

ON HEGEL, IMPERIALISM, AND STRUCTURAL STAGNATION

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The essentials of the economic theory of imperialism à la Hobson-Luxemburg are anticipated in two paragraphs of Hegel's *Philosophy of Right*. Marx did not pay attention to this aspect of Hegel's thought, perhaps because it implied a longer survival probability for capitalism than Marx cared to acknowledge. The second part of the paper shows the formal similarity between the economic theory of imperialism and the theory of structural stagnation that was proposed in Latin America in the 1960s. The blindspots and early demise of that theory have the same psychological root as Marx's neglect of Hegel's insights.

The present paper has a double purpose. First, I shall attempt to show that Hegel, in 1821, formulated an economic theory of imperialism that was not taken up by Marx and that is very similar to ideas propounded some eighty or ninety years later – without any reference to Hegel – by J.A. Hobson and Rosa Luxemburg. Secondly, I shall briefly outline the structural similarity between those theories of imperialism and certain contemporary analyses of Latin American economic development prospects.

I

Hegel had an economic theory of imperialism when Marx did not. This is the stranger as Hegel's thoughts on this matter are laid down in the very *Philosophy of Right* (1821) which the young Marx recopied and annotated at great length.¹

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¹Marx's *Critique of Hegel's Philosophy of Right* was written in 1843, but was first published in 1927 and is now available in English [see Marx (1970)]. The *Critique* is a running commentary on paragraphs 261–313 of Hegel's work, that is, on the section of the *Philosophy of Right* which deals with the State. The passages I shall quote are in the preceding section on 'Civil Society.' Marx certainly had read that very important section and projected a commentary on it as well: see pp. liv, footnote 1, and 81–82 of the English edition. That, in general, Hegel's social and economic thought as expressed in that section had considerable influence on Marx is shown in Barion (1963, pp. 100–102). Marx's *Critique* is not to be confused with his celebrated and much shorter 'Contribution to the critique of Hegel's philosophy of right – Introduction,' which he published in the *Deutsch-französische Jahrbücher* in 1844 and which is a standard item in Marx anthologies.

Before commenting further I must submit the evidence. It is to be found in two short paragraphs – 245 and 246 – in the section of the *Philosophy of Right* in which Hegel explains the development of modern ‘civil society.’ In the immediately preceding paragraphs Hegel deals with the expansion of population and of industry ‘within that society itself,’ that is, in a closed-economy model as we would say. This process leads to the ‘amassing of wealth,’ on the one hand, and, on the other, ‘to the subdivision and restriction of particular jobs and therewith to the dependence and misery of the class tied to that work.’ Furthermore, according to paragraph 244, the distribution of income and wealth is rendered even more uneven as ‘a large mass of people falls below a certain subsistence level,’ and becomes a ‘rabble’ (Pöbel). The full text of paragraphs 245 and 246 follows:

245. When the masses begin to decline into poverty, (a) the burden of maintaining them at their ordinary standard of living might be directly laid on the wealthier classes, or they might receive the means of livelihood directly from other public sources of wealth (e.g. from the endowments of rich hospitals, monasteries, and other foundations). In either case, however, the needy would receive subsistence directly, not by means of their work, and this would violate the principle of civil society and the feeling of individual independence and self-respect in its individual members. (b) As an alternative, they might be given subsistence indirectly through being given work, i.e. the opportunity to work. In this event the volume of production would be increased, but the evil consists precisely in an excess of production and in the lack of a proportionate number of consumers who are themselves also producers, and thus it is simply intensified by both of the methods (a) and (b) by which it is sought to alleviate it. It hence becomes apparent that despite an excess of wealth civil society is not rich enough, i.e. its own resources are insufficient to check excessive poverty and the creation of a penurious rabble.

246. This inner dialectic of civil society thus drives it – or at any rate drives a specific civil society – to push beyond its own limits and seek markets, and so its necessary means of subsistence, in other lands, which are either deficient in the goods it has overproduced, or else generally backward in industry.²

In paragraph 245 Hegel completes his treatment of the closed-economy model by asserting that, under conditions of an increasingly uneven distribution of income, it will be impossible to sell all that is being produced. Neither direct assistance to the poor nor their productive employment can cure the resulting situation of overproduction or underconsumption. Hence, so concludes Hegel in the much shorter following paragraph, civil society – or ‘this certain civil

²Hegel (1942, pp. 150–151). See the comments on these paragraphs in Weil (1950, pp. 97–100) and Avineri (1972, pp. 152–154).

society,' a phrase which points to England – must break out of its confines and conquer new markets. In paragraph 248 he speaks further of the 'colonizing activity – sporadic or systematic – to which the mature civil society is driven.'

