

Seabrooke, Leonard

Article

John A. Hobson as an economic sociologist

economic sociology_the european electronic newsletter

Provided in Cooperation with:

Max Planck Institute for the Study of Societies (MPIfG), Cologne

Suggested Citation: Seabrooke, Leonard (2005) : John A. Hobson as an economic sociologist, economic sociology_the european electronic newsletter, ISSN 1871-3351, Max Planck Institute for the Study of Societies (MPIfG), Cologne, Vol. 7, Iss. 1, pp. 26-35

This Version is available at:

<https://hdl.handle.net/10419/155857>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

John A. Hobson as an economic sociologist

Leonard Seabrooke¹

**International Center for Business and Politics,
Copenhagen Business School
ls.cbp@cbs.dk**

John A. Hobson's work is not often associated with economic sociology. Hobson is more commonly recognised as a political economist, and sometime international relations theorist, of the late-nineteenth and early-twentieth centuries who provided powerful polemics on the domestic sources of economic imperialism and the need for international government (Hobson 1915; Long 1996). More than this, however, his scholarship calls us to understand the sociological bases for economic action and, while clearly over-shadowed by his contemporaries, there are grounds to consider his work as a contribution to economic sociology of the period. At the heart of Hobson's work are moral categories for types of economic action strongly associated with organic analogies of wellness and illness. Hobson devised these categories to delineate relationships between different types of social groups and as a platform for arguing that the state should provide moral guardianship for the economy as a whole. Moreover, he used organic analogies to discuss economic social relationships among individuals and institutions with the aim of establishing and identifying patterns of behaviour that could lead to positive societal transformation. Economic sciences of the period were, in his view, cloaking social relations of prestige and control, permitting a separation of production, retailing and consumption that led to social ills and fuelled imperialism. Accordingly, Hobson sought to animate the social imagination by exposing the moral and economic deficiencies of late-nineteenth and early-twentieth century Britain. When Hobson's work is read *in toto* it is evident that he sought to understand and theorise the sources of change at both the domestic and international levels through an analysis of micro and macro economic social action. This note outlines how we may reconsider John A. Hobson as an economic sociologist and his relevance to contemporary economic sociology.

The moral economy and the organic self: wealth and illth

The popular interpretation of Hobson's work, particularly in political science and international relations, may be summed up as follows: unfettered capitalist production leads to industrial surpluses that, when domestic demand is waning, encourage capitalists to secure markets abroad through coercion, inevitably leading states into conflict with one another (Waltz 1979: 19–26). Solve the economic distribution, so the argument goes, and you've solved the problem. Imperialism is cured. This interpretation however obscures the fact that Hobson's work is not a 'scientific theory' about how to clear domestic markets, nor is there a coherent anti-capitalist 'Hobson-Lenin' theory of imperialism (Long 1996; Clarke 1981: 311). Hobson saw capitalism as an effective generator of wealth if the state played a progressive role in making it socially regenerative; that the state provided moral guardianship and acted as a vanguard for public enlightenment about the natural benefits of free trade (Hobson 1903: 372–3; 1915: 134–140). To understand how this may be achieved, Hobson viewed the economy as a moral space. His work is underpinned by his interest in the moral grounds for economic social action. Unravel patterns of economic morality, so his argument goes, and there's a much better chance of not only stopping imperialism but also preventing the desire for it. Hobson is concerned with controlling not only the mechanics of the marketplace but directing passions within capitalism for socially beneficial outcomes (cf. Hirschman 1977).

Fundamental here is a basic view of economic behaviour that Hobson inherited from John Ruskin (see Hobson 1898a, Hobson 1920). According to Ruskin the notion that a 'technical law of purchase and gain can be set down for national practice, is perhaps the most insolently futile of all that ever beguiled men through their vices' (Ruskin 1890: 60). For Ruskin economics was becoming a 'science of gymnastics which assumed that men had no skeletons' (Ruskin 1890: 3). As a remedy he rejected John Stuart Mill's notion of wealth as 'to have a large stock of useful articles' or David Ricardo's technical definition of utility. Rather, usefulness is a moral judgement that falls upon the possessor of the object, not the object itself (Hobson 1926: 468–70). The term 'wealth' is therefore

'never attached to the *accidental object of a morbid desire*, but only to the *constant object of a legitimate one*' (Ruskin 1862: 30, his emphasis). Wealth is a term that applies to 'ploughs, but not to bayonets; and to forks, but not to filigree' (Ruskin 1890: 111). Bayonets and filigree were prime examples of objects used by 'idiots', which Ruskin defined as persons of no use to the state (Ruskin 1890: 125–6). Here wealth becomes associated with well-being and bad wealth, or 'illth', with illness. Idiots' actions weakened the body politic of the state and it is here where the organic analogies begin:

Whence it appears that many of the persons commonly considered wealthy, are in reality no more wealthy than the locks on their own strong boxes are ... operating for the nation, in an economical point of view, as pools of dead water ... acting not as wealth but (for we ought to have a corresponding term) as 'illth', causing various devastation and trouble around them in all directions (Ruskin 1890: 126).

