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L. T. Hobhouse and the Theory of “Social Liberalism”

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1. Introduction

Although L. T. Hobhouse has not received anywhere near the degree of critical acclaim enjoyed by Locke, Bentham, J. S. Mill and others in the liberal tradition, he has nonetheless acquired a notable reputation for his contribution to the development of the “New Liberalism” which emerged in England at the turn of the twentieth century. One of the leading features of this New Liberalism is generally, and rightly, seen to be its rejection of the *laissez-faire* attitude of nineteenth-century liberalism and its concomitant defence of an extensive programme of welfare measures and of state regulation of the economy. A second feature particularly characterized Hobhouse’s version of the New Liberalism, although it was not entirely absent from other variants of the theory. That was the ethical doctrine of “social harmony.” Formulated by Hobhouse as a synthesis of the individualism of liberalism and the cooperative morals of socialism, this doctrine was meant to provide, among other things, an appropriate justifying motif for the “collectivist” economic reforms advanced by the New Liberalism. Both of these features of Hobhouse’s political theory, its progressivist economic programme and its ethics of social harmony, have prompted many observers to find in his writings an embryonic theory of “liberal socialism,” or, at the very least, a theory of “social liberalism.”¹ On their view, Hobhouse’s reputation is quite secure: he is to be regarded not only as an important contributor to a new variety of liberalism, but also as the author of that elusive reconciliation of liberalism and socialism.

- 1 See Morris Ginsberg, “The Growth of Social Responsibility,” in Morris Ginsberg (ed.), *Law and Opinion in England in the 20th Century* (London: Steven & Sons, 1959), 14, 15, 19; J. A. Hobson, “L. T. Hobhouse: A Memoir,” in J. A. Hobson and Morris Ginsberg (eds.), *L. T. Hobhouse: His Life and Work* (London: George Allen & Unwin, 1931), 30; and Alan P. Grimes, “Introduction” to *Liberalism*, by L. T. Hobhouse (New York: Oxford University Press, 1964), 6. Hobhouse directly encouraged the view that his politics was a variety of liberal socialism (in his *Liberalism*, 87).

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However, this assessment of Hobhouse as a liberal socialist or even as a social liberal is not very satisfactory. It is unsatisfactory, first, because it obscures the extent to which Hobhouse remained committed to the institutions of the capitalist market economy. Secondly, it fails to recognize that in his justification both of these institutions and, significantly, of much (although not all) of his “collectivist” programme of reform, Hobhouse relied not, as might be expected, on his syncretic “social liberal” doctrine of social harmony, but rather on a classical liberal morality which he had elsewhere rejected. When these obscured aspects of Hobhouse’s “social liberalism” are made evident, his political theory can be seen to contain a fundamental flaw, for both the capitalist market institutions he defends and the classical liberal morality he employs in its defence are not, I shall contend, logically compatible with his ethics of social harmony.²

2. The Doctrine of Social Harmony

Hobhouse was firmly convinced that a moral theory capable of resolving the crises of late Victorian society would have to include the socialist vision of a cooperative society along with the traditional liberal concern with liberty. Liberalism and socialism, he proclaimed, “represent complementary and mutually necessary aspects of the social ideal,” and their respective values, freedom and mutual aid, are “the twin foundations of social life.”³ The need for a social ideal with this dual foundation was confirmed by his depressing assessment of the historical consequences of an extreme liberal individualism denuded of a conception of human sociality or collective obligation. Impressed as he was by the progressive achievements of liberal societies, especially by the wide range of rights they secured, he nonetheless recognized that the unrestrained exercise of some of these rights, particularly economic rights,

- 2 Most of the recent assessments of Hobhouse have made little of his commitments to capitalism and classical liberal principles. See, for example, Stefan Collini, “Hobhouse, Bosanquet and the State: Philosophical Idealism and Political Argument in England 1880-1918,” *Past & Present* 72 (1976), 86-111; and Michael Freeden, “Biological and Evolutionary Roots of the New Liberalism in England,” *Political Theory* 4 (1976), 471-90. Peter Weiler’s analysis (“The New Liberalism of L. T. Hobhouse,” *Victorian Studies* 16 [1972], 141-61) is a welcome exception to this. But while Weiler recognizes that Hobhouse’s ideal was a “reformed capitalism” (ibid., 156), he examines neither the ethical roots of that ideal nor the difficulties the ideal and its underlying ethics involve. The thesis that liberal-democratic theory contains two irreconcilable components of the sort I see in Hobhouse’s political theory was first promoted by C. B. Macpherson (see, in particular, his “The Maximization of Democracy” and “Democratic Theory: Ontology and Technology,” in C. B. Macpherson, *Democratic Theory: Essays in Retrieval* [Oxford: Clarendon Press, 1973]).
- 3 L. T. Hobhouse, “Introduction” to *Democracy and Reaction*, by L. T. Hobhouse (2nd ed. rev.; London: T. Fisher Unwin, 1909), xxxiv.

L. T. Hobhouse et la théorie du libéralisme social

Le « libéralisme social » de L. T. Hobhouse est considéré comme ayant inauguré un changement important à l'intérieur de la tradition libérale, en remplaçant la croyance aux bienfaits du laisser-faire économique par celle d'une économie de marché régularisée et orientée vers le bien-être. On considère aussi généralement qu'il a effectué ce changement sur la base d'une éthique de l'harmonie sociale apparemment nouvelle.

Cet article suggère cependant que cette insistance conventionnelle sur les politiques économiques progressistes d'Hobhouse de même que sur son éthique de l'harmonie sociale ont masqué le fait qu'il demeure un libéral classique fermement convaincu des bienfaits des institutions fondamentales du capitalisme. L'analyse démontre que la racine profonde de cet engagement est un autre élément du libéralisme classique, c'est-à-dire une morale présentant l'homme comme un être égoïste à la recherche de la propriété privée et de sa réussite personnelle. Il découvre en outre qu'Hobhouse se rattache aussi bien à cette morale libérale classique qu'à une morale plus répandue dans ses textes de l'harmonie sociale pour justifier son programme de réforme économique. L'auteur conclut qu'au lieu de renforcer sa théorie politique, le libéralisme classique d'Hobhouse est responsable de sa faiblesse parce que ni le capitalisme ni son éthique sous-jacente ne sont compatibles avec la doctrine de l'harmonie sociale.

had engendered serious social divisions and antagonisms—divisions between the powerful propertied and the dependent propertyless, antagonisms between capital and labour⁴—and had been instrumental in corrupting the entire life of modern society by infusing it with a dehumanizing spirit of “competitive commercialism” and “outspoken individualist selfishness.”⁵ A civilized moral conscience, as well as a concern for future political stability, demanded far-reaching reform—a reform which would be directed to “not increased production, but a better distribution of wealth”; which would show “more regard to the welfare of the masses than is paid by the blind and sometimes blindly adored forces of competition”; and which would facilitate not the competitive expression of man’s baser instincts, but the “harmonious working out to their fullest possible development of the best capacities of all members of the community.”⁶ Such reform required as an ethical guide

4 See L. T. Hobhouse, *Morals in Evolution: A Study in Comparative Ethics* (3rd ed. rev.; London: Chapman & Hall, 1951), 334-35; L. T. Hobhouse, “The Historical Evolution of Property, in Fact and in Idea,” in L. T. Hobhouse, *Sociology and Philosophy: A Centenary Collection of Essays and Articles*, with a Preface by Sir Sydney Caine and an Introduction by Morris Ginsberg (Cambridge: Harvard University Press, 1967), 96-99; and L. T. Hobhouse, “Industry and State,” in Hobhouse, *Sociology and Philosophy*, 209-12, 216.

