

ASAF SAVAŞ AKAT

The
**THEORY OF CAPITALIST
DEVELOPMENT**

Principles of Marxian Political Economy

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FOREWORD

To introduce Dr. Paul Sweezy's book to readers on this side of the Atlantic is a privilege, if only because serious contributions to the study of the economic theories of Marx by authors who are well versed both in general economic literature, and in the literature of Marxism are rare in this country. In academic circles Marx's doctrines may have been suspect hitherto and condemned to inhabit that furtive 'underworld' to which Lord Keynes, in a much-quoted passage, has assigned them. But as a world force they compel our attention more insistently from year to year. This book has the virtue of combining an exposition of the essentials of Marx's analysis of capitalism in terms of his theory of value and of surplus-value with an examination of certain leading features of the twentieth century world (for example, the illuminating treatment of certain aspects of monopoly). A notable quality is that the author does not show an interest in Marx's theories simply as an exercise in analysis. While their logical structure is subject to an unusually careful examination, it is with their adequacy as models for revealing the historical processes of capitalist society—its 'law of motion'—that he is chiefly concerned.

To English economists Dr. Sweezy, a Harvard economist, is mainly known as one of the editors of *The Review of Economic Studies* and as the author of *Monopoly and Competition in the English Coal Trade, 1550-1850* in the series of Harvard Economic Studies. In the present volume students of Marxism will find of special interest what strikes me as being at once the most understanding and illuminating interpretation of Marx's theory of value that has appeared in recent times, and his discussion (and his own solution) of the so-called 'transformation problem' (along the lines of Bortkiewicz's critique) will be new to English students, as to a large extent will also be his review of the continental discussion about the 'realisation' problem in connection with economic crises. In the continental literature of Marxist discussion of crisis-theory since the '90's the author is unusually well-versed. For the more specialised benefit of economists one should not omit to mention the interesting short appendix (contributed by Dr. Shigeto Tsuru) in which the reproduction-*schema* of Quesnay, of Marx and of Keynes are compared.

In places Dr. Sweezy's book will no doubt provoke a good deal of discussion. A case in point is the emphasis he lays on the under-consumption aspect of crises (in contrast to 'disproportionality' and 'the tendency of the rate of profit to fall'). While on this point my own view has moved, I think, much nearer to the one expounded here since eight or ten years ago, there are places at which I have myself felt inclined to question the argument of this book (for example, the characterisation of Fascism as being in its inception 'a middle-class movement', and his treatment of 'the Bortkiewicz corollary'.)* Dr. Sweezy, who has been serving with the American Army on the continent of Europe, tells me that there are several passages which, had he the leisure to do so, he would himself re-write to-day. This applies especially to the final section, where the question is raised of the 'coexistence of capitalism and socialism' which is such a burning one at the present moment. The brief discussion of this matter may appear to some readers, perhaps, as too abstract, and for those reading it to-day it suffers from having been written before the United Nations Organisation, and also the concrete difficulties confronting it, had taken shape. Nevertheless, an issue which events are daily proving to be a crucial one is here posed clearly and boldly.

If the book serves to provoke more informed discussion in a territory where this has previously been lacking, and misinterpretation and vulgarisation have too often reigned instead, it will, I feel sure, have gone a long way to fulfil the author's intention in writing it, and will have well justified Mr. Dennis Dobson's enterprise in producing an edition for this country. But to say this is to understate the value of the contribution which this book makes to economic literature. It deserves the warm appreciation of English readers as a cogent and lucid, and in many ways an original, exposition of a subject that to so many has remained baffling and obscure: an exposition which is the product of a mind of high quality and distinction, and should continue to rank for some time as a standard work in its field.

MAURICE DOBB

Cambridge,
October 1945

* c.f. a review of the book in *Science and Society* (New York), Summer 1943. Perhaps I should add that further reflection has caused me to doubt whether the comments made in this review about the book's treatment of 'the Bortkiewicz corollary' were entirely justified. It is a very special point; but it clearly deserves further discussion in the light of Dr. Sweezy's fresh and stimulating analysis of the problem.

PREFACE

THERE exists in English no reasonably comprehensive analytical study of Marxian Political Economy. This book is intended to fill the gap. It is, however, neither complete nor exhaustive; many important topics have been altogether omitted, and others have been passed over with no more than a brief reference. Nevertheless, I hope it will contribute to a better understanding of an important body of social thought which in the past has too often suffered from ignorant and superficial treatment. I have not tried to gloss over difficulties, but neither have I gone out of my way to dwell upon complex theoretical problems unless they seemed to be directly related to the task in hand.

