

JOHN A. HOBSON, WELFARE ECONOMIST

by
Gerald Eliot

A Thesis
submitted to the faculty of the
Department of Economics
in partial fulfillment of the requirements for the degree of
MASTER OF ARTS
in the Graduate College, University of Arizona

1953

Approved: A. B. Schmidt,
Director of Thesis

5/3/53
Date

This thesis has been submitted in partial fulfillment of requirements for an advanced degree at the University of Arizona, and is deposited in the Library to be made available to borrowers under rules of the Library.

Brief quotations from this thesis are allowable without special permission, provided that accurate acknowledgment of source is made. Requests for permission for extended quotation from or reproduction of this manuscript, in whole or in part, may be granted by the head of the major department or the Dean of the Graduate College when in their judgment the proposed use of the material is in the interests of scholarship. In all other instances, however, permission must be obtained from the author.

Gerald Eliot

TABLE OF CONTENTS

Chapter	Page
PREFACE	iv
I. INTRODUCTION	1
II. BIOGRAPHICAL SKETCH: JOHN A. HOBSON	5
III. HOBSON'S CRITICISM OF CLASSICAL ECONOMISTS	10
IV. HOBSON'S APPROACH TO WELFARE ECONOMICS	15
Consumption	15
Human Utility of Consumption	15
Class Standards of Consumption	18
Utility	20
Misuse of Productive Energy	20
Misappropriation of Income	31
Organic Society	39
Social Reform through State Intervention	41
Social Functions of Industry	41
Social Control of Business	43
Social Repercussions	47
Social Harmony in Economic Life	50
V. CRITICISM OF HOBSON'S APPROACH TO WELFARE	51
VI. THE REDISCOVERY OF JOHN A. HOBSON	56
APPENDIX	63
A. Biographical Sketch of John Ruskin	64
B. Publications of John A. Hobson	66
BIBLIOGRAPHY	73

PREFACE

The purpose of this work is to set forth a clear picture of a great economist and his theory of welfare. He opined that through conscious effort, a state of social well-being could be obtained. Careful planning was to be the means by which he hoped to attain this goal, not by the automatic operations of a "let alone" principle. Therefore, his problem was to set up an elaborate standard of social welfare, appraising in their complex mutual relations all the elements of a well-ordered social whole. To this end, it was necessary that he establish a theoretical standard of "vital" values in accordance with which society could be reorganized.

John Atkinson Hobson devoted his entire life toward spreading this welfare theory. Therefore, this paper will endeavor to present Mr. Hobson's treatise for the double purpose of revealing the social-reform movement on its theoretical side and of indicating the probable nature of its influence on the development of theory.

CHAPTER I

INTRODUCTION

At the beginning of this century, well over half the population of England consisted of ragged people, dirty people, starving people, unemployed and homeless people. This was the distressing condition of the great mass of the population in England as civilization welcomed its twentieth recorded century. While indigence prevailed, unchangeable economic laws were pointed out by classical and neo-classical economists as causative factors. Such was the setting for the rise in importance of welfare economics, and for the concurrent and catalytic blossoming of John Atkinson Hobson.

The period was an era of uncertain economic and political ideology. Alfred Marshall's book, Principles of Economics (1890), held the supreme position in British academic circles until dethroned by the writings of Lord John Maynard Keynes. Prior to this, dissenters such as Cliffe Lesley, William Ashley, Beatrice and Sidney Webb, and later R.H. Tawney had not been taken seriously by academic economists. They were considered social reformers, historians, sociologists--anything but economists. Orthodox economists felt that they could not support reformers whose policies were

1

contrary to natural economic law.

As years passed, the dissenting forces inexorably grew stronger. Liberals and Socialists found hope in John Stuart Mill's statement that while the laws of production were unchangeable, those of distribution were flexible and could be adapted so as to maximize the national welfare. The trade union movement was spreading, and the Fabian Society strongly advocated social reforms. The voice of the dissenters became louder and louder throughout the Commonwealth. Inevitably the non-conformists ignored small differences in the presence of a common goal and set forth upon a program of cooperation.

While a version of the Ricardian theory of rent as expounded by Mill was being used as an argument for socialism and the Jevons' principle of utility was also employed to this end, Englanders had only to look about themselves and apply objective reasoning, and they could not help but notice the definite gap between academic theory and economic and social reform. John Atkinson Hobson attempted to bridge the existing gulf.

Mr. Hobson was an intense individualist with a great love for humanity and a deep interest in social reform. He was an economic and sociological scholar, a liberal theorist and

1. Philip C. Newman, The Development of Economic Thought (New York: Prentice-Hall, Inc., 1952), p. 317.

school teacher, and a man of energy and determination. He realized that there was a cleavage between social reform and economic theory, and he set about mending it. He attempted to explain, through voluminous writings, lectures, etc., the constitution of inequality and depression, and outlined a new social plan to eliminate them. He spoke much of the "good life" and believed that in seeking it the facts of ethics and economics were the same. He believed in and advocated vehemently the preservation of the essentials of democratic liberty. He saw wealth and welfare as being socially one. In world affairs, he advocated with determination complete collective security.¹ Mr. Hobson ceaselessly strove, not only to bring his native England out of the doldrums of class inequality and poverty, but to set up a doctrine, an economic doctrine of welfare, so that all humanity might be guided into the delights of a paradise-like better life.

S.K. Ratcliffe, in his article about Mr. Hobson in the London Nation, wrote the following eulogy of one whom he considered to be a great humanitarian:

In conferences of many kinds he was a welcome speaker, for he had a happy gift of satiric humor. Whenever the summons came for a public stand upon any one of the issues which to him represented the rights of the citizen and the values of the commonwealth, there promptly and wholeheartedly was he. His name would be given without hesitation; his

1. P.M. Sweezy, "J.A. Hobson's Heresies," Nation; 147:209-210 (August 27, 1938).

voice and pen were at call. His courage was un-failing; he was entirely uncorruptible.

Mr. Ratcliffe concludes with the following statement:

As I finish this very inadequate tribute, I would like to quote a sentence written by Dorothy Thompson about an American, which states: "He has a passion for the preservation of society, which is probably the noblest passion that a human being can have."¹

Perhaps an afterthought may be added with regard to this paper. It was felt that, correlative to the following detailed presentation of John A. Hobson's welfare economics theory, it was necessary to acquaint the reader with the correct setting, a portrayal of circumstances surrounding the development of this theory, so that it may be adjudged in the proper light, not fettered by conditions as they are today. Hence, the foregoing paragraphs. It has also been deemed advisable to include a brief, incisive biography of John A. Hobson so that the reader may gain somewhat of an insight into the why and wherefore of the evolution of his theory of welfare economics.

1. S.K. Ratcliffe, "John A. Hobson," Nation; 150:512-513 (April 20, 1940).

CHAPTER II

BIOGRAPHICAL SKETCH: JOHN A. HOBSON

John Atkinson Hobson was born in Derby, England in 1858 and lived a varied life until he died in 1940. He was a journalist, social reformer, economist, a contemporary dissenter and Liberal who energetically fought against the old set economic doctrines which ruled the economic thinking of his day. Born into a good upper middle-class family, his elementary and secondary schooling was obtained at local schools, after which he attended Lincoln College in Oxford.

It was no doubt provident that he began a study at Oxford in the late seventies, a period when theoretical controversy was beginning to find fruition and the Ricardian system of economics, that which opposed governmental interference, was ebbing. John Ruskin, one of the great social teachers of the era and founder of the Guild of Saint George in 1871 as an experiment with English workers, lectured a great deal at that university.¹ Arnold Toynbee, a profound influential thinker of the period and an advocate of the historical school of economics, was also near at hand much of the time. He and Ruskin had a decided influence upon young Hobson, encouraging

1. See Appendix A for a brief biographical sketch of John Ruskin.

him as he ambitiously attempted to modify current economic theory to fit changing social conditions.

It was primarily from John Ruskin that John A. Hobson got both an attitude and a method of criticism. Mr. Ruskin quite often pointed out what to Mr. Hobson seemed a blatant paradox: that while the masses of England were economically impotent, the British Government was too involved in commercial activity to pay heed to requests for social reform. The presence of this constant reminder served only to strengthen Hobson's confidence in his own reactionary theories.

Leaving Oxford in 1880, Mr. Hobson turned to school teaching and taught at both Faversham and Exeter during the next seven years. At the end of this period he at last became incited to overt action, deciding to devote the greater part of his time to giving university extension lectures to working class groups, hoping to enlighten them as to their position in society and the need for material welfare. The lectures, heretofore on literature, had soon turned to matters nearer to his own heart, shifting to discussions of economic problems which explained the structure of industrial organizations and workingmen's problems from the workers' viewpoint.

The basis of John A. Hobson's make-up was chronic individuality. This individualism continually prevented him from being effective in the field of politics. He was a stalwart Liberal, always wholly detached, finding it impossible to accept any regular party position. Though he sympathized

with the aims of the Socialists, his fears of state bureaucracy kept him from joining the organized Socialist movement. On the other hand, however, he was never tempted by laissez faire. His one attempt at politics was to gain election to Parliament as an Independent, and he was hopelessly defeated.

Mr. Hobson was a prolific writer who published at least twenty-six volumes in addition to the innumerable articles¹ he wrote for periodicals. Much of his work dealt with problems of poverty and unemployment, constantly seeking a solution for better welfare or the "good life." His best known work, and one which shows the versatility of his talent as both economist and writer, is The Evolution of Modern Capitalism (1894). Perhaps his most original contributions were in the fields of welfare, distribution, and the business cycle. His theory on welfare economics is best brought out in Work and Wealth (1914), which contains the most complete outline of his method of abolishing the evils of industrial society. On distribution his most representative works are The Economics of Distribution (1900) and The Industrial System (1909). The best development of his theory of the business cycle is to be found in The Economics of Unemployment (1922). Mr. Hobson's most famous biographies are those of John Ruskin (1898), Richard Cobden (1919), and Thorstein

1. See Appendix B for a listing of Hobson's writings.

Veblen (1936). His articles were mostly treatises concerning current political questions and sociological subjects. From 1906 to 1920, much of his writing was published in the London Nation, with which he had been affiliated since 1897, and various other liberal journals.