Wealth circulating in the national economy was akin to blood in the body. A healthy humble diet and regular exercise kept circulation up and the mind stimulated, while excess in all its forms led to sluggishness and putrefaction (Ruskin 1890: 48–9). The problem here was not that capitalists were an irreparable source of bodily decay. Rather, it was all a matter of learning and training. Ruskin argued that capitalists did not necessarily care for material acquisition. What they really wanted was power over other men following a zero-sum conception of power within a society. Capitalists therefore required education through encouragement, and perhaps state pressure, to realise a higher moral purpose from economic life. By improving their own economic diet they would feel better and allow the general population to increase its standard of living in a positive-sum game. This was the aim for political economy as opposed to the economic sciences, to permit the 'multiplication of human life at the highest standard' (Ruskin 1862: 6).

Following Ruskin, Hobson argued that political economy required a sociological understanding that rejected objective economic value and instead 'subjectivised' value (Hobson 1893: 54–5; 1920: 90). This followed up on the general movement within economic thought away from a classical understanding of the value of a commodity as objective to a neo-classical understanding of value as subjective utility. But Hobson took this logic one step further. 'Subjectivising' value permitted a distinction between how people may technically add more wealth to

the state through the 'mercantile economy' and what contributed to the 'well-being' of the state in a moral economy (cf. Ruskin 1890: 39–40). All kinds of economic action must be 'valued and discounted in terms of our human ideals of individual and social life' (Hobson 1914: 33). Subjectivisation, however, does not imply an *individual* but a *social* judgement, as 'recognition of the independent value of the good life of a society is essential to any science or art of Society' (Hobson 1914: 15).

For Hobson the notion of economic welfare being confined to individual consciousness was one of the great sins of the period. Although he recognised that groups were comprised of individuals who naturally differ, it was superior to think of welfare in terms of 'collective activities and enjoyments' (Hobson 1926: 473). Following this train of thought, Hobson also asserted a separation between wealth and illth to give economic social action an explicit moral content. Illth did not only to apply the 'powerful sectional interest within the national (or international) social organism' that provided the verve for imperialist expansion (Long 1996: 2). Illth was pervasive throughout social and economic life. Low-level socially 'conspicuous instances of "illth"' could be seen in a 'large proportion of the stimulants and drugs which absorb a growing share of income in many civilised communities, bad literature, art and recreations, the services of prostitutes and flunkies' (Hobson, 1914: 107; 1912–13). Now while one person's bad art may be another's window to the soul, the point here was that subjectivising value permitted a debate about what kinds of economic activity should be engaged in and who should be guiding it. Subjectivising value also permitted a more holistic, organic view of economic behaviour:

Current economic science has not only treated each cost and each utility as a separate item or each unit of economic power, it has treated each man as two men, producer and consumer. The acquiescence in the economic tendency towards a constantly increasing specialisation of man as producer, a constantly increasing generalisation of man as a consumer, is only intelligible upon the supposition that the arts of production and consumption have no relation to one another. The standpoint of organic welfare reduces to its natural limits this distinction of producer and consumer, and enables us to trace the true interactions of the two processes. In a word, it obliges us to value every act of production or consumption with regard to its aggregate effect upon the life and character of the agent (Hobson 1914: 13–14).

Hobson came to this view early in his work while discussing the sources of the Great Depression from 1873–1896 (Mummery and Hobson 1889: 143–5). Here there was a clear difference between the production, retailing, and consumption of the same commodity (see also Hobson 1937a: 214–23). The problem here was that producers, retailers, and consumers looked not at the economy in general but at social relations within their own group. The separation of these three groups led to ‘oversaving’, ‘overproduction’, and ‘underconsumption’.

Hobson’s early answer on the best means to coordinate production, retailing, and consumption into an organic whole was through the power of labour to determine wages, increase broad consumption, and continue capitalist growth. After all, labourers were less likely to ‘oversave’ because ‘each unit of “capital” will represent a real want, a piece of legitimate consumption deferred’ (Hobson 1896: 91; 1937a: 40–2). They would therefore be more likely to consume, raise aggregate demand and stimulate the economy, spending money that would otherwise be ‘wasted in an undue multiplication of the retailing classes’ (Mummery and Hobson 1889: 209–12). The problem here, however, was overcoming an enormous collective action problem among labourers. As a remedy Hobson looked towards stevedores as a model example of trade unionism.

One implication from this earlier work is that labourers must recognise their long-term self-interests and a broader social moral interest. But for this to work they would also be required to educate themselves about their social role, rather than individual gain, in the economy. Hobson therefore relied on ordinary people to individually reflect about the need to embed their involvement with capitalism with morality. The economic social conditions, particularly the pace with which capitalism was spreading, provided the impetus for such reflection and would ideally lead to a macro-micro-macro psychological re-ordering among the general population. Self-education would provide a moral view of the economy and the best means to produce wealth and reduce illth. For Hobson it is vital here that all economic actors recognise that society supports markets, not their independent role as producers, retailers, or consumers. As such, all participants in modern capitalism were morally compelled to provide resources for society through paying taxes to the state. A failure to do so or worse still, an unjustified dependence on social resources, was a key source of illth.

