Marx’s Concept of Money

The god of commodities

Anitra Nelson

Routledge Studies in the History of Economics
MARX’S CONCEPT OF MONEY

Money is one of the most significant social facts linking all people today and Marx is widely acknowledged as the nineteenth-century thinker with the single greatest impact on social developments in the twentieth century. This study links the two in an examination of Marx’s unique commodity theory of money.

Anitra Nelson places Marx’s theory of money within the wider context of his philosophical and political as well as economic thought. In particular, she links Marx’s concept of money with some of his other key concepts, such as ‘alienation’ and ‘abstract labour’. Offering a comprehensive survey of Marx’s writings on money, Nelson concludes by reviewing commentaries and controversies on the subject since his time.

*Marx’s Concept of Money* benefits from a broad interdisciplinary approach, examining an economic concept from historical, sociological, philosophical and political perspectives. This much-needed work makes an important scholarly contribution to the recently rekindled debate around Marx’s theories of value and money.

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London and New York
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PREFACE

Marx was a nineteenth-century political intellectual; he was not bound by any of the disciplinary rigour or specialisation insisted on by late twentieth-century academia. Marx’s writings can be studied as sociology, philosophy, politics, economics, history, even as literature, though if studied simply from one of those perspectives his work loses much of its richness and original message. At least, this view seems borne out in this investigation of Marx’s concept of money. Marx’s theory of money is definitely not just an economic theory. Marx was an anti-economic heretic; he was both scholarly and a revolutionary. The development of his unique concept of ‘money’ seems to have been strongly influenced by his background in Hegelian and Young Hegelian philosophy as well as by his political views. Certainly if looked at purely as an economic theory various aspects of it make little sense. This study, then, is interdisciplinary; it focuses on an economic concept from historical, sociological, philosophical and political perspectives in an effort to explain Marx’s unique commodity theory of money.

Chapter 1 is a very brief introduction to the broader intellectual context within which Marx developed his rarefied concept of money. Aristotle’s speculation on money, developed in opposition to Plato’s, raises fundamental issues concerning market exchange. The immediate theoretical context of Marx’s thinking has three sources: British political economists, the predominantly French Utopian socialists and German Hegelian and Young Hegelian philosophers.

Chapter 2 begins the study of Marx’s work in chronological order, looking at significant passages on money written between 1843 and 1846. Marx offered what might best be referred to as an ‘alienation theory of money’ at this stage. It had very little strictly economic content and reflected the philosophical and social content of Marx’s early works. These thoughts on money set the context for what ultimately appeared as a rarefied but intriguing ‘theory of the money commodity’.

Chapter 3 covers works in the pre-Grundrisse period, including and subsequent to The Poverty of Philosophy. At this stage Marx seriously started to consider the technical details of money; he commented on contemporary debates concerning the supply and regulation of money by banks and the government, and the role of money in price formation and crises. However there is little evidence of his beginning to formulate a concept or theory of money of the kind that was presented in the Grundrisse.

Chapter 4 concentrates solely on the Grundrisse, where Marx first formally elaborates the theory of the money commodity. The political context of the development of his concept of money is delineated and matters involving the contribution of Hegel’s dialectical method are introduced.

Again Chapter 5 focuses on one work, A Contribution to the Critique of Political Economy, where more strictly economic issues are raised. Since Marx’s theory is as fully developed as it will ever be in this version, some basic difficulties in Marx’s theory of the money commodity are discussed. Evolving out of his alienation theory, ‘money’ is
closely connected with ‘abstract labour’ and ‘value’. Consequently what is problematic in both these latter concepts is problematic for the concept ‘money’, and vice versa.

In Chapters 6 and 7 the chronological order breaks down. Marx’s concept of money is not initially presented as a theory of capitalist money, but rather one that applies to all commodity producers. In *A Contribution to the Critique of Political Economy*, Marx generally ignores specifically capitalist monetary and financial matters, and gives examples of simple commodity production instead. This is the context in which his theory is assessed in Chapter 5, and it proves to be problematic. Chapter 6 draws on many works mainly written in the 1860s, like the economic manuscripts of 1861–63 and drafts of what became *Capital II* and *III* under Engels’ editorship, to illustrate the various ways in which Marx’s concept of money remains problematic when the mode of production being analysed is explicitly capitalist.

Chapter 7 concentrates mainly on the version of Marx’s theory of money that appeared in *Capital I*, illustrating how Hegel’s work contributed in various ways to Marx’s unusual concept of money. Not only Hegel’s dialectical method, but also certain passages on ‘measure’ from the part on ‘Being’ in the *Logic*, and those on ‘force and understanding’ in the *Phenomenology of the Spirit*, seem to have provided ideas that Marx adapted for his novel theory of money. By utilising various frameworks suggested by Hegel’s work Marx apparently thought that his concept of money was more sound than the theories of his political opponents, the bourgeois economists and Utopian socialists.

References to significant secondary sources are scarce in all the chapters on Marx’s work. This material is reserved for discussion in the last chapter, which concentrates on theoretical comments, questions and debates which have arisen in Marxian circles as a consequence of Marx’s theory of money. Unlike his theory of value, Marx’s concept of money was not subjected to much scrutiny or challenge until recently. Hilferding tried to update it earlier this century and De Brunhoff wrote a sympathetic analysis in 1973. However, more recently serious challenges have been made to Marx’s theory of money, mainly from what is sometimes referred to as the ‘Rubin School’. The Rubin school stress the ‘abstract labour’ aspect of Marx’s law of value, which distinguishes them from the orthodox ‘embodied labour’ approach. Subsequently several reinterpretations and even extensive revisions of Marx’s theory of money have been attempted. These attempts to make a Marxian theory of money consistent with less orthodox interpretations of Marx’s law of value, and also more obviously relevant to late twentieth-century capitalism in which credit money reigns supreme, have steered recent theorists towards nominalist credit theories of money.

But Marx’s theory of money is clearly a commodity theory of money, and he was opposed to nominalist theories of money in general. Given that the recent literature reviewed in Chapter 8 raises legitimate concerns and definitely expands on themes in Marx’s own work, it seemed most pertinent when I started this study to ask exactly why and how Marx developed what appears to be a rather strange theory of money. In many respects, especially economic ones, a credit theory of money seems rational, given Marx’s theoretical concept of the ‘value-form’ and the empirical reality that credit money dominated British currency even in Marx’s day. Therefore the question which drove this study and remains the focus in every chapter evolved out of current debates, even if it was not centred clearly in them. The aim of this study was to explain why it was that
Marx chose a commodity theory of money, a theory of the money commodity, rather than a nominalist or credit theory of money.

I end this preface with a peculiarly personal note. I began this study both because I believe that money is one of the most mysterious social facts today and because I sympathised with a Marxian perspective. I adopted that perspective without a thorough knowledge of, and belief in, the labour theory of value. In the course of this study I developed fundamental criticisms of that theory. However I remain convinced that a humane and environmentally sustainable world is only achievable with the widespread adoption of the socialist values of sharing and caring. I do not think that Marxism, communism or socialism stands or falls on Marx’s concept of money, nor indeed on the labour theory of value, however important economists may make them. Although I regard the ethical rather than the so-called materialist identification of labour and value as most significant, I join Marx in opposing monetary reforms proposed by utopian socialists in his day and my own. Like him I believe that a real revolution requires dethroning money and overturning the state.

Despite the conclusions I have reached, I maintain a strong and even deeper respect for the rich and complex thought of Karl Marx. Though flawed in certain respects, the breadth and depth of his thinking on money is impressive even today. Having read many and various theories of money in order to study his in a broader context, I am very aware of the paucity of ambitious and sound analyses in this area. The reasons for this otherwise surprising fact are fairly clear; as Marx’s biographer Mehring observed ‘how should a world which had enthroned money as its God aspire to understand it’?1
ACKNOWLEDGEMENTS

I must thank Barry Carr of the School of History at La Trobe University, who started to supervise the thesis on which this book is based, and John Hinkson of the School of Education who took over for six months during his absence. However the main burden of supervision fell to Andrew Giles-Peters, then of the School of Philosophy at the same university. He has my gratitude, as do the library staff of the Borchardt Library, who frequently sought out works for me, often only held in libraries overseas. The doctoral thesis was submitted to the School of Humanities (Revolution Area of Studies) in 1995. Subsequently I benefited from detailed comments made by the examiners of the thesis, Harry Cleaver, Robert Pollin and Duncan Foley, who encouraged me to seek a publisher. Alan Freeman reviewed the thesis in depth for Routledge and again his advice helped me reshape it as a book. But in the final stage it was the support of John King, Reader in the Economics Department at La Trobe University, that was really vital. He commented on drafts of newly prepared material and in a more general way supervised the preparation of the manuscript for submission to the publisher. (I thank George Vassilacopoulos too for comments on the Hegelian material in Chapter 7.) As is customary I acknowledge that the responsibility for all faults in this work is mine.
ABBREVIATIONS

C  circulation/commodity capital
I  individual
Lp  labour-power
M  money/money capital
MECW  *Marx/Engels Collected Works*
MOP  means and objects of production
P  production/productive capital, or particular
U  universal
>  augmented, e.g. C < C'
VF$_{1-4}$  value-forms, one to four

An attempt was made to reduce the number of references and notes; the Borchardt Library of La Trobe University holds a copy of the thesis on which this book is based and there references are supplied in more detail. The author welcomes correspondence regarding any further details.

Quotes from French articles were translated by me.

All emphasis in quotes derives from the original unless otherwise indicated.

[Comments made in square brackets are generally mine.]
INTRODUCTION
The context of Marx’s ‘money’ in brief

Schumpeter contends that ‘views on money are as difficult to describe as are shifting clouds’. Nevertheless two streams of thought dominate and fracture monetary theory. One assumes that the value of the standard of prices, money, is linked to that of a commodity, typically gold. The material substance of money must have a use-value and be of intrinsic value. The other proposes that money is purely a social symbol, simply a claim to value, so the material of money is irrelevant. Schumpeter categorises these two streams as Metallism and Cartalism respectively. Howard Ellis classifies them as commodity theories of money (which include metallist ones) and nominalist theories (which include cartalist ones). Ellis’s terminology, which is more widespread in current literature, is adopted here.\(^1\)

The earliest recorded protagonists in this debate are the essentially political philosophers Plato and Aristotle. Plato was a nominalist; Aristotle adhered to a commodity theory of money. Even though relatively simple, Aristotle’s sociological discussion of money, as outlined in Schumpeter, raises fundamental issues which are still important in Marxian literature today. Like Marx, and many others after him, Aristotle saw money as a convenient solution to the limited exchange of barter and warned against mistaking money for wealth. Further, he denigrated profit-making activity as ‘one undertaken under compulsion…wealth is evidently not the good we are seeking; for it is merely useful and for the sake of something else’. Aristotle already identified three of the four well-recognised functions of money, as a means of exchange, and both a measure and store of value. But, most relevantly, Schumpeter reasonably suggests that Aristotle’s propositions regarding the bases of exchange pointed towards ‘some labor-cost theory of price’.\(^2\)

In fact, in *Capital I* Marx refers to Aristotle as ‘the greatest investigator who was the first to analyse the value-form’. However Aristotle’s analysis was limited by his historico-economic context. According to Marx, while Aristotle admits that:

\[
5 \text{ beds} = 1 \text{ house} = x \text{ monetary units},
\]

he is stymied in identifying the common element that creates this equality, for Aristotle did not live in a society dominated by the market economy. Marx identifies this common element as abstract labour, the socially necessary labour-time required in the production of the commodity being exchanged. Abstract labour lies at the base of Marx’s labour theory of value, and is fundamental in his conceptualisation of money. It is correct that in *The Nicomachean Ethics* Aristotle suggests in a superficial way that demand, which money effectively represents, makes incommensurate things equal. Yet he offers a
concept of ‘proportionate return’ that indicates an association between the producer-seller’s effort and/or status and the reward gained through monetary exchange, i.e. that:

The number of shoes exchanged for a house [or for a given amount of food] must…correspond to the ratio of builder to shoemaker.

In fact Aristotle’s speculation raises most of the pertinent issues in contemporary Marxian discussions of the concept of money, which focus on its status in Marx’s labour theory of value and its importance in distinguishing price, which relates to things, and value, which relates to producers.3

Although Marx was well-versed in the classics, his thoughts on money developed more immediately as part of a critical analysis of capitalist society in the literary context of British political economy, utopian socialism and Hegelian philosophy. This particular amalgam of sources for his concept of money produced a rarified theory of money that makes little purely economic sense. This is why Marx’s theory of money must be understood in the political and philosophical context of its making.

Marx submitted the work of political economists, especially Ricardo, to rigorous criticism as he believed they provided the best available theoretical framework to analyse the dynamics of capitalism. Marx decided that certain vital aspects of capitalist development laid the material and social bases for a transition to communism; inadvertently political economy supported the communist and socialist movements. In Appendix A of A Contribution to the Critique of Political Economy Marx reviews the analysis of classical political economy which makes the value of a commodity the result of labour (time). Benjamin Franklin, he says, is the first to explicitly assert that labour-time is the source of exchange-value, but Franklin did not understand the precise relation between money and labour. Ricardo got it wrong too. However, most significantly, the theory of money as it arises in political economy, and in Marx, is just part of a labour theory of value, an aspect of the commodity and market exchange.

For Marx ‘value’ is labour objectified and alienated in commodities, and appears in circulation as ‘exchange-value’, which becomes ‘independent’ in money, the ‘value-form’. Money is necessary for commodity exchange and therefore also for commodity production. According to Marx the commodity and money forms implicitly contain ‘labour’ and ‘capital’, the central subjects of his study.

Marx’s entry into mainstream economic analysis began in the mid-1840s. The Poverty of Philosophy, a frontal attack on the French Utopian socialist Proudhon, appeared in 1847 and demonstrates the political context of his thought. Writing a decade later the chapter on money, in what became the Grundrisse, Marx still targets Utopian socialists and British Owenites. He claims that their assumptions regarding money are as unfounded as their conclusions are ridiculous. The definition of money was a matter of critical political significance; it was Marx’s contention that, even if well-meaning, the Utopian socialists and British Owenites had exaggerated the potential of monetary reform to alter the social system. They falsely imagined that the defects of the economic system could be removed by tinkering with money, just as the ‘bourgeois apologists’ Bastiat and Carey did, even if in a different way and for different ends. While Bray and Gray conjectured over creating new forms of money, Marx contended that money was a surface phenomenon so notions about redefining it were useless and idealistic.
Marx clearly developed his theory of money out of a complex critique of both bourgeois political economy and radical socialist thought, but his intellectual debt to and distinctions from the German philosopher Hegel are even more complicated. It is the latter relationship which is teased out in greatest detail in the chapters below, not least because the significance of Hegel’s work with respect to Marx’s concept of money has been largely ignored, or at the very least underrated. Unfortunately Marx never conscientiously detailed precisely how he had used Hegel’s dialectics and fashioned his method for his own materialist ends. Marx started out as a so-called ‘Young Hegelian’, a misnomer in that this school of German radicals disavowed the great Hegel in fundamental ways. Marx’s most direct attack was against Hegel’s idealism. Yet, in terms of his analysis and its presentation, Hegel’s dialectical method was Marx’s starting place, and, intriguingly, no example is clearer than the monetary one.

On the one hand Marx’s theory of money developed out of a critique of the utopian socialists’ concepts of money, labour-time and exchange-value and has definite political implications. He intended it to be a sound materialist theory of money. On the other hand Marx’s concept of money was initially inspired by Young Hegelians’ writings. Besides Hegel’s dialectical method, Marx adapted certain ideas from Hegel’s Logic, especially passages on ‘measure’ in the section on ‘Being’. Aspects of Marx’s framework for relating ‘price’, which appears in circulation, and ‘value’, the essential relation in production, seem similar to Hegel’s elaboration of the force and its manifestation in the Phenomenology of the Spirit. However Marx also criticised Hegel, especially for his idealism; Marx’s concept of money was intended to be materialist and revolutionary. Yet it does not wholly escape from Hegel’s idealism, and the dialectical interpretation and presentation has analytical weaknesses.

In a sense Marx’s theory of money is neither a commodity nor a nominalist theory of money. It is correct that as regards money as a unit of account or measure of value Marx argues for the necessity for a commodity standard, the value of which is determined by the costs of production. However he defines the commodity in a unique way; the commodity is understood in philosophical or social terms as alienated human being, labour. Also Marx only borrows from nominalist theories of money in a limited sense; money is described as a symbol but generally in the limited context of money as a means of circulation. Unlike many who regard money primarily as a means of circulation (for instance the Italo-French Circuit theorists discussed in the final chapter), Marx gave priority to money as a measure of value. To emphasise these distinctions from more conventional approaches, and especially his identification of the necessity of money with abstract alienated labour, Marx’s commodity theory of money is more accurately referred to as ‘the theory of the money commodity’.
2

AN ALIENATION THEORY OF MONEY

The so-called ‘Jewish’ question

The passages on money in *On the Jewish Question* are striking if only because Marx wrote them so vividly and passionately. His criticism of Bruno Bauer’s work involves an analysis based on the atheist and materialist premises that religion and God are social products and that in a commercial society money is the effective God. Marx suggests too that the state is dominated by financial powers established in civil society. He concludes that emancipation cannot only involve universal suffrage, but rather a self-conscious reappropriation and reorganisation of people’s material and social life, of the economic forces outside the state’s control. For real human emancipation the alienation of labour involved in the exchange of the products of labour must stop. The god of commodities, money, must be dethroned.¹

What is indicated here might be called an alienation theory of money, at least Marx’s notion of money clearly falls within his developing theory of alienation. McLellan observes that the major characteristics of ‘alienated labour’ in the 1844 *Paris Manuscripts* are first presented as the properties of money here. Right from these early writings one sees a connection in Marx’s mind between what will later be termed ‘abstract labour’ and money.²

Marx objects to Bauer’s focus on the apparently religious conflict between the Jew and the Christian state, and prefers to concern himself with the Jew in the street, the trader and usurer. Here, in the street, trade is the ‘worldly religion of the Jew’ and money ‘his worldly God’. Using ‘Judaism’ to refer to traders and profit-making behaviour in general, Marx comments on the blooming of ‘the practical-Jewish spirit’ in civil society under the auspices of Christian states. Money is the ‘god of practical need and self-interest’, indeed it is a ‘jealous god…in the face of which no other god may exist’ and so becomes the supreme ‘value of all things’. Nature is disdained and human qualities are diminished in Christian theory, but it is Jewish practice which is egoistic, ‘anti-social’ and selfish, and which actually trades in nature and puts humanity up for sale. In the religious realm human qualities are projected onto an alien god; so too, writes Marx, in commerce human capabilities and creations are alienated, and judged in terms of a supernatural and superhuman reification in money. Consequently, says Marx to Bauer, if the Jew (in the narrow sense of the term) is financially powerful then his lack of formal political privileges is more or less irrelevant.³

Although references to money in *On the Jewish Question* are aimed to forward a non-monetary argument the subject sustains Marx’s attention for several pages. Because Marx later developed what Mandel terms ‘a commodity theory of money’, the significance of the works discussed in this chapter begs to be assessed in this light. Marx’s so-called ‘commodity theory of money’ is unique if only because Marx’s characterisation of the
commodity is so original, that is the commodity is first and foremost an alienated product of human labour. For that reason his monetary theory is better referred to as a ‘theory of the money commodity’. Although in this tract Marx does not even speak of commodities yet, just of products, the analogy that Marx makes between religious reification and commodity fetishism in his mature work—for example in the final section called ‘The Fetishism of the Commodity and its Secret’ in the first chapter of Capital I—clearly finds its source here. Later Marx continues to speak of money as all powerful, dominating and godly.

David McLellan considers that this early work on money is so influenced by the Young Hegelian Moses Hess that he charges Marx with plagiarism. According to McLellan, Hess’s On the Essence of Money was written at the turn of 1843 to 1844 and therefore prior to Marx’s Zur Judenfrage which was printed in Deutsch-Französische Jahrbücher in 1844. However the editors of MECW 3 date the writing of the latter as Autumn 1843, that is September to November, which suggests that it predates Hess’s work. McLellan describes the articles as ‘remarkable’ in their concurrence and given his own dating concludes that ‘Marx copied heavily from Hess’s essay’. As evidence he quotes a comment Hess made later:

The best recent writings on the essence of money have adopted ideas that I developed, that is, that money is for the practical world what God is for the theoretical world, that it constitutes the alienation of the idea of social value, in silver alloy from the Catholic point of view, or in paper money from the Protestant point of view. In other words, money is simply the inorganic symbol of our present social production that has broken free from our rational control and therefore dominates us.5

Certainly the ideas in Hess’s article are like those in this early work by Marx on money but, as McLellan points out elsewhere, Bauer and Feuerbach, whose works provide the theoretical structures for both these perspectives on economics and money, influenced them both independently, and similarly influenced Engels. Rather than cast Hess as the originator of Marx’s views, it seems just as plausible to suggest that many of the analogies used by Marx were not unlikely to strike any of the Young Hegelians at around the same time, and might subsequently become common currency among various members of the group. Besides, the description of money as God was already made centuries before the Young Hegelians and Karl Marx.6

In On the Jewish Question Marx writes that the commercial spirit brought Judaism to its full development via Christianity, which ‘completed theoretically the estrangement of man from himself and from nature’. At the same time money, even as ‘only an illusory bill of exchange’, became a veritable secular god:

Money is the universal self-established value of all things…Money is the estranged essence of man’s work and man’s existence, and this alien essence dominates him, and he worships it.

The power of money or credit, the economic, dominates the state, the political. This theme also pervades Marx’s mature theory of the money commodity.7
However, Marx’s arguments are disconcerting and confusing, because there is no clear specification of the spheres of ‘polities’ and ‘religion’ in his discussions. He might be read as suggesting that money and commerce are in effect God and religion, or that money and commerce are material and practical outcomes from, as well as supports of, Judaism and Christian theory. At first sight Marx’s discussion of money here is wholly religious or perhaps political. Trade is alienation in practice, under the alien and uncontrollable rule of money. Money is power, God, the epitome of practical alienation.

Clearly the analogies made by Marx are more intelligible when read within the context of the writings of the Young Hegelian school (Bauer, Feuerbach, Hess, and Engels especially), and are more striking as political messages rather than as persuasive social analyses. Marx’s main point seems to be that human emancipation in its widest, most authentic, sense implies an active reorganisation of social relations, as well as a revolution in consciousness, in values. As social analysis the analogies risk throwing one right off course; however striking and forceful as imagery, they are strained metaphors out of which to construct a scientific framework within which to understand capitalist social relations.

Marx seems to want to ‘materialise’ the ideological, religious, and political spheres by making a direct analogy between religious thinking and a consciousness centred on God on the one hand, and practical commercial activities and the rule of money on the other. But he risks being interpreted as studying economic values and prices as if they constituted merely a new religious power over man. This point gains significance in view of his later elaboration of the controversially interpreted ‘metaphor’ of ‘superstructure and base’, in which an emphasis on the practical or economic versus the theoretical or ideological also appears.8

In Marx ‘base’ refers to the economic, that is productive, trading and financial activities, and ‘superstructure’ to political, religious, and ideological institutions. Conventionally the base is seen as ‘determining’ the superstructure, although not always unilaterally. In this early work, though a similar distinction between the practical and the theoretical is made explicit, money and trade are designated as God and religion respectively. While later in his works trade is clearly an economic or practical activity, money is still frequently referred to as a god and a ruling alien power. One might well ask what function the religious analogies are meant to perform in Marx’s analysis; does he imply economic activities are ritual behaviour? For instance, what is a ‘secular religion’ and a ‘worldly god’? For that matter, what is money?9

If Marx’s base—superstructure metaphor parallels the relation between being and thought in Feuerbach (‘Thought arises from being, being does not arise from thought’), then one might be forgiven for interpreting these early tracts of Marx’s as suggesting that money is the thought-form of man’s being in value, the product of man’s labour. Like in Hess, money might be best described as an ‘idea’ or a ‘symbol’. This point is significant because in Marx’s mature theory of the money commodity, the value-form as money is a concrete universal, and is quite explicitly not meant to be simply a mental measure or a mere thought-form. Similarly, while commodity fetishism is superficially analogous to religiosity, the mere fact that money is a commodity like all others provides a direct link to the productive base which is not made in this early work.10

In this context it is unfortunate that Marx’s Critique of Hegel’s ‘Philosophy of Right’ was incomplete. In an addition to §63 Hegel discussed money as a ‘symbol’ of value, as
the ‘abstract’ expression of ‘another universal’, value. In *Capital I* Marx quoted precisely from this section of Hegel when he discussed the money-form. There Marx concluded that just as all commodities symbolise value or social relations, money is a symbol. But, he added, it is much more than a symbol of value, and the amount of value that money expresses certainly is not an ‘arbitrary product of human reflection’. Given that Marx has been interpreted as initially favouring the view of money as a symbol—Rosdolsky’s claim is criticised below, in the appendix to chapter three—evidence of his thoughts about this particular paragraph of Hegel’s as early as 1843, when this manuscript was written, might-have proved conclusive. However the manuscript does not comment on this section of Hegel.\(^{11}\)

The commentary left to us does, however, briefly mention money. In §299 Hegel asserts a liberal position, that the state should specifically require monetary services from citizens since money is the concrete and general value of all work and objects, and is the only fair measure; money taxes allow citizens freedom of choice in how they earn the income necessary to fulfil state demands. Hegel’s Remark includes the statement that money is not a particular but rather the universal form of all kinds of wealth to the extent that ‘they are expressed in an external embodiment and so can be taken as “things”’. Marx turns Hegel’s phrase, ‘this extreme culmination of externality’, into his own words, ‘wherein riches are transformed into the externality of existence in which they can be grasped as an object’. That Hegel designates money just as a universal is significant in the context of Marx’s subsequent theory of a money commodity, wherein money is not only a universal but a particular as well.\(^{12}\)

Is it significant that Hess and Hegel used the word ‘symbol’ explicitly, while Marx did not? In a work that evidently impressed Marx, *Outlines of a Critique of Political Economy*, Engels wrote that capitalism ‘confers on the abstraction of value in the money form the honour of having an existence of its own’. This seems to imply a subtle difference from Hess’s and Hegel’s views. It seems significant that Engels talks of the ‘money form’ just as later Marx characterises money as the ‘value-form’, and as a materialised, objectified, independent existence of private property. According to the MECW editors Engels’ article was written in October-November 1843, although it wasn’t published in the *Deutsch-Französische Jahrbücher* till early 1844. He wrote another piece which included a paragraph or so on money in February 1844; according to the MECW editors, *The Condition of England. I. The Eighteenth Century* was published in *Vorwärts* at the end of August 1844. There Engels refers to money becoming ‘master of the world’ and as ‘the alienated, empty abstraction of property’. However significant points that Engels made about money were not picked up by Marx. Two assertions made by Engels stand out: 1) that prices deviate from values in such a way that a commodity exchanges for only a ‘so-called equivalent’ presumably a price ‘equivalent’, ‘not an equivalent’ (i.e. presumably not a labour-value equivalent); and 2) that without state monopolisation of the means of circulation trade crises are inevitable, so money ought to be monopolised, even though this doesn’t eliminate ‘counterfeiting’. It seems that the term ‘counterfeit’ was used by Marx and Engels to refer to the over-supply of tokens of money.\(^{13}\)

According to the MECW dating, Marx wrote *On the Jewish Question* before these articles by Engels and it contains no references to money as an objectified abstraction. It is in the critique of Mill and the *Economic and Philosophic Manuscripts of 1844* written
in the first half of that year that this kind of description emerges in Marx. But it was a way of referring to money that Marx was already familiar with in Hegel, as mentioned, although in Marx and Engels’ hands this style of expression already threatened to possess another meaning. If Hess influenced Marx’s thoughts on money around this time there were others close to both of them who inspired him too. The problem with McLellan’s assessment is that, based as it is in ‘hard’ literary evidence, it allows too little scope for the personal and secondhand oral transmission of ideas between them. Whoever first got something down on paper, let alone in print, was not necessarily the source of the ideas.

The money—God analogy, from a Young Hegelian perspective of alienation, at least superficially suggests that money is an idea or concept related to human energy and talents (alienated labour, value). Although Marx does not confirm Hess’s or Hegel’s concepts of money as an ‘idea’ or ‘symbol’, he does soon adopt Engels’ description of money as a materialised or objectified ‘concept’ of value. Yet this attempt to concretise money resembles arguments Marx later objected to in Hegel, where the concept itself is seen as ‘rising from the abstract to the concrete’. Despite references to the ‘concrete’, the features of real money are absent so it is unclear if Marx is thinking of ‘money’ in just one or all of its functions or forms. Marx’s apparent attempt to materialise the theory of alienation as a practical process makes the characterisation of money as God problematic, for ‘God’ is presumably a mixture of Feuerbach’s perfection (but not of humans, of commodities) and Bauer’s distorted reflection. The impression given, perhaps against Marx’s intent, is that money is simply ‘value-consciousness’ which arises from, or more correctly inseparably with, commodity production and exchange. According to Hiroshi Uchida’s interpretation the ‘value-consciousness’ of Marx follows ‘self-consciousness’ in Hegel. The importance of this question about Marx’s conceptualisation of money is emphasised by the fact that recent revisions of his theory of money, which involve a reinterpretation of his theory of value, almost invariably favour a nominalist theory of money in which money is simply a symbol of and claim to value. In Marx’s mature theory of the money commodity money is a ‘value-form’, and new readings and revisions of Marx’s theory, reviewed in the final chapter, often emphasise this concept. 

Marx on Mill

Religious analogies and the theme of alienation continue in the substantial digressions Marx made in his synopsis of the Elements of Political Economy by James Mill, just one of a number of economic and monetary works that he studied in Paris in 1844. At the same time Marx is drawn more into the paradigm and terminology of the political economists. To begin with he criticises Mill for ignoring the fact that, since supply and demand rarely coincide in practice, ‘exchange-value’ (presumably Marx is thinking more strictly of price here) is frequently not determined by costs of production. This point is made as if in response to (it occurs directly after) an excerpt from Mill on the value of money. Money is a medium of exchange, a commodity, says Mill, who sees the value of money as determined by the quantity of money in circulation, which in turn depends on costs of production which constitute the value of the commodities gold and silver. Unfortunately Marx does not speak directly to this text; his statements regarding costs of production are not explicitly or directly related to money, but rather seem to be part of a
generalisation about the lack of direct correspondence between empirical facts and the laws of political economy.¹⁵

Although Marx then launches straight into ‘money’, complimenting Mill for defining it as the medium in which private property is transferred, the context in which he discusses it is not Mill’s but remains largely philosophical, i.e. within the framework of alienation. Nevertheless it certainly is more economic in content than On the Jewish Question, even if similarly lacking in clarity. One can see aspects of Marx’s theory of the money commodity appearing, as well as the outlines of a distinction between simple, personal property which involves production for use, the appropriation of nature directly through labour and associated barter, and that form of private property which no longer necessarily belongs to its actual producer, is produced purely for its exchange-value, and is acknowledged as private property via the impersonal social exchange of equivalents. In market exchange a relation between objects, a relation of private property to private property, is abstractly expressed in value ‘whose actual existence…constitutes money’. These distinctions are characteristic of a model Marx later develops of ‘simple commodity production’ and which, as money is transformed into capital and money owner becomes capitalist, is ‘inverted’ in the capitalist model.

Marx writes that private property has to involve monetary exchange just as social exchange of private property has to involve value. However these passages are confusing because Marx regularly uses the term ‘private property’ both for what he will in time refer to as the ‘immature’ or ‘undeveloped’ private property of simple commodity producers and for the ‘developed’ private property of capitalists. It seems that the first involves barter of products while the second is associated with money. The second is ‘already a relationship in which private property is estranged from itself; it is not seen subjectively as personal or for its particular useful quality, but rather as private property abstractly related to private property, comparatively, as values, equivalents. And, according to Marx, it is this abstract relationship which is expressed ‘for itself’ in money. Particularly relevant to his mature theory of money, he evidently already conceives of money as the form or expression of exchange-value. Credit has no more analytical significance here than later in his works; the vague references to credit are simply suggestive.¹⁷

At this stage Marx concentrates on Mill’s designation of money as a medium of exchange and not on its characterisation as a commodity. Money is the exchangers’ ‘mediating activity’ alienated by and from them in ‘a material thing’; it is not the fact that ‘property is alienated in it’ but rather that it is by it that is significant. The control of relations between people, their personal power and status, are all delivered up to this impersonal ‘alien mediator’, ‘a real God’ and ‘real power’. Since without monetary value things are regarded as valueless, money’s source of value in things seems reversed; even production appears as the product of money, not vice versa. As in his theory of alienation, money is described as alienated private property, the ‘externalised mediation’ between producing units, in short ‘the lost, estranged essence of private property’.¹⁸

All this is a far cry from Mill’s commodity medium of exchange and his concern with the private or public supply of precious metals. Instead Marx discusses the medium of exchange along the already established line of religious analogy; just as Christ is man to God and God to man, and represents men to man, so money mediates between society and private property. Christ as mediator is the model for money as mediator:
Christ represents originally:
1) men before God; 2) God for men; 3) men to man.

Similarly, money represents originally, in accordance with the idea of money:
1) private property for private property; 2) society for private property; 3) private property for society.

But Christ is alienated God and alienated man. God has value only in so far as he represents Christ, and man has value only in so far as he represents Christ.

It is the same with money. The above analogy suggests God is society, Christ money and private property man. Is money God still, or just Christ now, or both at once, i.e. three in one, the trinity?\(^{19}\)

Marx also compares and contrasts the views of ‘modern political economists’ with those who adhere to the ‘monetary system’, making a point reiterated in later works, like Capital I, in barely altered form. Of course others spoke in these terms too, as the discussion on Hess’s work above indicates. The monetary system, writes Marx, locates value exclusively in precious metals, so money is wealth. It is more useful to comprehend wealth as diffused in all commodities, including money, as do political economists. Still the political economists ‘substitute refined superstition for crude superstition’ according to Marx because they incorrectly confine value to its object form. They also superficially locate the essence of money in the exchange-value of commodities in general, rather than finding money’s ‘soul’ in bourgeois activities as a totality, in production and labour. In the Economic and Philosophic Manuscripts of 1844 Marx points out a related failing of political economy, that of identifying labour as the ‘real soul’ of bourgeois production while ‘to labour it gives nothing and to private property everything’. Furthermore private property is for Catholic mercantilists an exteriorised god, while in Protestant political economy the god is internalised; the first fetishise gold while the second are ‘enlightened’.\(^{20}\)

According to Marx, paper and credit monies as well as credit instruments in general are the more perfect forms of ‘money as money’. Interestingly this phrase is hardly used later in the Grundrisse or A Contribution to a Critique of Political Economy, but in Capital I ‘money as money’ reappears. There the term refers to three functions of money, firstly in hoards, secondly as the means of repaying debts, and thirdly as the acknowledged means of payment in international trade, as ‘world money’. In the later exposition the functions of money as money ultimately require the ‘absolute commodity’, the money commodity, say gold, or ‘hard cash’ for their fulfilment. (Hereafter, following Marx, the money commodity will be assumed to be gold, unless otherwise indicated. This does not mean that Marx felt that it had to be gold; theoretically it could be any commodity, but practically the precious metals have certain advantages over other commodities.) In the mature theory credit money and the credit system are said to arise from the second function of money as money, although his detailed analysis excludes all but short-term trade credit. Marx discusses state paper money as a medium or means of exchange before his discussion of money as a means of payment; by definition currency, ‘hard cash’ including state legal tender, isn’t credit money. It is notable then that in this early work Marx calls both paper and credit monies ‘the more perfect mode of existence
of money as money and a necessary factor in the progressive development of the money system’. Although later he still refers to credit money as the highest form of money, he emphasises that it must refer to a money commodity standard. Also later, in his analyses of circulation and reproduction Marx tends to assume only a metallic money, leaving aside any serious theoretical consideration of credit and credit or token monies. Hess’s remark about silver as Catholic and paper as Protestant seems relevant here, since Marx attempts to contrast political economy and the monetary system in terms of the difference between credit or paper money, a higher form, and the metallic form of money, its progenitor. As mentioned this designation of credit money as the ‘higher’ form is one that Marx maintains although his analyses often assume a purely metallic currency and he fails to treat or recognise some of the special characteristics of credit or credit monies, regarding only a pure paper currency as possible, and not a pure paper money. Nonetheless in concluding a chapter in Capital III Marx elaborates on the original analogy:

The monetary system is essentially Catholic, the credit system essentially Protestant. ‘The Scotch hate gold.’ As paper, the monetary existence of commodities has a purely social existence. It is faith that brings salvation. Faith in money value as the immanent spirit of commodities, faith in the mode of production and its predestined disposition, faith in the individual agents of production as mere personifications of self-valorizing capital. But the credit system is no more emancipated from the monetary system as its basis than Protestantism is from the foundations of Catholicism.

This example shows how certain images and analogies created early on were maintained right through Marx’s later works and often without much development, further explication, or alteration. While they make Marx’s theory of money richer and more social than those of most economists, they are inadequate substitutes for technical analyses of monetary phenomena.21

Against the Saint-Simonian concern to perfect the organisation of banking, Marx suggests that the banking (credit) system only appears to retrieve the mediating activity that was lost to money and subordinate it to human control. Credit is a more profound form of estrangement than that of impersonal exchange involving things, because it is directly and explicitly social and moral. Though ‘the content of credit’ be money ‘the essence of credit’ is ‘distrust’ under the guise of ‘trust’. Therefore, according to Marx, the SaintSimonians are wrong to suggest that credit reform is possible or would result in greater social justice or control; the debtor now exists as the veritable medium of money which further dehumanises, rather than rehumanises, them. The ‘spirit of money’, instead of residing in simple currency, becomes ‘my own personal existence, my flesh and blood, my social value and importance’; with credit the human stands directly for money.22

In this section there is an intriguing and obscure connection made between credit and ‘counterfeiting’, which is the term that Marx and Engels use for the over-issue of unsecured money or inconvertible legal tender. Marx states here that such ‘counterfeiting cannot be undertaken in any other material than in his own person’; creditworthiness itself being traded like a good, the ‘nominal’ money of credit is ‘counterfeit’ money in a
fully human form. Nowhere else is this proposition developed in quite these terms by Marx.23

Although Marx continues to be suspicious of credit relations and fiercely opposes the Utopian socialists’ sympathy for credit and banking reforms, he suggests later that the developed credit system is a transitional stage towards communism. In Chapter 27 of *Capital III* credit is analysed as a ‘negation of the negation’, an effective ‘socialisation’ or further depersonalisation of private property, which is also achieved negatively in joint stock companies or positively via workers’ organised production units. Though rejecting it, he seems to teeter on the edge of a Proudhonist perspective. But his position can be made clear. Credit money and the credit system are the most sophisticated forms and highest progression of the system prior to its transformation to a new one; the Utopian socialists are incorrect to concentrate on the perfection of credit to transform society. Of course the development of his particular theory of a money commodity, and the associated fact that he never got round to treating credit in detail because he assumed it secondary to money proper, meant as a matter of course that the substitutive function of credit with regards to ‘money proper’ is always left relatively unexplored. (Later he adopts a type of ‘real bills doctrine’ line towards credit, and explicitly regards it in the then familiar fashion as increasing the velocity of money proper.)24

In the context of this curious treatment of credit it is significant that Engels, in an article written in February but not published till August 1844, indicated that the ‘supremacy of money’ was ‘the culmination of the process of alienation’, and an ‘inevitable stage’ on the road to man’s ‘return to himself. One recalls too that for Bauer Protestantism was the height of Christianity, leading to ‘total liberation’. Similarly in the *Economic and Philosophic Manuscripts of 1844* Marx discusses communism in terms of logical stages, in which firstly ‘annulled private property’ is recognised as ‘universal private property’, then a state less concerned with the private aspect of property prevails, before the final stage is reached, with a ‘complete return of man to himself as a social (i.e. human) being’. Significantly, in the closing paragraph of the section on ‘The Power of Money’, Marx envisages this third, socialist stage as a world without money. Most of Marx’s perplexing passages on credit have no technical content. They are only intelligible in a politicophilosophical perspective in which the system of credit is seen as an antithetical development of private property, a socialised form of private property, a contradiction in terms or ‘negation of the negation’, signalling a point at which ‘productive forces’ become self-destructive.25

Towards the end of these digressions from his conspectus of Mill’s *Elements of Political Economy* Marx portrays money as typifying the domination of things over people. The division of labour results in the ‘abstract being’ of workers who are spiritually as well as physically alienated from their product and whose only property is their labour. Society is reduced to the exchange of things between people who are identified therefore by their property status; people are only linked through mutual transfers of private property based on exchange-value. Exchange-value, distinct from what is later referred to as ‘use-value’, becomes materially independent in money; the abstract equivalence involved in the exchange of private property becomes in money ‘the sensuous, even objective existence of this alienation, all of which is reminiscent of Engels’ writings. With the exchange of objects between property owners the value of the product ‘has risen up against us’ and ‘we are its property’. Exchange-value is the means
and purpose of exchange, while ‘man himself is...of no value’. Money is the epitome of this alienation; to all intents and purposes this is an alienation theory of money.\textsuperscript{26}

\textbf{Marx’s Paris Manuscripts; alienated labour, alienated self, alienated power, alien God}

The incomplete and rough draft since published as \textit{Economic and Philosophic Manuscripts of 1844}, and written in Paris that summer, is often referred to as Marx’s first sustained and serious economic work, as well as the first illustration and test of his ‘materialist’ method. As defined in ‘Theses on Feuerbach’, Spring 1845, Marx’s ‘materialist’ would interpret the world as the product of ‘practical, human-sensuous activity’, taking ‘the standpoint of...human society, or social humanity’. Besides the section entitled ‘The Power of Money’ in the Third Manuscript, those on ‘Estranged Labour’ and the division of labour in capitalism, in the First and Third manuscripts respectively, contain significant passages on, or points relevant to, money.\textsuperscript{27}

Marx starts with many of the assumptions, terminology, and already discovered laws of political economy. He seeks to base political economy on ‘private property’, also attempting to explain the economic categories of ‘the money system’ in terms of estranged or alienated labour. He already calls wage labour, but not money, a commodity. Describing political economy as ‘the most moral of all the sciences’, and—contradictorily—a social and anti-social science, he generally appears to try and show how each economic category is differently experienced, or seen, by each class. Despite the economic content of this work, the theme of alienation pervades his method as well as his perspective. The writings on money in particular continue to neglect conventional economic concerns.\textsuperscript{28}

As with religious thinking where God becomes everything and humans nothing, writes Marx, the objectification of labour in production, of which the product is a mere ‘summary’, creates an alien power and an alien world of ever increasing proportions. Just as the power of religion evolves from denying one’s passions and thoughts as an ‘alien, divine or diabolical activity’, the workers’ daily labour process and its result are controlled and estranged by ‘capital’. But what or who possesses the workers’ activities and produce? ‘The gods? Even the ancient gods, to whom social production was regularly sacrificed, ‘on their own were never the lords of labour’, replies Marx. The ‘alien’ here is human, though not the producer. Private property is actually the result of alienated or estranged labour, even though it appears the other way round; once established, the process is one of mutual re-creation, ‘just as the gods are originally not the cause but the effect of man’s intellectual confusion’. This implies abolishing wage labour to overcome the power of private property. What is so significant about these passages on ‘real practical world self-estrangement’ is that Marx does not mention money in them. On one reading the alien power is not money but the money owner or capitalist, and they and their private property are created by the worker. In another reading there is still an alien power but it grips the capitalist too; it is beyond or between the capitalists, and is expressed in their subjection to the uncontrollable laws of the market, or capital.\textsuperscript{29}

In the manuscripts the power of money is likened to the power of a horse for nomads, or of a sword in a feudal setting. As a means to livelihood or social status, they appear as
if powers in themselves. In a capitalist society money is necessary to meet more and more human needs. As the means to purchase, money gives access to all objects and becomes the ‘only’ and the ‘true need produced by the economic system’.

Generally speaking in this work each economic category is presented to reveal its source in, or in relation to, other categories. For instance ‘division of labour’ is explained as a two-sided process of estranging labour and of accumulating capitalist private property. With money this analytical procedure is less obvious. Private property is identified as objects of consumption or production and, as the means of purchasing such property, money becomes ‘omnipotent’. Calling it an ‘object’ Marx implies that money too is private property, but he does not define money as a ‘commodity’, as he does labour and land elsewhere in this manuscript. The quality and power of money as all-procuring becomes the character and power of the money-owner. Money is objectified and estranged labour in its ultimate mystified state.

While he stresses money as a form of private property, he still emphasises money as a medium, means, mediator. Money ‘mediates’ between the need and its fulfilment, between the natural and the social, between one and another. In purchasing the other, the ‘other’ becomes ‘me’, the coin separates and divides; Shakespeare’s ‘visible divinity’ inverts and homogenises. The heavenly power of money represents the unity of people’s alienated ‘species-nature’. In the separation characteristic of alienation, ‘contradictions embrace’. Money enables one person’s dreams to be realised while lack of money frustrates the realisation of another’s ideas and plans; money is effective ‘being’ and becomes the ‘truly creative power’, yet it is an ‘alien objective being’.

To illustrate that money distorts natural and social relations, Marx contrasts a world where money unites all under a common value or standard to a world without monetary exchange. There use alone features as the basis of spontaneous, unmediated exchange or barter. Social evaluation and demand is conceived of in terms of heterogeneous and incomparable use-values or qualities. Summarised like this the distinction reminds one of the characteristics of ‘undeveloped’ or ‘immature’ private property and ‘developed’ (capitalist) private property described elsewhere in the manuscripts. Yet the conclusion of ‘The Power of Money’ has more in common with the distinction between capitalism and communism according to the discussion of it above. However it is important to observe how Marx illustrates the distinction between ‘simple’, let us call it, and ‘capitalist’ private property, the latter being predicated on the capitalist-worker relation and expressed in money as capital ‘for-itself’. When the ‘money-aristocracy’ are entrenched, land becomes a commodity, writes Marx. In contrast to the inherited personal and intimate political power of the feudal lord over his tenants and serfs, who produce for direct use, the capitalist farmer has a purely economic and impersonal relation with the workers whom he employs, one ‘freed of all political tincture’. Similarly, whereas the feudal lord appeared to be possessed by his particular estate (land the ‘alien power’), the capitalist sees his farm as a commercial enterprise. Like labour, land has become simply a commodity, its value subject to the laws of capital, so that capitalist agriculture is land and labour used as and for the production of commodities ruled by ‘capital’. Private property originally had a subjective value as personally useful property; now it is socially valued to the extent that it is applied in social production. Each individual capitalist is subordinate to ‘capital’; every commodity value is determined relatively, within the
totality of capitalism. Here, as elsewhere, Marx makes money or ‘the money system’ synonymous, with capital as the alien power; ‘l’argent n’a pas de maître’.

The passages on money in the *Parts Manuscripts* are rich description but seem less valuable as analysis, as developments towards a comprehensive theory of money. Marx has not satisfactorily defined or conceptualised money yet. As mentioned at one point Marx makes analogies between money and a sword, land or horse, since all are means of gaining power in certain social contexts. Nowhere does he specify, as he does later, a primary form or function of money, only indicating in passing that nationalities which make a fetish of precious metal money ‘are not yet fully developed money nations’. This is not simply a technical detail. In the *Paris Manuscripts* there is little explicit analysis of the relation between money and value. Only at one point, where the theme is that money ‘is the general confounding and confusing of all things’, does he refer to money as ‘the existing and active concept of value’. There is nothing to clearly indicate whether Marx will develop a commodity or nominalist theory of money.

Neither a sword(sman), horse(rider) nor land(user) need be, that is in themselves are, automatic powers over people. Only in a particular social context do they represent or actively become specific instruments or kinds of social power. Land, horse and sword are however palpably physical resources or instruments, even if socially defined entities, while money is not necessarily physical since its relevant quality is wholly social. Money is a term for a social function rather than for a specific material object. The use of money as universal purchasing power is dependent entirely on social acknowledgment, on a well-established custom and social order based on market exchange; it is absolutely unnatural or supernatural, purely social. The analogy between money and sword, horse or land is too vague and probably misleading: they are all means of social power, but what seems just as important is the distinction that might be made between money and the others. Money has no power in itself as a sword does as a dangerous instrument, or a horse as a handy vehicle, or land as a means of subsistence, regardless of social structure. Significantly this might suggest, by implication, that Marx already conceives of money proper as a commodity, as gold say, rather than as tokens or paper, because then a limited correspondence is more easily made between money and the others.

