Chapter VI: The Economic Taproot of Imperialism

No mere array of facts and figures adduced to illustrate the economic nature of the new Imperialism will suffice to dispel the popular delusion that the use of national force to secure new markets by annexing fresh tracts of territory is a sound and a necessary policy for an advanced industrial country like Great Britain. [1] It has indeed been proved that recent annexations of tropical countries, procured at great expense, have furnished poor and precarious markets, that our aggregate trade with our colonial possessions is virtually stationary, and that our most profitable and progressive trade is with rival industrial nations, whose territories we have no desire to annex, whose markets we cannot force, and whose active antagonism we are provoking by our expansive policy.

But these arguments are not conclusive. It is open to Imperialists to argue thus: “We must have markets for our growing manufactures, we must have new outlets for the investment of our surplus capital and for the energies of the adventurous surplus of our population: such expansion is a necessity of life to a nation with our great and growing powers of production. An ever larger share of our population is devoted to the manufactures and commerce of towns, and is thus dependent for life and work upon food and raw materials from foreign lands. In order to buy and pay for these things we must sell our goods abroad. During the first three-quarters of the nineteenth century we could do so without difficulty by a natural expansion of commerce with continental nations and our colonies, all of which were far behind us in the main arts of manufacture and the carrying trades. So long as England held a virtual monopoly of the world markets for certain important classes of manufactured goods, Imperialism was unnecessary. After 1870 this manufacturing and trading supremacy was greatly impaired: other nations, especially Germany, the United States, and Belgium, advanced with great rapidity, and while they have not crushed or even stayed the increase of our external trade, their competition made it more and more difficult to dispose of the full surplus of our manufactures at a profit. The encroachments made by these nations upon our old markets, even in our own possessions, made it most urgent that we should take energetic means to secure new markets. These new markets had to lie in hitherto undeveloped countries, chiefly in the tropics, where vast populations lived capable of growing economic needs which our manufacturers and merchants could supply. Our rivals were seizing and annexing territories for similar purposes, and when they had annexed them closed them to our trade. The diplomacy and the arms of Great Britain had to be used in order to compel the owners of the new markets to deal with us: and experience showed that the safest means of securing and developing such markets is by establishing ‘protectorates’ or by annexation. The value in 1905 of these markets must not be taken as a final test of the economy of such a policy; the process of educating civilized needs which we can supply is of necessity a gradual one, and the cost of such can supply is of necessity a gradual one, and the cost of such Imperialism must be regarded as a capital outlay, the fruits of which posterity would reap. The new markets might not be large, but they formed serviceable outlets for the overflow of our great
textile and metal industries, and, when the vast Asiatic and African populations of the interior were reached, a rapid expansion of trade was expected to result.

“Far larger and more important is the pressure of capital for external fields of investment. Moreover, while the manufacturer and trader are well content to trade with foreign nations, the tendency for investors to work towards the political annexation of countries which contain their more speculative investments is very powerful. Of the fact of this pressure of capital there can be no question. Large savings are made which cannot find any profitable investment in this country; they must find employment elsewhere, and it is to the advantage of the nation that they should be employed as largely as possible in lands where they can be utilized in opening up markets for British trade and employment for British enterprise.

“However costly, however perilous, this process of imperial expansion may be, it is necessary to the continued existence and progress of our nation; if we abandoned it we must be content to leave the development of the world to other nations, who will everywhere cut into our trade, and even impair our means of securing the food and raw materials we require to support our population. Imperialism is thus seen to be, not a choice, but a necessity.”

The practical force of this economic argument in politics is strikingly illustrated by the later history of the United States. Here is a country which suddenly broke through a conservative policy, strongly held by both political parties, bound up with every popular instinct and tradition, and flung itself into a rapid imperial career for which it possessed neither the material nor the moral equipment, risking the principles and practices of liberty and equality by the establishment of militarism and the forcible subjugation of peoples which it could not safely admit to the condition of American citizenship.

