

# MARX'S THEORY OF CAPITALIST DEVELOPMENT

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## *Introduction*

KEYNESIAN 'revolution' in economic thinking and post-war experience of economic policies based on it have created and strengthened the belief that an effective answer has been found to the most serious evils of the capitalist system such as industrial stagnation, crises and chronic mass unemployment. It is argued that if the role of the State in economic affairs is enlarged, it is possible to provide a reasonably satisfactory standard of life to all members of a community and to maintain more or less a continuous state of near full-employment without any basic change in the capitalist system as such. Marx's theory and predictions have, it is claimed, been falsified by the history of the last twenty-eight years. The decade-long, great, world depression with its rock-bottom prices and production and its millions of chronically unemployed in every part of the capitalist world, which had largely confirmed the analysis and predictions of Marx, was forgotten, and it was thought that the Keynesian remedy is a real and a lasting cure for the ills and evils of the capitalist system.

This paper tries to argue that these are hasty generalizations and that both Marxian theory and predictions are as valid today as they were in the inter-war period.

An attempt is made, in what follows, to restate and briefly explain the two most important contradictions in the capitalist economy, viz., the law of the falling rate of profits and the crisis caused by the failure to realize surplus value. In a sense, the problem of the realization of surplus value is vital to Marx's theory of capitalist development, because the tendency of the rate of profits to fall is, as will be seen later, significantly shaped by the problem of realization of surplus value.

The reason why I have picked up for analysis these two most vital contradictions out of a whole series of others which Marx has