The main point is that the analogies and metaphors, of which Marx’s rich description is full, fail precisely as tools of analysis. Ironically in *The German Ideology* Marx refers to Stirner’s prolonged and dramatic analogy in which money has power ‘because it is a maiden’ scathingly as a ‘profound explanation’, implying precisely the kind of frustration one experiences with his own metaphors! One cannot argue against the fact that money represents or is a means of power in capitalist society, and that it therefore can be likened to all kinds of other social powers. But how is money a unique power? Marx’s similes and analogies do not accurately specify the concept of money or monetary power within the economic system. If money ‘distorts’, ‘makes contradictions embrace’, and is the means, ends and purpose of capitalist society, how and why is this so? And is not this description rather fetishist, like referring to capital as productive without at the same time recognising that capital is ultimately, or better, originally, labour?

Marx’s concepts of alienation, private property and estranged labour help define the categories of exchange, the division of labour and capital which he is in the process of developing. But the notion of money, and way in which it is distinct from, or associated with, exchange-value remains in Marx’s writing at this point, much as it superficially
appears in real life, simply as an omnipresent and central social fact. For instance in the Paris Manuscripts land and labour are explicitly defined as commodities within capitalism, but not money. The single phrase referring to money as ‘the existing and active concept of value’ is enigmatic; does it suggest that money is a material object embodying value, or is it an idea projected (Hegelian style) into reality? Also given that in the phrase ‘the money system’ ‘money’ is used like ‘capital’ to suggest a social system, what is later a very necessary distinction between ‘capital’ and ‘money’ is not yet made clear.

The analogies and metaphors involved in Marx’s analysis are as confusing as they are compelling. Man makes gods, gods do not make man: man produces his own ideas, his ideas do not produce him: man makes money, money cannot make man. So is money just an idea, a purely abstract concept, a thought-form of value, pure value-form? In a section of this draft, concerning Hegel’s dialectical philosophy, Marx says that Hegel’s Encyclopaedia is:

nothing but the display, the self-objectification, of the essence of the philosophic mind, and the philosophic mind is nothing but the estranged mind of the world thinking within its self-estrangement—i.e., comprehending itself abstractly.

Furthermore he describes the Logic as:

the money of the mind, the speculative thought-value of man and of nature, their essence indifferent to any real determinate character and thus unreal; thought which is alienated and abstract and ignores real nature and man.36

Uchida decides against the view that this reference to money in Marx’s characterisation of Hegel’s Logic is ‘just an economical rhetoric of philosophical content’. Uchida suggests that what Marx means is that, just as the capitalist formally owns and controls the products of labour in law and ‘thus ideally transforms wage-workers’ real activity into his own’, so there is ‘the same kind of ideal transformation in Hegel’s Logic, which takes the same role of money that moves (posits) man and nature in bourgeois economy’. (In Marx’s ‘GRUNDRISSE’ and Hegel’s ‘LOGIC’, Uchida writes that exchange recombines social and natural elements which are artificially separated by bourgeois property relations. The exchange relation is ‘mediated by value’ and social relations are organised by property ownership, distribution, and exchange so that the participants ‘become “value-subjects”’.) He concludes that ‘the money of the mind’ phrase refers to ‘the most abstract philosophical expression of the bourgeois spirit or consciousness of value’, the latter being ‘the basic economic relation of bourgeois society’. Uchida can be forgiven for this interpretation, even if one does not agree with it, for it is not at all clear how Marx conceives of money in these early works except that he sees it as the epitome of alienation. Bell suggests that in Marx’s analysis money became ‘the concrete embodiment of the philosophical abstraction which Hegel had described airily as “spirit”’. In Hegel ‘alienation’ had simply been a matter of consciousness, in Marx ‘alienation’ related to human behaviour. Consequently a ‘philosophical expression which
embodies, actually, a sociological insight became transformed into an economic category’. Bell reasonably concludes that rather than ‘materialise’ the abstract:

in moving from ‘philosophy’ to ‘reality’, from Hegelian phenomenology to political economy, Marx moved from one kind of abstraction to another.\(^{37}\)

According to Marx, since ideas arise from daily activities, the notion of money must have its source in commodity production and exchange. This thought-form and functioning means of exchange seems necessary for capitalism to exist, for accounting and calculating, and for distributing resources that are the means of people’s livelihoods as well as production. So is ‘the existing and active concept of value’ simply a practical object representing ‘value-consciousness’ amongst the participants? Might Marx’s writings at this stage really suggest a nominalist concept of money, one in which money is simply an abstract symbol of value? Because Marx’s writings are so vague, sociological and philosophical here, one can only say at this point that he could develop a nominalist theory of money without contradicting much of what he has already said about it. Equally he could say all that he already has and still regard ‘proper’ money as a commodity, say gold. What seems most probable is that he has adapted Young Hegelian phraseology without at this stage being conscious of its rather nominalist tone. He is not yet steeped in the traditional economic literature of monetary theory which is divided between nominalist and commodity theories of money. Indeed it is not any monetary theory or theorist that Marx refers to here, but rather Shakespeare (interpreted via Goethe) who he says ‘excellently depicts the real nature of money’. So the phrase ‘the existing and active concept of money’ seems to have more in common with Shakespeare’s ‘Thou visible God!’ and Marx’s alienation theory than with either a nominalist or a commodity theory of money.\(^{38}\)

Marx’s perception and analysis of money is conducted at a very high and all-encompassing level of abstraction. It seems easier to relate to a quasipolitical and esoteric Young Hegelian intellectual context than to ordinary economic theories of money or finance. For example money is portrayed both as superficial and as dominant, as illusory and dictatorial, as both a mundane and a religious object, ambiguities that Marx would no doubt argue simply exist in the fetishist phenomenon itself as real contradictions.

**The German Ideology**

In *The German Ideology* Marx criticises those who assume that consciousness is central to man and to human institutions, and thus indicate that history evolves from ideas or at least thinkers. Marx rejects the idea that liberation arises simply from a process of consciousness; as a materialist he concludes that a practical revolution is necessary to make revolutionary ideas real or true. Marx had already made a similar kind of attack on those who believed monetary and financial reforms possible and capable of eradicating unpleasant social consequences of the present system. Whether changing the financial system is like a revolution only in consciousness is dubious, and whether Marx thought so is not clear, though it might be implied. Here in *The German Ideology* one again notices parallels made between ideas or gods and money, and religious alienation of
consciousness and practical worldly alienation. For instance, political economy is cast as Protestant in contrast to Catholic mercantilism, which could be read as indicating that economic theory is ideology. Alternatively the analogy suggests the need for a really atheist theory of the economy wherein the economy is no more mystical than the natural world, where money and prices clearly evolve from human interaction with one another and nature.39

In *The German Ideology* Marx and Engels’ references to money are infrequent and brief. In one place money is classed along with machines as a productive force. In another it is a form of rule over capitalists and workers that evolves with production for exchange; money is a social force that has ‘taken on a material shape in a third party’. Yet again, because it is always universally marketable, money is ‘the most general form of property’. Money typifies the commodity as an *exchangeable* product. If it can’t be sold, a personal possession is not private property, write Marx and Engels. However they include bartering and pawning, rather than simply selling, in transactions involving ‘private property’. Money as measure of value or standard of price is only briefly mentioned; here money as a medium of exchange is still Marx’s focus. Again there is no evidence of a coherent or developed theory of money in Marx that could be easily contrasted or compared with any traditional economic line, school or author.40

Marx and Engels state that the separation of money from individual and society only ‘reveals most clearly’ that commodity production and exchange escape both individual and conscious social control. Money is the epitome of alienation, just as later it is central to Marx’s theory of commodity fetishism. The role of money in capitalist crises is also dealt with here similarly to later texts like *Capital*. For instance it is suggested that money’s ‘material power’ becomes most evident in monetary crises. Also in the crisis, commodity worth is devalued specifically against money, not because money is hard to come by, but because money alone is the ‘universal’ commodity. Marx and Engels also point out that most of the currency is in the form of bills of exchange, which fail to circulate in crises. Furthermore they write that the value of coin, as distinct from banknotes or bills of exchange, ‘is determined exclusively by the costs of production, i.e., labour’. So some elements of the theory of crisis that Marx developed later, as well as of his theory of money, are present.41

The fragmentary nature of the points made about money in *The German Ideology* obviously reflects the fact that the authors were not addressing economic issues. However none of Marx’s works through the *pre-Grundrisse* period rigorously defines money in a very analytical or economic way. Nonetheless starting with *The Poverty of Philosophy* Marx concentrates more on technical details, as he attempts to account for concrete phenomena. He reflects on recent crises, on the practice of banking, and on various government policies which might be pursued so as to control ‘money’, and so on. The decade between the writing of *The Poverty of Philosophy* and the starting of the *Grundrisse* is the subject of the next chapter. There the elaboration of what is referred to here as an embryonic alienation theory of money is suspended, as he absorbs the ideas set out in a whole series of very economic texts, and attempts to analyse large amounts of statistical data.
Marx gave the title *Geldwesen, Kreditwesen, Krisen* to an unpublished manuscript on money written sometime in the first half of the 1850s. The title is appropriate for this chapter, which deals with works written from 1847 to 1857, because Marx’s critical and journalistic writings, political speeches and letters on monetary matters (especially those from 1850 to 1857) fall naturally under those themes. Marx put his alienation theory of money into the background then, to concentrate on technical economic questions of contemporary bourgeois society, like the financing of capitalist growth and associated crises. But there are few significant theoretical advances in the direction of a theory of the money commodity, which instead awaited elaboration in the *Grundrisse*. What progress does appear is mainly in the earliest text, *The Poverty of Philosophy*, dealt with first below. The other text treated by itself, *Wage Labour and Capital*, gives little direct indication of Marx’s thoughts on money. It suggests certain assumptions about money, but shows little evidence of concern with the concept of money. After treating those sources separately, I treat the remaining material thematically under the headings of the monetary system, the credit system, and crises.1

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**The Poverty of Philosophy**

The thoughts Marx expressed in his early writings on money evolved as part of his theory of alienation. As mentioned in chapter 1, his reading in the mid-1840s included various monetary tracts, but it is not until *The Poverty of Philosophy* that extensive evidence of his entering mainstream debates appears, as he discusses the influence of the sovereign monetary authority, the value of money and questions like the quantity of money necessary for circulation. This work is interesting because in it Marx adopts some of Ricardo’s views on money which he roundly rejects later in *A Contribution to the Critique of Political Economy*, and which in fact he already opposed by early 1851.2

Most of *The Poverty of Philosophy* was written in the first few months of 1847 but apparently drew on economic studies made over the previous couple of years. It is especially difficult to discover and assess Marx’s thoughts on money from this work because the parameters of Marx’s discussion are set by Proudhon; what is revealed or implied appears only as a by-line to a frontal attack on Proudhon’s so-called Law of the Proportionality of Value as it pertains to money. In Marx’s opinion Proudhon revealed the contradictory class position of the petty-bourgeoisie and their interests. Evidently he regarded this critique as an important political task because of Proudhon’s influence as a socialist.3
For the first time what became a principle of Marx’s monetary theory is made explicit, i.e. money is a commodity, gold or silver. Another claim that he retained in later works is his observation here that money is unique amongst commodities because it is always acceptable in circulation. He also already stresses how impotent the state or sovereign monetary authority is with regard to the value of money. However Marx suggests, following Ricardo, that the value of money is not based on production costs at all, that unlike other commodities its value is derived purely from the interplay between supply and demand. So while Marx sees money as a commodity he also sharply distinguishes it from other commodities. This is a position he later retreats from. Even so the later development of his monetary theory is racked by inconsistencies concerning the distinction between the money commodity and other ones. Marx will seek to situate and ‘solve’ this dialectically, making ‘money’ an economic category which is at the same time both a ‘universal’ and a ‘particular’ commodity, but also is a development of the ‘commodity’ which leads on to ‘capital’.

Marx points out here that, even if defined as ‘commodities’, gold and silver are uniquely always exchangeable as ‘money’. This quality is independent of the relation between the total quantity of money in circulation and of the commodities that the money circulates. Furthermore Marx says that the value of gold and silver money is not related to costs of production but, again uniquely amongst commodities, is a function purely of the laws of supply and demand. Later of course Marx vehemently argues that supply and demand cannot account for value, and for this reason alone, given that he will adopt a theory in which money is a commodity ruled by the law of value, he will need to drop this line. Nonetheless the idea remains relevant when he explains the ‘value’ of tokens of money which circulate as legal tender.4

Marx attacks Proudhon for simply assuming the existence of money. Proudhon ought to have asked firstly why commodity exchange necessarily involves money, a specific, individual and universal exchange-value, an exchanging ‘agent’, writes Marx. Proudhon treats money out of context, as ‘a thing’, says Marx, when in fact money is ‘a social relation’ set within other economic relations and relations of production specific to a mode featuring ‘individual exchange’. Marx redefines Proudhon’s task, revealing the direction in which he believes the solution ought to be sought. Indeed this question and the suggested procedure are adhered to by Marx in his own study of money in the Grundrisse over a decade later, determining the advanced version of his theory of money in Capital I as well.5

Since money is a commodity, there naturally follows another question for Marx, why of all commodities is it only gold and silver that contend to be money? But he considers this matter outside political economy proper; this question cannot be solved by examining social relations, rather it turns on the physical properties of the metals gold and silver. Both these points have the special significance of showing that Marx is turning away from the social perspective of an alienation theory of money to concentrate now, even though still in a social way, on technical details that are recognised objects of political economists’ study and discussion.6

Marx also takes exception to Proudhon’s concern with the influence of monetary authorities in determining the value of money. Proudhon suggests that the state not only legislates that gold and silver are money but participates in determining money’s value too. This is quite erroneous according to Marx. To summarise Marx’s argument: the
sovereign or state proposes but the market disposes. All laws and political authorities can
do is support economic relations and legalise conventions, they cannot create them. The
property of being legal tender that the political seal gives metallic money is given to the
standard, which in turn is composed of a certain quantity of a metallic substance; the
standard relates to a certain quantity of, say, silver. But the value of this silver is
determined outside the monetary authority’s control, because the monetary authority only
names, but does not create, money; it gives legal force to the commodity that has by
convention become money but it cannot have any influence on the value of money.7

Marx does not seem to embrace all of Ricardo’s thoughts on money, for instance he
fails to bring in Ricardo’s observation that once private banks issue money state control
over the money supply is greatly diminished. His position is also quite removed from that
stated in Outlines of a Critique of Political Economy, where Engels writes that of all
commodities money ‘requires a monopoly most of all’, and that without a state monopoly
of the currency crises ‘invariably’ occur. None of the ideas that Engels might imply
there—1) that the ‘production’ of money ought to be a monopoly; 2) that the state’s role
is crucial; 3) that crises can be directly caused by monetary mismanagement—were taken
up by Marx, in fact all evidence is quite to the contrary.8

Finally, Marx considers briefly what actually determines the value of money, costs of
production or the law of supply and demand? Interestingly, as mentioned, Marx claims
here that the money commodity is the only commodity the value of which is determined
solely by the law of supply and demand and not by its costs of production, and he uses
Ricardo and Say to support his claim. This was a departure from the line implied by Marx
and Engels in The German Ideology, where they mention that ‘even as regards coin, it
[value] is determined exclusively by the costs of production, i.e., labour’. Anyway soon
Marx reconsidered the new position and decided that it was incorrect. Corresponding
with Engels later, 25 February 1859, he criticised Lassalle’s concept of money and
expressed pride in his own anti-Ricardian elaboration in A Contribution. Here Marx also
freely admitted that ‘in my anti-Proudhon piece I myself adopted Ricardo’s theory’. Later
a principle of his theory of the money commodity was that, at least as measure of value,
money must be a commodity, the value of which was determined at the point of
production, and that this was fundamental to the manifestation or expression of the law of
value in circulation. His main contention would be that costs of production, not just the
supply and demand of the money commodity, regulated its value.9

In passing one notes the similarity between Marx’s initial thoughts on how the value
of money is formed, which he soon revised, and ‘his later thoughts on the formation of
interest rates. Most of Marx’s writings on interest and money loaned as capital are
unclear and perplexing. However he does regard interest as a kind of ‘price’ for money
capital, stressing that it is subject purely to the forces of supply and demand, competition
between lenders and borrowers, calling money capital ‘money as a commodity’.10

Marx assumes that there is a fixed demand for money (‘the requirements of
circulation’) and an elastic supply comprised of metallic, token and paper monies. Given
the ratio between supply and demand, no definite relation exists between money’s
‘nominal value’ and its costs of production, concludes Marx. He does concede, though,
that gold and silver feature as commodities in international trade, and as money with a
value based on costs of production. It seems that Marx has absorbed Ricardo’s distinction
between the ‘value’ of money as currency and the value of the material of the money
commodity as a standard, or measure of value. Marx quotes from Ricardo who states that paper money, like token money or worn coins, can acquire or substitute for the exchange-value of a bullion-based monetary standard provided that it is supplied in a strictly limited quantity. This ‘explanation’ has parallels with Marx’s treatment of the ‘value’ of the ‘symbol’ of value, of the circulating medium, later (Capital I, Ch. 3.2.c). This notion of a certain demand for the money necessary for transactions involving commodities is retained by Marx, although it superficially seems to conflict with another argument he retained about circulation always absorbing money because it is universally exchangeable. However, Marx’s law of value was based on labour theories of value which he was already critically embracing. As Mandel says, Marx’s mature theory is simply a logical application of the labour theory of value to money’; if the commodity money is ‘over-supplied’ the relative prices of all other commodities will rise, so that it will become uneconomical for gold producers to continue their ‘overproduction’ of the money commodity. The law of value rules all commodities, including the money one. Already in The Poverty of Philosophy Marx is moving towards his theory of the constitution of value in general that will force him to revise his initial simple supply and demand theory of the value of money, although the position adopted here is retained with respect to the ‘value’ of circulating money tokens. All this though requires a sharp distinction be made between different forms of money, or rather currency, which Marx fails to do here.11

Prior to The Poverty of Philosophy Marx’s writings concentrate on money as a medium of exchange. There is little about money as a measure of value except for instance in The German Ideology where, against Stirner, the authors mention that money is the common measure for all, even the most heterogeneous things’ as well as ‘the means of comparison that acquires independent existence in practice’, i.e. presumably as an objective standard. But now Marx’s attack on the petty-bourgeois interpretation of the labour theory of value, according to which commodities’ values ought to directly represent the (concrete) labour-time that they embody, necessarily entails a more detailed discussion of the concept of a measure of value. At this point he accepts the Ricardian proposition of value being measured in terms of the labour-time necessary for production. However wages do not equal labourtime as Proudhon suggests. Furthermore in this section of The Poverty of Philosophy he states in passing that no commodity’s value—least of all the value of labour, or what he will later term ‘labour-power’—is able to fulfil the function of a measure of value. Ricardo too had stated that no commodity could be a perfect measure of value, although for theoretical purposes he would assume a gold money of ‘invariable’ value. Later Marx also did this in many theoretical examples, obviously believing that the value of money could be assumed ‘stable’ without any implicit difficulty. Marx also developed an inadequate explanation to account for the fact that in his theory the money commodity necessarily had a fluctuating value and yet successfully performed the function of being a standard.12

The suggestion that money might not be a commodity is not considered by Marx, whose attack on Proudhon is partly based on the fact that, according to Marx, he detaches money from its rightful context within a specific mode of production involving individual exchange, i.e. commodity production and exchange. According to Marx, money is a specific, universal, commodity which arises within circulation to ‘individualise exchangeable value’ and to act as the ‘agent’ of exchange. However, referring to Say as
well as Ricardo, Marx also argues against Proudhon that the value of money is not constituted like the values of ordinary commodities. This is an inconsistency that Marx later addresses and solves by deciding that money is not only a commodity, but a commodity with a value constituted like all commodities by its costs of production. The standard of price has a material existence and is not simply an abstraction.13

Is Marx correct in attributing to Ricardo the view that the value of money is based strictly on the laws of supply and demand? Nowhere in the *Principles* does Ricardo state his thoughts so baldly or neatly. Ricardo, who was regarded an authority on money, discussed the value of money or of a monetary standard a good deal. He dismissively starts his chapter (XXVII) on ‘currency’ assuming the reader to be so familiar with ‘its true principles’ that it requires little background or explication. Yet Ricardo was clearly not entirely comfortable with his own treatment of the topic; unable to discover in practice an invariable value appropriate to a proper standard, he simply made the hypothesis that metal money best approximated a permanently stable value. While there is no perfect measure of value available at hand because all commodities are of variable value, still ‘there is probably no commodity subject to fewer variations’ than gold (and/or silver), so it is chosen as the standard. However, Ricardo regards this as something of an interim measure, concluding that:

> To this standard we must conform till the law is changed, and till some other commodity is discovered by the use of which we shall obtain a more perfect standard than that which we have established.

Ricardo’s discussion shows more appreciation of the complexities involved than Marx’s analysis does.14

On the pages from which Marx’s quotes are taken, Ricardo assumes both the value of the precious metals and the total value of the quantity of money necessary for circulation are given, and deduces from these the amount of monetary units required. At the same time he argues that a diminished or increased value of the metal will entail a growth or decrease, respectively, in the quantity necessary for circulation. When asserting, several pages further on, that an all-paper currency is ideal, he still assumes that a metallic standard holds and determines the quantity of money necessary for circulation. Although Ricardo’s theory of money is confused and problematic in this way, Marx does not seem to notice such complications. His conclusion that Ricardo cast his theory on the value of money in terms of ‘the law of supply and demand only’ is a simplified exaggeration, though the way Ricardo expresses his version of the Quantity Theory of money might lead one to conclude this.15

Also a rebuttal of Marx’s criticism by Proudhon might well include the observation that Marx starts by charging him with the crime of attempting to comprehend money aside from its commodity context only to end up damning him for not recognising a distinction between the value of money and the values of other commodities! In a sense they are both right and wrong for on the face of it the confusion has its source in beginning with the idea of money as a commodity, especially with respect to its role as a measure of value, only to find that as medium of exchange, where it can be adequately represented by a paper token, money does not neatly fit the category of commodity after all. At least this challenge could be made to Marx here. Later of course, in his unique
theory of the money commodity, the value of money is determined like all other commodities’ values, by ‘socially necessary labour-time’. While this superficially clarifies things, on closer inspection it brings up a whole series of problems of its own, which are discussed in later chapters of this book.

Interestingly, if Marx had claimed that money was not a commodity, it would not have undermined his attack on Proudhon. Indeed it would have neatly undercut Proudhon’s argument altogether. But Marx seemed predisposed to seeing money as a commodity; even in writings deeply rooted in an alienation framework Marx indicated, in terms reminiscent of Engels, that money was a form of private property, a material value. And, even without Marx’s admission some years later, one has clear evidence that at this particular stage his thoughts on money had a decidedly Ricardian flavour. What is significant is that this analysis already made a distinction between money considered as a standard or measure of value, perhaps as a value itself, and money considered as a medium of exchange, simply facilitating the circulation of commodities. This dichotomy develops later as a dialectical contradiction that is central to Marx’s analysis; his monetary theory will internalise the contradiction between production and circulation in the reproduction of capitalism. This contradiction is crucial to his final concept of a money commodity, and is involved in his defining money both ‘as a commodity’ (as measure and standard) and ‘not as a commodity’ (as medium of exchange).16

**Wage Labour and Capital**

Based on a series of lectures which Marx gave very late in 1847, *Wage Labour and Capital* was not published until April 1849, though apparently with very few changes. Marx rarely discusses money specifically, but the monetary exchange between worker and capitalist is central. In this limited context the article indicates certain assumptions and raises some questions about Marx’s thoughts on money in the late 1840s.17

Early on Marx states that labour ‘is a commodity, neither more nor less than sugar’, and is ‘measured by the clock’. Although ‘peculiar’, because it ‘has no other repository than human flesh and blood’, Marx writes in the second article that this commodity’s price, the wage, is determined like all others by the laws of supply and demand and ultimately by its costs of production. The costs of producing labour are the means of subsistence which sustain the worker and cover the expenses of reproducing the working class. But in the fourth article Marx claims that wages represent more than just means of subsistence, they also ‘embody various relations’. To distinguish between nominal and real wages, he considers three cases and by implication, money. In each case wages are nominally stable but in 1) really fall because the value of precious metals used for coin falls; in 2) really fall because the prices of means of subsistence rise and; in 3) really rise because prices of means of workers’ livelihood fall.18

The first case is the most interesting because Marx argues that the influx of precious metals to Europe from the Americas in the sixteenth century facilitated a redistribution of power from workers to capitalists. The abundance of circulating precious metal meant a fall in the value of gold and silver. He does not consider the complication of bimetallism. Nominal wages paid in ‘coined silver’ remained stable but, because other commodities became dearer than they had been, real wages fell and capitalists prospered.
In the 1891 edition Engels added a phrase which seems to suggest or emphasise that the value of the metals fell due to simpler and cheaper extraction methods, but this connection is not entirely clear from the original manuscript. Nor is it clear whether Marx still holds the idea that money’s value is derived solely from the laws of supply and demand, as in *The Poverty of Philosophy*, or whether he considers costs of production play a role. The phrasing seems to suggest that precious metal values diminished only because circulating metal increased. But in article 2, where Marx considers the determination of ‘prices’—value and price are frequently conflated or used interchangeably in this manuscript—he does not indicate that gold or silver money might be exceptions to the rule that commodities’ average price or values are determined by costs of production.19

Questions arise regarding Marx’s argument and assumptions. Since Marx asserted earlier that labour—later he used the term ‘labour-power’ and it appeared thus in subsequent editions—is a commodity like all others with its price constituted in a similar way, one wonders how every commodity bar labour can adjust to the new value of the monetary standard. The process involved, including the peculiar delay that affects labour, isn’t explained, nor is the velocity of money taken into account.20

Second, although using an historical example to make his theoretical point might seem to make it more relevant and plausible, his concrete case obviously involves so many factors and forces that narrowly abstracting one simple cause and effect makes it less convincing than if the point had been presented in a purely theoretical way. For instance one might ask: if some prices change, how can everything else stay the same? And if the scenario Marx describes is possible, why does not an extra supply of paper money—whether state or privately issued—produce a similar effect?

Some of these general criticisms still apply in the second case outlined. Most obvious is the way that Marx conflates ‘price’ and ‘value’, a continual failing throughout this work, which seems cavalier in the light of his later analyses. For example a seasonal fluctuation in prices of the means of subsistence is equated with an increase in their value. At the same time the value of silver, which is after all only a relative value too, and one in which means of subsistence is a cost, is assumed not to have fluctuated. The terms ‘value’, ‘exchange-value’ and ‘price’ are used imprecisely throughout the manuscript. The term ‘price’ is used most, and to cover not only ‘market price’—the phrases ‘real price’ and ‘current price’ appear interchangeable with ‘market price’—but also in places where Marx would later use ‘value’ or ‘exchange-value’ instead. Price is defined as the exchange rate of one commodity with all other commodities expressed in monetary units. The ‘price’ is a composite of costs of production and profits in one place; in another place ‘price’ is decided just by costs of production, that is the labour-time directly and indirectly necessary to produce the commodity. Marx has not satisfactorily distinguished ‘value’ from the various ‘prices’, nor explicitly constructed the terms ‘abstract’ and ‘concrete’ labour, which are central to Marx’s concept of money later.21

The final case is clearest because Marx gives a purely theoretical argument without historical illustration. However the same worrisome distinction between labour and other commodities’ prices appears, and Marx seems to use the phrases ‘money price’ and ‘money value’ interchangeably.22

In the first article money is introduced explicitly as a commodity, which is stored by capital, and then used to purchase the worker’s commodity, labour. The wage, given in
francs, represents the price of a commodity bundle, the ‘already existing’ means of subsistence that the worker buys with his wage, while it purchases a certain number of hours of a worker’s time to create new commodities for the capitalist. According to Marx, wages are the monetary expression of labour’s ‘exchange value’, the proportion in which it exchanges with other commodities, namely the means of subsistence that wages buy.\(^{23}\)

Despite the fact that wages are described as being advanced as money capital, throughout this manuscript money is generally considered in its role as a means of exchange. Marx mentions various minted monies in his illustrative sketches, ‘a centime’, ‘silver groschen’, and francs, as well as gold and silver. Marx does not analyse ‘money’ as an economic category, but a distinction between mere ‘money’, money as means of exchange, and ‘capital’ is implied. Capital involves the purchase and use of productive commodities, so the money which buys labour is capital, ‘an independent social power’, which is dedicated to making capitalists’ value increase. Marx has not developed the concepts ‘abstract labour’ or ‘labour-power’ yet, but he explains that labour bought with a wage is capable of creating a product worth more than the money that the capitalist advances to the worker. While the phrase and image of living labour serving accumulated labour’ appears here, the meaning of the concept for Marx is not clear.\(^{24}\)

Although money is treated almost exclusively as a medium of exchange, even in discussion of the wage-form (C-M-C), money in its function as investment credit does get a mention towards the end of *Wage Labour and Capital*. Marx argues that interest falls as capital advances and so the rentier class shrinks, and that credit not only enables larger investments but brings in its train attendant risks which increase the intensity and extent of crises. Presumably interest rates fall as a result of excess loanable money; ‘the price of money…depends on the relationship of supply and demand’ in the market is how Marx put it in the 14 July 1848 edition of the *Neue Rheinische Zeitung*, the same journal that this series appeared in. He also states that the ‘price’ of state credit is determined by supply and demand, but points out that this involves other, including political, factors. He observes too that at least in the long term the market price of government securities is inversely related to the discount rate. In another article written at this time Marx states that when paper money depreciates there is a feeble response to issues of state bonds. The ‘price of money’ is also related to the international market.\(^{25}\)

In referring to interest conventionally as a price of loaned money, Marx at least seems to make lending capital sound similar to selling ordinary commodities, which is the kind of false analogy he often accused Proudhon of making. However one presumes that he intends to distinguish between an ordinary commodity sale and a loan of money by pointing out that the ‘price’ of money capital results simply from supply and demand.

**Monetary system, credit system, crisis**

In *The Poverty of Philosophy* Marx adopts some of Ricardo’s theory of money and uses it against Proudhon, although certain elements of his subsequent theory of the money commodity also appear. In *Wage Labour and Capital* there are few indications of, let alone original contributions to, a theory of money. In particular the distinction between ‘production’ and ‘circulation’, which later involves ‘value’ and ‘price’, or costs of production and demand and supply, is not spelled out. His loose use of the terms ‘value’,
‘price’ and ‘exchange-value’, which are central to a clear concept of money, indicates how undeveloped his thoughts on ‘money’ are.

Between 1850 and 1857, when he started drafting the *Grundrisse*, Marx wrote numerous articles on monetary and financial matters for the *New York Tribune*. The *Neue Rheinische Zeitung* printed articles too, like his analysis of the failure of the recent French Revolution, which developed social observations about the financial and credit systems. Some correspondence with Engels and working notes (namely the ‘Reflections’, dealt with below) concern money, and show the need for a clearly defined theory of money. Marx now explicitly disagrees with Ricardo, and criticises the theory which supported the introduction of Peel’s Act. His analysis of the bourgeois system and the relation between politics, economic crises and the credit system is sophisticated, especially for the time in which he wrote. Yet there are few signs of an original theory of money, especially of a kind which might connect ideas from the alienation theory of money with an analysis of the concrete technical details of capitalist monetary and financial systems.26

### Monetary system

By the early 1850s there are indications that Marx is contemplating the need for an original theory of money. Significantly he wrote to Engels on 3 February 1851 detailing his opposition to the “holy” Ricardian currency theory. In his reply, of 25 February 1851, despite a few quibbles, Engels lauded Marx’s arguments as ‘perfectly correct’ and ‘quite unexceptionable’. Against Ricardo’s famous equilibrium theory of monetary adjustment—presumed automatic for purely metallic currencies, but requiring appropriate measures by bankers in the case of paper money—Marx had formed the opinion that, even if a currency was composed purely of metallic money, the quantity circulating was normally quite independent either of foreign trade, in bullion or other commodities, or of the exchange rate. In much of this Marx followed Tooke. Marx believed that this meant that ‘the whole theory of circulation [was] denied in its very fundamentals’, and that currency phenomena were *consequences* not causes of crises, excepting that artificial monetary control may well exaggerate any attendant financial distress. Without further elaboration he stated that the credit system was, all the same, a ‘condition’ of capitalist crises. The assault on Ricardo in this letter supported his line against the Utopian socialist reformers. One notices here too a departure from certain assumptions made in *Wage Labour and Capital*, such as the causal connection asserted between sixteenth century bullion imports and monetary circulation in Europe.27

Marx’s alternative to Ricardo’s theoretical model assumes a central bank, yet credit is advanced in cash, as he makes the currency purely metallic. If bullion imports raise economic activity, then currency may be increased depending on trade needs. As for bullion exports their influence on the national currency depends on how the reserve requirements of the central bank are affected, and how the monetary policy regarding discount and interest rates is conducted in each concrete case. Exaggerating his argument—as Engels points out, in his response, 25 February 1851—Marx claims that ultimately only economic conditions influence monetary phenomena; commodity production and exchange determine the amount of currency necessary, not vice versa.
Monetary policies are significant nonetheless, and Marx indicates a preference for a monetary policy quite different from Ricardo’s. He suggests that when bullion is exported the central bank ought to increase discounts, instead of decreasing them, while as bullion is being imported discounts ought to be permitted ‘to take their normal course’ (whatever that means) instead of issuing more paper money. Engels takes exception to some of the details of Marx’s description and proposals. In any case Marx concludes that even with a purely metallic currency ‘a closure of the till’ is possible; the process is not harmoniously ‘self-adjusting’.²⁸

In March 1851, a month after writing this letter to Engels, Marx sketched out a think-piece, ‘Reflections’. It seems to have been prompted by a consideration of the distinction that Tooke and Smith made between the trade between capitalists themselves and the trade between capitalists and final consumers. Marx seems favourably disposed to this distinction but emphasises the generally ignored importance of grasping the interdependence between the two circulations. This is significant because Chapter 28 of Capital III is almost entirely devoted to showing what is neglected by and inaccurate in this simplistic analytical framework, especially in Fullarton’s ‘false’ and Tooke’s ‘absurd distinction between capital and currency’. Yet in 1851 Marx writes that trade exclusively between capitalists involves capital, and ‘its own money’, while that between capitalists and consumers involves income given for capital, and ‘its own coin’. There are therefore ‘two kinds of trade and of money’, involving in fact ‘two currencies’. Nonetheless Marx already seeks to demonstrate the necessary integration of trade to consumers and between producers within a unified ‘monetary system’, the point he later attempts to develop in Capital III.²⁹

To start with Marx seems sympathetic to Tooke’s suggestion that intracapitalist trade is conducted primarily with credit, bills of exchange and the like, while trade to final consumers involves cash, coin and banknotes. The latter is ‘an equivalent…or token of value’, and the banknote a ‘substitute’ for gold or a token of value. Furthermore Marx indicates that the banked reserves of non-business people are the foundations on which all ‘commercial money’ i.e. business credits depends, and that bills of exchange, ‘commercial money’, have a value which ‘represents commercial capital’.³⁰

Marx’s thoughts move beyond trade and the means of exchange to the related subjects of the realisation of commodities as exchange-values, and crises. Finally, and most interestingly, there is a discussion of money in terms of class, a discussion of the kind noticeably absent from the Paris Manuscripts of 1844. ‘Reflections’ contains observations of a concrete and technical nature alongside abstract social analysis. Marx introduces credit instruments as forms of commercial currency, along with metallic coin, and briefly mentions bank reserves, deposits or ‘hoards’, with reference to circulating money. As for the value of money, the depreciation of banknotes is directly related here to the inconvertibility of commodities. The exchange-value of the commodity is confusingly expressed as if directly ‘money’. ‘Commodities cease to be money’, writes Marx about a crisis of realisation, ‘they are not convertible into money’. Marx demonstrably extends the scope of his thinking on the functions of money; previously he concentrated on money as a medium of exchange. Nevertheless means of payment and hoards are treated along with money as a means of exchange as if they do not introduce any new or characteristic complications of their own.³¹
In an article called ‘The Vienna Note’, written in September 1853, Marx outlines his criticisms of Peel’s Act, legislation which was based on currency theory assumptions which he found ‘utterly fallacious and contradictory to facts’, especially in the ‘false conception of a purely metallic circulation’ which linked prices to the amount of currency circulating. What is ignored here, he writes, is the fact that bullion trade affects hoarding or bank reserves, as well as, or instead of, circulation; that the bank can only make banknotes available, but cannot control the amount the public actually demands or accepts, and therefore the proportion between reserves and circulating notes is not fixed; that a bill of exchange, like any credit, is involved in circulating commodities too; and that Peel’s Act can regulate bankers’ reserves but cannot determine depositors’ activities. On the other hand, says Marx, Peel’s Act does mean that bankers can exaggerate crises by refusing or hardening the terms of credit, so that prices of commodities and ‘values’ of public securities fall. Marx contends that state monetary policies, like Peel’s Act, which try to regulate bankers are unnecessary and unnatural. However he does not specify how a free market would operate without any national financial regulation, i.e. on what basis bankers might otherwise make policies which influence confidence and optimism in political and business affairs, and so on. It seems that if private banks freely compete, this might encourage an almost limitless line of unsecured and risky credit, for continuously rolled over or increasing credit can forestall the ‘day of reckoning’. In Marx’s analysis there is an implied assumption that government regulation artificially interferes with an otherwise semi-automatic mechanism which is not explained.

Credit system

Credit features in Marx’s sociopolitical analysis Class Struggles in France which was published in Neue Rheinische Zeitung in 1850. Certain propositions that Marx seems to theoretically deny are admitted here in practice, indeed highlighted. For instance not only does he emphasise the importance of finance for a smoothly run state, but also the critical and wide-ranging support for leading financial institutions and the financial aristocracy or bourgeoisie provided by the state. He records the politico-economic strategies of the Bank in response to the February Revolution, for in trying to sabotage the revolution by its malicious restriction of credit, the Bank of France nearly bankrupted itself! Marx bewails the fact that the government rescued it, instead of taking control of credit by nationalising it. These sorts of strategies were proposed in The Communist Manifesto and are rather Proudhonist reforms of course. But Marx also contends that credit phenomena are symptomatic not causal; the banking system is reactive, needs state support and is incapable of managing or directing the bourgeois market. Underneath the state and the financial sector lie the real powers of productive capital and labour. In the end then Marx attempts to show that the ‘action’ at the top is dependent on the relations at the base. ‘The revolutionary crisis heightened the commercial one’ writes Marx about the February Revolution, ‘a revolution which called into question the foundation of bourgeois production, the economic slavery of the proletariat’. And he continues:

The proletarian revolt is the abolition of bourgeois credit; for it is the abolition of bourgeois production and its system. Public and private credit
are the economic thermometer by which the intensity of a revolution may be measured. The ardour and generative power of the revolution increase in proportion to their fall.\textsuperscript{33}

In 1855 Marx wrote an article for the \textit{New York Times} which explained the Bank of France’s increase in its commercial credit interest rate in terms of the French government’s effort to both appease, and create false confidence in, the business sector (despite the threatening scarcity of agricultural commodities). He pointed out the risks attendant in the post-revolutionary development of joint stock banks, especially with the activities of the Crédit Mobilier, as well as in heavy government borrowing. Again in 1856 to 1857 Marx wrote several articles on Crédit Mobilier, introducing themes later developed in \textit{Capital}, especially in \textit{Volume III}. Crédit Mobilier had ushered in a new stage of capitalism, encouraging the development of limited liability companies (joint stock companies) to the detriment of small business (people). Joint stock companies allowed a scale and concentration of capital hitherto unseen, and meant that a once-owner-manager would become instead either a director or one of a plethora of speculating shareholders, with management vested in a bureaucracy supervising swelling numbers of increasingly powerless but potentially revolutionary workers. Marx wrote that given the backing of Napoleon and the government treasury, these developments supported by the Crédit Mobilier represented ‘Imperial Socialism’ in action. Under the rule of Bonaparte Marx saw national industry coming under the control of the Crédit Mobilier, and commerce subjected to the Bank of France; the Péreire brothers had established ‘Bonapartist Socialism’. Bonaparte’s confidence in and financial reliance on credit, along with the now well-established Saint-Simonian belief in the remedial effects of properly distributed credit contributed to the development of an institution like Crédit Mobilier. Predicated precariously on continual growth, Marx declared its bankruptcy inevitable in mid-1856. This in fact occurred, but not till 1867.\textsuperscript{34}

An interesting argument, that appears in Marx’s discussion of Crédit Mobilier and the European crises from 1856 to 1857, concerns the violation of what he seemed to believe was a necessary or ‘due proportion between floating and fixed capital’. Marx pointed out that crises usually involve a dangerous movement of capital investment into shares and other financial instruments, i.e. into ‘floating’, rather than into actually functioning, ‘fixed’ capital. Crédit Mobilier performed the ‘reverse’ role of a commercial bank which ‘by its discounts, loans, and emission of notes, sets free temporarily fixed capital’; ‘the Crédit Mobilier fixes actually floating capital’. ‘What it mobilizes is only the titles of property.’ Therefore the optimum ratio between the two capitals was much less likely to be achieved, and crises would ensue. Presumably Marx refers to overvalued shares and assets here, which he claims Crédit Mobilier had encouraged and facilitated. Also, in an article written late in 1852, Marx pointed to a trend to over-invest in ‘fixed capital’ to the detriment of ‘circulating capital’, which he predicted would cause a particularly bad crisis, not merely a financial or monetary one, but a full-blown industrial crisis. ‘A mill-owner who would sink in buildings and machinery a part of his capital out of proportion with the part reserved for payment of wages and the purchase of raw material,’ he wrote elsewhere, ‘would very soon find his mill stopped.’ Even later in 1856, writing about a German panic, Marx indicated that the dearth of money in circulation was not the cause, this being instead ‘a disproportion between the disposable capital and the vastness of the
industrial, commercial and speculative enterprises then in hand’. It seems that the terms ‘disposable capital’, ‘floating capital’, and ‘circulation capital’ are more or less interchangeable in this period. It is even possible that at this stage Marx imagined that this might be a key cause of capitalist crises.  

Crisis

Early in 1852 Marx worked on *The Eighteenth Brumaire of Louis Bonaparte*. This treatment of the 1851 crisis in France, and other articles written for the *New York Times* over the next year, stress the economic over the political. Marx protested that the 1851 crisis in France was not politically inspired as had been claimed, and wrote a couple of articles late in 1852 explicitly on the political *repercussions* of the ‘excitement’ phase of the economic cycle. At the same time he described ten phases of what he now regarded as a norm, i.e. 5–7 year business cycles with the economy moving from a state of ‘quiescence’ to ‘distress’, and he predicted a full-blown crisis in 1853, because all the symptoms of ‘prosperity’, ‘excitement’ and ‘over-trading’ were indicated. In October 1852 he suggests that, beyond monetary and financial revulsion, over-investment in ‘fixed capital’ relative to ‘circulating capital’ would mean a profound industrial-productive crisis later, which must affect all classes. By early 1853 he points to an ominous increase in interest rates, and a likely poor wheat harvest as harbingers of crisis.  

In an article written early in 1855 Marx again anticipated a crisis in 1857, expecting England to erupt like France had in 1848, in a class showdown. He observed economic phenomena following what he now considered a predictable cycle, noting though that its present form was more expansive and intense than since 1846, or even 1842. A few months later he found deficiencies in optimistic interpretations of recent statistical data, pointing out that increased gold reserves and reduced interest rates were possible symptoms not only of an economic recovery but also of stagnation. For instance, easing interest rates might just as well result from a decreased demand for capital as from a surplus to lend, and improved reserves of gold might simply indicate growing idle capital. He also indicated a need to assess banknote reserves and the state of bill of exchange discounting by the bank, the quantity of the latter being ‘the most reliable gauge’ of business between banks and the commercial world. Criticising Peel’s Act along a now familiar line Marx stressed that the bank was simply a reservoir for the circulation of money to be drawn on by business; bankers couldn’t force borrowers to take credit and they had to accept deposits in banknotes that they had issued.  

Although Marx appreciates in ‘Reflections’ that the two trades, wholesale and retail, are enmeshed in a ‘cercle vicieux’, his analysis not surprisingly emphasises intra-capitalist trade, which is closest to production, as dominant. Crises demonstrate that overproduction and overspeculation occur on the side of supply because demand is overestimated. Also foreign trade intrudes unevenly into both spheres so, due to this factor alone, no national integration of the two spheres is possible. Relative underconsumption by workers can be compensated for by more capitalist consumption, nevertheless overproduction results from a disproportion between the two spheres, and
implicitly involves the capitalist—worker class relationship. Having established these points, Marx moves on to consider the monetary and financial aspects of crises.38

Yet again emphasising productive capital, Marx suggests that it is the non-realisation of commodity capital which is reflected in the monetary chaos of the crisis. It is not a matter of money independent of trade and production, but of the production and exchange of commodities conducted in a money form which arise from it; monetary phenomena express commodity relations. In the crisis ‘capital ceases to be currency’, to be convertible; Marx’s focus is the inconvertibility of commodity capital, rather than the inconvertibility or the scarcity of various forms of money.39

This argument supports Marx’s established line against monetary reformers like Proudhon (and the Birmingham men mentioned here) who blame money, or the way the monetary system is perceived to work, for crises. Instead Marx points to an implicit tension in the product as a commodity, i.e. as exchangeable, as a contradiction which is implicit in the mode of production itself and the source of crises. Indeed the currency crisis can be alleviated without addressing or overcoming the economic crisis proper. Nor is mismanagement of credit the reason for monetary disorder; money, says Marx, ‘implies’ credit, ‘both are produced by the same cause’ (presumably to facilitate trade). Given the special distinction Marx agrees exists between dominant intra-capitalist trade normally conducted with credit, commercial money, and the trade with final consumers based on cash, one expects some explanation as to why capitalist production encourages exchange on the basis of credit and credit monies. One is left wondering if crises are not caused by credit; Marx does not adequately explain why they are not. Why is not intra-capitalist trade conducted simply in cash always, to avoid crises that always seem to involve credit disturbances? Why is ‘commercial money’ usually credit? After all, bills of exchange are promises of money that only presume the convertibility or saleability of the security that they refer to. Lending cash in hand, or banked reserves, is a very different form of credit. Marx does not address these questions in detail.

His descriptive analyses of monetary and economic crises in these journalistic pieces form the primary sources for Marx’s thoughts on money. Causes of crises in the sphere of production are already emphasised as in later works; over-trading and over-speculation, with realisation as the major stumbling block, are all associated with over-production. ‘Reflections’ is also burdened with tautologies characteristic of later writing on crises and money, for instance his ‘explanation’ of the monetary implications of crises:

the convertibility of bank-notes into gold is in the end necessary, because the convertibility of commodities into money is necessary, in other words because commodities have exchange value, and this requires a special equivalent distinct from the commodities, i.e. because in fact the system of private exchange prevails.

This style of ‘explanation’ is not unlike that of crises in Capital I where, in the end, only ‘hard cash’ prevails, ‘because’ money must be a commodity!

The descriptions of crises, and of their monetary and financial implications, that Marx sketched in these years testify to thoughtful assessment and studious observation of current events. But there is no clear theoretical framework linking ‘money’ and ‘credit’ with the circulation of ‘commodities’ and ‘capital’. For Marx ‘overspeculation’ simply
seems to be a reflected monetary phenomenon of overproduction or overtrading of commodities. For Marx it is not speculation which is the cause of the crisis, it is overproduction, i.e. overproduction as an aspect of capitalism. The precise interconnections and influences between different circulating media, from credit, to banknotes, to financial titles, raw bullion and minted currency, are not clear. Nor do the related, but brief and infrequent, points about hoarding and bank reserves removing money from circulation clarify his analysis.

Marx’s descriptions of crises, his perception of a new stage of capitalism involving joint stock limited liability companies, and the careful scrutiny he subjects statistical data to, are impressive. But ‘money’, ‘finance’ and ‘credit’ are not developed theoretical categories. Nevertheless some general theoretical positions, with political implications, are established. These include an emphasis on production rather than circulation, along with an aversion to singling out credit or speculation as the source of crises; a stress on the significance of business or capitalists’ activities against attempts at regulation made by statesmen, bureaucrats or bankers; and an appreciation of the dependence of the state on financial capitalists and bankers, i.e. of the extent to which ‘the Bank becomes the real and the Government merely the nominal owner of the Empire’.

