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I. *The Issue at Hand*

SINCE THE 1930s the Marxist tradition has been dominated by a particular crisis theory — underconsumption. This theory of the cause of capitalist crisis is much older, of course, going back to the work of Sismondi, which Lenin analyzed so acutely. Among American writers, Paul Sweezy[1] was particularly influential in making this theory the generally accepted "Marxist" theory of crises. In recent years underconsumptionism has come under sharp criticism,[2] but it remains extremely influential among radicals and Marxists, with the "profit squeeze" hypothesis as a rather distant second.[3]

The purpose of this article is not to rebut the underconsumptionist hypothesis, which has been done elsewhere.[4] Rather, I intend to demonstrate the relationship between underconsumptionist theory and the labor theory of value. In general, underconsumptionists, even when identifying themselves as Marxists, make little use of the labor theory of value in their analysis. Baran and Sweezy[5] have been criticized for their rejection of the concept of "surplus value" in favor of the concept

1 Paul Sweezy, *Theory of Capitalist Development* (New York, 1938).

2 Critiques of underconsumptionism are many. For one of the least technical see Anwar Shaikh, "An Introduction to the History of Crisis Theories," in Economics Education Project, *U.S. Capitalism in Crisis* (New York, 1978), pp. 219–241.

3 M. Itoh, "The Formation of Marx's Theory of Crisis," *Science & Society*, XLII, 2 (Summer, 1978), pp. 129–155.

4 See John Weeks, "The Sphere of Production and the Analysis of Crisis in Capitalism," *Science & Society*, XLI, 3 (Fall, 1977).

5 P. A. Baran and Paul Sweezy, *Monopoly Capital* (New York, 1968).

"economic surplus."[6] My purpose is to show that this criticism is somewhat misplaced (though theoretically correct), for the *underconsumptionist hypothesis is inconsistent with the labor theory of value.* To be explicit, if one postulates that a "pure" capitalist system is endemically afflicted by the inability to sell all that is produced, then the Marxian concept of value *must* be rejected. Thus, Baran and Sweezy (and more recent underconsumptionists such as Sherman[7]) are quite correct in not using value in their analysis, and they are more logically consistent than writers such as Amin,[8] who try to maintain the labor theory of value as part of their underconsumptionist theory.

If this argument is correct — that underconsumptionism and the labor theory of value are inconsistent — it implies that the critique of underconsumptionism is not only a critique of a particular crisis theory, but also a defense of the labor theory of value itself. This point is developed further in the final section.

The central concept in value theory is that of socially necessary abstract labor, and the elaboration of this concept will be the basis of my analysis. This concept operates at two levels of abstraction: at the level of capital as a whole, and at the level of many capitals. Marx's general method is to first establish concepts at the aggregate level (for capital as a whole), then to move to the more complex level of many capitals. In the case of socially necessary abstract labor, this method involves first resolving the "realization" problem theoretically, which determines social labor in the aggregate. Then, the value (socially necessary abstract labor time) which can be realized by each individual capital is treated. My exposition of this method demonstrates the theoretical inconsistency between the underconsumptionist hypothesis and value theory.

To make the procedure absolutely clear, it must be stressed that the argument is not that general overproduction does not occur, which would be an absurdity. Rather, it is that the analysis of general overproduction follows from first considering the value concept for capital as a whole.

6 William Barclay and Mitchell Stengel, "Surplus and Surplus Value," *Review of Radical Political Economics,* 7, 4 (Winter, 1975).

7 Howard Sherman, "A Marxian Theory of the Business Cycle," *Review of Radical Political Economics,* 11, 1 (Spring, 1979).

8 See Samir Amin, *Unequal Development* (New York, 1976).

II. *Two Presentations of the Labor Theory of Value*

In capitalist society social reproduction has its basis in the circulation of capital. In its circuit capital undergoes three transformations Capitalists begin with money capital, which they exchange for labor power and the necessary means of production, which then represent productive capital. In the production process the means of production undergo a physical transformation into a new set of commodities, and capital momentarily is held as commodity capital. The circuit is repeated by the realization of commodity capital in money form — a return to money capital and the initial point of departure. This circuit can be represented by symbols.

$$M\ (CC + VC) — C \ldots P \ldots C' — M'$$

where $M' — M$ = surplus value

M — money capital

CC — money capital exchanged for the means of production ("constant capital")

