

What justification is there for Hobson's view that 'by far the most important economic factor in Imperialism is the influence relating to investments'

The expansion of imperial control over far-flung parts of the globe did not by any means share a common pattern. However, at least for British imperial acquisitions, economic interests were extremely powerful in demanding formal political control. It is unsurprising to find therefore, that Britain at least looked at her colonies always with an eye as to the material profits which could be drawn from it. As Jules Blois said in 1903 'The Englishman hasn't the false pretension to be loved; he wishes to be comfortable and to "make money". His goal has been attained.'¹ Certainly, this had been the traditional British approach to empire, and even Adam Smith acknowledged that 'The maintenance of the monopoly has hitherto been the principal, or perhaps more properly, the sole end and purpose of the domination which Great Britain assumes over her colonies.'² The material profits to be made by investment abroad were therefore all the more, given the stability which the extension of British law gave to ensure that investments would be more secure. British overseas investment, which was already £110m in 1830 and £260m in 1854, expanded 14-fold between 1854-1914, while France saw her portfolio investment rise 20 times, though from a very small starting base of £98m.³ Not only this, but the geographical locations covered by the British foreign portfolio changed from 66% of funds being invested elsewhere in Europe in 1830 to 5% by 1914, and from 2% in the empire in 1830 to 46% in 1914.⁴ This clear imperial preference contrasts strikingly with the attitude of the French investor, whose reaction to the acquisition of empire was invariably apathy, seeing the greater profits to be made elsewhere. British colonies saw large amounts of British capital investment, where French investors preferred consistently to place their funds in Eastern Europe, Russia, the Balkans and the Mediterranean - 96% of their foreign investment portfolio in 1851.⁵

Yet as Hobson noticed, the British as with other European powers began to expand militarily into areas - particularly in Africa - where they had negligible financial interests. In Hobson's words, 'the year 1870 has been taken as indicative of the beginning of a conscious policy of Imperialism... The vast increase of territory, and the method of wholesale partition which assigned to us great tracts of African land may be dated from about 1884.'⁶ Hobson's definition of Imperialism as being a new policy after 1870 is controversial, and has been rebutted by several historians stressing continuity, not least Robinson & Gallacher. However, the new colonies did have one common factor, in that - with the exception of Egypt - they had virtually no existing trade links with Britain. Even more unsuitable was the fact that these areas were 'with the exception of a couple of experiments in India... definite British States of the Crown Colony order. This is attributable, not to any greed or tyranny on the part of the Imperial Government, but to the conditions imposed upon our rule by confederations of climate and native population. Almost the whole of this new territory is tropically or so near to the tropics as to preclude genuine colonisation of British settlers, while in those few districts where Europeans can work and breed, as in parts of South Africa and Egypt, the preoccupation of the country by large native populations of lower races precludes any considerable settlement of British workers and

¹ Betts *Assimilation and Association in French Colonial Theory 1890-1914* p.44

² Cain & Hopkins: *British Imperialism: Innovation and Expansion 1688-1914* p.234

³ Kenwood & Lougheed *The International Economy 1820-1990* p.30

⁴ Kenwood & Lougheed *The International Economy 1820-1990* p.30

⁵ Kenwood & Lougheed *The International Economy 1820-1990* p.32

⁶ J. A. Hobson, *Imperialism: a study*, (London, 1902), p.19

the safe bestowal of the full self-government which prevails in Australasia and Canada.⁷ The same conditions existed for French colonies, which were 'almost the whole tropical or sub-tropical, inhabited by 'lower races' incapable of genuine French colonization.'⁸