An important exception to Marx’s concentration on technical and empirical detail in this decade is revealed in a peculiarly sociological part of ‘Reflections’. Towards the end of this piece Marx develops a class perspective on the exchange between consumer and capitalist, or income and capital. Marx suggests that money always was an instrument of class rule, whether capitalist or not; he states emphatically that ‘the monetary system is based in class contradictions’. Marx then launches into a Paris Manuscripts style discussion of money and class; money homogenises, levels, and therefore camouflages, class differences, just as the inequitable distribution of money through society makes it the only and ‘supreme expression of class contradiction’. Money is the ‘token of everything’, and comes from no-one knows where, ‘non olet!’ While workers are free to buy, the low level of wages, and lack of control over what is produced for sale, limits the quality and quantity of their consumption. Quantitative monetary distinctions dominate and determine qualitative lifestyle ones. Class is expressed and mystified in its capitalist monetary form because the worker is paid a wage, money, which ‘blurs the class character’ of the actual relation between capitalist and worker and ‘veils it’.

This rare exception aside, all the works reviewed here demonstrate a change in focus in Marx’s thought from the social and philosophical perspective of an alienation theory of money. Marx moves away from religious analogies and an emphasis on the abstract social power of money, to confront technical details of financial and monetary institutions in the context of political economists’ theories. He initially supported a version of Ricardo’s theory of money only to quickly fall and remain, again partially, under the influence of Tooke. The unifying thread through the 1840s and 1850s is his criticisms of the arguments and assumptions of monetary and credit reformers like the Utopian socialists. The bases of Marx’s original theory of the money commodity are still to be laid, as is the full elaboration of his particular labour theory of value in which money is ‘value-form’. His criticisms and analyses are technically detailed, but they are...
piecemeal and lack a clear and original theoretical analysis of the monetary and financial systems. The first tentative and significant step towards the development of an economic and social theory of money came with the *Grundrisse*, which he drafted between August 1857 and May 1858 and which is the subject of the next chapter.
The long tract on money at the start of the *Grundrisse* is Marx’s first, tentative, comprehensive treatment of money. The numerous journalistic articles on monetary matters written over the previous decade contained few significant advances towards a theory of money. In the *Grundrisse* the alienation theory of money turns into a theory of the money commodity which complements Marx’s theory of value; ‘value’ is labour alienated and objectified in commodities and is realised in exchange in the form of ‘exchange-value’, and exchange-value becomes independent in the money commodity as the ‘money subject of the money quality of all commodities’. Marx does not refer to it as the ‘money commodity’ anywhere here, rather he refers to it as the ‘universal commodity’, ‘the equivalent’, ‘general commodity’ and so on, or simply as ‘money’. The term ‘money commodity’ was only used later.¹

Marx presents a series of concepts, namely, product (activity)—commodity—exchange-value—money, which he elaborates in a dialectical way in order to address the main question that, according to him, the Utopian socialists and other monetary reformers (like Proudhon) have failed to answer, viz. ‘Why is money necessary?’ The dialectical presentation is not simply a descriptive device but, given that detailed empirical, historical and other analytical evidence and arguments are often lacking or unconvincing, relies on its own tautological ‘logic’ to provide a reason for the existence of money per se:

The simple fact that the commodity has a dual existence, as a specific product which contains its exchange value in its natural form of existence as idea (in latent form), and then as revealed exchange value (money) which has discarded all connection with the product’s natural form of existence; this dual existence in two distinct forms must lead to differentiation, and the differentiation to opposition and contradiction.

Marx put it more simply in a letter written to Engels on 2 April 1858: ‘The contradiction between the general characteristics of value and its material existence in a particular commodity, etc.—these general characteristics being the same as those later appearing in money—gives rise to the category of money.’²

Marx’s dialectical explanation involves not only the necessity for money within commodity circulation, and for money being a commodity albeit of a special kind, but also for the almost inevitable development of labour and capital from commodity and money; ‘the antagonism of wages and capital, etc., is already latent in the simple determination of exchange value and money’. *The product* of labour becomes a *commodity* in circulation, is necessarily sold for *money*, the existence of commodities and money allows *wage labour* to appear, labour becomes a commodity sold for money,
money thereby becomes \textit{capital}. The dialectic of concepts follows the elaboration of ‘value’, which is created by \textit{labour} in production and manifested in \textit{commodity} circulation as ‘exchange-value’, which necessarily becomes independent in the \textit{money-form}, and finally ‘preserves itself as \textit{capital}. The final concept in the series then is money which procures labour, ‘capital’.3

Marx analyses the conceptual categories of the bourgeois economy as products of ‘alienation’. Human ‘being’, i.e. labour, is objectified and alienated in the commodity simply at first and then in more complex ways with the advance to capital. Every concept is related to labour and its particular bourgeois \textit{form}, exchange-value; the value of the product is created by private labour producing for social exchange, so alienated labour is the substance of value, which is manifested in the exchange-value of the commodity. (Marx’s law of value is founded on a concept, later termed ‘abstract labour’, which usually appears in this manuscript as ‘general social labour’. The primary character of abstract or general social labour is that it is ‘alienated labour’ and is a result of production for exchange.) Independent as money, exchange-value acts as the measure of value, representing the socially necessary labour-time involved in the commodity’s production, and so on. Marx’s explanation of the necessity of money and especially of a money commodity develops dialectically from his analysis of commodity circulation, from his identifying the basis of value, of what is common to all commodities, in labour-time, the ‘socially necessary labour-time’ involved in the commodity’s production.4

An obvious answer to the question ‘What is common between commodities?’ is that they are all sold for money. Marx seems to think that if, but only if, he makes money a commodity then he has a direct route to labour, making his theory of value a veritable labour theory of value. Recently some Marxian economists, whose ideas are discussed in the final chapter of this book, have argued that a credit theory of money is compatible with a Marxian theory of value. Marx himself ruled this avenue out completely; Marx might have adapted or drawn inspiration from Berkeley’s and Macleod’s credit theories of money (which he roundly criticises in \textit{A Contribution to the Critique of Political Economy}) had he believed a credit theory of money suited his theory of value. Berkeley indicated that wealth was created by workers, that money was simply a title to wealth, and that even gold or silver money was simply credit. Besides being the symbol of an ‘idea’ Macleod saw money as ‘the symbolical store of unexpended labor’, as distinct from commodities which were ‘the produce of expended labor’. In terms of Marx’s dialectical method, philosophical points, and political biases, it certainly would have required major readjustments if not a total overhaul of his analysis and of its presentation to adopt a credit theory of money. In order to develop a labour theory of value, Marx seems to think that he must make value, socially necessary labour-time, distinct from price, exchange-value expressed in terms of money, i.e. an amount of a (money) commodity, although he still makes money part of the commodity world ruled by the law of value. If money is not a commodity this direct route to labour as the substance of value would seem to be blocked. In this sense it seems crucial to Marx’s theory of value that he have a theory of a money commodity of the kind that he develops.5

Even in Marx’s day the major portion of English currency was of a non-commodity kind and today capitalism survives, indeed flourishes, without metal reserves to fully back the major currencies of international trade and finance. Given that there is no empirical case of capitalism functioning with a purely metallic money of the kind that
features in Marx’s theoretical model, one seeks satisfactory arguments in Marx to support modifications of his abstraction which aim to give it clearer parallels to actual reality. Consequently what demands attention is how Marx defines non-commodity currencies (credit monies, such as bills of exchange; so-called convertible, and inconvertible, state legal tender; tokens of value) in terms of his theory of the money commodity. The fundamental point that Marx makes here is that:

the exchange value of money can acquire again an existence separate from its material, from its substance, as in paper money, without, however, abolishing the privilege of this particular commodity, since the separate existence must continue to receive its denomination from the particular commodity.

While, even in Marx’s day, the metal reserves amounted to a negligible part of the circulating currency and frequently failed to save the day in crises, historically the so-called ‘gold standard’ has also been judged as a facade for a managed system by critics as eminent as Keynes. A related issue is Marx’s unsatisfactory explanation of why units of money, like dollars, standards of price, constantly arise to ‘nominally’ substitute for what in his theory is the ‘real’ measure of value, a certain weight of a produced commodity, say gold or silver.6

Marx seems to construct his theory at an alarming level of abstraction—even though with great dialectical elegance—so much so that he even reminds himself in the manuscript to return and ‘correct the idealist manner of the presentation which makes it appear as if it were merely a matter of the definitions of concepts and the dialectic of these concepts’. Rather than grounding his analysis explicitly in monetary facts Marx only illustrates from monetary history in a selective and casual way. Since Marx’s explanation for the development and functions of money gains cohesion primarily through a stylised dialectic of concepts, developing from simple abstractions like labour-time to more complex or concrete abstractions, in which money must be a commodity, he often seems to be guilty of a criticism that he made of others in his introduction to this work, i.e. of being more involved with ‘a dialectical reconciliation of concepts and not of comprehending actually existing relations’. It is even possible that Engels meant to imply this in a letter to Marx on 9 April 1858, when he commented on Marx’s summary of the Grundrisse version of his theory of money, for which the Grundrisse acted as a draft. Although he sounded enthusiastic, it was, he said, ‘A VERY ABSTRACT ABSTRACT INDEED’.7

Marx studied the physical properties of precious metals so as to account for their being chosen out of all commodities to become the material of money. Although this study is less important to Marx’s theory later, here it may represent part of an attempt to make the alienation theory of money into a materialist theory. Accordingly money as value-form must itself be an alienated object because it reifies, or expresses as if in itself, the relations of production, the social relations, that it represents. From this view alone it again follows that money must be a commodity. But why, when Marx has already made an absolute distinction between use-value and exchange-value, the one natural and the other purely social, does he believe it necessary to make any link between the social functions and natural properties of ‘the material of money’?8
Superficially at least it seems that Marx could be charged with being crudely materialist, even fetishist, here. The charge that Marx is ‘fetishist’ is made in the sense of Rubin’s interpretation of Marx’s notion of commodity fetishism, which Rubin levels at ‘vulgar economies’. ‘Value, money and so on,’ writes Rubin, ‘are not considered as expressions of human relations “tied” to things, but as the direct characteristics of the things themselves, characteristics which are “directly intertwined” with the natural-technical characteristics of things.’ For Marx the confusing of material use-values or natural properties with the social attribute of exchange-value is the basis of commodity fetishism. In these passages Marx addresses the ‘fact’ that money is not only a commodity, with an exchange-value, but is a role assumed by a particular object—say gold, or silver—with physical properties that apparently explain its choice as money, so that it is durable, easily accessible, storable, divisible, and so on. Marx ignores the observation that socially devised and properly organised paper legal tender has most of these properties too, and to a greater extent. Marx presupposes a money commodity aside from scrip and other token monies, assuming that its value determines the value of all the latter. For Marx it is a fact that commodity producers reify or materialise social labour in a money commodity, not simply his interpretation of reality. It appears as if Marx searches around for historical evidence for a previously constructed theory. He does not seem conscious of, or fails to reply adequately to, various theoretical, practical and empirical challenges to any theory that the monetary system is based on a commodity money in the way that he suggests. Marx’s money commodity is both his premise and his result, fitting neatly into a dialectical analysis which involves a series of categories, with ‘money’ appearing between the ‘commodity’, an alienated product of labour, and ‘capital’, which represents the most extreme form of alienated or abstract labour.9

The *Grundrisse* is not just Marx’s first attempt at a detailed theory of money, it also best reveals the politico-philosophical context in which his theory arose, which is the focus of this chapter. The *Grundrisse* was a fragmentary work and was never meant for publication without substantial transformations and detailed editing. Even for private reference Marx found the draft frustrating because, as he wrote to Engels, ‘everything’ in it was ‘jumbled up together like beets and cabbages’. Later versions of Marx’s theory of money incorporate much of what is still disjointed in the *Grundrisse* in a more ordered way, but the political context and ‘Hegelian’ influences, which are sometimes quite explicit here, are often less obvious, even if not less influential. While Marx starts this draft with, money, with a politico-economic critique of the Proudhonists (in the person of Darimon) and their ideas for a ‘labour money’, it must be remembered that his ultimate aim is a systematic exposition of the dynamics of capitalism; the theory of money is only an aspect of a much broader analysis and ought to be understood and criticised in that context.10

**The context of a capitalist crisis**

Marx wrote the *Grundrisse* in the shadow of the 1857 economic crisis: ‘I am working like mad all night and every night collating my economic studies so that I at least get the outlines clear before the deluge’, he wrote to Engels on 8 December 1857. Both correspondence with Engels and the articles that Marx wrote for the *New York Daily*
Marx at this time show a fascination with the statistical, monetary, details of local and international crises, but there is little evidence of changes in his established approach. Marx is still against Peel’s Act, and refers to speculation as a mere symptom of crises, and so on. Yet Marx does now try to discern the causes, and even a key cause, of crises, in production. Monetary factors are given no independent place or causal influence at all in crises. In one example Marx constructs a scenario in which he stipulates that non-monetary factors underpin the crisis, in which indeed money is absent despite labour accounting—all this from one who stresses the necessity of money!—then he admits money, which of course he must ‘conclude’ hasn’t caused the crisis!

Nonetheless in Marx’s theory, money, simply by separating purchases and sales, introduces the (formal) possibility of crises because ‘in so far as they are both essential moments of a single whole, there must come a time when their independent form is violently broken up and their inner unity is outwardly established by a violent explosion’. Credit too ‘generalises’ contradictions inherent in the distinction between use-value and exchange-value in commodity exchange because it gives them another form. But, stresses Marx, money and credit of themselves in no way cause or constitute crises, for they simply express relations of production in circulation. Credit, as an aspect of circulation and accumulation is, like money, ‘as much a result as a cause’. For Marx it is true that crises demonstrate that money is a commodity, the peculiar demand for which cannot be satisfied by any other commodity. But a drain of gold is rarely the cause of a crisis, he says, while a lack of some commodity is sufficient to cause one. ‘Unity is produced by force,’ writes Marx; crises are simply manifestations of the laws of supply and demand. Nonetheless crises also represent ‘the general pointer to beyond the presupposition, and the urge to adopt a new historical form’. The outline of his theory of crisis as one of form, of the money form permitting crises, is already apparent. The marginal significance that Marx will always give credit (its importance as symptom but not as cause) is also established.

The Grundrisse

Bastiat and Carey

The critique of Bastiat and Carey was written first, in July 1857, just before Marx’s famous methodological Introduction. Though short and unfinished, this piece does at least illuminate what Marx felt needed to be explained about capitalism in the Grundrisse proper; it indicates the analytical context in which his concept of money arose and the political and theoretical purposes that it was designed to fulfil. In a letter to Lassalle on 22 February 1858, he wrote that the Grundrisse was to be a ‘critical exposé’ of capitalism. In it Marx would attempt to reveal that the bourgeois mode actually laid the material basis for communism and he mentions here that political economy, especially Ricardo, provided theoretical propositions that supported the communist and socialist movements.’ This plainly political as well as dialectical perspective framed the development of Marx’s detailed theory of a money commodity, which arose out of the bare bones of an alienation theory of money.

The central theme in the fragment on Bastiat and Carey became the main one in the long work, i.e. how to explain the contradiction of disharmony alongside harmony in the economy. Most theorists saw this contradiction as one needing a final solution, either
blaming state interference for the disharmony or calling on the government to correct it. Marx says that they one-sidedly abstract from the contradiction so that either disharmony or harmony is presented as the natural state of capitalism. Marx explains this co-existence of harmony and disharmony dialectically, in the interrelations between simple circulation and production. In his concept of simple circulation all exchanges are equal and free by definition but this is only a formal, superficial, and partial aspect of capitalism. There is also the more profound exploitative, unequal relations of production between capitalist and worker classes. For Marx theoretical harmony in the laws of simple circulation, accompanied by practical evidence of disharmony related to relations of production, does not represent an inadmissible contradiction but rather is the veritable dynamic of capitalism, a real explicable dialectical and material contradiction; there is harmony and disharmony and not one without the other. Marx attempts to develop a concept of money which comfortably fits in with and adequately expresses this general framework. The harmony of simple circulation and the exploitative relations of production are treated in the chapters on ‘Money’ and ‘Capital’ respectively.14

Remarkably, Marx makes a criticism of Carey which might be angled at himself, for they both to a greater or lesser extent see the state as distorting—as well as buttressing—what are otherwise assumed to be harmonious or ‘pure’ bourgeois relations. Marx asks Carey whether the state’s economic powers cannot be understood as an aspect of capitalist relations of production, i.e. the very question that he fails to adequately address himself. For Marx the state generally supports the economic system but has no critical organising or initiating role. This provides another reason for Marx’s attraction to a theory of a money commodity which arises spontaneously in circulation outside the control of any particular person or institution.15

The Introduction

The formal Introduction to the Grundrisse, written around the end of August and/or early September 1857, is famous as an elaboration of Marx’s method, although he dropped it when he developed the draft into A Contribution to the Critique of Political Economy. Here he claims that the correct order to present the various economic categories is not by their chronological appearance, nor by ‘their sequence “in the Idea” (Proudhon)’, but instead ‘by their mutual relation in modern bourgeois society’. With this principle in mind Marx sets forth a tentative outline of his own study: it starts with ‘general abstract determinations’ common to all modes, labour for instance, and then ought to deal with bourgeois categories and class relations, including trade, private credit and so on; after that the state including public debt, on to world production and trade and finally the ‘world market and crises’. This plan was subsequently altered, even in the Grundrisse proper, and later a plan appeared in the Preface to A Contribution abbreviated to ‘capital, landed property, wage-labour; the State, foreign trade, world market’.16

In the Preface to A Contribution Marx explained that he’d dropped the Introduction discussed here because it confusingly set forth conclusions yet to be proved and, significantly, he had now decided to present the material moving ‘from the particular to the general’. The Grundrisse started with money, the general form of exchange-value, and the most sophisticated and complex result of alienated labour in circulation before
A Contribution begins with the real beginning, the ‘particular’ in simple exchange, the commodity, a product of alienated labour, a use-value and an exchange-value expressed in and realised only ultimately as money, the ‘universal’ commodity. In this respect the subsequent work seemed truer to the principles laid down in the Introduction to the Grundrisse than the procedure Marx followed in the Grundrisse itself; in the later work Marx presented the series of categories methodically as premises and results and in their interrelation in bourgeois economy, beginning from the simple commodity before moving on to the more concrete category of money and so on. The term ‘concrete’ here of course means more complex, and related to the ‘totality’ or the whole. The Grundrisse itself launched the reader into the totality of circulation, of commodities and money, furthermore into its most complex and concrete manifestation, in crises. But money presupposes too much, and by the end of the Grundrisse Marx had already decided that the work ought to start with ‘value’. He began the first chapter of A Contribution with the ‘commodity’ as the material object(ive) of alienated labour (activity), and ‘money’ is only introduced as the universal commodity and materialisation of labour-time at the very end of it.17

**Marx’s political opponents**

Much of the chapter on money is an implicit or explicit rebuttal of the theories of money and credit and the practical reform proposals of utopian socialists like Proudhon and Darimon and of British Owenites like Bray and Gray. Marx claims that their assumptions are as unfounded as their conclusions are ridiculous. He does this by developing a concept of money based on a particular, albeit at the same time general, commodity, i.e. objectified labour made into an independent exchange-value by social processes. In particular he attempts to demonstrate the deficiencies of the utopian proposals for a ‘labour money’ or ‘time chit’ claiming that ‘neither the labour of the individual nor his product is directly general…it acquires this form only through objective mediation by means of a form of money distinct from it’.18

Marx’s theory of money develops quite obviously as a critique of his political rivals’ ideas, in particular the utopian socialist Gray’s proposals for a people’s bank and a labour money. He states that the ‘time chit’ cannot be managed successfully by a bank without also effectively managing production, in which case the proposal is not just a monetary reform, and the time chit is not strictly ‘money’. For Marx circulation is inextricably connected with relations of production, and ‘labour time’ as he defines it cannot be directly represented in a ticket money, which is worth say ‘x hours labour time’, because labour-time is an ideal measure of value, and so ‘it cannot serve as the material for the comparison of prices’. In fact:

Labour time itself exists as such only subjectively, only in the form of activity. In so far as it is exchangeable in that form (is itself a commodity), it is not only quantitatively but also qualitatively determined and differentiated, not at all general labour time equal to itself; it corresponds as subject as little to the general labour time that determines
exchange value as particular commodities and products correspond to it as object.

Due to exchange and the possibility of non-realisation of value, the notion of concrete labour-time must be substituted for by ‘abstract labour’ and ‘socially necessary labour-time’ which involves a money commodity (having, of course, a distinct importance for wage labour later in his analysis). 19

For Marx there can be no ‘rational “money system”’, money cannot be the instrument of men’s will, that would be a contradiction in terms. Instead commodity exchange spontaneously results in a particular commodity becoming the universal commodity or material representative of wealth whose functions express the needs of commodity exchange and production. Marx starts, like he did in The Poverty of Philosophy, from the premise that if supply equals demand, then the quantity of labour necessary to produce it determines the product’s relative value, and the equivalent will simply reflect this exchange-value. Market prices deviate from value to demonstrate gaps between supply and demand. Those who propose a manageable money ignore this he says; money wouldn’t exist if every product were immediately realisable. According to Marx it is impossible for commodities to directly represent money because production for sale implies the possibility of nonrealisation of value; for this reason circulation requires both ‘a specific instrument of exchange’ and ‘a special equivalent of all values’.20

Marx’s measure of value, the money commodity, is dialectically both expression and result of his theory of value. Circulation involves an exchange of labour, not an exchange of products, or rather is an exchange of labour in the guise of an exchange of commodities. Ironically Marx’s concept of money seems quite similar to the notion of labour money that he objects to because he conceives of money as a materialisation of, albeit socially necessary, labour-time, and because in his theoretical examples he so often confounds price and value. Nonetheless the significance of Marx’s theory of a money commodity stands out clearly precisely in this context, for it is only that his money is a commodity and product of labour that seems to save it from the pure idealism with which he charges the utopian socialists, and of course Hegel. As Carver points out, Marx ‘implicitly’ (and Engels ‘explicitly’) persisted in ‘straightening out philosophers, using philosophy…and revising philosophy itself’ through all the drafts of Capital.21

Marx reasonably points out that labour-time tickets, the standard of which is a certain quantity of labour-time and which are referred to as ‘x hours of labour’, would fail to represent the nominated quantity of labour-time if productivity and therefore the tickets’ purchasing power varied. In other words this so-called ‘general equivalent’ would be an alien force like money but further mystified because ‘these objectified quantities of labour time, would not be a third commodity but their own measure of value, labour time itself’. His theory of the money commodity seems designed to overcome this because like all commodities the money commodity must have a fluctuating value, determined in ‘production’, while in circulation actual market prices deviate according to demand. But it is not clear the extent to which his own theory really manages to overcome this particular problem, because it is not clear how he accounts for inter-temporal considerations raised by debts.22

Marx’s redefinition of ‘labour-time’, as ‘abstract labour’ and ‘socially necessary labour-time’, appears to allow him to make his money commodity a direct representation
of value without, he seems to think, also assuming that all commodities are sold at their ‘value’. But this implies that ‘value’ is much more subject to circulatory phenomena than Marx’s determination of value at the point of production indicates. This is rather vague in the *Grundrisse* because Marx’s theories of value and money are still being formed and Marx’s use of the terms ‘value’ and ‘price’ are particularly confusing, a point taken up below. If time chits did directly represent labour-time of course there would be no crises, says Marx to the Utopian socialists, but this would also make all products immediately money. According to Marx the distinction between ‘price’ and ‘value’ is vital to the necessary evolution of money in circulation; since the norm is that price does not equal value (demand does not equal supply) ‘labour-time’ is ideal, so labour-time cannot itself be the material of money. However, as Marx defines it, ‘labour-time’ is the substance of money, and this is what sometimes makes his money sound so similar to the labour monies that he criticises. For Marx, while labour-time represented by value is abstract—‘not the labour-time incorporated in [previous] output, but the currently necessary labour-time determines value’—it is nonetheless represented in a concrete commodity. In order that it represent objectified and socially necessary labour-time, money must be a commodity. ‘This also explains how and why the value relationship assumes a material and distinct existence in [the form of] money,’ he writes.

In this discussion Marx begins to elaborate his theory of money; a frequently and generally exchanged ‘third commodity’ is necessary to express the relation of value between any two commodities being exchanged. This, says Marx, is because the value of a commodity cannot be directly expressed. There is more than one point being made here. One is that value cannot be directly expressed because value is an aspect of exchange itself. Furthermore ‘value is a commodity’s quantitatively determined exchangeability’, so that even ‘primitive barter’ involves the use, at least in the imagination, of a common denominator, a standard unit in which the value of every commodity is calculated. At the start of the discussion Marx talks of commodities being valued in shillings, meaning a certain amount of silver, but the barter example is one in which commodities are valued in the seemingly purely abstract, imaginary, unit of a ‘BAR’, while Marx’s theoretical definition of exchange-value is in terms of fractions of labour-time and later thalers. None of this latter discussion is convincing evidence that the money or unit of account that Marx describes must necessarily be a commodity. Indeed certain passages appear to contradict this fundamental of Marx’s theory of money:

Hence, in order to realise the commodity at a stroke as exchange value and to give it the general effect of exchange value, its exchange for a particular commodity is not sufficient. It must be exchanged for a third thing which is not itself a particular commodity but the symbol of the commodity as commodity, of the commodity’s exchange value itself; which therefore represents, say, labour time as such, say, a piece of paper or leather which represents a certain portion of labour time. (Such a symbol presupposes general recognition; it can only be a social symbol; in fact, it only expresses a social relationship.)

This symbol represents certain portions of labour time, represents exchange value in such proportions as are capable of expressing by simple arithmetic combinations all reciprocal relationships of exchange values.
This symbol, this material sign of exchange value, is a product of exchange itself, not the execution of a preconceived idea. (IN FACT, the commodity which serves as the mediator of exchange is only transformed into money, into a symbol, gradually. As soon as that has happened, a symbol of the mediating commodity can in turn replace the commodity itself. It now becomes the conscious token of exchange value.)

Taken alone this passage might suggest that the money property of commodities, their exchange-value, only actually exists in commodities and is just symbolised in money, a claim to them. Even though Marx’s description of the measure of value, of money in its role as a simple unit of account, in the quote just given, does not provide sufficient rationale for money being a commodity, it does seem to adequately explicate the evaluation process. However the main thrust of Marx’s theory of the money commodity is that money must take the form of a universal commodity, a universal which is at the same time a particular commodity; the ‘third’ unit that prices are calculated in is a commodity itself.24

Marx castigated ‘the champions of labour time tickets’ for identifying value and price, but he too often assumes their identity, in examples meant to demonstrate his theory of value, and without this simplification his discussion would be a lot more complex and even less persuasive. To start with, in the simple example of exchange, the three commodities all represent an equal amount of labour-time: the one being sold, the money, and the one being purchased. The exchange-value of the commodity necessarily appears in another commodity, says Marx, because its general social property as exchange-value must be separated from its natural utility, its use-value, and this other commodity cannot be just any particular one but one that represents or symbolises labour-time in general. The general equivalent must exchange with all commodities for them to be denominated values in general. Marx claims that money evolves in exchange, not merely as a thought relation or category, i.e. ‘not [as] the execution of a preconceived idea’, but rather money arises practically as a ‘material sign of exchange value’; ‘what commodity exchange demands is a symbol of the commodity as commodity’. Marx concludes that: ‘The determination of the product as exchange value therefore necessarily brings it about that the exchange value acquires an existence apart from the product, detached from it.’25

Marx’s explanation of money, his development of exchange-value in the series, product (activity)—commodity—money, appears as a simple dialectic of concepts. But this is not just due to his presentation, which resembles Hegel’s approach in the Science of Logic. It is due to the fact that Marx assumes ‘value’, which is certainly a well-established but nonetheless purely theoretical category fundamental to the school of political economy, and reconstructs the category ‘labour-time’—as ‘abstract labour’, and ‘socially necessary labour-time’—so as to explain anew, and he believes correctly, the everyday world of prices, non-commodity currencies and the legal standard of price, the money commodity. His failure to do this in a transparent way was partially recognised even by Marx and later by many Marxians in terms of the ‘transformation problem’. The ‘transformation problem’ arises from the fact that in Capital I price is proportional to value, whereas in the third volume prices are not proportional to values. This is discussed in more detail in the final chapter; it suffices here to say that it is generally seen as a mathematical or quantitative problem. His failure to demonstrate comprehensively and
convincingly the link between theoretical values and commonplace prices has been very damaging to Marx’s economic theory. Despite his claims to being materialist and scientific, Marx’s theory of value seems to be based on the philosophical and political proposition that value is labour. Indeed the whole dialectical explanation of the necessity of money and of its commodity form seems to be most persuasive when based in this ultimately moral proposition. Marx moves from the very abstract ‘value’ towards the concrete ‘price’, but he never actually gets there, which makes one suspect that he never started with really concrete facts at all but was too absorbed in and enmeshed by economic, political and philosophical theories of ‘value’.

We know from Marx’s early philosophical and political works that he believes the world ought to be conceived of as a product of man’s species activity, of labour, and so he comes to comprehend political economy and to analyse bourgeois economy in these terms. He does not see this as just one perspective on social relations and human activity in its natural environs, instead he regards his view as having a scientific basis which is supposed to be elaborated in his theory or law of value, accompanied by his theory of the money commodity. Marx does not prove the existence of value starting from the world of prices but rather presumes the validity of his concept of value. Marx says that he deliberately chooses this ‘scientific’ method of presenting his results or conclusions by starting with theory and then relating it to reality, even if the actual investigation must proceed from the concrete or complexity of facts to the abstract simplicity of theory. But, for instance, Marx’s theory of money does not satisfactorily embrace scrip money, and his theory of value fails to show clearly how profit and price are grounded in value and surplus-value. It is difficult to imagine that Marx initially concentrated on reality and then derived his theory from it, and might therefore be in a position to consider presenting his theory as if he had. As it stands Marx starts with the proposition that value is a valid theoretical construct behind price, and furthermore that value represents labour, not just in a qualitative sense but also in a definite quantitative one too, which means that his analysis ought to prove or show evidence for his hypotheses as he elaborates them. Yet, as mentioned, a plethora of criticisms of Marx’s theory of value, namely those involving the so-called ‘transformation problem’, indicate his failure to explain clearly enough the ‘real’ world of prices and profits on the basis of labour values. Even Mandel, an apologist for Marx’s theory of a money commodity in its present form, and for his theory of value of which it forms a crucial part, can admit (by way of an explanation rather than recognising this as a really damaging shortcoming) that for Marx his elaboration of the movement from values to prices ‘is only a mediating link in the process of cognition, which does not yet deal with immediately verifiable, empirical data, i.e. market prices’ and that even Capital III, which deals with the most concrete phenomena, does not extend to ‘money prices as such’!26

Marx’s analysis of capitalist relations takes the form of a critique of political economy, and his theories of value and money seem to develop more out of logical objections to other theories than from an original analysis of everyday economic terms and behaviour. Money, according to Marx’s theory of value, is the necessary materialisation of abstract labour and the measure of socially necessary labour-time and so on, but these ‘definitions’ of money are all elaborated within a theoretical context which assumes that value relates to labour, and without clear links to the reality of legal tender, credit, and nominal standards of price that characterise late twentieth-century
capitalism and even the capitalist market of his own time. This is significant because Marx’s challenge to the Utopian socialists was precisely in these terms, viz., that their propositions were moral not scientific and were based on erroneous assumptions and faulty analysis of the determinants of commodity production and capitalism in particular. That critique interestingly concentrates on the question of money, probably more for political reasons than analytical ones. Nonetheless in Marx’s theory as such it is his concept of money which ought to explain the connection between labour values and market prices, and so to the extent that his theory of money is undeveloped or inadequate his entire labour theory of value remains unsatisfactory and scientifically inadequate.

By fleshing out the idea that money is an ‘independent exchange-value’, which appeared in his earliest works, Marx sought to answer a similar question to the one he indicated Proudhon ought to have addressed in The Poverty of Philosophy. With the intent of being materialistic, Marx’s theory clearly developed from a political and theoretical distrust of the available ‘idealist’ alternatives. Against Hegel, who saw money as a universal but not as a particular, Marx elaborates a dialectical concept of money as both a particular and a universal commodity, with all the attendant inherent contradictions which he believes help account for its illusory power. For Marx money is not simply a thought category subject to alteration by individual or communal will, as he says Gray’s work suggests, but is an objective, concrete and particular product of the very system it characterises. Neither the state nor any social reformer can alter or abolish the character of money in its primary role as a measure of value except by affecting relations of production or by revolutionising the mode of production in its entirety, maintains Marx. Again the political significance of Marx’s theory of money is most obvious here in its original version.

In opposition to the ‘circulation tricksters’ Marx characterises ‘money’ as independent exchange-value, expressing a commodity’s social value in a form distinct from its use-value yet as an integral aspect and result of commodity circulation. ‘It is essential to understand this clearly,’ writes Marx, ‘so as not to set oneself impossible tasks, and to know the limits within which monetary reform and changes in circulation can remodel the relations of production and the social relations based upon them.’ To imagine that one can abolish systemic contradictions by replacing a monetary order which Marx claims is based on a produced commodity (metallic money) with a labour-money as the socialists plan is foolish utopianism, says Marx, since the real disorder is within the productive sphere; money is ‘merely the palpable manifestation’ of contradictions within production. Nor is the material aspect of money the source of monetary difficulties, even though it appears as the ‘most striking, most contradictory and harshest aspect in which the system tangibly confronts us’. Money is the necessary consequence, and only the expression, of the circulation of commodities based on production for exchange. To be effective reforms must directly touch productive relations.

What utopian socialists as well as ‘bourgeois apologists’ have failed to comprehend, says Marx, is that simple circulation is a surface phenomenon and that the real relations of production between capitalists and workers display antithetical qualities at a deeper level. The freedom and equality of the market, the relations of circulation, are only half the story. There are two levels, an ‘ideal’ process in circulation and a ‘real’ one at the point of production. Proudhonists believe that what characterises the ideal in circulation, freedom and equality and so on, can be instituted in the relations of production too, says
Marx. Conversely Bastiat and Carey see the ideals of equality and freedom as the natural essence of capitalist relations, ideals which are however distorted in practice because of protectionist policies and the like. In other words, even if in different ways and for different purposes, both Proudhonists and Bastiat and Carey focus on purely surface characteristics taking them to be the whole.29

Furthermore Marx claims that ‘the antagonism of wages and capital, etc., is already latent in the simple determination of exchange value and money’; with commodity circulation there is the possibility of the sale of labour-power and therefore of money’s becoming capital. In this way the rights of property originally vested in the producer (over their product) are ‘inverted’ and the relationship between capital and worker, relations of production, are antithetical to the equal and voluntary relations of exchange in circulation. But capital and wage labour are simply ‘different forms of developed exchange value and of money as its incarnation’, so Proudhon is ‘pious’ and ‘stupid’ to even imagine that exchange-value will not ultimately become capital and its producer wage labour. Because capitalist relations of production are characterised by ‘coercion’, and the sale of workers’ labour-power means that ‘their’ product is automatically the capitalist’s, the nature of capitalism is antithetical to the equality and liberty of simple circulation. Consistently with these distinctions that Marx makes between appearances in simple circulation and what is real in capitalist relations of production, he applies the political economists’ term ‘exchange-value’ and their concepts of ‘value’, ‘price’ and ‘money’ in an original way. Marx’s concept of money, which is for him just one form of ‘exchange-value’, is burdened with political significance. He believes that his analysis of the relation between capitalist production and simple circulation is novel and correct, while his opponents confuse circulatory phenomenon with productive relations, or the superficial with the real characteristics of bourgeois society.30

In charging Darimon with the ‘deliberate confusion of the requirements of credit with those of money circulation’, Marx observes that this is ‘a confusion upon which the entire secret of Proudhonian wisdom is in fact based’. On the one hand Marx attacks Bastiat saying that he simplistically interprets aspects of the circulation of capital, like interest, from the viewpoint of simple circulation only, as if independent of labour producing a surplus. On the other hand the Proudhonists claim that there is no simple exchange in this case though if it could be made so the system would be just, which Marx regards as merely fanciful. Darimon suggests abolishing the gold standard and issuing free credit, i.e. interest-free credit on demand; he treats credit as a saleable commodity. Furthermore in Darimon the banking system is assumed to control the issue of money (currency and credit) for circulation. Marx says this cannot be; the banks as then constituted could not completely control money and credit, for instance the quantity of money necessary for circulation. The point being made against the socialists is that money represents ‘exchange-value’, which is central to the bourgeois economy, and that relations of exchange are only an aspect of social reproduction, which is what really requires transformation.31

Now although Marx criticises such authors for treating credit as a commodity that can be exchanged, rather than only loaned as capital, Marx’s own treatment of interest-bearing capital later in Capital III is not wholly dissimilar. Nevertheless the socialist infatuation with credit inclines Marx to either minimise or underestimate the role of credit in capitalism. Marx conscientiously adopts a defensive stance diametrically
opposed to the utopian socialists’; his money system has a metallic commodity at its base, he minimises the significance of credit, and after giving it a secondary importance at this early stage in his economic studies he will never find time to systematically investigate it. Credit is simply a function of money, the universal commodity. Of course this view of credit, which sees it as simply economising on the use of ‘real’ money, as increasing the velocity of ‘real’ money, and which fails to recognise fully the purchasing power or possible price effects of credit, was quite prevalent in Marx’s time. In this context ignoring credit seemed to be a defensible position.32

Here in the Grundrisse the means of payment and unit of contracts function of money is linked (along with the two other aspects of ‘money as money’) to the M-C-M circuit, which seems to imply the circuit of capital. In later versions Marx stressed that all these functions evolved within simple commodity circulation, C-M-C, and downplayed any necessary structural connection between capitalistic relations and credit. Arnon suggests that this, along with his new ideas concerning the term ‘hoard’, was the primary distinction between the Grundrisse version of Marx’s theory of money and the version in A Contribution.33

For Marx the correct conceptualisation of ‘money’, ‘capital’ and so on, is crucial not only for analysing how the present society functions, but even more importantly for what is possible, and in terms of its probable consequences desirable, from the standpoint of the proletarian revolution. Marx’s concept of ‘money’ begins with responses to the challenges he made to Proudhon in the 1847 critique. But Marx’s ‘questions’ are really bald assertions in the form of questions, which tend therefore to imply their own conclusions, so that the ‘answers’ to them are often immediately given. For example:

It should further be investigated, or rather it would be relevant to the general question: whether the various civilised forms of money—metal coinage, paper money, credit notes, labour money (this last as a socialist form)—can achieve what is required of them without abolishing the production relation itself which is expressed in the category of money; and whether it is not then necessarily a self-defeating effort to seek to overcome the essential conditions of a relationship by effecting a formal modification within it. The various forms of money may correspond better to social production at various stages of its development; one form may remove certain shortcomings with which the other cannot cope. But none of them, so long as they remain forms of money, and so long as money remains an essential relation of production, can resolve the contradictions inherent in the money relationship, they can all only express these contradictions in one form or another.

Similarly his views on credit were quite dogmatic; credit cannot be regulated any more than money can, so, for instance, the availability of credit may hinder or aid investment, but in no way creates value. It seems that the contemporary political context influenced Marx’s views on and ultimately his theories of money, credit and crises in a particular way, which made their elaboration here in the Grundrisse rather defensive as regards his opponents’ claims.34
Marx criticised his political opponents for being utopian, impractical and idealist. In contrast his own theory needed to be thoroughly materialist and the theory of a money commodity seemed designed to fulfil this need. So too credit was simply a function of money for Marx, and crises just displayed themselves in a monetary form. Paradoxically Hegel was brought in to the service of materialism. While Proudhon had only absorbed the idealism of Hegel and some of his language, and grossly misused his dialectical method, Marx now attempted to use dialectics in a materialist way. His theory of money was peculiarly characteristic of this effort.

Dialectics and the money commodity

Marx’s analysis of bourgeois society is presented as a dialectical evolution of concepts, for example, product (value)—commodity (exchange-value)—money (independent exchange-value)—capital (self-expanding exchange-value), which recalls Hegel’s method in his Science of Logic. On 16 January 1858 Marx wrote to Engels to say that, with respect to profit, ‘Hegel’s Logic at which I had taken another look BY MERE ACCIDENT’ was ‘of great use to me as regards method of treatment’, and Marx then stated his unfulfilled desire to ‘write 2 or 3 sheets making accessible to the common reader the rational aspect of the method which Hegel not only discovered but also mystified’. Unfortunately Marx never conscientiously detailed precisely how he had utilised Hegel’s dialectics and tailored his method for his own materialist ends. The Grundrisse is littered with implicit as well as explicit references to Hegel. But Marx’s ‘Hegelianism’ involves critical usage, subtle pun, deliberate misusage, point scoring, illustrating at one time, proving Hegel wrong, or right at another. It has been widely observed that the ‘Hegelian’ influence is most marked in Marx’s writings on money, and is still evident in Capital I where explicit references to Hegel are minimal. In fact Marx’s elaboration of money in the Grundrisse is so ‘Hegelian’ in the pejorative sense that he even makes a note to himself at one point ‘to correct the idealist manner of the presentation which makes it appear as if it were merely a matter of the definitions of concepts and the dialectic of these concepts’ and this especially with respect to the series ‘product—commodity—exchange value—money.’

In his dialectical rendering of the development and functions of money, Marx’s historical references are scanty and selective. Ultimately the dialectic of concepts seems to bear the burden of the ‘proof’ that money is a commodity, that a money commodity necessarily arises in commodity circulation, and furthermore that this implies wage labour and capital too. It is as if the neat dialectical order of Marx’s theory is the evidence of its truth. Two examples follow, the first echoing Hegel’s discussion of identity, difference, opposition and contradiction:

The simple fact that the commodity has a dual existence, as a specific product which contains its exchange value in its natural form of existence as idea (in latent form), and then as revealed exchange value (money) which has discarded all connection with the product’s natural form of existence; this dual existence in two distinct forms must lead to differentiation, and the differentiation to opposition and contradiction.
It is inherent in money to fulfil its purposes by simultaneously negating them; to make itself independent in relation to commodities; to turn itself from a means into an end; to realise the exchange value of commodities by separating them from it; to facilitate exchange by splitting it; to overcome the difficulties of the direct exchange of commodities by generalising them; to render exchange independent of the producers to the same extent as the producers become dependent on exchange.

Considering Marx’s criticism of Proudhon some ten years earlier, it is difficult not to read such passages as ‘movements of pure reason’ because one starts with value and exchange-value, theoretical categories, not with ‘hard’ facts like prices and profits, and so the categories themselves seem to become theoretical ‘scaffolding’ supporting one another. Nonetheless Marx imagines that by defining the commodity as objectified labour he grounds his theory in the historical reality of class society, so that it is not idealist but based in actual capitalist practice. Yet the second quote above illustrates that Marx’s work sometimes does seem to indicate that money, or rather exchange-value (money being one of its forms), is a subject like consciousness (the Spirit) and this is idealist. Marx of course would object to this interpretation; in his ‘Introduction’ he discusses ‘exchange-value’ saying that it ‘cannot exist except as an abstract, one-sided relation of an already existing concrete living whole’, and that the ‘real subject’, society, ‘remains outside the mind and independent of it’. But in Marx the theoretical category itself seems to take flight, to be active. The contradictions he expounds seem contrived and, especially if one does not accept the assumption that money is a commodity, appear as logical contradictions undermining the theory of a money commodity itself. Again applying Marx’s criticisms of Proudhon, value or exchange-value is ‘forced to turn head over heels, in posing itself, opposing itself and composing itself—position, opposition, composition…thesis, antithesis and synthesis…the ritual formula: affirmation, negation and negation of the negation’. In his exposition real human activity is obscured by theoretical categories. Yet of course this becomes Marx’s critical point too; human beings are dominated by relations which appear to be those of objects, commodities, and not their own! Thus monetary relations, the ‘abstractions’ which dominate modern society, are ‘nothing but the theoretical expression of those material relationships which dominate the individuals’. But the proposition that these material relations of capitalist production involve the exchange of labour, albeit in the form of simple circulation, is in fact only a theoretical one. Even the ‘materialist basis’ of Marx’s theory leads us back to a theoretical interpretation, to theoretical categories. Yet Marx believes that the dialectics of his development of the theory of money arises from its actuality, so that this is not a ‘purely formal movement’, of the kind he accused Proudhon of constructing.

It seems relevant that the order of Marx’s analysis of money in simple circulation, and of how it leads to capital, has significant parallels with the way that he formulates the circuit of capital, for instance, in a summary of his formulations in Capital II where the circuit of capital is represented as:
P…C-M-C(Lp & MOP)…P

with P standing for production, C for commodity (capital), M for money (capital), Lp for labour power, and MOP for means and objects of production. This corresponds with Marx’s intent to present the categories not in their strictly historical nor purely abstract logical sequence but in the way that they are ordered by bourgeois practice, which implies nonetheless a certain logic and historicity. There are certain parallels too between the series, product/activity—commodity—exchange-value—money, and the order in which Marx gives the functions or ‘properties’ of money in the Grundrisse, viz. first as ‘measure of commodity exchange’, secondly ‘means of exchange’, thirdly as the ‘representative of commodities’ and finally as a ‘universal commodity’ found alongside other commodities. Firstly Marx discusses ‘measure’ in terms of labour accounting, of hours of abstract labour involved in production (activity), secondly the means of exchange realises the commodity, as distinct from mere product, thirdly particular commodities have an exchange-value, which is their general or social attribute, and therefore ‘must be’ represented in a general commodity, which is recognised as money, as a universal as well as a particular commodity, and it is this money, fourthly, which is capable of becoming capital. If these connections were intended it certainly seems that Marx, like Hegel, knew where he was going even if, here in the Grundrisse, he did not quite know how he’d get there. Behind all these developments of exchange-value Marx is characterising ‘alienated labour’ and its evolution. Although Marx’s ‘simple circulation’ can exist without capitalism, his theory of money is clearly developed from the perspective of an analysis of the bourgeois economy. As in Hegel’s development of logic, where a dialectical patterning is reiterated and overlays the whole, often Marx starts with a thesis, examines its contradictions or antithesis, and arrives at a synthesis which is at the same time a new thesis. For example the product becomes a commodity, implies money (its negation), and the two unite to form capital. And again, commodity circulation spontaneously results in the establishment firstly (logically) of a measure of value and then of a means of exchange which, when they are both combined functions of the one commodity, the money commodity, result in ‘money as money’, which implies capital.37

It seems as if Marx’s conclusion that money is a commodity, a money commodity, is his premise as well as his result, and that in his mind it must be a particular commodity to be consistent with a materialist approach. Marx’s theory of money lent itself to, or was conscientiously moulded into, a dialectical order and elaboration both regarding the place of ‘money’ in the wider analysis and with respect to the analysis of its functions. That Marx managed to describe the nature and functions of money in such a neat dialectical way seemed to wholly satisfy him in his belief that his theory of money was scientifically correct as well. Unless one has the kind of respect for dialectical logic that this in itself seems to indicate that Marx had, the conclusion that his theory of money is correct, or useful for analysing the bourgeois economy, can only be made by reference to actual fact, or empirical statistical data, with respect to which Marx’s theory remains inconveniently abstract. In this significant sense Marx was not a materialist; there is no clear and easy way that one can move from his theoretical values and money commodity to the real
world of prices and various kinds of legal tender and currencies, including forms of credit.

Marx identifies a series of contradictions arising from the fact that money is both a general exchange-value, a money commodity excluded from all other commodities, yet is a particular commodity itself ‘alongside’ them. That a commodity’s ‘exchangeability’ is externalised onto another in turn means that it may not be exchangeable at all. Also the direct exchange of products for one another now develops into two exchanges involving three elements so that again ‘their immediate identity ceases’, and equivalence is determined only through time and via ‘inequality’. Traders exist as well, dividing producers from directly exchanging with one another, trading money for money instead of exchanging for use, and leading to ‘a new disparity’. Given this new intent, to make money, traders open the way for trade crises. Finally, since money is both a particular commodity and the general equivalent:

money also comes into contradiction with itself and its determination because it is itself a particular commodity (even if only a symbol) and thus, in its exchange with other commodities, is again subject to particular conditions of exchange which contradict its universal unconditional exchangeability.

