

out agreeing with the late David McCord Wright, who once said, ‘When people tell me I am fuzzy, I reply, “life is fuzzy”’, the heterodox dissenters prefer, I think, to be accused of fuzziness. They prefer to be vaguely right to being precisely wrong. It is a matter of taste. The orthodox may say, ‘Reductionism is not the occupational disease of economists, it is their occupation.’ But if in the process they throw out the baby *instead of* the bathwater, the reduction surely loses its point.

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Paul Marlor SWEEZY (born 1910)

John Bellamy Foster

Paul Sweezy, the world-renowned Marxist economist and social theorist, was born 10 April 1910 in New York. The son of a top officer of the First National Bank of New York, Sweezy was educated at Exeter and Harvard University, where he received his B.A. in 1931. In 1932 he left Cambridge (Massachusetts) for a year of graduate study at the London School of Economics. Already shaken by the onset of the Great Depression, Sweezy was further awakened during his year in Britain by the intellectual and political ferment associated with what was to be a turning point in world history, and soon gained sympathy for the Marxist perspective to which he was introduced for the first time. Returning to the US in 1933 to do graduate studies at Harvard, he found the intellectual climate much changed, with Marxism becoming a topic of discussion in some of the larger universities. As he recalled decades later:

It was under these circumstances that I acquired a mission in life, not all at once and self-consciously, but gradually and through a practice that had a logic of its own. That mission was to do what I could to make Marxism an integral and respected part of the intellectual life of the country, or, put in other terms, to take part in establishing a serious and authentic North American brand of Marxism.

In pursuing these interests at Harvard, Sweezy received encouragement from the great conservative economist Joseph Schumpeter, whose analysis of the origins, development and impending decline of capitalism revealed a complex and critical appreciation of Marxist analysis.

Obtaining his Ph.D. in 1937, Sweezy took a job as an instructor at Harvard until 1939 when he rose to the rank of assistant professor. During these years he played a key role in two areas of debate then sweeping economics: the theory of imperfect competition and the issue of secular stagnation. Sweezy’s interest in the monopoly question began early in his career, as shown by his 1937 article ‘On the Definition of Monopoly’ in the *Quarterly Journal of Economics*, and by his first book (winner of the David A. Wells prize), *Monopoly and Competition in the English Coal Trade 1550–1850* (1938b). His 1939a article, ‘Demand under Conditions of Oligopoly’, in which he presented the kinked demand curve analysis of oligopolistic pricing, remains one of the classic essays in modern price theory. While carrying out his teaching responsibilities at Harvard, Sweezy also worked for various New Deal agencies investigating the concentration of economic power (including the National Resources Committee and the Temporary National Economic Committee). His influential study, ‘Interest Groups in the American Economy’ was published as an appendix to the NRC’s well-known report, *The Structure of the American Economy* (1939b).

During these years Sweezy was also deeply concerned about the economic stagnation of the depression decade, and its effects on disadvantaged sectors of the population. Along with a small group of Harvard and Tufts economists, he was one of the authors and signatories of the influential Keynesian tract, *An Economic Program for American Democracy* (1938a), which provided a convincing rationale for a sustained increase in public spending during the final years of the New Deal and soon became a Washington, DC bestseller. At Harvard Sweezy also took an active part in the great ‘stagnation debate’ involving such notable figures as Alvin Hansen and Joseph Schumpeter. The opposing (but in many ways complementary) historical answers provided by Hansen and Schumpeter to the question ‘Why Stagnation?’ were to influence Sweezy’s economic analysis throughout his subsequent career.

Although deeply influenced by the Keynesian revolution, Sweezy was also an important contributor to Marxist economics by the late 1930s. From the lecture notes to his Harvard course on the economics of socialism, he soon produced his classic work, *The Theory of Capitalist Development: Principles*

of *Marxian Political Economy* (1942). Especially notable for its review of the entire field of Marxian political economy; its emphasis, following Japanese economist Shigeto Tsuru, on the significance of the qualitative value problem for the labour theory of value; its elaboration of the Bortkiewicz solution to the transformation problem; and its discussions of crisis theory and monopoly capitalism, *The Theory of Capitalist Development* quickly established Sweezy's reputation as the foremost Marxian economist of his generation. In Schumpeter's monumental *History of Economic Analysis* (1954), which included more than a dozen entries on Sweezy's work, he referred to *The Theory of Capitalist Development* as 'the best introduction to Marxist literature I know'.