But what if labourers and others were not compelled to reflect on their capacity for collective action? It is here where there is a change in Hobson’s thinking, or at least a change in emphasis. Hobson’s earlier answer on how to solve underconsumption, through the collective action of labourers, transformed into a stronger emphasis on the need for ‘social unity and growth towards organic wholeness’ through reforming the role of the state and key economic groups (Daunton 1996: 208; Hobson 1898a: 92; 1929: 32). The state and its institutions came to play the central role in removing illth and allowing capitalism to work for the betterment of all. Such institutions, however, did not automatically know their interests, nor were they a reflection of changes within the economic system (North 1990; cf. Blyth 2002). Rather institutions had to learn how to behave according to what was deemed appropriate for the general population rather than ideational elites (Seabrooke 2006: Ch. 2). Indeed, the state is required to intervene because modern capitalism allows individuals to dominate others, impairing other people’s ability to lead happy lives with increased consumption and, instead, oversaving and creating illth.

The key group under attack were rentiers, who provided an economic ‘taproot’ for imperialism through their reliance on foreign portfolio investment and ‘economic rents of land, profits of speculation, high interest of capital derived from monopolies’ (Hobson 1896: 91; 1902; 1906). These forms of profit were criticized as sources of ‘unearned income’ (Hobson 1910). Such income was detrimental to society as when:

‘unearned’ income [comes] into the possession of ‘wealthy’ individuals and classes, it thereby causes large quantities of the national income to be consumed with little or no benefit. For much, if not most, of this surplus, being devoted to luxury, waste, extravagance and ‘illth’, furnishes by its expenditure not human utility but human ‘cost’, not an enhancement but a diminution of the sum of human welfare (Hobson 1914: 187).

Hobson argued that ‘unearned income’ fuelled a national dependence on foreign rents from imperialist activity while creating underconsumption (Hobson 1938: 194; cf. Keynes 1936: 364–71). Imperialism also led to cheap imports implicitly subsidised by the state that drove down wages in the home economy and generated social unrest, increasing the prospects for the militarization of society (Schwartz 2002–3: 338). What was needed was a mechanism to encourage investment into forms of wealth, such

as productive enterprises, owner-occupied property, and technology that would provide labourers with greater leisure and time for self-education (Hobson 1896: 91). The state, rather than self-realisation among the labouring classes, was in the best position to provide such a mechanism through intervention into the economy through taxation. The state was in the best position to provide this service because it acted as a mid-point between the domestic and international realms (cf. Nettl 1968).

Through the state, imperialism could be cut out at its economic taproot by increasing consumption among the broader population through the introduction of a progressive tax system that would redistribute capital from the rich to the poor (Hobson 1902: 86–7). A progressive tax system would make the cost of living cheaper for the bulk of the population by removing tariffs and encouraging free trade (Hobson 1915). Rentiers would be taxed directly on their personal income, to stop their ‘excess’ profits from ‘unearned income’, particularly rents associated with foreign imperialism. Such ‘unearned income’, according to Hobson, ‘could economically be taken by the public and used for public purposes’ (Hobson 1896: 101). This need not be detrimental to rentiers, however, who could choose to transform into capitalist entrepreneurs who would profit from productive investments that would raise the standard of living of all within the national economy. Furthermore, this new domestic economic boom would allow the state to stop using its military muscle to protect foreign investments for rentiers and instead use its increased tax revenue to increase the ‘well-being’ of the broader population. This ‘plea for a return to a sane standard of values’ would balance the potential rationality of man against the irrationality of imperialism as a ‘lower stage of social life’ (Fieldhouse 1961: 209; Hobson 1898b, 167–9). In seeking to understand such irrationality, Hobson’s interest in moral categories of economic action led him to turn his attention towards the economic importance of prestige and control that complicated the capacity for progressive state intervention.

Economic prestige and the reluctant state: property and impropriety

Hobson placed great importance on attitudes towards economic social life. His rejection of the notion of self-equilibrating markets included a dismissal of the idea that market actors are simply in it for the money, or that a business community can exist without political clout be-

hind it (Hobson 1937a: 53–5; Nowell 2002–3: 310). One key observation here is that rentiers preferred to have *stable* profits from wasteful and non-productive investments over potentially larger profits from domestic investments (Hobson 1896: 75, 86; 1909: 105–6). Rentiers’ preference for stability over profit has been confirmed by economic historical analysis of the period that has compared the profitability of investments abroad compared to those at home in Britain; establishing overseas investment were less profitable but low risk, whereas home investments were more profitable in reality but perceived as being riskier in practice (Davis and Huttenback, 1987: 105, 306; Edelstein 1982: 120; Kennedy 1987: 152–3). Rentiers wished to defend their ‘positional premium’ over domestic property and sought not to manage their investments but relied on British state protection (especially the navy) in foreign investments in government debts, railways, mining and metallurgy (Offer 1981; 1993: 222). Investing overseas while retaining landlordism at home provided the means to continue underconsumption and prevent broader society from undermining the social, political, and economic status attributed to the propertied classes.

