

## HOBSBAWM'S CAPITALISM\*

*Donald Sassoon*

Eric Hobsbawm would have particularly revelled in the irony of a report in the «Financial Times» which chronicles a conference that had taken place on 11 November 2013 hosted by the Treasury. This had been called not to discuss the global downturn – as one would have expected – but the crisis in the teaching of economics<sup>1</sup>. The participants included academics and economists as well as the financier and philanthropist George Soros and Paul Volcker, Chair of the Us Federal Reserve between 1979 and 1987. Eric would have loved to be there and say his bit on the unchanged nature of economic texts in the face of changing economic circumstances.

Wendy Carlin, professor of economics at University College London, said students had become «disenchanted» and lecturers «embarrassed» by the way economics is taught. Martin Wolf, the «Financial Times»'s chief economics commentator, said the trend towards abstract mathematical modeling in economics was a «Faustian bargain» designed to give the subject more intellectual clout than it deserves. A letter signed by professors of economics in the «Guardian» (18 November 2013) complained that «students can now complete a degree in economics without having been exposed to the theories of Keynes, Marx, or Minsky, and without having learned about the Great Depression».

The same old stuff was taught to new generations even though many professional economists had failed to spot the looming credit crunch and the recession of 2008. An idealized picture of the functioning of the economy was conjured up against a background of profound disfunctionality. Anxieties

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<sup>1</sup> «*Dismal science*» seeks fresh thinking after failure in crisis, in «Financial Times», 11 November 2013, <http://www.ft.com/cms/s/2/f015a3ac-4aed-11e3-ac3d-00144feabdc0.html#axzz2kde4E5Gc>.

about the failure to understand capitalism had been growing over the years. The July 2013 edition of the newsletter of Royal Economic Society called for a return to the study of the classics, including Marx<sup>2</sup>. In April 2012 the Bank of England, not quite a nest of Marxists, sponsored a conference to discuss with academics and employers the shortcomings in the knowledge and skills of young people taught economics in British universities. Many agreed that the discipline had become unduly narrow and reductive, and that current economic models did not bear any connection with reality but went on being used because, as Keynes famously wrote in the concluding notes of *The General Theory*, «Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back»<sup>3</sup>.

Hobsbawm saw the crisis that started in 2007-8 as some sort of vindication. He was pleased not so much at the prospect of Marx «coming back» (in his view Marx had always been around) but at the prospect that his real *bête noire*, unregulated capitalism, was in trouble. In any case for him «going back» to Marx could not have meant going back to some formulaic Marxism, the rigid Marxism which had been embraced by so many in the communist and left movements. Going back to Marxism meant going back to the complex analysis of capitalism he never ceased to pursue since his younger days.

In 1954 – he was only 36 – Hobsbawm published in «Past and Present» two articles setting out the conditions for the rise of capitalism in England<sup>4</sup>.

Remember 1954. Stalin had died the previous year. The Cold War was at its height. The kind of «marxism» which prevailed in central and eastern Europe and in some quarters in the West, had, as he wrote later, no apparent relevance to anyone<sup>5</sup>. But the Marxism exhibited in the two «Past and Present» articles was a living thing. It was a complex analysis which sought to explain the rise of capitalism in the circumstances of the European economy in the 17th century. It was not based on a theoretical formula, the sort of procedure where one looks for the facts with which to substantiate the theory. It was a research programme meant to investigate the following factors:

1. To what extent and how was the social structure of feudal or agrarian society «revolutionized»?

<sup>2</sup> David Simpson, *The Rediscovery of Classical Economics*, in «Royal Economic Society Newsletter», no. 162, July 2013.

<sup>3</sup> John Maynard Keynes, *The General Theory of Employment, Interest, and Money*, London, Harcourt, 1964, p. 383.

<sup>4</sup> Eric Hobsbawm, *The General Crisis of the European Economy in the 17th Century*, in «Past and Present», 1954, nos. 5 and 6.

<sup>5</sup> Eric Hobsbawm, *The Age of Extremes. The Short Twentieth Century 1914-1991*, London, Michael Joseph, 1994, p. 394.