The common justification for the acquisition of colonies, at least as far as the colonial lobby were concerned, focused on the need to safeguard the export markets upon which Britain's wealth depended. Yet as Hobson pointed out, 'Imperialism had no appreciable influence whatever on the determination of our external trade until the protective and preferential measures taken during and after the Great War. Aside from the abnormal increase of exports to our colonies in 1900-1903 due to the Boer War, we perceive that the proportions of our external trade had changed very little during the half century: colonial imports slightly fell, colonial exports slightly rose, during the last decades as compared with the beginning of the period. Since 1870 vast additions have been made to British possessions, involving corresponding reduction of the area of 'Foreign Countries,' but this imperial expansion was attended by no increase in the proportions of intra-colonial trade as represented in the imports and exports of Great Britain during the nineteenth century.'⁹ Worse still, the colonies themselves saw less and less of their overseas trade links with the metropole - from 57.1% of exports in 1856-9 to only 34.9% in 1896-9.¹⁰ In fact, the only colonies with which Britain had serious trade links were the old colonies - and not the new empire at all. 'As for the territories acquired under the new Imperialism, except in one instance, no serious attempt to regard them as satisfactory business assets is possible. At whatever figure we estimate the profits in this trade, it forms an utterly insignificant part of our national income, while the expenses connected directly and indirectly in acquisition, administration and defence of these possessions must swallow an immeasurably larger sum.'¹¹

Hobson's own interpretation of the spread of imperial power was the ever-growing size of British overseas investments. The figure of £260m in 1854 had expanded sixteenfold by 1914 to £4,107m - and even allowing for the very small inflation, this is a dramatic growth.¹² Certainly, as Hobson pointed out, 'while our foreign and colonial trade, and presumably the income from it, were growing but slowly, the share of our import values income from foreign investments was growing very rapidly.'¹³ According to Hobson, it was '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.'¹⁴ This view supposes first of all that there were no viable sources of investment inside Britain itself, which was certainly not the case. In fact, investments outside Britain did not bring in enormously greater sums of profit than domestic investments - but there were considerable sweeteners to overseas investment. Not least among these were the fact that in investing in overseas governments they could make use of safer sovereign credit ratings than those available to private companies inside Britain. Marxist writers such as Lenin leapt on Hobson's suggestion that private capital was sent overseas because capitalism preferred to 'fight to secure foreign markets at times when hungry mouths, ill-clad backs, ill-furnished houses indicate countless unsatisfied material wants among our own population.' The investment activities undertaken within years of Hobson writing his book by the New Liberal government and later social democratic

⁷ J. A. Hobson, *Imperialism: a study*, (London, 1902), p.26

⁸ J. A. Hobson, *Imperialism: a study*, (London, 1902), pp.21-22

⁹ J. A. Hobson, *Imperialism: a study*, (London, 1902), pp.32-33

¹⁰ J. A. Hobson, *Imperialism: a study*, (London, 1902), p.35

¹¹ J. A. Hobson, *Imperialism: a study*, (London, 1902), pp.38-9

¹² AG Kenwood & AL Loughheed, *The International Economy 1820-1990*, (London, 1992), p.30

¹³ J. A. Hobson, *Imperialism: a study*, (London, 1902), p.53

¹⁴ J. A. Hobson, *Imperialism: a study*, (London, 1902), p.85

governments across Europe suggested that this analysis was inappropriate - but the flourishing of the welfare state also coincided with the end of colonial era, perhaps not unconnected.