This dynamic fuelled domestic discontent about lack of access to property ownership within Britain (Seabrooke 2006: Ch. 3), as well as a common perception of rentiers using ‘the public purse for the purposes of private profit-making’ under the protection of an ‘imperialism insurance premium’ (Offer 1980: 237–8; Hobson 1898b: 175–6; 1902: 58–60, 88). In short, Hobson identified rentiers’ lust for control as a driving force in a period in which social liberal and socialist reform movements were becoming more prominent and gaining greater political purchase. Access to credit for property and for investment *increasingly* became highly dependent on personal networks, including the expansion of ‘Gentlemen’s Clubs’ in the 1880s and 1890s (Taddei 1999; Capie and Collins 1996: 35). As also observed by Georg Simmel, in England the common man ‘buys goods by cash payment; a gentleman is one to whom I give credit and who pays me every six months by cheque’ (Simmel 1978: 479). Hobson rejected the legitimacy of creditworthiness networks within Britain and called for state intervention. The chief grounds here were that while the ‘interests of the individual borrower lies in secrecy, that of society lies in publicity ... as credit is an essential element to liberty’ (Hobson 1909: 105–6). The persistence of status and prestige among British rentiers for credit access was a source of frustration for Hobson and provided an incentive for him to investigate the sociological desire to create such networks.

In understanding the importance of social prestige to economic life Hobson drew upon Thorstein Veblen's work, considering the *Theory of the Leisure Class* as a 'leading "book of revelations" in our time' (Hobson 1936, 1937b: 143; Veblen 1912). Hobson was particularly interested in Veblen's discussion of the psychological roots of an economic system, including changes in attitudes towards work life and home life. Also of interest was Veblen's discussion of how capitalist employers were not necessarily opposed to their employees in a 'class war', but how both may be pitted against financial traders. The new war was not between producers and workers, but between the 'producers of wealth and the manipulators of prices' (Hobson 1937b: 142).

In tracing the rise of large corporations Hobson saw in Veblen evidence that the transformation from 'ownership based on individual productivity to one based on pecuniary accountancy ... corrodes the meaning of civilization' (Hobson 1936: 211; 1937a: 89–91). Veblen's work demonstrated how the wealth and illth Hobson identified in Britain was also occurring in the United States, where conspicuous consumption was directly tied to social prestige, and where such prestige was becoming institutionalised in new corporate structures (Veblen 1924). Veblen's view here was that Christian morals had tempered and informed the emergence of competitive Western capitalism, particularly through the notion of 'fair play' in business. Such Christian morals were now eroding with an emphasis on profit above all else and could only be rescued by resource to an 'impulsive bias [among Christians] for brotherly love' (Veblen 1934: 215–218).

Hobson recognised the desire for social prestige from economic life as a deficiency of the self. His clearest statement here comes from his distinction between property and 'improperty' (Hobson 1937a). Like wealth and illth, property and improperty are moral categories for economic relationships. In short, property was the consequence of genuine toil, while improperty came from the unfair seizure of assets by others (Hobson 1937a: 208). In Hobson's view improperty had perversely gained higher economic, political and social prestige from persons who not only consumed what they did not produce but derived a 'personal glory' in gaining lands, goods or services by force or cunning (Hobson 1937a: 21–4, 158–9). Those who indulged in improperty, such as rentiers, thought nothing of generating oversaving and underconsumption as they did not feel the deleterious effects. Rather, labourers were once more on the receiving end by losing access

to their genuinely acquired property through lower wages and unemployment, alienation from housing and through the payment of indirect taxes that lowered their living standards. On the other hand, rentiers and large corporations were still able to receive rents from land and investments they contributed no work towards.

With the growth of corporate capitalism Hobson argued that a 'primitive' desire for superiority among those who favoured improperty was tied to personal insecurity, to nationalism, and to the individualisation of economic life. The managing director of a firm increasingly viewed its success as a consequence of his or her personal contribution, and not as embedded in broader social changes in the rise or fall in market demand (Hobson 1937a: 69). In this sense the individual's self-regard had triumphed over the morally correct view that society permitted him or her to conduct business in the first place. This scenario was all the more apparent because such individuals were reticent to compete with one another in an open marketplace and instead sought to create oligopolies. In comparison competition among labourers was encouraged through the propagation, particularly in the American context, of free bargaining over wages. Here Hobson decried the association between free and open markets and a negative conception of freedom, where one is more empowered without state intervention, because 'starving workers are not free bargainers' (Hobson 1937a: 175). Remove improperty from the domestic and international realms, goes the argument, and then we can talk about open and free competition.

Hobson saw an intimate relationship between micro-changes in social wrangling over prestige within dominant economic powers and macro-changes in the character of the international economy (cf. Hobson and Seabrooke 2001). The individualisation of economic life was akin to a rise in nationalism that led to conflict within states and between states (Hobson 1937a: 180–1; 1915). Those who sought improperty viewed it as their right to support, politically and economically, policies of national self-interest that were detrimental to the actual and potential trading partners. Worse still, such policies were based on a standard of civilisation that produced an 'excess of national self-consciousness' in developing economies (Hobson 1902: 11; 1937a; see also Bowden and Seabrooke 2006). Individual insecurities over social position and property within 'civilised' states were transforming the world into a place of economic and military insecurity

(Hobson 1937a: 134). Once again for Hobson economics without morality was a source of social decay.

As suggested above, Hobson relied on the state as the answer, particularly through taxation where it could assume its role as 'the rightful owner of surpluses which, in the ordinary conduct of private businesses, emerge as rents, extra profits or other excessive payments' (Hobson 1909: xi; 1919: 72–3; 1931: 38). Acceptable forms of taxation were on personal income, property that benefits from any public effort, death duties, ground rents and values, taxation of dividends, and 'excess' profits from monopolies (Hobson 1896: 102–3). Estate taxes were also targeted by Hobson as a just means to redistribute wealth, since those who preferred 'the satisfaction of their unknown descendants to their own' society were most likely to engage in oversaving and to seek improproperty (Hobson 1933: 408).