Such contradictions in ‘money relationships, seemingly in the character of money itself, are implicit in commodity circulation, says Marx. Labour tickets cannot eliminate these contradictions, which are inherent in the economic system, without production either becoming controlled by a ‘despot’ or being organised by an association owning the means of production in common, in other words without abolishing the current economic system itself. Money only appears to create the contradictions to which it gives a form.38

When Marx discusses buying in order to sell (M-C-M) he refers to money (M) in simple circulation, i.e. selling to buy (C-M-C), ‘as a mere medium of exchange for commodities; as the middle term; as a minor premise of the syllogism’. The three terms refer respectively to the commodity produced as an exchange-value, pure exchange-value in money, and finally the commodity bought to be a use-value. Does this indicate that Marx sees the exchanges C-M-C and/or M-C-M in terms of Hegel’s categories of the general, particular and individual? If so are these only loose parallels, or are they more subtle references to Hegel, say involving irony, pun, or paradox? Although as the measure of value money is constantly characterised by Marx as a ‘general’, for example as ‘the general denominator of exchange values’, it is also necessarily a ‘particular’ commodity. As means of exchange money is the actual particular commodity for which all others are first exchanged, yet Marx also says that in this function the money material is irrelevant, it is not ‘a particular commodity’ but simply ‘the general commodity’. Different schools of economic thought, says Marx, have in a one-sided way ‘clung’ to one view or the other; they have seen money as either only a ‘general’ or only a ‘particular’ commodity, and have not recognised the dialectic in reality, the subtle contradictions at play because money is both a particular and a general commodity. Furthermore money as a material representative of wealth (later ‘money as money’), say as a hoard, which must be the actual gold money commodity, is the individual money commodity, the unity and contradiction of the universal and the particular in both
measure and means. ‘In money, general wealth is not only a form but at the same time the content itself. The concept of wealth is so to speak realised in a particular object, individualised.’ Money is both the ‘general form of wealth’ and ‘in itself’ a unity of form and content, ‘the embodiment of wealth’. In a gold hoard money is ‘the individuality of general wealth’ and ‘the god among commodities’, it is ‘a particular tangible object’, and it is ‘exchange value as totality and also as abstraction’. The parallels with Hegel’s syllogisms involving the universal, the particular and the individual are not clear or direct but Marx does seem to use a triadic structure in developing the concept of abstract labour as materialised in money: firstly, qualitatively as measure of value, then quantitatively as means of exchange, and finally as a qualitative quantum, as representative of value (later referred to as ‘money as money’). This reminds one of his 1844 work, with the properties of money there projected onto the properties of the money commodity here, but he has introduced a very dialectical way of presenting the material, replete with a confusing use of language and concepts common in, but admittedly not unique to, Hegel. This is ‘confusing’ because he clearly utilises these terms and concepts in a fairly original and presumably, he believes, materialist way. A final example:

The activity, whatever its individual form of manifestation, and the product of the activity, whatever its particular nature, is exchange value, i.e. something general in which all individuality, all particularity, is negated and extinguished.

Presumably individuality refers to personal labour (production of value), particularity to the commodity produced by labour for exchange (circulation of value), and the general exchange-value ‘isolated by itself, individualised’ is money (reproduction of value via capital).

But even money as ‘the material representative of wealth’ cannot adequately represent value or exchange-value because it is finite. The dialectic of concepts leads inexorably on, money must become capital:

It therefore transcends itself as perfected exchange value.

As mere measure, money is already negated in itself as means of circulation; as means of circulation and measure it is negated in itself as money. Its negation in the last determination is thus at the same time its negation in the other two. Negated as mere general form of wealth, it must therefore be realised in the particular substances of real wealth; but in actually proving itself as the material representative of the totality of wealth, it must at the same time preserve itself as the general form. Its entry into circulation must itself be an element of its staying with itself, and its staying with itself must be an entry into circulation.

Money is not directly exchange-value in ‘its general concept’, which implies growing value; only in capital does money, exchange-value, show its perfect character. Like the final development of the concept of ‘measure’ in the Science of Logic, ‘money’ in Marx drives itself beyond itself in a ‘measureless’ infinite expansion. So how does exchange-value really become ‘self-expanding value’? Only, Marx replies, by ‘the return of
exchange value into labour’, its initial premise, and ‘of money into exchange value’, but now labour of a more complex nature, wage labour, and money therefore as capital.40

In simple circulation the voluntary exchange of equivalents for their usevalues may represent the reciprocal and mutually beneficial exchange of the equivalent labours of petty commodity producers, says Marx. But in capitalism the freedom and equality which characterise the formal sphere of simple commodity circulation are belied by capitalist relations of production; labour and property lose their simple identity to become not just different but opposed and contradictory, the two antagonistic classes of workers, who can only offer their labour power, and capitalists, whose contribution is wholly one of property. The ideals of equality, freedom and harmony appear formally in simple circulation, but without real content, a fact revealed only by analysing relations of production, which of course the utopian socialists and vulgar economists fail to do. Neither, according to Marx, acknowledge that all the aspects of circulation are determined by production, ‘its ground’. Proudhon and others insist on treating the relation between capital and labour in terms of simple circulation which is in fact only ‘the image of a process occurring behind it’. In capitalism there are two aspects to the ‘exchange’ between labour and capital, one a formal ideal act in the market; the other, which involves the consumption of labour power as use-value, is in fact quite different from simple exchange.41

Along with the so-called necessary development of money as a form of value in commodity circulation, Marx proposes that ‘the antagonism of wages and capital, etc., is already latent in the simple determination of exchange value and money’. Money creates the potential for ‘an absolute division of labour’, the sale of labour-power (as he later terms it) for money, money therefore as capital. The productivity of money as capital is a consequence of the productivity of wage labour. Wage labour and capital are ‘developed exchange value’ and money ‘its incarnation’. The relation between capital and labour involves the relation of exchange-value and use-value in that objectified, past, labour (capital) is opposed to active, productive, living labour, i.e. wage labour or ‘non-capital’. Money is just a form of exchange-value, a more developed form than the ‘simple commodity form, but less developed than capital ‘in which money in its perfected determination really first develops’!

As regards its content, exchange value was originally an objectified quantity of labour or labour time. As such it progressed, in the process of its objectification, through circulation until it became money, palpable money. Now it must again posit the point of departure of circulation, which lay outside of, and was presupposed by, circulation, in relation to which circulation itself appeared as a movement grasping it from outside and transforming it within itself. That is, exchange value must now posit labour; but now no longer as the simple equivalent or simple objectification of labour but as objectified exchange value become independent, which yields itself up to labour as its material, only in order to renew itself and from itself to begin circulation anew. And with that it is no longer a simple equation, a maintenance of its identity, as in circulation; but a multiplication of itself. Exchange value posits itself as exchange value only by valorising itself, i.e. by increasing its value. As
Marx’s dialectic of concepts draws ‘wage labour’ out of the use-value of the ‘commodity’, and ‘capital’ out of exchange-value expressed in ‘money’. (Note an apparent contradiction here with the claim that money incarnates developed exchange-value, above.)

In a sense Marx seems to be talking about what’s ‘out there’, rather than simply developing concepts. However Marx’s description of what is happening is clearly dialectical in style, and the terms that he uses refer to his theoretical determination of different configurations of value and to his theoretical assumption that the source of value and its forms relate to labour. Also his description of ‘capital’ follows a clearly Hegelian plan:

*Capital*

I. **Generality**
   (1) [capital to money, labour/capital, means and objects of production]
   (2) *Particularisation of capital*...
   (3) *Singularity of capital*...

II. **Particularity**
   (1) Accumulation…
   (2) Competition
   (3) Concentration…

III. **Singularity**
   (1) credit
   (2) share capital
   (3) money market

And when Marx presents money as capital, he writes of circulation being ‘negated in each of its moments—as commodity—as money—and as relation between them’, of how social production had resulted in circulation but that ‘circulation itself now goes back into the activity that posits or produces exchange values’. The premise becomes the result and vice versa. ‘It goes back into it as into its ground,’ he concludes. Money is only one of a series of dialectically produced categories which Marx presents as part of his theory of value, but which he also sincerely believes to be a simple reflection or description of the underlying movements constituted by bourgeois practices. It seems that Marx cannot see that his dialectical interpretation and presentation is a matter of choice, and imagines that dialectics truly reflects the actual movement of social forces and their interaction with nature.
Prices and values

Marx’s presentation makes it difficult to work out exactly how one is meant to grasp that the law of value is expressed in or revealed by exchange, yet also distorted and camouflaged by monetary relations. This difficulty is not isolated to the *Grundrisse* and is central to recent debates discussed in the final chapter. Here, where the exposition in the *Grundrisse* is the focus, it suffices to ask: if, in order to interpret the social system, one works with empirical facts in price terms (such as economic statistics), how can one discover the expressed and reflected (value) in what is transformed or distorted (price)? A primary problem is that Marx tries to have it both ways; while he stresses their theoretical distinction, in many examples and models he makes price equal value.

According to Marx, prices, the apparent result of supply and demand, are ultimately determined by the law of value, or costs of production, ‘by the labour time required for…production’. Pricing and realisation of exchange-value are distinct in Marx. Prices, which involve money as the measure of value, are determined quantitatively prior to exchange, while exchange involves money qualitatively as a means of exchange:

Every particular commodity, in so far as it is exchange value and has a price, itself expresses only a definite quantity of money in an incomplete form. For it must first be thrown into circulation to be realised, and because of its particularity, its realisation remains fortuitous.

Thus Marx’s theories of the quantity of money in circulation and so on all assume that ‘pricing has nothing to do with actual sale’! The realisation process is simply described as the ‘positing’ in money of what is notionally already posited by the price. Certainly, once the process of realisation is his focus, Marx admits that ‘if the commodity cannot be converted into money, it appears devalued, deprived’. Nonetheless he seems to think that his initial proposition can stand; prices are exchange-values ‘measured by’ or ‘compared with’ money, i.e. ‘nationally’ by the social mind. Marx says that because this is merely a thought process the quantity of money circulating is irrelevant to the constitution of prices. For Marx the quantity of money necessary for circulation is derived from the prices of commodities, and not vice versa.

The lack of clarity in the distinction between ‘value’ and ‘price’ is partly a result of Marx’s dialectical style, particularly of his treatment of value prior to price. Yet, value is derived from prices in a real sense, i.e. as the intellect comprehends reality, or as theory is created out of practice, and Marx’s reversal constitutes a theoretical sleight of hand. ‘The market value,’ writes Marx in a paragraph where he attempts to make value and price distinct:

equates itself to the real value by means of its continual fluctuations, not by an equation with real value as some third thing, but precisely through continual inequality to itself (not, as Hegel would say, by abstract identity but by a continual negation of the negation, i.e. of itself as the negation of the real value).
This suggests that prices oscillate around value or value is the average of prices. At one point Marx says that exchange-value is a ratio (between different commodities) while price is an expression of that ratio in just one term, using an amount of the money commodity as the pricing unit. Price is also defined elsewhere directly as ‘exchange value…expressed in money’. Nonetheless there are three theoretical terms which are obviously intended to be quite distinct, namely ‘value’, ‘exchange-value’, and ‘price’.

‘Value’ is a very abstract quantity of labour-time averaged out over a lengthy period. Marx gives an example of coffee prices over a quarter of a century. But in his example he expresses such ‘value’ by way of a nominal standard of price for an amount of the commodity, i.e. ‘1 pound of coffee’ is equal to ‘1 shilling’, while just before he has spoken of a pound of gold as being worth, i.e. having a ‘value’ of, say 10 hours or 20 hours of socially necessary labour-time, depending on the period. None of the amounts as quantities are important here, and might just as well be referred to by algebraic symbols, as Marx does himself on occasions. What is relevant is the inclusion of terms, like ‘price’ say, within a definition of ‘value’ when, to all intents and purposes, Marx’s aim is to make clear their distinction. The first example mentioned above suggests that ‘value’ can be referred to in terms of a price, that price being expressed in terms of a nominal standard of price ‘shillings’ not even directly in terms of the money commodity, gold, let alone in socially necessary hours of labour-time. He correctly observes that business people speculate in terms of average prices over numbers of years. But the ease with which Marx moves here from shillings to an amount of the money commodity, to an amount of another commodity, and then again to an amount of socially necessary labour-time, at least superficially suggests that he sees no great theoretical difficulty in converting from one to the other. (This matter is significant because in later works the same objections remain.) It is as if, too, there is no distinction between a shilling piece, or a price paid in legal tender shillings, and a certain amount of the money commodity. This raises certain questions regarding the nature of money currency, which may not be freely convertible at all times and, even if it were, re-circulates as distinct from the commodity proper, which must be reproduced. This seems to introduce factors that throw doubt on the application of the concept of a fixed amount of socially necessary labour-time in respect to the money commodity and therefore make it problematic for money to be referred to as a commodity. It is also curious because Marx claims that ‘value’ is a scientific term that refers to socially necessary labour-time which is not easily expressed as price, otherwise the concept of value itself could be reduced to an ‘average price’.

The term ‘exchange-value’ would be a clearer category too if Marx refrained both from using it synonymously with ‘value’ sometimes and at other times confusing it with the concrete concept ‘money’. In simple terms—avoiding the use of ‘money’ and ‘value’—it seems that the ‘exchange-value’ of an article is the rate at which it exchanges for another commodity and is expressed by way of an amount of that commodity. Money is introduced as a particular commodity, which at the same time acts as a general equivalent, or measure of ‘value’, and as a means of exchange for all commodities. Through the mediation of money the exchange-value of every other commodity is both expressed and realised. Nonetheless Marx indicates that the value of the money commodity is determined by the law of value, the socially necessary labour-time involved in its production. Marx’s elaboration of these terms, referring to the three levels of analysis, i.e. labour accounting, physical amounts of commodities, and money prices, is
convoluted. Questions must arise given that Marx in practice intermingles these terms on occasions, yet obviously sees their theoretical distinction as an important aspect of his analysis.

In summary it is very difficult to bring together the three (regularly reduced to two) different orders of theoretical analysis and of actual empirical practice (of prices encountered every day in the market place); i.e. how do ‘values’ explain ‘prices’? Too often Marx’s analysis self-righteously proceeds from a simple abstract (value) to a complex abstract (price), rather than from a theoretical abstract to the kind of concrete which is easily recognisable as approximating the category that we call ‘price’ in capitalist practice. He seems to have no inkling here of the ‘transformation problem’ that he later at least partially acknowledged in Capital III.

Marx fails to show in sufficiently rich detail or seems to be unconscious of the fact that the theoretical introduction of each function of money, say of 67 money as a means of exchange, potentially revises the former discussions, say of money as measure of value. It seems obvious that the categories dealt with earlier would gain new qualities or meanings within the context that money had ‘developed’ other functions. The point is that dialectical logic requires that a certain sequence of development of terms be followed, while actually functioning money has several functions all at once and the priority that Marx gives the measure of value function, for instance, is not readily observable in reality nor is it theoretically clear in Marx’s work here in the Grundsrisse. For instance, the very basis of Marx’s theory of the quantity of money necessary for circulation is based on the presumption that values and prices are determined prior to circulation. Also credit and credit monies are scarcely treated here, and only well into his analysis of ‘money’, when in fact they are commonplace in bourgeois society. These categories would-seem to demand a re-appraisal of the ‘measure of value’ and ‘means of exchange’ functions of ‘real money’. All of these points involve the confusing and inadequate definitions of ‘value’, ‘exchange-value’, and ‘price’ and the special character of the ‘commodity’ which becomes ‘money’ in Marx’s Grundsrisse.

Marx’s law of value is based on a concept of ‘general social labour’ so that his unit of labour accounting is a kind of composite average labour expressed in an amount of time necessary to produce certain products. This general social labour is different from concrete particular labour which is directly involved in the actual production of use-values. According to Marx it ‘must be expressed not in its immediate and particular product, but in a mediated and general product’ as well as ‘in a particular commodity which represents all others’ and this is ‘money’ for which all commodities are exchanged. In this explanation Marx purports to represent the real process of capitalist production and exchange. However this is a commodity money which, in being a particular commodity produced by a specific labour, would seem to introduce difficulties for its satisfactorily representing ‘general labour. Marx usually ‘explains’ any of these difficulties that he recognises in terms of dialectical contradictions which are natural, and either self-resolving or remain perpetually unresolved.

The greatest difficulty is that what Marx says is impossible in capitalist exchange, namely the direct representation of labour-time, is what he often assumes in his labour accounting when for theoretical simplicity he makes prices equal to values. As indicated this is not just simplifying but appears simplistic. Marx also says that, while the money commodity is the product of a particular labour, it is also ‘labour time as general object,
or the objectification of general labour time, labour time as a *general commodity*. What this actually means if it does not refer to something which is a direct representation of labour-time, or at least a symbol of the same, is not immediately clear. However Marx is in the process of redefining both labour as it constitutes value as ‘abstract labour’ and labour-time as involving only ‘socially necessary’ labour, making these distinct from the concrete or actual labour-time put in by the worker in each individual instance. Apparently Marx believes that such redefinitions suffice to explain how he can take his money commodity to represent ‘labour-time’ directly and materially, i.e. he is now dealing with ‘abstract labour’, while he regards it as illegitimate for his opponents to do likewise because they presumably always refer to concrete labour-time. Marx’s critique of the utopian socialists’ monetary proposals does indeed concentrate on their lack of appreciation of the kind of labour and labour-time that commodity production involves. Nonetheless one is still left with numerous questions about the content of, and translation between, the terms ‘value’, ‘exchange-value’ and ‘price’ in Marx’s analysis. All such questions involve ‘money’ by implication.46

**Alienation**

How does the ‘alienation theory of money’ turn into a ‘theory of a money commodity’? To what extent is Marx’s elaboration of the concept of money couched in terms of ‘alienation’, ‘mediation’ (not always in an Hegelian sense) and so on? In the mid-1840s Marx was already familiar with the idea of a ‘money form’ from Engels’ work and viewed money as a ‘mediator’, like Christ between God and man in his critique of Mill. In such early works, reviewed in chapter 2 above, he saw the properties of money, of exchange-value, as the displaced properties of ‘estranged labour’, as the “‘alien essence” of labour’, as the ‘alienated ability of mankind’. Marx talked of money as a ‘worldly God, objectified labour was reified in money as the ‘sensuous even objective essence...alienation’, a form of private property, materialised exchange-value. By the time that he wrote the book against Proudhon money had already ‘become’ a commodity for Marx, although there, influenced by Ricardo, he transitorily adopted the idea that the value of a money commodity like gold was determined exclusively by the demand for and supply of it. Soon though he decided that the values of gold and silver conformed to the law of value and were determined by costs of production, or more exactly by the socially necessary labour-time involved in their production. Works like Tooke’s presumably gave him confidence to take this decision.47

The idea of alienation does not seem to conflict in Marx’s mind with his theory of a money commodity; the *Grundrisse* contains sustained passages on alienation and money which in later works were reformulated as the theory of commodity fetishism. Marx’s theory of money describes the development of a ‘general equivalent’, a money commodity which exists alongside other commodities, ‘alienated’, and ‘following its own laws’. Production for exchange implies alienation, that is the product is alienated by or appropriated from the producer; circulation is an alien, objective, uncontrolled and uncontrollable realm, the autonomous marketplace. Here money is exchange-value ‘external to and independent of the producers’, outside their control; money is independent exchange-value, exchange-value not only independent of the use-value of
the commodity but also independent of its producer. The character and contradictions of alienated labour are projected via the commodity onto money (and finally capital). This means that ‘in money (exchange value) the objectification of the individual is not that of himself in his natural character but that of himself in a social determination (relationship), which is at that time external to him’. Exchange-value is ‘the universal mediator’ between private yet ‘socially determined’ interests, and in the simple exchange of commodities money directly mediates exchange. The social bond is expressed in money; social power is contained in one’s ‘pocket’. ‘It is itself the community,’ Marx writes of money, ‘and cannot tolerate any other standing above it.’ In its third determination, i.e. money as a material representative of wealth, money becomes the ‘celestial existence’ of value against the commodity’s ‘earthly existence’. The producers’ individuality, their particularity, is submerged in a standard commodity; their interconnection is not direct, under their control, but ‘appears to the individuals themselves alien, independent, as a thing’, in the various commodities’ prices and as the power of money. One sees then both ‘the universality of the estrangement of individuals from themselves and from others’ and ‘the universality and generality of all their relations and abilities’. Through the mediation of money all is bought and sold, leading to avarice and prostitution in the broadest sense.48

Just as Engels saw the money system as a step on the way to human liberation, Marx sees this social development as the mid-stage in human social history. Having overcome the personal dependence which characterises the first kind of society, individual interests are nonetheless ‘mediated by things’, subordinate to a system of exchange-value or money, which is both means and end. The third kind of society, for which this second lays the basis, allows ‘free individuality’ and the ‘communal control’ of social relations. In line with this perspective Marx’s tract on money presents a two-sided view of money. It is romantic to believe in a return to the first stage, and the focus on exchange-value in the second unleashes forces of production which create a level of social development necessary for the final stage of liberation in which, of course, neither money nor exchange-value have a prominent place. It is from this grand view of human history that Marx belittles all the proposals of Darimon, Proudhon, Gray and Bray for new forms of money or money systems. In the new world of communism, or real socialism, money will have no place at all.49

Later in the Grundrisse, in the chapter called ‘Capital’, Marx writes:

It is important to note that wealth as such, i.e. bourgeois wealth, is always expressed to the highest power in exchange value, where it is posited as mediator, as mediation between the extremes of exchange value and use value themselves. This middle term always appears as the completed economic relation, because it comprises the opposites, and always ultimately appears as a higher power than the extremes themselves, but in a one-sided way; because the movement or the relationship which originally appears as mediating between the extremes, must dialectically come to appear as mediation with itself, as the subject of which the extremes are merely the elements. It transcends their autonomous premises, and by doing so posits itself as that which alone is autonomous. An example in the religious sphere is Christ the mediator between God
and man—mere instrument of circulation between them—becomes their unity, God-men, and as such becomes more important than God; the saints more important than Christ; the priests more important than the saints.

Just as money mediates in simple circulation, capital mediates production and circulation:

*Capital* is the immediate unity of product and money, or, better, of production and circulation. So it is in turn itself something immediate, and its development consists in positing and transcending itself as this unity, which is posited as a specific and therefore simple relation. The unity initially appears in capital as something simple.

Besides the dialectical style one notices that the theme of alienation underlies Marx’s analysis of bourgeois society; a fact which is even more marked in his passages on labour, that is ‘alien labour. Again the relation between wage labour and capital is a most extreme form of estrangement’ but is, nonetheless, ‘a necessary transitional stage’, laying the basis for ‘the total, universal development of the productive power of the individual’. The properties of the labour of the petty commodity producer or wage worker are transferred—by objectification in commodities—to the highest forms of exchange-value in either system (respectively money and capital). Money, as measure of value and as medium of exchange, mediates the exchange of productive activities in the form of commodities; when the two functions unite in ‘money as money’ there exists the potential for ‘capital’, an independent, dominating, alien power. The formal independence of money is given substance in capital; in Marx money as capital becomes a subject which mediates between and rules as an alien force over the productive activities of social individuals.  

In religious reification the thoughts and feelings of people are projected onto a superhuman idea of ‘God’. In commodity production and exchange, as labour is objectified in commodities, the actual ‘being’, or the skills and energy, of the producers is in social fact embodied in alienated products. Commodity fetishism in bourgeois society is not a subjective or false interpretation of the social process, as Marx says the utopian socialists (Owenites) suggest; it is not as if people merely imagine that all the powers of labour are instead the attributes of capital. According to Marx labour is actually objectified, embodied in products, alienated, appropriated as commodities; the reification which occurs in thought in the religious realm occurs in fact as commodity fetishism in the social process of commodity production and exchange. Money does not simply arise as a thought, as an idea, as God does in religious alienation. As far back as the tract *On the Jewish Question* Marx talks of money as a ‘worldly God’, and later as ‘sensuous’ and ‘objective’, and as ‘the existing and active concept of value’. It is not surprising then that Marx decides that money must be a commodity, a product, and that he counterpoises this tangibly material object and ‘money subject’ to the utopian socialists’ labour money. Money in gold or silver ‘possesses its own materiality or substance… and it is just this which gives it its independence’. Money then is a veritable ‘god’ among commodities, and not a mere thought-form. Although Marx makes a more telling analogy in *Capital I* between money and commodity and king and subject, he never dispenses with the religious one.
It is consistent with the emphasis in Marx’s theory of commodity fetishism on what is considered by him to be a real, objective, social process, that money must be a commodity itself, just as it seemed to be in fact, as gold and silver. But given the broad use of token and credit monies, and credit too, is it legitimate for Marx to assume that metallic money is the ‘proper’ and only really valid money for bourgeois society? Is the necessity for money to take the form of materialised exchange-value clearly demonstrated in empirical fact?

The material of money

Money spontaneously arises in commodity exchange, it is not simply a convention, says Marx. In international trade only gold and silver suffice to settle balances. In *The Poverty of Philosophy* Marx decided that the question as to why gold and silver became money was ‘no longer within the domain of political economy’ and that Proudhon ought not to have seriously considered it. In the *Grundrisse* however it becomes one of his preoccupations, he misrepresents Proudhon and does a double-turn himself:

The analysis of the precious metals as the subjects of the money relationship, the incarnation of that relationship, does not therefore lie, as Proudhon believes outside the sphere of political economy, just as little as the physical nature of colours and of marble lies outside the sphere of painting and sculpture.

In later writings he returns to his initial position, recognising that according to his own principles the identification of material properties with social attributed is incorrect. Nonetheless he will continue to say, as he does here, that ‘the properties which the commodity has as exchange value, and which are not identical with its natural properties’ are best expressed by the 72 precious metals of greatest purity like gold, and silver, which are durable, scarce, homogeneous, divisible and reconstitutable, easily transportable and dense (i.e. as exchange-value).\(^{52}\)

Marx does not distinguish which features might best suit the various functions of money, and in certain senses his focus seems consistent with seeing wealth directly in the gold form, which he believed muddle-headed. ‘If 1 bushel of wheat is priced at 77s. 7d.,’ writes Marx, ‘it is expressed as another thing to which it is equal, as 1 ounce of gold, as a ratio, as exchange value.’ Having presented their equality in this way, we then discover that it is rather via labour that each are equal. Also the ‘middle term’ here, the 77s. 7d. which disappears having done its work, is currency, and by no means necessarily metallic. Marx ignores the questions of the ineffectiveness or absence of regulations involving necessary reserves to support the currency, and the role (cost) of the minter, and of the relative power or confidence in the legal authority that stand behind paper tender, or the use of other tokens and substitutes like bills of exchange. Only later does he distinguish the characteristics of exchange-value found in commodities from those found in money, i.e. the ephemeral, use-value-bound and particular nature of exchange-value in commodities and the permanent, pure, and general nature of exchange-value in money. Only later still does he acknowledge that if money is held aside from circulation
then ‘it collapses into its own matter, which remains behind as the inorganic ashes of the whole process’; it becomes simple metal, extra-economic nature. Given that as capital money must be constantly thrown back into circulation in order to represent self-expanding value (it must constantly circulate) and given that as a means of circulation Marx has said the materiality of money is irrelevant, one must wonder if, within the circuit of capital, gold money really is the proper or adequate ‘standard’ for paper money, tokens of value and credit. Can the latter alone not suffice in the continuous trade of capitalism, if gold lying idle is not real wealth at all? Indeed does paper not even more adequately fulfil the requirement for a durable, divisible, homogeneous, and so on, money given its management by banks and the state? Even in terms of certain aspects of Marx’s analysis then, when one comes to money as capital the most adequate concept of money seems to be of a dematerialised variety (as discussed in the final chapter).53

Again the dialectical presentation of the nature of money, function by function, but without an adequate appreciation of the interrelations between the various functions, conceals certain seemingly non-dialectical contradictions between practice and theory. For instance even in Marx’s day, as he indicated, the gold standard and promise of permanent convertibility failed in times of crises; significantly, a pure metallic monetary system never actually existed. Credit and credit money are and were commonplace and any theory of money has to account for them. Marx accounted for neither satisfactorily. His theory of the money commodity emphasised a form of money which constituted a minor part of the currency and his claim for its qualitative significance is not clearly supported empirically.

Marx’s theory of money cannot be neatly categorised as can other theories of money that generally fall into two distinctive, ‘commodity’ or ‘nominalist’, streams. It must be seen as a unique theory in which the ‘commodity’ is understood in philosophical or social terms as alienated human being, labour. With respect to money as a medium of exchange Marx’s theory is superficially at least a nominalist one. As regards money as a unit of account or measure of value Marx argues for the necessity for a commodity standard, the value of which is determined by the costs of production. This tension does not concern Marx, the dialectician who prides himself in grasping concepts, and the reality to which they refer, in a more than one-sided way, and who presumes that such theoretical contradictions simply reflect or evolve from real ones.

The Grundrisse version clearly shows the political context and significance of Marx’s theory of money, as well as the contribution of Hegel to his elaboration of the subject. But it fails to show that his theory explains empirical reality.

APPENDIX ON ROSDOLSKY

In his commentary on the Rough Draft Rosdolsky makes some controversial remarks about how Marx presents ‘money’ in the Grundrisse version, in particular he says that Marx flirts with a “symbol theory” that he later dispensed with. Rosdolsky claims that regarding a commodity theory of money Marx ‘initially’ had ‘certain hesitations which are evident in the Rough Draft’. He elaborates:
For Marx, as also for Lassalle, who had learnt from Hegel, it was an obvious step to take to view money as the embodiment of value in the sense of ‘the Ideal, the Universal, the One’, in contrast to commodities, which in Hegelian terms represented ‘the Real, Particularity, the Many’. And, like Lassalle, Marx too was at first inclined for just this reason, to regard money as a mere sign of value…or a ‘symbol’…Of course…Marx repeatedly emphasises that ‘even if only a sign’ money ‘must consist of a particular commodity’…However the way he expressed himself in Notebook I of the Rough Draft…stands in glaring contrast to the real meaning of Marx’s theory of money, and as a consequence had to be dropped later. This took place in the Contribution, and after that we can find no trace of this ‘symbol theory’ in Marx’s work.

Rosdolsky’s interpretation demands comment, particularly because confusion on such points is not limited to Rosdolsky. For instance, Arnon criticises Rosdolsky’s claim on two counts, but makes dubious assertions in the process. His personal judgement is that ‘the symbol theory of money is not false’, and he maintains that Marx reserved it to explain credit and credit money, which is why, he says, it was not mentioned in Capital I. In fact the ‘symbol’ theory is present in Capital I, and with respect to all currency, including gold coin.54

Rosdolsky claims that ‘initially’ Marx followed Lassalle (and Hegel) in viewing money ‘as a mere sign of value’. As evidence he cites a letter written on 1 February 1858 by Marx to Engels about Lassalle’s work on Heraclitus; Lenin on Lassalle and Marx’s theory of money; and an extract from Hegel’s Philosophy of Right. Money here is seen as the ‘One’, as against the ‘Many’ of commodities, writes Rosdolsky. Already, in chapter 2 above, Marx’s early possible and later clearly stated views on Hegel’s text were discussed and it was concluded that there is little evidence from his limited commentary on this work that Marx initially embraced Hegel’s ideas. But neither is there evidence that is clearly to the contrary, until later. It must remain an open question looked at from this source alone. The text in the Grundrisse states though that money is a particular as well as a universal, while Hegel had seen it as a universal that was not a particular. This seems to clearly distinguish Marx from Hegel.55

Uchida, who has carefully compared and contrasted the Grundrisse with the Logic, makes several pertinent points. Uchida recalls Hegel discussing the relation between the ‘one’ and the ‘many’, as quality becomes quantity or ‘being-for-itself in the Logic, and he too suggests that this is Marx’s model for the commodity’s becoming money. Uchida says that Marx was unfamiliar with Hegel’s First Philosophy of Spirit (1803–4) in which Hegel inadequately attempts to bridge ‘a crucial gap between labour as a real measure and money as a convenience’ by seeing ‘money as “the form of unity” which exists as “the general” in a material thing and represents all needs’. Uchida claims that there, what Hegel ‘implicitly’ describes in the ‘one’ and ‘many’ relation, is alienation. Remarkably, Uchida goes on, Marx adapts his knowledge of Hegel’s ‘one’ and ‘many’ as in the Logic to his analysis of the value-form, VF1–4. This analysis appears more elaborately in Capital I (and similarly in A Contribution), following the Grundrisse version, wherein Uchida observes that the fact that VF3 is implicit in VF2 ‘can be understood more easily with reference to Hegel’s “one and many”’. The earlier draft ‘has distinct limitations’ though,
according to Uchida, due to the fact that Marx fails to make ‘value’ and ‘exchange-value’ distinct. Furthermore Uchida claims that the famous note that Marx makes to himself in the *Grundrisse*, to make his description sound less idealist, ‘does not mean that Marx abandoned his use of Hegel, but rather indicates the necessity of replacing “the commodity becomes money” with “value-form and the process of exchange”, where Marx applies Hegel’s logic of “one and many”!’ It seems then that Marx adapted and developed the ‘one’ and ‘many’ model for his own purposes, so that Hegel’s influence is retained in Marx in the mature versions of his theory of money. However, like most adaptations that Marx made of Hegel’s method, there were significant differences with Hegel. Marx did not see money as a universal rather than as a particular, as Hegel seems to have. This is quite clear even in the *Grundrisse* text. In summary Marx continued to use the ‘one’ and ‘many’ model idiosyncratically, without implying that he had taken on board the idea that money was an abstract that was not a particular, nor that money in every facet of its character was just a symbol of value, which is the significance that Rosdolsky seems to give it.56

A careful reading of the text reveals that Marx’s over-use of the word ‘symbol’ ought not be interpreted as adherence to a nominalist alternative to what even here was clearly developing as a theory of a money commodity. The main claim of a nominalist, sign, credit or indeed, we assume, ‘symbol’ theory of money is that money is valueless in itself, that its value is determined by its purchasing power. Marx was clearly opposed to this view as his attacks on the Proudhonists from the mid-1840s testify. In fact Marx’s limited application of the description of money as a symbol—in the *Grundrisse* Marx analyses money in circulation as simply a symbol of value—is not absent from the ‘final’ version of his theory of money in *Capital I*, where in fact it heads the relevant section, i.e. ‘Coin. The Symbol of Value’. Marx adopted a so-called ‘symbol theory of money’ strictly to make sense of currency, which he saw distinct from money as a measure of value and standard of price. If this is, as Rosdolsky says, ‘in glaring contrast’ to the ‘real meaning’ of his theory, it remains so in the most advanced version! This then is an ambiguity within Marx’s theory of money proper, and not one between an earlier and later version of it.57

Also the ‘evidence’ that Rosdolsky cites relating to Lassalle actually belies his conclusion, while correspondence he ignores shows just how little respect, intellectual or otherwise, Marx had for Lassalle, and further that he had serious differences with him precisely with regard to ‘money’.

The publication of Lassalle’s book, and more particularly the period in which Marx received and read it very early in 1858, postdates his writing of the relevant Notebook I (as mentioned above, late in 1857). Perhaps Lenin led Rosdolsky astray for he notes from Lassalle’s 1858 publication a quotation from Heraclitus by Plutarch, comparing gold money and commodities with fuel and fire respectively. Value is viewed by Lassalle idealistically; Lenin quotes from Lassalle speaking of value as “‘not something actual’”. Continuing on, Lenin quotes from Lassalle that “‘all money is merely the ideal unity of expression of value of all real products in circulation’”. Furthermore Lenin suggests that Lassalle’s musings reflect ‘conversations with Marx and letters from him’ but Lenin gives no specific references nor any other supportive details.58

In *Capital I*, which of course was written much later, Marx added a foot-note to his text on the means of circulation, quoting from the Lassalle work, in Greek, Plutarch’s
rendering of Heraclitus. ‘As Heracleitus says, all things exchange for fire, and fire for all things, just as gold does for goods and goods for gold.’ Marx adds to this, ‘Lassalle, in his note on this passage, p. 224, n. 3, erroneously makes money a mere symbol of value.’ Was this a departure from an earlier position?59

It seems clear from Engels and Marx’s correspondence even in early May and late December of 1857 that they thought very little of Lassalle. It is difficult to believe that Marx was under his influence regarding money when he wrote the relevant passages in October of the same year. Lassalle’s work on Heraclitus arrived at Marx’s some months later on 28 January 1858. Swiftly, on 1 February, Marx wrote to Engels calling it ‘a very silly concoction’ and Lassalle ‘a schoolboy’ with a swollen head. He explicitly notes the Heraclitus quote by Lassalle about gold becoming its opposite in all things and vice versa:

Here, Lassalle says, gold means money (c’est juste) and money is value. Thus the Ideal, Universality, the One (value), and things, the Real, Particularity, the Many. He makes use of this surprising insight to give, in a lengthy note, AN EARNEST OF HIS DISCOVERIES IN THE SCIENCE OF POLITICAL ECONOMY. Every other word a howler, but set forth with remarkable pretentiousness.

It is uncertain what Marx meant exactly by ‘this surprising insight’, whether he meant to send Lassalle up, or alternatively felt Lassalle had stated an obvious fact.60

At the very end of May Marx wrote a highly complimentary letter to Lassalle describing the work as ‘brilliant’ despite ‘minor scruples’. Of course, not surprisingly, he felt forced at the same time to beg Engels’ forgiveness for this generosity which was not genuine. On ‘the plaudits’ that he had felt ‘obliged to accord Heraclitus’ he excused himself partly by suggesting that he had ‘hinted at the real shortcomings of the enterprise’, ‘if very piano-piano’. By this time Marx was depending on Lassalle as a go-between with his publisher; so diplomacy was the word. But there continued to be no hint of respect for Lassalle’s views on any subject at all, let alone on money, which had been of consuming interest to Marx right through this period.61

Several months after the Grundrisse Notebooks were completed and the publication of A Contribution was nigh, Marx wrote to Engels with details specifically on his differences with Lassalle regarding money. At this point he acknowledged that Lassalle ‘may be a trifle stunned by the terrible knock on the head dealt him indirectly by my analysis of money’, and proceeded with a profuse quote from Lassalle with a few bracketed damning comments from himself and telling conclusive remarks. Lassalle had explicitly expounded an idealist, nominalist theory of money to very few details of which Marx would be expected to subscribe, even just from the evidence of his other writings. Marx acknowledged that he had once ‘adopted Ricardo’s theory’, the one that Lassalle suggested here had a tradition as far back as Heraclitus. Nevertheless he saw that Lassalle might well take his recent exposition, in which Marx ‘paid not the slightest heed to this Talmudic wisdom but roundly slatid Ricardo for his theory of money’ as ‘a personal insult’.62

All of this tells against Rosdolsky’s additional claim that Ricardo’s focus on money as a medium of circulation had also influenced Marx towards a so-called ‘symbol theory’ of
money. As pointed out in the previous chapter, Marx had rejected Ricardo’s theory of money many years before, precisely because the latter accentuated money as a means of exchange. In short it is difficult to find anything by Marx himself that decisively supports Rosdolsky’s conclusion that Marx seriously flirted with a ‘symbol theory’ of money in more than the limited context of money’s function as a medium of exchange. And to that extent he continued to acknowledge the partial utility of the opposition’s view through all versions of his theory of money, as indeed he continued to apply Hegel’s discussion of the ‘one’ and the ‘many’ to analyse and describe the ‘value-form’.
A CONTRIBUTION TO THE CRITIQUE OF POLITICAL ECONOMY

Introduction

In mid-1858 Marx indexed the Grundrisse notebooks so as to start on Book I of a massive project on political economy which was planned to comprise six books. All through the spring he complained that, even though ‘the material was to hand’—it represented one and a half decades of research and thought—he had difficulties assembling and presenting it to his usual standard. In November he admitted that the abstract nature of the work demanded more detail than he had anticipated; Book I itself would require two publications, with the third chapter on ‘capital’ separate from the other two chapters. Initially he hoped these might be issued all together. The first chapter on the commodity was new compared with the Grundrisse draft. The second chapter on money and simple circulation was also ‘only sketched in the briefest outline’ in the Grundrisse. Through all this his progress was hampered by poor health, financial difficulties and domestic problems.1

Correspondence suggests that three factors in particular determined the direction of his work and the nature of his presentation; they were political ones, scientific ones, and ones associated with German censorship. When the manuscript called A Contribution to the Critique of Political Economy (A Contribution) was sent off, Marx instructed Engels to follow Lassalle’s advice and withhold the title, the contents page and the foreword for mailing to Lassalle’s home instead. This might avoid the government postal inspectors discovering the title which otherwise ‘would give them the key to the whole secret’. Yet Marx presumed that the ‘scientific’ style of the work would make it ‘unobjectionable to the police in the ordinary sense’.2

Marx rationalised the proposal to stagger the publication of the first book into two parts by pointing out that the first eschewed the subject of capital and had ‘an EXCEEDINGLY serious and scientific air’. He reasoned that its readers would be prepared, consequently, to take the politically charged and clearly anti-bourgeois sequel more seriously. However, the fact that it was so abstract and not overtly political probably contributed to its being ignored in Germany and, Marx thought, its being beyond the North American proletariat even though it was reviewed there. Still in his estimation the scientific nature of the work was crucial to its political role. ‘I hope to win a scientific victory for our party’, he wrote to Weydemeyer. And to Lassalle he stressed that he had ‘scientifically expounded’ an original perspective on social relationships, and that his duty to the Party was to make sure that its style was unaffected by his bad health.3

Marx thought that, besides all else, his chapter on money would interest specialists. He conceded that ‘the analysis of simple money forms is…the most difficult because the
most abstract part of political economy’. But, defending himself against Lassalle, he indicated to Engels that ‘if I’m wrong [about money], so is the whole history of the monetary theory’. This is a strange statement given his broad knowledge of the topic and his clearly quite original theory of money. He implied that, unlike Lassalle, he had intensively researched the empirical facts. Given that the *Grundrisse* was the first comprehensive attempt to present his theory of money Marx’s confidence in his views is remarkable. Apparently he considered his initial elaboration already relatively complete and without need of substantial alteration, just stylistic attention.4

That the first two chapters of what he initially called *Capital in General*, which became *A Contribution*, involved no direct analysis of capital did not mean that it had no political implications. Quite the opposite. Marx reminded Engels that if and when he reviewed *A Contribution* he was to emphasise ‘that it extirpates Proudhonism root and branch’, just as he had boasted to Weydemeyer that:

In these two chapters the Proudhonist socialism now FASHIONABLE in France—which wants to retain private production while organising the exchange of private products, to have commodities but not money—is demolished to its very foundations. Communism must above all rid itself of this ‘false brother’.

Marx impatiently pushed for publication of the first instalment, which finally came off the press in June 1859. He was disappointed at its poor reception. He also found it difficult to get more work done on the second instalment, which he had regarded nonetheless as ‘of crucial importance’, because it involved ‘the pith of the bourgeois stuff. Again the task had proved more complicated than he had first expected. Politics and journalism kept him occupied until 1861, by which time his project had altered and he now wished to create a work quite independent of the originally envisaged series.5

The remaining fragment of the original draft of *A Contribution*, the so-called *Urtext*, is of special interest because it contains material meant for the aborted second instalment, as well as a preliminary attempt at a section on ‘money as money’, as means of payment, and as world money, which reappeared redrafted in *A Contribution* proper. This material, which remained unpublished in Marx’s lifetime, includes details on the transition from money to capital and on how money and simple circulation become subordinate aspects of capitalist relations of production considered as a ‘totality’. Marx was certainly dissatisfied with this work; in a letter to Lassalle he suggested that a total rewrite of the draft would be required. However it seems that subsequently the ‘Hegelian’ style of the *Urtext* was altered more than its actual content.6

As it was, *A Contribution* was the only one of the proposed series on political economy actually issued. There were just two chapters in it, one on the commodity and another on money, and it was abbreviated compared with both the *Urtext* and the plan in the First Draft Index. At the end of the *Grundrisse* notebooks Marx had put a couple of pages headed ‘Value’ that were to be placed much earlier in the redrafted manuscript; in his First Draft Index Marx listed several references for this chapter on ‘Value’ which later developed into the one on the commodity in *A Contribution*. The indexes are evidence that Marx was already, however eclectically, conscientiously collecting different passages and criticisms into what was to become the standard order of his elaboration of
the theory of the money commodity: money as measure of value, money as medium of exchange, and ‘money as money’ or ‘money’. The cluster of functions of money that Marx referred to as ‘money as money’ in *Capital I*, i.e. hoards, means of payment and world money, were referred to in this manuscript simply as ‘money’, even though he had already adopted the former term in the Indexes to the *Grundrisse*. This development of measure to medium to money is dialectical, particularly in its terminology. For instance, Marx writes of contradictions between ‘money as a means of circulation and equivalent’, between the particular commodities and the universal, money, and between ‘money as realisation of prices and means of circulation’. The ‘notional’ price of the commodity is actualised in exchange; this constitutes the transition from measure of value to means of exchange. From this money evolves as a general commodity, the negation of money as measure and as coin.7

Chapter One presents the main elements of the process of exchange; the central concepts of ‘use-value’, ‘exchange-value’, ‘abstract labour’ and ‘commodity’ all being introduced within the first few pages. He emphasises the interconnection and distinction between the processes of production and exchange as the creation of value and realisation of exchange-value respectively. Marx concludes this analysis by describing the necessary emergence of a money commodity within the process of exchange. This universal equivalent is the pure, independent, expression of each commodity’s exchange-value. Money is a product of the relations established between commodities in the exchange process. Only in Chapter Two, called ‘Money or Simple Circulation’, are the functions of money detailed, and here the exchange-value of the commodity ‘appears’ in its price. Chapter Two is much longer than Chapter One and is written in a more flamboyant and literary style. For instance Marx begins with a quotation from a parliamentary speech by Gladstone: ‘even love has not turned more men into fools than has medi-tation upon the nature of money’. And he closes with a footnote to Columbus musing on the power of gold, of money, which can ‘even enable souls to enter paradise’ 8

A Contribution to the Critique of Political Economy is the first, and almost complete, presentation of Marx’s ‘mature’ theory of money (and value). The editors of the *Marx/Engels Collected Works* consider that ‘Marx achieved great perfection in elaborating the theory of money’ in this work; they acclaim it as ‘a major event in the history of economic thought’, and even as ‘the best work on money in world economic literature’! With more realism Duncan Foley has pointed out that Marx’s theory of money was not fully developed, even as finally expounded in *Capital I*.9

*A Contribution* is written in a straightforward and concentrated, even terse, way. The meaning that Marx gives to terms like ‘use-value’, ‘exchange-value’, and ‘abstract labour’ in Chapter One on the commodity is much clearer and less equivocal than in earlier works. Nonetheless the notion of ‘abstract labour’ (‘universal labour time’, ‘general social labour’, and so on) seems problematic, and this concept is fundamental to the category ‘money’. According to Marx, money evolves from the process of commodity exchange as ‘the direct reification of universal labour-time, as ‘materialised universal labour-time’, not just as value appears in each and every commodity, but in a unique way, ‘as a specific thing’, as the universal equivalent.10
‘Value’ and ‘money’

Baldly stated, Marx’s theory of value claims that the exchange of commodities implies the exchange of the various labours involved in their production; a commodity is objectified labour and its value is derived from the socially necessary labour-time involved in its production. Marx asserts that this process is not obvious because commodities are exchanged according to prices, in a common monetary unit, but that this standard of price is also a measure of value and is a money commodity, its most appropriate material being a precious metal, say gold, or silver. Furthermore this universal equivalent is produced like all other commodities and obtains its value from the socially necessary labour-time involved in its production.

Marx’s theory of money is clearly only a particular, even if crucial, aspect of his theory of value. This theory involves an original conception of ‘abstract labour’ and ‘socially necessary labour-time’, but follows in the tradition of labour theories of value. In Chapter One of *A Contribution* which is called ‘The Commodity’, money arises along with the exchange of commodities as a particular commodity, the universal equivalent, *value in general*. In this first chapter Marx examines the product as a commodity, a product of labour, ‘labour which posits exchange-value’. In Chapter Two the product of labour which bears an exchange-value, the commodity, ‘becomes’ money. Exchangevalue becomes independent in circulation, epitomised in ‘money’. This ultimate product of circulation, *money in general*, introduces the subject of the never published third chapter, capital in general. The presentation of Marx’s theory of money is dialectical, and his analysis seems to apply a ‘Hegelian’ framework, in which relations between people as producers are taken as the ‘essence’ of value, which is manifested superficially, i.e. ‘appears’, in circulation as price, or monetary relations between commodities, a connection discussed below in chapter 7.11

*A Contribution* only deals with the simplest and most abstract categories, those of commodity and money, which apply to all commodity production and not simply to capitalism, according to Marx. However it is clear from the title, the first paragraph, and Marx’s preface to this Part One, that the object of his social analysis is capitalism. Marx probably thought that starting with the ‘commodity’ was the clearest way to reveal the fetishism of capitalist production, viz. that social relations between producers appear in the marketplace not even just as relations between individuals and things, but simply as relations between things alone. Marx indicates that such fetishism is transparent to simple commodity producers, but becomes completely mystifying in the more complex forms of exchange-value in capitalism. Such mystification also affects various economic theories, especially monetary ones. Marx sets out his theory of value, and introduces his theory of money, in the highly theoretical and simplified model of ‘simple commodity production’. There is no state or bank, and in Chapter One the word ‘price’ does not appear (although market-price is mentioned in the second last paragraph of the theoretical history section which appears to be an appendix to the chapter). According to Marx, the simple exchange of commodities described in Chapter One and simple circulation in Chapter Two are relevant to an analysis of capitalism because they describe formal aspects of the
bourgeois mode of production. Marx contends at the same time that the most complete practical application of his law of value is in a capitalist context.12

The conscious aim of Marx’s critique of political economy is to reveal that the latter’s real object is relations between labouring people rather than between things, commodities. This is why he uses a framework of ‘appearances’ and ‘essence’, interpreting monetary relations between commodities as the expression and reflection of values in circulation, value being created in production by labour. The law of value and surplus-value manifest themselves in the world of prices and as profit. Marx appropriates the concepts of classical political economy, ‘commodity’, ‘value’, ‘use-value’, ‘exchange-value’, ‘money’ and so on, and refines or modifies their meanings. He establishes a systematic order for their elaboration, an order starting with the ‘commodity’, which is a ‘simple unity’, use-value produced for exchange. He then moves on to show how the ‘latent contradiction’ within the commodity between its exchange-value and use-value is expressed at the moment of exchange by the exchange-value of the commodity being made independent of its use-value in ‘money’. It must be remembered that the commodity is the product of labour and, while its use-value refers to its material use, its exchange-value refers to the socially necessary labour-time involved in its production. The dialectical presentation is meant to show that the exchange of labour in a commodity-producing society occurs via the circulation of commodities and that this necessarily involves money.