Throughout the book I have quoted frequently and extensively from the works of Marx and his followers. This unquestionably makes for an awkward style of presentation, but it has seemed unavoidable. It is not possible to take for granted an acquaintance with the literature of Marxism; much of the most important work, even of Marx himself, has never been translated into English, while many relevant books and periodicals are available only in the larger libraries. Moreover, interpretations of Marxian theories have differed widely, and I am anxious that my own interpretations, however much some readers may disagree with them, shall at any rate not give the impression of being made up out of whole cloth. Quotations from *Capital* are taken from the three-volume edition published by Charles Kerr & Co. of Chicago. I have felt free to simplify the punctuation in the passages quoted, and in several cases, all of which are recorded in the footnotes, I have altered the translation itself to convey more accurately the meaning of the German original.

Besides presenting and analyzing the views of other writers I have also attempted to solve certain theoretical problems which have long been the subject of controversy, and to bring within the framework of Marxian theory a variety of issues which it

seems to me have hitherto received inadequate analysis. In the latter connection the reader's attention is particularly directed to Chapter x (Realization Crises), Chapter xii (Chronic Depression?), Chapter xiv (The Development of Monopoly Capital), Chapter xv (Monopoly and the Laws of Motion of Capitalism), and Chapter xviii (Fascism). The arrangement of the subject matter follows a definite pattern, starting from the most abstract problem of Political Economy—the theory of value—and proceeding by successive stages to the pressing problems of present-day world society.

Many friends and colleagues have been kind enough to read all or parts of the manuscript in various stages of completion and to offer valuable criticisms and suggestions. Among them I should like particularly to mention Drs. Erich Roll, Lewis Feuer, Franz Neumann, Alan R. Sweezy, Robert K. Merton, Svend Laursen, Stanley Moore, and Mr. Paul Baran. The criticisms of my wife, Maxine Yapple Sweezy, have been especially helpful, though she can legitimately complain that they have not always been accepted. My greatest debt is to Dr. Shigeto Tsuru, with whom I have had the good fortune to have many discussions over a period of years not only on the topics covered in this book but also on a wide range of related subjects. Dr. Tsuru has read the entire manuscript and has helped me in innumerable ways to improve both form and content. It is a great pleasure for me to be able to include an Appendix by him explaining and comparing the reproduction schemes of Quesnay, Marx, and Keynes. This Appendix should, I think, be of great interest to economists.

Needless to say, none of the above-named persons is in any way responsible for the views which I have expressed or for analytical errors which may remain.

I have included as a second Appendix a translation of several pages from Rudolf Hilferding's book *Das Finanzkapital* (first published in 1910) under the title 'The Ideology of Imperialism.' The idea is widespread in English-speaking countries that Marxism failed to understand and foresee the ideological trends which have reached their climax in the present-day fascist states. Even a brief excerpt from this well-known work of the period before the First World War should do much to dispel this groundless impression.

With regard to footnotes, the following practice has been adopted: those containing references and nothing more are relegated to the back of the book; all others appear at the bottom of the page.

Acknowledgments are gratefully made to the following publishers for permission to quote as follows:

- Charles Kerr & Co., Chicago, from Karl Marx, *Capital*, 3 Vols.; from Karl Marx, *A Contribution to the Critique of Political Economy*; and from Louis B. Boudin, *The Theoretical System of Karl Marx*.
- Macmillan and Company, New York, from Lionel Robbins, *The Nature and Significance of Economic Science*; and from Joan Robinson, *The Economics of Imperfect Competition*.
- McGraw-Hill Book Co., New York, from J. A. Schumpeter, *Business Cycles*, Vol. I.
- Methuen & Co., Ltd., London, from Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. I.
- International Publishers, New York, from Karl Marx, *The Class Struggles in France*; from Karl Marx and Friedrich Engels, *Correspondence, 1846-95, a Selection with Commentary and Notes*; from V. I. Lenin, *Imperialism*; from V. I. Lenin, *Left-Wing Communism: an Infantile Disorder*; from Joseph Stalin, *Leninism*; and from Maurice Dobb, *Political Economy and Capitalism*.

PAUL M. SWEETZY

Dunster House,
Cambridge, Mass.
1 August 1942.