Was this a mere wild freak of spread-eaglism, a burst of political ambition on the part of a nation coming to a sudden realization of its destiny? Not at all. The spirit of adventure, the American “mission of civilization,” were as forces [sic] making for Imperialism, clearly subordinate to the driving force of the economic factor. The dramatic character of the change is due to the unprecedented rapidity of the industrial revolution in the United States from the eighties onwards. During that period the United States, with her unrivalled natural resources, her immense resources of skilled and unskilled labour, and her genius for invention and organization, developed the best equipped and most productive manufacturing economy the world has yet seen. Fostered by rigid protective tariffs, her metal, textile, tool, clothing, furniture, and other manufactures shot up in a single generation from infancy to full maturity, and, having passed through a period of intense competition, attained, under the able control of great trust-makers, a power of production greater than has been attained in the most advanced industrial countries of Europe.

An era of cut-throat competition, followed by a rapid process of amalgamation, threw an enormous quantity of wealth into the hands of a small number of captains of industry. No luxury of living to which this class could attain kept pace with its rise of income, and a process of automatic saving set in upon an unprecedented scale. The investment of these savings in other industries helped to bring these under the same concentrative forces. Thus a great increase of savings seeking profitable investment is synchronous with a stricter economy of the use of existing capital. No doubt the rapid growth of a population, accustomed to a high and an always ascending standard of
comfort, absorbs in the satisfaction of its wants a large quantity of new capital. But the actual rate of saving, conjoined with a more economical application of forms of existing capital, exceeded considerably the rise of the national consumption of manufactures. The power of production far outstripped the actual rate of consumption, and, contrary to the older economic theory, was unable to force a corresponding increase of consumption by lowering prices.

This is no mere theory. The history of any of the numerous trusts or combinations in the United States sets out the facts with complete distinctness. In the free competition of manufactures preceding combination the chronic condition is one of "over-production," in the sense that all the mills or factories can only be kept at work by cutting prices down towards a point where the weaker competitors are forced to close down, because they cannot sell their goods at a price which covers the true cost of production. The first result of the successful formation of a trust or combine is to close down the worse equipped or worse placed mills, and supply the entire market from the better equipped and better placed ones. This course may or may not be attended by a rise of price and some restriction of consumption: in some cases trusts take most of their profits by raising prices, in other cases by reducing the costs of production through employing only the best mills and stopping the waste of competition.

For the present argument it matters not which course is taken; the point is that this concentration of industry in "trusts," "combines," etc., at once limits the quantity of capital which can be effectively employed and increases the share of profits out of which fresh savings and fresh capital will spring. It is quite evident that a trust which is motivated by cut-throat competition, due to an excess of capital, cannot normally find inside the "trusted" industry employment for that portion of the profits which the trust-makers desire to save and to invest. New inventions and other economies of production or distribution within the trade may absorb some of the new capital, but there are rigid limits to this absorption. The trust-maker in oil or sugar must find other investments for his savings: if he is early in the application of the combination principles to his trade, he will naturally apply his surplus capital to establish similar combinations in other industries, economising capital still further, and rendering it ever harder for ordinary saving men to find investments for their savings.

Indeed, the conditions alike of cut-throat competition and of combination attest the congestion of capital in the manufacturing industries which have entered the machine economy. We are not here concerned with any theoretic question as to the possibility of producing by modern machine methods more goods than can find a market. It is sufficient to point out that the manufacturing power of a country like the United States would grow so fast as to exceed the demands of the home market. No one acquainted with trade will deny a fact which all American economists assert, that this is the condition which the United States reached at the end of the century, so far, as the more developed industries are concerned. Her manufactures were saturated with capital and could absorb no more. One after another they sought refuge from the waste of competition in "combines" which secure a measure of profitable peace by restricting the quantity of operative capital. Industrial and financial princes in oil, steel, sugar, railroads, banking, etc., were faced with the dilemma of either spending more than they knew how to spend, or forcing markets outside the home area. Two economic courses were open to them, both leading towards an abandonment of the political isolation of the past and the adoption of imperialist methods in the future. Instead of
shutting down inferior mills and rigidly restricting output to correspond with profitable sales in the home markets, they might employ their full productive power, applying their savings to increase their business capital, and, while still regulating output and prices for the home market, may “hustle” for foreign markets, dumping down their surplus goods at prices which would not be possible save for the profitable nature of their home market. So likewise they might employ their savings in seeking investments outside their country, first repaying the capital borrowed from Great Britain and other countries for the early development of their railroads, mines and manufactures, and afterwards becoming themselves a creditor class to foreign countries.

