

The
THEORY OF CAPITALIST
DEVELOPMENT

Principles of Marxian Political Economy

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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 Yaple 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.

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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*.

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PREFACE TO THE SECOND PRINTING

THIS is not a second edition in the proper sense of the term; so far as the text itself is concerned no changes have been made beyond the correction of a certain number of minor slips and typographical errors. Nevertheless, so much has happened since the book was originally published in 1942 that it would hardly be reasonable to reprint without comment what was then written about the position and prospects of world capitalism. Hence I should like, through the medium of this additional Preface, to re-examine the suggestions and hypotheses of the final chapter ('Looking Forward') in the light of developments during and since the war.

In order to do this in a logical and coherent way, it will be advisable at the outset to summarize as briefly as possible the argument of that chapter.

The main body of the book is devoted to an analysis of capitalism and its ills. It is argued that, in the absence of corrective treatment, these infirmities must become progressively debilitating and must lead to the decline and eventual fall of capitalism as a world order. The final chapter opens with a brief consideration of the doctrines of an increasingly influential school of economists which, recognizing the over-all correctness of this analysis, holds that the state can take appropriate measures to overcome the weaknesses of capitalism and in this way indefinitely prolong its life.

The argument of these latter-day reformists is found wanting, not so much on logical grounds as on grounds of failure to appreciate the position and function of the state in capitalist society. Capitalists themselves are basically opposed to the recommended reforms; and, since their influence is ultimately and necessarily the dominant one, this in itself is sufficient to doom the program to failure.

The question then arises what form the decline of world capitalism will assume. At one time, Marxist theorists were wont to

think in terms of a simultaneous revolution in all the more advanced countries which would overthrow capitalism at one stroke and put in its place a new world socialist order; and, indeed, there was a time after World War I when this prospect seemed to be by no means impossible of realization. The 1920's, however, witnessed the emergence of an entirely new situation. The revolution had succeeded in Russia, but in all the other major countries capitalism survived and became relatively stabilized by the middle of the decade.

This new situation suggested the theory—which was expounded by Stalin as early as 1924—that the decline of world capitalism would proceed in a piecemeal fashion: as conditions became favorable, now one country, now another would break away from the orbit of capitalism and ally itself with the Soviet Union. In this way what began as a mere 'island in the ocean of imperialism' would gradually be built up to the stature of a rival world order challenging the dominance and ultimately the existence of capitalism. It was Stalin's view at that time that this process would eventually lead to a conflict between the two world orders and that this conflict would encompass the triumph of socialism and the final defeat and disappearance of capitalism.

In the present work it is contended that such a final struggle between capitalism and socialism—which, in view of the most recent advances in the art of warfare, might well lead to their common ruin—is by no means inevitable. It seems at least equally possible that in the period now opening the inherent superiority of socialism as a method of harnessing the productivity of modern technique in the interests of society at large will be so clearly demonstrated as to bring about significant changes in the public opinion of the capitalist world. Assuming the continued vitality of democratic institutions in the key centers of capitalism, Great Britain and the United States, such a shift in public opinion should be of a sort to make the organization of a crusade against socialism an increasingly difficult and unprofitable venture. At the same time, it may be anticipated that the socialist nucleus will steadily grow as one country after another finds that its basic problems are insoluble under the constrictions of the rule of capital. Eventually, the time for a show-down will have passed: on the international level, socialism will have won the day. Once this

has happened, a relatively quiet transition will for the first time become possible even in the innermost citadels of capitalism.

In order to translate this line of reasoning into the familiar units and concepts of the current world political scene, the chapter in question closes with a rough sketch of a possible future course of events which would in the main conform to the suggested theoretical pattern and confirm its substantial accuracy. This sketch was not intended as a concrete prediction of what would actually happen; rather it was intended as a device for focusing attention on certain forces which are at work today and which will have an important, though not exclusive, influence on the shape of the future.

The initial postulate was, of course, the successful crushing of German fascism. It was assumed that this would be followed—how rapidly being left unspecified—by the spread of socialism over substantially the entire European continent. Anglo-American attempts to prevent this consummation would be frustrated by the opposition of the British working class. Socialism, now operating from a firm base stretching from the Atlantic to the Pacific, would enter into an alliance with the colonial and semi-colonial countries of Asia, which would ensure their gradual evolution in a socialist direction and hasten the elimination of foreign imperialist influence. Britain might follow in the footsteps of western Europe; or it might fall into the orbit of the United States, which in either case would now become the center and guiding force of a much-shrunken and weakened world capitalism. The unlimited expansive power of socialism and the contradictions of capitalism would now have a chance to display themselves side by side. The progressive solution of economic problems would produce a steady accretion of political support, both within and without the confines of the socialist system. Eventually, the foundations of capitalist rule would be irremediably undermined; and, assuming the survival of democracy in the remaining capitalist countries, a peaceful supersession of the old order, even in the United States, would become both practical and probable.