Mr. Hobson wrote fast and furiously as well as voluminously and it was, therefore, only natural that defects, i.e., inconsistencies, reversals of previous conclusions, etc., should creep into his writings. As a result, professional economists in England frowned upon his work.

The fact that he so consistently dissented from everything the economists of Oxford and Cambridge held dear may have had something to do with their unfriendly attitude toward him. Mr. Hobson, on the other hand, indicated that it was his unorthodoxy which prevented him from getting a chair in economics in the large universities and, consequently, forced him to lecture to audiences in the provinces. Had he been an American instead of an Englishman, Mr. Hobson's career would presumably have been different than it was, for universities both large and small would probably have competed for his services, and undoubtedly his reputation would have been much more extensive. This fact distressed him until his death, for he could never fully reconcile himself to any calling other than academic.

Nevertheless, he has been accepted as the economic theorist of the middle-class reformers, those concerned with

welfare, not wealth. There has been, not unlike many other great men, a belated but ever-increasing acceptance and popularity of his work. He is the immortal herald for those who take as their slogan the ethical principle, "From each in accordance with his ability and to each in accordance with his needs as a consumer."¹

1. Much of the material cited in this biography has been taken from the following sources:

P.M. Sweezy, "J.A. Hobson's Heresies," Nation; 147: 209-210 (August 27, 1938).

G.D.H. Cole, "J.A. Hobson, 1858-1940," Economic Journal; 50: 351-360 (June 1940).

Paul T. Homan, Contemporary Economic Thought (New York: Harper & Bros., 1928), pp. 283-292.

Frank A. Neff, Economic Doctrines (New York: McGraw-Hill Book Co., 1950), p. 425.

Philip C. Newman, The Development of Economic Thought (New York: Prentice-Hall, Inc., 1952), pp. 318-321.

CHAPTER III

HOBSON'S CRITICISM OF CLASSICAL ECONOMISTS

Mr. Hobson finds fault with classical theory and its originators. He feels that they have shown a gross neglect of the arts of consumption. Too, their use of pecuniary standards of a market price as an index to welfare is another of their fallacies.

He states that the economic system under which we live consists of two complex operations, one being production and the other the consumption of wealth. Wealth as used here refers to all marketable goods and services.

For the most part economists, especially classical economists, have placed consumption in a subordinate role to production. Their main interest is what effect does consumption have upon demand as a factor in problems of price and of production. However, much has been said about production since the methods and tools involved in this procedure are much more exacting and, therefore, attract our attention more readily. Since consumption is less exciting and not too demanding of our energies, it has been sadly overlooked and under-rated. This is a natural mistake and should be corrected in the near future.

In economic science an attempt has been made with the use

of a purely monetary measure to set a value on human effort in industry by its relationship to the production of wealth. There is no noticeable connection in this approach to human welfare, since human beings are treated as machines rather than living organisms with feelings and emotions. Industry must be evaluated on the basis of standards of welfare. The test of welfare is the "good life." The welfare of the individual is important, but remains subordinate to society as a unit.¹

Mr. Hobson states:

Our task, that of devising a method of valuation of industry, will evidently demand that economic processes shall be considered, not only in their bearing upon individual lives, but in their bearing upon the welfare of society.²

Mr. Hobson attempts to substitute qualitative measurement for the quantitative measurements of the academic economists. He realizes that his criterion of welfare would not lend itself readily to objective measurement but feels that this approach is superior to that used by the classical economists, since they place too much emphasis on identifying economic matter with productive equipment rather than on the use and pleasure resulting from consumption. In the following passage he states with directness his criticism of old

1. John A. Hobson, Work and Wealth (New York: Peter-Smith, 1949), pp. 4-9.

2. Ibid., p. 16.

economic measurement:

But how far can these measurements of concrete wealth furnish reliable information regarding the vital values, the human welfare, which all economic processes are designed to yield? Though it will be generally admitted that every increase of economic wealth is in some measure conducive to welfare, every decrease to illfare, nobody will pretend even approximately to declare what the measure is, or to lay down any explicit rules relating wealth to welfare, either for an individual or a nation. Indeed, even the general assumption that every growth of wealth enhances welfare cannot be admitted without qualification. An injurious excess of income is possible for an individual, perhaps for a nation, and the national welfare which an increased volume of wealth seems capable of yielding might be more than cancelled by a distribution which bestowed upon a few an increased share of the larger wealth, or by an aggravation of the toil of the producers.¹

This emphasis on identifying economic matter with productive equipment causes the arts of consumption to receive an inferior place in our economy to the arts of production. Since the ultimate purpose of production is consumption, this situation is bad. This inversion of relationships slights the important point of human welfare in an economy, partially, at least, if not completely.

The thoughts, desires, and relations of human beings are the backbone of the network of businesses, trades, and processes. These essentials seem to be set aside by the classical economists who apparently focus their attentions on the mechanical aspects of industry. Mr. Hobson acknowledges the

1. Hobson, op. cit., p. vii.

fact that in the past years more attention has been given to the psychological supports of the industrial system. Nevertheless, economic science remains distinctively mechanical and unfitted for the task of any human interpretation of industry.

The entire interpretation of economics using the mechanical approach is based on monetary importance. The primary significance of value, cost, and utility is monetary. The appraisal of wealth is in monetary terms; likewise, cost of production and the utility derived in its consumption are evaluated in monetary terms. The thoughts and feelings of human beings, whether they are desires, creative and inventive ideas, or the organization and operation of some productive work, are viewed in the light of their relationship to some monetary end.

When money or wealth is to be considered, the relationship between the vital cost (human effort) of its production and the vital utility (human satisfaction) of its consumption must not be slighted;¹ otherwise it would be impossible to have a human evaluation of industry. By the use of this vital criterion, great discrepancies can be shown between monetary

1. Mr. Hobson has adopted, and he admits it, John Ruskin's usage of "vital value" in order to explain cost and utility in terms of human effort and satisfaction. He hopes to carry this concept of vital value as originally formulated by Mr. Ruskin to its ultimate end, which is the application of the vital standard of valuation to industry, or at least to improve the instruments of survey.

costs and human costs, monetary wealth and vital wealth.

In summary, the following are the three flaws which must be reckoned with when attempting human evaluation using economic science:

1. Laying too much importance upon production at the expense of consumption
2. Using a standard of values which has not been proven as having any reliable or lasting relation to human welfare
3. Attempting to include human action in a mechanical conception of the economic system.

In conclusion, a human valuation of industry should give equal importance to production and consumption, state cost and utility in terms of human pains and gains, and replace the monetary standard of wealth by a standard of well-being.¹

1. Hobson, op. cit., pp. 4-9.

CHAPTER IV

HOBSON'S APPROACH TO WELFARE ECONOMICS

Consumption

Human Utility of Consumption: John A. Hobson believes that there is direct relationship between improved industrial processes and material welfare. The relationship is evident when man is considered both as producer and consumer of goods and services.

The production phase of industry is getting more specialized while consumption is becoming more generalized. The result is that man has become more narrow and specialized on his producing side, wider and more various on his consuming side. The human being as a worker is confined to some part of a process resulting in the completion of an object. As consumer he has his choice of countless items, and his choice will cause vibrations throughout the entire industrial system.

The economy of production is interested in reducing the costs, and Mr. Hobson believes that the economy of consumption should be interested in increasing the utility. At the present time, the latter is not true. There has been much progress made in the field of production due to the profit motive. In the field of production the old ideas have been set aside for expediency, while in the field of consumption

the old article or method of consumption cannot be thrown aside. The reason for this is that in consumption the consumer alone takes the risk and bears the cost.

In order for the producer to maintain a high degree of profit, a large percentage of the total of goods produced, when gauged by proper standards, is of little use and may even be harmful. The producer with his present excessive control can injure and distort the art of consumption in three ways:

1. It imposes, maintains and fosters definitely injurious forms of consumption, the articles of "illth."
2. It degrades or diminishes by adulteration, or by the substitution of inferior materials or workmanship, the utility of many articles of consumption used to satisfy a genuine need.
3. It stimulates the satisfaction of some human wants and depresses the satisfaction of others, not according to their true utility, but according to the more or less profitable character of the several trades which supply these wants.¹

The result of these producer practices is useless commodities and services. These commodities and services, when added together, comprise the unproductive surplus of the country.

There is indeed much production because of the advanced scientific processes, but this production is either the wrong thing or going to the wrong groups who in their turn waste it.

1. John A. Hobson, Work and Wealth (New York: Peter Smith, 1949), p. 112.

Much of this waste results from frivolousness, sport; sham culture, vain display, and drink.

To correct this situation it is necessary that the consumer be educated, especially in the field of cooperation. Consumers' leagues can perhaps do something to check adulteration and the passing of inferior goods.

The organizations that are available at present are powerless against these forces of evil. Therefore, in order to secure sufficient production of useful goods (and this is the only way to insure the good life to all peoples), it is mandatory that waste resulting from rising standards of production be reduced and that productive energy be directed properly. Increased public protection by means of legislation and by administrative acts of prohibition and inspection appears to be the only solution.

There are indeed elements which have disturbing influences in the evolution of standards of consumption. There will always be some waste due to the natural error that is involved when new wants are found and new methods needed to satisfy these wants. But, if man confines these changes in industry and of consumption to the sphere of simple material commodities that have direct bearing upon physical survival, this error and waste can be minimized. In a civilization that does not take the production of utilities necessary for survival as being important, the possibility of error and waste

1

increases without bounds.

Class Standards of Consumption: There are three main factors that determine the class standards of consumption. The first factor includes all the elements in consumption which arise because of the physical environment. The next one is the industrial factor, or the changes in organic needs due directly or indirectly to work. The last, but of equal importance, is the conventional factor, the elements in a standard of consumption resulting from social custom.

It is evident that physical environment controls to a great degree the material standard of consumption, not only the necessities for survival, but also the luxuries and comforts. The advance of transportation and the greater distribution of products have greatly altered the material standard of consumption for many people. This does not necessarily imply waste, but in fact has been advantageous to many countries.