During the Second World War Sweezy served in the Office of Strategic Services (OSS) and was assigned to the monitoring of British plans for postwar economic development. With a number of years still remaining in his Harvard contract when the war ended, he opted to resign his position rather than resume teaching, recognizing that his political and intellectual stance would inhibit his receiving tenure. In this period, Sweezy wrote *Socialism* (1949), authored numerous articles on the history of political economy and Marxism, and edited a volume containing three classic works on the 'transformation problem': *Karl Marx and the Close of his System* by Eugene Böhm-Bawerk; *Böhm-Bawerk's Criticism of Marx* by Rudolf Hilferding; and 'On the Correction of Marx's Fundamental Theoretical Construction in the Third Volume of *Capital*' by Bortkiewicz (which Sweezy translated into English). His 1950 critique of Maurice Dobb's *Studies in the Development of Capitalism* (in which Sweezy, following Marx, emphasized the role of the world market in the decline of feudalism) launched the famous debate over the transition from feudalism to capitalism that has played a central role in Marxian historiography ever since.

With the financial backing of literary critic F.O. Matthieson, Sweezy and the historian Leo Huberman founded *Monthly Review* (subtitled 'An Independent Socialist Magazine') in 1949 as an intellectual forum for American socialists threatened by anti-Communist hysteria. Albert Einstein wrote his famous article 'Why Socialism?' for the first issue. Huberman and Sweezy began publishing books under the imprint of Monthly Review Press in 1951 when it came to their attention that, due to the repressive climate of the times, even such celebrated authors as I.F. Stone and Harvey O'Connor were unable to find publishers for their manuscripts.

In 1953, at the height of the McCarthyite period in the US, the state of New Hampshire conferred wide-ranging powers on its Attorney-General to investigate 'subversive activities'. On this dubious basis, Sweezy was summoned to appear before the state Attorney-General on two occasions in 1954. Adopting a principled opposition to the proceedings, he refused to answer

questions regarding the membership and activities of former US Vice President Henry Wallace's Progressive Party; the contents of a guest lecture delivered at the University of New Hampshire; and whether or not he believed in Communism. As a result, Sweezy was declared in contempt of court and consigned to the county gaol (from which he was released on bail) until purged of contempt by the Superior Court of Merimack County, New Hampshire. On appeal, this decision was upheld by the New Hampshire Supreme Court. In response to a further appeal, the US Supreme Court overturned the verdict of the state court in 1957, on the grounds that there was no legal evidence that the New Hampshire legislators actually wanted the Attorney-General to obtain answers to these questions; and that the violation of Sweezy's constitutional liberties could not be justified on the basis of political activities only 'remotely connected to actual subversion'.

As Sweezy himself declared before the New Hampshire Attorney General:

If the very first principle of the American constitutional form of government is political freedom – which I take to include freedoms of speech, press, assembly, and association – then I do not see how it can be denied that these investigations are a grave danger to all that Americans have always claimed to cherish. No rights are genuine if a person, for exercising them, can be hauled up before some tribunal and forced under penalties of perjury and contempt to account for his ideas and conduct. (US Supreme Court, *US Reports*, Vol. 354, October Term, 1956).

Despite the adverse political environment, Sweezy continued to author articles on all aspects of Marxian theory, adding up to hundreds of essays by the 1980s. MR Press's publication of Paul Baran's *The Political Economy of Growth* (1957) marked the beginning of Marxian dependency theory and helped to establish *Monthly Review's* primary identity as a backer of Third World liberation struggles. Visiting Cuba shortly after the revolutionary triumph of 1959, Huberman and Sweezy were among the first to recognize that Cuba would necessarily evolve in a socialist direction, and co-authored two influential tracts on the transformation of Cuban economic society: *Cuba: Anatomy of a Revolution* (1960) and *Socialism in Cuba* (1969).