VC — money capital exchanged for labor power (variable capital")

C — productive capital, the means of production and labor power

P — the moment of production

C′ — commodity capital, newly produced commodities

M′ — expanded money capital

The circulation of capital is a simultaneous circulation of use values and value. In Table I this duality of capitalist circulation is demonstrated in a hypothetical example.[9] Considerable discussion will be devoted to the basis upon which different use values can be aggregated, but at the moment it is simply asserted that

9 The example is based on the following parameters. Define one unit at each department's output as what one worker produces in one day. Let X_1 denote the unit values.

$$X_1 = .6X_1 + 1;\ X_2 = .4X_1 + 1$$

Then, $X_1 = 2.5$ labor days and $X_2 = 2.00$ labor days. Let each worker consume .3 units of the consumption commodities per day. The value of labor power is thus .6 labor days, and the surplus value is (1 – .6) labor days per worker. The measurement of value in "labor days" is discussed in the text.

aggregation (or measurement) can be in terms of labor time in our two-department (two-commodity) example. In Table I social production is divided between those use values which are used in production (say, "steel," measured in tons), and those use values consumed by people ("corn," measured in bushels). On the left side of the table are values (measured in "labor days"), and on the right side are the corresponding physical quantities.

Table I

*Hypothetical Example of the Three Moments in the Circuit of Capital**

A. Conversion of Money Capital to Productive Capital (M — C)

	Values		*Use Values*	
Dept.	*CC*	*VC*	*Means of Production*	*Labor Power*
I	150	60	60 tons	100 workers
II	100	60	40 tons	100 workers
	250	120		

B. Transformation of Productive Capital into Commodity Capital (C . . . P . . . C′)

	Values				*Use Values Representing:*			
Dept.	*CC*	*VC*	*SV*	*TV*	*CC*	*VC*	*SV*	*Total*
I	150	60	40	250	60 tons	24 tons	16 tons	100 tons
II	100	60	40	200	50 bu.	30 bu.	20 bu.	100 bu.
	250	120	80	450				

C. Realization of Commodity Capital as Money Capital (C′ — M′)

	Values			*Consumption of Use Values as:*		
		Expenditure by				
Dept.	*CC*	*Workers*	*Capitalists*	*Means of Production*	*Means of Subsistence*	*"Luxuries"*
I	150	60	40	60 tons	30 bu.	20 bu.
II	100	60	40	40 tons	30 bu.	20 bu.
	250	120	80	100 tons	100 bu.	

* See footnote 9 for derivation of the table.

In the example the capitalists in Department I initiate their production by advancing an amount of money representing 210 labor days, with which they buy 60 tons of steel and hire 100 workers for a clay each (shown on the right-hand side). In the second department, where the technical composition of capital is lower (ratio of steel to workers is lower), capitalists advance money equal to 160 labor days, divided in the value-ratio 10:6. For both sectors (or departments) taken together, production involves 100 tons of steel and 200 workers. Part B presents the result of the production process, in which productive capital is transformed into commodity capital. The conditions of production result in 100 tons of steel being produced in the first department and 100 bushels of corn in the second department.

Finally, in Part C of the table there is a summary of the conversion of commodity capital back into money capital (realization of commodity capital). The example is one of "simple reproduction," in which each successive circuit of capital is at the same level of production as the previous one. 'Thus, the 100 tons of steel produced is sold to each department in the ratio 6:4, duplicating the distribution in part A of the table. Corn is realized by sales to workers (60 bushels) and to capitalists (40 bushels) for their consumption.

The purpose of the table is to demonstrate the symmetry between the production and distribution of use values (right-hand side of the table) and "value" (left-hand side), the latter being undefined so far, except to equate it with 'labor time." In Part A of the table (M — C), the capital value advanced (210 in Department I, 160 in Department II) corresponds to a definite amount of use values. Similarly, in Part B the production of value (250 and 200) corresponds to definite amounts of steel and corn. In Department 1 60 tons of steel represents output equivalent to the constant capital value advanced. 24 tons to the variable capital advanced, and 16 tons to the surplus value produced. Similarly for the production of corn. With regard to realization, a definite amount of use values exchanges for the constant capital value advanced for the next period, and the corn production corresponds to the expenditures of workers and capitalists.