5 L. T. Hobhouse, *The Labour Movement*, with a Preface by R. B. Haldane (2nd ed.; London: T. Fisher Unwin, [1905]), 4, 69-70.

6 *Ibid.*, 3-4, 93.

a social ideal wider and more “humanitarian” than one dedicated to liberty alone; it required an infusion of a socialist concern for community. The “social liberal” doctrine of social harmony was designed to supply this ideal.

Although innovative in intent, the conception of social harmony bore a remarkable similarity to the ethics of “higher” personality development already introduced into the liberal tradition by J. S. Mill and T. H. Green. This is not surprising. Both of Hobhouse’s predecessors developed their notions of “higher” personality partly in reaction to the competitive and acquisitive nature of market society. Insisting that man could live a life more dignified than one devoted to the vulgar pursuit of material gain or the mean pursuit of avoiding starvation, they too sought to combine a commitment to freedom with a more appealing vision of man as a developer of his elevated faculties or, at any rate, as a developer of his nonacquisitive and other-regarding potentialities. So Hobhouse’s ideal of social harmony did not constitute a radically new departure from the moral views of the two nineteenth-century liberal democrats. However, like their views, his ideal did represent a break with the earlier, classical liberalism from Locke to Bentham, which had established the defence *par excellence* of the institutions of the capitalist market economy on an increasingly explicit concept of man as an infinitely desirous and largely self-seeking appropriator of material utilities.⁷ In so doing, the classical liberals came close to projecting man as he appeared in a particular society, bourgeois man in market society, as the picture of man as such. Granting that men in market society indeed behaved as bourgeois man, all three “higher” personality theorists refused to accept that man was unalterably bourgeois and insisted that changes in society and/or attitudes could facilitate the flowering of man’s better self. As Hobhouse put it:

There are in truth other motives to action than those of direct and proportionate pecuniary reward. There is the prospect of advancement, of social esteem, of the pure love of work, and of the desire to serve society. There are motives mercenary, and motives of devotion. These last are indeed diminished by a social system which makes material success the main object of respect, and tends to regard devotion to the public service as either humbug or simplicity. But they can never be extinct, and we have but to curtail the field of the other impulses which compete with them in human nature, and they will of themselves expand to all their original vigour.⁸

To some extent, Mill, Green, and Hobhouse recognized their differences with the earlier liberals and took them, particularly Bentham, to task for this. For Hobhouse, however, the central protagonists in this matter were neither Bentham nor the more distant Locke, but rather the Social Darwinists and their “biological” theory of evolution. It is in this

7 Cf. Macpherson, “The Maximization of Democracy,” 4, 5, 17-19.

8 *Labour Movement* (2nd ed.), 72.

theory, which held that unrestrained competition in the struggle for existence was the *sine qua non* of progress, that Hobhouse rightly saw a serious reemergence of what he had hoped was a decaying theory of "uncompromising economic individualism."⁹

Hobhouse could accept neither the Social Darwinists' objectionable morality of competitive struggle nor—and this he regarded as the root of the difficulty in their evolutionary theory—their reduction of "mind" to the insignificant status of an epiphenomenon in life. Yet he did not reject the premises of Darwinism entirely, for he believed that its scientific outlook and its concept of evolution were essential to an adequate philosophical understanding of past experience and future possibilities. With these methodological tools Hobhouse accordingly proceeded to construct a grand counter-theory of evolution, a theory which attempted to establish empirically what the idealist philosophers had proclaimed metaphysically, namely, that the factor of mind (or self-consciousness) was "the central point in development."¹⁰ His grand—perhaps grandiose—counter-theory contained two central contentions. First, it insisted that there had been a progressive growth of mind throughout man's evolution. This growth was understood to reach its ethical "terminal point" when man's moral consciousness finally recognized, as Hobhouse thought it was presently coming to recognize, that the ultimate goal of human endeavour was to bring "to their highest pitch all the faculties of man so far as they are capable of harmonious development."¹¹ Mental evolution thus culminates, and does so rather immodestly, in what appears to be Hobhouse's own ethics of social harmony. Secondly, the theory contended that this expansion of the perceptiveness of consciousness had been accompanied by a significant increase in its power over human life.¹² For Hobhouse, this growing power was evident in, and increasingly responsible for, the development of ever higher forms of social and psychological life, a development consisting in the gradual suspension of the competitive struggle for existence that characterized earlier "primitive" life and the emergence in modern times of a life progressively marked by the "harmonious concurrence of interdependent parts," that is, by free cooperation.¹³

9 L. T. Hobhouse, "Introduction" to *Development and Purpose: An Essay Towards a Philosophy of Evolution*, by L. T. Hobhouse (2nd ed. rev.; London: Macmillan, 1927), xviii-xix.

10 *Ibid.*, xxii. This counter-theory of evolution is developed by Hobhouse in his following works: *Development and Purpose*; *Morals in Evolution*; *Mind in Evolution* (3rd ed.; London: Macmillan, 1926); *Social Development: Its Nature and Conditions*, with a Foreword by Morris Ginsberg (London: George Allen & Unwin, 1966); and *Social Evolution and Political Theory* (New York, NY: Columbia University Press, 1911; reprint ed., Port Washington, NY: Kennikat Press, 1968).

11 Hobhouse, *Mind in Evolution*, 391. Cf. 390, 407-11.

12 Hobhouse, *Development and Purpose*, 239. Also see his *Social Evolution*, 162-63, 165.

13 L. T. Hobhouse, "The Ethical Basis of Collectivism," *International Journal of*

Thus freed from the confined use of those faculties which are functional to competitive survival and which have, for the most part, a self-regarding and mercenary bent, men became capable of developing the more varied and socially harmonious faculties which make up their better personalities. The historical growth of mind, then, not only involves the gradual recognition of social harmony as *the* ethical ideal, but also facilitates through its increasing power over life the progressive establishment of conditions essential to that ideal's realization. While this process was neither uninterrupted nor inevitable, the "inductive theory of evolution," Hobhouse concluded, shows "that the possibility of a harmonious development of human life is no dream dissolved by the cold touch of physical science, but a reality to which the entire story of evolution, physical, biological, mental, and social leads up."¹⁴ Developing social harmony, not competitive struggle, is the moral meaning of history.

Yet social harmony remained a process whose development was dangerously incomplete. What Hobhouse understood the full realization of social harmony to entail can be best appreciated by a detailed examination of those propositions which can be seen to make up the central content of that ideal. These propositions may be reduced to four central ones.

The first of these propositions is that the "rational" good of man lies in the fullest possible harmonious development of personality. By "fullest possible harmonious development" Hobhouse meant, in the first instance, the inclusion in a coherent personality of all the human potentialities that could possibly be harmonized or reconciled:

Now personality . . . may be incomplete and onesided. It may starve itself of one meat and glut upon another. It may unify its life by ruthless repression. There is a "development" of the miser or the ascetic. But these are not developments of the personality as a whole, but of one part to the prejudice of others. Development as a whole means development on all sides that can in fact be reconciled This constitutes the harmonious fulfilment required by the rational good, so far as this can be realized within the life of the individual.¹⁵

As Hobhouse understood it, this development of personality as a harmonious whole entailed more than an internal process of strengthening and increasing the number of capacities within the personality structure. It also entailed the "harmonious" expression of those capacities, that is, their gratification or fulfillment, in the external world.¹⁶ To be fully human, then, man must be allowed a fulfilling exertion of his capacities; he must *do* and not simply *be*.