The analytics of this passage are obviously unimpressive. Hegel presents us with a chain of unproven assertions and deductions. What is remarkable is the presence of the principal elements on which some of the more important later theories of imperialism were based:

- (1) the increasing maldistribution of income;
- (2) as a result, the temporary or permanent shortfall of consumption in relation to production;
- (3) as a result again, the search for new outside markets on the part of the advanced capitalist country among countries that have not yet been 'opened up' by capitalist enterprise.

The Hegelian passage is nearly perfect as a statement of the theory, if not as its justification.

There are a number of puzzles here. First of all, how did Hegel come to express these 'premature' thoughts? Secondly, why did Marx fail to pick them up? And, finally, why has Hegel not been widely acknowledged as a precursor of Hobson and Luxemburg?

There is no easy answer to the first question, nor to any such inquiry into intellectual creativity. In the Berlin of the immediate post-Congress-of-Vienna period, Hegel hardly had the opportunity to observe the social impact of industrialization at first hand. But he was acquainted with the works of Adam Smith, Say, and Ricardo, as he himself indicates in the *Philosophy of Right* (para. 189), and knew not only about England's industrial upsurge, but probably also about the post-Napoleonic depressions of 1815 and 1818–19, which were among the first serious events of the kind.

Actually the first economics work that impugned Say's Law and proposed the notion of generalized overproduction, Sismondi's *Nouveaux principes de l'économie politique*, was published in 1819 and Malthus' *Principles of Political Economy* came one year later. But Hegel could hardly have become acquainted with these works in time, and the 'excess of production' of paragraph 245 looks very much like an independent thought that Hegel deduced from the polarization of 'civil society' between poor and rich, an important theme of the previous paragraphs. Even more remarkable is Hegel's leap from the malady of generalized overproduction in a closed economy to the remedy in the form of mercantile and colonial expansion: neither Sismondi nor Malthus was to come up with such a conclusion and Hegel wrote just *before* the first wave of British overseas lending to the newly independent countries of South America, in the 1820s. In both cases, Hegel's conclusions are therefore particularly striking guesses based on the imaginative use of his dialectic method.

The most intriguing question is the next one: Why did Marx fail to pay

attention to this particular portion of Hegel's *Philosophy of Right*? For it is well known that Marx did not have any theory of imperialism. Marx and Engels emphasized the expansive vigor of capitalism and incorporated a forceful statement along such lines in *The Communist Manifesto*. But the idea that capitalism *had* to open up markets in nonindustrial countries in order to escape from domestic stagnation or crisis is simply not to be found in their works, even though Marx had only contempt for Say's Law.³ At the end of the first volume of *Capital*, Marx anticipates the downfall of capitalism as a result of increasing concentration of capital, on the one hand, and of complete proletarianization of the noncapitalist strata of society, on the other. The chapter on colonization which is tacked on to this conclusion⁴ deals primarily with the economic consequences which flow in regions of new European settlements, such as North America and Australia, from the availability of free land. Marx shows that this situation delays full-fledged capitalist development *in these countries*, but does not draw the conclusion that their existence could delay the downfall of capitalism *in Europe*.

The emergence of economic theories of imperialism from 1900 on and, implicitly, the absence of such a theory from the original Marxian system have always been plausibly explained by two considerations: in the first place, Marxists required an economic explanation for the explosion, from the later 19th century on, of expansionist policies on the part of all major advanced capitalist countries; secondly, an explanation was needed also for the failure of the confidently expected socialist revolution to occur during the Great Depression of the seventies and eighties and for the resumption of vigorous capitalist expansion in the nineties. But now that we know of Hegel's early insight, it is no longer so obvious that Marx had absolutely no way of hitting on the idea that the presence of vast noncapitalist regions and the possibility of their incorporation presented European capitalism of the 19th century with a safety valve and an opportunity for greater longevity than Marx was willing to grant it. Using Freudian terms, one may, in fact, advance the hypothesis that Marx *repressed* this thought (and the Hegelian passage which he knew) because of his will to believe in the immediate prospects of the proletarian revolution. The hypothesis is strengthened by the *late* emergence of the economic theory of imperialism under revolutionary Marxist auspices, some 40 years after the inception of the new phase of imperialist expansion and more than a decade after the publication of Hobson's work on imperialism at the beginning of the century. In this manner, the thought that the revolution was retarded by the market and investment opportunities opened up by imperialism made its appearance only at the point

³For a discussion of this point, see Winslow (1948, pp. 116–121).