Now, in the table there can be no objection to the hypothetical numbers entered on the right-hand side. These numbers refleet the material characteristics of the use values; i.e., steel can be unambiguously measured by its weight, workers by their number, and corn by its volume. However, the left-hand side of the table is more problematical. Oil what basis can definite amounts of labor time he assigned to quantities of use values? It might appear that this is an easily resolved problem, since corn and steel are both produced by the expenditure of labor time, and we need only sum up the labor time actually carried out in the production processes. The problem is much more complex than this, however, and a moment's reflection shows that merely aggregating actual labor time is unsatisfactory, for it presupposes what we seek to establish.

The first difficulty is that we have two qualitatively different use values. Consider Part B of the table — specifically, the right-hand side. No one would argue that it is legitimate to add steel and corn to get, for example, the "use value total" of capital advanced. Steel and corn cannot be added. Note that the non-additivity of steel and corn does not arise from an inconsistency in units of measure. It would be perfectly legitimate to measure corn in tons, but this would not make meaningful the addition of corn to steel, now formally possible, except in a very limited way. The aggregation problem is more basic, arising from the physical properties of the two use values. Therefore a common unit of measure does not in and of itself allow for aggregation. This point must be kept in mind when we move to the left-hand side of the table. Here steel and corn are measured in labor time, but that in and of itself no more solves the aggregation problem than measuring steel and corn in tons. The initial difficulty is that the units of measure — labor time — refer to *different types of laboring activity*, just as tons refer to different material objects on the right-hand side.[10]

The production of steel and the production of corn involve qualitatively different laboring activities, what Marx called *concrete labor*. Aggregating these qualitatively different labors is in principle as meaningless as aggregating steel and corn themselves. The fact that these concrete labors can be measured in units of time no more solves the problem of aggregation than the

10 This point is elaborated in John Weeks, *Capital and Exploitation* (Princeton and London: Princeton University Press and Edward Arnold, forthcoming, 1981), Chap. I and II.

fact that steel and corn can be measured in units of weight. The production of each use value involves specific, concrete labor, and for purposes of aggregation what is required is a measurement in units of generalized labor time which abstracts from the particular characteristics of each concrete laboring activity. Marx called such a measure *abstract labor*.

Before developing the concept of abstract labor, we need to note a second difficulty of aggregating on the basis of labor time. Let us consider only one of the departments in Table I; to clearly specify the issue, assume that all the workers in a department perform the same activity, which eliminates aggregation problems due to skill and other differences. Again, a moment's reflection shows that we cannot move from observed or actual labor time expended to aggregation on the basis of that labor time *even in this case of homogeneous laboring activity*. In any actual industry there is a distribution of capitals around some average level of efficiency, so that the product of each production process contains varying amounts of concrete labor time. In Table I, the standard" or "normal" labor time is given in each department on the left-hand side, and this presupposes a process by which a norm is brought about. If one observed the expenditure of labor time in our hypothetical case of homogeneous concrete labor, one would discover that different capitals produced at different levels of labor productivity. The establishment of values is not primarily a problem of the aggregation of labors of different skills. This aggregation, usually called "the reduction problem," and of great concern to neo-Ricardian writers in particular, is a "reduction" to homogeneous *concrete* labor. The fundamental transformation in value formation is from concrete to abstract labor. By some means a "norm" must be established in order to summarize the production characteristics of a department, as we have done in Table I. Marx called this "norm" *socially necessary labor time,* which involves an abstraction from the differences in efficiency among capitals.

These two abstractions — from concrete labor as such and from the differences in the efficiency of use of concrete labor — are the basis of *abstract socially necessary labor*, or *value.* One method of deriving value is to ignore the two difficulties referred to, and to move *directly* from concrete labor to exchange value. This follows Ricardo's method, and for that reason is correctly designated as *neo-Ricardian.*[11] In essence, this treatment of value directly aggregates use values; for, as we have seen, there is no difference in principle (and practice) between attempting to add steel and corn and attempting to add the labor time involved in producing steel and the labor time involved in producing corn. This methodological mistake takes many forms; for example, the attempt to calculate "directly" the value of commodities. Aggregation of use values cannot be done directly, but, requires an intermediate form which makes the two abstractions discussed above.[12]

That intermediate form is *value*, and the necessary abstractions are achieved by the interaction of capitals — competition. In Marx's theory, value is not a *physical* property of commodities, but a *social* property. The social nature of value makes it no less real; its reality is a purely social reality, the consequence of particular social relations (namely those of a capitalist society).[13] The abstraction from concrete labor and differences in efficiency among producers is not a *mental* abstraction, but one forced upon producers by the social relations of capitalism. What makes this abstraction appear mental or idealist is that value itself cannot be directly achieved; i.e., it remains hidden, its phenomenal and only observable form being price (what Marx called the "money form" of value).

