

# ECONOMIC DOCTRINES OF THE CAPITALIST EPOCH

An Excerpt from the Textbook on  
Political Economy issued by the  
Economics Institute of the Academy  
of Sciences of the USSR



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**Publisher's Note:** Presented in this volume is a selected excerpt taken from a *Textbook on Political Economy* prepared by the Economics Institute of the Academy of Sciences of the USSR, which was first published in the USSR in 1954. This excerpt succinctly summarizes the important bourgeois political economists and their economic doctrines, alongside a brief explanation of the contributions of V.I. Lenin and J.V. Stalin to Marxist political economy. This volume will provide our readers with a good introduction to the basic history and concepts of bourgeois political economy, and the Marxist critique of these concepts.

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# I. BOURGEOIS CLASSICAL POLITICAL ECONOMY

In the struggle against feudalism and for the establishment of the capitalist order the bourgeoisie created its own political economy, which discredited the economic views of the ideologues of feudalism and for a certain period played a progressive role. The capitalist mode of production was established first of all in Britain. Here also was born bourgeois classical political economy whose representatives tried to discover the internal connections between economic phenomena.

Already the founder of bourgeois classical political economy, **WILLIAM PETTY (1623-1687)**, who was active in the period when mercantilism was breaking down, essentially defined the value of commodities by the comparative amount of labor contained in them, though much inconsistency was shown regarding this question. An important role in the formation of bourgeois political economy was played

by the physiocrats. This trend was headed by **FRANCOIS QUESNAY (1694-1774)**. The physiocrats arose in France in the second half of the 18th century, in the period when the bourgeois revolution was being prepared in the world of ideas.

Like the French philosophers of the Enlightenment in the same period, the physiocrats laid it down that natural laws of human society exist, established by Nature. France was at that time an agricultural country. In contrast to the mercantilists, who saw wealth only in money, the physiocrats declared the sole source of wealth to be Nature, and consequently agriculture, which supplies man with the fruits of Nature. Hence also the name of the school – “physiocrats,” formed from two Greek words meaning “Nature” and “rule.”

The central place in the physiocrats’ theory was occupied by the doctrine of the *produit net*. This was what the physiocrats called the entire surplus of production over and above the expenditure incurred in production – that part of the production

in which, under capitalism, the surplus-value finds embodiment. The physiocrats understood wealth as a definite mass of products in their real, material form, as a definite mass of use-values. They declared that the *produit net*, as a “gift of nature,” arises exclusively on the basis of the use of wage-labor in agriculture and stock-breeding, *i.e.*, in those branches of production where the natural processes of growth of plants and animals take place, while all other branches merely change the form of the products supplied by agriculture. The most noteworthy work of the physiocratic school was Quesnay’s *Tableau Economique*. The service rendered by Quesnay consisted in the fact that he made a remarkable attempt to depict the process of capitalist reproduction as a whole even though he could not furnish a scientific theory of reproduction.

Proceeding from the idea that the *produit net* is created only in agriculture, the physiocrats demanded that all taxes be imposed on landowners, while manufacturers should be freed from tax burdens. This demand of the physiocrats

showed clearly their class character as ideologues of the bourgeoisie. The physiocrats were supporters of the unlimited domination of private property. Affirming that only free competition corresponds to the natural laws of economy and to human nature they counterposed to the policy of protectionism the policy of free trade, and fought resolutely against guild restrictions and against social interference by the State in the country's economic life.

Bourgeois classical political economy attained the peak of its development in the works of Adam Smith and David Ricardo.

**ADAM SMITH (1723-1790)** took a notable step forward compared with the physiocrats, in the scientific analysis of the capitalist mode of production. His fundamental work was *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776). In Smith's opinion, a country's wealth consists in the entire mass of commodities produced in it. He rejected the one-sided and therefore incorrect conception of the physiocrats that the *produit net* is created

only by agricultural labor and was the first to proclaim as the source of value all labor, in no matter which branch of production it might be expended. Smith was an economist of the period of manufacture in the development of capitalism, and for this reason he saw the basis of the increase in the productivity of labor in the division of labor.

Characteristic of Smith was the interweaving of two different approaches to economic phenomena. On the one hand, Smith inquired into the internal connections of phenomena, trying to penetrate with his analysis into the hidden structure or, to use Marx's expression, the physiology of the bourgeois economic system.

On the other hand, Smith gave a description of phenomena in the form in which they made their appearance on the surface of capitalist society and, consequently, as they seemed to the practical capitalist. The first of these ways of understanding reality is scientific, the second is unscientific.

Investigating the internal connections of the phenomena of capitalism, Smith defined the value of a commodity by the amount of labor expended on producing it; in so doing he looked upon the wages of the wage-worker as part of the product of his labor, determined by the value of his means of livelihood, and profit and rent as deductions from the product created by the worker's labor.

However, Smith did not maintain this point of view consistently. Smith continually confused the determination of the value of commodities by the labor included in them with the determination of the value of commodities by "the value of labor." He asserted that the determination of value by labor belongs only to the "primitive state of society," by which he meant the simple commodity production of small producers. Under capitalist conditions the value of a commodity is made up of incomes: wages, profit, and rent. An assertion such as this reflected the misleading appearance assumed by phenomena in capitalist economy. Smith considered that the value of the social

product as a whole also consisted only of incomes — wages, profit, and rent; *i.e.*, he made the mistake of leaving out the value of the constant capital which is used up in producing a commodity. This “Smith dogma” made it quite impossible to understand the process of social reproduction.

Smith was the first to describe the class structure of capitalist society. He showed that it is divided into three classes: 1.) workers, 2.) capitalists and 3.) landowners. But Smith was limited by his bourgeois world-outlook and his views reflected the undeveloped class struggle of the epoch: he claimed that in a capitalist society a community of interests prevails, inasmuch as each pursues his own advantage, and from the clash between all these separate strivings the common benefit arises. Resolutely combating both the theoretical views and the policies of the mercantilists, Smith warmly supported free competition.

In the works of **DAVID RICARDO (1772-1823)** bourgeois classical political economy reached its perfection. Ricardo lived