In the early 1900s Hobson directed this message straight at the Liberal Party in Britain, who had the power after 1905 to pursue a 'social liberal' programme, most prominently through David Lloyd George's 'People's Budget' of 1909–10 (Hobson 1902: 88–90; Cain 1978; Hobson 1997: 138–40). Indeed, much of Hobson's attentions during this period went towards outlining principles for taxing unearned income as the state's principal source of revenue, as well as trying to determine how to measure waste within an industrialised economy (Hobson 1910: 225–32). He also provided clear grounds for why states should not impose tariffs on either trade or capital internationally. Indeed, such distortions diminished both the productive capacity of any economy to generate wealth, as well as redistributing assets away from broader society (through lower prices) to those who would seek tariffs as a means to protect the taxation of their personal income (Hobson 1910: 256–8).

While the Liberal Party was big on rhetoric in attacking 'unearned income' it did not push so far as to undermine one of its key constituencies in small to medium enterprises. Nor was it able to sufficiently tackle the power of the City of London (Dangerfield 1935; Ingham 1984). Hobson therefore turned his attentions to the Labour Party. During the early 1920s the British government responded to public support for increased taxation on renters and the propertied classes, and to public demands to boost consumption and the standard of living among the general population (Seabrooke 2004). The Labour Party also endorsed a positive and negative distinction in forms of wealth following Hobson's lead (Daunton 2002: 145–

7). While Conservative governments dominated during the 1920s, positive and negative distinctions informed social reforms on pensions and housing to the extent that in 1931 he argued that the 'social determination of values is no longer an empty phrase' (Hobson 1931: 35). However, direct taxation retreated under Conservative government control as calls for trade protectionism increased during the mid-1920s. Worse still for Hobson, the Labour government of 1929–31 increased indirect taxation in preference to deficit spending and increased income taxation. The National Government that followed continued this trend.

Similarly to the early 1900s, Hobson identified this scenario as source of underconsumption and oversaving. Indeed, he argued that it directly contributed to the severity of the Great Depression of the 1930s (Hobson 1933: 416). By the mid-1930s Hobson saw governments across the Western world turning their backs on progressive taxation and instead introducing indirect taxes that harmed labourers and supported the holders of improproperty, the generators of illth (Hobson 1937a: 183–4). Such actions were a consequence of the failure to use moral categories for types of economic action, or, in other words, of the 'failure of Labour and Socialist parties in this and other countries to make a clear distinction between the right and wrong sorts of property' (Hobson 1937a: 11). The solution, partially realised through the 'Keynesian Revolution' (Seabrooke, 2005), was to combine 'enlightened "liberalism"' and a 'practicable socialism' through increased public ownership and state intervention that viewed the economy as 'organically united' (Hobson 1937a: 180).

Hobson and themes in economic sociology

How may we consider Hobson's work as a contribution to economic sociology? Of course the depiction of the economy as a moral order is not alien to sociology of Hobson's lifetime, much of which is targeted against the supposed 'economism' or economic determinism of Marxist thought. Most powerful here was Max Weber's economic sociology, which outlined forms of economic social action and how they were informed by habits, customs, and norms, as well as by legal, charismatic, and traditional forms of authority and power (Weber 1978; Swedberg 1998). In particular, *The Protestant Ethic and the Spirit of Capitalism* outlined how the Calvinist call to moral self permitted the establishment of rational market capitalism (Weber 1976;

Swedberg 1998: 123–6). Furthermore, Weber's political writings discussed how the introduction of American-style finance capitalism was introducing 'unfreedoms' into Continental Europe (Weber 1988: 63–4; Seabrooke 2001: 38–43). Another particularly prominent example here is Emile Durkheim, for whom the pace of industrial capitalism had led to the isolation of individuals and a strong unease within social relations. For Durkheim the industrial corporation could embody moral values in wresting individuals from social isolation (Durkheim 1984). Hobson, however, saw the modern corporation as increasingly dominated by forces that sought to manipulate prices rather than produce wealth. As such, the driving force behind the modern corporation was improvidence and a more sophisticated and subtle form of imperialism.

As considered above, Hobson's source of salvation was the state, particularly its capacity to use taxation as an instrument for social transformation. Hobson's work should also be considered a contribution to fiscal sociology. His work suggests that he would agree with Rudolph Goldscheid's sentiment that a budget is a 'skeleton of the state stripped of all its misleading ideologies' (Goldscheid 1958: 6; Schumpeter 1991; Campbell 2005). The state budget exposed how rentiers' private investments were being subsidised by the public purse while the broader population was denied state provided services due to a lack of revenue. Hobson's use of moral categories for understanding economic social action permitted him to push the view that taxation should raise general consumption and increase wages, living standards, and leisure time among the general community.