Ethics 8 (1898), 144-46. See also his *Democracy and Reaction*, 114-16; *Mind in Evolution*, 427-29; and *Social Evolution*, 152-56.

14 *Social Evolution*, 165.

15 L. T. Hobhouse, *The Rational Good: A Study in the Logic of Practice* (London: George Allen & Unwin, 1921), 105-06.

16 *Ibid.*, 104-05, 106; and L. T. Hobhouse, *The Elements of Social Justice* (London: George Allen & Unwin, 1965), 26.

Hobhouse's concept of multidimensional active man is given further substance by his insistence that the capacities men ought to develop and fulfill are their "social" capacities, that is, those capacities supportive of the development and fulfillment of other personalities. Viewed by Hobhouse as the essentially socialist component of his ethics, his emphasis on social capacities is presented simply as an extension of the concept of harmony to relations between men: "Harmony . . . would involve not merely absence of conflict but actual support. There must be for each . . . possibilities of development such as not merely to permit but actively to further the development of others."¹⁷ The distinctively moral capacities, then, are eminently cooperative capacities. The moral life is accordingly one characterized by "mutual aid" and a spirit of "love and good-will"¹⁸ and is opposed not only to the life of the hoarding miser and the life-renunciating ascetic, but also to that of the self-seeking entrepreneur whose energies are devoted to the pursuit of that "dazzling but unreal" goal of accumulating wealth.¹⁹

The second proposition central to the doctrine of social harmony is both universal and egalitarian in nature. It stipulates that *every* individual has an *equal* moral claim to the development of his or her personality. Its universal character, that is, that *every* individual has a moral claim, is established by Hobhouse's contention that the end of man "must now be the harmonious development, not of the individual personality as such, but of all that group with which the individual can enter into organic relation—ideally of nothing less than collective humanity."²⁰ Its egalitarian character, that is, that every individual's moral claim is *equal*, is clearly evident from his repeated argument that the rational good precludes any kind of development of personality which impedes development on corresponding lines in others, an argument which he uses to condemn the development of one class in society at the expense of others. A class differential in the opportunities for development "is not fully harmonious. Gain on one side is set off by loss on another. The problem of true social progress is to find the lines on which development on one side does not retard development on another, but assists it."²¹ To suggest, as Hobhouse does here, that an individual or class of individuals cannot have a moral claim to any kind of development which obstructs the corresponding development of others is to assume that the claim of these others to development is just as good as, just as morally valid as, that of the initial claimant(s). That is, individuals' claims to development are to be esteemed as equal.

17 *Liberalism*, 69.

18 Hobhouse, "The Ethical Basis of Collectivism," 155. See also his *Social Evolution*, 185.

19 See L. T. Hobhouse, *The Labour Movement* (3rd ed. rev.; London: T. Fisher Unwin, 1912), 125.

20 *Rational Good*, 107-08.

21 Hobhouse, *Social Evolution*, 87 footnote.

The third leading proposition of the doctrine of social harmony is libertarian. Hobhouse argued just as strongly as any of his liberal predecessors that man should be left as *free* as possible to direct the development and exertion of his personality. Like many other theorists of “higher” personality development, he flirted with a concept of freedom as “rational self-government,” that is, a concept of freedom as determination by a “rational” will liberated from slavery to the “basal” passions. But Hobhouse refused to allow this concept to become extended to permit those individuals with “rational” wills to control those whose wills were subordinated to nonrational instincts. To be free, he insisted, meant to enjoy self-determination in the absence of external constraints imposed by the will of others. And such freedom is justified because it is a necessary condition of harmonious personality development:

As to liberty in general . . . we prove its necessity sufficiently if we show that a measure of liberty is essential to the development of personality. And since personality consists in rational determination by clear-sighted purpose as against the rule of impulse on the one side or external compulsion on the other, it follows that liberty of choice is the condition of its development.²²

Where coercion exists, the human faculties become atrophied and the much-sought-after harmonious development of personality is impeded.²³ Since external coercion would thus diminish harmonious personality development, such development would require the maximum possible individual freedom.

The individual moral claim to maximum freedom is, of course, qualified by the implications of the second proposition of social harmony. Since, on the second proposition, every individual has an equal claim to personality development and since, on the third proposition, freedom is an essential condition of such development, then every individual will have an equal claim to freedom. Moreover, because these moral claims are equal, every individual’s claim must be constrained by the equally valued claim of every other individual: “The freedom of man in society . . . can never be absolute. It is always conditioned by the equal claims of others.”²⁴ More specifically, claims to freedom are to be “conditioned” or constrained by the proviso that men may not coerce others.²⁵ Thus, every man in the society of social harmony is to be as free as every other man from coercion imposed by others. It is this assumption of equality of freedom which underlies Hobhouse’s view that the “real principles of Liberalism,” the principles of a liberalism worthy of approval, involve not the proclamation of formal equality, but rather the

22 Ibid., 199. See also his *Democracy and Reaction*, 225-29; *Labour Movement* (3rd ed.), 152-53; and *Liberalism*, 66-67, 70-71.

23 Hobhouse, *Elements*, 67-68; and his *Liberalism*, 66.

24 Hobhouse, *Elements*, 186. Cf. his *Liberalism*, 50.

25 See *ibid.*, 50-51, 74-78.

maintenance of a "living equality of rights."²⁶ While this assumption may be regarded as implicit in his other ethical propositions, its significance warrants its statement as a separate, and fourth, proposition of social harmony. So stated, it suggests that social harmony entails an equal distribution of rights (or freedom).

The four crucial propositions contained in the theory of social harmony sum up an ethical perspective which is as visionary as it is demanding. For together they portray the Good Society as a cooperative society where individuals are able to develop those capacities supportive of others, as an open society where the claim to develop this social personality is effectively enjoyed by every individual, and as a classless society where an equal freedom to develop personality prevails. Yet both the significance of Hobhouse's ethical vision and the logical coherence of his political thought are wholly undermined by his theory of economic justice and the uses to which he puts that theory.

