

### SECTION III: BASIC ANALYSIS OF ECONOMICS

#### I. The purpose of this section of study

In the last section of study we reviewed the overall anatomy of Marxist theory, and distinguished its two basic parts: historical materialism and dialectical materialism. In this section we focus down onto one component part of historical materialism, Marxist economic analysis.

Economic analysis is crucial to Marxism. Marx felt that knowledge of the capitalist economy, and its laws of motion, was so important that he concentrated the greater part of his later life on this project. It is a basic principle of historical materialism that economic development is the fundamental conditioning factor of general social development--and of the political practice of socialists.

But again, given the prevalence of economism in the Marxist-Leninist tradition, we must qualify this last statement.

Firstly, we must constantly remind ourselves of what Engels wrote to Bloch (see last week's reading) about the relationship of the base (economics) to the superstructure (politics, ideology). Economics, Engels wrote, "is the ultimately determining element in history..., but the various elements of the superstructure...also exercise their influence upon the historical struggles and in many cases preponderate in determining their forms."

Secondly, we must keep in mind that the development of the economic structure of a class society in no way occurs in isolation from the class struggle. This is particularly easy to forget when reading works that mainly deal with Marxist economics, because the various economic categories can seem to take on a "life of their own" apart from the struggles of classes--of the human beings that make up societies. As Marx and Engels wrote in the Manifesto, "The history of all hitherto existing society based on exploitation is the history of class struggles." In general, we can say that, on the level of the economy class struggle is the principle "motor force" in determining whether the economic structures stagnate, develop, or are revolutionized. In other words, class struggle is implicit in every category of Marxist economics.

#### II. The reading for this section

The reading for this section is a selection from Paul Sweezy's Theory of Capitalist Development (1942). We chose this reading because it covers a great deal of ground concisely, its explanation is clear and understandable, and its approach is non-formalistic and non-dogmatic. The classical Marxist economic texts tend to be too long, and too difficult to excerpt (eg, Capital), or too dense and complex for the purposes of our study plan (eg, Engels Synopsis of Capital). Moreover, some of the texts from the Third International, which are widely used in Marxist-Leninist study groups today (eg, Leontiev's Political Economy) are seriously marred by dogmatism and formalism.

IIA. Introduction to the author

Paul Sweezy is probably the best internationally known US Marxist theorist of our period. His books and articles are translated into many languages. And the journal that he founded and co-edits, Monthly Review, is widely read, and often contains articles of theoretical importance, as well as analyses of current developments. Sweezy has made contributions to a number of areas of Marxist theory.

Despite all of this, we feel that Sweezy's work must be read carefully and critically. In our opinion he errs at times by oversimplifying matters, and by taking too much of a commonsense approach. For example, in a section of Theory of Capitalist Development that we are not reading he summarily dismisses Marx's thesis that the rate of profit tends to fall, without coming to grips with the complexity of the issue. Also Sweezy sometimes overemphasizes the centrality of the "marketplace" to capitalism; this overemphasis characterized his contributions to both the international debate on the nature of feudalism (which began in the early 50s), and to a more recent debate on the nature of socialism with Charles Bettelheim. In the latter Sweezy rather facilely tended to equate the competitive marketplace with capitalism, and planning with socialism; an anticipation of this position is present in the selection of Sweezy that we are reading (pp. 52-4). Finally, Monopoly Capital (1966), which Sweezy co-authored with Paul Baran, deviates seriously from some basic principles of Marxist analysis. Despite some valuable insights, this latter work is not recommended as an introduction to Marxist economics.

IIB. Introduction to the reading

Sweezy's approach in the text that we are reading is to Proceede "from shallower to deeper, from one-sided to many-sided" (Mao)--from simple to complex. Following the example of Capital, he begins with the analysis of a seemingly simple, everyday thing--a commodity--and procedes step-by-step to construct a general "model" of the capitalist economy in motion. Each step qualifies and elaborates the former one; each step brings us in closer approximation of reality.

It is important to keep this approach (which Marx called his "method of exposition") in mind when reading Sweezy. People sometimes make the mistake of thinking that it is possible to stop at any point in a presentation such as Sweezy's, take the concepts that are developed to that point (say, that the value of a commodity is determined by the quantity of socially necessary labor "contained" in it), and apply them directly to concrete reality. Such an erroneous idea can lead to what Mao has called a "dogmatist" mistake: employing a few random concepts without understanding them in the context of the whole conceptual system. This can only result in distorted notions of reality.

On the other hand it is easy to get frustrated with works of historical materialism, like Sweezy's, precisely because one has to study further before applying their analysis to concrete reality. They can therefore seem unduly abstract and complex since they seem to have little to do with day-to-day practice. In a word, they can seem too "intellectual," and thus irrelevant. Mao has referred to this as an "empiricist" or "pragmatist" error. He has pointed out that to really know the particulars of day-to-day life, one must also know the general. This is, of course, a difficult undertaking, but reality is complex and its

essential meanings are often hidden. To have knowledge of even day-to-day reality requires scientific labor. And as Marx has written, there is no "royal road to science."

Having said this, it is necessary to point out that a few portions of Sweezy's essay are very difficult, unless one has a background in Marxist economics. This is especially true of the section entitled "The Rate of Profit" (pp. 67-73). Also, Sweezy on occasion uses algebraic equations to demonstrate particular relationships. We suggest that if you run into trouble at such points, move on; we will try to clear up any problems during discussion.

Another difficulty: There are places where Sweezy starts to develop certain concepts, then puts them aside until later parts of the book--parts that we are not reading. These include concepts like "monopoly profit" (pp 54-5) and "price of production" (p. 54). Additionally, he develops the foundations for a theory of capitalist economic crisis, which he completes in a part of the book that we have not excerpted. We plan to further elaborate these things in discussion.

Finally, we want to highlight the fact that, in proceeding from simple to complex, Sweezy does not actually begin to discuss capitalism proper until Chapter IV (p. 56). Before then he is analyzing simple commodity production, as a preparation to addressing the more complex case of the capitalist mode of production.

### III. Discussion of this section of study

The first part of our discussion should focus on reviewing and clarifying Sweezy's main argument. To guide our discussion we might take up the following concepts in the following order:

commodity, simple commodity production

use-value/exchange-value; value

"qualitative value problem"/"quantitative value problem"

abstract labor

commodity fetishism

simple labor and skilled labor; socially necessary labor

competition; supply and demand

value/price, price of production, monopoly price

general labor theory of value (this would be a sum-up of Sweezy's argument to this point)

C-M-C and M-C-M (or M-C-M')

labor and labor power

the value of labor power and the value created by labor; wages

surplus value; the capitalist form of exploitation

components of value

rate of surplus value

organic composition of capital

simple reproduction and extended reproduction

the accumulation of capital

reserve army of labor and its function

In the second part of our discussion we should take up points that the reading left dangling. Also we should discuss the general nature of capitalist crisis; the discussion leaders will be prepared to lead this.

And we should again self-evaluate this section of study and discussion. We should especially assess how well the group as a whole has developed an initial understanding of the basics of Marxist economics, and how useful this understanding will be to us on the level of day-to-day practice.