It was this sudden demand for foreign markets for manufactures and for investments which was avowedly responsible for the adoption of Imperialism as a political policy and practice by the Republican party to which the great industrial and financial chiefs belonged, and which belonged to them. The adventurous enthusiasm of President Theodore Roosevelt and his “manifest destiny” and “mission of civilization” party must not deceive us. It was Messrs. Rockefeller, Pierpont Morgan, and their associates who needed Imperialism and who fastened it upon the shoulders of the great Republic of the West. They needed Imperialism because they desired to use the public resources of their country to find profitable employment for their capital which otherwise would be superfluous.

It is not indeed necessary to own a country in order to do trade with it or to invest capital in it, and doubtless the United States could find some vent for their surplus goods, and capital in European countries. But these countries were for the most part able to make provision for themselves: most of them erected tariffs against manufacturing imports, and even Great Britain was urged to defend herself by reverting to Protection. The big American manufacturers and financiers were compelled to look to China and the Pacific and to South America for their most profitable chances; Protectionists by principle and practice, they would insist upon getting as close a monopoly of these markets as they can secure, and the competition of Germany, England, and other trading nations would drive them to the establishment of special political relations with the markets they most prize. Cuba, the Philippines, and Hawaii were but the hors d’œuvre to whet an appetite for an ampler banquet. Moreover, the powerful hold upon politics which these industrial and financial magnates possessed formed a separate stimulus, which, as we have shown, was operative in Great Britain and elsewhere; the public expenditure in pursuit of an imperial career would be a separate immense source of profit to these men, as financiers negotiating loans, shipbuilders and owners handling subsidies, contractors, and manufacturers of armaments and other imperialist appliances.

The suddenness of this political revolution is due to the rapid manifestation of the need. In the last years of the nineteenth century the United States nearly trebled the value of its manufacturing export trade, and it was to be expected that, if the rate of progress of those years continued, within a decade it would overtake our more slowly advancing export trade, and stand first in the list of manufacture exporting nations. [3]
TABLE 1: Export Trade of United States, 1890–1900

<table>
<thead>
<tr>
<th>Year</th>
<th>Agriculture £</th>
<th>Manufactures £</th>
<th>Miscellaneous £</th>
</tr>
</thead>
<tbody>
<tr>
<td>1890</td>
<td>125,756,000</td>
<td>31,435,000</td>
<td>13,019,000</td>
</tr>
<tr>
<td>1891</td>
<td>146,617,000</td>
<td>33,720,000</td>
<td>11,731,000</td>
</tr>
<tr>
<td>1892</td>
<td>142,508,000</td>
<td>30,479,000</td>
<td>11,660,000</td>
</tr>
<tr>
<td>1893</td>
<td>123,810,000</td>
<td>35,484,000</td>
<td>11,653,000</td>
</tr>
<tr>
<td>1894</td>
<td>114,737,000</td>
<td>35,557,000</td>
<td>11,168,000</td>
</tr>
<tr>
<td>1895</td>
<td>104,143,000</td>
<td>40,230,000</td>
<td>12,174,000</td>
</tr>
<tr>
<td>1896</td>
<td>132,992,000</td>
<td>50,738,000</td>
<td>13,639,000</td>
</tr>
<tr>
<td>1897</td>
<td>146,059,000</td>
<td>55,923,000</td>
<td>13,984,000</td>
</tr>
<tr>
<td>1898</td>
<td>170,383,000</td>
<td>61,585,000</td>
<td>14,743,000</td>
</tr>
<tr>
<td>1899</td>
<td>156,427,000</td>
<td>76,157,000</td>
<td>18,002,000</td>
</tr>
<tr>
<td>1900</td>
<td>180,931,000</td>
<td>88,281,000</td>
<td>21,389,000</td>
</tr>
</tbody>
</table>