PREFACE TO 1962 PRINTING

My first inclination was to prepare a revised and expanded second edition, but on more mature consideration I decided against it. Not that the book lacks faults and deficiencies—far from it. But it seemed to me that a serious attempt to remedy the bigger ones would go beyond the scope of an introduction and might badly impair the value of the book for the purpose for which it was first intended. Since, to my knowledge, no comparable text has been published in English in the intervening period, I concluded that *The Theory of Capitalist Development* in its original form still has a useful function to perform.

For the rest, I confess to a certain prejudice against too much alteration of a book once published. The late Professor Schumpeter, to whom this book indirectly owes a great deal, including its title, aptly wrote in the preface to the English translation of his *Theory of Economic Development*: "Books, like children, become independent beings when once they leave the parents' home. They lead their own lives, while the authors lead their own also. It will not do to interfere with those who become strangers to the house." I am content to follow his advice (and example) and to leave this work as it came into the world.

PAUL M. SWEEZY

Cambridge, Mass.

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INTRODUCTION

INTRODUCTION

SOCIETY is more than a number of individuals. It is a number of individuals among whom certain definite and more or less stable relations exist. The form of society is determined by the character and form of these relations. The social sciences comprise all those branches of knowledge which have as their aim the study and understanding of these relations and their changes in the course of time.

All this, it will be said, is obvious to the point of banality. And so it is. But it is as well to remember that the most obvious things are frequently the most important. Those who neglect the obvious do so at their own peril. Let us take the modern science of economics as a case in point.

Economics, by common consent, is a social science; one has only to consult a university catalogue to convince oneself. Its subject matter is drawn from the field of the production and distribution of the goods and services which people need and want. From these two premises it would seem to be a legitimate conclusion that economics studies the social (inter-personal) relations of production and distribution. What these relations are, how they change, and their place in the totality of social relations would seem to be the indicated subjects of inquiry.

But do economists see matters in this way? Let us glance briefly at the work of Professor Lionel Robbins, *The Nature and Significance of Economic Science* (1st ed., 1932), for enlightenment. Professor Robbins's book is not chosen as an extreme example, but merely as a convenient summary of views which are widely held among modern economists. Does Professor Robbins regard economics as a social science in the sense that it deals primarily with relations between people?

'The definition of Economics which would probably command most adherents . . . is that which relates it to the study of the causes of material welfare,' he tells us (p. 4). This, surely,

is not a very promising definition, since it suggests all kinds of natural and applied sciences which the economist could scarcely be expected to master. We may, therefore, be thankful that Professor Robbins decides to reject this approach. In order to get at the essence of the matter, he next proceeds to consider 'the case of isolated man dividing his time between the production of real income and the enjoyment of leisure.' (p. 12) Here is our good friend Robinson Crusoe, and Professor Robbins finds his behavior very instructive. Without returning to the mainland, Professor Robbins works out a definition of economics: 'Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses.' (p. 15)

This does not look very much like the definition of a science of social relations. It purports to be rather a definition of a science of human behavior in general. We are not, therefore, surprised to find that this science produces results which are generally relevant to all forms of society, that is to say, under the most different conditions as regards the kind of relations existing between the members of society. 'The generalisations of the Theory of Value,' according to Professor Robbins, 'are as applicable to the behaviour of isolated man or the executive authority of a communist society, as to the behaviour of man in an exchange economy.' (p. 19) The same thing, no doubt, could be said of the generalizations of physiology. Professor Robbins hardly goes so far as to affirm that economics is not a social science, but he has an evident distaste for the view that it is. If one took the point of view of the classical economists, he says, 'It was possible to regard the subject-matter of Economics as something social and collective.' With the more recent appreciation of the importance of individual choice, however, 'this approach becomes less and less convenient.' (p. 69) Furthermore, he tells us that instead of studying the aggregate output of society and its division—that is to say, the result of the social relationships of production—'we regard [the economic system] as a series of interdependent but conceptually discrete relationships *between men and economic goods.*'* (p. 69) In other words, the economic system is not considered primarily in terms

* Italics added.

of relations between men and men (social relations) but in terms of relations between men and things.

It would be a mistake to conclude that the modern economist does not concern himself at all with the social relations of production. On the contrary, he is continually engaged in researches which have an obviously social character. He will perhaps point to these researches as proof that charges brought against him on this score are unfounded. But this misses the essential point which we are trying to make. It is, of course, perfectly true that in applying or using the conceptual apparatus of economic theory, social relations are inevitably encountered and must be brought into the discussion. The point we are concerned to emphasize is that this conceptual apparatus is intended to be so constructed as to transcend any particular set of social relations. Consequently the latter enter the picture only incidentally, as it were, and at the level of application. We say incidentally because they need not enter at all. The fact that economic theory is supposed to be equally applicable to Robinson Crusoe and to various types of social economy proves this. To put the matter otherwise, economic theorizing is primarily a process of constructing and interrelating concepts from which all specifically social content has been drained off. In actual application the social element may be (and usually is, since Robinson Crusoe is mostly serviceable and interesting in the preliminary stages of theorizing) introduced by way of *ad hoc* assumptions specifying the field of application.