3. The Principles of Economic Justice

Given the textual pervasiveness of the ethics of social harmony in Hobhouse's writings, it might be expected that he would construct his theory of economic justice on the foundation of that ethics. It might be further expected that a theory of economic justice so constructed would be a nonmarket theory of justice, for the doctrine of social harmony establishes claims to wealth, not on the considerations of the market, but on the basis of "need"—the human need to develop one's social personality. It does so by its implicit insistence that every individual has a moral claim to the conditions, material or otherwise, which are essential to the development of social personality. By contrast, a market theory of justice does not recognize claims to wealth that are based on need; rather, it allows only those claims established by the performance of the claimant. More precisely, it recognizes claims grounded on the marketability of, that is, on the willingness of other individuals to pay a price for, such performance. A market theory of justice must contain one other moral basis for claims to wealth as well. It must ensure that the performance to be marketed is legitimately the disposable possession of the seller. Market theories have customarily done this on the principle that individuals are naturally owners of their labour and are therefore owners of what they mix their labour with.²⁷ While the first part of this

26 Ibid., 54. See also his *Social Development*, 34-35, 280.

27 See John Locke's statement of this principle in *The Second Treatise of Government*, in John Locke, *Two Treatises of Government*, ed. by Peter Laslett (New York: New American Library, 1965), sec. 27. It is Hobbes who provided the classic formulation of the other market principle, that is, that a just claim is established by the marketability of a man's performance: "The Value, or WORTH of a man, is as of all other things, his Price; that is to say, so much as would be given for the use of his Power..." (*Leviathan*, ed. by C. B. Macpherson [Middlesex, England: Penguin, 1975], 151).

principle, that individuals are owners of their labour, is not rooted in a concept of performance, the principle itself only allows claims to wealth if some performance, that is, some mixing of one's labour with what is claimed, is forthcoming. So market theories of justice are constructed from performance principles or, more precisely, from "exchange" principles which demand an equivalent value of performance in return for a legitimate claim to wealth. It is the presence of these "exchange" principles of the market which would not be expected in Hobhouse's theory of economic justice.

However, when the details of his theory of economic justice are examined, this expectation is not met. What is found instead is that, along with certain "need" principles derived from the doctrine of social harmony, the theory indeed contains a set of "exchange" principles. Just as unexpected is that these "exchange" principles are ultimately rooted in an ethical perspective whose inadequacy Hobhouse had gone to such great lengths in his theory of evolution to expose, namely, the classical liberal view of man as a self-regarding, mercenary desirer and appropriator.

The presence of these "exchange" principles is apparent from the very beginning of Hobhouse's discussion of economic justice. In the economic field, he preliminarily remarks, "justice will be achieved by exchange at equal values . . ."²⁸ So his point of departure is an "exchange" principle stipulating that values exchanged be equal. But Hobhouse makes it quite clear that this rule alone will not achieve justice. The exchange at equal values, he insists, will be just only if those values are "fixed by justice in general,"²⁹ that is, fixed by what he calls the principles of distributive justice. The rule of equal value exchange must, then, be supplemented by the principles of distributive justice. There are four of these supplementary principles.

The first is that "the general economy should be directed to meeting the needs of all members of the community in proportion to their urgency, but always in such manner and under such conditions as to maintain the necessary economic functions."³⁰ What this apparently means, although Hobhouse does not explicitly say so in the immediate context, is that the economy must provide for the basic material needs of all members of society before it supplies comforts and/or luxuries to a few.³¹ More importantly, the principle is used to justify the distribution of material goods and services on the basis of human need, rather than on the basis of providing equivalent value in return.³² It is essentially a "need" principle of justice.

Hobhouse's second supplementary principle of distributive justice is clearly an "exchange" principle, although it incorporates a built-in

28 *Elements*, 132.

29 *Ibid.*

30 *Ibid.*

31 *Ibid.*, 109, 119-20.

32 *Ibid.*, 133.

"need" principle constraint. This principle stipulates that, apart from the provision of needs allowed by the first supplementary principle, there is "no method of acquiring wealth except by social service" (that is, by service which is neither socially "useless" nor "injurious").³³ Thus, "service" must be given to establish a claim to wealth, but it must be of the sort which supplies—or, at the very least, is not destructive of—the needs of society. This emphasis on social service, with its implicit notion of an overarching collective good, has all the appearance of a strictly nonliberal, perhaps even Aristotelian, rule of justice. But its content, as we shall subsequently see, is substantively Lockean.

The third supplementary principle of distributive justice embodies the (now) popular reformist demand for a minimum level of remuneration for labour. This principle insists that the minimum pay for social service, or at least for that labour "not employed from charity but actually required by the operation of the industrial system," be sufficient to enable an individual to live a life "of full civic efficiency, that is to say not only in health but in a position to develop and exercise his faculties."³⁴ So social service or labour ought to be remunerated at a level adequate to avoid not simply primary poverty, that is, a deficiency of resources requisite to healthy survival, but also developmental poverty, that is, a deficiency of resources requisite to the development of social personality. In stipulating this, Hobhouse appears again to constrain the "exchange" component of his second principle by a "need" principle, for the "civic minimum" for social service is said to be required because such a level is needed by individuals to develop their higher social personality.

Hobhouse's fourth supplementary principle, like his third, is designed to clarify the substance of his second principle, that social service establishes a claim to wealth. But, unlike the third, it is unmistakably an "exchange" principle. It asserts that rewards above the minimum level of remuneration ought to be proportional to (a) the amount of labour energies exerted and (b) the "achievement" or value of that exertion.³⁵ What is of interest here is the moral grounds Hobhouse provides for part (b) of this principle.

Hobhouse makes his case for proportioning rewards in accordance with the value (or achievement) of expended labour by posing two questions. The first is the factual question of whether society could get the best out of its members without such a proportional rule. His answer is clearly negative. While admitting that the very "best" men would give their work as "a labour of love," he believes that the mass of men have a powerful aversion to labour and can be induced to perform their best only by the direct or indirect benefits of higher remuneration. Thus,

33 Ibid.

34 Ibid., 134.

35 Ibid., 139-43.

upon the whole, he concludes, “there is little doubt that if we take human nature as it is . . . some measure of remuneration by achievement as distinct from effort does directly or indirectly promote achievement.”³⁶ The mass of men, then, are only motivated to do their best by hope of material gain. This answer establishes, of course, only how men are (allegedly) motivated, not whether it is morally proper for society to recognize this motivation in its rules of distribution. Hence, Hobhouse’s second question: Should society recognize the proportional rule? He responds in the affirmative:

Now, may we not say, so far as economic relations are concerned, that society owes to a man not only the opportunity of useful service, but also the opportunity of making the most of himself and his own life in his own way, provided that he gives fair value for all that he enjoys . . . ? Society . . . owes him the chance of improving his own position by his talents on the condition that their use is such as at the same time to serve society.³⁷

So Hobhouse allows the moral legitimacy of the principle of rewards in proportion to achievement, and he does so not merely on the assumption that man is best motivated to labour largely by the prospect of material gain, but also on the assumption that man may be rationally treated by society as so motivated. In the economic realm at least, man is to be regarded as essentially a desirer and appropriator of material benefits. This is precisely the view of man which Hobhouse had rejected in his writings on evolution and the doctrine of social harmony. And it is this rejected view of the human essence which reemerges in his political economy to provide the principal moral foundation of proportional—and unequal—appropriation.

Hobhouse’s fourth supplementary principle is not a new one. On the contrary, it is easily recognizable as a restatement of J. S. Mill’s “equitable principle” of property, namely, that rewards be proportioned to exertion.³⁸ The principle can be traced back even further to the Lockean view that man’s proprietorship of his labour gives him title to what he mixes his labour with. For what Hobhouse’s proportional principle suggests is that people ought to be rewarded in proportion to their labour effort because they are motivated by hope of material gain. To assume that men’s motivation is such is to assume that they regard their energies and what they mix those energies with as deservedly their own, and so much so that they do not willingly exert those energies unless they are allowed to appropriate what they mix their energies with. To assume further, as Hobhouse does, that such motivation is rational and that men *ought* to be rewarded in proportion to their labour effort is

36 *Ibid.*, 142.