2. To what extent was the social division of labour radically modified in the direction of increasing productivity which, in turn, would enable the transfer of the labourforce from agriculture to industry?
3. To what extent was there an increase in the proportion of production exchanged, i.e. an increase in market relations?
4. To what extent, if at all, did the number of wage-workers increase?
5. How far local or autarchic markets were eliminated in favour of wider national and international markets?<sup>6</sup>

To examine whether this approach was Marxist would be a waste of time or a futile exercise in theology. All one can say that this is a «materialist» approach not in the sense that ideas are not important but that the focus is on the circumstances within which determinate ideas can emerge – hence his dismissal of «old theories» (obviously meaning Max Weber) which ascribed the triumph of capitalism to the development of the spirit of individual entrepreneurship. But even the concept of materialism (in the sense of material circumstances, long term processes, structural factors) does not encompass Hobsbawm's methodology sufficiently. What he does, even in early works such as these, is to examine everything comparatively and counter-factually. The entire planet becomes his laboratory. So when he looks at the question of the rise of capitalism in England he immediately turns to Italy and its old centres of medieval commerce and manufacture. Surely here, he thinks, one should have been able to find a thriving commercial spirit since 16th century Italy «probably controlled the greatest agglomerations of capital» in Europe<sup>7</sup>. And if the Italians did not develop industrial capitalism it is not because they were inefficient, unwilling, or Catholic but because, at that time, experience had shown that the highest profits were not to be obtained by technical progress or by producing goods, but in buildings and in foreign lending. So they did not develop capitalism because this would not have been profitable. The point of trade in 16th century Europe was to accumulate gold and other luxuries in order to pay for goods imported from the East since the Chinese and the Indians did not need European goods to anything like the extent Europe needed their goods. Trade was one way and until the Industrial Revolution the sales of European manufactures were not important<sup>8</sup>.

He then develops his main argument, namely, that in the 17th century the old social order had already been considerably undermined and was reverting to an economy of small local producers which paradoxically served the ends of future industrialization without *anyone intending to do so*.

<sup>6</sup> Hobsbawm, *The General Crisis of the European Economy in the 17th Century*, cit., no. 5, pp. 39-40.

<sup>7</sup> *Ibidem*, p. 42.

<sup>8</sup> *Ibidem*, no. 6.

«Nor» he adds was it an «inevitable process». Nothing was predetermined. Had the English Revolution failed, for instance, as so many other revolutions in the 17th century failed, English economic development might have been delayed. It might not have occurred. But the English revolution succeeded and Hobsbawm added: «It is too often forgotten that every government in the later 18th century tried to industrialize, but few succeeded». And this is buttressed by a brief, but challenging, examination of what happened elsewhere in Europe: in Prussia, in Eastern Europe, in Italy. Why X occurs here and not there? What would have happened if it had occurred there? These remained the central questions underpinning much of Hobsbawm's oeuvre.

Equally crucial was the principle of multicausality. When he turns to the specific problem of the origin of the Industrial Revolution (in the same sets of articles), while maintaining that though concentration of production and redistribution from one sector to the other may have laid the foundation for further advanced industrialization, this would still not have emerged had not, firstly, manufactures in the countries with the strongest «capitalist» been encouraged on a sufficiently large scale to affect the rest of the world (in other words, capitalism was a world system even when it appeared to be capitalism in one country) and, secondly, had not production been primary and consumption secondary<sup>9</sup>.

Yet the capitalist process which increased the proportion of non-agricultural workers, expanding their numbers of workers created consumers, created those large cities (Paris and Wien, but, above all London which, along with the Low Countries, had a vast proportion of people concentrated in a single urban block).

The analysis is endlessly refined but the cosmopolitan approach remains firm. Thus, in the *Age of Capital*, the second of the four volume of the «Ages» (published in 1975), he explained that what *really* enabled the process of industrialization was the introduction in the first half of the 19th century of the railway, the steamer and telegraph which increased the potential size of the capitalist world and allowed a gigantic export boom. Note the centrality not of the class struggle or ideology, but of technological innovations.