This was the avowed ambition, and no idle one, of the keenest business men of America; and with the natural resources, the labour and the administrative talents at their disposal, it was quite likely they would achieve their object. [4] The stronger and more direct control over politics exercised in America by business men enabled them to drive more quickly and more straightly along the line of their economic interests than in Great Britain. American Imperialism was the natural product of the economic pressure of a sudden advance of capitalism which could not find occupation at home and needed foreign markets for goods and for investments.

The same needs existed in European countries, and, as is admitted, drove Governments along the same path. Overproduction in the sense of an excessive manufacturing plant, and surplus capital which could not find sound investments within the country, forced Great Britain, Germany, Holland, France to place larger and larger portions of their economic resources outside the area of their present political domain, and then stimulate a policy of political expansion so as to take in the new areas. The economic sources of this movement are laid bare by periodic trade-depressions due to an inability of producers to find adequate and profitable markets for what they can produce. The Majority Report of the Commission upon the Depression of Trade in 1885 put the matter in a nutshell. “That, owing to the nature of the times, the demand for our commodities does not increase at the same rate as formerly; that our capacity for production is consequently in excess of our requirements, and could be considerably increased at short notice; that this is due partly to the competition of the capital which is being steadily accumulated in the country.” The Minority Report straightly imputed the condition of affairs to “over-production.” Germany was in the early 1900's suffering severely from what is called a glut of capital and of manufacturing power: she had to have new markets; her Consuls all over the world were “hustling” for trade; trading settlements were forced upon Asia Minor; in East and West Africa, in China and elsewhere the German Empire was impelled to a policy of colonization and protectorates as outlets for German commercial energy.

Every improvement of methods of production, every concentration of ownership and control, seems to accentuate the tendency. As one nation after another enters the machine economy and adopts advanced industrial methods, it becomes more difficult for its manufacturers, merchants, and financiers to
dispose profitably of their economic resources, and they are tempted more and more to use their Governments in order to secure for their particular use some distant undeveloped country by annexation and protection.

The process, we may be told, is inevitable, and so it seems upon a superficial inspection. Everywhere appear excessive powers of production, excessive capital in search of investment. It is admitted by all business men that the growth of the powers of production in their country exceeds the growth in consumption, that more goods can be produced than can be sold at a profit, and that more capital exists than can find remunerative investment.

It is this economic condition of affairs that forms the taproot of Imperialism. If the consuming public in this country raised its standard of consumption to keep pace with every rise of productive powers, there could be no excess of goods or capital clamorous to use Imperialism in order to find markets: foreign trade would indeed exist, but there would be no difficulty in exchanging a small surplus of our manufactures for the food and raw material we annually absorbed, and all the savings that we made could find employment, if we chose, in home industries.

There is nothing inherently irrational in such a supposition. Whatever is, or can be, produced, can be consumed, for a claim upon it, as rent, profit, or wages, forms part of the real income of some member of the community, and he can consume it, or else exchange it for some other consumable with some one else who will consume it. With everything that is produced a consuming power is born. If then there are goods which cannot get consumed, or which cannot even get produced because it is evident they cannot get consumed, and if there is a quantity of capital and labour which cannot get full employment because its products cannot get consumed, the only possible explanation of this paradox is the refusal of owners of consuming power to apply that power in effective demand for commodities.

It is, of course, possible that an excess of producing power might exist in particular industries by misdirection, being engaged in certain manufactures, whereas it ought to have been engaged in agriculture or some other use. But no one can seriously contend that such misdirection explains the recurrent gluts and consequent depressions of modern industry, or that, when over-production is manifest in the leading manufactures, ample avenues are open for the surplus capital and labour in other industries. The general character of the excess of producing power is proved by the existence at such times of large bank stocks of idle money seeking any sort of profitable investment and finding none.