Apparently for Marx this dialectical elaboration is not simply an interpretation of reality but directly reflects it; his development of money in particular is marked by historico-logical parallels. Engels notes this, and while Heinsohn and Steiger concur with Backhaus that historical evidence for the development of money from commodities is lacking in Marx, they do not agree that Marx saw no necessary relation between history and his theory. Marx believes that the practical limitations on exchange in a barter system express real contradictions which necessitate a solution (money) and hence new, more complex, forms of exchange (and exchange-value).13

One also observes in Marx’s exposition of money a movement from the simple and abstract to the concrete and complex; from simple unity to difference, explicit negation, and then to a complex unity again. For example he considers ‘measure’ then ‘medium’ and finally ‘money’. Similarly in his note on theories of the medium of circulation Marx starts with the monetary system, moves on to its ‘abstract opposition’ by Hume and others, and finally to Steuart’s ‘concrete interpretation’.14

Marx relegates his criticism of other economists to appendices where he shows pride in recognising and defining the supposedly true character of the labour involved in the creation of exchange-value, i.e. ‘homogeneous social labour’, ‘abstract universal social labour’. He says that Boisguillebert and Proudhon were mistaken in thinking that money distorts exchange relations and congratulates Steuart for making the necessary distinction between social and concrete labours which refer to exchange and use-values respectively.15

In the final appendix Marx devotes a lot of attention to Ricardo’s theory of money wherein, he says, token money initially ‘stands for a determinate quantity of gold and is not a valueless symbol representing commodities’. In this respect Ricardo’s theory is akin to his own; the value of gold is determined by the labour involved in its production and provides a standard for pricing of other commodities, the values of which are similarly
determined by the labour necessary to produce them. The necessary quantity of means of
circulation is established by taking into account the value of the money commodity and
the aggregate exchange-value of all commodities, ‘modified by the economy with which
payments are effected’. However in the end Ricardo contradicts himself because he
commits the crime of seeing money only as a means of circulation. If gold is forced to
stay in circulation, then one comes to the reverse view that ‘the price of commodities or
the value of gold depends on the amount of gold in circulation’. If one assumes a fixed
quantity of money in circulation and the quantity and/or unit value of commodities
produced varies, then the money circulating will suffer either a false elevation or
diminution of its ‘Value’. This ‘rise of gold above its exchange-value’ (i.e. in excess of
the labour-time taken to produce it) results in greater gold production and a fall prompts
the reverse process. In this way the gap between ‘the metallic value of gold and its value
as a medium of circulation’ is ultimately corrected. In international trade the import and
export of gold plays a similar role to such forced accommodations made by domestic
gold producers. The error for Marx lies in assuming a fixed quantity of money in
circulation, i.e. effectively a forced currency.16

In Marx’s critique of Ricardo’s theory he agrees with Tooke’s position that the link
made by Ricardo between the quantity of money circulating and commodity prices is
‘purely imaginary’ and that, given a stable value of gold, more or less money in
circulation merely reflects price movements and does not produce them. Money must be
considered in all its functions, not just as a means of circulation. In Marx’s theory
money’s role as a measure of value is separate from and dominates its role as a medium
of circulation; the value of money is given prior to circulation and the quantity of money
necessary for circulation automatically follows. In fact there is a strong reason for Marx
to present the matter like this; it makes the labour theory of value more coherent. He also
thought that the role of hoarding and dishoarding was to complement money actively
circulating. But he probably conceived hoarding in this way mainly because it seemed to
him to preserve the principle that the value of gold depends on the socially necessary
labour-time involved in its production.17

Nowhere in this section, nor in any other writings of his that I have sighted, did Marx
seriously consider all of the very important implications of designing a monetary theory
in which money is a commodity like all others with a value directly related to the labour-
time socially necessary for its production. In The Principles of Political Economy and
Taxation Ricardo did this; Ricardo mused a lot about the necessary connection between a
theoretical unit of labour-time and a money commodity standard in which prices were
stated. Ricardo concluded that no commodity constituted what was theoretically required,
i.e. an invariable standard or measure of value.18

Marx overlooked some of the difficulties that Ricardo perceived here because he
considered such ‘a measure unnecessary. According to Marx although money (gold) was
a variable value this in no way precluded its fulfilling the role of an adequate measure of
value and standard of price for circulating commodities. His ‘explanation’ is
unsatisfactory because it is only valid in an obvious way in a synchronic context and
seems to fail once time is a factor. Of course a commodity, the money commodity, can
act as an adequate measure of value and standard of price at a particular moment or in
one particular cycle. But when, say, debts and assets which are of a long-term nature are
taken into account a money of invariable value is desirable for reasons that Marx
underrated or was silent about. Most significantly ‘value’ is a category with a long-term nature. This element of time was appreciated by Ricardo and his musings are worth discussing, if only because he clearly raised interesting points that Marx obviously read and yet does not seem to have considered satisfactorily.\textsuperscript{19}

Ricardo regarded an invariable measure of value theoretically necessary and, after discussing its ‘practical’ impossibility (i.e. its lack of coherence in terms of a labour theory of value), he continued to assume one anyway! Nonetheless he discussed aspects of this assumption that Marx seemed to think entirely irrelevant. Both Ricardo and Marx agreed that, according to their laws of value, the value of a money commodity like gold would necessarily vary. Marx lists various, mainly natural, factors which impinge on the value of precious metals but adds that ‘their value is nevertheless more stable than that of other commodities on the average, as even Aristotle noted’. However Ricardo suggested that not only did costs of labour and fixed capital change but also that unless the proportion of circulating to fixed capital involved in the production of the money commodity was identical with (or was the average of) that necessary to produce other commodities it would fail, for yet another reason, to be a ‘perfect’ or ‘invariable’ measure of value. ‘It would be a perfect measure of value for all things produced under the same circumstances precisely as itself, but for no others’, he argued. Ricardo worried about discrepancies caused by changes in profit rates but decided that the labour component was the dominant one in determining the ‘relative prices’ of commodities. He went on to ask if the average proportion of costs demanded by wage labour and fixed capital may not be assumed to be so approximated in gold production. In this way Ricardo reasoned that he could assume a real gold standard in his theory and legitimate his not taking into account ‘the possible variation in the value of the medium in which price and value are estimated’. Although strictly speaking this is inadmissible, Ricardo had at least acknowledged certain aspects of the theoretical and practical difficulties involved here, including ones concerning the organic composition of capital. But, not surprisingly, neither Ricardo nor Marx openly recognised that this sort of question about the measure of value contained the possibility of challenging the labour theory of value, i.e. the claim that the source of ‘value’ is in labour. These questions regarding the standard of value could after all be addressed to labour-time as well as to gold.\textsuperscript{20}

In Marx the measure of value and standard of price are tied together in the money commodity. The social relations of production are expressed in labour accounting in abstract labour-time (pure activity), but the exchange of commodities (past labour or objectified labour) takes place in ratios of prices or equivalent amounts of a specific commodity. According to Marx these ‘immanent’ and ‘external’ measures of value unite in an amount of the money commodity, say in an ounce of gold; the ounce of gold is the product of a definite amount of socially necessary labour-time, as well as being the universal form of exchange-value, a standard of price.\textsuperscript{21}

That the measure of socially necessary labour-time will vary is not thought problematic by Marx. Furthermore he often quotes prices in pounds, i.e. nominal units, obviously assuming that, say, a pound=an ounce of gold, while the actual inconvertibility of legal tender and credit monies is common in capitalism. His theory of value is very abstract with respect to the everyday world of prices, and his complementary theory of the money commodity fails to bridge this gap. Marx does not demonstrate in a clear way the links between abstract labour or ‘socially necessary labour-time’ and a ‘money’
which is also a ‘commodity’ as he defines it, i.e. a use-value and an exchange-value. Nor
does he explain the relation of this money commodity to the other forms of circulating
media which ought, it seems, also to influence the price level. As mentioned previously,
such issues are discussed in detail in the last chapter below as they are central to current
debates on Marx’s concept of money.

It is a real problem if a materialist cannot show the application of his theory to
empirical reality. But, at this point, it suffices to account simply for Marx’s disinterest or
blindness here. This is related to the context in which he developed his perspective and
terminology. Rubin, referring to Marx’s term ‘immanent standard of value, used in his
discussion of Bailey in Theories of Surplus-Value, Part III, points out that it is derived
from philosophy, from Hegel’s ‘measure’. He continues that the cost of simply
transferring this term and its peculiar meaning—he quotes from Otto Bauer that it ‘does
not here mean the quantity which is taken as the unit of measure, but a “quantity which is
connected with some kind of existence or some kind of quality”’—is that it is casually
read as ‘a measure of equalization rather than of causal analysis of quantitative changes
of events’ and that this led even Marxists to introduce into the theory of value a problem
which is foreign to it, namely that of finding a practical standard of value’. Again this
indicates that Marx’s concentration on qualitative rather than quantitative issues led him
to dismiss certain legitimate questions too quickly.22

**Abstract labour**

The commodity is a product of labour destined for exchange, it is an exchange-value as
well as a use-value; it is not only a product of concrete labour but also a product of
abstract, general, social labour. Marx says that exchange-value is revealed by the
exchange ratios between various commodities, which are determined by the respective
amounts of abstract labour required for their production. Marx proudly considers his
conception of value as ‘labour-time in general’, ‘universal labour-time’ or abstract social
labour, an advance on other labour theories of value like Ricardo’s. However Marx’s
explanation of the reduction of exchange-value to labour-time in terms of ‘average’, and
then ‘simple’ or unskilled, labour does not seem adequate. Marx starts from the concept
of an average concrete labour rather than from social aggregates.23

In discussing the notion of ‘necessary’ labour, Marx says that it is, ‘as if the different
individuals had amalgamated their labour-time and allocated different portions of the
labour-time at their joint disposal to the various usevalues’. The words ‘as if are used
advisedly, for it is Marx’s general view that a fundamental fault of capitalism is that it
precludes social control of production. Rather than society directly managing the
allocation of labour, the market signals, via prices, the necessary distribution and
redistribution of labour. For this money must exist.24

Marx’s criticisms of the utopian socialists’ ‘labour money’ involve their neglect of the
crucial distinction between concrete, individual, labour and abstract, social, labour:

Gray presupposes that the labour-time contained in commodities is
immediately social labour-time, he presupposes that it is communal
labour-time or labour-time of directly associated individuals.
In fact not every product of labour offered for sale is ‘realised as an exchange-value’, only the commodities that sell are. A product must be alienated in order to prove that the labour employed in it is ‘useful’, social, or abstract, labour; it is ‘not immediately exchange-value’. Marx initially proposes that the transformation of concrete, individual, labour into abstract labour ‘is made every day in the social process of production’ and that this ‘conversion of all commodities into labour-time is no greater abstraction, and is no less real, than the resolution of all organic bodies into air’. But he declares further on that, ‘universal labour-time itself is an abstraction which, as such, does not exist for commodities’. Furthermore, on commodities, that:

different kinds of individual labour represented in these particular use-values, in fact, become labour in general, and in this way social labour, only by actually being exchanged for one another in quantities which are proportional to the labour-time contained in them...The point of departure is not the labour of individuals considered as social labour, but on the contrary the particular kinds of labour of private individuals, i.e. labour which proves that it is universal social labour only by the supersession of its original character in the exchange process. Universal social labour is consequently not a ready-made prerequisite but an emerging result. Thus a new difficulty arises: on the one hand, commodities must enter the exchange process as materialised universal labour-time, on the other hand, the labour-time of individuals becomes materialised universal labour-time only as the result of the exchange process.25

Actually one might suggest that this ‘new difficulty’ is not only a practical one, but is also reproduced or even created by Marx’s theoretical framework, especially by his dialectical delivery. Because Marx starts with values, he must start with abstract labour too, in other words he has assumed his result. Here Marx is guilty of the same charge that he levelled against Ricardo and Mill in this work, i.e. of ‘postulating what has to be proved’ or of having ‘assumed what one has intended to prove’. Also Marx seems guilty of seeing the value of commodities as ‘immediately social’ in his theoretical models where he so often assumes that value equals price. For Marx the theoretician, as well as for the bourgeois producer, realisation must be assumed or apparently will present serious difficulties. Marx appreciates that there is a ‘real contradiction’, or rather a very real difficulty, in the material process of bourgeois production—production for exchange without the assurance of exchange—but he fails to deal with this aspect satisfactorily when it comes to his theory of the process of how value appears as exchange-value and price.26

In his theoretical presentation and analysis Marx proposes that ‘prices’ based on exchange-values are established prior to circulation. Marx gives relations of production and value a determining influence over prices in the sphere of circulation at the same time wanting to acknowledge that exchange-value and abstract labour depend on a ‘social framework’ (private units of production competing on the market for sales) outside of each producer’s individual control. The precise relation between these two spheres is not satisfactorily articulated, whether judged in terms of the internal coherence of his theory or from the perspective of an external critique, which is likely to start with prices and
work beyond these to values. Because values involve *socially necessary* labour-time by definition, it seems that circulation ought to be as significant as production. Marx does not adequately qualify the theoretical connection that he makes between exchange-value, which is a result of the realisation of value in circulation, and socially necessary labour-time, which constitutes values in the sphere of production. What Marx claims, on the one hand, is that the magnitude of value is determined in the sphere of production, where labour is the creative element, and so price is decided prior to circulation. On the other hand he recognises that not all concrete labour undertaken will be acknowledged as useful labour because not all produce is sold. In a tautological way, too, Marx sees the laws of value as determining the phenomena of prices, while also seeing value as a long-run average result of the impact of varying and momentary prices on production.  

Circulation seems to be a much more complicated sphere than Marx’s theory provides for. Falling outside Marx’s model are the products of wage labour that fail to be sold or realised as exchange-value, even though the labour that created them must be paid for, and goods (like land) which are exchanged along with the circulation of real commodities but are not produced by labour at all. Neither of these are adequately accounted for in Marx’s concept of simple circulation, yet it would seem that they must make demands on the quantity of money necessary for circulation and therefore indirectly affect the measure of value or standard of price function of money as well. Land and other goods that have not been produced by labour are still paid for with money. While in the case of the simple commodity producer unnecessary labour just goes unrewarded, in the case of wage labour it is paid for whether the products made by the workers are sold or not. This surely affects the quantity and ‘value’ of money in circulation. However Marx does not consider these matters in his analysis.

Marx initially proposes that the measure of labour, as with all movement, is time, ‘labour-time...in terms of the natural units of time, i.e., hours, days, weeks, etc.’ It is clear that concrete labour can be measured like this. However abstract labour is only a quality of commodities, of *sold* products. Unless all concrete labour is equal to abstract labour, all production for exchange is sold, and the same pattern of production repeats cycle after cycle, the unit of socially necessary labour-time varies, qualitatively or quantitatively, through time; indeed according to Marx it is a positive characteristic of capitalism that the techniques of production are continually being improved so as to save labour costs. Therefore socially necessary labour-time is not a natural measure like distance or weight. Socially necessary labour-time emerges from an aggregate of concrete labours which can be measured in units of time, for definite physical amounts of commodities (those actually exchanged), produced with specific techniques of production. The dialectical order of Marx’s presentation hides these details because, before treating realisation and the associated risks of non-realisation, Marx assumes, for ‘convenience’, that price equals value (i.e. Marx assumes that all production for exchange is sold at a price commensurate with the labour-time actually involved in its production). This sleight of hand forestalls questions about non-realisation, and more particularly about the circulation of money and the plausibility of the theory of the money commodity itself.

Marx suggests that prior to exchange, exchange-value is an ‘abstraction of the individual commodity owner’, who has in storage an actual product which he regards as a commodity, and who ‘has it on his conscience as exchange-value’. Rather it would seem-
that commodity-owners only have a knowledge of the concrete labour-time involved, of the prices of the inputs (including wage costs) and a certain expected market price. In as much as abstract labour-time exists at all it is in prices, monetary evaluations. In this sense it is clear that abstract labour and socially necessary labour-time must by definition already involve money, even though in Marx the universal commodity called money is only explained after he has already established the concept of abstract labour.29

Money: the ‘universal’ commodity

The first chapter, apparently for simplicity, assumes simple commodity producers. When they exchange the products of their labour, commodities, money spontaneously arises as the universal equivalent, the money commodity, a measure of value and means of exchange, produced like any other commodity. According to Marx this money is a particular commodity included amongst other particular commodities as far as production and its role as measure of value are concerned. However the money commodity is an ‘excluded’ universal commodity with respect to circulation and in its role as a medium of exchange. The money commodity does not simply symbolise exchange-value as a means of circulation, but as a standard or measure of value it is a veritable representative of exchange-value in itself. The main point is that the money commodity is not produced or managed in any way differently from other commodities, and attains its value in the same way as them.30

The suitable material for money reflects the characteristics of exchange-value (and presumably socially necessary labour-time). It has a standard quality, allowing only quantitative differences; its units are identical and it is divisible, homogeneous, and durable. In the second chapter Marx starts from the conclusion to Chapter One that the result of the exchange of commodities is money. In discussing the development of the value-form which ultimately results in the money commodity, the commodity linen is used as his example in Chapter One; in Chapter Two the money commodity is immediately taken as gold, although it need not necessarily be this particular commodity.31

According to Marx the money commodity has a ‘dual use value’, as a particular commodity and as the universal commodity. The universal equivalent enables the exchange-value of all commodities to be expressed in just one term, it is a truly social use-value, an identical use-value for all, a ‘universal use-value’. Marx already outlines its development in a way foreshadowing the explicit four-fold evolution of the value-form in Capital I. Taking the simplest transaction of one commodity for another, Marx says that the exchange-value of one commodity is expressed by a particular amount of the use-value of the other. But exchanged against numerous other commodities it develops a plethora of equivalents:

The exchange-value of a commodity as the objective expression of universal social labour-time finds its appropriate expression of equivalence in the infinite variety of use-values.
Then by inverting this unending series just one commodity assumes the role of a money commodity, so that every commodity is expressed in the one form. Finally then, we find a particular commodity universally recognised and used as money. For Marx the commodity called money is still a member of the series, even though it is uniquely ‘the common measure of the exchange value of all other commodities’.  

One might ask whether a concrete particular commodity can be an abstract universal equivalent at the same time. In Marx’s model the commodity involved in simple exchange enters circulation once only, then exits. Money on the contrary may circulate ad infinitum (and if linen, say, each piece would fall quickly into disrepair and therefore erode in value). With other commodities the use-value is for consumption outside of circulation; with money its use-value is to represent exchange-value inside circulation. For money alone use-value and exchange-value are not independent aspects. Hence there are difficulties involved with suggesting that circulating money is essentially like other commodities with respect to its ‘value’. Presumably this is why Marx adopts a nominalist position when he deals with this role of money and calls it a simple ‘symbol’ of value when circulating. But does this analysis adequately overcome the challenges being made here? Even assuming a purely metallic currency, money is not only ‘supplied’ by gold producers. Certainly hoarding and dishoarding have an effect on the supply of money and hence its purchasing power, and presumably its exchangevalue. Labour creates gold as a commodity, not as money directly; gold as a particular commodity is not necessarily at one and the same time money, the universal commodity. Even as Marx describes it, money is formed in circulation and dissolves outside of it. Money is a ‘value’ held over and recirculated, while freshly produced commodities are thrown into circulation to be sold once, before their consumption. But the labour objectified in money reappears again and again in gold form, just as a re-circulating credit note might, a circulating but not freshly produced use-value which is uniquely always recognised as an exchange-value.  

Such points make one wonder whether money is appropriately conceived of as a commodity at all. Indeed a money which is simply recognised as a claim to use-values and wealth, and which does not bear any value itself, need not be any the more detached from the world of commodities than a money commodity. It need not be purely ‘imaginary’ nor only have a subjective or ‘fictional value’ as some nominalist theories of money suggest. A claim-to-value money, even if it is not a commodity itself, is as dependent on the world of commodities and the labour producing them as a commodity money. Indeed it is credibly suggested that a claim or credit theory of money is more compatible with Marx’s value analysis than his theory of the money commodity (for details, see final chapter).  

It seems that Marx designed his theory of the money commodity partly to kill any idea that the social system might be reformed through monetary management, whether of a pro-capitalist or anti-capitalist kind. The theory needed to be consistent with his law of value, his notion of alienated labour, and his account of commodity fetishism. As discussed previously, he was prejudiced against nominalist theories of money from very early on, identifying them with idealist tendencies. He also attacked both traditional political economists who concentrated on circulatory phenomenon and the medium of exchange function of money and utopian socialists whose reformist proposals also focused on money. Opposing them Marx found useful a framework in which prices and circulation were presented as mere surface phenomena, an ‘illusion’, concealing at the
same time as making manifest, a more real and permanent world of values, which is what his scientific analysis concentrated on.

However the distinction that Marx makes between circulation and production, and the priority that he gives ‘relations of production’, seem to make the concepts of ‘money’ and ‘abstract labour’ quite problematic. That Marx seemed oblivious to these difficulties in his theory makes one wonder whether, in this instance, Marx sacrificed his scientific integrity to his political objectives and philosophical biases. In fact Maximilien Rubel claims that for Marx ‘revolutionary faith preceded all scientific demonstrations’ and that even before becoming a socialist Marx ‘had already established his scale of values and spontaneously condemned both the state and money’. Nonetheless Rubel also points out that Marx was preoccupied with ‘an unflagging effort to synthesise the multiple schools of thought based on socialist and communist ethics, and to give this synthesis a scientific foundation’. This was a formidable, and arguably impossible, task.34

The functions of money

Chapter Two of A Contribution is called ‘Money or Simple Circulation’ and details each of the functions of money which arise in ‘simple circulation’, since for Marx regular exchange of commodities spontaneously gives birth to ‘money’. The order in which Marx examines the functions of money seems to have links with the way he presents the process of reproduction later. The measure of value is linked to production proper and the medium of exchange clearly falls within circulation. Money as ‘money which arises as an independent unit when the same money commodity is used in both the function of measure of value and as-medium of exchange, has the potential to function as capital and therefore is linked to reproduction, the unity of production and circulation. Marx refers to ‘simple circulation’ as C-M-C, commodity-money-commodity, which clearly involves simple commodity producers; commodities are sold and purchased in circulation, which constitutes the ‘complete metamorphoses of commodities’. At one point Marx chooses a syllogistic form to convey his meaning, and likens C-M-C to P-U-I, i.e. particular—universal—individual. Marx was not shy about interpreting the economic material before him in a quasi-Hegelian way, and this fact is borne out in the commentary below, which presents the functions of money in the same order that Marx discusses them in the second chapter of A Contribution.35

Marx’s dialectical presentation frequently makes his explanations overly complex and rather unusual, as well as placing limitations on his concepts in certain ways. For instance, while speaking relatively well of Tooke, Wilson and Fullarton, Marx nevertheless accuses them of treating money ‘only from a mechanical angle without paying any attention to the organic relation of these aspects either with one another or with the system of economic categories as a whole’. To Marx a dialectical method seemed to provide the necessary holistic approach. Unfortunately Marx’s elaboration is flawed precisely because it often fails to explain satisfactorily the ‘mechanical angle’. This neglect is a result of and/or compounds the limitations entailed in the dialectical presentation.36

Although Marx draws on statistics and historical illustrations, these are very selective and his economic models are frequently simplistic. It is rather surprising then that in a
review of this work Engels asserted that ‘Hegel’s method took as its point of departure pure thought whereas here the starting point was to be inexorable facts’. In fact in Marx’s theory of money the dialectical paradigm is more obvious than is a detailed materialist analysis of the mechanisms of the monetary system.

Although de Brunhoff has sympathetically characterised it as a ‘general theory of money’, Marx’s theory of the money commodity might be criticised for its lack of specificity to capitalism. Since money has an ancient history, especially as coin alongside limited commodity production, the theoretical model of simple commodity circulation seems to apply widely in history. Marx sees simple circulation as a level of the bourgeois economy too, and money as a simple category with no new function or form in capitalism, except of course in as much as it is used to purchase labour-power. Marx argues that money becomes capital only because of the peculiar nature of the commodity ‘labour-power’, not because money has a really new function, role or meaning in itself. Although Marx recognises credit money as a familiar bourgeois form, he implies that only an analysis which assumes a ‘purely metallic circulation’ is adequate. There is no examination of credit money, even though the primary object of Marx’s analysis is the bourgeois economy and despite its being the most common form of money in Marx’s day in England. Marx’s theoretical discussions rely inordinately on brief historical references and he largely eschews contemporary detail, except, say, in the case of the quantity of money necessary for circulation, where he considers common convertible and inconvertible legal tender as ‘tokens of value’ not as credit money.

Money as a measure of value

In the first short section on ‘Money or Simple Circulation’ in A Contribution Marx reiterates the claim made at the end of the previous chapter that circulation logically assumes that the exchange-values of commodities are already expressed in gold (in prices). This, Marx stresses, is a result of the commodities’ action on gold and is not an effect of money on commodities; Marx writes that ‘the commodities set apart a specific commodity, say, gold, which becomes the direct reification of universal labour-time or the universal equivalent’. The evaluation of commodities in terms of gold is what makes gold into money; this evaluation translates value, measured by labour-time, into a definite amount of ‘reified’ labour-time as gold. The link between an amount of labour-time and, say, an ounce of gold is simply assumed. Marx concludes the section with a short discussion about the unavoidable competition between gold and silver to attain the sole status of the money commodity; this is a practical fact, even when both are acknowledged as legal tender. Always, he suggests, in the market, one or the other commodity becomes dominant.

In the process of pricing, Marx says, commodities are only ‘imaginary gold’ and gold similarly remains ‘imaginary money’. A successful sale must be completed before the labour-time materialised in a commodity is actually socially recognised as useful labour and turned into ‘glittering gold’ or ‘hard money’. According to Marx this is fundamental to ‘the whole contradiction which arises because the product is a commodity’. But unless Marx can convince us that his theory really does reflect reality, this contradiction seems to arise from his own theory. It is Marx who postulates that exchange-values or prices are
constituted prior to exchange although the commodity may not in fact realise its ‘whole’ price/value or may not even be sold at all. Since socially necessary labour-time is determined by the materialised labour in products that are sold or recognised as socially useful, exchange-value would appear to be as much a result of circulation as its presupposition. It seems that if one artificially separates production from circulation, at the point of production there is no quality, value, which is ‘homogeneous’ as Marx suggests. It is only in circulation that a unit or measure of value concretely arises. For that reason it might better be referred to consistently as a ‘measure of exchange-value’. Although it seems like a ‘slip of the pen’, and an interesting departure from his usual ‘measure of value’, money is referred to at one point in the Urtext as ‘the measuring unit of exchange-values’ just as later in A Contribution it is the ‘measure of price’.

In Marx’s theory, gold, as money, is both the measure of value (as materialised labour-time) and also the standard of price (as a piece of metal of a definite weight). It is not problematic for Marx that gold is the measure of value and yet necessarily has a fluctuating value because it is produced by a varying quantity of socially necessary labour-time. The state by convention fixes a national standard of price, but the state has no impact on the value of gold, nor on the values of any commodities. This is because ‘the exchangevalues of commodities are turned into prices, into quantities of gold, before gold becomes the standard of price’. The local names for certain amounts of gold, like ‘sovereign’, are irrelevant internationally. Marx also indicates, without yet explaining how, names like ‘sovereign’ are maintained even for money that does not actually represent its face value. The pound or sovereign or dollar is what Marx terms ‘money of account’, the unit used to make prices in, to estimate in, and to reckon with. In his theory a bank note must be ultimately convertible to a certain amount of gold and to that extent represents a certain amount of abstract labour.

Marx enigmatically says that estimating and reckoning in money of account ‘needs the material of gold, but only in imagination’. Among the examples that he gives are Scotland, where gold did not circulate pre-1845 even though all prices were made in terms of the British gold standard pound, and barter between Siberia and China, which was conducted in terms of a silver ‘standard’. Money of account, he concludes, can exist without a coin denominated as such and indeed the existing coin may be denominated by another standard. None of this is particularly convincing evidence of Marx’s fundamental proposition that gold is necessarily constituted as the money commodity in circulation and necessarily supports all tokens of value that might substitute for it in circulation. In using the terms ‘imaginary’ and ‘chimerical’ to describe money in its functions of measure of value and standard of price, he inadvertently suggests that currencies need only refer to an imagined value.

Marx indicates that it is the development of national monies of account that give the impression that money only represents ‘ideal particles of value’. According to Marx, Bishop Berkeley has an ‘abstract concept of value’, believing that money, or tokens of value, ‘represent nothing. Marx felt that this nominalist notion of money was especially fashionable when debtors were repaid in a measure that failed to represent its original value because, for instance, coins lost their face-value through abrasion, or banknotes depreciated. According to Marx, the nominal standard of money theory was most fully developed by Steuart, who claimed that the monetary unit is independent of any special commodity, and is actually ‘an ideal scale of equal parts’. Because he concentrated on
money of account and did not understand the transformation of a measure of value into a standard of price, Steuart mistakenly saw a direct link between values of commodities and a standard amount of gold. Steuart failed to make Marx’s discovery that ‘it is only the commensurability of commodities as materialised labour-time which converts gold into money’. Marx thinks that this nominalist or idealist notion of the value of money contradicts the convertibility of banknotes which Marx maintains is ‘an economic law regardless of what juridical law might say’.

Marx also criticises proposals, like Gray’s, to institute labour-time directly as a standard of price. He sarcastically mentions the utopian socialists’ desire to eradicate money, and concludes that such misconceptions regarding money ‘reduce socialism to an elementary misunderstanding of the inevitable correlation existing between commodities and money’. Although not completely heterogeneous in their views, Saad-Filho suggests that Gray, Proudhon, Darimon and Bray all wanted ‘both a form of money that allowed for a full reward of the labour performed, and the absence of interest in the economy’ and imagined that ‘this would render harmonious and fair an otherwise anarchic and unjust social system’. John Gray suggests that money as then constituted is no measure of value at all but is an instrument of destruction, compared with which gunpowder is harmless, and the sword a toy’. Gray indicates that ‘our commercial troubles…have been created, and to this day perpetuated, by Act of Parliament,’ and suggests that they can be eliminated likewise, by altering the law. According to Gray a bank could be created to institute and manage a money which would be a ‘true measure of value, in place of the existing function so miscalled’.

Marx’s critique of Gray is rather unfair since Gray’s idea for a labourmoney (which Marx calls ‘a pseudo-economic term’) is a utopian project, and is not meant to represent contemporary bourgeois society, which is the main context in which Marx assesses it. Marx charges Gray with ignoring the fact that labour becomes social labour only as a result of the universal alienation of individual kinds of labour’, while his own concept of price, based on exchange-value established prior to circulation, implies a similar neglect. Indeed the questions he says Gray has not answered are worth repeating because they might well be re-addressed to their author:

Since labour-time is the intrinsic measure of value, why use another extraneous standard as well? Why is exchange-value transformed into price? Why is the value of all commodities computed in terms of an exclusive commodity, which thus becomes the adequate expression of exchange-value, i.e., money?

Presumably Marx imagines that he has successfully addressed these questions when he has merely posited theoretical connections which are not demonstrated. Marx’s concept of abstract labour, which he claims arises in practice as a ‘real abstraction’ as socially necessary labour-time ‘materialised’ in gold money, does not satisfactorily overcome all the failings that he has identified in the nominalist and utopian socialist schools that he criticises.
Money as a medium of exchange

Marx states that in circulation ‘the contradictions latent in the exchange of commodities are both exposed and resolved’. The commodity is both a usevalue and an exchange-value. In circulation these properties correspond to the distinctive interests of the buyer and seller; the seller receives pure exchange-value or money in the transaction, while the buyer takes away pure use-value to consume:

The contradictions inherent in the exchange of commodities are resolved only by reason of this duplication of the commodity so that it appears as commodity and gold, and again by way of the dual and opposite relation in which each extreme is nominal where its opposite is real, and real where its opposite is nominal, in other words they are resolved only by means of presenting commodities as bilateral polar opposites.

It is difficult not to conclude from passages like this that Marx’s analysis creates contradictions by describing his objects in dialectical terms, and resolves them in the same way! What is revealed and resolved in Marx’s dialectical interpretation of exchange are not ordinary economic or technical quandaries or difficulties, although he obviously believes that his holistic treatment illuminates these in the process. Even though Marx emphasises relations of production rather than those of exchange, everything in Marx’s ‘explanation’ tends to lead back to everything else, because the concept of commodity already dialectically contains its further developments.46

Marx, assuming that prices are given prior to circulation, says that the sale makes what was ‘imaginary’ gold or money ‘really into gold’ i.e. into ‘actual money’, so that the exchange-value of a particular commodity is temporarily made independent in gold. Purchase and sale interrupts the unity of what otherwise looks like barter, and permits the ‘general possibility of commercial crises, essentially because the contradiction of commodity and money is the abstract and general form of all contradictions inherent in the bourgeois mode of labour’. Marx argues that crises derive their form from the existence of money, which is the form of value in circulation, while the content or causes of crises are to be found in the sphere of production. Marx again metes out criticism to the socialists who suppose that altering the form of money could remedy the system’s ills. Rather the fragmentation of exchange penetrates production encouraging ‘parasitical’ activities which, ‘again means only that money, the universal form of labour in bourgeois society, makes the development of the inherent contradictions possible’.47

Marx considers circulation from two angles, as selling to buy, C-M-C, and its converse, buying to sell, M-C-M. Circulation is a ‘vicious circle’ of interdependent yet fragmented sales and purchases, a complicated network of disorderly transactions spreading through time and space. Money arises in the totality of circulation, gold actually becomes money, ‘the absolutely alienated commodity’, because all commodities have been alienated for it. The ‘metamorphosis’ of each commodity is achieved in this process. Marx characterises the process in terms drawn from Hegel:
the C at each of the two extremes of the circuit C-M-C has a different formal relation to M. The first C is a particular commodity, which is compared with money as the universal commodity, whereas in the second phase money as the universal commodity is compared with an individual commodity. The formula C-M-C can therefore be reduced to the abstract logical syllogism P-U-I, where particularity forms the first extreme, universality characterises the common middle term and individuality signifies the final extreme.

M-C-M results from C-M-C, in which money is simply ‘a means of purchase’. Monetary circulation reflects and mediates the movement of commodities. However it appears as if money causes the circulation of commodities. Commodities continually pass through circulation, money both arises from and exists only in circulation. Furthermore:

Just as commodity-owners presented the products of individual labour as products of social labour, by transforming a thing, i.e., gold, into the direct embodiment of labour-time in general and therefore into money, so now their own universal movement by which they bring about the exchange of the material elements of their labour confronts them as the specific movement of a thing, i.e., as the circulation of gold.

This is yet another ‘contradiction’ between cause and effect, or form and content, which is the real basis of commodity fetishism and contributes to the mistaken belief that economic crises are caused by monetary difficulties.\(^{48}\)

Since Marx assumes that prices are determined prior to circulation, and that monetary movements respond to commodity circulation, it logically follows that the quantity of money or amount of gold necessary for commodity circulation results from the total price of all commodities, the value of gold, and the velocity of the circulation of commodities. Prices (or values) and the velocity of circulation are ultimately determined ‘outside’ simple circulation and are just reflected in it, according to Marx. He concludes that with a given velocity more money will circulate only because prices of commodities make it necessary; the amount of money in circulation is influenced by prices, and its velocity is given by the movements of commodities themselves. Marx also suggests that credit has more the effect of increasing the velocity of money than of affecting prices. Translating his ‘law’ into value terms, Marx states that ‘if the exchange-values of commodities and the average speed of their metamorphoses are given, then the quantity of gold in circulation depends on its own value’. Marx suggests that the general price level of commodities increases or diminishes in response to rises and falls in the labour-time socially necessary for the production of gold, and with a given velocity results in more or less money being required for circulation. This claim indicates that Marx has in mind a very simple concept of exchange derived directly from a highly theoretical model of the law of value. The problem of how the correct quantity of money required to circulate commodities so appropriately appears and disappears is deferred. Although Marx suggests that the ‘history of prices’ (presumably he has Tooke in mind here) is certain testimony to what he calls ‘one of the principal economic laws’, he gives no statistics, tables or other empirical data to back his claim. The thrust of this section on the quantity
of money necessary for circulation is that prices are the independent variable and that the dependent variable is the quantity of money in circulation.49

**How tokens of value evolve and circulate**

Marx assumes that bullion and gold coin are only formally different and that they are freely convertible; ‘the sovereign is simply a quantity of gold—with a specific shape and a specific imprint’. He says the uniformity of precious metal is the special characteristic that makes it so appropriate for the money material, because ‘equal amounts’ of it constitute ‘equal values’. The material which represents abstract labour ‘must be able to express purely quantitative differences, thus presupposing identical, homogeneous quality’. However he points out that even gold coin continually loses its ‘intrinsic content’ in circulation, and therefore has ‘a mere pseudo-existence’. Besides the fact that a coin can ideally function as numerous coins by way of velocity, its ‘second idealisation’ involves the loss of its substance or real value even when it continues to circulate at face value which must mean debasement (or ‘counterfeiting’). Gold sovereigns, universal equivalents, need to be ‘full weight’, which is why light coins are continuously withdrawn.50

Marx suggests that in the sale ‘merely imaginary gold is converted into real gold’ or ‘actual money’. However when dealing with tokens of value he acknowledges that even circulating gold coin is in fact more or less a symbol of itself:

> the reality…which is expressed by gold in circulation, is merely the reality of an electric spark. Although it is real gold, it functions merely as apparent gold, and in this function therefore a token of itself can be substituted for it.

Such state currencies have a legal ‘value’ which is distinct from their ‘intrinsic value’, but their validity is limited to a particular region or sphere of trade.51

Initially Marx argued that in the sale the commodity’s exchange-value achieved an independence in money; now Marx recognises that as coin the ‘exchange-value…acquires only a seemingly independent existence. That his initial description of money as ‘independent’ appears, on further inspection, to be either partly or totally wrong indicates a failure of his theoretical analysis. Marx also claims that as a means of circulation and as a measure of value money is, ‘governed not only by conflicting laws, but by laws which appear to be at variance with the antithetical features of the two functions’. He continues that:

> it is at variance with common sense that in the case of purely imaginary money everything should depend on the physical substance, whereas in the case of the corporeal coin everything should depend on a numerical relation that is nominal.

Might this not again indicate that Marx’s own conceptions and descriptions are contradictory? Perhaps his *theory* contains these ambiguities, suggesting that it does not
adequately describe ‘reality’, and that his analysis might be better, or at least clearer, if it was non-dialectical.\textsuperscript{52}

Marx’s discussion of the circulation of non-commodity monies is based on his law of value. The characterisation of token monies and the way they circulate is based on the premise that they are substitutes for a pure metallic circulation. According to Marx ‘the volume of tokens of value in circulation is determined by the amount of gold currency which they replace in circulation’. Implicitly then token money finds its level in terms of gold; overissues of state paper money diminish the amount of ‘value’ that each note represents. The law of circulation for tokens of value inverts that of ‘proper’ money. The quantity theory merely expresses the ‘forcible assertion by the process of circulation of a law [viz. Marx’s] which was mechanically infringed by extraneous action’ (viz. the introduction of paper notes as the sole medium of circulation).\textsuperscript{53}

What Marx attempts but fails to adequately demonstrate is a) that the value relations between commodities including gold are determined ‘prior’ to circulation, rather than being, at least partially, its result; b) that the demand and supply of gold as money and paper issues are dependent on the value of circulating commodities and in no way influence prices or commodity production; c) that the ‘value’ and quantity of tokens in circulation is determined by a non-existent or ideal quantity of gold of a ‘given’ value necessary to circulate the commodities in question, rather than referring directly to the value of all the commodities in circulation; d) that abstract labour-time must be reified in a produced commodity which acts as a universal equivalent but is nonetheless frequently represented just by a token in circulation. Why can money not be seen simply as a power to purchase value, as a social claim to the products of labour, as having a ‘value’ which merely reflects the value of the commodities purchased with the claim, which is how it seems at least superficially?

Marx’s discussion of money as coin implicitly undermines his later argument about precious metals being the appropriate material for money (commented on below in this chapter). Many of the pertinent characteristics identified by Marx later, like portability and durability, are shown to be inadequately fulfilled by gold in its role as a medium of exchange, and indicate the superior suitability of paper money or other tokens. It would seem that if the simple abrasion of coin erodes gold’s capacity to continuously represent a given unit of abstract labour-time, as Marx argues, then the state or some private institution is necessary to supervise aspects of its circulation, to withdraw worn coins and so on.\textsuperscript{54}

However, although much of Marx’s discussion assumes a sovereign or state that issues money, he maintains that tokens of value customarily arise in circulation independent of government initiative. He aims to demonstrate that ‘the inherent laws of monetary circulation’ also rule, even if indirectly or in an apparently inverted way, even in the case of tokens of value. He rules out any discussion of credit money, which he hints is only relevant in a capitalist context, and which he says ‘conforms to very different laws’. Here, as Marx used the term, ‘credit money’ means bills of exchange and the like which are private promises to pay, and in that sense clearly fall outside general circulation. On the other hand, given that they were even in Marx’s day a familiar quasi-currency, it is reasonable to expect him to give an account of why they fail to affect the circulation of commodities and their prices and the quantity of money proper otherwise necessary if
they did not ‘substitute’ for it. Despite such questions Marx argues that his model of simple circulation and its laws are directly relevant to capitalism.55

Significantly Marx does not conceive of tokens of value as credit money, and state-issued paper legal tender is considered ‘an advanced form of the token of value, and the only kind of paper money which directly arises from metallic currency or from simple commodity circulation itself. This is a straightforward example of how Marx occasionally admits a role for the state all the while downplaying and even denying any necessity for it to either issue or regulate money. There is a whole page in the Urtext on the way that an absolute monarchy pressures for production for exchange simply by demanding money taxes, which disappears in the final version here, and which again exemplifies Marx’s tendency in the final instance to underrate the importance of the state in his theory of money. The broad span of history from which his empirical examples are drawn suggests the generality with which Marx believed his model of simple circulation and concept of money could be applied. While the state and credit money are prominent in the empirical cases described in this text and in his journalism of this time, Marx neglects both in his theory of money. This seems to clearly contradict the claim Engels made in the quotation mentioned earlier in this chapter, that Marx, unlike Hegel, started with the ‘inexorable facts’.56

Marx points out that gold coin is minted by the state, so that its ‘mint price’, like its denomination as a money of account, depends on the state. Marx also observes that in bourgeois England all gold sovereigns that lose more than an insignificant amount of their face value are withdrawn from circulation, they are ‘demonetised’. The English mint gives subsidiary or ‘small change’ monies, made out of materials different from the money commodity which is the universal equivalent and measure of value, a legal ‘nominal’ value which is unrelated to their economic or ‘metal’ value. Because the state manages the currency in this way the effects of abrasion are less significant. Despite impressive instances of state intervention in the provision and regulation of a national currency given by Marx, and the unmentioned implication (picked up by Hilferding) that it might monopolise the demand for gold, Marx claims that these are just technical operations and that legislation simply formalises existing value relations. He also emphasises the rather artificial nature of paper circulation which is limited by being ‘local and political’, and which is not acknowledged internationally, where the money commodity alone reigns supreme.57

When Marx decides that coin arises irrespective of state initiative or management, he cannot find any contemporary capitalist examples. He refers instead to olden times in Russia, suggesting the kopek originally represented ‘a spontaneously evolved token of value’—that he describes at the same time as ‘money orders payable in hides and furs’—and to a state paper money in early eighteenth century China. What might best be referred to as Marx’s ‘theory of coin’ is very abstract and more obviously conforms with his theory of value and complementary theory of the money commodity than with demonstrable monetary mechanisms and marketplace facts.58
Money as money

According to Marx:

Gold becomes money, as distinct from coin, first by being withdrawn from circulation and hoarded, then by entering circulation as a non-means of circulation, finally however by breaking through the barriers of domestic circulation in order to function as universal equivalent in the world of commodities. It thus becomes world money.

Money, either as a hoard, as a means of payment or as world money, is the most complex form of exchange-value in simple circulation. It is the product of C-M-C, and forms the basis for M-C-M, where money-making is the purpose of production. (Here Marx clarifies the vaguer discussion in the Grundrisse, in which the means of payment function seems to arise with M-C-M and seems more directly related to bourgeois production.) Money spontaneously arises when the same commodity is utilised both as a standard of value and as a means of circulation; it constitutes the unity of these two roles and has a character independent of them. What was ‘nominal’ as measure and ‘symbolic’ as medium, now becomes ‘real’, a subject. Gold money, in contrast to all other commodities, which are particular use-values, is ‘the only real commodity’. Referring to Boisguillebert, Marx writes that ‘servant becomes…master…mere underling becomes the god of commodities’. In money the universal equivalent and particular means of exchange are established as an individual.  

According to Marx money is ‘the material aspect of abstract wealth’, with the potential to buy any available use-values it therefore represents them all, and is ‘the material symbol of physical wealth’. In its form gold money is ‘the direct incarnation of universal labour’, and in its ‘content’ ‘the quintessence of all concrete labour’. Money is pure exchange-value and therefore the most perfect use-value in the capitalist system. Marx’s description sounds quite fetishist; it is as if in his theory of money he has mistaken the referent for what it refers to (commodities), and projected on to the claim the qualities of what it claims.

Money as hoards

For Marx hoards are a necessary adjunct to the circulation of commodities via coin. Gold and silver artefacts are on a par with hoards as ‘reservoirs’ of potential coin. Money will lie in someone’s pocket and is saved between transactions for shorter or longer periods. As transactional reserves, Marx considers that coins constitute part of the quantity of money circulating. But held over a longer period ‘suspended coin becomes a contradiction in terms, the ‘negation’ of coin, and in this way ‘hoards’ form. Marx suggests in the Ubtext that tokens of value cannot be hoarded because they are purely symbols of value. The hoard must be constituted by ‘the immediate being of value itself, wealth, irrespective of any definite social nexus’; the hoard is gold money, which is
‘exchange value become independent, as a materially present use, as the embodiment of abstract wealth’. Many private gold hoards exist in primitive stages, say when the currency is purely metallic, but in bourgeois societies private hoards diminish, and money is deposited centrally in banks. Marx’s concept of the hoard, and the role he attributes to it, is one of the least satisfactory parts of his theory of money. Unfortunately Marx fails to specify time-periods which would make money as a transactional reserve completely distinct from money as a hoard. Since hoards are ultimately complementary to circulation, this might not appear significant, but, given for instance Marx’s objection to Ricardo’s confusing the two, it is. Furthermore Marx’s discussions often neglect the influence of hoarders (and collectors) on the supply and the demand for the raw material of money, on gold production, on the ‘value’ of money, and on the quantity of money necessary for circulation. It seems that Marx simply sees the gold producers as supplying gold for money, while hoarders absorb any surplus, so that they are not in competition.