Even before *The Political Economy of Growth* was finished, Baran and Sweezy began to co-author *Monopoly Capital*, which was eventually published in 1966, two years after Baran's death. Although described by the authors themselves as a mere 'essay-sketch', it rapidly gained widespread recognition as the most important attempt thus far to bring Marx's *Capital* up to date, as well as providing a formidable critique of the prevailing Keynesian orthodoxy.

In Sweezy's own case, *Monopoly Capital* partly reflected dissatisfaction with the analysis of accumulation advanced in *The Theory of Capitalist*

Development. His earlier study had been written when orthodox economics was experiencing a sea-change due to the Keynesian 'revolution' and the rise of imperfect competition theory. Hence, he had provided a detailed elaboration of both Marx's theory of realization crisis (or demand-side constraints in the accumulation process), and of work by Marx and later Marxian theorists on the concentration and centralization of capital. As with mainstream theory, however, these two aspects of Sweezy's analysis remained separate; hence he failed to develop an adequate explanation of the concrete factors conditioning investment demand in an economic world dominated by the modern large enterprise. It was essentially this critique of *The Theory of Capitalist Development* that was provided by Josef Steindl in *Maturity and Stagnation in American Capitalism* (1952); Steindl went on to demonstrate how a more unified theory could 'be organically developed out of the underconsumptionist approach of Marx' based on Kalecki's model of capitalist dynamics, which had connected the phenomenon of realization crisis to the increasing 'degree of monopoly' in the economy as a whole.

Steindl's work thus exerted a direct influence on the model that Baran and Sweezy were to develop in *Monopoly Capital*. In this work they argue that Marx's fundamental 'law of the tendency of the rate of profit to fall', associated with accumulation in the age of freely competitive capitalism, has been replaced, in the more restrictive competitive environment of capitalism's monopoly stage, by a law of the tendency of the surplus to rise (defining surplus as the gap, at any given level of production, between output and socially necessary costs of production). Under these circumstances, the critical economic problem is not so much one of surplus extraction as surplus absorption. Capitalist class consumption (which is unable to surmount its personal character) tends to absorb a decreasing share of surplus as the surplus share of GNP grows, while investment, which takes the form of new productive capacity, is itself impeded by investment that has taken place in the past, since plant and equipment cannot be expanded for long periods of time independently of final, wage-based demand. And although there is always the possibility of new 'epoch-making innovations' emerging that will help absorb the surplus, all such innovations – akin to the steam engine, the railroad and the automobile in their total economic repercussions – are extremely rare. To make matters worse, international economic transactions, which have sometimes been seen as a means of surplus absorption, are caught up in the imperialistic structure of world capitalism, and hence tend to generate a return flow of surplus to the core of the system that is greater than the outflow to the periphery, thus constituting little real help where problems of surplus absorption are concerned. Hence, Baran and Sweezy conclude that monopoly capitalism has a built-in tendency towards stagnation, largely staved off thus far through the promotion of economic waste by means of 'the sales

effort' and military expenditures, and through the expansion of the financial sector. All such 'countervailing factors', however, are self-limiting by nature and can be expected either to wane of their own accord or to lead to a doubling-over of contradictions in the not too distant future.

For the authors themselves, the importance of *Monopoly Capital* lay not so much in its analysis of the underlying stagnation tendency – which had been thoroughly explored in the 1930s and in the work of Steindl – as in its account of those 'protective reactions' thrown up by the system that had allowed capitalism to prosper after the Second World War. To expand on the discussion above, these included such crucial historical elements as:

1. the epoch-making impetus provided by the second great wave of 'automobilization' in the US (encompassing the expansion of the glass, rubber, steel and petroleum industries, the building of the interstate highway system, and the rapid suburbanization of America);
2. the rise of 'Pentagon capitalism' in the Cold War period, including the economic boosts provided by the Korean and Vietnam wars;
3. the vast expansion of what Marx in his day had called 'expenses of circulation' in the form of the modern 'sales effort'; and
4. the historic augmentation of the role of finance (which they discussed briefly at the end of their chapter on the sales effort).