This is frequently underlined by modern macro-economists such as Robert Gordon who pointed up, more recently, the crucial role played by electricity, the internal combustion engine, the revolutions in chemistry and communication and in the distribution of water not just for the period preceding the First World War but as crucial variables in the golden age of productivity growth from 1913 to 1972<sup>10</sup>.

<sup>9</sup> *Ibidem*, pp. 55-56.

<sup>10</sup> Robert J. Gordon, *Does the «New Economy» Measure upto the Great Inventions of the Past?*, in «Journal of Economic Perspectives», vol. XIV, no. 4, Fall 2000, pp. 49-74, esp. p. 57.

He does not forget ideas, since he mentions the «liberation of private enterprise», but this concept denotes a practical set of policies rather than economic liberalism as a credo: the abolition of guilds and corporation, the end of the prohibition of usury and the movement towards free trade<sup>11</sup>.

Then, and here we must think of England and Belgium, there is the crucial role of coal<sup>12</sup>. The role of coal has been stressed by Kenneth Pomeranz and others, but also by contemporaries, that is to say, 19th century opinion-makers, Hobsbawm's preferred source<sup>13</sup>. Take the speech on the budget of 3 May 1866, by William Gladstone, then Chancellor of the Exchequer, in which he explained the reasons behind British successes. What is remarkable about his speech is that success is not attributed, as it would be today by any half-baked minister with even a rudimentary knowledge of public relations, to the prescience and intelligence of the government, but to the good luck of possessing mineral resources and cheap labour:

A race is going on between nations in industry and enterprise [...]. The people of the United Kingdom are by far the foremost. [...] We have undoubtedly got the start in the race [...]. What, then, has given us the commanding position that we hold? [...] the chief cause is the possession of our mineral treasures. The fact, not merely of the possession of coal, but of the possession of vast stores of coal under such circumstances that we can raise it to the surface at a lower price than any other country in the world [...]. It is [...] our possession of coal [...] that has given us this extraordinary preeminence in commercial and industrial pursuits<sup>14</sup>.

Hobsbawm's capitalism is propelled more by technological innovation than by the class struggle. In this sense he is not orthodox. In the second half of the 19th century social unrest was far more the result of political factors (one thinks of the Paris Commune, or social banditry in Italy) than of economic crises – he reminds us that there was little social unrest after the slump of 1858. And there was little social unrest after the Crash of 1929 or, indeed, in our own times after the global downturn of 2007-08.

Hobsbawm's capitalism thrives in a world which is increasingly unified and interdependent<sup>15</sup>. The hallmark of this capitalism is insecurity and anxiety. This anxiety was part of the system: even though wages started to increase from the late 1860s onwards, even though employment went up, even though there was

<sup>11</sup> Eric Hobsbawm, *The Age of Capital 1848-1875*, London, Weidenfeld and Nicholson, 1975, pp. 48-49.

<sup>12</sup> *Ibidem*, p. 55.

<sup>13</sup> Kenneth Pomeranz, *The Great Divergence: China, Europe, and the Making of the Modern World Economy*, Princeton, Princeton University Press, 2000.

<sup>14</sup> William Gladstone, *Financial Statement*, 3 May 1866, House of Commons, <http://hansard.millbanksystems.com/commons/1866/may/03/the-financial-statement>, pp. 399-400.

<sup>15</sup> Hobsbawm, *The Age of Capital 1848-1875*, cit., p. 64.

never a labour shortage thanks to the huge reserve army in the countryside, the workers were rarely distant from the insecurity of dismal poverty. An accident at work would instantly project the worker into abject poverty. Old age was a catastrophe. The free market did not guarantee anyone outside the middle classes any security.

But the bourgeoisie too was anxious. In the final decades of the 19th century, throughout the world of independent countries – including most of Europe, almost all of North, Central and South America, Japan, China, and some countries in Asia and Africa (such as Egypt) – there was a common recognition that it was necessary to «modernize», that is to say, to embrace industrial capitalism. But its advance caused considerable anxiety, even in prosperous England; and not only, as one might expect, among suffering workers and threatened peasants, but among the middle classes themselves who were afraid of everything: of potentially seditious workers, of economic uncertainty, of rapidly changing status, of Jews and Irish, of cholera and smallpox, and, above all, of the poor.