Let us now review the foregoing analysis in the light of the events of the last four years.

With regard to the prospects of curing the infirmities of capitalism through reforms, or—from the political standpoint this comes to very much the same thing—of gradually introducing socialism under existing international conditions, very little needs to be added. It is certainly true that an increasing number of people both in the United States and in Great Britain believe in, or try to convince themselves that they believe in, the possibility of some such program. The great electoral victory of the British Labour Party last July might even give rise to the view that a far-reaching experiment in reformism is already under way. There is, however, not much evidence to suggest that this is so, still less that such an experiment would be successfully carried through if it were so. The leaders of the Labour Party are neither a very radical nor a very forceful group, and they appear to be leaving administrative positions, right up to the highest level, in the hands of persons whose loyalty to the *status quo ante* could hardly be called in question. Under the circumstances, even the nationalization of several important industries (which may or may not be accomplished) would not seriously alter the functioning of British capitalism. The real significance of the victory of the British Labour Party lies in another direction. It marks the end of an epoch in British political history, the epoch in which the British working class could unite on the goal of winning a parliamentary majority. And the result must be the destruction of the illusion, which is deep-seated in the British Left and dates back at least as far as the Chartist movement, that formal political power and social power are identical. It may fairly be expected that the period ahead will witness a lively ferment in the British labor movement, very possibly accompanied by the rise of new leaders and by re-alignments of far-reaching importance.

Passing now to the question of the form which the decline of world capitalism will assume, it is apparent that the last four years have been a period of great importance from which much can be learned. The theory that socialism would grow by way of piecemeal accretions and, *mutatis mutandis*, that capitalism would shrink in the same way stands on firmer ground today than it did in 1942 when (to many at least) even the survival of the Soviet Union was still very much of an open question. There can be no doubt that the military and economic successes of the

U.S.S.R. during the war together with the smashing of the two most aggressive capitalist empires have added greatly to the relative material and political strength of socialism on a world scale. Moreover, the addition to the original nucleus of several new socialist states in eastern and southeastern Europe may be regarded as a virtual *fait accompli*. Yugoslavia and Albania seem to be at the present writing the only countries where socialists are firmly entrenched in power, but the drift of events in neighboring states is unmistakable and hardly seems likely to be reversed. This does not mean, of course, that a socialist system prevails anywhere in this region as yet: the introduction of new relations of production takes time, especially in a predominantly peasant economy. Moreover, the fact that the most important international factor in eastern Europe is the Soviet Union means that these countries can proceed carefully and do not need to hurry in order to forestall an internationally supported move to restore the old order. Thus, for example, it is likely that the collectivization of agriculture can be gradually 'sold' to the peasants by education and the practical demonstration of its superiority to the backward and inefficient system of small holdings, a system which in the first stages of the transition is actually being extended by the breaking up of large estates.

In central and western Europe—with the important exception of Czechoslovakia—the trend of events is much less evident; in fact, it may even be said that no clear-cut trend has yet established itself. The expectation, set forth in our earlier analysis, that the end of the war would be followed by the installation of socialist regimes over substantially the whole continent has not been fulfilled, nor would it be justifiable to assert that it is clearly on the way to fulfilment. The problem evidently needs to be reviewed if we are to achieve a correct estimate of the forces at work in this very important—perhaps even decisive—region.

Underlying our earlier reasoning on this subject was the assumption, implicit rather than explicit, that the key to developments in central and western Europe would be found in Germany. This had been the case for well over half a century, and it was all too easy to assume that it would continue to be so for at least a few more years. For this assumption to hold, however, one condition would have been essential: a successful revolt

against the Nazi regime would have had to take place before the end of the war—just as, in 1918, a successful revolt did overthrow the Kaiser. It would be incorrect to say, with the knowledge of hindsight, that such a revolt never could have taken place. July 20th might have succeeded; and if it had, it certainly would not have stopped short where its originators planned: the entire political aspect of the war would have been changed almost overnight. But it is hardly useful now to speculate on what might have happened; the fact is that the Nazis won the day, and the war in Europe continued for another ten months. It is important to realize that these last ten months were incomparably the most destructive of the war. Not only materially but also politically and socially Germany was knocked out; at the end she lay prostrate, totally occupied by three invading armies, an object of politics rather than an active factor in politics.