According to Marx, a pile of gold is the most ‘adequate’ and ‘imperishable’ form of a surplus; a hoard is the initial form of ‘independent’ exchange-value. Marx describes money withdrawn from circulation, as ‘the embodiment of universal labour-time as an amorphous raw material’. In fact in the Urtext Marx refers to gold and silver ‘treasure’ as the ‘materially assured stock of means of subsistence for the future or as wealth in general’, and as ‘the form in which wealth is possessed by the want-free’. However this ‘stock’ may not be any ‘assurance’ at all; it is only presumed by the savers to have potential exchange-value or purchasing power. The realisation of its ‘value’ is impossible without willing and able producers of exchangeable products, commodity production, in the future. As non-capitalist communities are quick to point out, ‘you cannot eat gold’; you cannot live directly off money alone. In fact Marx himself acknowledges that gold is just ‘a heap of useless metal’ unless ‘constantly in tension with circulation’.

Since Marx recognises gold money as ‘purely social’ and ‘abstract wealth’ his statement in the Urtext that ‘gold (or silver) pays with what it is, and not with what it does’ splits hairs. Money is consumed or used by spending it, and even if it is saved this only delays its expenditure. The money owner expects to find a commodity seller in the future, just as the gold producers must find other commodity producers to exchange their product with. That it is money, a socially recognised claim on the total social product, is gold’s most important characteristic here. But even tokens of value have this feature, which probably explains why Marx must say that gold money ‘pays with what it is, and not with what it does’!

Marx’s description of the hoard is reminiscent of passages in Hegel’s elaboration of ‘measure’ in that Marx says that it is a contradiction that the hoard is finite while the concept of exchange-value is limitless growth:

The quantitative delimitation of exchange-value conflicts with its qualitative universality, and the hoarder regards the limitation as a restriction, which in fact becomes also a qualitative restriction, i.e., the hoard is turned into a merely limited representation of material wealth.

This suggests a ‘logical’ motive for capitalist money-making since ‘the accumulation of money for the sake of money is in fact the barbaric form of production for the sake of
production’. Using the same terms as he later uses with respect to capital, Marx says that the hoard depends on its growth for its ‘preservation’, and vice versa.65

Marx ignores the fact that hoarders frequently become lenders; in precapitalist times usurers use money in the form of capital simply to earn interest. The introduction of lending offers the possibility of resolving the contradiction that hoards are both ‘purely illusory’ and ‘materially present’ wealth. But lending still is not part of Marx’s conceptual framework, and when he comes to deal with it in the next section he explicitly leaves aside investment loans.

### Money as means of payment

Marx refers to what we now commonly call ‘means of deferred payments’ simply as ‘means of payment’ and his term is adopted here. In this section Marx restricts himself to trade credit, i.e. producers buying on credit so that commodities are alienated for simple promises of money. Lending money ‘as a commodity’, as Marx later describes it, that is pure money lending, is excluded. Paying money in advance when ordering commodities is regarded as simply a time delay in an ordinary purchase, and capital investment is also ignored in this discussion of ‘simple circulation’. Marx acknowledges, nonetheless, that in capitalism credit is quantitatively more significant than hoards and circulating coin.66

According to Marx, money as a means of payment ‘enters circulation as a non-means of circulation’! In the ultimate instance it must circulate ‘as the only adequate equivalent of the commodity, as the absolute embodiment of exchange-value, as the last word of the exchange process’. Marx clearly believes that it is a requirement of simple commodity circulation that debtors can be compelled to repay debts with the money commodity. As with the hoard, the money commodity seems essential in this function of money.67

Marx finds an obvious ‘contradiction’ here, which he claims is practically illustrated in trade crises. The ‘contradiction’ arises from the fact that no money need change hands when accounts involving debts cancel each other out, even though only the money commodity is legal tender when a debt is outstanding. Despite this Marx maintains his initial position that the means of payment function necessitates the money commodity. In a crisis traders are struck by an ‘impenetrable mystery’ involving the ‘sudden transformation of the credit system into a monetary system’. Marx sees credit as subordinate to money proper, the money commodity, and he believes that this fact is fundamental to any analysis of crises or of money. Marx criticises Macleod, saying that ‘he misinterprets the most elementary economic relations to such an extent that he asserts that money in general arises from its most advanced form, that is means of payment’. Instead it seems that for Marx the nature of money is determined in the first instance by its role as a measure of value, and only secondly by that as means of purchase. It is only when it already fulfils both of these roles that it can appear as the universal material of contracts. Money is not simply a claim to value; it has an exchange-value, it is the money commodity.68

Marx’s analysis is not very illuminating. Money as means of payment ends up being described rather oddly:
it does not come into the sphere of circulation as means of circulation or means of purchase. It fulfilled these functions before it existed, and it appears on the scene after ceasing to perform these functions.

How can anything do something before it exists? It would make more sense if Marx said that it acts as a measure of value from the start of the transaction and as means of circulation only at its conclusion.\(^69\)

Marx points out that once sellers and buyers transact on credit, the debtors are obliged to produce and sell in order to pay (M-C-M); they are not any longer only motivated to produce so as to buy. ‘Money, that is the independent development of exchange-value, is no longer an intermediary phase of commodity circulation, but its final result.’ Special reserves are required for debt and contract payments which increasingly involve money; ‘the universal means of payment becomes the universal commodity of contracts’. These reserves, unlike idle hoards or forced reserves, are conscientiously built up through selling in order to pay, although bankers’ activities reduce the total magnitude necessary. Therefore, but only implicitly, this section retains the even stronger connection made by Marx between credit and M-C-M in the Urtext and in the Grundrisse. However, as pointed out above, in this version as in later ones, Marx makes all forms of ‘money’, including ‘means of payment’, a function of money in simple circulation, and not of capital.\(^70\)

Marx suggests that credit relationships arise spontaneously in simple circulation. However his discussion assumes legislative support for the institution of commercial credit:

> Just as formerly the value-token as a universal symbol entailed a State guarantee and a legal rate, so now the buyer as a personal symbol gives rise to private, legally enforceable, contracts among commodity-owners.

This analogy is sound. But it is surprising given Marx’s aversion to categorising state legal tender as credit money, for this analogy suggests that he might do so. This passage again raises the challenge for Marx to take the state, credit and credit money more seriously in his analysis of money in capitalism.\(^71\)

Now that he has introduced credit, Marx simply adjusts his initial proposition that the quantity of money necessary for circulation is determined by the sum of the circulating commodities’ prices and the velocity of money, by adding that ‘the total amount of payments falling due during this period minus the payments that balance one another’ should be taken into account, along with the velocity of the means of payment. This seems to ignore that purchases on credit save on the quantity of coin necessary for circulation in the first instance.\(^72\)

The final passage of this section in A Contribution discusses a matter which features in previous but not subsequent versions of Marx’s theory of money. Marx contends that changes in the value of gold do not affect relative prices. However variations in the value of gold over time can seriously affect the relations between debtors and creditors, as they can affect the value of what is hoarded, writes Marx. He claims that this is a result of an irresolvable ‘contradiction’ in money, at the same time the universal and a particular commodity. This practical issue involves the temporal aspect of monetary relations, i.e.
money links transactions made over time as well as through space. As mentioned, Marx’s idea of money as a special universal commodity, which is at the same time a particular commodity with a value derived from its costs of production, is more plausible in a purely spatial or synchronic model than it is once the element of time, and therefore change, is introduced. This section on the social disturbances created between debtors and creditors when the value of gold varies substantially is left out of the Capital I version, possibly because he recognised that it suggested some theoretical weakness, though he showed no sign of recanting or revising his theory.73

Again this issue makes one wonder whether Marx’s concept of ‘socially necessary labour-time’ which is determined by current production can be expressed by the ‘money commodity’ in circulation, as Marx believes it must. In fact the ‘contradiction’ that Marx perceives in the money commodity, in being both a particular and a universal, might indicate that he ought not to think of money as an ‘independent’ exchange-value at all. Instead it might be analysed more usefully as mere value-form, as simply a claim to value, defined as a weighted bundle of physical commodities. If Marx analysed money like this he would only need to point out that the unit in which credit was extended had altered in meaning because the value of its component commodities had changed, and there would be no need to invent a contradiction to ‘explain’ the situation.

World money

‘World money’ is gold and silver, the only means of purchase and payment that is recognised world-wide. Here, Marx says, ‘money reverts to its original natural form’, and is ‘the appropriate form of existence of the universal commodity’. Exchange-value is only fully evolved in the world market; world money in gold and silver is its result and premise. ‘Gold and silver help to create the world market by anticipating its existence in their concept of money,’ writes Marx with, it seems, some idealism. The example Marx gives for this claim is the ‘remarkable’ boost to trade arising from the mid-nineteenth century gold discoveries. The producer’s and trader’s horizon becomes the world and their ‘cult of practical reason’ replaces all religious, personal and regional loyalties and obligations (and indeed all ‘other prejudices which impede the metabolic process of mankind’!). The reduction of human relations to monetary ones based, according to Marx, on socially necessary labour-time, destroys all other social value systems. Since transactors perceive their social labour in a fetishistic form, money appears ‘magical’. It is ‘value-for-itself’, ‘the abstract and therefore adequate being of exchange-value’, the most obvious evidence of the commodity fetishism of capitalism.74

The material of money in A Contribution

Although both the Urtext and A Contribution feature a special section on the subject, Marx concludes in both that ‘the material of money lies outside the confines of the bourgeois system’. This might seem to account for its being dropped as a separate section in Capital I. But several of the main points made here appear in other places in Capital I, where one is referred to this work for details. This discussion also seems implicitly
relevant to Marx’s exposition of the final development of the value-form (VF₄), the money-form (see chapter 7 below). The rearrangement of this material therefore does not seem to signify a retreat from his basic position, for in *Capital 7* he repeats word for word a point that is at the heart of this section in the *Urtext* and *A Contribution*, i.e. that ‘money consists by its nature of gold and silver’. He considers that ‘wealth as a fetish must be crystallised in a particular substance’ in capitalism, and that ‘gold and silver are its APPROPRIATE EMBODIMENT’. Even though it is only formed in circulation, money as *money* must be gold or silver, ‘a particular natural product, a metal, which is contained in the earth’s crust and can be dug up’. Further, with literary flourish which only mystifies his analysis, Marx refers to the sensuous-aesthetic qualities of gold and silver, which appear like ‘solidified light raised from a subterranean world’. It seems then that his theory embodies fetishism instead of transcending it. In *Capital I* Marx comments that:

> The degree to which some economists are misled by the fetishism attached to the world of commodities, or by the objective appearance of the social characteristics of labour, is shown, among other things, by the dull and tedious dispute over the part played by nature in the formation of exchange-value. Since exchange-value is a definite social manner of expressing the labour bestowed on a thing, it can have no more natural content than has, for example, the rate of exchange.

But here Marx seems to conflate pure exchange-value, which is social, with use-value, or the qualities of a natural material.⁷⁵

Rather than stress that all the properties of money depend on its social context, Marx draws parallels between its natural and social qualities. These qualities are particularly relevant to the function of money as coin, but seem irrelevant to the typical case of non-commodity currencies. Marx does not acknowledge the century-old existence of paper money as worthy of attention, nor does he recognise that minting is a manufacturing process, that the state or a private bank is necessary precisely to ensure the real or artificial homogeneity and identity specifically of metallic coin and so on. If the material of money is *naturally* gold, how was he able to develop his theory of the value-form, i.e. of VF₁–₃, using the material of linen? In Chapter One he said that the material of money evolves through trial and error and only gradually are the precious metals shown to be most appropriate. Marx also reiterates the dubious claim that gold and silver as luxuries, as coin and as bullion, are easily transformed one into the other as if no labour (value) or natural loss were involved in the process.⁷⁶

Both the section on precious metals and the previous section on world money imply that Marx believed that the prevailing gold standard was a necessity and not a merely legal construction. Marx states that capitalists ‘reorganised’ the gold money that they inherited, yet that it maintained ‘its basic structure’. ‘The functions of gold and silver as money,’ he writes, ‘are not abolished even in the most advanced bourgeois economy, but merely restricted.’ Similarly the section on ‘world money’ in the *Urtext* emphasises the theoretical significance of a ‘purely’ metallic circulation on which, Marx maintains, ‘all the speculations of the economists over the higher, more mediated forms of circulation depend’. Paper money is token money, just currency; since it cannot be hoarded, and it
derives its denomination from a commodity (gold) standard, it is not money proper but simply coin.77

Simple circulation in the Urtext

In the Urtext Marx continued the chapter on money, which stops at ‘world money’ in A Contribution, with a fifth section on the law of appropriation in simple circulation. There is a sixth section too, on money becoming capital, which is followed by several pages of the proposed third chapter on capital in general. This latter clearly corresponds to, but is much more detailed than, that in Part II of Capital I. The remainder of this chapter concentrates on the Urtext, a work which followed the First Draft ‘plan’ of the Index to the Grundrisse, and was preparatory material for A Contribution.78

The section in the Urtext on the law of appropriation and simple circulation revives ideas put forward in the Grundrisse which were explicitly aimed at undermining the perspective of the utopian socialists and writers like Bastiat and Carey. According to Marx they erroneously regarded the superficial characteristics of the sphere of circulation as practically attainable ideals, albeit in different ways. Marx’s argument is that the ideology of freedom and equality linked with private property has its material basis exclusively in simple circulation, in the exchange of commodity equivalents via money. However according to Marx this ideology, like simple circulation itself, reflects only one side of a contradictory system; it is only a partial representation of reality and, if read as the whole, is reality mistaken. In Marx’s view, property, freedom and equality turn into their opposites, poverty, lack of freedom and inequality; reproduction is a unity of circulation and production, and the latter reveals exploitation, poverty, and coercion.79

In an 1844 style ‘explanation’ he writes that ‘exchange-value is social being’. The universal equivalent is the ‘real expression’ of equality and equality is the ‘social product’ of circulation. The entire ‘money system’ or ‘developed exchange-value system’ is the ‘realisation’ of equality and freedom. Marx tries to show how the categories of property, freedom and equality are outcomes of commodity producers’ relations to one another.80

All particular labours involved in the production of different commodities become general labour in simple circulation, where the producers ‘certify’ their work in money, which is ‘a tangible thing’. In this process money ‘is exclusively assumed as the immediate objectification of general labour’. Such descriptions recall ideas from earlier ‘alienation theory’ discussions of money where property, the result of alienated labour, is social being which is reified in a general form in money. Money is ‘purely abstract wealth’, writes Marx, and its possessor is therefore ‘an abstract person’ with ‘universal power’. Since this ‘private power’ is social, ‘totally alien and extraneous’ to the individual’s actual skills and capacities, Marx concludes that ‘the individual is merely the individualisation of money…as immortal as money itself’.81

In simple commodity production there is equality between producers who sell their own product, because none benefit more or less than they contribute in the form of exchangeable use-values or commodities. They labour and share in the product to the extent that their own labour is socially necessary, thereby becoming equals. In capitalism, however, equality and freedom only survive as formal ideals and one finds exploitative
relations of production that make money into capital, into money capital, a wolf in sheep’s clothing. In A *Contribution* Marx identifies this ‘exchange of non-equivalents’ with M-C-M in which the content and purpose of exchange is to make money. Thus one sees how important it is for his theory of surplus value that he defines all the primary functions of money in simple circulation, in C-M-C, as relations of formal equality. Even in capitalism, exchange by definition involves equivalents; relations of exchange cannot account for inequality or profits, which arise instead as a result of the relations of production between workers and capitalists.82

Marx separates circulation and production, and treats circulation as a simple formal sphere implying freedom and equality. Is it possible to do this without making prices and money (which Marx refers to as the ‘sole stable product’ of circulation) completely separate from the sphere of production, or of real values? This question of a complete separation between price and value arises from Marx’s analysis contrary to his intent. Given that the market includes all sorts of items not produced by labour, one might suggest, as Aristotle does, that nothing is equal to anything else—whether commodity, the labour which creates it, or its producer and consumer—but only exchange makes them seem so. In other words mutual, voluntary, and continuous alienation implies neither equality of any social or private content of what is exchanged, nor equality between the exchangers themselves. Indeed Geoffrey Kay writes that equal exchange involving money only means that ‘two commodities are exchanged as if their values were equal’. Aristotle, too, believes that disproportions in exchange ratios merely reflect the different status of the commodity producers concerned. It seems that Marx’s concept of a money commodity is meant to bridge the gap between production and circulation or value and price and is part of his attempt to make his concept of abstract labour, itself only an outcome of monetary exchange, coherent with his concepts of ‘value’, ‘exchange-value’ and ‘money’.83

But how can money be a commodity, as if each unit (quantity) of gold stands for a tiny part of the total social product of abstract labour, when money itself re-circulates continuously, unlike a commodity which by definition is realised once only? Marx acknowledges, yet at the same time avoids this issue by making circulating money ‘symbolic’. But given that commodities’ prices almost always deviate from their values, why does not this process adversely affect the money commodity as well? Such questions are central in discussions about the quantity of money needed for circulation and money’s ‘value’.

**From money to capital in the Urtext**

The final section of the *Urtext*’s second chapter involves the formal transition of money into capital. This section concentrates on circulation, as distinct from the proposed third chapter on the transformation to capital, which involves relations of production, and from which only the first several pages remain. Here Marx analyses ‘independent exchange-value’ using the same framework of simple circulation that he used with simple commodity producers. While the ‘content’ of equality and freedom is subsequently lost in capitalism, leaving just its form at the level of circulation, Marx contends that the ‘real independence’ of exchange-value is gained only in capitalism. Simple circulation, not
only as an historical precursor to capitalist relations but also as a subordinate, yet crucial, part of it as a social totality, simply suggests the independence of exchange-value in ‘money as money’. The real independence of exchange-value only occurs with production for exchange via the purchase of labour capacity (labor-power).\textsuperscript{84}

Marx describes simple circulation as the ‘necessary form’ of production for exchange; money and commodities are the ‘abstract spheres’, and ‘mere form of appearance’ of the bourgeois mode of production. Simple circulation illustrates ‘the general concept of capital’. But value is not created in circulation, nor is the magnitude of exchange-value determined there. Money is just a measure of value and a means of exchange in C-M-C, and seems simply to mediate barter, i.e. signify the exchange of equal amounts of socially necessary labour-time.\textsuperscript{85}

This part of the Urtext is particularly ‘Hegelian’. For instance Marx uses the words ‘sublation’, ‘sublated’, and ‘negation’, and money is said to arise in simple circulation ‘as adequate being of exchange-value, as universal equivalent for itself and congealed in itself. The unravelling ‘contradictions’ giving form to Marx’s dialectical presentation are sometimes hard to follow, again often appearing as contradictions merely set up by his own theory. This is so with ‘independent exchange-value’ which appears first of all in money but, as it turns out, superficially, without content, and then again in capital but this time for ‘real’. The way that Marx presents this material is not only dialectical but, in a certain sense, idealist. This is obviously contrary to his intent and so demands comment. Towards the end of this manuscript Marx raises, but does not successfully confront, this sort of challenge saying that:

the dialectical form of presentation is right only when it knows its own limits. The examination of the simple circulation shows us the general concept of capital, because within the bourgeois mode of production the simple circulation itself exists only as preposited by capital and as prepositing it. The exposition of the general concept of capital does not make it an incarnation of some external idea, but shows how in actual reality, merely as a necessary form, it has yet…to flow into the labour creating exchange value, into production resting on exchange value.\textsuperscript{86}

Having described money as money repeatedly as ‘the material representative of universal wealth’ and so on, Marx then makes the observation that outside circulation it ‘represents only a substance-free universal form of wealth and becomes a useless use-value’. If money is not spent ‘it evaporates in my hands as a mere spectre of wealth’. So it must be spent. ‘Making it disappear is the only possible way of securing it as wealth’! Is this a practical contradiction or is it instead one created by his theory, arising from Marx’s initially one-sided appreciation of money? It is only here with respect to the transition of money into capital that Marx acknowledges that to be really independent—i.e. not just as exchange-value become independent of usevalue in simple circulation, nor just as a hoard outside circulation, but as a ‘self-positing’ exchange-value—money must be spent for productive consumption, that is it must be engaged in reproducing exchange-value. The hoard in simple circulation C-M-C can only have a ‘reified independence’, while money in M-C-M is ‘exchange-value-for-itself’. Money as capital is not only independent of circulation but also active in production for exchange, and yet its continued existence for
circulation is implied. To be actively ‘self-valorising’ money as capital must buy labour capacity and consume it. This is its ‘opposite’ and ‘complement’, ‘labour capacity, which exists as a subject’, ‘the use value out of which the exchange value itself arises, produces itself and multiplies’.

One anticipates from the style of this ‘logic’ that the ‘real’ ‘independence’ that money assumes ‘only’ as capital will be qualified later by its dependence on labour power, the creative source of value, but Marx’s draft peters out. The ‘independence’ of money is continually revealed to be purely formal from a more advanced stage of Marx’s analysis. Clearly Marx genuinely imagines that what he describes is a real dialectical process. But this kind of elaboration reads as if Marx’s initial description and analysis of money has simply become groundless on closer examination, i.e. once all aspects of its role are taken into account. Furthermore it seems as if, in adopting his dialectical style from Hegel, Marx has failed to avoid his idealism. Given the historico-logical nature of Marx’s development of his theory of money, to describe ‘money as money’ as intimating an independence it only achieves as capital has definite idealistic overtones, as if the idea of permanently growing wealth produces the material reality of capitalism. For instance, hoarding leads to production for exchange generally, according to Marx, because hoards are ultimately vacuous value, simply the formal idea of wealth in simple circulation.

Marx counterpoises money to commodity (value) and makes it form (valueform), which seems at odds with his claim that money is a commodity with a value determined at its point of production. The notion of value-form seems more compatible with a claim theory of money, in which the value of money is determined in its use, and which is hence only ever superficially or formally independent from the value of circulating commodities. Presumably Marx is not disposed to this train of thought at all because a claim theory of money would be associated in his mind with credit theories of money, especially labour monies and the ideas of Proudhonists and (ex)Saint-Simonians like the Péreire brothers. In Marx’s opinion the danger of their ideas was to imply a manageable monetary system and to suggest that this would remedy the evils of a social system which Marx, on the contrary, argued were created by the relations of production and required a revolutionary response instead. But a claim theory of money, developed along lines already apparent in Marx’s analysis—to wit those of ‘notional’ price and ‘symbolic’ coin, the insubstantial value of ‘money as money’, and of the linkage of the value of money to the process of production and therefore to labour itself—need not imply a money under direct social control or even a non-commodity money. In theory commodities could exchange on the basis of an abstract unit without any particular commodity standard. The standard of price would nevertheless arise from commodity circulation considered as a totality, i.e. as a result of the varying proportions in which commodities exchange.

It is significant that Marx points out that money as capital constantly needs to be spent and used in the sphere of production, for this must mean that it constantly circulates to realise commodity capital and to facilitate the distribution of the forces of production into their various industries. Therefore ideally it is kept in the function of coin and as such is primarily an abstract symbol of value even according to Marx’s account. Furthermore money cannot really ‘enter production’, as Marx puts it, only the use-value of the commodity does; the commodity that the money buys becomes a productive force. Unlike other commodities the ‘value’ of money constantly re-enters circulation to be ‘realised’ yet again! So the ‘value’ of money might be seen to depend on its purchasing
power, i.e. to reflect the values of all the other commodities. In Marx’s analysis of the circuit of capital—for example in Chapters 20–21 of *Capital I*—this tendency for money to function as a claim to exchange-value rather than Being exchange-value itself becomes even more pronounced. Marx’s dialectical presentation of the functions of money, whereby he separates production from circulation and measure of value from medium of exchange, means that he avoids a serious consideration of the dependence of all the functions of money on one another. While other theorists concentrated too much, in Marx’s opinion, on money as a means of exchange, it is not clear that he avoided their mistakes by going to the other extreme, defining money first and foremost as a measure of value. ‘Value’ is an abstract theoretical concept which Marx must demonstrate is implied by and in fact explains prices; it seems that he believes that the money commodity makes his law of value a more persuasive account.

Also Marx does certain dialectical turn-arounds that often confuse, rather than clarify, matters. For instance, Marx begins the section on the transition of money to capital by stating that the commodity, a real use-value bearing a price, only has a ‘notional’ being as exchange-value. However as money ‘its being as exchange value…appears as its reality’ and as the ‘universal’ use-value its use-value ‘is merely notional’. So money really does not sound like a commodity at all! A few pages on Marx describes all commodities as money, since for their producers, the sellers, they are a *means of exchange* and ‘negated direct, individual use value’, ‘a particular materialisation’ and ‘existence of exchange value’. Further on still he writes that ‘all commodities, appear as so many incarnations of money’ and that the ‘world of wealth now appears as the body of money in the same way as gold and silver’. For the seller the only ‘use-value’ of the produced commodity is to sell it for money. Marx concludes that capital must exist both in production and in circulation, as a commodity and as money, and, of course, therefore as neither! He ends this section cryptically: ‘Money in its highest fixation is itself once again commodity’.89

The final few pages of this manuscript start to elaborate on Marx’s idea that the real independence of exchange-value in general is based on money which functions as capital, i.e. money which is used to buy a particular commodity with a peculiar use-value, labour-power. Money and simple circulation now become subordinate to capitalist relations of production, so that money and its functions are even more obviously only part of a complicated social ‘totality’.90

**Conclusion**

The apparent coherence of Marx’s theory of money seems mainly due to its rather neat dialectical form, and its persuasive power derives a lot from his distinctively literary flourishes and numerous acute social observations. But Marx’s elaboration of money reveals certain problems with concepts associated with his theory of value, especially with their application to the empirical facts of capitalist production and markets. This may seem to be a harsh assessment, unpalatable to many of Marx’s sympathisers. Marx’s theory of money has come in for much less criticism than most of his other theories, possibly because so little serious attention has been paid to it until recently, when similar doubts to those expressed here have been raised, as reviewed in the final chapter below.
It seems that Marx had none of these doubts. In later work discussed below he neither deviates from nor develops much further the major propositions of *A Contribution* but simply embroiders on the pattern already set. He was burdened enough with monetary difficulties of a more intimate and immediate kind. Several months before its publication he wrote to Engels indicating his hopes for *A Contribution*, not in providing theoretical, social and political solutions, but rather a purely practical and personal one:

The ill-fated manuscript is ready but cannot be sent off as I haven’t a FARTHING for postage or insurance...Hence I must ask you to let me have a little money by Monday...it is far from pleasant for me to burden you again...BUT IRON NECESSITY. Next week...I shall see if I cannot manage to pull off some financial coup or other. I do not suppose anyone has ever written about ‘money’ when so short of the stuff. Most *autores* on this SUBJECT have been on terms of the utmost amity with THE SUBJECT OF THEIR RESEARCHES.

Should the thing prove a success in Berlin, there’s a chance that I might get out of all this mess. It’s HIGH TIME I did.91
6
MONEY AND THE ADVANCE OF CAPITAL

Introduction

Nowhere in Capital does Marx either qualify or modify his initial proposition that there is a money commodity within capitalism. Marx writes that: ‘The difficulty lies not in comprehending that money is a commodity, but in discovering how, why and by what means a commodity becomes money.’ Further that:

It is the foundation of capitalist production that money confronts commodities as an autonomous form of value, or that exchange-value must obtain an autonomous form in money, and this is possible only if one particular commodity becomes the material in whose value all other commodities are measured, this thereby becoming the universal commodity, the commodity par excellence, in contrast to all other commodities.1

In a letter to Kugelmann, 11 July 1868, Marx asserts that the distribution of social labour is a natural law expressed differently in different modes, and as exchange-value in the capitalist one. The role of the scientist, he writes, is to discover specifically ‘how the law of value asserts itself. The character of this value-form, exchange-value, is what Marx concentrates on in his theory of money. His concept of money is grounded in commodity circulation, in relations between producers expressed as relations between things, as exchange-values, in prices. Marx’s approach, which he believes to be thoroughly scientific, also has political import. Marx’s theory of money is not only a unique commodity theory of money but is also intended to be materialist and revolutionary. For instance, in a letter to Schweitzer, 13 October 1868, Marx attacks Lassalle and Proudhon for dreaming up a political direction that has no ‘real basis’ in the ‘actual elements of the class movement’. ‘Political economy,’ he writes to Engels a few days later, ‘can only be turned into a positive science by replacing the CONFLICTING DOGMAS by the CONFLICTING FACTS, and by the real antagonisms which form their concealed background’.2

Unfortunately it is ‘facts’ that Marx is short on in his consciously abstract theory of money. As Mandel points out in a defence of Marx regarding the ‘transformation problem’, even in the reproduction schemas Marx was not concerned ‘with immediately verifiable, empirical data, i.e. market prices’, and this example is typical. Mandel admits that if Marx’s theory was developed to account for everyday market prices, not just theoretical ‘prices of production’, then it ‘would have to involve real monetary
problems’. Mandel does not suggest that Marx’s theory of money is deficient, but the point remains that his monetary theory, which one would expect to be the most concrete aspect of his theoretical framework, is in fact the most abstract! It seems easier to see the ways in which Marx’s theory of money complements and conforms with his theories of value and surplus-value than to see the correspondence between Marx’s theory of money and the way money seems to function today in advanced capitalism. In this sense Marx does not fulfil his materialist claims, and the political significance of his theory diminishes as a consequence.

Marx’s theory of money changed little between A Contribution and Capital I (Part I, Chapters 1–3). In this chapter only the most relevant points and significant questions regarding money specifically under capitalism are treated. What was discussed in the last chapter on A Contribution is silently assumed or only cursorily mentioned. However the previous criticisms remain valid; the context of capitalist relations of production in no way ameliorate, in fact only make more complex, the difficulties already discerned in Marx’s concept of money.

Although the Capital I ‘version’ was changed in its various translations and editions—for instance, Rubel points out that the Hegelian terminology of the first German edition of Capital I was practically eliminated in the French—it was originally published in Marx’s lifetime and under his supervision. However most of the other sources used in this chapter, from manuscripts written in the 1860s and 1870s, were only published much later, and edited by Engels in the case of Capital II and III. Engels admitted to enormous difficulties in this task, especially with Capital III, Part V, which is monetarily speaking the most significant. Amongst several problematic chapters, some were extensively reordered by Engels, some required ‘substantial interpolations’ and he gave up entirely on one that Marx had sarcastically called ‘The Confusion’. In general Engels reasonably accuses Marx of poor calculation, and mentions dropping or correcting various graphical and mathematical sections. Without comment Engels left out a lengthy piece called ‘Reflux Movements of Money in Capitalist Reproduction’, which Marx had planned to include in Volume III. ‘Reflux’ was written in the early 1860s and testifies to the justice of all Engels’ complaints. The piece has no explicit aim, even though it covers various monetary issues, and exemplifies the lack of clarity that characterises much of Marx’s monetary analysis. Capital III contains a number of chapters, like Chapter 25, overburdened with interesting but uncommented quotations, literary hyperbole and tedious destructive criticism. Marx often reiterated very basic points of difference between his own apparently illuminating analysis and those of his economic and political opponents; for example, Marx felt that only he adequately defined ‘money’ as distinct from ‘capital’, ‘currency’ and gold.

Because of Engels’ alleged intellectual familiarity with Marx, it is significant that in his extensive end-comment to Capital III Engels not only crudely presents but also seems to misrepresent Marx precisely on ‘money’. Engels attempts to elaborate on a point made by Marx along lines he claims Marx had intended to follow himself. Marx’s general thrust in Part I of Capital I, seems to be that even in primitive commodity markets the socially necessary labour-time required to produce a good cannot be successfully anticipated or consciously applied by the producer-consumer in question. Instead production for exchange implicitly demands the development of a money commodity, because the values of commodities result from general social conditions in production
and circulation which are outside any particular person’s control and which, Marx says in *Capital III*, are mediated initially by the quasi-capitalist merchant. Engels argues that in the medieval peasant economy, ‘the labour-time needed to reproduce the objects…obtained in exchange was quite accurately known’ and that the introduction of a metallic money blindered the participants’ knowledge of values in labour-time itself. Engels concludes that:

Marx’s law of value applies universally…for the entire period of simple commodity production, i.e. up to…the onset of the capitalist form of production…the Marxian law of value has a universal economic validity for an era lasting from the beginning of the exchange that transforms products into commodities down to the fifteenth century of our epoch…thus the law of value prevailed for a period of some five to seven millennia.

This seems to misrepresent Marx. Marx presents a logical framework while Engels’ slant is historical. Also Engels includes produced means of production while Marx seems to abstract from them.5

This is a troubling discovery because it clearly casts doubts on Engels’ ability to clarify, qualify or modify Marx’s manuscripts which he was obviously forced to do on numerous occasions. Sometimes Engels disagrees with Marx’s analysis or descriptions, for example in feeling that Marx gave ‘an undeserved significance’ to money capital ‘set-free’ by the production process although also saying that Marx had underestimated its magnitude! When Engels reviewed *Capital I* for ‘The Fortnightly Review’ he ignored ‘money’, believing it largely irrelevant. Interestingly, in a letter to Marx, 2 February 1868, he pointed out that because they commonly used credit money, the English would find the explanation in terms of a gold money especially difficult. Rubel’s edition ends with a section on money that Engels had placed earlier in his *Volume II* of *Capital*, though not without openly acknowledging that it ought to, or at least was planned by Marx to, appear later. In sum it is not clear that Engels was the ideal person to edit these works on money.6

Nor are the only difficulties due to Engels. Marx’s satirical literary style, with all its political overtones, often blurs or even presents itself as a substitute for sound scientific analysis. One example is his unsatisfactory treatment of interest-bearing capital which according to Marx epitomises commodity fetishism. Even if dealt with in some detail in *Capital III* Part V, the credit system is always secondary to the money commodity. Also he shelves an explicit and full theoretical statement on the monetary role of the capitalist state. Admittedly he wished to treat these matters thoroughly later, but never did. Like Quesnay, whose *Tableau* inspired his reproduction schemas, Marx assumes a passive and unproblematic role for money in the circuit of capital, making commodities and their values the causal elements; Luxemburg points out that Quesnay and Marx, after him, ‘both conceive of the circulation of money as a subsidiary phenomenon, an external and superficial expression of the various stages within the circulation of commodities’. In Marx’s examination of the gold producers’ role and the supply and demand for the material of money, he fails to acknowledge that the gold producer and the money ‘consumer’ are dealing with a quite peculiar ‘commodity’. When Marx analyses money
in capitalist reproduction his empirical observations and criticisms of contemporary
monetary analysis do not involve fundamentally new or elaborate developments of his
type of money. In the economic manuscripts of 1861–63 manuscripts, in *Theories of
Surplus-Value, Volumes I–III, Capital Volumes II–III*, and in correspondence and articles
written in this mature period of Marx’s life, he reiterates themes already established in
earlier writings, and which are elaborated in the first part of *Capital I*.7

This chapter starts with a section on Marx’s concept of circulation with respect to
capitalist relations of production. Then wages, surplus value, gold production, hoards and
constant capital are each separately discussed, all from the perspective of money. Aspects
of Marx’s treatment of the credit system are dealt with next: his ‘monetary theory of
credit’; the functions of credit; bankers and money capital; interest bearing capital and
‘fictitious capital’. Finally there is a comment on Marx’s analysis of crisis.

**Circulation and capitalist relations of production**

According to Marx, commodity circulation just involves the exchange of commodities,
not their production. It is common to all commodity producing societies and only
involves purchases and sales, commodities and money; there is no difference between the
exchange process of simple commodity producers like artisans and peasants and
exchange amongst capitalists and workers in an advanced capitalist state, even though
exchange now involves the circulation of capital. This is important for Marx’s theory of
surplusvalue, in proving the exploitation of workers and so forth. Given this line he
theorises with a purely metallic circulation, continually emphasises the ‘form’ of simple
circulation, de-emphasises the role of the state and does not account for credit or interest-
bearing capital satisfactorily.

According to Marx, commodity circulation implies a money commodity, say gold, as a
measure of value (even if only ‘ideal’ or ‘notional’ as price). As a means of circulation
this money commodity might simply be represented by a token of its value. But the
money commodity, gold, is restored as the necessary ‘absolute’ form of the general
equivalent in ‘money as money’, whether it is hoarded, acts as means of payment, or as
world money. In money as money one finds ‘the only adequate form of existence of
exchange-value’, which reduces ‘ordinary’ commodities facing it to ‘use-values pure and
simple’.8

Marx’s analysis of circulation in *Capital I* Part I does not involve interestbearing
capital, just trade credit or goods ‘sold’ on a private promise to pay. He assumes that a
money commodity and universal equivalent must exist for commodity circulation, though
tokens for gold and personal credit arrangements are seen to arise naturally too. In
*Capital I* Chapter 3, on the functions of money, Marx ignores capitalists, workers, and
financial capital; it is as if all the commodity-owners have themselves produced their
commodities which they directly sell for consumption. In Marx’s view neither a state nor
banks are necessary for commodity circulation.

Nevertheless this analysis of circulation is significant for Marx’s theories about the
social and material reproduction of capitalism, for his law of value, to account for the
exploitation of labour consistently with an exchange of so-called equivalents, for his
theory of commodity fetishism, and in order to emphasise the determining role of the
relations of production. According to Marx, commodity circulation is a formal pre-
condition for the circuit of capital, the real basis of which is production by wage labour.
In capitalism the general equivalent becomes a form of capital, like all other
commodities. Money capital buys all the conditions of production, including labour-
power, and realises commodity capital in the form of an independent exchange-value
which includes surplus-value. As the special universal equivalent commodity, which
alone purchases the particular ‘commodity’ labour-power, ‘money’ becomes ‘capital’.
For Marx the dynamic of expanding value which is characteristic of capitalism relies on
the unequal, exploitative, relations between capitalist and worker in production. It cannot
arise in the monetary exchanges between them, which for Marx only involve exchange of
equivalents. Equivalent exchange conceals the actual inequality between capitalists and
workers in the social relations of production. Marx aims to reveal exploitation at the point
of production, which he says is concealed by the superficial equality and liberty which
circulation or the market displays.

In capitalism, whether they be capitalists or workers, buyers and sellers all exchange
on the basis of equality and freedom. The worker’s Lp-M-Ms, exchange of labour-power
for a wage and subsequent purchase of means of subsistence, follows the ‘formula’ C-M-
C according to Marx. The capitalist’s enlarging investment, M-C-M’, is the result of a
process in production, but fits into commodity circulation because the circulatory aspects
of the circuit of capital, M-C…P…C’-M’, reduce to equivalent exchanges M-C and C'-
M’.9

Although there is an exchange of equivalents between ordinary commodities and
money as in simple circulation, in capitalist relations the distinctive and characteristic
aim of the money-owner is to increase money, so money must return to its source, the
capitalist. Money as money capital formally functions like money as money in simple
circulation, but the social relations of production mean that money, like all commodities,
is in the first and final instances in the same, capitalist, hands. (The ‘commodity’ labour-
power might appear to be an exception here, but is in fact only a so-called commodity
once workers find a capitalist to sell their services to. It is not even a product before then,
all of which brings up the difficulties of calling labour-power a commodity too.) Money
capital is a mere form of capital, albeit the most impressive. Besides the similarities with
the way money circulates between simple commodity producers, Marx admits to a series
of monetary complications under capitalism. But neither the principles of his theory of
money nor the laws of simple circulation, as originally stated without reference to
capitalist relations of production, are upset.

Although Marx frequently refers to non-metallic kinds of circulating medium, which
he acknowledges even predominated in England in his time, he is adamant that
theoretical models ought to assume a purely metallic money. This assumption partly
results from his belief that state paper and credit monies give the false impression of a
‘consciously regulated’ movement. Instead he stresses that monetary relations are created
socially, objectively, only as a composite effect outside any single actor’s (including the
state and central bank’s) control. All the actors ‘are placed in relationships which
determine their thinking’, their consciousness is received from the market and follows
rather than forms monetary values and prices. Also, the entire credit system is
subordinate to commodity circulation founded on a metallic monetary standard:
In considering the general form of the circuit, and throughout this second volume in general, we take money to be metal money, excluding symbolic money, mere tokens of value which are specific to particular countries, as well as credit money, which we have not yet developed. Firstly, this is the course taken by history: credit money played no role, or at least not a significant one, in the early period of capitalist production. Secondly, the necessity of this course can be proved theoretically, in so far as everything critical that has been said so far about the circulation of credit money by Tooke and others compelled them time and again to look back at how the matter would present itself on the basis of mere metallic circulation. It should not be forgotten, however, that metallic money can not only function as means of purchase, but also as means of payment. For the sake of simplification, we generally take it, in this second volume, only in the first functional form.

Nonetheless, in the same volume Marx suggests that, however fundamental the hypothesis of a metallic circulation is, it ‘fulfilled only an incidental function’ in the analyses of Tooke and his contemporaries. Marx felt that even though all domestic circulation might be achieved with non-gold tokens of value, in practice reserves of the precious metal anchored the system. He was ambiguous about the necessity for credit too, but concluded that ‘the credit system is no more emancipated from the monetary system as its basis than Protestantism is from the foundations of Catholicism’. Credit referred to money and might temporarily substitute for money, however the ultimate means of payment, the measure of value and material of national monetary reserves was gold, the money commodity.10

In Marx the circuit of capital is identical to that of the simple circulation of commodities and money, in as much as the basis of the movement is simply a transformation of equivalent values; commodity into money, money into commodity. Amounts of the money commodity equate to amounts of any other commodity as so many hours of abstract labour, of socially necessary labour-time. ‘Money is the independent expression of value’, it is the ‘converted shape of the commodity’, and ‘price, in its general concept, is simply value in the money form’. The quantity of money necessary to circulate capitalist commodities is deduced exactly as it is in simple circulation, although hoarding fulfils additional functions. The reproduction schemas exclude traders and bankers or ‘unproductive’ classes, and the functions of trader and banker are absorbed into the character of the industrial capitalist. Once introduced in Capital III (Chapter 17) the commercial dealer deducts a part of the average profit rate included in the ‘price of production’. Despite the complication of prices of production, coincidence between total values and total prices is assumed by Marx in discussions of capitalist reproduction in Chapter 10. Also in Capital II it is usually taken that commodities are traded ‘at their values’. On numerous occasions, including in Marx’s reproduction schemas and his discussion of the tendency for the profit rate to fall, the value of commodities (including the money one) is given as ‘constant’ or values are the same as prices, even though Marx acknowledges at the same time that the very nature of capitalism demands ongoing revolutions in the values of commodities. Money raises no serious theoretical difficulties for Marx in his analysis of capitalist reproduction.11
In simple commodity circulation, the commodity is part of a C-MC-M-C-M…‘totality’. In a similar way, says Marx, capital turns over within the circuit of the total general capital. The capitalist’s rate of turnover affects the velocity of money. The same quantity of commercial capital can turnover different quantities of goods and so it is ‘completely analogous’ to the movement of coin and the effects of its velocity, excepting that the movement returns to the same hands instead of circulating through many hands.

What Marx objects to most is that market relations which only constitute an aspect of capitalism (its form) are mistaken by ‘vulgar economists’ for the capitalist relation proper. Instead Marx’s model for presenting the circuit of capital was Quesnay’s Tableau, ‘an extremely brilliant conception’ in which money was ‘only…a phase’ of the circuit. Quesnay concentrated on commodity exchange, not on money like the mercantilists or bankers, or on production like the classical political economists. According to Marx’s description Quesnay assumed that money existed in a quantity adequate to circulate the total social product, so money proved relatively unproblematic; money was a passive factor, and this is precisely how Marx regarded it. Furthermore because capital as money merely functions as money, money dealers simply conduct monetary functions on behalf of the capitalist class and introduce nothing substantially new.

In Marx’s description of Quesnay’s Tableau, token, paper and credit monies are referred to cursorily, as if nothing much is changed when they substitute for real money with an ‘intrinsic value’. In line with Marx’s theory of money in Chapter 3 of Capital I they can only function as currency. Banknotes are like bills of exchange because they too have ‘anticipated’ a sale. Banknotes and bills of exchange arise from relations of circulation, not relations of production, and only involve intra-capitalist relationships. Marx assumes a purely metallic currency in his reproduction schemas, but he admits that the actual development of capitalism requires instruments of credit to save on the social cost of producing enormous amounts of precious metal; in practice Marx regards a purely metallic circulation as impossible because of the scale of precious metal production that would be required. According to Marx, although a ‘credit economy’ characterises capitalism it is just a type of ‘money economy’. Generally metallic money ‘now functions only as means of payment’ and credit (bank) money founded on bills of exchange adjusts according to the needs of trade. A banknote, according to Marx, ‘merely represents a circulating token of credit’, that is the banker advances money for the commodity to be sold, and once that is done, the money is repaid and the advance cancelled. Extending credit has the same effect as increasing the velocity of money: Gold production still determines the value of all money; ‘the measure of value is, and must be, a commodity since otherwise it would have no immanent measure in common with other commodities’. Nonetheless credit is ‘artificial’ and heightens the risk of circulation’s so-called ‘normal course’ being disturbed. Financial crises can arise independently of conditions in production. As mentioned, Marx avoids treating the credit system and many aspects of credit money in any great detail—on credit he followed Tooke in many respects—apparently believing his monetary analyses relatively complete nonetheless.

Although de Brunhoff observes that paper money is not clearly explained by Marx, he did make a place for state paper legal tender (even the inconvertible kind) in simple commodity circulation. Marx observed that in capitalist crises the banknote of the Bank of England (‘a semi-state institution’) held its own although he was aghast that the bank’s
reserves, ‘where one might finally expect to lay hold of something solid’, were insubstantial, ‘a mere phantom of the mind’, and that only a few per cent of all circulating medium was actually ‘coin of the realm’. In correspondence with Engels, he noted that in the United States of America ‘two prices’ prevailed, ‘a GOLD PRICE and a PAPER PRICE’, recognising a depreciation of the latter was in part a result of issues made to pay war debts and even of ‘purely political…DISTRUST’. Nonetheless Marx always maintains that the state ought not to and ultimately cannot manage the monetary system. The state does not control the value of gold, the measure of value and standard of price, nor the fluctuating quantity of money necessary to circulate commodities from one moment to the next. According to Marx the 1844 Act had disrupted the so-called ‘normal course’ and aggravated rather than alleviated the monetary difficulties associated with economic cycles and crises. Ultimately though, the state simply authorises, or ought only passively to support, the market’s natural monetary system. Marx was adamant that credit money, like tokens of value, could not substitute for the universal money commodity, which in fact decided the value of all money and was the sole ultimate material for the means of payment, hoarding and balancing of international trade. So although Marx indicates that metal reserves hardly support circulating paper, and often recognises the practical role of the state in monetary matters, Marx’s theory is of a money commodity which occupies the ‘base’ and determines the state paper ‘superstructure’.15

Money as money is the result of simple circulation, but the ‘circuit’ of money capital implies capitalist relations of production. Money capital circulates as M-C-M', a ‘reflux’ determined by the reproductive circuit M-C…P…C-M'. According to Marx, money capital is the ‘first form’ of capital, in history and in its reproduction. The capitalist originally ‘advances’ and finally receives back capital as money capital. Money can only function as capital when it is used to purchase the conditions of production, especially labour-power. As such it signifies ‘the permanent general expression of industrial capital’, and is the ‘prime mover’ of the production process although ‘money in itself is not an element of real reproduction’. The ‘money relation’ between the capitalist and the worker ‘becomes a relation inherent in production itself; unlike the hoard in simple commodity production, money as capital is a real value outside circulation, i.e. in production involving the exploitation of workers. The monetary value which is ‘advanced and not genuinely spent’ by the capitalist returns ‘enriched with surplus value’. This is buying so as to sell in its fully developed form. In simple commodity circulation money was the transitory element, C-M-C, but in capitalist relations M-C-M', the commodity appears as the transitory element. The capitalist requires value to reappear as abstract wealth, as ‘money-in-process’, in order to compare it with his initial investment and the profit of other capitalists. For Marx all these points distinguish money as money, say as hoard, from money as capital, a form of capital.16

According to Marx, interest-bearing capital is money capital not readily employable and therefore lent to another capitalist for the ‘price’ of interest. In a sense the money capitalist resembles Quesnay’s landlord who receives an annual rent from the farmer. Interest-bearing capital enters circulation as a ‘commodity’, the lender transferring its use-value to the borrower but, like capital, the transfer does not involve a real sale, the money, its value, is not really alienated. It is like an advance too in as much as it is ‘not genuinely spent’. Marx concludes that money can only be capital as well if it is lent or invested.17
While Marx castigates Proudhon for defining interest-bearing capital in terms of a simple exchange, Marx uses similar terms in his own discussion; in interest-bearing capital money ‘becomes a commodity…capital becomes a commodity’. And while he writes at one point that it is a mistake to view interest as a real price, Marx concludes that ‘although it is a category absolutely different from the commodity, interest-bearing capital becomes a commodity sui generis with interest as its price…fixed at any given time by demand and supply’.18

Marx’s casual treatment of credit is frustrating for credit would appear to complicate monetary movements in capitalism. Indeed Marx sees it as an offspring of capitalism, based on private property. ‘It develops from within itself credit and the credit institutions, and with this the whole configuration of production.’ It is unfortunate that he put off a full theoretical elaboration of the credit system and its auxiliary position with regards to the money commodity till it was too late. The fact that Marx never got round to thoroughly examining credit is important because one is not convinced that he might not have altered his conception of it if he had. For one familiar with Marx, nothing, alas, is more common than writings “overturned”, writes Rubel. For instance, if he had studied the matter in depth he might have met the point that he had confused an analysis of a function of money with one of its forms.19

Marx simply reiterates his political opposition to Proudhon’s claim that dispensing with interest-bearing capital might herald socialism, which Marx believed a nonsense. Marx’s comments are usually derogatory and destructive and he never offers a complete and constructive analysis of the financial system. As a result his criticisms and comments on the credit system fail to help one really understand capitalist mechanisms and forms of circulation. Marx himself acknowledges that capitalists generally trade and invest on credit. But for Marx the laws of commodity circulation, predicated on the purely theoretical model of an entirely metallic circulation, account for all that occurs. Monetary mechanisms are assumed to be relatively automatic and unproblematic in making the law of value manifest in the circulation of commodities produced under capitalism.