The root questions underlying the phenomena are clearly these: “Why is it that consumption fails to keep pace automatically in a community with power of production?” “Why does under-consumption or over-saving occur?” For it is evident that the consuming power, which, if exercised, would keep tense the reins of production, is in part withheld, or in other words is “saved” and stored up for investment. All saving for investment does not imply slackness of production; quite the contrary. Saving is economically justified, from the social standpoint, when the capital in which it takes material shape finds full employment in helping to produce commodities which, when produced, will be consumed. It is saving in excess of this amount that causes mischief, taking shape in surplus capital which is not needed to assist current consumption, and which either lies idle, or tries to oust existing capital from its employment, or else seeks speculative use abroad under the protection of the
But it may be asked, “Why should there be any tendency to over-saving? Why should the owners of consuming power withhold a larger quantity for savings than can be serviceably employed?” Another way of putting the same question is this, “Why should not the pressure of present wants keep pace with every possibility of satisfying them?” The answer to these pertinent questions carries us to the broadest issue of the distribution of wealth. If a tendency to distribute income or consuming power according to needs were operative, it is evident that consumption would rise with every rise of producing power, for human needs are illimitable, and there could be no excess of saving. But it is quite otherwise in a state of economic society where distribution has no fixed relation to needs, but is determined by other conditions which assign to some people a consuming power vastly in excess of needs or possible uses, while others are destitute of consuming power enough to satisfy even the full demands of physical efficiency. The following illustration may serve to make the issue clear. “The volume of production has been constantly rising owing to the development of modern machinery. There are two main channels to carry off these products — one channel carrying off the product destined to be consumed by the workers, and the other channel carrying off the remainder to the rich. The workers' channel is in rock-bound banks that cannot enlarge, owing to the competitive wage system preventing wages rising pro rata with increased efficiency. Wages are based upon cost of living, and not upon efficiency of labour. The miner in the poor mine gets the same wages per day as the miner in the adjoining rich mine. The owner of the rich mine gets the advantage — not his labourer. The channel which conveys the goods destined to supply the rich is itself divided into two streams. One stream carries off what the rich 'spend' on themselves for the necessities and luxuries of life. The other is simply an 'overflow' stream carrying off their 'savings.' The channel for spending, i.e. the amount wasted by the rich in luxuries, may broaden somewhat, but owing to the small number of those rich enough to indulge in whims it can never be greatly enlarged, and at any rate it bears such a small proportion to the other channel that in no event can much hope of avoiding a flood of capital be hoped for from this division. The rich will never be so ingenious as to spend enough to prevent over-production. The great safety overflow channel which has been continuously more and more widened and deepened to carry off the ever-increasing flood of new capital is that division of the stream which carried the savings of the rich, and this is not only suddenly found to be incapable of further enlargement, but actually seems to be in the process of being dammed up.” [5]

Though this presentation over-accentuates the cleavage between rich and poor and over-states the weakness of the workers, it gives forcible and sound expression to a most important and ill-recognised economic truth. The “overflow” stream of savings is of course fed not exclusively from the surplus income of “the rich”; the professional and industrial middle classes, and to some slight extent the workers, contribute. But the “flooding” is distinctly due to the automatic saving of the surplus income of rich men. This is of course particularly true of America, where multi-millionaires rise quickly and find themselves in possession of incomes far exceeding the demands of any craving that is known to them. To make the metaphor complete, the overflow stream must be represented as reentering the stream of production and seeking to empty there all the “savings” that it carries. Where competition remains free, the result is a chronic congestion of productive power and of production, forcing down home prices, wasting large sums in advertising and in pushing for orders, and periodically causing a crisis followed by a collapse, during
which quantities of capital and labour lie unemployed and unremunerated. The prime object of the trust or other combine is to remedy this waste and loss by substituting regulation of output for reckless over-production. In achieving this it actually narrows or even dams up the old channels of investment, limiting the overflow stream to the exact amount required to maintain the normal current of output. But this rigid limitation of trade, though required for the separate economy of each trust, does not suit the trust-maker, who is driven to compensate for strictly regulated industry at home by cutting new foreign channels as outlets for his productive power and his excessive savings. Thus we reach the conclusion that Imperialism is the endeavour of the great controllers of industry to broaden the channel for the flow of their surplus wealth by seeing foreign markets and foreign investments to take off the goods and capital they cannot sell or use at home.