By analysing the way in which the surplus was absorbed through these and other channels, Baran and Sweezy enlarged the usual boundaries of economics to take into account its wider historical context. Of particular importance was their emphasis on the wasteful allocation of surplus under monopoly capital, which drew on the issue of use value that had been a central part of Sweezy's work ever since *The Theory of Capitalist Development*.

Any revolt against the increasingly contradictory conditions of monopoly capitalist society of a magnitude that would be likely to shake the US imperial power structure, Baran and Sweezy emphasized in their book, would probably emanate first and foremost (as the history of the post-Second World War period had already shown) from the neo-colonized peoples in the outlying regions of the capitalist world empire, and from their natural allies among African Americans and other racially oppressed populations systematically confined to the lowest rungs on the economic ladder within the US itself. Indeed, Baran and Sweezy devoted a whole chapter of their book to a systematic critique of the overly-optimistic liberal account of US race relations advanced by Gunnar Myrdal in *The American Dilemma* (1942), which they countered with an argument dialectically relating class and race, inspired largely by Oliver Cox, that was to reflect much more accurately the actual black experience in the US, not only in the 1960s but in subsequent decades

as well. Hence, Baran and Sweezy's *Monopoly Capital* encompassed within a single framework of analysis the three major fields of crisis in the US social order of the 1960s: the underlying tendency towards economic stagnation, the growth of the civil rights and black power movements, and the imperial war in Indochina.

The re-emergence of conditions of relative economic stagnation in the 1970s, not long after *Monopoly Capital* was published, convinced at least some of the more free-thinking economists that the key to contemporary economic evolution was to be found neither in orthodox models nor in Keynesian fiscal and monetary 'fine-tuning', but rather in the impact of various world-historical factors (of the kind emphasized in *Monopoly Capital*) including the following: increasing aggregate concentration; the global ascendance of multinational corporations; an emerging world-glut of productive capacity; the clustering of technological innovations; the continuing existence of high levels of war and war-related spending; the spread of the world market hierarchy; the intensification of the sales effort, and the changing role of finance and speculation.

Yet, despite the fact that *Monopoly Capital* had both foreseen the advent of stagnation and had highlighted many of the key historical factors that increasingly drew attention as the 1970s and 1980s unfolded – and even though no work of equal synthetic unity in the field of Marxian economics came along to replace it – Baran and Sweezy's magnum opus had lost much of its influence and prestige even among left economists within 20 years of its publication. This is no doubt all the more surprising given the fact that *Monopoly Capital* constituted the initial theoretical common ground for the entire younger generation of radical economists in the US who emerged largely in response to the Vietnam war and who formed the Union for Radical Political Economics in 1968. In 1971, Sweezy delivered the Marshall Lecture at Cambridge University, and from 1974–76 served on the executive of the American Economic Association. In the early 1970s *Monthly Review* was perhaps the most influential publication among younger Marxist economists in the US. But by the 1980s most radical economists were drawn elsewhere – usually towards more fashionable supply-side theories of crisis that arose on the left as well as on the right during this period, and away from *Monopoly Capital* and *Monthly Review*.

Still, Sweezy, whose frame of reference was global and long-term, was not discouraged by these changing fashions and, together with Harry Magdoff (who replaced Huberman as co-editor of *Monthly Review* after the latter's death in 1968), he has continued to strengthen, extend and where necessary modify the analysis of *Monopoly Capital* in the decades following its publication. Utilizing the original framework to explain the re-emergence of stagnation, the rise of financial instability, and the further evolution of impe-

rialism, he has published a series of works that represent a running commentary on capitalist development in the late twentieth century: *The Dynamics of US Capitalism* (1972), *The End of Prosperity* (1977), *The Deepening Crisis of US Capitalism* (1979), *Four Lectures on Marxism* (1981), *Stagnation and Financial Explosion* (1987) and *The Irreversible Crisis* (1989).