**Wages**

According to Marx, the formal aspect of the exchange between capitalist and worker respects the laws of simple commodity circulation; workers receive an equivalent for their commodity in the market, i.e. the means of subsistence adequate to reproduce themselves. The wage is used by the worker as a coin, as in C-M-C. But the capitalist’s use of the commodity labour-power turns his money into capital, M-C-M’. The capitalist’s money is given for ‘a force’ that creates surplus value in addition to the ‘value’ of the wage. In other words, in production the worker not only reproduces his means of subsistence or wage but also creates free surplus products for capital.20

Wages are termed ‘variable’ capital because they involve ‘the exchange of value for value-creating power…the conversion of a constant quantity into a variable one’ outside circulation. The qualitative distinction translates into a quantitative one. This is not immediately intelligible, but Marx regards it as legitimate and logical in the context of a dialectic between use-value and exchange-value or circulation and production. It seems like a theoretical sleight of hand, though, that Marx can refer to the ‘value’ of
commodities as constant or equal in circulation, while variable or unequal in production, whilst non-human forces of production remain constant values in both spheres. The distinction between workers and non-human forces here seems to be philosophical and political rather than strictly ‘economic’ since they are both defined simply as commodities. This becomes clearer when the ‘commodity’ labour-power is studied more closely. 

According to Marx, the significant point is that the capitalist buys the source of value, labour-power, not labour already ‘realised’ or ‘objectified’ in a commodity. The capitalist purchases a unique ‘commodity’, the ‘capacity of the living subject’, ‘in contrast to money (or value in general) as objectified labour’. The worker in reality ‘does not have a commodity to sell, only his own labour’. Worker and capitalist do not exchange ‘materialised labour’; what is involved is a ‘contradiction between materialised and immediate labour’ There are then two incomparable faces to the same coin; ‘activity’ on the one side faces ‘product’ on the other, so too ‘man’ faces ‘things’, and ‘labour’ faces ‘property’. 

Marx’s elaboration begs a question; if in fact labour-power is not already objectified labour, why does he call it a commodity at all? Is this perhaps another kind of transaction altogether, one that not only defines this mode but also involves the concept of money? Notably Eldred et al. start their neo-Hegelian analysis of capitalism with the ‘loan relation’ between capital and labour, and it is no surprise that recent criticism of Marx’s categorisation of labour-power as a commodity often comes from the same quarters as criticisms of his theory of a money commodity. Aglietta says that the sale of labour-power ‘is the logical contrary to a commodity relation, for it does not involve any exchange of equivalents’, and that it ‘is not a realized or realizable exchange-value’. ‘Labour-power is not a produced commodity,’ writes Mohun, ‘it is a commodified aspect of human beings, and human beings are not produced in any valorization process.’ Cartelier too claims that ‘circulation attached to the wage relationship is distinct from commodity circulation’. 

Marx acknowledges that labour ‘as bare activity’ cannot be measured. What money measures is value, i.e. labour objectified in a commodity, and money as a measure of value must be a commodity too. This point seems to be particularly important for Marx’s explication of the exchange between worker and capitalist, as an unequal albeit formally equal exchange. This explication is so ticklish that at one point in *Theories of Surplus-Value I* he becomes quite tongue-tied; he is forced to write that in the productive process the worker effectively (by deduction) has donated to the capitalist ‘a higher value than the value of the sum of money which forms his wages’. When the worker purchases his means of subsistence with this wage Marx points out that:

he has indirectly bought all the commodities into which the money (which is only the independent expression of a definite quantity of social labour-time) he received is converted with more labour-time than they contain...Conversely, the money with which the capitalist buys labour contains a smaller quantity of labour, less labour-time, than the quantity of labour or labour-time of the workman contained in the commodity produced by him.
Marx concludes that the best way to present this unequal/equal exchange is to recognise that ‘all commodities in exchange with living labour buy more labour than they contain’, and this distinguishes the circuit of capital from commodity circulation in a pure simple commodity producing model. In the latter, all commodities represent past labour while capitalist relations crucially involve a ‘commodity’, labour-power, which is also the source of value and is ‘sold’ for money. In fact, this would seem to make the money ‘commodity’ unique because only it can buy labour-power, and only by selling labour-power can the worker have access to the market. Or alternatively, as suggested previously, it seems to indicate that labour-power is not a real commodity, a fact that even Marx acknowledges:

The irrationality consists in the fact that labour as the value-forming element cannot itself possess any value, and so a certain quantity of labour cannot have a value that is expressed in its price, in its equivalence with a certain definite quantity of money.

That labour-power is legitimately considered a commodity is discussed by Marx in other places too. Even early on in *Capital I* he observes that contrasted ‘with the case of other commodities, the determination of the value of labour-power contains a historical and moral element’. His emphasis is that in a formal sense labour-power is a commodity. As regards its substance, a product existing apart from or prior to the commodity, he acknowledges that:

Pure labour capacity is indeed ‘a phantom’. But this phantom exists…capitalist production is based on the reduction of the labour capacity to such a phantom.

The significant point for Marx is that labour-power is sold like a commodity and it is only its peculiar *use*, in production which is separate from exchange, which makes it unique.25

These sorts of observation seem to make nonsense of Marx’s claim that labour-power is indirectly exchanged for means of subsistence just as in C-M-C, where both commodities are presumed to be equal in terms of socially necessary labour-time. It also makes one wonder whether Marx might not have more usefully reintroduced the concepts of concrete and abstract labour to analyse this peculiar exchange. The account of the ‘value’ of money and the necessary connection between money and abstract labour seems, at the very heart of Marx’s analysis, in his theory of surplus-value and exploitation, to be questionable. For instance, there is a widely observed ‘ambiguity’ with respect to ‘abstract labour’ and ‘value’ in Marx, since they sometimes seem to be derived
from circulation or exchange and other times from production, i.e. capital/labour. However it is only ‘an apparent ambiguity’ according to Claudio Napoleoni. Also Donald Harris indicates ‘that the only plausible and consistent derivation is that which connects value uniquely with the capital relation, since it is only with capital that exchange becomes fully established as the social form of the process of production and reproduction’.\(^{26}\)

Marx points out the distinctive features of the exchange between capitalists and workers without enriching or revising his original characterisation of money. Seemingly wages introduce no new or significant monetary complications. There is some ambiguity about the sale of labour-power, which Marx suggests is in fact usually ‘paid for only at a later period’ but in his theory he assumes that the seller ‘immediately receives the price stipulated in the contract’. This is consistent with the fact that Marx generally ignores payments altogether in his models and, whether labour-power is paid for before or after its use, the significant point for Marx is that the exchange is conducted in money and is an ordinary market relationship. Nonetheless in many places the wage is described as a deferred payment or as a ‘draft’ on the workers’ product. ‘Everywhere the worker allows credit to the capitalist.’ Elsewhere he describes the wage as a claim on the product that the workers are currently creating, or will only create in the future.\(^{27}\)

For simple commodity producers this complication never arises, the time they spend creating a product is either recognised in money when they realise their product or it is not. Rarely does Marx acknowledge that the ‘advance’ of wages on an as yet unrealised total social product can sensitise the system to crises. An exception is in \textit{Capital II} where Marx acknowledges this specifically with regards to long-term investments that require the expenditure of wages for a lengthy period before the product the workers are creating is marketable. But in general Marx is peculiarly insensitive to the complexities regarding the ‘value’ and quantity of money in circulation which involves the payment of wages to a large working class. One expects that Marx’s defence would be that he is interested in values, not prices. But that retort would only highlight his neglect of monetary processes, and demonstrate how readily he assumes what he ought to prove, viz. that his theory of the money commodity is consistent with his law of value and that both together explain the real world of prices and profits.\(^{28}\)

Marx stresses that the laws of simple commodity circulation remain in force in capitalism, and writes that ‘the money-relation conceals the uncompensated labour of the wage-labourer’ in production. Money not only represents value, but also misrepresents it perhaps? Marx suggests that in capitalist relations the laws of private property, which vested ownership in the producer, ‘become changed into their direct opposite through their own internal and inexorable dialectic’. Because the capitalist gains surplus-value from employing the worker, equivalent exchange is only ‘apparent’ and ‘becomes a mere form, which is alien to the content of the transaction itself, and merely mystifies it’. Here the alienation of the producer’s product is ‘the necessary consequence of a law that apparently originated in their identity’. This dialectical analysis raises more questions than it answers. How can it be that price or money, which is so formal and superficial, can still be so closely bound to the real sphere of value once circulation and production are torn so far apart? The necessary connection between ‘abstract labour’ and its concrete existence in money is even more unclear in the case of capitalist relations of production than it was with the simple commodity producers discussed in the last chapter.\(^{29}\)
Marx seriously considers several questions concerning surplus-value, surplus product, and profit. They arise from what he concludes is a false problem once posed to Tooke, namely, ‘How can capitalists receive more money from circulation than they advanced to it?’ One answer that Marx gives involves the increased value of the commodities that the capitalist sells at the end of the production cycle compared with those that he bought to begin with. Another answer suggests that in simple reproduction, where the surplus product is entirely consumed, capitalists must keep reserves which they continuously lend to themselves as it were, in order to mutually realise their respective surplus-values. On the expectation of making a profit, capitalists spend as consumers, anticipating that they will realise profit on the funds that they ‘advanced’ to production. Also a part of the physical surplus product is gold (money). In expanded reproduction the answers given are similar, the main difference being that the profit is spent on commodities that will be used for production rather than consumption. But if the production of gold money exceeds a given proportion of ‘virtual additional productive capital’, ‘simple hoard formation’ will result. Marx indicates that there are no unresolvable monetary difficulties arising from the circulation of profits in either case of simple or expanded reproduction.\textsuperscript{30}

Despite Marx’s explanations and conclusion it seems that if the capitalists spend an income that is only expected, and realised post festum, this surely implies significant possibilities of crises. With respect to profits money seems to function as a means of payment, just as it did with wages. This fact suggests that he ought to have studied the monetary processes involved in capitalist distribution of incomes more closely, as Lipietz shows in \textit{The Enchanted World}. Marx’s analysis indicates that money is required as a means of payment, even though he explicitly ignores this function in his reproduction schemas. Also the very circulation of profits seems to imply important and permanent reasons for crises, outlined by Emmanuel, that Marx fails to emphasise. In capitalism the creation, distribution and expenditure of incomes takes place simultaneously with the purchases on which those incomes are based, so lack of realisation can lead to serious ‘monetary’ difficulties, for instance inflation.\textsuperscript{31}

Marx acknowledges that in practice capitalist growth increasingly demands credit. However in theory, responding to the cluster of issues that surround the realisation of surplus-value, Marx still assumes a purely metallic circulation. Whether commodities are produced by petty, commodity producers or profit-making capitalists makes no difference; the quantity of money necessary for circulation follows the same laws as in simple commodity circulation.\textsuperscript{32}

Given these problems in the way that Marx explains the realisation of surplus-value in circulation, it is not surprising that this topic quite quickly inspired debates amongst Marxians, namely Luxemburg and Bukharin. Emmanuel continues a related line today.\textsuperscript{33}

\textbf{Gold production}

In \textit{Capital II} and \textit{III} Marx repeats points made about gold money in simple commodity circulation, arguing that with simple and even expanded reproduction nothing is substantially changed. For instance extra production simply includes the extra supplies of
gold necessary to circulate it. He does not consider that the supply of and demand for the monetary material is special in any significant way, even though he defines it as a special commodity, and despite the fact that the state, minter, banker and hoarder would seem to have a special influence and interest in the gold market, as elaborated by Hilferding, Lipietz and Deleplace. So although Marx looks at gold producers as if they might fall into a special category, his examination in fact assumes that they do not.\(^{34}\)

After some initial confusion Marx decides that the gold producer is in Dept. I, i.e. produces a means of production. Originally, with reference to Adam Smith, he discussed the fact that money in circulation might be construed as either fixed or circulating constant capital. But in ‘Reflux’, written in the early 1860s, Marx puts the gold producer in ‘a category *sui generis*’; in as much as gold is only used as the material of money the gold producer has a similar relation to all the other producers as do producers of means of subsistence to producers of means of production. Even though gold industry workers represented a fraction of total social labour, in terms of society as a whole gold producers were not part of simple reproduction, because the commodity they produced was not sold for variable or constant capital but was a surplus product created by surplus labour. However in his reproduction schemas in *Capital II* Marx classifies gold money as a product of Dept. I, production of means of production.\(^{35}\)

In Marx, circulating coin seems to be viewed like other produced means of production that are in current use. Presumably full-weight coins are like fixed means of production that contribute to reproduction without any immediate charge, while necessary replacement due to wear and tear of coins seems like a circulating constant capital cost. The so-called ‘costs of circulation’ include book-keeping and provision of currency which are both ‘unproductive labour’. The ‘value’ of the money (which mainly consists of old ‘stock’) is determined like that of all commodities, by the socially necessary labour-time involved in producing new gold. Nowhere does Marx acknowledge that social labour is involved in manufacturing coins from raw bullion, nor the fact that a changing composition of the circulating media might at least temporarily affect the ‘value’ of money and prices of other commodities unevenly.\(^{36}\)

Marx mysteriously suggests that there is a ‘gap’ in simple circulation, ‘through which gold…enters as a commodity with a given value’. Gold is effectively ‘bartered’ into circulation, so that the socially necessary labour-time required for its production is expressed directly in the amounts of particular use-values that exchange for the gold producers’ product. Although Foley suggests that ‘the characterization of the exchange of newly produced gold for commodities at the point of gold production as “barter” is metaphorical, not technical’, it is difficult to see how this clarification advances the discussion, even if it is correct. It seems rather odd that this money commodity, which in fact results from circulation is actually the subject of barter. In any case Marx strains here to make money just like other commodities in terms of its production and value. Yet even in simple circulation gold money seems to be distinct from final products, those used purely for individual consumption, and features only some of the characteristics of commodities used for productive consumption. While Marx ignores the minter and the state, some like Hilferding reasonably suggest that gold is ‘sold’ at a price other than its ‘price of production’.\(^{37}\)

Applied to his theory of money, Marx’s law of value seems simplistic. Barter is a series of bilateral exchanges, while the money commodity presents the opportunity for
delayed and indirect bilateral, in fact multilateral, exchanges. So while in barter only the amount of the use-value indicates the socially necessary labour-time that might have been involved in its production, with the money commodity pure exchange-value is made apparent in ‘price’. Likitkijsomboon points out that the demand for hoarding is not explained well enough in the context of the demand for money to buy commodities; Marx seems to ignore the significance of the hoarder in ‘demand’ and ‘supply’ (concepts which need redefining if they are to be applied to money anyway). Marx’s law of value is based on the construction of a unit which is an ‘esoteric’ measure of value, even though an ‘exoteric’ measure of value, the money commodity, appears crucial to Marx in order to express or concretise the law of value. But Marx does not seem to adequately account for the special functions of money which seem to make it a very distinctive commodity (if it is a commodity) in practice. In Marx’s discussion it is difficult to imagine gold being any more than an ordinary commodity, rather than being at the same time a special commodity with all the monetary functions that Marx attributes to it. Because Marx separates circulation from production, and means of circulation from money as the measure of value or standard of price, he does not consider it necessary, and in fact believes it illegitimate, to introduce ‘tokens of value’ into discussion of the value of money. He imagines that he can talk about ‘value’ and production without bothering about mere circulation and price. But is he justified?38

It is fundamental to Marx’s theory of value and money that the money commodity represent, indeed materialise, socially necessary labour-time. But because the money commodity not only expresses the law of value, but is subject to it, money necessarily has a fluctuating value. Despite the numerous theoretical debates regarding the inadequacy of a variable standard, including Ricardo’s disquiet, Marx finds this relatively unproblematic and denies that it in any way prohibits the money commodity acting as an adequate ‘measure of value’ or performing any of its other functions (including means of payment). Clearly his emphasis is on money’s quality as a claim to value. Marx stresses that the money commodity alone is immediately acceptable in circulation; the money commodity realises value, acknowledges private labour as social labour in all other commodities which must, therefore, be sold. He also emphasises that the universal equivalent only passively reflects the ‘relative’ value of the commodity being sold. While it is true that gold might act as a measure synchronically, it seems appropriate to ask, in a similar vein to Gray, whether it is reasonable to see money as a reliable, substantive measure at all, or at least to question seriously what kind of measure of value it constitutes for a labour theory of value. From one perspective it seems akin to using elastic for a tape measure. In Marx’s framework the permanent variability of value makes any ‘measure’ for it appear problematic, although money certainly does appear in the market as a gauge of some kind. Marx makes the ‘measure of value’ function of money its primary one and castigates the many other theorists who, in his opinion erroneously, accentuate the function of money as a means of circulation or claim to value. This primacy of the ‘measure of value’ function of money over that of standard of price and its function as means of circulation seems to spring from Marx’s theory of value.39

More questions remain about ‘price’. As mentioned, many goods that are not produced by labour command a price, and what money might measure here Marx cannot explain. Marx believes that he neatly draws a correspondence between money as a measure of value and standard of price by referring the same unit of gold to production in one
direction and to circulation in the other. But this is not so neat in the framework of his general analysis in which various meanings are given to the concept of ‘price’. In her ‘Postscript to the Second Edition’, de Brunhoff sees it as a failing that Marx has ‘no general theory of prices’ to explain the various shifts in its meaning throughout his works, especially with respect to the differences between the first and third volumes of *Capital*, Marx indicates on one hand that any alteration in the value of gold affects all commodities simultaneously’, yet later he acknowledges that new prices expressing gold’s new value can only spread in a slow way through the commodity system. In the section on realisation he theorises on the assumption that values equal prices, while he has just described the law of value as involving a process which means that prices rarely equal values. Here ‘money’ appears inadequate as a measure of value. Furthermore if the value of money is variable, how can it support a coherent pattern of equivalent exchanges through time?40

**Hoards**

Although the value of gold varies, more gold is worth more than less gold, and this encourages hoarding, according to Marx. ‘The first notion of ACCUMULATION is that of hoarding’, he writes in ‘Reflux’. According to Marx, in capitalism, as in simple commodity circulation, the necessary quantity of money in circulation includes both circulating and reserved media of exchange. Bank deposits are therefore a ‘latent’ aspect of circulation. The quantity of money ‘in’ circulation includes both actually circulating coin and passive hoards, although when referring to what is ‘necessary’ Marx usually means only the former. Likitijsomboon writes that Marx’s ‘M’ (in \( M = PT/V \)) only includes active coin, suggesting that the real difference between the two only concerns velocity. John Roche, who sees two theories of money involving hoards in Marx, one in *Capital I* and another in *Capital II*, also believes that hoarding and circulating monies ought not be distinct, that velocity should refer to the combined mass. Benetti also sees Marx’s concept of the ‘hoard’ as a serious blunder in which hoarding and cash for transactions ought to be made more distinct. He emphasises that the hoarder ensures ‘a positive value’ for the gold producers’ product. It is unfortunate that simple transactional reserves and real savings are often compounded together by Marx, so that ‘hoard’ sometimes seems to refer both to long-term savings and to the need for money for daily trade. Marx never really makes the distinction clear nor thoroughly analyses how they might differently affect circulation in capitalism. Of course neither disturb the laws of simple commodity circulation nor, according to him, influence the ‘value’ of money.41

In the context of simple commodity circulation, the hoard can only represent the independent form of the commodity’s exchange-value, private security. In capitalism however the ‘hoard’ tends instead to be socialised and shared as interest-bearing capital. Hoarding, in the primitive sense of piling up treasure, diminishes, and the ordinary form of hoard in capitalism consists of the reserves necessary for capitalist accumulation, especially for the infrequent purchase of expensive machinery. ‘It is just that the function of the hoards is different here.’ In simple commodity circulation the hoard was the ‘absolute form of the commodity’; in capitalism savings must be applied to production to realise their potential social power, as ‘an absolute form of capital’. The simple hoard
arises out of C-M-C; with M-C-M' the hoard is ‘self-preserving and self-expanding by alienation’, says Marx, as it is advanced or lent, rather than kept or spent.\textsuperscript{42}

In simple money circulation the hoard is comprised of reserves to be used either as coin, means of payment, world money or simply as money preserved in its ‘independent’ form. In capitalism, according to Marx, the functions of money remain the same but the capitalist is not comfortable letting money lie idle as ‘treasure’. A portion of all capital temporarily assumes monetary form, for example after the surplus product is realised and before it is invested, or when a depreciation fund is mounting. However, after careful calculation capitalists seek to press as much erstwhile idle money directly into production, or at least into interest- or dividend-earning activities. In capitalism the hoard—‘latent’ or only ‘potential’ money capital—represents interrupted reproduction, or a reserve necessary for reproduction. As mentioned earlier, Engels was baffled as to why Marx gave such emphasis to the need for a certain proportion of capital invested to exist in money form. Perhaps Marx’s postponed study of credit would have elucidated this detail; other writings indicate that he felt that the business cycle, and associated crises, were linked to the turnover of fixed capital of the average duration (approximately once a decade). Nonetheless a clear deficiency in Marx’s works is his lack of concern with matters of financing, a gap Hilferding sought to fill.\textsuperscript{43}

Although Marx assumes only metallic money in his schemas in \textit{Capital II}, he notes that ‘latent money capital’ can be formed put of bills of exchange, ‘value tokens’, and other legal debts, that are ‘titles to the future additional production of the society’. Also in \textit{Reflux} he has a retailer accumulating money in a bank deposit, which he says effectively means ‘an accumulation of mere drafts on receipts which derive from productive capital’, though he does not pursue this line of thought, recognising that it ‘belongs actually to the credit system’. This seems to contradict Marx’s assertion that hoards can only be composed of the money commodity. Such descriptions also suggest that Marx might have more usefully conceived of the hoard as a primitive or first form of ‘fictitious capital’. This suggestion would correspond with Marx’s original concept of the hoard as a value both ‘preserved’ and ‘useless’ outside circulation, which is pressed into productive activities under capitalism, and also with his idea of money as \textit{the form} of value.\textsuperscript{44}

In Marx’s analysis the hoard has important functions not only for the individual capitalist but also for social capital, capital in general. Marx says that national reserves are absolutely necessary for international purposes and occasionally necessary for domestic ones, and tend to be demanded in times of crisis in all directions at once. He is astonished that the national (bank) reserves are so tiny in proportion to the amount circulating in the system, as it were ‘supported’ by them, which suggests that what his theory leads him to expect is not borne out by empirical evidence, though he does not interpret it in this way.\textsuperscript{45}

\section*{Circulation and capitalist reproduction of constant capital}

Marx’s theory of money was designed to develop his theory of value in a concrete way. Marx’s analysis of the bourgeois economy evolved out of critiques of economic theory in general and labour theories of value in particular. He tried to perfect or correct labour theories of value by analysing ‘relations of production’ as distinct from those of
circulation. From a statement of the law of value based on abstract labour, Marx moved on to explain various ‘prices’ which approach real market prices and the monetary movements they involve. Obviously Marx did not develop his theory in a vacuum. His journalistic and private research on economics, and his contributions to economic and political debates, testify to his immersion in the object of his study. However his works emphasise theoretical issues related to the internal coherence of his law of value and explanation of exploitation, which involve the elaboration of the theory of the money commodity and laws of simple commodity circulation. So confident is he in these theories that he ignores the gap between ‘value’ and ‘price’ in his theory, as well as the gap between his theory and practical reality, which are highlighted in the ‘transformation debate’. For instance the gap between the capitalists’ real everyday category of profit and Marx’s theoretical category of surplus value is wide and he cannot readily apply this critical aspect of the law of value to the analysis of empirical prices. He concentrates his analyses on value or labour accounting, believing that provided the monetary system is based on a money commodity, then the processes of monetary circulation more or less automatically fall into place of their own accord. It follows that attempts at state control are mischievous and dangerous. He admitted that the theory of money was the most abstract aspect of his analysis, and yet seemed unconscious of the paradox implied, given that money was intended to be a concrete development of the law of value. As Rubin points out, the ‘most complex and most concrete’ category is ‘money’, then ‘exchange value’ and ‘value’, and finally ‘abstract labour’ is the most abstract.46

Marx is silent about means and objects of production in the discussion in the first few chapters of Capital I, even though it is supposed to provide a framework for analysing the circulation of commodities under capitalism. Furthermore in Capital II, which purports to be about circulation, he generally traces the movements of commodities in value terms rather than in prices. Since he assumes a purely metallic circulation and no credit, i.e. a commodity money model, the exchanges in the reproduction schemas are akin to barter, money being a simple medium as in C-M-C. Consequently he often simplifies, ignores or is vague about the financial and monetary processes within capitalism.47

Despite Marx’s objection to Hodgskin’s emphasis on ‘co-existing’ labour, Marx’s concept of ‘living labour’, which features in the reproduction schemas in Capital II, is rather similar. So concerned with making everything coherent in value terms, Marx is oblivious to or simplifies monetary movements. For instance, in stressing the qualitative nature of constant capital as simply a transfer of value, he fails to account for the effect of variations in its value and the same criticism applies to his treatment of fixed capital assets in circulating financial capital. One would expect from the titles of Chapters 5 and especially 6 of Capital III that these topics might be covered, but the credit or financial system is not taken into account enough. One notices the dubious ease with which Marx moves from labour accounting to pound values in his purely theoretical discussion, and then refers to real cases with pound and shilling currencies that obviously involve a much more complex system than a purely metallic one. It is difficult not to feel that some kind of sleight of hand is involved when a simplistic theory, that does not actually concern prices in the everyday sense, assumes a pure metallic currency, and neglects credit, is illustrated by empirical data involving complicated monetary and financial or credit systems and reported market prices. All of these kinds of questions seem quite secondary
or irrelevant to Marx as he assumes that a monetary system based on a money commodity automatically preserves the law of value in commodity circulation under capitalism.  

Marx generally neglects the financial or quantitative aspects of so-called ‘non-circulating constant’, i.e. ‘fixed’ capital. Fixed capital assets are ignored except in as much as they feature in constant capital (‘c’) as a depreciation factor. Marx maintains that the circulation of capital simply involves the exchange of commodities, mediated by money and evaluated in prices, and is still in this respect determined by the laws of simple circulation. Marx stresses that ‘past labour’ in fixed capital is significant only when it is a condition for living labour. The value of this past labour is conserved when it contributes to the current production process; there is a simple passive transfer of value, so that in the ‘new use value...the old exchange-value reappears’. In the reproduction schemas and other models where values are assumed stable, constant capital is automatically a transferred or preserved magnitude. However Marx recognises elsewhere that, according to fluctuating market conditions and improvements in techniques of production, which characterise capitalism, there is the permanent potential for obsolescence and the devaluation, or alternatively revaluation, of fixed capital. This must affect both constant capital, and the worth of assets that Marx excludes from his reproduction schemas. The circulation of this latter kind of capital is outside his model, but is certainly a significant aspect in the financial system. Furthermore, if the credit and financial systems are predicated on the monetary system and laws of simple circulation, it is difficult not to imagine that there is some feedback from the former to the latter, affecting the quantity of money in circulation, say, if not also its ‘value’. Marx however dogmatically asserts, rather than demonstrates, otherwise. The laws of simple commodity circulation and the character of money remain as first outlined.

The assumption of a purely metallic circulation without credit facilitates Marx’s assumption that a fixed amount of socially necessary labour-time is equal to a pound (£) in his reproduction schema in Capital II. His discussion generally involves value relations, while he avoids a comprehensive discussion of real monetary movements which involve credit, token monies, finance capital, fluctuating prices of both assets and commodities, and so on. Again because, as Marx points out, comprehension of reality must work from the real of prices to the theory of value and not vice versa—the latter being nevertheless how Marx consciously chooses to present it—his failure to analyse monetary circulation in a lucid and detailed way obstructs an understanding of empirical reality in terms of his theory. Suggesting that for Marx ‘price’, ‘exchange-value’, ‘value’ and ‘labour-time’ are all interdependent and correspond while being distinct, Elson also claims that, since labour-time involves prices (even though they are not identical) ‘price’ and ‘labour-time’ have more in common in Marx than many of his interpreters think.

In the reproduction schemas a hoard of money exists ‘alongside’ the production process, set aside on account of depreciation of fixed capital and waiting to replace it at a future date. Marx ignores capitalist production’s ‘year of birth’, and says that expanded reproduction introduces no novel monetary difficulties regarding means and objects of production, compared with simple reproduction, i.e. except in as much as the construction of his models, based in terms of labour accounting, indicate certain problems which Marx discusses in practical terms in his text. For instance what will become fixed capital is sold completely in one cycle in order to enter production, but then remains in the process for numbers of cycles, making it appear as if there is an over-production of fixed capital.
Also, because Marx’s analysis concentrates on labour ‘flows’ and simple movements in circulation, and does not recognise that there is a necessary ‘stock’ of fixed capital, other problems arise. With respect to at least one of these he is forced to recognise that credit is a way out. Marx also discusses the necessity for each capitalist to gradually hoard and then all at once ‘advance’ money for fixed capital, so that there is a depreciation fund mounting as physical fixed capital wears out.51

What falls entirely outside the reproduction schemas in Capital II is that portion of fixed capital assets which is not used up in the production process, and which it seems ‘presupposes Future labour for its reproduction and for the reproduction of its equivalent, without which it cannot be reproduced’. Except in as much as it is a depreciation factor, fixed capital is placed outside circulation, like a hoard. The circulation of titles to such fixed capital is not examined by Marx here in Capital II and is treated instead, inadequately, in Capital III. This is serious if only because development involves the growing accumulation specifically of fixed capital which in its value-passive state still seems to earn a rent (‘interest’, dividend) and so is a lien on surplus-value. The importance of fixed capital assets in total social capital is only recognised by Marx in passing, with reference to capitalist profit in Capital III; total capital advanced includes fixed, non-circulating capital which therefore has a claim to surplus value and partakes in the sharing of profit amongst capitalists.52

Marx also takes scant account of the quantity of money, gold or tokens, necessary to circulate fixed capital or natural property like land between owners, yet the mobility of capital is a necessary aspect of capitalism, especially for the formation of prices of production, and requires a means of circulation and standard of price. ‘For a thing to be sold,’ Marx recognises at one point, ‘it simply has to be capable of being monopolised and alienated.’ Yet rent and prices given to nature are ‘irrational’ according to Marx; land prices—like prices for other natural assets—derive from ‘capitalized and thus anticipated rent’. Apparently there is hoarded money available to circulate them, or money is not physically necessary to transfer them. In fact this escape is just as relevant to simple commodity circulation, and suggests that the whole issue of calculating the quantity of money necessary for circulation is in the final instance more or less irrelevant to Marx’s theoretical framework. Only with many qualifications and modifications, involving for instance credit and velocity, can a particular quantity of money be related to the quantity and value of the commodities it circulates. Anyway Marx assumes the adjustment occurs naturally in the process of commodity reproduction, following his law of value.53

In the first part of Capital I Marx’s law of value seems to deal only with flows; it is as if the instruments and raw material for production created by ‘past labour’ are either irrelevant or can be treated as a product of ‘contemporaneous’ or ‘co-existing’ labour (which is the way Marx says Hodgskin mistakenly describes them). Marx emphasises that the value of all commodities derives from the socially necessary labour-time currently required for their production, which implies the importance of present labour for the values of all commodities on the market. Presented like this Marx’s law of value makes most sense. Moving explicitly to an analysis of capitalism it seems that the value of even very long ago manufactured fixed capital is dependent on the productivity of present labour for two reasons. Firstly this follows from Marx’s contention that the value of stock is determined by current and not past socially necessary labour-time. Secondly it follows from the fact that returns to investments in non-circulating fixed capital depend
on the productivity of labour and current market conditions. This point is implied by Marx in Part II of *Capital III* on capitalist prices of production and the average profit rate on total social capital, as previously mentioned. What this means is that the model behind his reproduction schemas and most other theoretical discussions is fashioned so that it easily corresponds with the text of the first few chapters of *Capital I*. But the cost of this is an extraordinary simplification of what appears in capitalism as a very complex monetary and financial system. Moreover it is one which twentieth-century examples show is clearly cut loose from any money commodity as a standard.\(^{54}\)

### A monetary theory of credit

Marx’s theory of money, as stated in *Capital I*, only deals with trade credit, and credit money is regarded as a circulating certificate of this kind of private debt. Once again this treatment serves to support Marx’s interpretation of the economy in terms of his labour theory of value. In order to maintain his law of value and a model based on labour accounting, Marx needs a money *commodity* as the means of payment, commodity trade must be the source of promises to pay, and the ultimate payment must take the form of a commodity. As mentioned in the last chapter, what Marx perceives to be practical contradictions here seem in fact to evolve from his theoretical interpretation. The treatment of credit within this initial exposition of his theory of money is very limited, but he believes that using this slight theoretical basis all the complexities of the credit system of capitalism can be explained. He says crises make clear that the credit system is in the final instance a mere subordinate part of the monetary one. In fact crises make a poor illustration because it is quite unclear what is really happening at all.

Not surprisingly, de Brunhoff views Marx’s ‘monetary theory of credit’—a term used earlier by Schumpeter—as a natural complement to his so-called commodity theory of money. This may be so, but Marx’s remarks on credit contain confusing passages and are much less complete than those on money proper. They are also marred by the fact that Marx died without analysing credit in detail, as he had intended to. What there is of ‘theory’ is only fragmentary and allusive, and de Brunhoff at least acknowledges this. Marx’s writings are somewhat ambiguous in that he considered credit a practical but not theoretical necessity in capitalism. Similarly Marx regarded credit as a mere symptom of crises—he followed Tooke in regarding ‘the revulsion of credit’ as ‘a necessary effect of the previous undue and extravagant extension of it’—but also as a stage on the way to a new social order. As he presents them, these propositions sound rather contradictory. Nonetheless, according to Marx, both the credit system of interest-bearing capital and credit money are founded in the means of payment function as described for simple commodity circulation. Therefore credit and its theory are merely an elaboration of one of money’s functions: ‘the distinction between money as means of payment and money as means of purchase (circulating medium) is a distinction within money itself, not a distinction between money and capital’. In this sense, de Brunhoff has indicated the essence of Marx’s position with regards to credit.\(^{55}\)

Marx dealt with credit in Part II of *Capital III*. This is the part Engels found so onerous to edit. Indeed it seems to have been comprised of mere notes towards a draft and is still a shambles, one assumes despite not because of, Engels’ work on it. In a
purely analytical sense Marx seems to have progressed little further in these later works than in earlier ones. In the *Excerpt Notes of 1844* and in his *The Poverty of Philosophy* written in 1847, Marx already viewed credit as a complex manifestation of capitalism which pointed to a further stage in human development, and as the social side of competing private capitals. He was also, however, already opposed to the utopian socialists’ attributing so much potential to this mere instrument of capital.

The treatment of credit and finance in *Capital III* is problematic for several reasons. The difficulties that Engels encountered in editing the draft were, according to him, immense and severe. Part V, which Engels considered ‘the most important subject in the entire book’, at the same time ‘presented the major difficulty’. Marx’s handwriting was ‘notorious’ and he had been sick, so Engels found it particularly ‘difficult to decipher’. Part V is the weak fist that Engels made of ‘simply the beginning of an elaboration which petered out more than once in a disordered jumble of notes, comments and extract material’. That is how it appears, even in edited form; large chunks of undigested, i.e. uncommented, quotes from other authors litter the entire section. Rubel points out that a particular difficulty arises with working out precisely what Marx means in passages about money because the German for ‘money’, *geld*, is so like ‘gold’, which is the same word in both languages.

Several chapters in Part V required extensive reordering and were sometimes drafted again by Engels. Nor did Engels always signal his own ‘substantial interpolations’. If Chapters 27 and 29 remained relatively unscathed and true to Marx they are also very brief. Significantly though they are entitled ‘The Role of Credit in Capitalist Production’ and ‘Banking Capital’s Component Parts’ respectively, the former being a frustratingly schematic but bold analysis which Engels assures us was ‘reproduced almost directly from the manuscript’. Promisingly called ‘Credit and Fictitious Capital’ the unfortunate beginning of Chapter 25 illustrates the extent to which Marx eschewed the topic that concerns us most: ‘It lies outside the scope of our plan to give a detailed analysis of the credit system and the instruments this creates (credit money, etc.)’.

Engels’ proclaimed objectives aside, it is naive to imagine that the drafts were not ‘selected and arranged, at times arbitrarily’, by an editor who Rubel claims failed to integrate earlier insights of Marx’s into his later works. Moreover it is possible that Engels acted sometimes as censor, constrained by the fear of ‘anti-socialist laws’, referred to in a letter to Lavrov, 5 February 1884. It seems beyond doubt that most would agree that what is read today as Engels’ and even Rubel’s versions of this part of *Capital III* lacks the analytical strength, integrity and intricacy of detail peculiar to Marx’s best writing.

One might go further and suggest that the main difficulty with this section was that Marx’s monetary theory of credit was not only analytically slight but also unsound. For instance, his simplistic conceptions of credit, finance and money prevent his giving a proper interpretation of accumulation. Many authors who have recently criticised Marx’s theory of the money commodity indicate that credit is necessary for investment, for accumulation, in capitalism. Lipietz for instance contends that ‘realization can take place (in a closed economy) only if it is anticipated by the creation of credit money’. De Vroey argues that given value involves realisation, a capitalist becomes indebted when embarking on a business enterprise. Bellofiore too suggests that ‘the financing of innovations in the Marxian system becomes impossible if one excludes credit creation’.
Their arguments follow insights of Schumpeter, who argued that the capitalist circuit implies credit because productive capitalists have to buy future means and objects of production on credit.59

As it is, in Part V Marx gets bogged down debating points which seem trivial and marginal, even to his own theoretical framework. Marx usually elaborately defined and redefined concepts. But in his discussions of ‘loan capital’ versus ‘genuine accumulation’ and ‘credit’ versus currency circulation or the circuit of capital, points which seem tediously simple are reiterated ad nauseam, often remaining problematic from a more general view. When Marx speaks at the same time of loan capital as ‘a category absolutely different from the commodity’ and as ‘a commodity *sui generis* with interest as its price’ it is very confusing. Often this kind of dialectical explication makes some limited sense but in this case it is not as sustained nor as penetrating an explanation as the subject matter requires.60

**The functions of credit**

Marx certainly acknowledges the enormous growth of credit as capitalism advances; more commercial credit matches increasing trade. Trade credit and the attendant circulation of ‘reciprocal claims’ is, according to Marx, the very ‘basis of the credit system’. In booms credit expands, in recession credit is tight. The foundation of credit money and banknotes is bills of exchange. Marx uses the term ‘bill of exchange’ as shorthand for any promise to pay and writes that:

> With the development of trade and the capitalist mode of production…this spontaneous basis for the credit system is expanded, generalised and elaborated. By and large, money now functions only as means of payment, i.e. commodities are not sold for money, but for a written promise at a certain date…Until they expire…they form the actual commercial money.

However, wages and taxes in particular still must be paid in ‘cash’, implying that the money commodity cannot be dispensed with. On one hand Marx confirms the usual observation of the ubiquity of credit money in capitalism, on the other he is loath to regard this as a qualitative development of the monetary system.61

Credit distributes erstwhile ‘idle’ money capital, for accumulation assumes the prior collection of money. Credit money is an adequate money only in as much as it is secured like trade credit, and ‘absolutely represents real money to the sum of its nominal value’. Bank credit develops from and substitutes for trade credit on which it is based. Banknotes, says Marx, are bills of exchange supplied by bankers. Like tokens of value, in Marx’s analysis credit and credit money are limited to circulation, and gain meaning or worth only from real production and actual value. This is a ‘real bills doctrine’ of credit and, given Marx’s theories of value and of the money commodity, appropriate and to be expected. According to this doctrine ‘real bills’ are ‘titles to real value’ and there can be no overissue of banknotes provided that they are only supplied when discounting secured or ‘real’ bills rather than ‘fictitious’ or unsecured ones.62
Marx points out that credit and credit money save on the social cost of circulating vast quantities of metallic money, permit long-distance trading and, by anticipating returns on unsold goods, diminish ‘circulation time’. Credit is essential to both the equalisation of profit rates and the establishment of joint stock companies. In all these ways, especially important to long term investment, credit relations facilitate accumulation by capitalists.63

Marx believes it impossible for capitalism to exist without credit in practice, ‘i.e. with a merely metallic circulation’. Interest-bearing capital grows along with capitalism; capitalism ‘develops from within itself credit and the credit institutions, and with this the whole configuration of production’. Credit is both a ‘result’ and a ‘condition’ of capitalist relations; it is ‘flesh of its own flesh’. Such extravagant language makes credit appear quite central, but it remains secondary in his analysis of capitalism, and he often considers it quite safe to ignore. Obviously this is because he confidently believes that credit is only a function of money and that his analysis of means of payment in simple commodity circulation applies to the capitalist financial system. Since credit is developed from (or simply a use of) money, Marx is adamant that money is ‘the foundation from which the credit system can never break free, by the very nature of the case’. In this sense the so-called ‘credit economy’ of capitalism is simply a kind of money economy, not a form sui generis.64

**Bankers and money capitalists**

Banking develops alongside capitalist trade and credit. Over time it is typical for a central bank to evolve at the apex of the national financial structure, for instance the Bank of England. It is given the task, which Marx considers impossible, of managing the country’s reserves for both internal monetary circulation and external trade. This was a focus of contemporary debate; in influential quarters the quantity of money in circulation was considered the primary determinant of commodities’ prices, a position Marx sharply disagreed with. Marx judged that ‘the economic literature worth mentioning since 1830 principally boils down to writing on currency, credit and crises’. Debates frequently involved two positions, the Banking School, which Marx favoured, and the Currency School, which included Ricardo and held a Quantity Theory of money. Despite some misconceptions it is not true that Marx embraces the Quantity Theory of money in his analysis of inconvertible paper money. Marx does use the ‘quantity equation’ i.e. \( MV=PT \), where \( M \) is total money, \( V \) is velocity, \( P \) is the average price, and \( T \) is the total of all commodities in circulation. However this is a relatively neutral element of the Quantity Theory and can be interpreted or used in a variety of ways. Most significantly in Marx, prices, including the value of the money commodity, are determined prior to circulation; paper money depreciates if overissued and prices are affected, but gold prices are not.65

Tooke suggested that both the quantity of banknotes in circulation and interest rates were in practice irrelevant to changes in price, but that speculative credit was relevant. While Marx occasionally recognises, like Tooke, that credit may have an effect on prices, his point is that it will have no effect on value, the determining factor. Marx generally regarded as unwarranted the significance that political economy gave credit as a cause of capitalist crises. He regarded as misguided Proudhonist designs to reform monetary
relations by managing credit, for example through a labour bank and free credit. In opposing these Marx instead minimised the importance of credit.  

Given the time in which Marx wrote, it is not surprising that what have since become essential aspects of the now international financial system, for example the stock exchange and state debts, are only treated very sketchily. Marx did though occasionally recognise the specially dangerous ‘money power’ of bankers and money capitalists. He concluded that:

The credit system, which has its focal point in the allegedly national banks and the big money-lenders and usurers that surround them, is one enormous centralisation and gives this class of parasites a fabulous power not only to decimate the industrial capitalists periodically but also to interfere in actual production in the most dangerous manner—and this crew know nothing of production and have nothing to do with it.  

As mentioned above, especially in Chapter 27 of *Capital III*, Marx suggests that the credit system is the most complex manifestation of capitalist relations which develops on ‘the monopoly possession of the social means of production’; credit is ‘an immanent form of the capitalist mode…and…a driving force of its development into its highest and last possible form’. The monstrous credit system, composed of ‘fictitious’ interest and dividend-bearing capitals, represents the socialisation of profit, the shared capital of a class, and mediates the mobility of capital and therefore its progress. It also ultimately signals the disintegration of capitalist relations, which result from endogenous contradictions in production, and are exhibited most violently in crises. Credit, writes Marx, ‘abolishes the private character of capital and thus inherently bears within it, though only inherently, the abolition of capital itself. This chapter in *Capital III* recalls Marx’s *Class Struggles in France: 1848 to 1850* in which Marx points to confidence in bourgeois credit as the surest indicator of the power of the workers:

The proletarian revolt is the abolition of bourgeois production and its system. Public and private credit are the economic thermometer by which the intensity of a revolution may be measured. *The ardent and generative power of the revolution increase in proportion to their fall.*

**Interest-bearing capital**

Interest-bearing capital is, in Marx’s words, ‘the capital mystification in the most flagrant form’; interest-bearing capital best displays the absurdity of capitalist accumulation since here money (M) appears in itself as selfexpanding value (M-M'). Hoarding slows down the expansion of capitalist relations, so savings are collected and managed by bankers and fed back into the system as interest-bearing loans for productive activities:

It is easy to understand the satisfaction evinced when the credit system concentrates all these potential capitals in the hands of banks, etc., makes them disposable capital—‘loanable capital’—i.e. money capital, no longer
passive and, as it were, a castle in the air, but active, usurious, proliferating capital.

Like all capital, this money is ‘always advanced and not genuinely spent’, it is money lent with the express expectation that the loan will be used productively, will realise a surplus-value, and so .socially justify the charging of interest. Marx says that it is absurd to call interest a price and ridiculous for Proudhon to discuss loans in terms of sales. But he uses this kind of terminology himself. Marx describes loan capital as both a commodity and not a commodity. Money is a commodity in the money market where money is loaned as capital:

although it is a category absolutely different from the commodity, interest-bearing capital becomes a commodity sui generis with interest as its price, and this price, just like the market price of an ordinary commodity, is fixed at any time by demand and supply.

There is no cost of production for money loaned, yet it comes to market and finds a price; it is ‘form…devoid of content’, according to Marx. Interest bearing capital is a ‘commodity’ that is never really exchanged, but temporarily transferred on the basis of a legal relationship between creditor and debtor, both capitalists. Money’s use-value is only temporarily delivered to another on the basis that its exchange-value is returned swollen with interest at a legally contracted date. It is as if a loan resembles a commodity delivered before its payment is due. Marx observes that interest-bearing capital is a special commodity with the same characteristics in its form as labour-power has in substance, i.e. of rendering or reproducing an expanded amount of value as it is consumed. However:

The difference is this: the industrial capitalist pays the value of the labour-power, whereas he simply repays the value of the loaned capital. The use-value of labour-power for the industrial capitalist is that of producing more value (profit.) in its use than it possesses and costs itself. And the use-value of the loaned money capital similarly appears as a capacity to represent and increase value.

But, since money capital is advanced, temporarily lent, and by definition is not sold, Marx concludes that loan capital is neither capital proper nor a simple commodity exchanged for an equivalent as some contend. In fact, given all these analytical distinctions from ordinary commodities, it seems strange and inappropriate that Marx even describes interest-bearing capital with reference to the concept of commodity. Marx’s discussion of interest is marked by a similar lack of clarity. Interest is simply a claim made by one capitalist on another, for surplus labour, for the surplus product. Interest rate is to profit rate as market price is to the value of a commodity, he says. The point that he seems to want to make here is that the interest rate (like price) evolves from the forces of supply and demand, but that the profit rate determines the limits of the interest rate (like price is ultimately dependent on value).
Fictitious capital

Financial assets and loans are all ‘prospective capital…extra legal titles to the future additional production’. Marx calls them ‘fictitious capital’ as distinct from ‘real capital’, i.e. commodity or productive forms of capital. The term ‘fictitious capital’ suggests the precarious and speculative nature of financial assets, as distinct from industrial capital which is real productive capital. The market price of shares, Marx claims, is commonly calculated as capitalised yield at the current interest rate, with reference of course to other factors, such as business ‘solvency’. According to Marx the prices of paper assets have no necessary or direct relation to the value of the real assets to which they directly or indirectly refer.