Before discussing the process of value formation, it is worthwhile to pursue the sense in which value is "hidden." A neo-Ricardian might well agree that value is "hidden," but would mean something quite different from Marx. In our first presentation of "value," what is "hidden" is concrete labor time, since commodities do not come to market marked with hours, minutes, seconds, but with money prices. However, in the neo-Ricardian view, this veil can be lifted for the empirical discovery of value; i.e., concrete labor time expended. In this view, value is "hidden" in the same way that a coat of paint hides bare boards; selection of a strong enough paint remover will reveal the underlying structure of the wood. In Marx's theory, value is hidden in

11 See Ben Fine and Laurence Harris, *Re-Reading Capital* (London, 1979); and Ira Gerstein, "Production, Circulation and Value," *Economy and Society.*

12 Karl Marx, *A Contribution to the Critique of Political Economy* (Moscow, 1970), p. 56; and Karl Marx and Frederick Engels, *Collected Works*, Vol. 6 (New York, 1976), p. 131.

13 J. Weeks, *Capital and Exploitation,* Chap. II.

a completely different sense. It can be "seen" or discovered only by observing its consequences. Since the value relation is purely social, it is analytically dangerous to seek analogies from the purely physical world, but one might compare value to the force of gravity. Gravity cannot be observed though its regulating force can be inferred from the movement of celestial bodies and their masses. But neither their masses nor their movement is gravity. Somewhat similarly, neither concrete labor time nor price *is* value, but value determines the relationship between the two.

Value is established by the interaction of capitals ("competition"), and this interaction presupposes specific social relations; namely, free wage labor and the means of production circulating as commodities Once these *social relations* exist, organizers of production (capitalists) must necessarily come into contact, as they compete to convert money capital into productive capital. This conversion is, of course, simultaneously the conversion of commodity capital into money capital ("realization") for some capitalists, since the purchase of the means of production (CC — MP) is also the process of the realization of the means of production. Therefore, the advance of money capital cannot be separated from the realization of capital-value, as shown in Table I.

The social relations of capitalist society transform the ingredients of production (labor power, intermediate materials and machinery) into commodities. As a consequence, each capitalist[14] faces an externally-imposed, objective discipline of monetary cost. This monetary cost is the benchmark by which the capitalist discovers if he or she has produced according to the efficiency norm, where the norm itself is established by the interaction of capitals Thus value arises in production, in that the material carrier of value — commodities — must be produced, and produced with living labor. However, labor has produced use values throughout history, whether or not the use values were exchanged. Unique to capitalist society is the fact that producers are *forced* to interact and this interaction then forces them to operate at normal efficiency or be eliminated.

This interpretation of value reveals value to be not just the hidden regulator of price, but, much more fundamentally, the

14 It would be more correct to use the word "capital" here, since each capitalist is merely the personification of a specific socially-created role in capitalist society.

mechanism by which formally isolated production is rendered social.[15] Basically, the law of value is the law of the social division of labor in capitalist society, one of whose corollaries is the law of price determination.

III. *Value and Realization*

My purpose here is not to pursue all the implications of value and the law of value, but to specifically consider the relationship between value formation and realization. To do this, it is necessary to briefly present the underconsumptionist hypothesis. Simply stated, the hypothesis is that inherent in the circulation of capital is the tendency for more commodities to be produced than can be converted from commodity-capital to money-capital. Put purely descriptively, if we assume that workers spend all of their wages, underconsumption results from the fact that the sum of capitalist personal consumption and the capitalization of surplus value[16] is less than total surplus value.[17]