37 *Ibid.*, 142-43.

38 For J. S. Mill’s “equitable principle,” see his *Principles of Political Economy*, ed. by J. M. Robson, in *Collected Works of John Stuart Mill* (Toronto: University of Toronto Press, 1968), Vol. 2, 208.

to assume that men's view of themselves as owners of their energies and as deserved appropriators of what they mix those energies with is a morally legitimate view. So Hobhouse's fourth supplementary principle, as he himself recognizes, is rooted in the Lockean labour theory of property.³⁹ Moreover, since it is merely a clarification of the second supplementary principle, that is, that social service gives a legitimate claim to wealth, we can now see that that principle too is primarily Lockean in content, although it is modified by the qualification that only socially useful and noninjurious labour, not labour as such, provides a claim to property.

At this level of generality Hobhouse's principles of economic justice—the initial principle of equal value exchange and the four supplementary principles of distributive justice—appear as an uncertain mixture of "need" and "exchange" principles of justice, of claims to wealth grounded on human need and claims based on giving an equivalent value in return, of the "liberal-socialist" ethics of harmonious personality development and of classical Lockean morality. However, when his application of these principles is examined, it becomes clear that this uncertain mixture is one in which the "exchange" principles play an overwhelmingly influential role. Significantly, this is evident in Hobhouse's use of the "exchange" principles to justify institutions of the capitalist market as the dominant distributive mechanisms of his model of the just economy.

4. The Just Economy

The importance, if not the dominance, of "exchange" principles and market arrangements in Hobhouse's model of the just economy is established at the outset by the requirements of his initial principle of equal value exchange. Hobhouse argued that the exchange of things can conform to ethical requirements, that is, can involve an exchange at equal values, only when there is a "general power of freely exchanging" those things against other things, that is, when the values of the things can be set in an open market.⁴⁰ So a free market is the precondition of the effective operation of the rule of equal value exchange and hence of

39 See Hobhouse's assertion that "we find in Locke the basis of a view which is at once a justification of property, and a criticism of industrial organization. Man has a right, it would seem, first to the opportunity of labour; secondly, to the fruits of his labour; thirdly, to what he can use of these fruits, and nothing more The conception is individualistic, but it may be given a more social turn if we bear in mind . . . that in a society where men produce for exchange, labour is a social function, and the price of labour its reward. Locke's doctrine would then amount to this, that the social right of each man is to a place in the economic order, in which he both has opportunity for exercising his faculties in the social service, and can reap thereby a reward proportionate to the value of the service rendered to society" ("The Historical Evolution of Property," 102-03).

40 *Elements*, 131.

justice. Yet his attitude to the market, like his attitude to the principle that exchanged values ought to be equal, is qualified. As we have already seen, he believed that the exchange of equal values would be fully just only if the standard of value underlying the exchange conformed to “justice in general,” that is, to the four supplementary principles of distributive justice. Similarly, the free market, which is required by the principle of equal value exchange, can conform to justice only if its operation is modified by the implementation of these four principles. It is important to see the extent of this modification.

The first supplementary principle—that the economy should be directed to meeting the needs of all members of the community in proportion to their urgency, but always in such a manner and under such conditions as to maintain the necessary economic functions—envisages not simply the modification but the circumvention of market institutions. This “need” principle is taken by Hobhouse to justify two social reform measures: first, a “Gas and Water Socialism” programme under which municipal and national government enterprises would supply various services—roads, drainage systems, public education, and means of transportation and communication—to all members of society; and, secondly, a welfare system which would provide the “non-productive,” that is, children, the aged, the disabled, and so on, with the basic material supports of life.⁴¹

As progressive as these measures are, particularly in the context of early twentieth-century English society, their significance as examples of Hobhouse’s willingness to insist on a kind of justice transcending both the morality and institutions of the market is unfortunately diminished by his demand that such measures must be undertaken “always in such manner and under such conditions as to maintain the necessary economic functions.” What this concretely means is that the provision of needs without equivalent labour service in return “must be so determined in amount, and more particularly in form, as to lay no crippling burden on production and offer no encouragement to idleness.”⁴² To insist, as Hobhouse does here, that the provision of material benefits to those who expend no effort for them must be determined in amount and in form to avoid encouraging idleness is to suggest that such free provision would lessen the motive to industrious production. This assumes that material benefits are, if not the only, then at least one of, the more important incentives to labour. Indeed, the system of material incentives is regarded as so important that its maintenance is allowed to take precedence over the moral claim to the satisfaction of human needs.

It is also allowed to take precedence over the moral claim to equal freedom. Hobhouse argues that although the wealth a man earns by his

41 *Ibid.*, 133 and footnote. See also *Labour Movement* (3rd ed.), 67-68; and *Liberalism*, 92-97.

42 Hobhouse, *Elements*, 133.

labour is to be treated as "his true and full property with unlimited right of disposal," the material benefits provided the nonproductive members of society are not. The nonproductive are to be regarded as "dependents," whose right of using and disposing of the material benefits they receive may be supervised; such provision may even be withdrawn and institutional care substituted; moreover, "dependents" may be deprived of the freedom to marry and procreate.⁴³ In short, there is no question of treating the nonproductive as fully free and equal members of society. Thus the moral claim to equal freedom, which is in Hobhouse's doctrine of social harmony a claim based on the need to develop one's personality, becomes in his political economy a function of the employability of one's productive energies. It has become so because of his assumption that men are, and must be treated by society as, motivated largely by the prospect of material gain.

However constrained Hobhouse's first supplementary principle of justice may be by his underlying commitment to the maintenance of a system of market incentives, it does nevertheless allow for the distribution of goods and services by institutions other than those of the market. His third supplementary principle of economic justice, which stipulates that a civic minimum level of remuneration be established for "social service," might seem to allow for a similar circumvention of the market, for it too appears to establish claims to wealth on the basis of need rather than on the *quid pro quo* principles of market ethics. However, while Hobhouse understands this principle to entail some changes in the way in which market institutions worked in his day, he did not believe that it required a departure from the basic framework of those institutions.

We may begin to see this by noticing, first, that this third supplementary principle, which appears to involve a claim based on need, is strongly infused with an "exchange" principle content. Critics of Hobhouse's proposal for a civic minimum failed to see this. In rejecting the civic minimum, they claimed that the real value of labour was adequately measured by the free forces of the market and that payment of the higher civic minimum would provide labourers, particularly the unskilled, with something they had not earned. While Hobhouse did not accept most of this argument, he nonetheless shared its crucial, implicit assumption that remuneration for labour, including the civic minimum, ought to be earned by giving equivalent value for it.⁴⁴ So the civic minimum is not a gift; it is not welfare; it cannot be claimed simply because it is needed. It can only be demanded in return for producing an equivalent value.