⁴The purpose of this arrangement was probably to avoid ending the book on too revolutionary a note, that is, to elude the censors. See comment by Maximilien Rubel in Marx (1965, p. 541).

when it could be reasonably argued that the retardation had virtually run its course, *so that revolution was imminent once again!* Luxemburg almost says as much when she writes, toward the end of her book:

Measured against the huge mass of already accumulated capital of the old capitalist countries, a mass which needs markets for its surplus product and investment opportunities for its surplus value, measured further against the speed with which regions of pre-capitalist cultures are today cast into the capitalist mold, in other words: measured against the already attained high degree of development of productive forces of capital, the area of expansion that is still available to capital represents a small remainder. Imperialism is both a historic method of prolonging the existence of capitalism and the surest way of setting an objective terminal point to its existence along the shortest possible route (1966, pp. 423-24).

This passage is obviously influenced by Hegel's dialectic, but it makes one also think of his famous metaphor on the characteristic tardiness of theoretical understanding of reality: 'the owl of Minerva spreads its wings only with the falling of the dusk.'

Now briefly to the last *and* least question which I promised I would try to answer: Why has Hegel not been acknowledged, by the Marxists in particular, as the rightful originator of the economic theory of imperialism? The simplest explanation of this neglect is implicit in what has already been said. Since it was so well known that Marx had been a profound student of Hegel, it was inconceivable that Hegel might have come forward with an economic analysis that was not to be found also, even though in duly altered form, in Marx. If an economic idea was not in Marx, then a fortiori it could not be in Hegel. Secondly, the *Philosophy of Right* has had a strange fate: it came to be thought of as a conservative work in which the mature Hegel, now a state professor, glorified the Prussian state as the ultimate 'rational' creation of world history. Marxists therefore tended to shun the 'old' and rather studied the young Hegel. In fact, the two paragraphs which have been discussed here do not stand alone by any means: in a brilliant reinterpretation, Weil (1950) has shown, some twenty-five years ago, that the *Philosophy of Right* may well be the work of Hegel that is most fundamentally critical of state and society.⁵

II

The foregoing is primarily of antiquarian interest. But perhaps not exclusively. The sharpness of the Hegelian formulation lays bare the structure of a certain type of theory which is still very much with us. In fact, there is considerable

⁵Nevertheless, the spectrum of opinion about Hegel's political position, affinities, and influence in general remains extremely wide; see Kaufmann (1970).

similarity between the principal economic theories of imperialism and some contemporary reasoning about the development prospects of Latin American and other semi-industrialized countries.

According to Hegel, the problem of overproduction, faced by civil society, cannot be solved by simple transfer payments to the poor nor by creation of work for them; hence the only way out is export and expansion. Hobson's way of attacking the problem was almost identical. He explained the imperialist drive by overproduction, and the latter by a chronic tendency to oversaving on the part of the rich, given the current distribution of income. But he was less categorical than Hegel in ruling out any domestic remedy. As a social reformer, he made an eloquent plea for the redirection of Britain's resources and energies and looked toward Trade Unionism and State Socialism (by which he meant taxation of the rich for social ends) for bringing it about (1902, pp. 93-94). Luxemburg went back to the much more rigid Hegelian model: once she had concluded, on the basis of her study of the Marxian schemes of reproduction of capital, that excess surplus value was an inherent characteristic of capitalist production and that its 'realization' required a widening of the area of capitalist penetration, she could not conceive of any alternative to imperialism but 'catastrophe' and revolution - phenomena that would take place during the final phase of imperialistic expansion.