Industrial conditions determined largely by physical environment impose certain methods of living on the worker and his family. His type of work and the energy expended will have to be dealt with in determining his standard of consumption. The industrial influences also extend to the intellectual life of society. Some of the bad elements of intellectual excess are degrading forms of literature, drama, art, and music. Today one of the greatest costs of an

1. Hobson, op. cit., pp. 106-120.

overly-intellectual life is its "culture."

There are many conventional elements that entail waste in our standards of comfort. Several of these expenditures are drinking of alcoholic beverages, funerals, and decorative clothing. Because of these indulgencies, it is said, the misery of the poor is their own fault. Yet some of these expenditures, when under close study, may not appear to be wasteful after all. Can a funeral be considered a waste if it gives dignity and respect to a person who during his lifetime has lived a simple life? This kind of argument, according to Mr. Hobson, should not be pushed too far lest its fallacies show.

Another conventional element is the creation of artificial demand by introducing the results of some new ideas or invention. The new idea or invention may cause waste rather than utility. Under commercialism when the motive for creating profit is greater than the desire to create utility, this waste must result, unless the effect of the invention is to fill some genuinely "long-felt need."

As the amount spent for satisfying material wants increases, so correspondingly does the waste or disutility increase. The greatest amount of waste results from non-material expenditures. The largest source of injurious waste that exists in the wealthier groups will be found in their

expenditures on recreation, education, and charity.¹

Utility

Misuse of Productive Energy: Mr. Hobson claims that the misuse of productive energy deprives the community of really useful goods which it could use.

It is essential to have a method for comparing costs with utility in order to see which is greater for the various occupations. This method is to be used to make an organic appraisal of economic phenomena. The classical view that production is a process which rolls up costs into commodities while consumption unrolls them into utilities is not acceptable to an organic interpretation of industry. Instead, cost and utility, when seen under an analysis of economic processes, would prove alike in their sense of pains and pleasures, organic losses and organic gains. These gains or losses obviously will vary in the different productive and consumptive processes.² In Mr. Hobson's own words:

Now an organic interpretation of industry cannot accept this mode of conceiving the productive and consumptive functions. Considerations of the organic origins of industry lend no support to the assumption that production is all "cost" and no "utility," consumption all "utility" and no "cost." On the contrary, in our human analysis of economic processes we shall rather expect to find costs and utilities, alike in their

1. Hobson, op. cit., pp. 121-145.

2. Ibid., pp. 25-43.

sense of pains and pleasures and of organic losses and organic gains, commingled in various degrees in all productive and consumptive processes.¹

In his discussion of human costs involved in productive activity Mr. Hobson contends that all factors other than land, such as ability, capital, and labor, involve creative and imitative human effort and contain some elements of cost.

Productive activities are to be classified under the following headings: Art, Invention, Professional Service,
2
Organization, Management, Labor, Saving.

The most distinctively creative kind of human work is called art. The human costs involved in the processes of production that are used in creating art are subordinate to the human utility derived. The satisfaction of accomplishment is far superior to the pain of effort and upkeep. An artist supported by the state or some other group will be allowed the freedom of expression needed to produce unique masterpieces. As we go from higher grades of creative art to those which are more or less imitative grades, there are apt to result more human costs of production. People who have to repeat intricate processes many times at short intervals with great exactitude suffer human costs resulting from physical and moral injury. The recompense for invention is common with that of art, because it results from an inward urge which

1. Hobson, op. cit., p. 34.

2. Ibid., p. 43.

makes it more play than work. In the main, artistic and inventive work are creative, enjoyable, vitally serviceable, and costless. There will be times when an artist, painter, or musician may incur human cost. Examples of this would be the painter who debased his work in order to satisfy the bad taste of a rich purchaser, or the musician who is forced to give repetitive performances. However, these cases are exceptions to the general rule.¹

The higher grades of professional and administrative work also result in large yields or utilities over costs. Since the exercise of leadership in organization and management brings to those practicing it a pleasurable feeling of power and an exhilaration from their creative effort, the disutilities of worry and uncertainty are greatly outweighed.

The entrepreneur or business man involved in the complexities of the business world will indeed be faced with great costs in mental wear. It is extremely difficult to assess the human costs involved in this work of speculation and direction.

Among clerks and industrial workers, human costs are great because of the repetitive character of their work. Where the subordinate becomes the mere tool of his master, a heavy cost is entailed. That cost is heavier, indeed, than in ordinary manual routine labor, because it more directly

1. Hobson, op. cit., pp. 44-51.

involves the subordination of the mind and will of the
worker.¹

The laborer or machine tender represents the best example of maximum human costs and a minimum of human utility. He is an example of imitative work, and no creative aspects are demanded of him. His job is to repeat acts as constantly and consistently as a machine, in other words, to become machine-like. The machine tender finds this impossible, and the fight against being mechanized involves much human cost. Though his job attempts to make a specialized mechanism of him, he remains a generalized organism. This attempt at specialization is bad for the laborer because it prohibits the use of his other productive faculties; also, the constant repetition of a simple act can be very degrading. The laborer is affected by injurious fatigue resulting from muscular or nervous overstrain. This fatigue may be caused by excessive duration of labor, excessive specialization, excessive repetition, excessive strain, and excessive speed. This continuance of physical fatigue and nervous strain in the laboring class occupations, especially in mechanized industries, leads to accidents, nervous disorders, lowered morale, and dissipation. Other costs of less weight arising from unhealthful surroundings and sheer monotony of factory industry must be added to these heavier human costs. Yet, credit must be

1. Hobson, op. cit., pp. 52-59.

allowed for release from physical strain through the machine devices which lighten labor. Nevertheless, physical fatigue and its effect on the working class have definite social significance, and their importance must be considered.

Each person expending productive energy will involve a different human cost. It is of vital importance to know if the persons suffering the cost will be able to bear it. The full costs of physical, social, and moral injuries due to changing periods of overwork or underwork have never been realized. The increased use of children and old folks in industry results in human cost increases greatly beyond proper proportions.

The bad human economy of working old persons of declining vigor when able-bodied adult labor is available is so far from being generally recognized that employers are actually commended on the ground of humanity for keeping their aged employees. Fortunately, the larger provision for retiring pensions attests the growing recognition of this aggravation of the human costs of industry. The case of child labor is, of course, the more serious in that it is not only a wasteful strain upon a young body, but will result in even heavier future cost due to stunted growth and impaired efficiency throughout his entire life. Probably the greatest human waste that a nation could permit or practice is the use of women in occupations which damage their health due to excessive fatigue or nervous strain. The misuse of women labor will

reduce their capacity for motherhood and, consequently, disrupt the home. Human costs are also involved when sex discrimination enters into the higher callings. Often qualified women are hindered either by professional, legal, or conventional restrictions from entering skilled and lucrative employment, and are compelled to compete in low-skilled and overstocked labor markets. In most cases, excessive competition which is forced upon women reduces the remuneration below the true level of physical efficiency, induces or compels excessive hours of labor, breaks down the health, and injures their lives.

This general survey of labor shows that the human costs of labor are allied with that subdivision and specialization of activities which in its extreme form is machine tending, the most repetitive activity possible. This is in contrast with the creative aspects of production.

There is not necessarily any correlation between repetition and human costs. The human cost is incurred when this repetition consumes too large a part of the time and energy of the human being. Machine tending is the best example of the greatest cause of this level of repetition.¹

To substitute one person's will for the will of another always involves a human cost. Here, too, the human cost will vary in relation to the circumstances. Loss of liberty and

1. Hobson, op. cit., pp. 79-85.

encroachment upon personality are other human costs.

The above remarks are in no way an attempt to preclude that specialization of labor is not socially beneficial. This specialization can be beneficial if it does not involve severe encroachment on the energy and personality of the workers, thereby resulting in great human costs. This situation can be relieved somewhat if the duration and strain upon the individual are reduced, or if the reward for tolerating this discipline is adequate enough to allow for more liberty.¹

Mr. Hobson considers risk-taking as one of the human costs involved in maintaining the supply of capital needed in a healthy economy. He has the following definitions for risk-taking:

The giving up of a present certain utility or satisfaction for the chance of a larger but less certain satisfaction in the future.²

Everyone who, either by choice or by the necessity of his situation, devotes his personal energies to making any product for the market, or to improving some personal capacity with a view to its productive use, incurs risks.³

Risk-taking of the first definition is the essence of business enterprise. Such enterprise by no means always entails a human cost. In today's modern businesses, the element of risk is present in most cases, and this risk is of a

1. Hobson, op. cit., pp. 85-88.

2. Ibid., p. 89.

3. Ibid., p. 90.

compulsory nature. When this type of risk is present there is, indeed, human cost to the extent that anxiety plays on the business man. This can be either psychological or physical cost.

Risk-taking of the second definition will hold true for most men. The artist or inventor who speculates with his creative ability does not fit into this category.

Risk may be stimulating; but if it grows to great proportions, it then has a depressing effect.

Today, due to the great anxiety involved in seeking advancement for both semi-professional and professional men, and because of the exaggerated competition of the day, this risk of insecurity has increased human costs greatly. Education, one of the important means of relieving this wasteful situation by enabling people to see their plight, has worked¹ in reverse by increasing their worry.

Saving is another human cost involved in maintaining the supply of capital needed for the normal functioning of the economy. When saving, the source of capital, entails sacrifice, it results in human costs. This sacrifice is one of the unevenly distributed human costs.