What Hobhouse would not accept is the argument's contention that the value of labour is accurately measured by its actual earnings in the existing labour market: "... the price which naked labour without

43 Ibid., 138-39.

44 See *ibid.*, 134-35.

property can command in bargaining with employers who possess property is no measure at all of the addition which such labour can actually make to wealth."⁴⁵ This differential bargaining position, he contended, acted "as a permanent force depressing the rate of wages," and this depression of the wage rate reduced in turn the future productivity of labour by depriving the labourer of the material necessities required to maintain his strength and consequently led to a further reduction of wages.⁴⁶ The result of this vicious circle was nothing less than an affront to Hobhouse's civilized conscience. In a society as wealthy as the United Kingdom, the system of free competition—understood here as a system of markets relatively unencumbered by legal or other collectively imposed restraints—failed to provide a third, and perhaps as much as a half, of the labouring class with a wage sufficient to keep it above a primary, not to speak of a developmental, level of poverty.⁴⁷

Although Hobhouse came close to attributing the widespread impoverishment of the labouring class to that class's restricted access to the means of production and to the concomitant necessity of selling its labour-power in a competitive market, he had no intention of abolishing the labour market. Labour, he continued to assume, could be legitimately treated as a commodity.⁴⁸ Consequently, access to the level of material resources requisite to the development of social (or civic) personality meant for the "mass of people"—or at least for those not provided for by the system of public assistance envisaged by the first supplementary principle—to be assured of "continuous employment at a living wage."⁴⁹ The civic minimum remuneration, then, is to be earned by the sale of one's labour in the market. But it was not to be earned, and could not be earned, in the then existing, *laissez-faire* market. If other methods failed to secure a civic minimum wage for all employed by the market system, Hobhouse was prepared to have that minimum established by legislative enactment. However, he believed that for the most part the efforts of the regenerated trade union movement, whose growth among the unskilled workers attracted his sympathetic support, would be sufficient to bring about the needed changes in the wage rate. In Hobhouse's view, the underlying aim and rationale of trade unionism was generally to establish a relation of equality between labourers and employers. Such equality, he further contended, would have the effect of raising wages, thus increasing the efficiency of the workers, his productivity, and ultimately his deserved, that is, earned, share—presumably up to the level of the civic minimum wage, although Hobhouse does not make this explicit.⁵⁰ Far from leading to the eradication of the

45 *Liberalism*, 106.

46 *Labour Movement* (3rd ed.), 110-11.

47 *Ibid.*, 31-33, 111; and *Liberalism*, 85-86.

48 See *Labour Movement* (3rd ed.), 45.

49 Hobhouse, *Liberalism*, 92.

50 *Labour Movement* (3rd ed.), 44-47, 54-55.

labour market, then, these reform measures would, at least on Hobhouse's understanding, spell its perfection, for while they would undoubtedly abolish free competition in the sense of the absence of legal or social interference in contractual relations, they would do so, he assured his readers, only to create a more important type of free competition, a competition between equal bargainers.⁵¹

The gradually emerging market framework within which Hobhouse's first and third supplementary principles of justice can be seen to operate is expanded and justified by his two remaining supplementary principles, the second, stipulating that social service provides a claim to wealth, and the fourth, asserting that rewards ought to be proportional to the effort and achievement of such service. These principles, it will be recalled, clearly contain an important "exchange" morality component, since both envisage claims to be established by providing an equivalent value in return. It is this "exchange" component which plays the central role in Hobhouse's defence of certain institutions of the capitalist market as the decisive features of his model of the just economy. But these two principles are not used entirely in support of the existing economic status quo. They also contain a nonexchange component, since both allow claims to be established *only* by socially useful and noninjurious labour, and Hobhouse employs this component as the basis for recommending the restriction and/or abolition of a range of private property rights existing in his own society. However, it is interesting to notice that he relies as well, indeed, as much, on the "exchange" component of these two principles for the same purpose: it too is seen to preclude the legitimacy of certain property rights.

The kinds of private property rights Hobhouse understands to be condemned by the "exchange" component of his second and fourth principles are those providing individuals with claims to wealth for which they expend no corresponding productive effort. This includes rights to value created by society and improperly appropriated by private individuals. He identifies two such rights: the right to the "monopoly value" of licensed premises, which is directly created by the state by laws passed to regulate the liquor trade; and the right to "site value," which is the increment of price a landlord can command in rent or for the sale of land or the premises on it that is due to its special geographic position (for example, its proximity to an urban market).⁵² It also includes rights to wealth whose creation is attributable neither to society nor to any living individual. Such are the rights to the "natural resources of the soil" and "inherited wealth."⁵³

While these various sorts of value had been wrongfully appropriated by private individuals in the past, Hobhouse refused to allow the

51 *Ibid.*, 44-45.

52 *Ibid.*, 118-20; *Liberalism*, 53, 100; and *Elements*, 162-63.

53 *Elements*, 163.

state to reclaim them by confiscation or confiscatory taxation and urged instead that such wealth be brought into the “coffers” of the community by a “steadily diverting” system of taxation.⁵⁴ His reticence in condoning hasty state action was visibly rooted, particularly in the case of inherited wealth, in a concern for maintaining the “motive springs” of industry. Indeed, his concern was so strong that he was willing to allow that the taxation of inherited wealth “must be governed by the actual need of industry for accumulation.”⁵⁵ Hobhouse’s failure to assert forcefully the state’s claim to inherited wealth because of his anxiety about future accumulation must be judged as serious, all the more so in light of his view that inherited wealth was one of the principal sources of the much-despised economic inequality and class power prevailing in his society and in light of his insistence that the proper goal of society should be not increased production but the better distribution of wealth. However, even if Hobhouse had recommended an unequivocal policy of confiscating not simply inherited wealth but also the other three property rights he thought were in violation of the “exchange” component of his second and fourth supplementary principles, such a policy would not have entailed much of a threat to the ongoing operation of the capitalist market economy; for the state expropriation of the monopoly value of licensed premises, site value, natural resources, and inherited wealth would still leave an extremely wide area in which an individual right of capital appropriation could flourish.

Hobhouse’s use of the nonexchange component of his second and fourth supplementary principles of justice—the non-Lockean proviso that only socially useful and noninjurious labour provides a moral claim to wealth—as the basis of further economic reforms can be seen to have a similarly benign effect on capitalism. He identified three “unsocial” methods of acquiring wealth: speculation in stocks, the use of differential advantages in bargaining situations, and the acquisition of profits accruing from certain differential advantages in production.⁵⁶ Of these three “unsocial” forms of acquisition, it is the rejection of profits accruing from differential advantages in production which is of greatest interest here, because it has the initial appearance of a frontal attack on an integral part of private enterprise.

Hobhouse’s concept of profit accruing from differential advantages of production, or what he occasionally called “surplus,” is drawn from Marshall’s influential *Principles of Economics*. According to his reading of Marshall’s analysis, the long-run average price of commodities is determined by the cost of producing those commodities produced and sold under the greatest disadvantage, that is, those commodities on the “margin” of the market. This average price will be just sufficient to

54 *Labour Movement* (3rd ed.), 124; and *Liberalism*, 100.

55 *Labour Movement* (3rd ed.), 123.