For current purposes, the hypothesis need not be explained further; it is simply assumed to be correct and its implications for value theory are explored.[18] Consider again Table I. If all commodities are not converted into money capital (Part C), this obviously does not affect the fact that they were produced, so that the material production of use values remains at 100 tons of steel and 100 bushels of corn. The consequence of incomplete realization for the value side of the table depends upon one's theory of the nature of value. If one has the neo-Ricardian, labor-embodied view, incomplete realization does not affect the value calculations either. This should not be surprising, since the left side is treated, in effect, as homogeneous use values, not values. If one thinks that use values can be aggregated directly on the basis of expenditure of concrete labor, then "value" is determined independently of the interaction of capitals, one aspect of

15 Weeks, *Capital and Exploitation*, Chap. II and III; and Lucio Colletti, *From Rousseau to Lenin* (New York, 1972).

16 That is, the conversion of surplus value into money capital as opposed to spending it as revenue.

17 This ignores constant capital, of course, which is characteristic of underconsumptionists. For a more detailed algebraic treatment, see appendices in Rosa Luxemburg and N. Bukharin, *The Accumulation of Capital — An Anti-Critique*, and *Imperialism and the Accumulation of Capital* (New York, 1974).

18 J. Weeks, "The Sphere of Production."

which is realization. In other words, for neo-Ricardians, value is analyzed without considering circulation.

If we follow Marx and make the distinction between concrete and abstract labor (in effect, introducing the concept of value), the consequence of systematic and endemic incomplete realization is quite serious. At this point it is important to note that the two approaches to value theory do not involve semantic, or purely abstract, theoretical differences. In the previous section, it was shown that the construction of the concept *value* requires a resolution of the problems of qualitatively different concrete labors and the differences in efficiency of the use of those concrete labors. These are not primarily theoretical problems, but actual problems of the relationship of production (the qualitative aspect of labor) and exchange (the quantitative aspect of labor). In practice, production and circulation are not only related, but the former *determines* the latter.[19] What is involved is a real transformation of qualitative differences into mere quantitative differences. Value affects this transformation, "behind the backs of producers."

In this line of argument, the determining role of value disappears if, in general, there is incomplete realization of commodity capital. To see this, first consider the case of one commodity, produced under differing conditions of efficiency by various capitals. Assume that the conditions of competition result in the commodity being realized in such a way that the median capital receives the average rate of profit (where the average rate of profit is determined by the rate of surplus value and the value composition of capital-as-a-whole).[20] Capitals in this industry which produce at below-median efficiency will obviously receive less than the average rate of profit. This reflects the fact that part of the labor time expended in production under the domination of these capitals is unrealizable, or *socially unnecessary*. This redundant labor time does not circulate as commodity capital; i.e., it is not validated by the interaction of capitals as socially useful labor. The competitive nature of capitalist production re-

19 Karl Marx, *Grundrisse* (New York, 1973), pp. 98ff.

20 It is assumed that the average rate of profit has been generalized to all industries *via* the "transformation process." See Weeks, *Capital and Exploitation*, Chap. III. Differences between the average and general rates of profit which result from the transformation are ignored.

lations implies that not all working time is transformed into value, even when performed under capitalist social relations. However, there is still a definitive relationship between labor time expended in production and the quantitative relationship between commodities.

This can be explained by referring back to our table. Considering capital-as-a-whole, a value of 370 is advanced as capital, and this results in a production of a value of 450. The quantity of value objectified in the produced commodities is determined by labor time expended if money exchanged against these commodities is equal to a value of 450.[21] If the money exchanged for commodities is less than this, then *in the aggregate* value goes unrealized. Note that we now have two senses in which labor time is not validated in exchange. In one case this is the result of differences in efficiency, and can occur (does occur) when the money exchanged for commodities equals the abstract socially necessary labor time objectified in them through the interaction of production and circulation. In this case the structure of efficiency in each industry and the degree of competition determine total value, which we can take as established, and treat as a benchmark in our analysis.

However, if the realization of commodities in the aggregate is less than 450, the relationship between the expenditure of labor time and labor time realized as money becomes completely indeterminate. Any proportion of our former benchmark can emerge as realized labor time. In this case, in an abstract, completely capitalist society, production and the interaction of capitals sets the upper limit of realizable abstract labor time, but nothing more. If under-realization is endemic, and the upper limit is rarely reached, then it becomes, in effect, merely an ideal, a construction of the mind. Realized abstract labor time in such a case is set by the determinants of the expenditure by workers and capitalists. Production still plays a role, but a very limited one. The differences in efficiency among capitals determine only which survive and which do not. The realized labor time in any branch of industry depends upon how the short-fall in aggregate demand is distributed among those branches.