This call for increased taxation was, at all times throughout his work, linked to the notion that increased leisure and living standards would encourage moral self-reflection that could only better domestic and international society. At root here is the idea of the suppression of ego in preference for recognition of the importance of community. This was not to remove the individual from economic decision-making, but to remind the individuals of their obligations to the society in which they lived. His work sought to expose how a lust for economic prestige and political power led to conflict from the micro to the macro levels. It aimed to provide the conceptual tools for a transformation of social and economic life.

The most striking correspondence between Hobson's work and contemporary economic sociology is the emphasis on the need for status and prestige and control

over profit (Fligstein 1990; 2001; Podolny 1992), and his desire to expose how economic life among rentiers and corporations was dependent upon close personal networks (Granovetter 1985; Powell, 1990). Furthermore, Hobson's emphasis on how different sectors of the economy looked primarily at each other as a social group – such as producers, retailers, and consumers – and not at the 'organic whole' of the economy may remind us of more recent work on 'induced role structures' and how markets arise from networks (White 1981; 2001). Furthermore, Hobson's 'subjectivising' of value on a social basis and the use of moral categories for wealth and property call us to ask if ordinary citizens consider their economic lives to be legitimate or fair (Gijssberts 2002). His emphasis on the relationship between wealth and property, and the state's role in organising and redistributing them is also an important reminder to the capacity of governments to transform social and economic life (Campbell and Lindberg 1990; Dobbin and Dowd, 1990). Likewise, the stress placed on status and prestige in access to credit and property may cause us to consider the benefits of state intervention to prevent discrimination (Massey and Denton 1993; Seabrooke 2006).

Hobson's emphasis on how the individualisation of the economy and its association with a corporate shift to 'pecuniary accountancy' may also remind us of work on the social construction of rationality within markets (Carruthers and Espeland 1991; Mackenzie and Millo 2003). His link between the construction of the self-maximising individual who wishes not to pay taxes towards his or her community, and the notion of a government within a dominant economic power using nationalism to justify the economic exploitation of other states, also links us with work on how the 'spirit of nationalism' is closely tied to modern capitalism (Greenfeld 2001). Hobson's key complaint towards the end of his life was that the spread of nationalism and the individualisation of the economy, which both geared toward profit and prestige as primary motivators of economic social action, and had placed blinkers on what economists and sociologists viewed as the realm of the possible (Hobson 1937a). Hobson's warning here is that in closing our minds to the social dynamics that inform economic relationships we would miss how societies were transforming in their attitudes and identities. Such change is now associated with processes of 'bricolage' and 'translation' in economic sociology and institutional theory (Carruthers and Uzzi 2000; Kjær and Pedersen 2001; Guillén 2001; Campbell 2004).

Hobson's interest in the role of ideas and identity is of note because it informs his view of institutions as aggregations of moral economic behaviour, that they are derived from how individuals give meaning and significance to types of economic social action. This view applies to how institutions govern society at home and abroad. It also provides a contrast with some of the new institutionalism where rational self-interest still does most of the heavy lifting in the analysis, leaving us with 'norms as error terms' rather than saturating the determination of interest (Seabrooke 2006: Ch. 2). Hobson also asks us, by employing moral categories, to consider the grounds for trust and compliance even within societies with well-established contract and private property systems (cf. Greif 2006). Legitimacy in economic relations cannot be established through the creation of an institution (and then left to the next crisis) but must be constantly justified. Hobson's use of moral categories and his emphasis on wealth/illth and property/impropriety seeks to remind us that a sociological understanding of economic change must be grounded in the meanings individuals attribute to changes within their everyday lives.

Finally, we may best consider Hobson's body of work as a contribution to the economic sociology of politics (Swedberg 2003: Ch. 7). His framework integrates economic and political interests by refuting the notion that economic life is separate from moral, social, and political life. In this regard his use of organic analogies stressed the need to analyse the interdependence of different economic and political actors within the economy, with a failure to do so exacerbating political unrest by worsening underconsumption, oversaving, and illth. Hobson's work sought to understand how economic and social reform involved reform of the self that could then change the role of the state and stop imperialism and impropriety in the international economy.

Endnote

¹ My thanks to André Broome, Mary-Louise Hickey, Shogo Suzuki, and Olav Velthuis for comments on an earlier draft. This note was completed while a Research Fellow in the Department of International Relations, RSPAS, The Australian National University.