The fallacy of the supposed inevitability of imperial expansion as a necessary outlet for progressive industry is now manifest. It is not industrial progress that demands the opening up of new markets and areas of investment but mal-distribution of consuming power which prevents the absorption of commodities and capital within the country. The over-saving which is the economic root of Imperialism is found by analysis to consist of rents, monopoly profits, and other unearned or excessive elements of income, which, not being earned by labour of head or hand, have no legitimate raison d'être. Having no natural relation to effort of production, they impel their recipients to no corresponding satisfaction of consumption: they form a surplus wealth, which, having no proper place in the normal economy of production and consumption, tends to accumulate as excessive savings. Let any turn in the tide of politico-economic forces divert from these owners their excess of income and make it flow, either to the workers in higher wages, or to the community in taxes, so that it will be spent instead of being saved, serving in either of these ways to swell the tide of consumption — there will be no need to fight for foreign markets or foreign areas of investment.

Many have carried their analysis so far as to realise the absurdity of spending half our financial resources in fighting to secure foreign markets at times when hungry mouths, ill-clad backs, ill-furnished houses indicate countless unsatisfied material wants among our own population. If we may take the careful statistics of Mr. Rowntree [6] for our guide, we shall be aware that more than one-fourth of the population of our towns is living at a standard which is below bare physical efficiency. If, by some economic realignment, the products which flow from the surplus saving of the rich to swell the overflow streams could be diverted so as to raise the incomes and the standard of consumption of this inefficient fourth, there would be no need for pushful Imperialism, and the cause of social reform would have won its greatest victory.

It is not inherent in the nature of things that we should spend our natural resources on militarism, war, and risky unscrupulous diplomacy, in order to find markets for our goods and surplus capital. An intelligent progressive community, based upon substantial equality of economic and educational opportunities, will raise its standard of consumption to correspond with every increased power of production, and can find full employment for an unlimited quantity of capital and labour within the limits of the country which it occupies. Where the distribution of incomes is such as to enable all classes of the nation to convert their felt wants into an effective demand for commodities, there can be no over-production, no under-employment of capital and labour, and no necessity to fight for foreign markets.
The most convincing condemnation of the current economy is conveyed in the difficulty which producers everywhere experience in finding consumers for their products: a fact attested by the prodigious growth of classes of agents and middlemen, the multiplication of every sort of advertising, and the general increase of the distributive classes. Under a sound economy the pressure would be reversed: the growing wants of progressive societies would be a constant stimulus to the inventive and operative energies of producers, and would form a constant strain upon the powers of production. The simultaneous excess of all the factors of production, attested by frequently recurring periods of trade depression, is a most dramatic exhibition of the false economy of distribution. It does not imply a mere miscalculation in the application of productive power, or a brief temporary excess of that power; it manifests in an acute form an economic waste which is chronic and general throughout the advanced industrial nations, a waste contained in the divorcement of the desire to consume and the power to consume.

If the apportionment of income were such as to evoke no excessive saving, full constant employment for capital and labour would be furnished at home. This, of course, does not imply that there would be no foreign trade. Goods that could not be produced at home, or produced as well or as cheaply, would still be purchased by ordinary process of international exchange, but here again the pressure would be the wholesome pressure of the consumer anxious to buy abroad what he could not buy at home, not the blind eagerness of the producer to use every force or trick of trade or politics to find markets for his “surplus” goods.

The struggle for markets, the greater eagerness of producers to sell than of consumers to buy, is the crowning proof of a false economy of distribution. Imperialism is the fruit of this false economy; “social reform” is its remedy. The primary purpose of “social reform,” using the term in its economic signification, is to raise the wholesome standard of private and public consumption for a nation, so as to enable the nation to live up to its highest standard of production. Even those social reformers who aim directly at abolishing or reducing some bad form consumption, as in the Temperance movement, generally recognise the necessity of substituting some better form of current consumption which is more educative and stimulative of other tastes, and will assist to raise the general standard of consumption.