Nevertheless, if British capital was not invested in developing the domestic economy, it certainly was invested in improving the economies of its destination countries. British and French loans most frequently went into public infrastructure projects such as railways, and the export products which could make use of these facilities - such as Egyptian and Indian cotton, Senegalese groundnuts and the fabulously lucrative gold and diamond mines in Southern Africa. Yet the money invested was also most definitely private capital, and it therefore followed that in Hobson's words 'Although the new Imperialism has been bad business for the nation, it has been good business for certain classes and certain trades within the nation.'¹⁵ These classes he definitively linked with the governing classes of the UK - 64.9% of imperial and 55.2% of overseas investment came from London and the Home Counties. In Hobson's opinion, these classes were quite prepared to have the State pay considerable sums of money in order to safeguard private investment links which appeared under threat - 'We have examples of this in Egypt, to all practical purposes become a British province, and in Tunis, which has in like manner become a dependency of France, who supplied the greater part of the loan. Though, as appears from the analysis given above, much, if not most, of the debts were public, the credit was nearly always private, though sometimes as in the case of Egypt, its owners succeeded in getting their Government to enter a most unprofitable partnership, guaranteeing the payment of the interest, but not sharing in it.'¹⁶ Unfortunately, in the very examples Hobson chose, this justification was inaccurate - since the British government itself owned shares in the Suez Canal, which appeared to be threatened by political instability inside Egypt, and later Sudan. Aside from private investment in the Canal, there was already a large amount of investment in Egypt by 1882 - but only a third of the total investment after British occupation. Hobson's analysis thus appears a little anachronistic. Later on, Hobson returns to the theme of the excessive power of private capital in determining government policy, when he says 'If the special interest of the investor is liable to clash with the public interest and to induce a wrecking policy, how much more dangerous is the special interest of the financier. Does any one seriously that a great war could be undertaken by any European State, or a great State loan subscribed, if the house of Rothschild and its connexions set their face against it.'¹⁷ However, major British financiers with German roots, such as Otto Beit, Sir Ernest Cassel and the Rothschild became unofficial emissaries to try in vain to prevent the First World War - their failure should underline two facts. The destruction which such a war threatened to their own investments also contradicts another of Hobson's assertions, that 'There is not a war, a revolution, an anarchist assassination, or any other public shock, which is not gainful to these men: they are harpies who suck their gains from every new forced expenditure and every sudden disturbance of public credit.'¹⁸ The great financiers were joined by large numbers of individual investors in wishing to avoid war and revolution thanks to the fact that their investments were tied up in the governments which would be fighting or supplanted.

There was also almost no causal link between the imperial expansion and the destinations of British capital in this period. Hobson himself admitted that there was almost no existing trade with the new empire before 1870; these areas also saw almost no investment even after British acquisition, with the exception of the diamond areas of southern Africa. French money also ignored her colonies, with only 9% of the French international investment portfolio by 1914. British money did appear to be more consciously directed towards areas of British influence, it

¹⁵ J. A. Hobson, *Imperialism: a study*, (London, 1902), p.46

¹⁶ J. A. Hobson, *Imperialism: a study*, (London, 1902), pp.54-5

¹⁷ J. A. Hobson, *Imperialism: a study*, (London, 1902), p.57

¹⁸ J. A. Hobson, *Imperialism: a study*, (London, 1902), p.58

remained the case that a substantial amount was not in countries controlled directly by London. As Robinson and Gallacher stress, between 1815 and 1880 £1.187bn of overseas credit had been accumulated, of which only one sixth was in the Empire.¹⁹ Canning mentioned in 1824 that 'Spanish America is free and if we do not mismanage our affairs she is English.'²⁰ Certainly the size of Latin America in the British portfolio was considerable, with it still making up almost a fifth of overseas investments by the outbreak of the First World War. The United States alone accounted for another fifth of this investment. 37% was placed in the white-empire Dominions of Canada, New Zealand, Australia and the Union of South Africa.²¹ India and South Africa made up 69% of Britain's total Afro-Asian investment, and by 1914, British East and West Africa between them only attracted £72m.²² These areas were simultaneously the richest and most industrially-advanced sectors of the empire, and the areas best able to cope with the competition of Free Trade. Destruction of local industries impoverished both the colonial power and the colony in the long-term - although imported colonial food and raw material were cheap in the 1930s, the resulting impoverishment of the colonial peoples worked back in high unemployment rates on workers in Britain's export industries.²³ Besides this, investment in industries and infrastructure encouraged greater profits, since colonies invariably had cheaper land, and labour than Britain herself.