In addition to his central work on capitalist development, Sweezy has also made notable contributions to the analysis of the contradictory economic and social path of post-revolutionary societies in Eastern Europe. In *On the Transition to Socialism* (1971, with Charles Bettelheim), Sweezy boldly contended (against the theory and practice of market socialism rapidly gaining ground in Eastern Europe) that attempts to utilize the market mechanism as the key to building socialism were likely to lead to nothing less than the restoration of capitalism. It was the Stalinist political system rather than central planning as such, Sweezy argued, that constituted the real weakness of Soviet society (although the two obviously could not easily be separated and failure to grant more political power to the masses would eventually generate mounting economic problems as well). A decade later in *Post-Revolutionary Society* (1980) he advanced the thesis that, although the original socialist character of the October Revolution was not open to question, a qualitative break had occurred during the early Stalin era, leading to the emergence of a class-exploitative system of a new kind. In the concluding paragraph of that book (which preceded by five years the rise of Gorbachev), Sweezy declared that the Soviet system had 'entered a period of stagnation, different from the stagnation of the advanced capitalist world but showing no more visible signs of a way out'. More recently, in a new preface to the 1990 Japanese edition of *Post-Revolutionary Society*, he has argued that as a result of *perestroika* and 'the revolution of 1989' in Eastern Europe, it has now become clear to the entire world that the new class system that arose in the Soviet Union and Eastern Europe in the Stalin period has come at last to 'a dead end'. 'The conclusion that emerges from this analysis', Sweezy went on to observe, 'is that the crisis of the Soviet Union and the collapse of its East European allies was not due to the failure of socialism. The struggle for socialism in the Soviet Union as recounted above, was lost long before with the consolidation of a [new] class system, and it was this system which, despite its undoubted achievements, ultimately failed.'

Indeed, Sweezy had consistently argued at least since the early 1960s that those interested in the future of socialism should place their main hopes not at present with the working class in the advanced capitalist states, nor with the new class societies of the Soviet Union and Eastern Europe (now in the process of dissolution and reconstitution on capitalist terms), but rather with the insurgent populations of the periphery of the world capitalist system. It is here, if anywhere, that the modern proletariat in the fullest Marxist sense

(‘the focal point of all inhuman conditions’) continues to struggle in the name of humanity itself.

From the 1970s on, Sweezy devoted increasing attention to the issue of the environment and its relation to the capitalist economy. In 1973 he published his important article ‘Cars and Cities’. This was followed in 1989, as the global environmental crisis emerged as a central preoccupation of his work, by two key essays: ‘Capitalism and the Environment’ (co-authored with Harry Magdoff) and ‘Socialism and Ecology’. In the latter article, he focused on the acceleration of history under capitalism, arguing that ‘there is strong reason to doubt that in these closing years of the twentieth century we can afford the luxury of continuing to think in terms of traditional historical time’. The very structure of capitalism, he argued, generates ‘a process that gathers momentum with every decade that passes’. This meant growing pressure on the environment, symbolized by the increase in world population by some 1100 per cent since 1600. Sweezy insisted that both capitalism and ‘actually existing socialism’ had contributed to the destruction of the environment. But while capitalism by its very nature lacked any braking mechanism, aside from periodic economic crises, and compelled firms to respond to ‘short-run profit prospects on pain of elimination’, socialism had always been dedicated primarily to the substitution of planning for the market in the overall allocation of resources. Socialism thus offered the possibility of a long-range, comprehensive perspective, including restraints on expansion, essential to any serious attempt to come to terms with the environmental challenge.

In recognition of a lifetime of achievement, Sweezy was granted an honorary doctorate of literature from Jawaharlal Nehru University in India in 1983. In 1999 he received the Veblen–Commons Award from the Association for Evolutionary Economics.

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