They were right to be scared. The industrial revolution which was sweeping throughout Europe and the concomitant move of workers from the countryside was bringing about an unparalleled upheaval in social structure in a very short period of time. This was not simply a change of jobs. It involved abandoning a life of tranquil poverty in a settled community for the unstable conditions of urban life. Usually, thought not always, this meant better housing and better food, but it also meant a greater degree of anxieties for the future. Though the 19th century has often been described as a century of unparalleled optimism, one of the central features of capitalist society was also one of anxiety. And it is in the descriptions of social and cultural mores that one finds the best of Hobsbawm, when he analyses the peculiar contradiction of capitalism poised between constant change and desire for stability. Everyone acknowledges that the peculiarity of the system is that it must ceaselessly innovate. One is reminded of the famous lines from *The Communist Manifesto*:

All fixed, fast-frozen relations, with their train of ancient and venerable prejudices and opinions, are swept away, all new-formed ones become antiquated before they can ossify. All that is solid melts into air, all that is holy is profaned.

Yet, at the same time, its most erstwhile supporters, the bourgeois, are committed to a life of quiet tranquility, and remain conservative to the core, wishing that little as possible should change while somehow understanding that, in a *gattopardesco* sort of way, everything must change so that everything stays the same.

Hobsbawm's capitalism is never a pure market mechanism, a machine for growth. The pages in which he describes the world of the bourgeoisie are masterpieces of social history. He takes you by the hand into 19th century Europe, in the family home of the middle classes where one could find har-

mony, hierarchic happiness and material artefacts of «overcrowded furniture, drapes, cushions, no picture without a gilded frame, no piece of textile without tassel»<sup>16</sup>.

He refrains from defining capitalists except, somewhat perfunctorily as «possessors of capital» or receivers of an income from sources such as capital investment<sup>17</sup>. He is far more interested in the differences inside classes, between the rentier, the members of the liberal professions, the entrepreneurs, in the modes in which differences could be established, the peculiar ethics of capitalism where, since success depends on personal achievement, failure too depends on personal failure<sup>18</sup>.

No wonder he had been much taken by Pierre Bourdieu's pioneering work. Are the capitalists a class? Are they a class of masters?<sup>19</sup> Perhaps, but a class of masters that does not rule, but exercises influence, uses bribery, establishes mechanism of control, deploys hegemony (here the encounter with Gramsci was positive) – unlike the aristocracy who rules directly.

The passage from the *Age of Capital* to the *Age of Empire* is crucial in Hobsbawm's evolution. During the age of capital, Hobsbawm's capitalism is substantially a liberal construct. The State is never far away, but intervenes relatively little. It creates the conditions of freedom not because there is an ideology behind it but because this is the requirement of the main free trading nation, Great Britain. Today this seems too clear-cut a view. As an increasing numbers of economic historians have pointed out (I am thinking of popular texts, such as Ha-joon Chang's *Kicking Away the Ladder: Development Strategy in Historical Perspective*, 2000), there was considerable State intervention during the *Age of Capital*, especially in the USA, which was then and for many subsequent decades, a leading protectionist country. But Hobsbawm is substantially right when it comes to contrasting the period of colonialism, narrated in the *Age of Empire* to the previous era. The years of the age of imperialism were years in which virtually all political forces agreed that industrialization was necessary and unavoidable. This was the true beginning of the great link between the State and capitalism. If the age of capital was the age of liberal triumph with a relative abstention from government interference, what followed was a period of national capitalism, a period in which the State is in charge because industrial development is also seen as the main source of political power<sup>20</sup>. The Long Depression of 1873-96 is what ends the period of free trade capitalism (except in the UK, though even in the UK there is a movement

<sup>16</sup> *Ibidem*, p. 271.

<sup>17</sup> *Ibidem*, pp. 283-284.

<sup>18</sup> *Ibidem*, p. 289.

<sup>19</sup> *Ibidem*, p. 291.