After 20 July 1944, the political center of gravity in the region under consideration shifted to France which now became, for the first time since Bismarck, the strongest purely European nation. But real power rested for the time being in the hands of Great Britain and the United States, which together possessed an overwhelming military and naval superiority in the whole area from the Mediterranean to the North Sea. With one seemingly minor exception—the Belgian crisis of November 1944—this armed force was not used to intervene in the internal politics of the western European countries; but for all that it would be impossible to overestimate its actual importance. It stood in the background dominating the calculations of all parties, and any one who was uncertain how it might be used in an emergency could have had few doubts left after the Belgian incident, and still fewer after the events of December in Greece. Under cover of this tacit Anglo-American protection, the old ruling class was able to re-establish itself. The armed resistance movements, which, like their counterpart in Yugoslavia, were the potential advanced guards of a genuine social revolution, were disarmed. The state apparatuses, the breaking up and replacement of which—as Marx long ago taught—must be the first aim of every revolution, were propped up and restored. The expectation that the collapse of Nazi rule would be followed by the establishment of socialism in western Europe thus turned out to be incorrect.

In the larger historical view, this was the victory of British and American capitalism.

It is necessary to digress briefly to ask why the calculation, which formed a part of our earlier analysis, that the effectiveness of Anglo-American intervention would be frustrated by the British working class, turned out to be erroneous. The basic reason is to be found in the particular sequence of military events which characterized the course of the war. British and American troops were in western Europe for a purpose that commanded the overwhelming support of the British workers; once there, however, they necessarily became the instruments of British and American policy. Moreover, as pointed out above, military force was not used overtly; except for a brief period during the Belgian incident, the issues were not dramatized; an occasion for effective protest was never offered. This contrasts very sharply with the situation which prevailed after World War I when the British workers, by-passing their official leadership and with a clear realization of what was at stake, played a decisive role in frustrating the efforts of the government to intervene on behalf of the Russian counter-revolution. It even contrasts with their attitude and actions in the Greek crisis, which developed simultaneously with the events in western Europe that have already been reviewed. The British government's sharp action against the left-wing Greek resistance movement in December 1944 shook the Labour Party to its foundations, since in this case it was clear that British troops in Greece had nothing to do with the war against Germany. If it had not been obvious that a governmental crisis in Britain at that time, whatever its origin, would have had serious repercussions on the conduct of the war, it is likely that rank-and-file pressure would have forced the Party leaders to withdraw from the coalition government. Hence it seems justifiable to say that the failure of the British working class to play a role in the events in western Europe was due rather to what may properly be called a historical accident than to any renunciation of the aspirations and sympathies which moved it to come to the assistance of its Russian class brothers in 1919.

Let us return now to developments in central and western Europe. France clearly continues to be the key country. So long as France remains capitalist, all the countries west of Germany

(including Italy) will also remain capitalist. Moreover, Germany is likely to remain a buffer and an experimental meeting ground between the socialist Soviet Union on the one hand and the three large western capitalist powers on the other. A socialist France, however, would fundamentally alter the situation. Weaker neighboring countries would be powerfully attracted in the same direction; but, even more important, the position and role of Germany would be transformed. Instead of being a sort of no-man's land between two social systems, Germany would now be virtually encircled by socialist countries. It can hardly be doubted that from this time the Soviet Union and France together would exercise the decisive influence on the development of Germany. American power in Germany on anything like the immediate post-war scale is—one might already more appropriately say 'was'—essentially a temporary phenomenon, and Great Britain alone is certainly not in a position to dominate the course of events on the continent. Germany would now move in a socialist direction, and in time would take her place in a European comity of socialist states—though, in view of the extensive damage which fascism and war have inflicted on the German social fabric, it could not be expected that this would happen quickly.

We thus see that much depends on what happens in France in the period immediately ahead. At the time of writing, the opposing forces seem to be fairly evenly balanced. As noted above, the old ruling class has re-established itself in the key positions in industry, government, and the armed forces. On the other hand, the French public at large has shifted sharply to the left, and the working class is well organized and consciously socialist. Any long-term reconciliation between the opposing forces is out of the question, and government by a coalition of irreconcilables is necessarily temporary and transitional. We have to look forward in France to a series of governmental crises, any one of which may turn into a more general political and social crisis. The chances are that at some stage the right, supported by the new pseudo-left, will attempt to launch a new venture in Bonapartism with the ostensible purpose of 'restoring law and order.' What the outcome of such an attempt might be it is of course impossible to foretell. It might succeed, or it might open the door to a socialist regime. In any case, it is well to remember that inter-

national influences, especially those emanating from Britain and the United States, will be among the most important determinants. Under the circumstances, the British working class may yet play the decisive role which our earlier analysis ascribed to it.

