almost never read nowadays. But its main ideas continue to have a powerful effect on current debate. The author, John Atkinson Hobson, was one of the most important figures in the "New Liberalism," which between 1890 and 1914 brought about a transformation of the British Liberal Party, moving away from the limited-government, classical liberalism of Gladstone and Cobden to the social liberalism of Keynes and Beveridge. Hobson and the other New Liberals were closely associated with the Progressives in the United States, such as Herbert Croly, who over the same period brought about a transformation of the structure of American politics and a change in the Democratic Party similar to that of the British Liberal Party. Hobson wrote extensively on economic issues, but his unorthodox ideas prevented his obtaining an academic position. So he made a living through political journalism. What he and his intellectual allies did was to take classical-liberal ideas and arguments, and

recast them in ways that often changed their content considerably while not totally abandoning them. *Imperialism* was an example of this.

The context for this work was the great revival of imperialism in the latter part of the nineteenth century. During the first two-thirds of the century imperialism had been out of fashion as a deliberate policy. The general view was that colonies were a waste of resources and that wars to acquire them were not only foolish but immoral. This view, shared even by people who later became identified with empire, such as Benjamin Disraeli, derived primarily from the arguments made by a series of classical-liberal thinkers, from Adam Smith onwards. Its definitive version was put forward by the British classical liberal Herbert Spencer. He argued that all human societies could be divided into two types, the military and the industrial. The military kind, historically predominant, was marked by social hierarchy and the rule of classes that derived their position from the use of force.

By contrast the industrial society, which had appeared in modern times, featured social relations based on free association and trade. Empire, meaning the rule of one people by another, was one of the central elements of the military type of social organization. For Spencer and other classical liberals, the growth of modern capitalism and the increasing interconnection of the peoples of the world by trade and the division of labor (globalization as we now say) necessarily implied the disappearance of empires. A revival of imperialism could only be retrograde. Moreover, it was economically foolish and counterproductive, as wealth was created by trade, not imperial rule and force—a point made by Smith.

Until about the 1870s these ideas were generally accepted, but the last three decades of the nineteenth

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century saw the rebirth of imperialism in both theory and practice. In 1884 the Berlin Conference divided Africa among the European powers. The years 1899 to 1902 saw the Boer War, with Britain seeking to conquer the Boer Republics and gain control of South Africa's minerals and diamonds.

Most dramatic was the change in attitude and policy in the United States. From 1776 onwards most Americans saw their country as inevitably and naturally opposed to empire and colonialism. In the 1890s, however, people such as Theodore Roosevelt argued that America should join the quest for empire. This found effect in the Spanish-American War of 1898 and the subsequent bloody conquest of the Philippines. By 1902 it also seemed that the United States, along with the European powers and Japan, was going to take part in a competition to dismember China. At this time imperialism was rightly associated with the "progressive" side of politics and with those who wanted to expand the role of government (such as Roosevelt), while the remaining classical liberals opposed it. In the United States most of the opposition to the new imperialism came from this direction and involved such figures as Mark Twain, Andrew Carnegie, and former presidents Benjamin Harrison and Grover Cleveland. The clearest reiteration of the classic individualist argument against imperialism was made by William Graham Sumner in his trenchant essay "The Conquest of the United States by Spain."

So in 1902 the division of opinion seemed clear cut. One side stood for limited government, free trade, capitalism, and individualism, and was opposed to empire. The other favored empire and argued for expanded government, protectionism, socialism or interventionism, and collectivism.

Hobson's book changed all this. His central belief, almost an *idée fixe*, was underconsumptionism. He thought that in a capitalist system an unequal division of wealth and income leads to excessive saving by the rich and lack of consumption by the poor. As a result, the system does not function effectively because there is a chronic insufficiency of demand and much production cannot be consumed. This means that a modern economy needs government intervention and redistribution to right matters.

A Free-Trader

Hobson, however, favored free trade and was strongly opposed to imperialism, and his book combined these two elements. He argued, in the classical-liberal vein, that imperialism, besides being morally wrong, did not benefit the majority even in the imperial nation. Instead, it only benefited a small corrupt, predatory, and unproductive class. However, he identified this class not with the holders of political power (as Spencer and Sumner did) but with capitalists, above all finance capitalists (explicitly identified with Jews in several passages of *Imperialism*). His thesis was that imperialism was driven by the economic interests of finance capitalists, above all by the need to find investment outlets for capital that could not be invested at home. This argument was seriously flawed, not least because the bulk of British overseas investment was not in the empire but in the United States and Europe. Despite much criticism, Hobson brought out a virtually unchanged second edition in 1938, but he admitted in his autobiography that he no longer thought imperialism had a primarily economic motive, seeing it rather as driven by desire for power.

However, by that time the message of his work had become common wisdom. This was partly because Lenin had effectively adopted Hobson's argument in his own *Imperialism: The Highest Stage of Capitalism* and so made it orthodoxy for most of the Marxist left. In the United States, Hobson's analysis was successful on its own and became widely accepted by the 1920s. Today, Hobson is forgotten by most people, but his ideas live on. Above all, he established what has now become a commonplace, that capitalism and imperialism are intimately connected, with the one growing out of the other. Authors such as Naomi Klein see the process of "globalization" as involving the spread of neo-imperialism. Instead of correctly seeing the growth of trade, exchange, and economic integration as being diametrically opposed to imperialism, these authors see them as allied.

What makes this particularly tragic is the way the last 15 years have seen the cause of empire once again become respectable, not least among the advocates of the "Third Way." Bad ideas, like the ones that Hobson produced, obscure our understanding of what is at stake and what the real issues are.

