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Inequality, Surplus Capital & Underconsumption: A Contemporary Analysis of J.A. Hobson's Economic Theory of New Imperialism

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Abstract

Macroeconomic study of 19th century European imperialism remains dominated by heterodox economists (particularly liberals and neo-Marxists), remaining largely unaffiliated with Classical and Neoclassical schools. Much theoretical treatment explaining this imperial era has been multidisciplinary, integrating history, sociology, and politics with economic analysis. Orthodox economists maintained imperialism is not driven predominantly by economic forces, and thus generally outside the scope of the subject.

This view was challenged by British 'social-liberal' theorist John Atkinson Hobson (1858-1940) in his influential 'Imperialism: A Study' (1902). Hobson was a journalist, lecturer, and social reformer, whose writings made radically original and significant contributions to economics, politics, international relations and sociology. Hobson's work emphasised welfare, liberalism and institutionalism. He argued that 19th century imperialism had an "economic taproot" (1902); that it was commercially worthless in trade, benefitting few, but symptomatic of market failure to allocate income effectively. Rather, governments persist with imperial policy primarily to protect substantial earnings on excess capital. This excess, he argued, arises from unequal bargaining power, which skews savings-consumption ratios towards systematic underconsumption behaviour in certain influential oligarchic financiers, who drive imperialism and reap its rewards.

This paper analyses Hobson's economic thought, focusing on his economic explanation of 19th century British 'new imperialism', contextualised within his work on welfare, income distribution, consumption, credit, and international macroeconomics.

Presenting the historical, socio-political, and economic background of Hobson's approach, we analyse Hobson's theory and its economic underpinnings. Mathematical framework is formulated where possible and appropriate, for rigour. We demonstrate why New Imperialism persists, to minimise risks of speculative capital investments. Reviewing modern assessments of Hobson's theory and comparing alternative imperialism theories, we investigate the validity of Hobson's contribution, and its importance in economic thought. Finally, we conclude the theory relies on crucial, exogenous political assumptions which are difficult to verify and capture within economic framework.

Keywords: Shachi D. Amdekar, J. A. Hobson, Economics of Imperialism, New Imperialism, University of Durham, University College, Durham University Department of Economics, the scramble of Africa, Richard Cobden, New Liberalism, Keynesian demand efficiency, Harrod-Domar Growth Model, the Lucas Paradox

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