Let us attempt to make our meaning clear by examining the particular concept 'wages,' which plays a role in all modern economic theories. The term is taken from everyday language in which it signifies the sums of money paid at short intervals by an employer to hired workmen. Economic theory, however, has emptied out this social content and has redefined the word to mean the product, whether expressed in value or in physical terms, which is imputable to human activity engaged in a productive process in general. Thus Robinson Crusoe, the self-employed artisan, and the small peasant proprietor as well as the factory laborer all earn wages in this sense, though in common parlance, of course, only the last-named is properly to be regarded as the recipient of wages. In other words, 'wages' be-

comes a universal category of economic life (the struggle to overcome scarcity) instead of a category relevant to a particular historical form of society.

In investigating the present economic system, economists introduce either explicitly or by implication such institutional and social assumptions as are necessary in order that wages take the form of money payments by employers to hired workmen. What lies behind this form, however, is derived from the productivity theorems, which in themselves are entirely empty of social content. From this point it is an easy and natural step to treat wages as 'really' or 'in essence' the marginal productivity of labor and to regard the relation between employer and worker as expressed in the actual wage payment as incidental and in itself of no particular significance. Thus Professor Robbins states that 'the exchange relationship [in this case between employer and worker] is a *technical* incident . . . subsidiary to the main fact of scarcity.' (p. 19)

Nor is this the end of the matter. Once the point of view just set forth has been adopted, it is extraordinarily difficult, even for the most cautious, to avoid slipping into the habit of regarding the productivity 'wage' as in some sense the right wage, that is to say the income which the worker would receive under a fair and just economic order. We do not refer to the justifications of the present economic system which the older economists were in the habit of putting forward in terms of the productivity theory. They were too blatant and obvious and have long since gone out of fashion. We are referring to a much more subtle use of the productivity theory as a standard of desirability by critics of the *status quo*. Both Professor Pigou and Mrs. Robinson, for example, hold that the worker is exploited if he receives as wages less than the value of the marginal physical product of his labor.¹ Thus the present economic system is by implication criticized to the extent that it falls short of conformity with a model constructed from concepts which are altogether lacking in social content. Something which bears a striking resemblance to the eighteenth-century natural-law manner of judging society is thus smuggled through the back door by those who would carefully avoid bringing it openly into the front hall.

It would be possible to make a like analysis and to come to

broadly similar results if we were to examine such other central concepts of economic theory as rent, interest, profits, capital, et cetera. But the point is probably sufficiently clear by now. In each case the concepts are borrowed from everyday language, the social content is drained off, and the resulting universal categories are applied indifferently to all kinds of economic systems. These systems are then judged to differ from one another largely in unessential matters of form, as far as the economist is concerned. And it may even be, as we have seen, that they are evaluated not in social terms, but by reference to abstract models which are felt to be of prior logical importance.

It seems obvious that in this way the economist avoids a systematic exploration of those social relations which are so universally regarded as having a relevance to economic problems that they are deeply imbedded in the everyday speech of the business world. And it is even more obvious that the basic point of view which modern economics has adopted unfits it for the larger task of throwing light on the role of the economic element in the complex totality of relations between man and man which make up what we call society.

It seems reasonable to suppose that the state of affairs which has been briefly sketched in the foregoing paragraphs has more than a little to do with what may fairly be described as a widespread feeling of dissatisfaction with economists and their works. This being the case, it might appear that the most fruitful procedure would be to launch upon a detailed investigation of the central tenets and beliefs of modern economics from the point of view of its shortcomings as a truly social science of human relations. Critical analysis of this kind, however, is at best a thankless task, and it is commonly open to the justifiable charge of failure to offer anything constructive in place of what it rejects. We have, therefore, decided to abandon the terrain of received doctrine, having convinced ourselves that there is reason to be restless there, and to explore another approach to the study of economic problems, namely, that which is associated with the name of Karl Marx.

In what follows, consequently, we shall be concerned very largely with Marxian economics. This should not be taken to