<sup>20</sup> *Ibidem*, p. 355.

in favour of protectionism) and begins that of the growing importance of the national economy. The response to the crisis appears to be protectionism, but protectionism was not as significant a response as economic concentration, business rationalization, scientific management, the growth of accountancy, the move from shop floor to office. This is the origin of the modern advanced form of capitalism where the workers are a minority<sup>21</sup>. It is the time when the American and German economies catch up with that of Great Britain, when capitalism expands from its core, when the foundations of the consumer society are established, when the world merchant navy – static between 1860 and 1889 – doubles its size by 1914, when Taylorism is invented, when the City of London becomes the world financial centre because only then does the world need a financial centre<sup>22</sup>.

It was an age of great migration, both of people and of capital. The age of the first great globalization was, of course, the age of imperialism. Hobsbawm accepts that, contrary to what most Marxists maintained and still maintain, imperialism was not due to the push for investment (since most investment did not go to colonies): «Much of the pioneer theoretical literature of anti-imperialism», he wrote, «is not tenable», but he points out that contemporaries found the link between capitalism and imperialism striking<sup>23</sup>. After all those who advocated colonies seemed certain of it – as was Jules Ferry, Prime minister of France, who stated it plainly in a much-used and famous quote: «La politique coloniale est la fille de la politique industrielle»<sup>24</sup>.

The key point is that colonialism is a State-directed policy where the State protects its economy, its markets, its enterprises. This is when the State becomes, more than ever, the guarantor of the capitalist economy, and therefore develops a new kind of rivalry with other States<sup>25</sup>. It follows that the integration of the world economy takes place on the basis of national conflicts. This global integration is a constant process. Even in the period between the two wars, a period in which globalization had stopped and even receded, the world was sufficiently interdependent to cause the collapse of the stock exchange in New York to bring about the most serious crash ever. And during the subsequent Golden Age, the success stories are all connected to State regulation and intervention, whether it is the world economy functioning on a the basis of fixed exchange rate, the Glass-Steagall Banking Act of 1933, the control

<sup>21</sup> Eric Hobsbawm, *The Age of Empire 1875-1914*, London, Weidenfeld and Nicolson, 1987, pp. 40-44.

<sup>22</sup> *Ibidem*, pp. 49-51.

<sup>23</sup> *Ibidem*, pp. 60-66.

<sup>24</sup> Jules Ferry, speech of 28 July 1885, in *1885: le tournant colonial de la République. Jules Ferry contre Georges Clemenceau*, introduction de Gilles Manceron, Paris, La Découverte-Poche, 2007, pp. 60-62.

<sup>25</sup> Hobsbawm, *The Age of Empire 1875-1914*, cit., pp. 316-317.



exercised by the MITI in Japan, its equivalent in South Korea or Taiwan, the dirigiste Monnet Plan in France.

In his collection of writings on Marx, spanning the decades between 1956 and 2009, the target is unmistakable: it is what he calls market fundamentalism, the belief in the self-adjusting market<sup>26</sup>. The target had emerged late in the life of Hobsbawm. He was saying that, yes, socialism may have failed but so had market fundamentalism – almost a consolation prize for the terrible failure and disappointment of really existing socialism. To some extent Hobsbawm had become a critic of deregulated capitalism rather than capitalism *per se*, thus sharing the field with various critics of capitalism such as the activist Naomi Klein, author of *The Shock Doctrine. The Rise of Disaster Capitalism* (2007) and the American financial journalist Justin Fox, author of *The Myth of the Rational Market: A History of Risk, Reward, and Delusion on Wall Street* (2009). The belief that capitalism requires non-market relations pervaded his entire work which is perhaps why he never really theorized capitalism but examined instead the really existing capitalism. One could even argue that the capitalism system, as he explained in the *Age of Extremes*, relied on factors which have no intrinsic connection with the pursuit of individual advantage such as the «willingness of human beings to postpone immediate gratification for a long period», «pride of achievement», the custom of mutual trust, but also the habits of obedience and loyalty. In other words, he wrote «capitalism has succeeded because it was not just capitalist»<sup>27</sup>.

<sup>26</sup> Eric Hobsbawm, *How to Change the World. Tales of Marx and Marxism*, London, Little Brown, 2011.

<sup>27</sup> Hobsbawm, *The Age of Extremes*, cit., pp. 342-343.