Saving by the rich class of society involves no sacrifice and, therefore, no human cost. Their incomes are above the amount necessary for the enjoyment of a comfortable

1. Hobson, op. cit., pp. 89-91.

standard of living. The surplus income of the rich, that proportion which is left after all wants including luxuries have been satisfied, is automatically saved. The amount is affected little, if any, by the right of interest since the saving feature is automatic. Thus, human classes with large incomes will tend to contribute to capital a large amount of surplus income because of automatic saving.¹

Saving by the middle-class group of families is of the conscious or thrift type. The middle-class group of families would be those whose income results from efforts in manufacturing, commerce, and the various professional fields. This type of saving is not automatic but involves some conscious sacrifice. The sacrifice is the abstaining or renouncing of some present want in order to have some future satisfaction. This kind of saving incurs no economic cost, as it usually involves the receiving of interest. There is also little, if any, human cost because if interest were not forthcoming, much of this saving would not occur. The acceleration of saving that would result due to a rise in the interest rate will be dependent upon the general desire to be better off and its connection with an inducement to save. If the interest rate goes too high, the volume of saving may decrease because if a person wishes to gather a certain sum, he now has to offer a smaller capital sum than before. Sometimes a high

1. Hobson, op. cit., pp. 91-101.

rate of interest is necessary in order to induce people to save for retirement or to pay off some incurred debt. A rise in the interest rate will stimulate increased conscious saving, but this increase may not be a proportionate one. In the middle-class group, much of the saving will result from the foregoing of luxuries or comforts which, in the true sense, involves no sacrifice of welfare either to the savers or to the society in which they belong. Therefore, this kind of saving creates no human costs. If saving by the middle class reduces the advantages of education or professional training for their children and thus forces them to go into the world less effectively equipped, then some human costs may have occurred. Here is an example of the loss to society, since a certain amount of intellectual or moral capital has been lost.¹

Saving as done by the working classes deserved special consideration because of its effect on the welfare of society. Saving by this group of people constitutes a great amount of human costs since this class has little money that would not be used for consumption purposes. This consumption is of the necessity variety or prime conveniences of life. If the worker saves for future emergencies or purchases, the result will be costly in social welfare.²

Mr. Hobson is against this form of saving. He says:

1. Hobson, op. cit., pp. 101-104.

2. Ibid., pp. 104-105.

No part of the economically necessary fund of annual capital ought to be drawn from this sort of saving. It is literally a coining of human life into instrumental capital, and the degradation of the term "thrift" in its application to such saving is a damning commentary upon the false standard of social valuation which endorses and approves the sacrifice. The forethought, endurance, and other real or supposed benefits to the character of the workers imputed to this "thrift" can no more be regarded as a compensation for such social injury, than can the discipline and fortitude of soldiers be regarded as a testimony to the net human economy of war.¹

In conclusion, it is the small savers and those engaged in manual labor who bear the human costs of production. Saving in most working-class families, since its objective is future security, is purchased through self-denial, stinting of comforts and education, and the surrender of the amenities of cultured life. There is little doubt as to the importance of saving in order for progress, but there should be a satisfactory plan by which the savings can be wisely spent on the industrial system. Furthermore, human beings can and should shape the institutions to satisfy their wants and to fit their needs. Utilities derived from the industrial system should favorably outweigh the human costs which may be involved.

Sport and prestigious leisure are other means of misusing productive energy. Sport of today is based on barbarian standards of value of yesterday. The standards of value are those which divert into lower forms of activity the

1. Hobson, op. cit., p. 105.

energy and interests that should be used in the development of science, art, and literature. In reality, sporting life with its artificiality and excess does not satisfy the human beings involved in it. Boredom is a direct result of this type of endeavor. When confronted with the serious problems that concern us daily, this type of life becomes trivial and meaningless.

Mr. Hobson feels that here, too, costs are incurred, as he states in the following:

A heavier social damage is the economic cost which the expensive futility imposes. For sport involves the largest diversion of unearned income into unproductive expenditure. Not only does it dedicate to extravagant waste a larger share of the land, the labour, and the enterprise of men than any other human error, unless it be war itself, but it steals the play-time of the many to make the over-leisure of the few. If the parasitic power which sustains the sportinglife were taken away, the world would not be duller or more serious. On the contrary, play would be more abundant, freer, more varied, and less artificial in its modes.¹

The solution to this problem of waste, energy expended in sports, would be to use this energy in work and arts, perhaps in agriculture or any field that would add to human welfare.²

Misappropriation of Income: The misappropriation of income deprives the needier groups of the necessities for a satisfactory life.

The human law of distribution functions in both industry

1. Hobson, op. cit., p. 150.

2. Ibid., pp. 146-158.

and society. In industry, the purpose of the human law of distribution is to distribute wealth in proportion to its production and consumption while attempting to minimize the resulting human costs and to maximize the resulting human utility. This feat will not be accomplished by equal contributions of people to their society. Human beings not only differ in strength but in their ability as well, and each must give that which he has.

Since this rule would hold true for saving, as it is foolish to ask those who can ill afford it to save while those with the power do not, why should not labor and capital alike contribute according to their ability? It is also true that, following this same principle, if equality in the distribution of income and goods were attempted great wastes would result. It is evident that a small man working in an office would probably need less nourishment than a big laborer.

Mr. Hobson fully realizes that regardless of the earnestness in distributing income, there will result both inequality and waste. He says:

Equality of opportunity does not imply equality but some inequality of incomes Equality of opportunity involves the distribution of income according to capacity to use it, and to assume an absolute equality of such capacity is absurd.

It may no doubt be urged that it is difficult to measure individual needs and capacities so as to apply the true organic mode of distribution. This is true and any practical rules for adjusting

income, or for distribution of the product, according to needs, will be likely to involve some waste.¹

If no attempt is made to distinguish between people, there² will result an even greater waste.

The distribution of income should be according to need and on a family unit basis. The idea is to ascertain the amount of income needed by a worker to maintain a high level of economic efficiency. Mr. Hobson points out that if the physiological application of the law of human distribution is applied, it is readily seen that there is a direct relationship between the output of physical energy and the intake of food. The organic law of distribution in regarding needs will consider both the unity and the diversity of human nature. The purpose is that all human beings should have at least the minimum standard of life. The factors included in this standard are food, shelter, health, education, and other prime necessities of life.³

He realizes the necessity for differences in the distribution of income to allow for different types of work that various groups may be engaged in. Likewise, the work day should vary with the type of work performed. Only through the experience of trial and error will it be possible to

1. Hobson, op. cit., p. 165.

2. Ibid., pp. 159-165.

3. Ibid., pp. 166-169.

determine what amount of remuneration each worker is to receive. High rents, either for skilled manual work or mental work, will not exist because these rents are dependent on supply and demand which will not exist. Equality of opportunity will further tend to reduce the high prices paid for skilled professionals.¹

When income is distributed unequally, there results a surplus element. The surplus element represents human loss due to wasteful and injurious consumption, also wasteful and injurious production, by increasing human costs and decreasing human utility. This surplus of income should be divided among the people of the society so as to give more to the many. One means of accomplishing this division would be through higher wages for workers. The result would be a higher standard of living, for the once wasteful surplus could now be used in productive consumption.²

Mr. Hobson concludes from this line of reasoning that if this law of distribution were applied properly, it would benefit society. He states:

Thus we see this law of distribution, operative as a purely physical economy in the apportionment of energy for mechanical work, operative as a biological economy through the whole range of organic life, is strictly applicable as a principle of social economy. Its proper application to social industry would enable that system to function

1. Hobson, op. cit., pp. 169-170.

2. Ibid., pp. 178-189.

economically, so as to produce the maximum of human utility with the minimum of human cost.¹

The distribution of income to the factors of production plays a most important part in Mr. Hobson's approach to the misappropriation of income.

In a sense, Mr. Hobson's theory of distribution is similar to the classical approach. He gives much more attention to the classical assumption of pure competition than to the classical theory concerning mobility of the factors of production or individualistic self-interest. He claims there are strong monopolistic forces at work in the economic system, and that these forces cannot be overlooked or explained away as being exceptions.

The industrial system represents a living organism that is involved in constant motion. In one direction there is a flow of goods representing raw materials to the finished product, and at the same time a flow of money in the opposite direction. This flow goes through the same stages regardless of the direction of the flow; and at each stage in production, money is distributed to the various factors of production.

The function of collecting and distributing the money at the different stages of production to the various factors involved is handled by the owners of the instruments of production. There are three levels of returns to the factors of

1. Hobson, op. cit., p. 170.

production instead of just a general return paid to each. These levels of returns are: returns that are necessary for maintenance, those essential for growth, and a surplus unnecessary for social production. These levels of returns should apply to rent (return on land), wages (return on labor), interest (return on capital), and profit (return on enterprise and organization).

Mr. Hobson claims that labor, as a factor of production, does not receive proper consideration. Labor should be paid according to its "labor power." "Labor power" is the result of measuring industrial energy in terms of "power units." The substitution of infinite numbers of categories of labor unit output would be a more equitable way to view workers than the coarse categories of skilled, semi-skilled, and unskilled labor. The worker would then have a direct relationship to his "labor power"; the higher the worker's "labor power," the higher his wages, or, the lower the worker's "labor power," the lower his wages.

He added another concept, one that is similar to the depreciation allowance for machinery. There should be a charge on the income of industry for the repair and depreciation allowance of the laborer's body. The basis for this concept is that the various factors of production should be treated equally. Naturally, the worker whose "labor power" was greater would require a greater sum to keep himself in repair, just as a larger and more efficient machine deserves a larger

depreciation reserve than a smaller and less powerful one.

The money payments that are over and above the amount necessary to attract these factors into production are surpluses. These surpluses can be divided into various groups. Some are productive, that is, needed for growth, while other surpluses, resulting from scarcity, are unproductive. Examples of this kind of unproductive surplus are the rent on land beyond the amount necessary to improve it and interest beyond the rate necessary to increase the supply of capital for natural growth. These unproductive surpluses would be a fine source of state revenue and should be used as such.

The above surpluses cause much dissatisfaction in society. If each factor of production received returns sufficient for natural growth, it would eliminate the injustices. However, in an expanding industrial economy, surpluses are produced and these surpluses in their turn are taken by the elements in the strongest bargaining position.¹

At this point it will be prudent to conclude with an explanation of Mr. Hobson's theory of the determination of a market price.

If there is no element of competition, the price reached, if any, results because of bargaining. By this process of bargaining, the distribution of goods and services is

1. See in general John A. Hobson, The Industrial System (London: Longmans, Green and Co., 1909), p. 328.

accomplished. Competition will not fix the price point; it may only set the area around the lower limit of the price point.