There is no necessity to open up new foreign markets; the home markets are capable of indefinite expansion. Whatever is produced in England can be consumed in England, provided that the “income” or power to demand commodities, is properly distributed. This only appears untrue because of the unnatural and unwholesome specialisation to which this country has been subjected, based upon a bad distribution of economic resources, which has induced an overgrowth of certain manufacturing trades for the express purpose of effecting foreign sales. If the industrial revolution had taken place in an England founded upon equal access by all classes to land, education and legislation, specialisation in manufactures would not have gone so far (though more intelligent progress would have been made, by reason of a widening of the area of selection of inventive and organising talents); foreign trade would have been less important, though more steady; the standard of life for all portions of the population would have been high, and the present rate of national consumption would probably have given full, constant, remunerative employment to a far larger quantity of private and public capital than is now employed. [7] For the over-saving or wider consumption that is traced to
excessive incomes of the rich is a suicidal economy, even from the exclusive standpoint of capital; for consumption alone vitalises capital and makes it capable of yielding profits. An economy that assigns to the “possessing” classes an excess of consuming power which they cannot use, and cannot convert into really of serviceable capital, is a dog-in-the-manger policy. The social reforms which deprive the possessing classes of their surplus will not, therefore, inflict upon them the real injury they dread; they can only use this surplus by forcing on their country a wrecking policy of Imperialism. The only safety of nations lies in removing the unearned increments of income from the possessing classes, and adding them to the wage-income of the working classes or to the public income, in order that they may be spent in raising the standard of consumption.

Social reform bifurcates, according as reformers seek to achieve this end by raising wages or by increasing public taxation and expenditure. These courses are not essentially contradictory, but are rather complementary. Working-class movements aim, either by private co-operation or by political pressure on legislative and administrative government, at increasing the proportion of the national income which accrues to labour in the form of wages, pensions, compensation for injuries, etc. State Socialism aims at getting for the direct use of the whole society an increased share of the “social values” which arise from the closely and essentially co-operative work of an industrial society, taxing property and incomes so as to draw into the public exchequer for public expenditure the “uneared elements” of income, leaving to individual producers those incomes which are necessary to induce them to apply in the best way their economic energies, and to private enterprises those businesses which do not breed monopoly, and which the public need not or cannot undertake. These are not, indeed, the sole or perhaps the best avowed objects of social reform movements. But for the purposes of this analysis they form the kernel.

Trade Unionism and Socialism are thus the natural enemies of Imperialism, for they take away from the “imperialist” classes the surplus incomes which form the economic stimulus of Imperialism.

This does not pretend to be a final statement of the full relations of these forces. When we come to political analysis we shall perceive that the tendency of Imperialism is to crush Trade Unionism and to “nibble” at or parasitically exploit State Socialism. But, confining ourselves for the present to the narrowly economic setting, Trade Unionism and State Socialism may be regarded as complementary forces arrayed against Imperialism, in as far as, by diverting to working-class or public expenditure elements of income which would otherwise be surplus savings, they raise the general standard of home consumption and abate the pressure for foreign markets. Of course, if the increase of working-class income were wholly or chiefly “saved,” not spent, or if the taxation of unearned incomes were utilised for the relief of other taxes borne by the possessing classes, no such result as we have described would follow. There is, however, no reason to anticipate this result from trade-union or socialistic measures. Though no sufficient natural stimulus exists to force the well-to-do classes to spend in further luxuries the surplus incomes which they save, every working-class family is subject to powerful stimuli of economic needs, and a reasonably governed State would regard as its prime duty the relief of the present poverty of public life by new forms of socially useful expenditure.

But we are not here concerned with what belongs to the practical issues of
political and economic policy. It is the economic theory for which we claim acceptance — a theory which, if accurate, dispels the delusion that expansion of foreign trade, and therefore of empire, is a necessity of national life.