21 We assume in the Table that all commodities are realized at the same moment. We also abstract from credit and in general from cases where exchange and payment do not coincide. See *Capital*, Vol. I, Chap. I.

This can be put another way. In part A of Table I, we begin with certain parameters: the value composition of capital, the rate of surplus value, and the degree and intensity of competition. On the presumption of full realization, these imply a total value of production. If full realization is not presumed, these parameters become irrelevant; they give no indication of how much value or how many commodities will be produced and circulated in the subsequent period. The *ex ante* rate of surplus value (exploitation of value in production) no longer determines the profit realized by capital. In summary, labor time expended in production no longer determines either realized abstract labor time nor the profit of capitalists. It is hardly surprising that Baran and Sweezy should abandon the concepts of value and surplus value, and, as a consequence, place no importance on the sphere of production. In an underconsumptionist world, the analysis of production has only "sociological" relevance.[22]

In the underconsumptionist literature "foreign" markets are viewed as one method by which unrealized commodities can be transformed into money. Once this possibility is introduced, production determines not even the upper limit of realizable abstract labor time and profit of capitalists. Once an "external" market is introduced, our table must be "opened up," and total realizable value is no longer constrained by the labor time expended in production. Obviously, the number of use values produced is not altered, given the technological conditions and the amount of labor employed, but the amount of money which these use values can be exchanged against has in principle no upper limit. In the case of a purely capitalist society the labor time realized is determined by internal aggregate demand on the underconsumptionist hypothesis, and the revenue accruing to workers and capitalists sets an upper limit to this. Production determines maximum realizable labor time and maximum profit, though not the actual levels. With the introduction of external demand, this is no longer the case. If external demand is buoyant, the use values produced can exchange for an amount of money representing labor time far in excess of that expended

22 See Harry Braverman, *Labor and Monopoly Capital* (New York, 1974). Though its subject is the labor process, this book refers to surplus value on only seven out of 450 pages (Index, p. 462).

in production, and the production process determines nothing except the number of use values available for circulation.

Further, it becomes possible for capitalists to realize profit even if the rate of exploitation is zero, since profit can be obtained through exchange with the external market alone. Actually, it is more correct to say that the concept of the rate of exploitation is no longer relevant. As we have seen, if the underconsumptionist hypothesis is correct, we cannot know the abstract labor time each commodity will exchange for prior to knowing the level of aggregate demand (internal plus external). Therefore we cannot know the value of labor power nor the total abstract labor time which will circulate. In Marx's terminology, we know neither necessary labor time nor surplus labor time prior to realization. Once realization occurs, one can calculate the ratio of profits to wages, but this is purely an *ex-post* statistic, determined by demand conditions.

Thus, the underconsumptionists proceed quite logically when they reject the concept of "surplus value," since for them this is merely another name for profit.[23] The central difference between underconsumptionism and Marxian value theory comes out clearly in our discussion. In underconsumptionist theory, total realizable labor time and total profit are *residual* categories, determined by demand conditions. In Marxian value theory production and the interaction of capitals determine total realizable labor time. Further, the category "surplus value" is not a residual, but determined just as definitively as the value of variable capital (wages of productive workers).[24] However, these categories are determinant *only* within the context of full realization of abstract socially necessary labor time. In terms of the circuit of capital, this means that we presume that C′ — M′, that commodity capital is converted into money capital. Clearly, this conversion is not always quantitatively complete. This does not invalidate the labor theory value; on the contrary, it is the labor theory of value, developed within the context of full realization, which provides an explanation for why realization at some moments is not achieved in full.

23 H. Sherman, *op. cit.*

24 That is, the value of labor power for all workers who produce surplus value. See Ben Fine and Laurence Harris, *Re-Reading Capital*, Chap. 3.