When we have many buyers and sellers in a market, there is a tendency to fix rigid limits for the market price. This does not mean there is a fixed price for if both groups refused to complete the sale at any price other than their upper margin, there would be no sale. The price point that is finally reached will depend upon skillful bargaining, thus proving that there is no competitive price. Competition tends to limit the area around the price that is ultimately reached by bargaining.

The groups involved in this sale can be classified as follows:

1. Those buyers and sellers whose limits were the extremes and, therefore, took no part in the sale. Their actions or presence had no effect on the transaction.
2. The next group of buyers and sellers takes part in the bidding of the market, but since their limits are outside the area wherein the price point lies, they have no direct influence upon the price.
3. The third group of buyers and sellers fixes the area in which the price point lies.
4. Finally, within this area that has been reached, the action of bargaining by a single buyer or seller will set the price point.

In conclusion, every buyer and seller realizes some gain from this bargaining process. This does not imply that there will be an equality of gain for both bargainers, but there may be. The amount of gain that the bargainer realizes will

depend upon his skill as a bargainer and the narrowness of
¹
 the market area.

Organic Society

It would be impossible to have a social interpretation of industry unless society was treated as an organic structure. Mr. Hobson contends that:

Whether society be regarded as an "organism" with a life conceived as comprising and regulating the life of its individuals, in the same manner as a biological organism that of its cells, or an "organization" contrived by individuals entirely for the furtherance of their private ends, it must be treated as a vital structure capable of working well or working ill.²

Society must be regarded as existing for various sorts of human purposes, even though conceived as an organization rather than as an organism. The reason for this situation is that the impulses to form societies are rooted in broad instincts. These instincts are of a gregarious, sexual, and racial nature and can best be described as being organic. Due to the progress of the human mind through the years, these instincts become spiritualized and rationalized but never cease to carry biological significance.

The organic treatment of society is of great importance when considering individual desires as being subordinate to

1. John A. Hobson, The Economics of Distribution (London: The Macmillan Co., 1900), pp. 1-34.

2. Hobson, Work and Wealth, p. 14.

those of society as a unit.

The solution to the problem of welfare can be found only through the collective actions of all the people. Mr. Hobson says that the need for collective action becomes evident when society is considered

... not merely as a number of men and women with social instincts and social aspects of their individual lives, but as a group-life with a collective body, a collective consciousness and will, and capable of realizing a collective vital end.¹

The function of industry is to sustain organic society. Therefore, the importance of the organic conception is evident when an attempt is made to have a human valuation of industrial acts or products. It is necessary that each act and product be valued from the standpoint of the individual and of the society to which he belongs. There should result a harmony of interests in these two areas.

The conflicting forces that are constantly working in a society can only be reconciled and made harmonious in the organic treatment of society. These conflicting forces are Production and Consumption, Cost and Utility, Physical and Spiritual Welfare, and Individual and Social Welfare.

Human welfare should not be merely the welfare of human beings taken as an aggregate, but of society regarded as an organic unity.

1. Hobson, Work and Wealth, p. 15.

2. Ibid., pp. 13-15.

Social Reform through State Intervention

Only through state intervention will it be possible to have a more equitable distribution of income. The new apportionment of income can be accomplished by the use of the rule of the human law of distribution. The rule of the law of distribution implies that the costs of production should be distributed in accordance with the ability of the individuals to bear them, and that goods should be distributed in such a manner as to derive maximum utility from them. This, of course, would necessitate putting the goods into the hands of those classes of the society which have the greatest need for them. Only by the proper distribution of the surplus that is produced by the ever-growing industrial organizations will it be possible to attain a degree of social harmony and contentment. The following reforms will make possible the attainment of this goal.

Social Functions of Industry: Industry has certain social functions which it must perform. One of the functions of industry is to make certain that there is harmony and contentment within its borders. Industry has a responsibility to both labor and capital. The capital that is used in industry is the result of savings from innumerable separate, personal sources. The labor that is used in industry is large numbers of workers welded into a single body of effective

labor power.¹ Capital and labor operate under a common central management and engage in the continuous work of turning out a product, the price of which forms the common income for both capitalists and workers. It is the duty of industry to insure harmony between these two groups. Ordinarily there is a harmony of interests as far as that part of the dividend which forms the economically necessary costs of these masses of capital and labor is concerned. Discord arises between these two groups when surplus emerges in excess of the economic costs.

Mr. Hobson advocates two methods of correcting this situation. One of these methods is that the modern state can and should absorb great shares of this surplus through taxation on incomes and inherited properties, and use it to benefit the community. The other method is that the state or municipality should assume control in industries where the remaining surplus has not been absorbed and internal strife exists. In situations where this action is not possible, the state should intervene on behalf of public order and assist in promoting processes of arbitration or conciliation.

Industry must never lose sight of the fact that its paramount duty is to serve society. It should wisely use the power that it acquires as the various factions within it

1. Cf. p. 36, ante, for a discussion of labor power.

1

consolidate and combine.

Social Control of Business: Social control of business is essential if a state of welfare is to be achieved. Due to the many bad production and consumption practices, the need for this protection is great. These two practices are the major evils of the present situation. Some of the more serious practices are: adulteration, sweating, and the use of deteriorated merchandise.

Mr. Hobson suggests two methods of defense against these bad practices, one of which is the education and cooperation of consumers. In cases where there is greater demand for public protection, legislative and administrative acts of prohibition and inspection should be enacted.

2

To counteract another evil of business, Mr. Hobson advocates direct control in place of the private profit-seeking motive that exists in the normal processes of our industry. This social control is mandatory if the use of any method of social reconstruction is to be attempted.

3

He believes that a comparatively small number of creative and inventive minds play the greatest part in the development of industry. This creative and inventive activity should be fostered and allowed complete freedom of expression.

1. Hobson, Work and Wealth, pp. 228-238.

2. Ibid., p. 113.

3. Ibid., p. 232.

There must be no control on artistic activity, for only under such conditions can great works of art be created. The net human costs of creative work ordinarily are nil. If restrictions are imposed upon the artist that cause him to specialize or to operate under a mechanical routine, there will¹ result large human costs.

Freedom of expression in industry, when it takes the form of invention, should not be hampered by state control. However, there should be limited control on new and experimental industries. Control on new organizations entering the industrial field could be maintained through minimum wage laws and excess profits tax laws.

There should be socialization of most of the professions. The groups engaged in education, hygiene, medicine, and law are examples of the professions that should be socialized. A stoppage or shortage in any of these services, due either to the fixing of excessive rates or prices in order to earn high profits for a trade or profession, inflicts intolerable injuries upon the community. These professions should be made branches of the government.

Industries tending toward monopolistic positions should be socialized in order to protect the consumer as well as to reduce waste. The economic strength of those whose superior advantages have secured for them a position of control will

1. Hobson, Work and Wealth, p. 46.

necessarily operate to make the competition of outsiders difficult and their failure probable. Gains which combination yields will often be consciously used to end the competition of outsiders or to restrict their trade to the less profitable or the more precarious forms of enterprise.¹

All industries of a routine nature, as well as the instruments for production and distribution of power for industries, transportation, agriculture, and domestic uses, are to be socialized.

There should be socialization of all natural resources. As far as relates to issues of conflict between capital and labor, such natural resources are to all intents and purposes capital. These economic rents may not keep pace with profits and other incomes derived from business capital; nevertheless, they probably form an increasing proportion of that income which ranks as "unproductive surplus" and should be advantageously diverted into wages or public revenue.²

Proper wage and social legislation is needed to equitably treat the various groups engaged in industry. The price wage system cannot accomplish the desired distribution of income because even if a worker is doing his best, he may not produce enough to earn a sufficient amount to cover his needs. A low weekly wage and constant employment is far better

1. Hobson, Work and Wealth, p. 185.

2. Ibid., p. 230.

socially than irregular employment with a higher rate. The price of labor should never go below the level that would allow for at least a minimum standard of living.¹

Incomes should be taxed in such a manner that it will tend to equalize income and prevent the corruption of consumption standards by the uneducated tastes of those who had money and nothing else. It could also furnish the expenditure required to raise the standard of consumption of all grades of workers up to the level of a full satisfaction of human needs.²

For the successful achievement of any consciously ordered economic system, one further provision is requisite. A progressive standard of economic life, in the sense of a satisfaction of economic needs and a larger leisure, demands a social control of the growth of population. Therefore, birth control would be necessary in order to satisfy the economic needs of a sound economic system. An economy seeking increased leisure must have increased productivity with decreased output of labor time. If there is no check on the growth of population it is possible that more, rather than less, labor time will be needed to supply the necessary economic needs. This control, of course, involves education rather than legislation.

1. Hobson, Work and Wealth, pp. 195-201.

2. Ibid., p. 188.

Social Repercussions

The result of the suggested reforms would be to divert the unproductive surplus to wages and public funds. The public funds could be used for the enrichment of the common life. It would raise the standard of consumption of all grades of workers to the level where human needs would be satisfied.

This redistribution of income would result in higher wages, which in turn would make the good life available to the masses. Due to an increase in income, the worker would be able to maintain better living conditions. Higher wages coupled with a shorter work day would result in more leisure for the worker. From the standpoint of the worker, the economy of a shorter work day has a double significance. It would also increase the human utility which he can get out of his wages.¹ More leisure will make it possible for the worker to devote time and energy to acquire education and thereby increase his knowledge and his value in his work. The increased knowledge will make possible greater opportunities for advancement and better employment. Society will benefit from this leisure time so far as it will liberate for invention and industrial progress the latent creative energy of countless workers.² More leisure time will make it possible for

1. Hobson, Work and Wealth, pp. 209-210.

2. Ibid., p. 51.

the worker to take part in local and national politics, in local administration, and in numerous forms of voluntary associations which are generally social in the services they¹ render.

Income collected by taxation plus income received from socialized industries would make it possible for the government to supplement the worker's income by offering many public services.