Regarded from the standpoint of economy of energy the same “choice of life” confronts the nation as the individual. An individual may expend all his energy in acquiring external possessions, adding field to field, barn to barn, factory to factory — may “spread himself” over the widest area of property, amassing material wealth which is in some sense “himself” as containing the impress of his power and interest. He does this by specialising upon the lower acquisitive plane of interest at the cost of neglecting the cultivation of the higher qualities and interests of his nature. The antagonism is not indeed absolute. Aristotle has said, “We must first secure a livelihood and then practise virtue.” Hence the pursuit of material property as a reasonable basis of physical comfort would be held true economy by the wisest men; but the absorption of time, energy, and interest upon such quantitative expansion at the necessary cost of starving the higher tastes and faculties is condemned as false economy. The same issue comes up in the business life of the individual: it is the question of intensive versus extensive cultivation. A rude or ignorant farmer, where land is plentiful, is apt to spread his capital and labour over a large area, taking in new tracts and cultivating them poorly. A skilled, scientific farmer will study a smaller patch of land, cultivate it thoroughly, and utilise its diverse properties, adapting it to the special needs of his most remunerative markets. The same is true of other businesses; even where the economy of large-scale production is greatest there exists some limit beyond which the wise business man will not go, aware that in doing so he will risk by enfeebled management what he seems to gain by mechanical economies of production and market.

Everywhere the issue of quantitative versus qualitative growth comes up. This is the entire issue of empire. A people limited in number and energy and in the land they occupy have the choice of improving to the utmost the political and economic management of their own land, confining themselves to such accessions of territory as are justified by the most economical disposition of a growing population; or they may proceed, like the slovenly farmer, to spread their power and energy over the whole earth, tempted by the speculative value or the quick profits of some new market, or else by mere greed of territorial acquisition, and ignoring the political and economic wastes and risks involved by this imperial career. It must be clearly understood that this is essentially a choice of alternatives; a full simultaneous application of intensive and extensive cultivation is impossible. A nation may either, following the example of Denmark or Switzerland, put brains into agriculture, develop a finely varied system of public education, general and technical, apply the ripest science to its special manufacturing industries, and so support in progressive comfort and character a considerable population upon a strictly limited area; or it may, like Great Britain, neglect its agriculture, allowing its lands to go out of cultivation and its population to grow up in towns, fall behind other nations in its methods of education and in the capacity of adapting to its uses the latest scientific knowledge, in order that it may squander its pecuniary and military resources in forcing bad markets and finding speculative fields of investment in distant corners of the earth, adding millions of square miles and of unassimilable population to the area of the Empire.

The driving forces of class interest which stimulate and support this false economy we have explained. No remedy will serve which permits the future
Hobson, “Taproot of Imperialism”

operation of these forces. It is idle to attack Imperialism or Militarism as political expediency or policies unless the axe is laid at the economic root of the tree, and the classes for whose interest Imperialism works are shorn of the surplus revenues which seek this outlet.

Footnotes


[2] "And why, indeed, are wars undertaken, if not to conquer colonies which permit the employment of fresh capital, to acquire commercial monopolies, or to obtain the exclusive use of certain highways of commerce?" (Loria, Economic Foundations of Society, p. 267).

[3] Post-war conditions, with the immense opportunities afforded for exports of American goods and capital brought a pause and a temporary withdrawal from imperialist policy.

[4] "We hold now three of the winning cards in the game for commercial greatness, to wit-iron, steel and coal. We have long been the granary of the world, we now aspire to be its workshop, then we want to be its clearing-house." (The President of the American Bankers' Association at Denver, 1898.)


[7] The classical economist of England, forbidden by their theories of parsimony and of the growth of capital to entertain the notion of an indefinite expansion of home market by reason of a constantly rising standard of national comfort were, early driven to countenance a doctrine of the necessity of finding external markets for the investment of capital. So J. S. Mill: “The expansion of capital would soon reach its ultimate boundary if the boundary itself did not continually open and leave more space” (Political Economy). And before him Ricardo (in letter to Malthus): “If with every accumulation of capital we could take a piece of fresh fertile land to our island, profits would never fall.”