56 See *Elements*, 169-71.

compensate the marginal producer for his costs of production and to enable him to stay in the market. Some producers, however, will be above the margin because they possess differential advantages in production. Because they will, therefore, be able to produce commodities whose cost of production is lower than the marginal cost of production and whose market price will be sufficient to cover the marginal cost of production, they may be said to enjoy a "surplus" or profit.⁵⁷

In his earlier and more radical *Labour Movement* (first published in 1893), Hobhouse condemns all forms of "surplus" no matter what differential advantages—advantages of commercial ability, monopoly, good fortune, and so on—they derive from. He does so in a most forceful tone: not only is the pursuit of such profit said to enrich some beyond what is essential to their happiness and to ruin others, but it is also burdened with the corruption of all industry, with changing "honest work into a constant struggle to get more and more," with vulgarizing social intercourse, with destroying the simplicity of men and women, and with filling the world with ugliness.⁵⁸ The rejection of profit in his later *Elements of Social Justice* (1922) is much more muted. Not only does he let the pursuit of profit off with the relatively mild charge that it enriches individuals without making a net addition to the wealth of society, he also exempts from condemnation—and taxation—the acquisition of profit derived from differential advantages "of personal ability in organizing and executing production."⁵⁹ As interesting as Hobhouse's changing attitude towards "surplus" may be as a measure of his decaying radicalism, its significance in this respect can, nonetheless, be easily overrated. For even the most extreme position of taxing all surplus that Hobhouse expounded in the *Labour Movement* would not, as he sometimes hinted, entail the destruction of private enterprise. The consequence of completely taxing "surplus" would simply have the effect of raising the cost of production of firms above the margin to the level of the marginal cost of production for that market. These firms would still be able to receive returns sufficient to cover their now marginal cost of production. Since the marginal (or long-run average) cost of production includes, as Hobhouse made abundantly clear, the payment of an average rate of interest on capital employed as well as an average return to the producer for his "risk, anxiety, management, and the like,"⁶⁰ entrepreneurs would still receive an average return on their capital. And the less progressive position in the *Elements* would also enable enterprising entrepreneurs to obtain an above-average return on their capital when the excess above the average accrues from their possession of differential advantages in "personal ability." The prop-

57 Hobhouse, *Labour Movement* (3rd ed.), 98-102.

58 *Ibid.*, 113.

59 *Elements*, 170.

60 *Labour Movement* (3rd ed.), 99. See also 98.

erty reforms of both the “young” and the “mature” Hobhouse, then, left the essential instruments of private capital accumulation intact.

This commitment to crucial capitalist property rights is not simply left implicit in Hobhouse’s writings. At the conclusion of his albeit ambivalent critique of private property rights in site value, monopoly value, natural resources, and inherited wealth in the *Elements of Social Justice*, he clearly admits that “we are free to maintain that personally accumulated capital [that is, capital accumulated by an individual by his own productive efforts during his lifetime] is personal property. . . .”⁶¹ This right to personally accumulated capital, we find in the *Labour Movement*, includes a right to the interest “earned” on it.⁶² Also, this right is apparently unlimited. At any rate, it is not limited to what one might appropriate by one’s own individual efforts, since Hobhouse’s acceptance of the legitimacy of wage labour facilitates the “personal” accumulation of capital by the employment of the labour-power of others. Nor is it limited by any legally imposed restraint on the amount of appropriation, for while he occasionally flirts with imposing a limit on incomes and does indeed recommend a progressive income tax on high incomes, he nevertheless accepts the necessity of allowing some increment of remuneration for all increases of output in order to provide an adequate incentive to continued and increased production.⁶³ This constitutes, in effect, a rejection of a maximum upper limit on private appropriation.

Despite its obvious importance, Hobhouse curiously does not spend much time providing the right of unlimited individual appropriation of capital with an explicit justification. But the context of his admission of the right in the *Elements*, that is, at the conclusion of a critique of various property rights on the grounds that they illegitimately give individuals claims to wealth for which no corresponding productive effort is exerted, leaves little doubt about the implied moral basis of that right: unlike the other rights he is discussing, “personally accumulated capital” is earned by the individual’s *own* productive efforts. That is, labour, in the best Lockean tradition, gives title to property, in this case, property in capital. The same theme underlies his treatment of interest on capital in the *Labour Movement*. There Hobhouse argues for a distinction between interest from inherited and interest from acquired capital. Interest on acquired capital, that is, “interest that a man obtains on his own savings,” is “earned by his own past industry”; interest from inherited capital, that is, interest a man “obtains from the use by someone else of his patrimony,” he “has clearly not earned”; and it is because interest on inherited wealth is not earned, while interest on acquired capital is, that the former, but not the latter, may be taxed away

61 *Elements*, 166.

62 *Labour Movement* (3rd ed.), 121-23.

63 See *Liberalism*, 104 footnote. Cf. *Elements*, 143 footnote, 146.

by the state.⁶⁴ The implication of all this is clear. It is the liberal "exchange" components of the second and the fourth supplementary principles of justice, that labour gives title to wealth and that it gives title to a proportionate amount of wealth, which Hobhouse takes to justify the right of unlimited individual capital appropriation and the right to interest on capital.

These "exchange" components, or, more precisely, the "exchange" component of the fourth supplementary principle, is used explicitly to justify another of the essential institutions of the capitalist market, namely, the labour market. In order for rewards to be proportioned to achievement, Hobhouse argues, it is necessary to compare not only values of the same kind of work but also values of different kinds of work. The only way this could be done, at least in his opinion, is by the "economic equation of demand and supply of available ability,"⁶⁵ that is, by a market in "ability" or labour.

So Hobhouse has defended two of the characteristic institutions of capitalism, the right of unlimited individual appropriation of capital and the right of treating one's labour as a marketable commodity. His continued commitment to these rights must be seen to be a consequence largely of his retention of important elements of classical liberal morality. The ubiquitous presence of those rights in his model of the just economy make that model fundamentally capitalist in nature. Other features of his just economy, features rooted as much in his classical liberal morality as in his ethics of social harmony, modify, but do not essentially alter, its basic capitalist character. Thus, the model contains some degree of authoritative, nonmarket allocation of rewards in the form of welfare support of the nonproductive; some degree of authoritative, nonmarket provision of services to all members of society by state and municipal enterprises; and, to the extent that Hobhouse would allow the state legislatively to enforce a minimum wage, some degree of authoritative, nonmarket definition of the level of rewards. Yet, the allocation of work and the allocation of the bulk of rewards is still to be facilitated by the impersonal forces of the market. Again, the rights of individuals to dispose of their energies and other property is to be restricted by legislative limitations on freedom of contract and by state taxation of bequests. But within these quite broad limits individuals are still to be treated basically as exclusive owners and disposers of their energies and other property. Finally, individuals are to be (albeit not entirely) inhibited by state taxation from privately accumulating site value, natural resources, profits from speculation, profits from nonpersonal differential advantages in production, and other values not created by individual "social service." However, they are still free to appropriate rewards, including "personally accumulated" capital, in-

64 *Labour Movement* (3rd ed.), 122-23.

65 *Elements*, 145.

terest on capital, and profit accruing from the possession of differential advantages of production in personal abilities. Although a welfare and regulated economy, it remains nonetheless a capitalist one.⁶⁶

In drawing attention to Hobhouse's commitment to capitalism, I do not wish to dismiss either the significance of the progressive economic reforms he advocated or the importance of his contribution to the development of a twentieth-century, welfare and regulatory liberalism. But what is of concern here is less the progressive features of his political theory than the implications of his retention of the basic rights of the capitalist market and its underlying classical liberal morality, for those rights and that morality are not reconcilable with his ethics of social harmony.