Some of these public services are parks, playgrounds, and public amusements. Art, music, and literature will also be communal supplies. Health services, free education, old-age pensions, and public subsidies toward insurance would be some of the contributions from the state to the higher standard of living which would then be available to all. Although these modes of social provision may be motivated chiefly by considerations of public health and other goods, nevertheless they must rank as contributions to the standard of comfort and well-being of the working-class families who are the special beneficiaries. The adequate administration of these services by society would react upon the standard of life in all classes of the community, causing a change in the relative valuations of wealth. Finally, an incalculable great increase of subjective or real wealth would result due to the

1. Hobson, Work and Wealth, p. 223.

1

changed demands upon industry.

The distribution of income more evenly throughout a capitalist economy plus increased security of life would establish a full and regular demand for the employment of all productive powers, thus allowing for the industrial system to work at full force. There will be an increase in the quantity of the product of industry and also an improvement in the quality of the product. The result will be that progress will be allowed to continue without interruption.

The depressions in the present system are caused by over-saving on the part of the rich who, after reaching a point of satiety, save automatically. This saving amounts to a share of income larger than that which can find productive employment through new investment, or in other words, amounts to withholding large sums of money that could be used to purchase consumer goods which would keep the productive processes in full employment.

The limitation of the growth of population will make possible the full contribution that industry can make to the enlargement of human welfare. The amount of human cost in painful or injurious effort involved in production will be reduced. It will be possible to apportion the economic product among consumers so that it will yield the maximum satisfaction of utility or consumption.

1. Hobson, Work and Wealth, p. 200.

Social Harmony in Economic Life

Mr. Hobson concludes that the collective action of all the suggested reforms would be to have a justly ordered environment in which all the problems such as luxury, poverty, toil, and idleness which plague society will be abolished. This improved environment would do much to raise the moral efficiency of the individual as a wealth producer and consumer. There would be economic security for all people living in this nation. The advantageous use of human abilities and a remolding of human life would be possible. This security would allow for the liberation, realization, and improved condition of other intellectual and spiritual energies at present thwarted by or subordinated to industrialism.

There will be a progressive diminution¹ of the total part played by economic production and consumption in the activities and satisfaction of human life, leaving a larger and longer share of life free for the pursuit of those non-economic ends which are highest in the scale of human values.

1. Hobson, Work and Wealth, p. 237.

CHAPTER V

CRITICISM OF HOBSON'S APPROACH TO WELFARE

John A. Hobson's treatise of welfare economics contains no theory of appraisal of social classes on the basis of the social functions which they perform or should be made to perform.¹ The logical treatment for the problem which he undertakes would appear to be a careful comparison of the content of social welfare in a society stratified on pecuniary lines such as ours and in the possible alternatives to such a society; yet nothing of this appears in his treatise. With the exception of an occasional and inconsequential reference to property,² It is evident that the treatise neglects for the most part the whole of the institutional framework of society.

He has unwisely omitted the common standards of social justice, the theory of individual liberty, the principles of

1. This is the most logical place for a definition of welfare economics. "Welfare economics is the branch of economic science that attempts to establish and apply criteria of propriety to economic policies. Welfare indicator is defined as follows: Welfare increases (decreases) whenever one or more individuals become more (less) satisfied without any other individuals becoming less (more) satisfied." This includes all persons in the community. Melvin W. Reder, Studies in the Theory of Welfare Economics (New York: Columbia University Press, 1949), pp. 13-15.

2. John A. Hobson, Work and Wealth (New York: Peter Smith, 1949), p. 230.

contract, the right of inheritance, and similar conventions. Here, in the conventies, lies the real battlefield between opposing industrial interests. It seems plausible to surmise, from Mr. Hobson's silence on these important issues, that he is one of the individualists whose theories rest upon the assumption of the immutability of the prevailing institutional system.¹

Therefore, it is not surprising that under close scrutiny his standards of justification at times betray the same individualistic habits of mind. For instance, instead of seeking to determine the contemporary or future contributions of institutions to social welfare, he vindicates or condemns institutions and their practices by going back to origins and applying standards of personal ethics.² When his conception of earned and unearned incomes is examined, a conception based upon the individualistic assumption of a direct casual relationship between a personal productive contribution and its pecuniary reward,³ the same habit is found.

Mr. Hamilton, in his article in the Journal of Political Economy, finds the following three flaws in Mr. Hobson's organic viewpoint.

1. W.H. Hamilton, "Economic Theory and 'Social Reform': Hobson's Work and Wealth," Journal of Political Economy; 23: 562-584 (June 1915).

2. Hobson, op. cit., pp. 19-27.

3. Ibid., pp. 184-189.

1. The organic viewpoint does not allow the consideration of the utilities and costs incidental to particular acts of consumption and production to be confined to the psychological and physical effects of such acts upon the individuals directly performing them. It demands a recognition of other utilities and costs which can be located only in the process as a whole. A simple illustration of this would be:

A utility results from the consumption of wholesome food by the president of a large corporation; but this utility cannot be appraised exclusively, or even primarily, by the gastric satisfactions experienced by the consumer. Nutritious food is a necessary instrument in rendering a person fit for the exercise of a superior quality of judgment, and this is likely to result in innumerable utilities to a large number of persons. Likewise the costs incurred by an inventor in the dark days when he is working in a garret lead to a premature cutting off of his life and a decrease in the number of devices which otherwise he might have turned out.¹

Thus, the cost of the inventor's early days of privation must be considered. The magnitude of such indirect utilities and costs may be sufficient to entitle them to be even more intimately associated with the social objective than those immediately experienced by the individuals directly affected. Due to the method of the calculus, this larger class of indirect utilities and costs is excluded. Too, the magnitudes of the individual feeling, definitely ascertainable by the process of the calculus, are not the pure terms which are sought for their quantitative expression and, in many cases,

1. Hamilton, op. cit., p. 574.

their very existence depend upon the rest of the situation.

2. The organic viewpoint demands that the appraisal of individuals and classes should be in accordance with the social functions which they perform.

Clearly utilities and costs experienced by the executive of a responsible government, by the commanding general of an active army, or by the administrative head of a large enterprise are to be considered of much greater moment than those of ordinary citizens, soldiers, or laborers. This is not because special favors are due the particular individuals who occupy such positions, but because the welfare of the group as a whole demands that the occupants of such offices should be given the means necessary to the successful discharge of extremely difficult duties.¹

To accomplish the above, it would require that society be divided into innumerable numbers of functionaries with different social ratings. The weighting of the utilities and costs experienced by the individuals and classes in question would be the end result of such a scheme of ratings. The calculus is a mere instrument and, consequently, valueless for such a task. Since it can only calculate on the basis of ratings otherwise determined, the actual making of the ratings must be based upon a conception of the social situation that is deemed desirable.

3. The organic method requires that a careful comparison be made between future utilities and costs. The ultimate goal of social reform is the reorganization of society in

1. Hamilton, op. cit., p. 575.

such a manner that the individuals and classes will occupy in the general scheme of things positions which will be most beneficial to all. Social changes are qualitative and quantitative. The values of individuals and classes are changed because they are now placed in new situations; this creates enough unlikeness to make the two states incommensurable in any strictly quantitative sense. Due to the indefiniteness of the terms, present and future, it is impossible for the calculus to determine the consideration that must be given to present and future interests. It is impossible to express the values from each in terms of individual utilities and disutilities.

For these three reasons, Mr. Hobson cannot use the organic viewpoint as a means of determining social welfare.¹

1. Hamilton, op. cit., pp. 574-576.

CHAPTER VI

THE REDISCOVERY OF JOHN A. HOBSON

John Atkinson Hobson, the humanitarian, is to be respected and admired. No man ever made a more daring attempt to cope with the problems arising from everyday economic activities that affect the functioning of human life to the core.

He was one of the first modern authors to champion publicly the idea that under-consumption was the cause of business cycles. His theory was that oversaving and under-spending could and did exist, and that they constituted a disease of the industrial system and a cause of recurrent periods of depression and unemployment. His theory is that in modern society the incomes of the wealthy rise more rapidly than their expenditures, and this naturally leads to greater saving. If this saving is invested in productive enterprise, there results an increase in the supply of goods and an increase in the income of the investors. Therefore, markets eventually become glutted with goods that cannot be sold at a profit because too much of the potential purchasing power has been saved. The upswing occurs when prices fall sufficiently to clear the market of goods. Then saving and spending are once again in balance and profitable investment

slowly returns. But soon the process begins again, resulting in a new crisis. The immediate cause of the crisis is over-saving; fundamentally it is caused by the great disparities of income between rich and poor which make saving automatic for the wealthy.¹ For this he was labeled as "unsound" by his contemporaries. For example, Mr. A.W. Flux in The Economic Journal had the following to say:

We find much that stimulates to careful and precise thought in his book, were it only that one is driven to try to follow the process by which, with premises in many respects of the soundest, he finds himself at variance with the mode of treatment and many of the results of sound thinkers.... In some respects we have been pleasantly surprised to find that this book not only did not repeat some conclusions in previous works of the same author which we believe to be faulty, but even set forth, in some sort, a refutation of them.²

Mr. J.M. Keynes' comment of Mr. Hobson as stated in The Economic Journal is that:

One comes to a book by Mr. Hobson with mixed feelings, in hope of stimulating ideas and of

1. Criticism of this theory is as follows:

"Prosperity turns to recession when the full power of production, made possible in the early part of the revival, is finally brought into operation. Thus, not over-saving or under-consumption but an over-supply of 'consumer's' goods causes the recession...."

"Another explanation claims that wages fail to rise swiftly enough during the boom period, causing excessive profits. A dangerous credit inflation follows which ultimately collapses when wages finally reach their normal relation to profits, and raise costs of production." John W. McConnell, The Basic Teachings of the Great Economists (New York: The New Home Library, 1943), pp. 269-270.