Hobson also assumes that the driving factor behind all imperial ventures was the speculative lure of economic profits to come. Yet it was not only investors who took an interest in the expansion of British power overseas. Other groups took professional interests in the subsidiary factors, especially where these could not be exercised at home. Hobson himself identifies several, when he says 'The shipping trade has a very definite interest which makes for Imperialism. This is well illustrated by the policy of State subsidies now claimed by shipping firms as a retainer, and in order to encourage British shipping for purposes of imperial safety and defence. The services are, of course, imperialist by conviction and by professional interest, and every increase of the army navy and air force enhances the political power they exert. To the military services we may add the Indian Civil Service and the numerous official and semi-official posts our colonies and protectorates. In all the professions, military and civil, the army, diplomacy, the church, the bar, teaching and engineering, Greater Britain serves for an overflow, relieving the congestion of the home market and offering chances to more reckless or adventurous members, while it furnishes a convenient limbo for damaged characters and careers. From this standpoint our colonies still remain what James Mill cynically described them as being, 'a vast system of outdoor relief for the upper classes.'²⁴ The precise numbers of people who did indeed view the Empire as the makings of their career were in fact extremely small. The largest group of Imperial servants were in India, and the total European population peaked at 100,000 by the First World War. Large numbers of Europeans did emigrate from Britain - but almost without exception their destinations were the white colonies and the United States. Africa on the other hand was widely known as the 'white man's grave' for precisely the tropical reasons Hobson outlined at the beginning of his book. The numbers of Europeans in the new empire were very tiny indeed, with less than 5,000 Europeans in every single one of Britain's African colonies except South Africa and Rhodesia in 1920. If the new colonies did provide an overflow for damaged characters and careers - which is debatable - it is certainly true that this would have been in the new colonies - for Imperial service

¹⁹ Robinson and Gallacher *The Imperialism of Free Trade* ECHR Aug 1953 p.4

²⁰ ECHR Aug 1953 p.8

²¹ Kenwood & Loughheed *The International Economy 1820-1990* p.36

²² AJH Latham, *The International Economy and the Undeveloped World 1865-1914*, (London, 1978), p.53

²³ Michael Barratt Brown, 'A critique of Marxist theories of imperialism', in ed. Roger Owen & Bob Sutcliffe, *Studies in the theory of Imperialism*, (London, 1972), pp.54-5

²⁴ J. A. Hobson, *Imperialism: a study*, (London, 1902), pp.50-1

in India was strictly reserved for the elite, while the white colonies were self-governing. Hobson's analysis referred much more to France in this period, since prior to 1900, not even a third of administrators had received a secondary education. In the 1888-99 period, only 47% of French administrators were considered capable by their governors, the poor ones being transferred from Algeria and Senegal to other colonies especially Congo. One administrator in Congo was certified by the colony's doctor since he was not 'in full possession of his mental faculties because of an overdose of certain drugs and alcohol', had burned down two villages and enjoyed shooting at people who walked past his house - yet was nevertheless retained in the local administration.²⁵

The other economic interest group in favour of Imperialism can be seen from Hobson's description: 'Imperialism repudiates Free Trade, and rests upon an economic basis of Protection. Just in so far as an Imperialist is logical does he become an open and avowed Protectionist.'²⁶ It is no coincidence that the global growth of Protectionist sentiment should have been echoed in Britain, and transferred to imperialist methods. The Royal Commission in 1886 stated that 'We are disposed to think that one of the chief agencies which have tended to perpetuate this state of things is the protectionist policy of so many foreign countries.'²⁷ Indeed other countries openly vaunted the advantages of a protected imperial marketplace for goods, such as the French Prime Minister, Jules Ferry, who said 'The protectionist system is a steam engine without a safety valve if it does not have as a corrective and auxiliary a sane and sound colonial policy.'²⁸ Although Britain had long been able to advocate Free Trade thanks to her superiority in industrial productivity - demographics and industrial production figures had raised the spectre of the United States, Germany and Russia overtaking all European countries within a short space of time. Political polemicists such as Froude pandered to this fear by saying 'They will do the same to England, if at the end of that time England still thinks of herself simply as a European State.'²⁹ John Ruskin echoed this in 1870 by saying 'That is what England must either do, or perish. She must found colonies as fast and as far as she is able.' The advantage of colonies was a guaranteed market for exported industrial goods, and the business-led nature of some of these ventures with track records led to their being granted administration rights over their territories. The North Borneo Company was chartered in 1881 - allegedly without Gladstone realising, and the at the Berlin Conference of 1884, the Royal Niger Company was allowed to administrate, even though monopoly on the Niger was expressly forbidden. The greatest example of this trade-led imperialism came with the incorporation of Rhodesia (South African Company) in October 1889 - and the anti-imperialist Chancellor Sir William Harcourt said in 1892 'even Jingoism is tolerable when it is done on the cheap.'³⁰ Eventually, however, these acquisitions proved extremely unprofitable as Hobson himself described - only the worst-quality textiles and manufactured goods found a ready market there - but at the time the principles behind speculative and strategic acquisition by business concerns were understood and accepted.