When we turn from Europe to the Far East, we find that no important aspect of the general and long-range perspective set out in 1942 has yet been put to a decisive test. We postulated a steady growth of resistance to imperialist rule in the colonial countries, an alliance between these native national independence movements and the bloc of socialist states in the Soviet Union and Europe, the gradual expulsion of foreign domination, and the evolution of these countries in a socialist direction. (There is no intention to imply, by such a summary statement, that these developments would or could take place painlessly and without bloodshed. Nevertheless, there is no reason to assume that they must give rise to a war involving the major powers.) While the continued increase of resistance to imperialist rule is clear to every one, it is still too early to say that the course of events is or is not conforming to this pattern. For the present, the trend seems to be toward a restoration of western imperialist rule. The United States, with vastly enhanced power in the whole Pacific area, is holding the ring, as it were, while the British, Dutch, and French beat down native independence movements and restore their old empires. At the same time, the United States is acting vigorously to establish a sphere of influence as exclusive as may be—and ultimately no doubt a sphere of investment and trade—in China and Japan. The effect of all this might seem to be just the opposite of our earlier calculations.

And yet it would be a mistake to go too far in drawing conclusions from a situation in which underlying forces and trends are necessarily obscured and distorted by the great upheavals of the war period. Western rule and western influence are returning to the Far East, but with a difference. Concessions are being made, and more will be necessary in the future, which will strengthen independence movements and afford them levers for achieving their ends. At the same time, imperialism lacks now, as it always has lacked, the will and the ability to solve the increasingly severe economic and social problems which in one form or another dominate the thought and actions of all classes in the

region. (On this point, see the analysis on pp. 324-8 below.) This in itself might not be decisive if people could be taught or induced to believe that such problems are by nature insoluble, that they must suffer in this world and reap their reward in the next. It is undoubtedly in this connection that the achievements of socialism in the U.S.S.R. take on maximum significance for the colonial peoples of the world. Central Asia, Siberia, and the Soviet Far East offer living proofs that backward nationalities, helped rather than exploited by their more advanced brothers, can find the road to progress and higher standards of life. As a realization of this fact spreads and deepens, imperialist rule will be gradually undermined and the foundations of a socialist future will be solidly laid. The long-run validity of this reasoning seems to be, if anything, less doubtful today than it was in 1942.

Nothing that has happened during or since the war can help us to decide the question—the fateful nature of which needs no emphasis—whether there must ultimately take place a conflict between capitalism and socialism as rival world systems. It follows, of course, that nothing has happened which would require us to change our analysis to the effect that such a conflict is not only not inevitable but unlikely. The analysis itself, however, may be found faulty; and in this connection a criticism which has been made by Dr. Oscar Lange seems to be sufficiently important to require consideration.*

Our reasoning depends on the proposition—developed on pp. 315-16 below—that, except for special circumstances and relatively short periods, the interests of the working class are opposed to imperialism and hence, by implication, to the militaristic and aggressive policies which are a necessary aspect of it. Under conditions of political democracy this opposition is able to express itself and to exercise a highly significant, if largely negative, influence on the internal and external behavior of the capitalist state. The organization of the life of society around a program of aggression, which provides an apparent resolution of the contradictions of capitalist economy, is blocked. At the same time, these contradictions grow increasingly severe; political struggles

* See his review in *The Journal of Philosophy*, 8 July 1943, pp. 378-84.

come to be more and more exclusively concerned with them; the working class, on which the heaviest burden falls, is forced to seek a new 'way out.' Our earlier argument, reduced to its barest essentials, is that the example of an enlarged socialist society, which suffers from none of the contradictions of capitalism and can expand and control production and consumption in accordance with the interests of the masses, will exercise a growing attractive power for the workers still living under capitalism. Eventually the combination of external and internal changes will set the stage for an orderly and non-violent transition to socialism.

In discussing the nature of fascism, Dr. Lange advances an argument which strikes at the root of this line of reasoning:

Mass unemployment gives to all classes in society, including the working class, a stake in imperialist expansion. For the working class this stake . . . is one of employment opportunities . . . This leads to a theory of Fascist imperialism quite different from the Hilferding-Lenin theory of imperialism, which is couched in terms of capital export and is descriptive of pre-Fascist capitalist imperialism. According to the theory suggested, Fascism acquires the character of a *people's imperialism*, which binds together all social classes and eliminates the class struggle by giving to the members of each class a stake in imperialistic expansion. This explains the ideological success of German Fascism with the working class as well as the reasons why Fascism cannot be overthrown through internal class conflict but only through defeat in military collision with other states.

The fundamental assumption of this argument is that under conditions of mass unemployment—conditions, be it noted, which tend to be normal in an advanced capitalist society—all classes have a common interest in imperialist expansion. If this were so, the implications would be more far-reaching than Dr. Lange suggests. Any capitalist country disposing over the necessary armed force and enjoying sufficient freedom of action *vis-à-vis* rival powers would find it easy to mobilize popular support for a program of imperialist expansion. A 'people's imperialism' could be democratic as well as fascist. On this interpretation we should have to agree with the Nazi theorists who claimed that German