2. A.W. Flux, "Economics of Distribution," The Economic Journal; 10:380 (1900).

some fruitful criticisms of orthodoxy from an independent and individual standpoint, but expectant also of much sophistry, misunderstanding, and perverse thought.... This book is a very bad one made much worse than a really stupid book could be, by exactly those characteristics of cleverness and intermittent reasonableness which have borne good fruit in the past.¹

At long last, the economists of today are coming to understand that there is much more in his heterodox notions than they were previously willing to believe, even though the plain facts which verified his argument had for some time been staring them in the face.² Today the central idea of his original heresy has been adopted in altered form and with a shifted emphasis by economists of unquestionable standing. Around it centers what is perhaps the most active and potent body of frontier thinking. John M. Keynes, who had previously frowned on Mr. Hobson's work, now gave him due recognition as the re-discoverer of the under-consumption theory of the cycle.³ It was from the book Physiology of Industry written by Mr. Hobson and Mr. Mummery that Lord Keynes drew the above conclusion. In this book Mr. Hobson attacked the prevailing doctrine of thrift and saving when he said:

1. J.M. Keynes, "Gold, Prices and Wages," The Economic Journal; 23:393 (September 1913).

2. G.D.H. Cole, "J.A. Hobson, 1858-1940," The Economic Journal; 50:351-360 (June 1940).

3. See in General John M. Keynes, The General Theory of Employment, Interest, and Money (London: Macmillan and Co., 1935), p. 403.

We are thus brought to the conclusion that the basis on which all economic teaching since Adam Smith has stood, viz, that the quantity annually produced is determined by the Aggregates of Natural Agents, Capital, and Labour available, is erroneous, and that, on the contrary, the quantity produced, while it can never exceed the limits imposed by these aggregates, may be and actually is, reduced far below this maximum by the check that undue saving and the consequent accumulation of over-supply exerts on production; i.e., that in the normal state of modern industrial communities, consumption limits production and not production consumption.¹

Serious investigation of this former heresy has become unqualifiedly respectable. It is true that Mr. Hobson's view differed, especially in later formulations, from the present theories which emphasize under-investment relative to savings. He believed that excessive investment, relative to demand, was socially unprofitable and unprofitable to business as a whole, and would destroy the value of previously existing investments in ways that were socially parasitic. This feature should not be rejected merely because the present emphasis lies elsewhere. It may deserve a place in a balanced synthesis, as a step in the process leading to a falling-off in investment.²

He has rendered distinguished service to the cause of economics by demanding that professional economists take fresh stock of themselves, forcing them in greater or less

1. John A. Hobson and A.F. Mummery, The Physiology of Industry (London: J. Murray, 1889), p. vi.

2. John M. Clark, Preface to Social Economics (New York: Farrar and Rinehart, Inc., 1936), p. 356.

degree, to reconsider the premises upon which they have been proceeding. By forcing economists to give attention to subjects generally regarded as being beyond their frontiers, he has raised anew the issue as to what is or should be the subject of economics and has brought considerable pressure to bear in favor of a broad interpretation of the confines of this particular science. He has caused economists to examine again their techniques and to re-estimate their use in the world of today. The following lines taken from The Physiology of Industry are an example of the literary pressure exerted on his contemporaries:

That the conclusion should have survived the argument on which it logically stood (the wage fund doctrine) can be explained on no other hypothesis than the commanding authority of the great men who asserted it. Economic critics have ventured to attack the theory in details, but they have shrunk appalled from touching its main conclusions. Our purpose is to show that these conclusions are not tenable, that an undue exercise of the habit of saving is possible, and that such undue exercise impoverishes the community, throws laborers out of work, drives down wages, and spreads that gloom and prostration through the commercial world which is known as Depression in Trade¹

By proposing specific solutions to certain fundamental questions, using the language of the common man, he has done vastly more than the average economist to interest the mass of people in at least some of the problems with which economists have to deal. Without doubt he has made economics a

1. Hobson and Munnery, op. cit., pp. iii-v.

live thing in the minds of countless people who otherwise might never have been aroused. For this feat, if for nothing else, he deserves the plaudits of fellow workers.

By insisting that the subject matter of economics is human beings with their "trials and tribulations," he has brought attention to the phase of social science that at times separates itself from considerations of human welfare. Their welfare is the paramount claim upon the attention of social scientists.

He has done much toward reducing the "social reform" movement to a definite theoretical statement. His larger constructive outlook has enabled him to free the movement from its crudities, its vapid aspirations, and its grosser inconsistencies. His resourcefulness has enabled him to formulate, in part at least, a constructive program and to support vigorously even proposals which seem to run afoul of economic principles.

As John M. Keynes aptly said, John Hobson is a leading light

... in the brave army of heretics ... who, following their intuitions, have preferred to see the truth obscurely and imperfectly rather than to maintain error, reached indeed with clearness and consistency and by easy logic,¹ but on hypotheses inappropriate to the facts.¹

Mr. Hobson's acquaintance with economic literature, as

1. Keynes, "Gold, Prices and Wages," op. cit., p. 371.

evidenced by his previous contributions to it, has rendered him particularly fit to formulate the protest against the theory of the schools.

There has been much acceptance of his belief that rational control of social processes is necessary for the betterment of the general welfare. Today when examining the economic structure of many countries, it is possible to see the effect of his ideas.

It is believed by some that the work of John A. Hobson should and can rank among the more important contributions to economic thought during the present century. Mr. Paul M. Sweezy, in an article from the Nation, called him "...one of the really original and progressive economists of the last half-century."¹

1. P.M. Sweezy, "J.A. Hobson's Heresies," Nation; 147: 210 (August 27, 1938).

A P P E N D I X

APPENDIX A

BIOGRAPHICAL SKETCH OF JOHN RUSKIN

John Ruskin (1819-1900) was a wealthy Londoner who used his money to aid people and to further social advancement. Originally he was an art critic, but tiring of this he devoted his energies to writing essays. The main theme of his writings was that art must serve socially and morally as purely esthetic ends. Devoting himself completely now to the economic and social problems of his people, he wrote Political Economy of Art (London, 1857) and two brief books, Unto this Last and Munera Pulveris (1860's).

He wrote strong criticism against the classical economists, claiming that they misused the concept of economics. It was his belief that economics must move in the direction of human welfare and that the only wealth is life itself.

He treated profit and interest as usury, claiming that the important economic function was production and that the mere change of goods was entitled to no reward.

In spite of the poverty and degradation he saw in England at that time, he did not favor Parliamentary reform. Socialists claimed that Ruskin was one of them, but he professed to be a Tory. Actually, it would seem he was a Romanticist seeking inspiration in the great art and architecture

of the past. Much of his thinking was shaded by the influence of Thomas Carlyle.

John Ruskin believed that in an ideal society, socialism would be the salvation of the masses if regulated by a minority of superior minds.

Though his ideas as originally presented were received with much resentment and attack, many of them were accepted in the following years. Examples of these accepted ideas would be emphasis on arts and crafts, university classes for workers, and public works for the unemployed. John Hobson¹ called him the greatest social teacher of his age.

1. Philip C. Newman, The Development of Economic Thought (New York: Prentice-Hall, Inc.), pp. 319-320.

APPENDIX B

PUBLICATIONS OF JOHN A. HOBSON

Books

- Canada To-day. London: T.F. Unwin, 1906. 143 pp.
- Causes of the Rise in Prices. Washington: Government Printing Office, 1912. 10 pp.
- The Conditions of Industrial Peace. London: G. Allen and Unwin, Ltd., 1927. 123 pp.
- Confessions of an Economic Heretic. London: G. Allen and Unwin, Ltd., 1938. 217 pp.
- Co-operative Labour Upon the Land (and other Papers). New York: C. Scribner's Sons, 1895. 140 pp.
- The Crisis of Liberalism. London: P.S. King and Son, 1909. 284 pp.
- Democracy After the War. London: G. Allen and Unwin, Ltd., 1919. 217 pp.
- Democracy and a Changing Civilization. London: John Lane, 1934. 170 pp.
- An Economic Interpretation of Investment. London: The Financial Review of Reviews, 1911. 154 pp.
- Economics and Ethics. New York: D.C. Heath and Company, 1929. 489 pp.
- The Economics of Distribution. London: The Macmillan Company, 1900. 361 pp.
- The Economics of Reparation. London: G. Allen and Unwin, Ltd., 1921. 32 pp.
- The Economics of Unemployment. London: G. Allen and Unwin, Ltd., 1931. 157 pp.

The Evolution of Modern Capitalism. London: W. Scott, 1898.
388 pp.

Free-thought in the Social Sciences. London: G. Allen and Unwin, Ltd., 1926. 288 pp.

From Capitalism to Socialism. London: L. and Virginia Woolf at the Hogarth Press, 1932. 53 pp.

The Fruits of American Protection. London: Cassell and Company, 1907. 56 pp.

The German Panic. Westminster: The Cobden Club, 1913.
30 pp.

God and Mammon. New York: The Macmillan Company, 1931.
58 pp.

Gold, Prices and Wages with an Examination of the Quantity Theory. London: Methuen and Company, Ltd., 1913.
181 pp.

Imperialism. London: G. Allen and Unwin, Ltd., 1938. 386 pp.

Incentives in the New Industrial Order. New York: Thomas Seltzer, 1923. 160 pp.

The Industrial System. London: Longmans, Green and Company, 1909. 328 pp.

International Trade. London: Methuen and Company, 1904.
202 pp.

John Ruskin, Social Reformer. Boston: D. Estes and Company, 1898. 357 pp.

L.T. Hobhouse. London: G. Allen and Unwin, Ltd., 1931.
360 pp.

A Modern Outlook. London: Herbert and Daniel, 1910. 317 pp.

The Morals of Economic Internationalism. New York: Houghton Mifflin Company, 1920. 69 pp.

The New Protectionism. New York: G.P. Putnam's Sons, 1916.
153 pp.

Notes on Law and Order. London: L. and Virginia Woolf, 1926.
30 pp.

The Obstacles to Economic Recovery in Europe. London: Fight the Famine Council, 1920. 7 pp.

Physiology of Industry. London: J. Murray, 1889. 110 pp.

Poverty in Plenty. New York: The Macmillan Company, 1932. 92 pp.

The Problem of the Unemployed. London: Methuen and Company, 1896. 163 pp.

Problems of a New World. London: G. Allen and Unwin, Ltd., 1921. 277 pp.

Problems of Poverty. London: Methuen and Company, 1899. 232 pp.

Property and Improperly. London: V. Gollancz, Ltd., 1937. 223 pp.