After Keynes, any theory purporting to show that, short of revolution, there was no way out of a situation of underconsumption and oversaving was bound to have a hard time. But these 'no-way-out' or 'only-one-way-out' theories must correspond to an important psychic need, for they soon reemerged in a new guise. Keynesian economics had merely shown that there was a variety of policy instruments which could be used, simply or in manifold 'mixes,' to maintain aggregate effective demand at a level that insures full employment. But it did not make any such statement with respect to the maintenance of a specific rate of economic growth. Thus it remained possible to argue that a country which does not wish to experience a decline in its growth rate faced, once again, some very stark alternatives. Theories of this sort have precisely been characteristic of the way in which Latin America's development prospects have frequently been analyzed, by among others the United Nations Economic Commission for Latin America (1964). It was argued that after the first 'easy' stages of import-substituting industrialization (ISI) a continuation of economic growth faces considerable problems because of the difficulties of production for export and because the very uneven income distribution makes for slow growth in domestic demand for mass consumer goods. I have no intention to examine here the analytic content of these theories of 'structural stagnation;' but their structure is strikingly similar to that of the theories of imperialism which have just been examined. Let us take, for example, the two reformist theories, Hobson's on imperialism, and ECLA's on post-'easy'-ISI Latin America. Both theories envisage the following three outcomes:

- (1) a decline in the rate of growth and stagnation in the case of Latin America, or depression in the case of the advanced industrial countries of Hobson's time;
- (2) an expansion of exports (accompanied by export of capital in Hobson's model); and
- (3) a redistribution of income in favor of the poor, favored by both theories as a solution.

The only difference between the two theories lies in the probabilities which are assigned to the first two outcomes. To compare the structures of these and similar theories a tabular form using some shorthand notation may be useful. In the following table we write: *E* for the expected (dismal or objectionable) outcome; *H* for the hopeful alternative solution which one exhorts the people and the policymakers to strive for; and *D* for another outcome that is dismissed as unthinkable, unattainable or so intolerable that it will not be allowed to persist for any length of time.

Prospective outcomes	Prospects for industrial countries, circa 1900, according to Hobson's theory of imperialism	Prospects for developing countries in the post-'easy'-ISI phase, according to:	
		Theory of structural stagnation	Orthodox analysis
Export expansion	<i>E</i>	<i>D</i>	<i>H</i>
Stagnation or depression	<i>D</i>	<i>E</i>	<i>E</i>
Income redistribution	<i>H</i>	<i>H</i>	<i>D</i>

It would not be difficult to make similar comparisons of current thinking on development prospects and policies with Hegel's or Luxemburg's schemes. The analyses and policy recommendations of orthodox economists who criticize the various distortions import-substituting industrialization brings with it, without seeing the need for redistribution or other structural change, can also be fitted into the scheme. This has been done in the last column of the table. According to the orthodox analysts, the post-'easy'-ISI country faces stagnation unless it reduces effective protection levels and discontinues a variety of other irrational economic policies. Once these various recommended policies are adopted, both traditional and new exports will increase and the country's economy can resume its forward movement.

As is brought out by the schematic arrangement of the table, the theory of structural stagnation has a nexus both with the theory of imperialism and with orthodox analyses: while it agrees with the theory of imperialism on income distribution as the only remedy, it joins orthodox analysis in an unnatural alliance that is bent on indicting import-substituting industrialization and all its works.

The arrangement further shows how each theory, by dismissing or ignoring one of the possible courses events may take, selects its own blindspot. Changes in income distribution which are normally premised on a substantial social and political transformation are not within the horizon of those who hold that the existing system can be made to work quite satisfactorily if only a few irrational policies are abandoned. On the other hand, reformers and revolutionaries such as the partisans of the theories of structural stagnation and imperialism tend to develop a symmetrical blindspot: in their eagerness for structural change they often fail to appreciate the ability of the 'tottering system' to remedy its worst weaknesses or simply to hang on. As was suggested before this eagerness may have had something to do with Marx's neglect of Hegel's insights. The same blindspot affected the theory of structural stagnation with the result that it had to be hastily abandoned after a brief lifespan in the mid-sixties because Brazil, that paradigm for the 'exhaustion' of import-substitution early in the decade, suddenly resumed rapid growth *without* prior redistribution of income in the egalitarian direction – in fact with the opposite kind of redistribution.

Around the time (1920) when Lenin criticized European Communists for their 'infantile diseases' he issued a warning against the sort of theorizing that is at issue here and that so often misleads those who are eager for change:

Revolutionaries sometimes try to prove that there is absolutely no way out of a crisis [for the ruling class]. This is a mistake. There is no such thing as an absolutely hopeless situation.

As Lenin well knew, to underestimate the adaptability and resourcefulness of one's adversary can have consequences far more serious than the premature death of *theories*.

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