IV. *Value Theory and Crises*

As we have seen, the value of commodities has no meaning in a theoretical model in which the circulation of commodities is continuously restricted by incomplete realization. The analysis based on the labor theory of value presumes full realization, and then, through an analysis of how values change, reveals the conditions under which full realization becomes impossible. This is why Marx, in *Capital*, considers the process of realization prior to elaborating his theory of crisis. At the end of Volume II he presents his famous "reproduction schemes" (Chapter XX on "simple reproduction" and Chapter XXI on "expanded reproduction"). In these reproduction schemes he abstracts from concentration and centralization, and from all qualitative changes which would make these *accumulation* schemes rather than reproduction schemes.[25] That is to say, he abstracts from changes in the values of commodities. His purpose is two-fold: 1) to demonstrate the abstract possibility of realization (part of capitalist reproduction) under such conditions, and 2) in doing so, to show that incomplete realization is the consequence of what he has omitted — changes in values. While doing these things, he has simultaneously justified his previous use of the labor theory of value, which can be methodologically sound only if complete realization is presumed within the context of a determinant set of values. When he comes to his discussion of the tendency of the rate of profit to fall, he can then argue that changes in values are the disrupting element in capitalist production and circulation. This theoretical argument would have been irrelevant had he not previously demonstrated: 1) that the circuit of capital is not generally disrupted *without* changes in values, and 2) that his central analytical link between concrete labor time expended in production and abstract labor time in circulation is valid.

The process by which productivity change alters values and how value changes generate a tendency for the rate of profit to fall in the accumulation process is beyond the scope of this paper.[26] A few comments can indicate the nature of the process,

25 For a discussion of the difference between accumulation and reproduction, see John Weeks, "The Process of Accumulation and the 'Profit Squeeze' Hypothesis," *Science & Society*, XLIII, 3 (Fall, 1979), pp. 259-280.

26 J. Weeks, *Capital and Exploitation*, Chap. VII and VIII; and J. Weeks, "The Process of Accumulation and the 'Profit Squeeze' Hypothesis," pp. 269-274; and Ben Fine and

however. As accumulation proceeds, technical change generates within branches of industry a dispersion of capitals in terms of efficiency around the norm for the consumption of labor power in the production process, where this norm is socially necessary labor time. As this process continues, the interaction of capitals works to establish new (and lower) values in each branch of industry. This lowering of values implies that some capitals are increasingly unable to realize the labor time expended under their domination. The problem is particularly acute for fixed capital, contracted for in earlier periods when values were higher. The realization difficulty has nothing to do with underconsumption (inadequate aggregate demand), but occurs in the context of full realization of necessary labor time (i.e., C′ — M′); what cannot be realized is that labor time which competition has stamped as socially unnecessary. How this gives rise to a reduction in the rate of accumulation lies beyond this discussion,[27] but when it occurs — "aggregate demand" (capital advanced) is no longer quantitatively sufficient to realize all socially necessary labor time — the process of value formation undergoes a qualitative change. What had previously proceeded more or less incrementally (the adjustment to lower values) occurs in a dramatic, even catastrophic, adjustment through the forced elimination of socially obsolete means of production what — Marx called "the moral depreciation of capital."

We do not pursue this analysis further, for the purpose is not to develop a theory of crisis, but rather the more limited one of demonstrating the incompatibility of underconsumptionist theory and the labor theory of value. Much has been written about whether or not Marx held to some form of the underconsumptionist hypothesis, and quotations from his works are given to support or deny various arguments. There is nothing original in affirming that Marx was not an underconsumptionist.[28] Basically, this is of limited interest, for what is important is not whether one particular person endorses a theory, but whether or not it is a correct explanation of reality. Nor has the purpose of

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John Weeks, "Recent Criticism of the Law of the Tendency of the Rate of Profit to Fall," ms., 1980.

27 *Ibid.*

28 V. I. Lenin, "On the So-Called Market Question," *Collected Works*, Vol. 1 (Moscow, 1972).

this paper been to refine the underconsumptionist hypothesis directly. Rather, the effort has been to make a methodological point: one cannot simultaneously explain crises in terms of underconsumption *and* employ the labor theory of value as a tool of analysis. In so far as one identifies "Marxian theory" as a theory based on the labor theory of value, "Marxian theory" *so defined* excludes the underconsumption hypothesis. The intention in pointing this out is not to preserve a label or to argue over who is or who is not a "real" Marxist. If underconsumptionists wish to retain the label "Marxist," then those employing the labor theory of value should seek some other. The particular label used is a trivial matter. But it is not a trivial matter when two methodologically incompatible theories are placed under the same label. Labels should provide clarity, not generate confusion.

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