The Psychology of Jingoism. London: G. Richards, 1901. 139 pp.

Rationalism and Humanism. London: Watts and Company, 1933. 48 pp.

Rationalization and Unemployment. New York: Macmillan, 1930. 126 pp.

The Recording Angel. London: G. Allen and Unwin, Ltd., 1932. 126 pp.

Richard Cobden, the International Man. London: T. Fisher Unwin, 1919. 415 pp.

The Science of Wealth. London: Williams and Morgate, 1911. 256 pp.

The Social Problem. London: J. Nisbet and Company, Ltd., 1909. 295 pp.

Some Aspects of Recent British Economics. Chicago: The University of Chicago Press, 1923. 134 pp.

Taxation in the New State. London: Methuen and Company, Ltd., 1919. 254 pp.

Thorstein Veblen. New York: J. Wiley and Sons, Inc., 1937. 227 pp.

Towards International Government. London: G. Allen and Unwin, Ltd., 1915. 216 pp.

Traffic in Treason. London: T.F. Unwin, 1914. 63 pp.

The War in South Africa. New York: The Macmillan Company, 1900. 324 pp.

Wealth and Life. London: Macmillan and Company, Ltd., 1929. 489 pp.

Work and Wealth, a Human Valuation. New York: Peter Smith, 1949. 242 pp.

Periodical Articles

"American and Internationalism," Nation; 120:599-600 (May 27, 1925).

"America's Place in the World," Contemporary Review; 188:13-21 (July 1920).

"Blundering British Budget," Nation; 133:328 (September 31, 1931).

"Britain's Prosperity," New Republic; 6:339-341 (April 29, 1916).

"Britain's Protective Budget," Nation; 134:568-569 (May 18, 1932).

"Britain's Public Finance," Nation; 109:456-457 (October 4, 1919).

"Britain's Vanishing Farmer," Nation; 130:714-715 (June 18, 1930).

"British Empire in Conference," Nation; 131:662 (December 10, 1930).

"Coming Taxation," Contemporary Review; 108:284-295 (September 1915).

"Crisis in British Politics," Nation; 128:581-582 (May 15, 1929).

"Cry for Productivity," Nation; 120:290-291 (March 18, 1925).

- "Economic Union of Europe," Contemporary Review; 130:290-297 (September 1926).
- "Economic Urge Toward Free Trade," Nation; 121:24-25 (July 1, 1925).
- "Economics of Reparation," Nation; 113:243-250 (August 31, 1921).
- "Economy of High Wages," Contemporary Review; 64:811-827 (December 1893).
- "England's Changing War-mind," New Republic; 4:171-175 (September 18, 1915).
- "England's Coal Tragedy," Nation; 128:39-40 (January 9, 1929).
- "England's Industrial Outlook," Nation; 127:446-448 (October 31, 1928).
- "England's Plunge into Protection," Nation; 113:398-399 (October 12, 1921).
- "Free Trade and British Labor," Nation; 128:184-185 (February 13, 1929).
- "Free Trade and Foreign Policy," Contemporary Review; 74:167-180 (August 1898).
- "German Indemnity," Nation; 112:370-371 (March 9, 1921).
- "Gold Standard," Nation; 120:487-488 (April 29, 1925).
- "How Can England Pay the Bill," New Republic; 3:255-257 (July 10, 1915).
- "Influence of Machinery upon Employment," Political Science Quarterly; 8:97-123 (March 1893).
- "Law of Three Rents," Quarterly Journal of Economics; 5:263-288 (April 1891).
- "Liberal Revival in England," Nation; 126:689-690 (June 20, 1928).
- "Lloyd George's Land Campaign," Nation; 121:542-543 (November 11, 1925).
- "Modern Civilization on Trial," Contemporary Review; 140:298-303 (September 1931).

- "Neo-Classical Economics in Britain," Political Science Quarterly; 40:337-383 (September 1925).
- "New Industrial Revolution," Contemporary Review; 118:638-645 (November 1920).
- "New Protectionists," 19th Century; 108:310-322 (September 1930).
- "Off the Gold Standard," Contemporary Review; 140:554-559 (November 1931).
- "Origins of the International Labour Organization," Contemporary Review; 147:497-499 (April 1935).
- "Peace that is Inconclusive," New Republic; 5:17-19 (November 6, 1915).
- "Recovery in Great Britain," Nation; 138:588-590 (May 23, 1934).
- "Rival Economic Systems in Europe," Contemporary Review; 109:193-202 (February 1916).
- "Roosevelt's Triumph," Contemporary Review; 150:649-655 (December 1936).
- "Ruskin and Democracy," Contemporary Review; 81:103-112 (January 1902).
- "Scientific Basis of Imperialism," Political Science Quarterly; 17:460-489 (September 1902).
- "Socialism in Britain and America," Nation; 120:408-410 (April 15, 1925).
- "Tariff Victory in Britain," Nation; 134:393-394 (April 6, 1932).
- "Unemployment in England," Nation; 130:96-97 (January 22, 1930).
- "United States of Europe," Nation; 129:484-485 (October 30, 1929).
- "War in its Effect on Work and Wages," Fortune; 103:144-154 (January 1915).

"Will America Stop Another War," New Republic; 91:224 (June 30, 1937).

"World's Economic Crisis," Nation; 135:53-54 (July 20, 1932).

BIBLIOGRAPHY

Books

- Abels, Jules, The Welfare State, a Mortgage on America's Future. New York: Duell, Sloan and Pearce, 1951. 214 pp.
- Brailsford, Henry N., Life Work of J.A. Hobson. New York: Oxford University Press, 1928. 29 pp.
- Clark, John M., Preface to Social Economics. New York: Farrar and Rinehart, Inc., 1936. 435 pp.
- Davenport, H.J., Value and Distribution. Chicago: The University of Chicago Press, 1908. 582 pp.
- Due, John F., Intermediate Economic Analysis. Chicago: Richard D. Irwin, Inc., 1950. 566 pp.
- Earley, James S., Economic Theory in Review. Bloomington: Indiana University, 1950. 126 pp.
- Ferguson, John M., Landmarks of Economic Thought. New York: Longmans, Green and Company, 1948. 299 pp.
- Haley, Bernard F., A Survey of Contemporary Economics. Chicago: Richard D. Irwin, Inc., 1952. 474 pp.
- Haney, Louis H., History of Economic Thought. New York: The Macmillan Company, 1949. 996 pp.
- Hobson, John A., The Economics of Distribution. London: The Macmillan Company, 1900. 361 pp.
- _____, The Evolution of Modern Capitalism. London: W. Scott, 1898. 388 pp.
- _____, The Industrial System. London: Longmans, Green and Company, 1909. 328 pp.
- Hobson, John A. and A.F. Mummery, The Physiology of Industry. London: J. Murray, 1889. 205 pp.

- Hobson, John A., Wealth and Life. London: Macmillan and Company, 1929. 489 pp.
- _____, Work and Wealth. New York: Peter Smith, 1949. 242 pp.
- Homan, Paul T., Contemporary Economic Thought. New York: Harper and Bros., 1928. 475 pp.
- Keynes, John M., The General Theory of Employment, Interest and Money. London: Macmillan and Company, 1936. 403 pp.
- Little, Ian M., A Critique of Welfare Economics. London: Oxford Clarendon Press, 1950. 275 pp.
- Marx, Herbert L., The Welfare State. New York: Wilson, 1950. 212 pp.
- McConnell, John W., The Basic Teachings of the Great Economists. New York: The New Home Library, 1943. 367 pp.
- Neff, Frank A., Economic Doctrines. New York: McGraw-Hill Book Company, Inc., 1950. 532 pp.
- Newman, Philip C., The Development of Economic Thought. New York: Prentice-Hall, Inc., 1952. 456 pp.
- Pigou, Arthur C., The Economics of Welfare. London: Macmillan and Company, 1932. 837 pp.
- Reder, Melvin W., Studies in the Theory of Welfare Economics. New York: Columbia University Press, 1949. 208 pp.
- Scitovsky, Tibor, Welfare and Competition. Chicago: R.D. Irwin, 1951. 457 pp.
- Slichter, Sumner H., Modern Economic Society. New York: Henry Holt and Company, 1931. 909 pp.
- Spiegel, Henry W., Development of Economic Thought. New York: John Wiley and Sons, Inc., 1952. 811 pp.
- Watkins, George P., Welfare as an Economic Quantity. New York: Houghton Mifflin Company, 1915. 191 pp.

Periodical Articles

- Arrow, K.J., "Little's Critique of Welfare Economics," American Economic Review; 41:923-934 (December 1951).
- Burns, C.D., "J.A. Hobson," Nation; 459-460 (April 6, 1940).
- Clark, J.M., "John A. Hobson, Heretic and Pioneer," Journal of Social Philosophy; 5:356-359 (1939-1940).
- Cole, G.D.H., "J.A. Hobson, 1858-1940," The Economic Journal; 50:351-360 (June 1940).
- Flux, A.W., "Economics of Distribution," The Economic Journal; 10:380-385 (1900).
- Hamilton, W.H., "Economic Theory and Social Reform: Hobson's Work and Wealth," Journal of Political Economy; 23:562-584 (June 1915).
- Hobson, J.A., "Law of the Three Rents," Quarterly Journal of Economics; 5:263-288 (April 1891).
- Keynes, J.M., "Gold, Prices and Wages," The Economic Journal; 23:393-398 (September 1913).
- Mirkowich, N., "The Economics of John A. Hobson," Indian Journal of Economics; 23:175-185 (1942).
- Pigou, A.C., "Some Aspects of Welfare Economics," American Economic Review; 41:287-302 (June 1951).
- Ratcliffe, S.K., "John A. Hobson," Nation; 150:512-513 (April 20, 1940).
- Reder, M.W., "Theories of Welfare Economics by H. Myint," Journal of Political Economy; 58:158-161 (April 1950).
- Scitovsky, T., "State of Welfare Economics," American Economic Review; 41:303-315 (June 1951).
- Sweezy, P.M., "J.A. Hobson's Heresies," Nation; 147:209-210 (August 27, 1938).