5. Social Harmony, Capitalism, and Classical Liberalism Reconsidered

The crucial problem in Hobhouse's attempt to combine his two specifically capitalist property rights with the ethics of social harmony is not difficult to see. When the right to the individual appropriation of capital is effectively unlimited, some individuals will manage to appropriate most of the existing capital, leaving the remaining members of society with little or none of the means of production on which to work and gain their livelihood. Those who are prevented from acquiring capital of their own must gain access to capital owned by others, and to do this they must pay a price. The price they pay, at least where the right of alienating one's labour in a market is secured, is the price of transferring their right of property in their labour to the owners of capital. This will include a transfer to owners of capital of the nonpossessors' right not only to the products they produce, but also—and this is important in the present context—to the control of their productive energies. Thus, capitalist

66 It might be objected that this assessment unduly emphasizes the role of private enterprise in Hobhouse's just economy. It is true that Hobhouse does allow for the presence of various types of nonprivate enterprises in his model and even goes so far as to describe it as a more or less neutral balance of municipal and state industries, cooperative associations, and private enterprises (*ibid.*, 184). Yet the fact remains that he allows little scope for nonprivate enterprises to operate. He wanted municipal ownership to extend no further than to industries supplying routine services and goods, for example, the production and distribution of milk, coal, bread, and the like (*ibid.*, 178; and *Labour Movement* [3rd ed.], 67ff.); and while he accepted state-owned management for a few basic service industries—postal services and transport—he was very hesitant about any further nationalization (see *Labour Movement* [3rd ed.], 87-90; and *Elements*, 178-79). Hobhouse was quite favourably impressed by “consumers’ co-operatives.” But he recognized that without the active assistance of the state, cooperatives would be inevitably confined to a relatively inconsequential sector of the economy, that is, to the retail and wholesale trade, and the only state assistance he appears willing to permit is in the case of those industries which are having serious difficulties continuing as private enterprises—for example, the coal industry (see *Elements*, 180-81). This “balanced” economy, then, speaks with a predominantly private voice.

property rights carry with them a transfer of power to direct productive energies from one class to another;⁶⁷ that is, they entail an unequal distribution of the freedom of directing the development and exertion of human faculties. And this unequal distribution of freedom violates the stipulation in Hobhouse's ethics of social harmony that individuals are to enjoy the equal freedom of developing and exerting their personalities.

Hobhouse did recognize that the large-scale ownership of land and capital characteristic of modern economies provided an individual with something whereby he could control another man's energies and that such "property for power" was inconsistent with the freedom of others to develop and exert their personalities.⁶⁸ He accordingly recommended that property for power be placed under the control of the democratic state.⁶⁹ However, all this involved was placing the power over the conditions "under which the worker is to live," that is, "the regulation of wages, hours, conditions affecting health, and the status of the worker," in the hands of a legally authorized, tripartite "Trade Board" composed of representatives of workers, owners (or managers), and an impartial adjudicator to decide between them.⁷⁰ Owners or managers would still be left with the control of the "actual direction of work," not to speak of the power of making broader investment and production decisions. Thus, while potentially reducing the degree of power entailed in the ownership of capital, his proposal would not completely eradicate such power, and a considerable level of inequality of freedom would remain.

Hobhouse was consequently stuck with a decisive gap between the vision of a society of free and equals embedded in his ethics of social harmony and a system of unequally distributed freedom inherent in his capitalist property rights. It is difficult to see how he could have avoided this problem as long as he remained committed to these property rights; for no matter how much he might have reformed them, he could not have completely removed the transfer of power and unequal distribution of freedom they entail. He could not because without some return on their capital and some excess power of directing the labour force they employ, that is, without a *net* transfer of wealth and, importantly, power to themselves, owners of capital would have neither a motive for nor the means of maintaining privately-owned capital. The gap between the society of social harmony and a capitalist market society (however modified) was, and is, an unbridgeable one.

67 Cf. C. B. Macpherson's concept of the "net transfer of powers" in his "The Maximization of Democracy," 9-12; "Problems of a Non-Market Theory of Democracy," in Macpherson, *Democratic Theory*, 40-45, 63-65; and *The Real World of Democracy* (Toronto: Canadian Broadcasting Corporation, 1965), 40-44.

68 "The Historical Evolution of Property," 88-89, 97-99, 103-04.

69 *Ibid.*, 106.

70 See his *Elements*, 182-84.

While there is an insurmountable distance between the systems of social relations respectively entailed by Hobhouse's commitment to social harmony and his commitment to capitalism, it might nonetheless be claimed that those commitments are logically consistent because a system of capitalist property rights facilitates the attainment of a higher level of equal freedom than any possible alternative model of property, and the retention of those rights is therefore justified—indeed, required—by the doctrine of social harmony itself. However, the claim that capitalist property rights can maximize the equal freedom to develop personality cannot be sustained, for while capitalist productive relations do contain a necessary and continuous net transfer of power and, hence, a net inequality of freedom, other models of property relations—for example, a model in which the means of employing labour are communally owned and democratically controlled—theoretically do not.⁷¹ The two commitments, then, remain logically irreconcilable.

Given the conflict between the ethics of social harmony and capitalism, Hobhouse's further difficulty in reconciling that ethics with his classical liberal ethics would appear quite straightforward. Since, in his treatment, the principles of classical liberalism entail a defence of capitalist property rights, and since those rights violate the postulates of social harmony, the two ethical doctrines would seem clearly incompatible. But the matter is not so simple. The link between capitalism and classical liberal morality—the principles that labour gives title to property and that men ought to be rewarded in proportion to their labour, together with the underlying premise that men are so materially self-seeking that the only certain inducement to the exertion of their energies is hope of material reward—might conceivably be broken by refusing to extend this morality to a justification of the offending capitalist property rights. However, even if this link were broken, it is important to notice that the two ethical doctrines would remain incompatible. In stipulating that individuals ought to be free to develop those capacities supportive of others, the ethics of social harmony implies not only that individuals have a claim to whatever is needed, including the support of others, to develop those capacities, but also that others have an obligation to assist in providing for those needs. Classical liberal morality denies this. In the large and important area of economic life, men cannot be obliged to exert their energies, in a supportive fashion or otherwise, unless they are given an equivalent reward; and men cannot claim what they need from others unless they relinquish an equivalent in return. The irresolvable tension between the two ethical systems is ultimately one between a system where claims and obligations are treated as natural and unconditional and a system where claims and obligations are generated only by a bargain satisfactory to self-seeking claimants and obligees.

71 See Macpherson, "The Maximization of Democracy," 14.

The logical incompatibility between Hobhouse's doctrine of social harmony, on the one hand, and his commitment to capitalism and classical liberal morality, on the other, must be regarded as a serious defect in his political theory. This defect is somewhat broader than the question of a philosophical inconsistency. For what his ethics of social harmony does is to propose that all individuals have a morally valid claim to an equality of freedom to develop their social personalities. It is therefore capable of justifying the efforts of those members of society who are relatively deprived of this freedom by the operation of capitalist market rights and exchange rules of justice, for example, the working class, to alter or even eradicate those rights and rules in the hope of attaining a greater equality of "social" freedom. But his classical liberal morality is equally capable of justifying the efforts of other groups in society to defend the very market arrangements and exchange rules which can be attacked in the name of the ethics of social harmony. Thus, Hobhouse's commitment to two irreconcilable ethical doctrines is by implication a paradoxical commitment to the moral legitimacy of two irreconcilable class interests; and his grand image of the Good Society, far from being a guide to a future of social harmony, becomes a monument to perpetually recurrent class turmoil.