References

- Blyth, M. (2002) *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century*, Cambridge: Cambridge University Press.
- Bowden, B. and L. Seabrooke (2006) *Global Standards of Market Civilization*, London: Routledge/RIPE Series in Global Political Economy.
- Cain, P.J. (1978) 'J.A. Hobson, Cobdenism, and the Radical Theory of Economic Imperialism', *Economic History Review* 33: 463–90.
- Campbell, J.L. (2004) *Institutional Change and Globalization*, Princeton: Princeton University Press.
- (2005) 'Fiscal Sociology in an Age of Globalization: Comparing Tax Regimes in Advanced Capitalist Countries' in Victor Nee and Richard Swedberg (eds.) *The Economic Sociology of Capitalism*: 391–418. Princeton: Princeton University Press.
- Campbell, J.L. and L. Lindberg (1990) 'Property Rights and the Organization of Economic Activity by the State', *American Sociological Review* 55: 634–47.
- Capie, F.H. and M. Collins (1996), 'Industrial Lending by English Commercial Banks: Why Did Banks Refuse Loans?', *Business History* 38: 26–44.
- Carruthers, B. and W.N. Espeland (1991) 'Accounting for Rationality: Double-Entry Bookkeeping and the Rhetoric of Economic Rationality', *American Journal of Sociology* 97: 31–69.
- Carruthers, B. and B. Uzzi (2000) 'Economic Sociology in the New Millennium', *Contemporary Sociology* 29: 486–94.
- Clarke, P.F. (1981) 'Hobson, Free Trade and Imperialism', *Economic History Review* 34: 308–12.
- Daunton, M. J. (1996), 'Payment and Participation: Welfare and State-Formation in Britain 1900–1951', *Past & Present* 150: 169–216.
- (2002) *Just Taxes*, Cambridge: Cambridge University Press.
- Dangerfield, G. (1935) *The Strange Death of Liberal England*, New York: Capricorn Books.
- Davis, L.E. and R.A. Huttenback (1986) *Mammon and the Pursuit of Empire*, Cambridge: Cambridge University Press.
- Dobbin, F. and T. Dowd (2000) 'The Market that Antitrust Built: Public Policy, Private Coercion, and Railroad Acquisitions, 1825–1922', *American Sociological Review* 65: 635–657.
- Durkheim, E. (1984) *The Division of Labor in Society*, New York: Free Press.
- Edelstein, M. (1982) *Overseas Investment in the Age of High Imperialism: The United Kingdom, 1850–1914*, New York: Columbia University Press.
- Fligstein, N. (1990) *The Transformation of Corporate Control*, Cambridge: Cambridge University Press.
- (2001) *The Architecture of Markets: An Economic Sociology of Twenty-First Century Capitalist Societies*, Princeton: Princeton University Press.

- Gijssberts, M.** (2002) 'The Legitimation of Income Inequality in State-socialist and Market Societies', *Acta Sociologica* 45: 269–85.
- Goldscheid, R.** (1958) 'A Sociological Approach to the Problem of Public Finance' in R.A. Musgrave and A.T. Peacock (eds.) *Classics in the Theory of Public Finance*: 202–14. London: Macmillan.
- Granovetter, M.** (1985) 'Economic Action and Social Structure: The Problem of Embeddedness', *American Journal of Sociology* 91: 481–510.
- Greenfield, L.** (2001) *The Spirit of Capitalism: Nationalism and Economic Growth*, Cambridge: Harvard University Press.
- Greif, A.** (2006) *Institutions and the Path to the Modern Economy: Lessons from Medieval Trade*, Cambridge: Cambridge University Press.
- Guillén, M.** (2001) *The Limits of Convergence: Globalization and Organizational Change in Argentina, South Korea, and Spain*, Princeton: Princeton University Press.
- Hirschman, A.O.** (1977) *The Passions and the Interests: Political Arguments for Capitalism Before its Triumph*, Princeton: Princeton University Press.
- Hobson, J. A.** (1893) 'The Subjective and Objective View of Distribution', *Annals of the American Academy of Political and Economic Science* 4: 378–403.
- (1896), *The Problem of the Unemployed: An Enquiry and an Economic Policy*, London: Methuen & Co.
- (1898a), *John Ruskin Social Reformer*, London: James Nisbet.
- (1898b) 'Free Trade and Foreign Policy', *Contemporary Review* 64: 167–80.
- (1902) *Imperialism: A Study*, London: George Allen and Unwin.
- (1903) 'The Inner Meaning of Protectionism', *Contemporary Review* 84: 365–374.
- (1906) 'The Taxation of Monopolies', *Independent Review* 9: 25.
- (1909) *The Crisis of Liberalism: New Issues of Democracy*, London: P. S. King and Son.
- (1910) *The Industrial System: An Inquiry into Earned and Unearned Income*, London: Longmans, Green & Co.
- (1912–13) 'How is Wealth to be Valued?', *Hibbert Journal* 11: 593–610.
- (1914) *Work and Wealth: A Human Valuation*, London: Macmillan and Co.
- (1915) *Towards International Government*, London: Allen & Unwin.
- (1919) *Taxation in the New State*, London: Methuen.
- (1920) 'Ruskin as Political Economist' in J.H. Whitehouse (ed.) *Ruskin the Prophet and Other Centenary Studies*: 83–98. London: George Allen & Unwin.
- (1926) 'Economic Art and Human Welfare', *Journal of Philosophical Studies* 1: 467–80.
- (1929) *Wealth and Life: A Study in Social Values*, London: Macmillan.
- (1931) 'The State as an Organ of Rationalisation', *Political Quarterly* 2: 30–45.
- (1933) 'Underconsumption: An Exposition and a Reply', *Economica* 13: 402–17.
- (1936) *Veblen*, London: Chapman and Hall.
- (1937a) *Property and Improperly*, London: Gollancz.
- (1937b) 'The Economics of Thorstein Veblen', *Political Science Quarterly* 52: 139–44.
- (1938) *Confessions of an Economic Heretic*, London: Allen & Unwin.
- Hobson, J.M.** (1997) *The Wealth of States: A Comparative Sociology of International Economic and Political Change*, Cambridge: Cambridge University Press.
- Hobson, J.M. and L. Seabrooke** (2001) 'Reimagining Weber: Constructing International Society and the Social Balance of Power', *European Journal of International Relations* 7: 239–74.
- (forthcoming) (eds) *Everyday International Political Economy: How Small Actors Transform the World Economy*. Contract pending.
- Ingham, G.K.** (1984) *Capitalism Divided? The City and Industry in British Social Development*, Basingstoke: Macmillan.
- Kennedy, W.P.** (1987) *Industrial Structure, Capital Markets and the Origins of British Economic Decline*, Cambridge: Cambridge University Press.
- Keynes, J.M.** (1936) *The General Theory of Employment Interest and Money*, London: Macmillan.
- Kjær, P. and O.K. Pedersen** (2001) 'Translating Liberalization: Neoliberalism in the Danish Negotiated Economy', in J.L. Campbell and O.K. Pedersen (eds) *The Rise of Neoliberalism and Institutional Analysis*: 219–48. Princeton: Princeton University Press.
- Long, D.** (1996) *Towards a New Liberal Internationalism*, Cambridge: Cambridge University Press.
- Mackenzie, D. and Y. Millo** (2003) 'Constructing a Market, Performing a Theory: The Historical Sociology of a Financial Derivatives Exchange', *American Journal of Sociology* 109: 107–46.
- Massey, D.S. and N.A. Denton** (1993) *American Apartheid: Segregation and the Making of an Underclass*, Cambridge: Harvard University Press.
- Mummery, A.F. and J.A. Hobson** (1889) *The Physiology of Industry: Being an Exposure of Certain Fallacies in Existing Theories of Economics*, London: Murray.
- Nettl, J.P.** (1968) 'The State as a Conceptual Variable', *World Politics* 20: 559–592.
- North, D.C.** (1990) *Institutions, Institutional Change and Economic Performance*, Cambridge: Cambridge University Press.
- Nowell, G.P.** (2002–3) 'Imperialism and the era of falling prices', *Journal of Post-Keynesian Economics*, 25: 309–29.