The final interest group which saw economic advantages in imperial expansion was the farming lobby, which saw its status and earnings prospects being squeezed by the end of the nineteenth century. The gross value of arable land in England fell from £104m in 1867-9 to £62m in 1894-1903, and agriculture declined from one fifth of national income in 1850 to one sixteenth in 1900. Yet the ever-growing cities in Britain continued to demand more and more pastoral and

²⁵ cited in Cohen *French Colonial Service in West Africa* in Gifford and Louis *France and Britain in Africa* (New Haven, 1971) p.496

²⁶ J. A. Hobson, *Imperialism: a study*, (London, 1902), p.67

²⁷ Bernard Porter: *The Lion's Share* p.79

²⁸ Betts *Assimilation and Association in French Colonial Theory 1890-1914* p.134

²⁹ Bernard Porter: *The Lion's Share* p.82

³⁰ Bernard Porter: *The Lion's Share* p.105

meat-products - which had to come more and more from the cheaper producers in the United States and the Australasian colonies. The development of canning technology and the refrigerated ship aided this process, until Britain needed to import almost half of all foodstuffs. This stressed again the economic and strategic dependence Britain now had on ensuring a safe supply of foodstuffs. Joseph Chamberlain said as early as 1888 'if tomorrow it were possible, as some people apparently desire, to reduce by a stroke of the pen the British Empire to the dimensions of the United Kingdom, half at least of our population would be starved.'³¹ This dependence only increased, and put a greater importance on the safeguarding of the link to Australia via the Suez Canal.

Hobson's interpretation of the occupation of Egypt in 1882 was based on the selfish aims of the capitalists looking to invest in Egypt itself. However, other historians have placed a far more political and geo-political emphasis on this operation, such as Robinson and Gallacher, who highlighted the importance of Suez in safeguarding all of Britain's interests in the Far East - including the Indian raj. In 1880, 80% of Suez Canal tonnage was British; 1890 - 76%; even in 1910, 62% still flew the British flag. Suez also was key to the re-export trade for Indian and Far Eastern goods - re-exports to the USA increased from £3.1m in 1873 to £30.2m in 1913. The timing of British occupation in 1882 was provoked by political unrest in Alexandria and the success of the Mahdi in Sudan. Other British acquisitions 'in the interests of security' included the Afghan Wars in 1879-80, the occupation of Baluchistan, the Pathan, Waziri and Chitrali client-states on India's northwest border, and the incorporation of Upper Burmah into Indian empire 1885-6. In Africa, Griqualand West was occupied in 1871, Transvaal in 1877 (though returned sovereignty in 1881) and Bechuanaland in 1885. These occupations all came about not through a conscious decision in London, but rather by the necessities of reacting to the situations which representatives on the ground demanded, and in some cases initiated. The Afghan wars, for instance, were begun by the Viceroy in India on his own initiative, and forced the London government to give its support - much to the dismay of Disraeli, who demanded that 'when V-Roys and Comms-in-Chief disobey orders, they ought to be sure of success in their mutiny.'³² Even the British public came to see the Empire as a strategic and political issue - not an economic one. General Gordon's unilateral military operations in Sudan led to defeat at Majuba in 1881 - and a public outcry in Britain itself at the failure of the government to send support. Sudan offered no economic value whatsoever, but that scarcely mattered. The Empire had increasingly become a part of the political outlook and expectation of the British middle-classes - Gordon's murder proved that colonial issues were of very real concern to the British electorate, following Disraeli's attempts to popularise it in his Crystal Palace speech in 1872, and the Royal Titles Act of four years later.

³¹ Bernard Porter: *The Lion's Share* p.80

³² Bernard Porter: *The Lion's Share* p.87