- Offer, A.** (1980), 'Ricardo's Paradox and the Movement of Rents in England, c. 1870–1910', *Economic History Review* 33: 236–52.
- (1981) *Property and Politics, 1870–1914: Landownership, Law, Ideology and Urban Development in England*, Cambridge: Cambridge University Press.
- (1993), 'The British empire, 1870–1914: A Waste of Money?', *Economic History Review* 46: 215–38.
- Podolny, J.** (1992) 'A Status-Based Model of Market Competition', *American Journal of Sociology* 98: 829–72.
- Powell, W.W.** (1990) 'Neither Market nor Hierarchy: Network Forms of Organization', *Research in Organizational Behavior* 12: 295–336.
- Ruskin, J.** (1862), *Munera Pulveris: Six Essays on the Elements of Political Economy*, Brantwood edition, London: Charles E. Merrill & Co.
- (1890), *Unto This Last: Four Essays on the First Principles of Political Economy*, London: George Allen.
- Schumpeter, J.A.** (1991) *The Economics and Sociology of Capitalism*, edited by R. Swedberg, Princeton: Princeton University Press.
- Schwartz, H.M.** (2002–3) 'Hobson's voice: American internationalism, Asian development, and global macroeconomic imbalances', *Journal of Post-Keynesian Economics* 25: 331–351.
- Seabrooke, L.** (2001) *US Power in International Finance: The Victory of Dividends*, Basingstoke: Palgrave.
- (2004) 'The Economic Taproot of US Imperialism: The Bush Rentier Shift', *International Politics* 41: 293–318.
- (2005) 'The Social Sources of Economic Crises: Legitimacy Gaps and Everyday Institutional Change in Interwar Britain', unpublished manuscript, International Center for Business and Politics, Copenhagen Business School, September.
- (2006) *The Social Sources of Financial Power: Domestic Legitimacy and International Financial Orders*, Ithaca: Cornell University Press.
- Simmel, G.** (1978) *The Philosophy of Money*, London: Routledge and Kegan Paul.
- Swedberg, R.** (1998) *Max Weber and the Idea of Economic Sociology*, Princeton: Princeton University Press.
- (2003) *Principles of Economic Sociology*, Princeton: Princeton University Press.
- Taddei, A.** (1999) 'London Clubs in the Late Nineteenth Century', Discussion Papers in Economic and Social History, Number 28, University of Oxford, April.
- Veblen, T.** (1912) *Theory of the Leisure Class: An Economic Study of Institutions*, New York: Macmillan.
- (1924) *Absentee Ownership and Business Enterprise in Recent Times: The Case of America*, London: Allen & Unwin.
- (1934) *Essays in Our Changing Order*, London: Thoemmes Press.
- Waltz, K.** (1979), *Theory of International Politics*, Reading: Addison-Wesley.
- Weber, M.** (1976) *The Protestant Ethic and the Spirit of Capitalism*, London: George Allen and Unwin Ltd.
- (1978) *Economy and Society: An Outline of Interpretative Sociology*, Vols. I and II, Berkeley: University of California Press.
- (1988) *Gesammelte Politische Schriften*, Tübingen: J. C. B. Mohr.
- White, H.C.** (1981) 'Production Markets as Induced Role Structures', *Sociological Methodology* 12: 1–57.
- (2001) *Markets from Networks*, Princeton: Princeton University Press.