Marx classifies not only stocks and shares, but also inconvertible banknotes, as fictitious capital. Bank capital is comprised of reserves of cash and securities. Securities are in fact only ‘imaginary wealth’, and state debts are ‘fictitious capital’ too, points out Marx. Nevertheless bankers, who are considered authorities in matters of finance and money, tend to regard debts as if they were commodities and ‘capital par excellence’. All this fictitious capital actually circulates relatively autonomously of the productive process from which it actually arises and on which it ultimately depends.

For Marx government bonds best illustrate the fictitious nature of financial paper and the paradox of calling them ‘capital’. Money raised in bond sales is often spent on goods which are consumed immediately or which perish quicker than the lifespan of the bonds, which nevertheless continue to yield interest to their holders. Yet another paradox involves the state and bankers’ relationship with respect to the issue of currency. The Bank of England delivers to the government with one hand and takes with the other; it lends capital at a substantial interest to the state and simultaneously, on account of such credit, creates money. Marx sarcastically observes that the bank may then lend this money, which is not backed by metal reserves, back to the state! Such is the nature of ‘fictitious capital’. He adds that the absurdity of the credit system and fictitious capital becomes obvious in crises.

Crises

According to Marx, economic crises are endemic and endogenous features of capitalism. A crisis, and the depression which follows, sharply exaggerates the familiar downturn and contraction of the regular cyclical fluctuations in capitalist economies. A period of impressive growth is followed by a crisis, stagnation, and only eventual recovery. Crises exhibit the fearsome lack of control by human agents or institutions over their social and material reproduction. Marx suggests that the contradictions of capitalism will continually arise in new guises, as crises, to humiliate its defenders. So Marxians have explained the apparent dissimilarities between the classical deflationary crises, that Marx was familiar with, and contemporary inflationary and stagflationary crises, as simply different expressions of the same underlying process.

Marx referred to a whole series of contradictions which he said imperil the orderly reproduction and expansion of capitalism as ‘so many mines to explode it’. His sympathisers have probably concentrated much more on singling out one cause for crises
than Marx believed either necessary or possible. For him the form in which all the contradictions of capitalist relations develop and seek their resolution is in the production and circulation of commodities. According to Marx, capitalist crises necessarily appear as monetary or credit crises because the evaluation and social confirmation of private production is a monetary process. Marx’s concepts of the money commodity and of money as value-form are, like his theory of commodity fetishism, ‘inseparable from his theory of crises, in which form is also his focus.’

Most commentators agree that Marx’s ‘theory’ of crises is incomplete and confusing; differences of interpretation generally centre on the difficulties in defining a primary cause. Emmanuel expresses the usual frustration: ‘A thousand times the reader thinks he grasps this cause; a thousand times it slips through his fingers.’ Peter Bell and Harry Cleaver are almost unique in considering Marx’s work on crises as relatively complete as it stands. Although Marx indicates that the forces producing, and those counteracting, the tendency for the profit rate to fall are crucial to capitalist crises, the former are not the key causes of crises. Rather Marx analyses crises in terms of their form, a monetary form taken by an infinity of concrete causes which express the abstract contradictions inherent in capitalist reproduction. Viewed like this, simply as a theory of the form of crises, it appears more comprehensive and coherent than is usually suggested. The question for Marx is not ‘Why, or What, causes crises?’, but ‘How is it that crises are unpredictable, yet inevitable, phases of economic fragmentation and social formlessness which continually recur in the history of capitalism?’ The question is ‘Why is it that so many distinct and various causes of crises appear in a similar and familiar form?’

Significantly Marx deferred dealing with ‘crises’ (along with credit and competition) and never got round to it before he died. The insurmountable difficulties that Engels faced in editing Capital III are in a section which might have elucidated and further developed Marx’s perspective on crises. As it stands the treatment of crises in Theories of Surplus-Value II is the most elaborate and sustained exposition of his thoughts. In Part III of that work he emphasises that monetary exchange implicitly involves the possible frustration of the successful reproduction of capitalist relations, of ‘value in process’ or ‘money in process’. In contrast to pure barter, demand (backed by the means to purchase or pay) and supply need not, and rarely do, coincide in a monetary economy, because hoarding of money is always possible. Consequently it seems that for Marx what was most appropriate to a study of crises was the investigation of this form, of monetary exchange, and hence also credit.

Marx sees any generalised delay in the movement of capital through its successive forms, from products in production to commodities and money in circulation, as sufficient to cause a crisis. If the interlaced sequences of capitalist activities and exchanges:

\[ M-C (Lp/MOP)\ldots P\ldots C'-M', \]

are more than briefly interrupted, for whatever reason, all the familiar symptoms of crises occur and can ultimately affect every productive factor and sector. For instance when capitalists are unable or unwilling to (re)invest money, they voluntarily or involuntarily hoard erstwhile capital. As a result labour-power and the means and objects of production are not re-engaged in production, there is unutilised industrial capacity and
unemployment. Any interruption in the labour process can engender crises. But whatever
the precise causes, capitalist crises take the form of monetary and credit crises because
the social valuation of private production must be achieved through circulation. There
can be specifically financial crises, but Marx focuses on the general economic crisis in
which prices become deranged, credit tightens, money becomes scarce or overabundant
but worthless, and so on. In other words, because labour is objectified in commodities but
the value of commodities is only realised in circulation, disturbances in production
appear on the surface as monetary and financial difficulties, as if they are simply
problems associated with money and credit.

This monetary form that is so important to crises involves the break between
purchases and sales in commodity circulation, which is inherent to capitalist relations of
production. The circulatory process, which is linked with production to compose a
reproductive whole, therefore allows crises. It must be understood, says Marx, that the
frustration of reproduction, say by hoarding instead of buying, is not inevitable; ‘these
simple possibilities of crises contained in the metamorphosis of commodities… by no
means explain their actual occurrence’. Marx uses the term ‘explain’ advisedly, the
reason for failing to buy, for not investing, is the immediate explanation of the crisis. But
crises occur in the way that they do because circulation, which involves money, allows
them to. He discovers the ‘germ of crises’ in monetary exchange.78

According to Marx there are two formal causes of crises. First and fundamentally
there is ‘the falling asunder of purchase and sale’ and second ‘the function of money as
means of payment in which money has two different functions and figures in two
different phases, divided from each other in time’. As such the normal circulation of
commodity capital and money capital provide ‘the framework’ for a crisis, in both
monetary and, predicated on that, credit forms.79

In contrast to petty commodity production the complexities of capitalist reproduction
make breaks between purchase and sale, deliveries and payments, receipts of profit and
their reinvestment, the norm. Capitalist relations offer numerous circumstances for the
possibility of a crisis to be realised. Crises evolve when, on a broad scale and with
snowballing effects, the expected outcomes of monetary contracts on which capitalists
depend financially are not fulfilled. Marx concludes that even without the extra risks of
credit, monetary transactions in themselves are the formal basis for capitalist crises.
Indeed Marx argues that it is precisely in crises that the monetary foundation of credit is
revealed. Ultimately credit refers to ‘hard cash’, the universal equivalent on which it is
now seen to directly, immediately, and practically depend.80

So where specifically does credit fit into Marx’s analysis of crises? He harshly
criticised the many who laid the blame on monetary factors and more particularly on
credit per se. He acknowledged that the ubiquity of credit made capitalist society more
liable to crises. On the other hand, wisely applied, the extension of credit may facilitate
trade and so avoid a potential crisis. But credit over-extended may equally delay, and in
so doing make more tremendous, an impending crisis. According to Marx, these are all
symptoms of pressures arising from production, for example in a boom credit increases as
demand increases.81

Such comments and ‘clarifications’ are made in a narrow defensive dialogue with
other theorists. This is more clear from a reading of A Contribution, though his arguments
there are sustained through to Capital III, just as some consider that Marx’s earlier
overtly political discussions of credit and crises directly contributed to his later, apparently more economic, analyses of finance. Besides his general arguments against the Ricardian quantity theorists, Marx also criticises Tooke, Wilson and Fullarton for failing to examine money in simple circulation first, and only secondly as money capital. While he concedes that capitalism is dependent on credit, and its withdrawal must lead to crises, he claims that other economists often mistake the monetary and credit forms of the general economic crisis for causes in themselves. In particular they misconceive money as ‘an instrument’ rather than as ‘a form of capital’ and ‘mere symptom’ of crises. Furthermore Marx denied that the state could successfully control the capitalist marketplace or money, although he didn’t regard it as inconsistent to view state or central bank measures in times of crises as exaggerating the distress. Marx harshly criticised his opponents, interpreting their errors as springing from a fetishist view of the economy, reiterating that the real causes of crises are not monetary, but are in production. Nonetheless his analysis of crisis in terms of form runs the clearly unintended risk of suggesting that circulatory processes are causal.  

According to Marx it is in fact crises which demonstrate that credit refers to a monetary base; Marx’s so-called monetary theory of credit implies that the intrinsic value of the money commodity acts as a relatively fixed point to which the credit system can refer. But in practice Marx finds, like Sayers, that ‘there is no dependable monetary ceiling against which a boom will bump its head’. He discovers that the concrete reserves, abstractly conceived of as at the base of the system, are in fact ‘insignificant’. Also when Marx comes to explore the Bank of England and bankers’ reserves he again finds social fact contradicts his theoretical expectations:

Just as everything in this credit system appears in duplicate and triplicate, and is transformed into a mere phantom of the mind, so this also happens to the ‘reserve fund’, where one might expect to lay hold of something solid.

Marx is fully aware that bankers create credit money as banknotes which are only nominally, not necessarily effectively, convertible. Even in crises though the Bank of England’s notes tend to be trusted, reasons Marx, ‘since the Bank of England is backed by the entire wealth of the nation’, by liquidable assets or future commodities. Does this imply then a monetary system founded not on metal but on claims? Marx takes up Chapman’s point about there being just £23 million coin reserves to realise £300 million liabilities in a panic and his question, i.e. ‘is that not a state which may throw us into convulsions at any moment?’ ‘Hence the sudden collapse of the credit system into the monetary system in times of crises,’ concludes Marx. It may well be that ‘everything here appears upside down’, but lucid monetary analysis is called for to make sense of this capitalist ‘wonderland’ and Marx fails to provide it.  

Marx regarded those who ‘explain the crisis by the crisis’ as silly. He does imply though that the crisis is like a cure, as if the crisis is simply an extreme illustration of the working of the law of value, leaving himself open to the accusation of trying to explain the recovery by the recovery! In Marx it is as if depressions and crises are a purifying process necessary for the system, in order to eliminate the least productive businesses, just as they appear to Schumpeter later. ‘Crisis is nothing but the forcible assertion of the
unity of the phases of the production process which have become independent of each other’, he writes elsewhere. Marx describes crises as ‘momentary, violent solutions for the existing contradictions, violent eruptions that re-establish the disturbed balance for the time being’. His theoretical stress on the formal framework for the possibility of crisis is interesting as far as it goes, but ultimately is rather unsatisfying. This is because his stress on form can so easily be interpreted as exaggerating the importance of circulatory processes, given that he is never able to successfully demonstrate that monetary phenomena are mere manifestations of value and relations of production. For this reason capitalist crises pose a challenge to Marx’s theories of value and money that he seems unable to fully comprehend or meet.84

**Conclusion**

This discussion has attempted to critically expound Marx’s theory of money as it applies to capitalism in his works of the 1860s and 1870s. In the previous chapter it was suggested that the concepts of ‘abstract labour’, ‘socially necessary labour-time’ and the ‘money commodity’, and their interrelations, were problematic. If so this calls into question Marx’s law of value itself, threatening to bring down with it many insights that Marx felt were original and profound contributions to an analysis of capitalism.

The gulf between ‘price’ and ‘value’ widens when capitalism is the focus, as in this chapter. In other respects too Marx’s theory of money seems more abstract than ever. The gap between the abstract theory of value and the concrete reality of prices is one that Marx’s theory of money ought to fill. Particularly since Marx, the materialist, claimed to explain reality, it is particularly damaging to his project that he failed to do this clearly and satisfactorily with respect to money. As it stands it seems that the judgement Marx made of Proudhon (in a letter to Annenkov, 28 December 1846)—that ‘there is a contradiction only between his idées fixes and the real movement’—might be applied to his own theory of money.85

Assuming this assessment of Marx’s theory of money is at least partially justified, one must ask why Marx seemed so satisfied with it. One answer is that Marx presents his theory of the money commodity in a peculiarly Young Hegelian, ‘Hegelian’, and dialectical form which dominates, if not fully determines, its content. Marx quite elegantly presents all the functions of money in a dialectical order and form and places ‘money’ as a link between ‘commodity’ and ‘capital’ in the dialectical or logical development of his analysis of the capitalist economy. In the next chapter Marx’s theory of money is examined from this angle, and it is discovered that some aspects are directly and demonstrably inspired by Hegel’s work, while in other ways he seems to criticise or attempt to ‘stand Hegel on his head’. It is most significant that within this esoteric philosophical context Marx’s theory of money makes a certain sense that it fails to make in a purely economic one.
THE MONEY COMMODITY,
COMMODITY FETISHISM AND
SCIENTIFIC DIALECTICS

Introduction

Marx’s concepts of ‘money’ and ‘simple commodity circulation’ are problematical in ways already alluded to. Unless set in the philosophical and political context of his thought, Marx’s apparent confidence that these concepts reflected reality and were adequate, indeed comprehensive, explanations of their subject matter might be thought strange. The focus of this chapter, which again deals with Marx’s later works, is that philosophical and political context.

Marx attempted to criticise bourgeois political economy and utopian socialism from a materialist and revolutionary standpoint, using dialectics as his method of analysis. Hegelian derivations are especially obvious in the first few chapters of Capital I where his theories of money and commodity fetishism are elucidated. Colletti sees a strong parallel between Hegel’s perspective, in which ‘God becomes real in the world’, and Marx’s theory of commodity fetishism. ‘However strange it may seem,’ contends Colletti, ‘this is precisely the point where Marx’s work and Hegel’s coincide—going so far as to accord with one another as regards the entire exterior form of their arguments.’ In contrast, Robert Albritton represents a mainstream position, writing that, ‘we find great similarities in the form of logic in the dialectic of capital and Hegel’s Logic, but because the dialectic of capital is a materialist dialectic, its epistemological substance is radically different from that of Hegel’s dialectic’. Alan Carling correctly observes that the first few chapters of Capital I are either seen as being vital or ‘at worst an embarrassing Hegelian diversion and at best a kind of limbering up before Marx gets down to the serious business of the labour process and social history’. Anyway it is clear that the dialectical distinction and connection that Marx makes between phenomenal forms of circulation and the essential relations of production offers a framework from which he criticises the assumptions, superficial analyses, and conclusions of the political economists and utopian socialists. Not only that, but this framework also becomes the structure within which Marx develops what he believed to be a thoroughly scientific analysis of the bourgeois social system.¹

Marx’s method and conclusions imply the necessity of a material basis for revolution. The impetus for change evolves from actual social contradictions that demand resolution; tension between the forces and relations of production provides opportunities for broad and profound transformations in social relations. Marx believed that these revolutionary preconditions could be discovered by scientific reflection and provided the only sound theoretical basis for political struggle. Conversely idealist inventions like the labour
money proposed by utopian socialists, and the political economists’ confidence that the monetary system could be successfully managed, were simply dreams that were doomed to fail. It is only by appreciating Marx’s dialectical method and political intent that, for instance, the otherwise dubious characterisation of ‘money’ as ‘independent’ makes sense. The subject ‘money’ evolves from the totality of commodity circulation but, as later with capital, it is in fact only an apparent subject, a ‘pseudo-subject’. For Marx ‘the real subject’ will only be realised in the collective regulation of production by freely associated independent producers, who will ultimately replace the law of value and its monetary manifestations; the rule of things over people; commodity fetishism; and the dehumanising and destructive character of capitalism which results from the sale of labour-power.\(^2\)

Marx criticises his opponents for overlooking the qualitative character of money in the capitalist mode of production, although the strength of his own theory is diminished because it is itself inadequate with respect to quantitative matters. While Marx criticises Ricardo because he concentrates on quantitative aspects of money, and says that this contributes to the failure of Ricardo’s theory of money, Marx’s theory suffers rather from his concentration on what he regards as the qualitative aspects of money. This is especially noticeable in his treatment of the categories of ‘price’ and ‘value’ and of the relationship between them, and is obvious in the ‘transformation problem’.\(^3\)

In fact the complicated dialectical analyses that Marx constructed to support his political convictions introduced a truly novel perspective on ‘money’ and required considerable effort to elaborate. The way in which Marx describes money and its constitution out of commodity circulation has certain parallels with Hegel’s discussion of the category of ‘Being’ and especially with the passages on ‘measure’ in the two Logics, and to some extent follows Hegel’s discussions of ‘essence’ and ‘appearance’ and ‘force’ and its ‘manifestation’ in the Phenomenology of Spirit. Yet the relationship between Hegel and Marx was subtle and complex; Marx started after all as a ‘Young Hegelian’, and never applied Hegel’s method or terminology in a direct or slavish way. Nonetheless what makes Marx’s analysis quite distinct from most analyses by bourgeois political economists or utopian socialists—Proudhon being the most obvious exception—is his conscious and unique adaptation of ‘Hegelian’ dialectics and Young Hegelian ideas to his study of money in particular. This angle on economics, this qualitative and social perspective which contributed so much to the success of Capital as a classic work about a massive and complex social system, at the same time seems to blind Marx to very real problems in his conceptualisation of money. Marx only superficially or partially succeeded in accounting for the two levels of reality that the terms ‘price’ and ‘value’ referred to for political economists like Ricardo and utopian socialists like Proudhon. Marx cannot easily apply his undeveloped theory of money to mundane reality; his concept of ‘money’ is particularly abstract and obscure. One might conclude then that the adaptation of an ‘Hegelian’ dialectical method introduced a novel and interesting way for Marx to criticise other theories, but it was less successful as a method with which to analyse concrete reality.

This chapter is divided into several sections: the first looks at Marx’s method of ‘scientific dialectics’; the second is a brief comment on his general presentation; the third is a summary of the theory of the money commodity as it appears in Chapter One of Capital I; and the fourth another summary of commodity fetishism, which Marx dealt
with in the end section of Chapter One. These résumés lay the basis for the fifth discussion, of the various influences of Hegel on Marx’s development of his concept of money.

Scientific dialectics

According to Marx—in a letter to Schweitzer, 24 January 1865—Proudhon was dialectical only in a limited sense and had pretensions to being scientific. In another letter, this time to Annenkov, 28 December 1846, Marx suggested that Proudhon’s petty bourgeois social interests (his being half-capitalist/economist and half-proletarian/socialist) accounted for his lack of appreciation of ‘scientific dialectics’. Proudhon was only the ‘scientific interpreter of the French petty bourgeoisie’, but was not on the whole scientific (presumably meaning ‘really dialectical’) in his approach. ‘Charlatanism in science and accommodation in politics are inseparable from such a point of view,’ concluded Marx in 1865. Also while classical political economy might have been a science, it had not employed the dialectical view necessary to fully appreciate the ‘inner connection’ between the different apparent or phenomenal forms of the economy, a connection which accounted for their ‘real movement’. Instead Marx laid claim to a method which was both scientific and dialectical, and his particular theory of money evolved as part of this scientific and dialectical account of capitalism. In Marx’s opinion scientific dialectics offered a rigorous method of inquiry and a superior form of presentation as well as having political significance.

In his letter to Annenkov, Marx called Proudhon ‘the declared enemy of every political movement’ because, by regarding economic categories as intellectual products, he had like Hegel put ideas before action, making them the ‘motive force’ of history and of social transformation. Marx writes that Proudhon ‘produces a phantasmagoria which claims to be dialectical’ and is in fact ‘trite Hegelian trash’, and that from this perspective ‘man is only the instrument of which the idea or the eternal reason makes use in order to unfold itself. This idealism could be seen in Proudhon’s views on money. According to Marx, Proudhon’s mistaken notions about transforming society by eliminating money or by introducing interest-free credit were based on an elementary ignorance of the real relation between commodities and money, and on an incorrect understanding of capital, which Proudhon and bourgeois economists falsely identified purely as a ‘thing’.5

Gray’s ideas also exemplify the utopian socialism that Marx found abhorrent and wanted to correct. Gray blamed ‘our commercial troubles’ on government regulation, and thought that overproduction was due ‘wholly and solely to our false monetary system’. Instead Gray prescribed negotiable drafts issued by a banking system for ‘equivalent produce’, which he thought would result in a ‘true measure of value’ and that then ‘the natural balance between demand and supply ‘would be restored’. Gray didn’t think that current money was a measure of value at all and believed it ‘an instrument of destruction, compared with which gunpowder is harmless, and the sword a toy’. Other utopian socialists like Grün and Cabet also believed that money was ‘one of the most fatal inventions of human industry’. According to Marx, Proudhon too thought that simply by banning credit that earns interest, surplus-value would instantly disappear. Furthermore Proudhon had not realised that commodities imply money and that money along with...
commodities imply capital (labour-power as a commodity), so that money and interest-bearing capital were just aspects of an entire social system. Proudhon, however, ‘owing to a mystic inversion, regards real relations merely as reifications of these abstractions’. For Marx these abstractions, the ‘ideas, categories’ of money and interest, had in fact evolved along with the socio-material relations that they described and were not in any way the ‘primary cause’ of them. Also, like bourgeois political economists, Proudhon regarded economic categories as universal and ahistorical, said Marx, who instead saw social actions and relationships as primary, and sought to describe categories like ‘money’ in specific and historical terms. For Marx money was neither manageable nor in itself evil, but was rather only an aspect of the entire social system. Money was not, and could not be, subject to the conscious control of bourgeois capitalists, the bourgeois state, or indeed would-be revolutionaries. Therefore Marx’s analysis of the economy and of the economic category ‘money’ contained a political claim about the inadequacy of suggested monetary reforms to bring widespread social transformation, a new order or social equity.6

According to Marx, Ricardo and Bailey also understood money only superficially. Bailey failed to get ‘to the core of the problem’ since he saw money as the source of value, and value as an attribute purely of objects and their relations. Moving solely within the appearance-forms of economic relations he was fetishist. And while Ricardo scientifically appreciated that the source of the ‘internal organic coherence and life process’ of capitalism lay in labour-time values (which was important because he revealed thereby the class struggle and the social relations at the base of the economy and society), according to Marx, he paid almost no attention to the qualitative aspect of money, i.e. to the fact that private labour must become social labour through a successful sale, in the exchange of a commodity for money.7

In Marx’s view, Smith and Ricardo usually mixed up the categories of ‘labour-time’ and ‘money’, which were, in Marx’s terms, the ‘intrinsic’ and ‘external’ measures of value respectively, and forgot that money’s value, like all commodities’, was established prior to circulation. In his economic analysis as a whole Smith had made the ‘intrinsic connections more or less correctly’ but had presented the ‘apparent connections without any internal relation’. If Smith recognised the ‘esoteric’ under the ‘exoteric’, he nonetheless failed to make the necessary links between the two halves of reality, a link that Marx attempted to make by applying ‘scientific dialectics’.8

It seems that the theory of the money commodity was crucial in Marx’s analysis in order to connect the productive sphere of labour-time values with the sphere of circulation. To make a convincing theoretical link between the world of commodity circulation, of form-appearances, of prices and profits, on the one hand, and relations of production, labour-time and values, on the other, Marx believed that he needed a measure of value and standard of price which was a commodity. This money had an ‘intrinsic’ value, not a ‘value’ chosen by a state or a monopoly producer, nor imagined by exchangers in circulation, but a value created like all other commodity values; Marx’s theory of a money commodity involved a ‘rigorous application of the labour theory of value’. This was in deliberate contrast to Bailey and others who, Marx alleged, ‘mistook’ money, a material and objective relation of production, for a mere subjective idea reliant on exchangers’ consciousness or power. On the contrary, with a materialist theory of money, with a gold money whose units embodied a specific amount of labour-time, Marx
could write that in the exoteric world of appearances people calculated and speculated in prices and about factors which were outside their individual control. ‘They are placed in relationships which determine their thinking but they may not know it.’

Using scientific dialectics, Marx sought to discover the ‘real movement’ and ‘inner connections’ of the phenomenal ‘forms of appearance’ in capitalism where social relations are necessarily expressed as relations between things. Marx describes scientific dialectics as a rigorous method of inquiry, the aim of which is to discern tendencies and ‘to track down their inner connection’. Marx claimed his scientific dialectics to be distinct from Hegel’s because it was ‘in its very essence critical and revolutionary’; it was not idealist but materialist, and was an objective analysis which, nonetheless, supported his political position on the side of the workers. The vigour of his attacks on opponents like Proudhon paralleled those on the expropriators themselves; in a letter to Engels, 7 December 1867, he suggested a review of Capital I indicate that his own work ‘sounded the death-knell to all socialism…i.e. to utopianism for evermore.’

Marx felt that if the capitalist calculated quite comfortably using familiar ‘irrationalities’, such as believing money automatically earns an interest, the worker was painfully ‘trapped in the same inverted notion’. Marx attempted to reveal the social mainsprings and inner dynamics of capitalism, to show for instance that money capital as money is only the ‘form of appearance’ of capital, only seems independent, and is falsely ascribed all the attributes of capital. In Marx’s terms ‘capital’ was before all else an exploitative relation between capitalists and workers, and the circulation of commodities and money just represented the form of the social relations of production. Commodity fetishism was ‘a necessary inversion’ in people’s consciousness of their social relations; Marx emphasised that ‘all science would be superfluous if the form of appearance of things directly coincided with their essence’. He wrote:

\[
\text{this much is clear: a scientific analysis of competition is possible only if we can grasp the inner nature of capital, just as the apparent motions of the heavenly bodies are intelligible only to someone who is acquainted with their real motions, which are not perceptible to the senses.}\]

According to Marx all reflection obviously started with appearances, therefore here with money prices. The essence, values, was deduced later as theory. Still, in his opinion, his scientific presentation ought to treat value first, then price, i.e. the commodity and later money. By employing an original blend of scientific and dialectical methods Marx thought he had achieved something beyond both bourgeois political economy and utopian socialism. If the ‘inner’ world and ‘immanent laws’ involved the labour process and values, and the appearance world was just comprised of commodities and their prices, profits, interest and so on, then the fact that the measure of value and standard of price evolved from commodity production with a determined value would appear to have special significance. It seems then that Marx’s concept or theory of money ought to be crucial in explaining the separation between the worlds of prices and values as well as their necessary connection.
Presentation

It seems clear from Marx’s correspondence to Engels, 7 December 1867, that he was proud of his theory of money, regarding it as novel and correct primarily because it was ‘materialistic’. On the other hand he anxiously revised the style of the opening of Capital I on numerous occasions. Writing to Kugelmann, 13 October 1866, he said that he had summed up A Contribution in a single chapter for the new work since the initial version clearly contained ‘defects’, as ‘even intelligent people’ (like Lassalle!) had misinterpreted it. Three years earlier he had assured Engels that the ‘final elaboration’ of his manuscript was ‘assuming a tolerably popular form’, and that it would be ‘100 p. c. more comprehensible than No 1’, i.e. A Contribution. Yet later, in the Preface to Capital I, he still found it necessary to warn the reader that Chapter One, where money is introduced as the developed value-form, was the hardest and most abstract part. In the text of the first (German) edition he admitted that his elaboration of the ‘simple form of relative value’ required a ‘rather intense application of our power of abstraction’ to discern its determinations. In his ‘Postface to the Second Edition’ Marx mentioned that Kugelmann initially urged him to present this section on the form of value twice over, once in the chapter proper, and then again, for those uninitiated into dialectics, in an appendix, and pointed to a few other clarifications including the fact that he had now ‘completely revised’ the originally cursorily treated subject of the measure of value in Chapter Three. However, none of the versions show any significant shift in Marx’s concept of ‘money’; they generally involve more detailed or concise expositions, alterations in presentation, and other such clarifications. In the 1872 ‘Preface to the French Edition’ Marx again cautioned his readers about the difficulty of the first part, but pointed out that there was no easy way to scientific understanding; he had concluded that the difficulties that remained were due primarily to the subject matter, not to his presentation, let alone his conceptualisation.13

Engels’ views on Part I of Capital I show similar concerns with presentation, but ambivalence regarding its content and significance. Engels wrote to Marx, 24 June 1867, agreeing that the development of the value-form was ‘the quintessence of all the bourgeois trash’, but pointed out that it was abstract, and the radical political ramifications obscure. Similarly a review composed later, while it refers to Marx’s ‘new and very simple theory of value and of money’ as ‘extremely interesting scientifically’—this section was undoubtedly a comment encouraged by Marx himself—adds that it is largely irrelevant to the critical subject of capital. Engels had difficulty reviewing Capital I, was particularly anxious about being able to clarify its ‘dialectical method’, and was reluctant to mention the M-C-M, C-M-C ‘equations’. He also urged Marx to give the dialectical analysis in Capital I Part I more historical illustration especially with regard to the development of money. It was Engels too who suggested that Marx follow Hegel’s style of signposting tiny sections of the exposition with subtitles. Engels thought that, although the theory of money was dialectically tighter in Capital I, in other ways it was less successful than the elaboration in A Contribution.14

Nevertheless in public, in a review for Die Zukunft, Engels lauded Capital I as ‘strictly scientific’ and he made special mention of ‘the masterly dialec-tical arrangement of the
whole’, and of ‘the manner in which the concept of the commodity is already presented as implying money existing in itself, and how capital developed out of money’. In time he seems to have been further won over, perhaps by the opinion of Sam Moore who—Engels reported back to Marx in a letter 29 January 1869—had ‘completely grasped the dialectical stuff on money theory, etc. and declares it the best thing…THEORETICALLY SPEAKING’ in *A Contribution*. Engels wrote in the Preface to *Capital II* that Marx had developed ‘the first comprehensive theory of money’ and that it was ‘now everywhere tacitly accepted’! At least in public then, Engels had finally reached the degree of confidence in his theory of money that Marx had all along. Meanwhile his and others’ misgivings simply had the effect of making Marx re-shape or sharpen its literary presentation.\(^{15}\)

**The money commodity in Chapter One of Capital I**

In *Capital I* Chapter One Marx elaborates his theory of money in a markedly dialectical way at the same time making various literary references, including several biblical ones, a few geometrical and chemical analogies, as well as the expected references to numerous economic works. This version of Marx’s theory of money is clearly derived from that in *A Contribution*, but is tighter. Also the elaboration of money is more detailed. The ‘form of value’ is explicitly developed in four ‘stages’ from an original direct exchange between two commodities through to a market with a socially recognised money commodity, say gold. As mentioned, the versions contained in different editions of *Capital I* are characterised by stylistic alterations, clarifications and so on rather than substantial revisions of content. In the following precis of Chapter One Marx’s section on ‘commodity fetishism’ is ignored because it is treated in the next section.\(^{16}\)

Marx begins *Capital I*, as Ricardo does *The Principles of Political Economy and Taxation*, with ‘value’, that is the commodity as a product of labour. But, unlike Ricardo, Marx analyses the peculiar *form* of value which, according to him, involves and implies the development of money. While Ricardo directly introduces price, constant capital and wages as well, Marx concentrates on just three categories, ‘labour’ as the substance of value, ‘labour-time’ as its measure, and ‘exchange-value’ as the appearance-form of value. Marx’s ‘value’ is ‘congealed’ or objectified labour, and ‘exchange-value’ is the ‘form of appearance’ of value, which is ‘hidden within it’. In the sale the value-form, exchange-value, becomes independent of its content (value)—‘value’ being neither use-value nor exchange-value, as Marx very clearly points out elsewhere—i.e. exchange-value becomes independent in the money-form. So Marx’s theory of the commodity in *Capital I* Chapter One develops into or introduces his theory of money.\(^{17}\)

The commodity exists in a dual way, as use-value and as (exchange-) value; the commodity is a product of labour which exists in a dual way, as concrete labour and as abstract labour. Utility and concrete labour are transhistorical categories but ‘value’ (along with its appearance-form ‘exchange-value’) and ‘abstract labour’ are specific to commodity producing societies. A money commodity develops out of the circulation of commodities as trade extends and intensifies. Money is a commodity, but a particular commodity utilised in circulation as the independent expression of exchange-value. Qualitatively money is the value substance, abstract human labour, and quantitatively the
monetary unit is the measure of socially necessary labourtime. The price of a commodity is only the appearance-form of value, but money is exchange-value made independent of any particular use-value.18

Marx presents the evolution of this particular commodity, the universal equivalent, as a four-fold development of the value-form (VF_{1-4}). Firstly, VF_1 shows in a simple incidental exchange of two commodities; secondly, there is the ‘total’ or ‘expanded’ value-form (VF_2), a series of exchanges between any one and an infinite number of commodities; thirdly, the ‘general’ value-form (VF_3) illustrates the evolution of a particular money commodity; and finally, there is a specific physical unit of that particular commodity, say gold, which becomes the standard of prices (VF_4), say £s (pounds). However his elaboration of value-forms (VF_{1-3}) and the moneyform (VF_4) only comes after Marx has first introduced the commodity as a dual value created by dual labour. According to Marx, these dualities in labour and value are made manifest by the money commodity, which acts as a universal and independent expression of pure exchange-value against the commodity which is bought purely for its use-value. Somewhat circularly, or rather, one expects Marx would insist, ‘dialectically’, in simple circulation the precondition for money is commodity exchange, which itself implies money and therefore simple circulation (Marx’s ‘simple circulation’ is monetary exchange).

VF_1

Marx says that if x commodity A=y commodity B, then this implies an independent third to which both can be separately reduced, and ‘which in and for itself is neither the one nor the other’. Marx deduces that this third is the abstract labour involved in the production of these commodities and is measured by the socially necessary labour-time required for their production. Commodities then share just one common property making them comparable, i.e. they are produced by labour. Accordingly this is the qualitative basis for their identity as exchange-values. Exchange-value is the appearance-form (Erscheinungsform) of value, and is an independently recognisable content once the exchange-value of x units of commodity A is expressed, say, as y of commodity B. Abstract labour appears only indirectly in the ratios in which commodities exchange with one another. Exchange-value implies and expresses homogenous abstract labour which, Marx says, will ‘automatically’ result in the fully-developed money-form, representing in a complete and explicit way the ‘qualitative equality and quantitative proportionality’ that commodities share as the products of abstract labour. He reiterates that his analysis of this simple value relation, VF_1 or x commodity A=y commodity B, contains all the determinations of the ‘resplendent’ money commodity, the universal equivalent or VF_{3-4}, even if undeveloped and barely defined.19

Now, says Marx, let us say that x commodity A is 20 yards of linen and y commodity B is a coat. One of the commodities, say the coat, acts as an equivalent for the other; the coat becomes the ‘form of appearance’ of the linen’s value, as such independent of the linen and expressing this value by reflection. This equivalent, says Marx, implicitly represents the ‘immediate materialisation of abstract human labour. As distinguished from the commodity being sold, the ‘relative’ form of value, the ‘equivalent’ is what will
ultimately be the money commodity. The ‘equation’ then is read asymmetrically—although either way could have been chosen—and this is spelled out by Marx in his development of the forms of value. On the face of it in VF1–2 the commodities which are equivalent and relative seem easily interchangeable, but in VF3 it becomes the role of one commodity to be the equivalent, the money-commodity. Already in VF1–2 the special qualities of this equivalent are signalled by Marx. Labour is not expressed directly in the product as exchange-value, but rather is represented or reflected in another commodity which is the product of equivalent abstract labour, so that the relations of things indirectly reflect or express the social relations of their producers. Marx later refers to this ‘inversion’ of people’s, of producers’, relations into relations between things or commodities as ‘commodity fetishism’. Here he simply points to the ‘peculiarities’ of the equivalent form, of money, viz. that even though it is produced by private labour it is immediately social labour too; that its use-value is itself pure exchange-value so that in the equivalent use-value is the appearance-form of its ‘opposite’, value; and that in it concrete labour becomes the material appearance-form of abstract labour.20

According to Marx, if the coat represents the qualitative side of the relation and is the equivalent in the simple equation 20 yards linen=1 coat, the relative value of the 20 yards of linen is quantitatively determining; equivalent and relative value-forms are united as mutual, reciprocally related, polar opposites. The quantitative ‘initiative’ is on the side of the relative value-form, that is the commodity which is being ‘sold’ and the seller. Already Marx introduces the asymmetry of the relationship between commodity and money, or value and value-form. The commodity and value, along with production, are primary; money and value-form, like circulation itself, are reflective or secondary. Exchange-value is not just ‘a property of things’ but is ‘a material mode of expression of a social relation’. Value must be manifested in or appear as exchange-value; by definition the commodity must be sold. Anticipating Marx’s conclusion, it is only gold which is ‘directly exchangeable’ and non-gold commodities, or rather products, are only potentially exchangeable. This is an essential aspect of simple circulation as a moment of commodity production, a social process that Proudhonists and the like imagine can be managed or ignored, thinking of money as the evil of the system and as a dispensable or a reformable convention. In contrast for Marx the necessity for a money commodity lies in the need for the product of private and concrete labour to become socially recognised through its exchange for money in simple circulation. The need for commodities to be expressed in prices, to have a standard measure of value, is for Marx the qualitative ‘essence’ of money that Ricardo failed to identify. This is already apparent in his analysis of the simple and incidental exchange between just one commodity and another; Marx writes to Engels, 22 June 1867, that the simplest form of value ‘embodies the whole secret of the money form’, and its raison d’etre.21

For Marx this ‘reflection determination—a Hegelian relation involving identity, difference, and contradiction—which is characteristic of the exchange of commodities and of its spontaneous effect, money, is analogous to the case of a king and subjects, since the king is a human and only king because of the servility of other humans. Even though the sovereignty of the king seems a property of the king’s, it is in fact only the reflection of his subject’s relation to him. So it is with commodities and the money commodity, says Marx; money is money because all things exchange with it. Marx attempts to create a scientific framework within which to interpret the interplay between
the qualitative and quantitative aspects of value and exchange-value and believes that dialectics will serve this purpose. He claims that other economists too often consider only the quantitative aspects of value and money, with little appreciation of what money is, i.e. without investigating or discovering the value-form of the commodity. This may be so, yet Marx has uncritically assumed money just as Hegel uncritically assumed a sovereign. This is damaging in view of Marx’s critique of Hegel’s theory of the modern state in which he charges Hegel with rationalising reality, and, in particular, with the illogical construction of the asymmetric relationships of monarchy out of symmetrical ones of democracy! If Marx’s money commodity is like Hegel’s king, and it certainly is described in parallel terms, it must be subject to the same criticism. The analogy certainly suggests a political call to action, and this presumably is Marx’s intent, as well as the reason for his attraction to it, yet he seems unaware of the implications pointed out here.22

\[VF_2\]

Marx expresses \(VF_2\), the ‘total’ or ‘expanded’ form, as a series of exchanges;

\[
x \text{ commodity } A = y \text{ commodity } B \\
= z \text{ commodity } C \\
= w \text{ commodity } D \text{ etc.}
\]

According to Marx, ‘human labour in general’ originates as an increasing number of commodities are regularly exchanged for all different types of other commodities, but it only exists in a series of disparate commodities of various physical amounts each of which can be seen as a particular equivalent. Therefore there is no definite, exclusive, material expression of abstract labour, just an infinite variety of particular commodity equivalents. The producers see in the product of their labour only an endless series of exchange possibilities, a plethora of exchange-values in particular amounts of each commodity.23

Marx develops the value-forms both logically and historically; ‘history’ of course understood in a somewhat theoretical, rather than purely empirical or chronological, sense. The order of the analysis seems to trace the process of production; according to Marx the product gains a value in production (P/VF1), prior to its circulation (C/VF2), and its exchange for money (M/VF3-4). The concepts ‘abstract labour’ and ‘socially necessary labour-time’ are at the heart of the logic of Marx’s theory as is the idea of the necessary appearance of value in ‘money’. His historical references are very selective and infrequent.24

\[VF_{3-4}\]

If the presentation of \(VF_2\) is reversed and \(x \text{ commodity } A\) is seen as the single, particular and universal expression of all the other commodities’ values, then one recognises ‘the visible incarnation, the social chrysalis state, of all human labour’; in the one commodity there exists ‘the same materialization of human labour’. This Marx calls the ‘universal
relative form of value’, ‘the general form of the Equivalent’, the almost fully elaborated money commodity which is finally defined when a particular object and specific natural substance, say gold, is singled out as money. The third, ‘general form of value’ and fourth ‘money-form’ are logically synonymous according to Marx; the development is only lateral and arises from the use-value properties of the commodity chosen to be money. This is not as significant a social step as the developments between the first, second and third forms are.\(^2\)

Marx says that a particular commodity, gold, is socially recognised as exclusively performing the role of providing a standard of price; all commodities stand against or exchange for gold money. This is the money-form, VF\(_4\). The ‘price form’ is the expression of a product as a quantity of this money commodity. Prices are calculated in terms of ounces of gold. The only, inadequate, reference to a legal standard of price is made in the following narrow terms; let, say, 1 ounce minted gold be £1, then a commodity worth an ounce of gold has the price of £1, so £1 is just an ounce of gold by another name. Superficially then the theoretical development of the money-form seems to have introduced us to a world of prices which is closer to empirical reality. But this is a sleight of hand on Marx’s part; the identification of an ounce of gold as £1 assumes full convertibility, control of the currency and so on, matters that are dealt with only later (again inadequately) in his Chapter Three. The point is that in this fundamental exposition we are nowhere near ‘money’ as it existed in a series of non-commodity forms in Marx’s day in Britain, let alone as it exists purely in paper currency forms in advanced capitalism today.\(^2\)

To summarise, the essentials in Marx’s theory of the money commodity in Chapter One of Capital I, are that the exchange of commodities necessarily leads to money, and that money must be a commodity, the money commodity. The money commodity, like all others, only receives a ‘specific value form’ in exchange; the money commodity has an already determined value and it is simply recognised in circulation. The value of money is neither imaginary nor symbolic, although the money commodity is symbolic in as much as all commodities are symbols as bearers of value. Money, says Marx, is the ‘necessary form of appearance of the measure of value which is immanent in commodities, namely labour-time’. In the context of political economists’ theories, like Ricardo’s, or even the utopian socialists’ monetary ideas, Marx’s elaboration of his theory of money is quite distinctive. This alone makes its derivation intriguing.\(^2\)

**Commodity fetishism**

Chapter One begins with a few pages on the dual nature of the commodity as use-value and value, and then treats the dual nature of labour as both concrete private labour and abstract social labour. At the end of the chapter, ‘money’ is presented as the outcome or expression of these dualities in the commodity.

In the second edition of Capital I Marx collected together various passages into a new section on ‘commodity fetishism’ at the end of Chapter One. He describes how things become personified and autonomous while people are depersonalised, become things and dependent. Commodities, money and capital seem to have by nature properties which are in fact projected on them by social forces, by social beings producing and circulating the
products of their labour, so that ultimately the world of things assumes a dominating, independent and alien power over its human subjects. Commodity fetishism features again in Chapter Two, and in later volumes of *Capital*; in *Volume III* Marx writes about the ‘bewitched, distorted and upside-down world’ of prices and profits that competitive capitalists work within. But even in simple circulation, which does not necessarily imply capitalist relations of production, commodity fetishism appears and especially in money, that ‘god’ of commodities, as this summary from Chapter Two of *Capital I* conveys:

> We have already seen, from the simplest expression of value, \( x \) commodity A = \( y \) commodity B, that the thing in which the magnitude of another thing is represented appears to have the equivalent form independently of this relation, as a social property inherent in its nature. We followed the process by which this false semblance became firmly established, a process which was completed when the universal equivalent form became identified with the natural form of a particular commodity, and thus crystallised into the money-form…This physical object, gold or silver in its crude state, becomes, immediately on its emergence from the bowels of the earth, the direct incarnation of all human labour. Hence the magic of money. Men are henceforth related to each other in their social process of production in a purely atomistic way. Their own relations of production therefore assume a material shape which is independent of their control and their conscious individual action. This situation is manifested first by the fact that the products of men’s labour universally take on the form of commodities. The riddle of the money fetish is therefore the riddle of the commodity fetish, now become visible and dazzling to our eyes.\(^{28}\)

Marx’s main point is that commodity producers indirectly exchange their labour in commodities, the products of their labour, so that their own social relations seem only to be relations between objects, commodities. Furthermore, and most significantly, because exchange-value appears in money-form, money itself enjoys or comes to be seen to embody all the properties of labour. Marx’s concepts of abstract labour, socially necessary labour-time, and the money commodity, are all intended to scientifically ground the phenomenal world of prices on that of real values. He maintains that commodity fetishism is not simply a subjective or superficial appearance of real relations, it is an objectively occurring and necessary aspect of those social relations.

Marx accuses Bailey of being ‘fetishist’ because he interprets value narrowly, as a relation between objects rather than understanding it as a social relation between commodity producers which is merely expressed in the circulation of the products of their labour. Any discussion of value and money, says Marx, ought to start with the ‘immanent’ measure of value, socially necessary labour-time, value itself being ‘antecedent’ to its ‘representation’ in money, money being the mere appearance-form of value. Marx argues that in bourgeois society the product of private labour is only acknowledged as socially useful because it is sold. In practice then relations between producers become, in appearance, relations between things; ‘these contradictions’ he concludes, ‘are innate in the subject-matter’. To explain his expression ‘commodity
fetishism’, Marx points to the analogy with religious projection; commodity fetishism, however, involves not just thoughts but the projection of the whole human being, through the objectification of labour and its alienation and appropriation in circulation. This leads to ‘an alienated and independent form of labour which is hostile to labour itself, for instance in fixed capital, in the produced means of production. The product is no longer used or owned by its producer, rather the reverse is true.\(^{29}\)

According to Marx, Hodgskin, in contrast to Bailey, reveals that social labour is expressed materially in commodities, yet he too fails to see commodity fetishism as an objective process integral to capitalist production. Rather like other utopian socialists, who would rid the world of capitalists and money but not of capital or commodities, Hodgskin sees commodity fetishism as a misinterpretation of reality. In opposing economic fetishism in a one-sided manner he ‘underestimates’ the importance of past labour for living labour in Marx’s opinion, although Marx concedes that this is an advance on the classical political economists who exaggerate the significance of past labour or capital. Marx’s theory of commodity fetishism, no less than any other part of his socio-economic analysis, was designed to counter all such misinterpretations of capitalist reality (as he conceived them). Marx’s method, which accounted for everyday categories like price in terms of ‘scientific’ concepts like value, seemed to him a real intellectual breakthrough. For Marx there was a realm of appearances, which was nonetheless a reality, along with the deeper determining reality of values. While others tended to emphasise one rather than the other, Marx believed that, by employing a dialectical approach, he had shown that in reality the two exist together.\(^{30}\)

Although the section on commodity fetishism in *Capital I* Chapter One concentrates on simple commodity circulation, the inversion characteristic of commodity fetishism in capitalism was not for Marx merely a circulatory phenomena, but involved the production process as well. Given that capitalist production was ‘a process of valorization’, of maintaining and expanding value, the means of production effectively came to ‘employ the worker’. It is as if past labour governs living labour; the ‘producer is therefore controlled by the product, the subject by the object’. Even the capitalist who supervises and profits from the workers’ labour is the servant of the alien force ‘capital’. In capitalism it appears that all value relates to objects, means of production as well as consumables, so commodity fetishism reaches an advanced state. Here there is an ‘automatisation and personification’ of past labour, as the attributes of labour are ‘transposed’ into those of capital. This process necessarily implies a fetishist social consciousness. The economic categories of competitive capitalism, like price and profit, conceal the categories of value and surplus-value, which can only be discovered scientifically. But the former are not purely ideological or illegitimate, simply inverted forms of thought or ways of conceiving; they refer to a definite, if partial, social reality. It would be a misreading to see them as the total reality. What appears in simple production as the projection of all the properties of labour onto commodities, and ultimately onto money, is discovered again and more profoundly in the relation between living and past labour, between labour-power and means and objects of production in the bourgeois production process.\(^{31}\)

It has been said that Marx’s theory of commodity fetishism is a ‘further development of the concept of alienation’. Similarly Marx’s theory of the money commodity might be seen as an advance on his early alienation theory of money, as he increasingly brings
down to earth, or makes more concrete, his initially rather abstract analysis of bourgeois society. Just as alienation is epitomised by money in the ‘money system’ of his early writings, later the highest expression of commodity fetishism in simple circulation is the money commodity, and in capitalism it is interest-bearing capital, money capital. For Marx commodity fetishism refers to a way of being which involves a state of mind, but is not purely a state of mind, just as alienation actually happens, and is not simply a subjective perspective or personal attitude. Alienation is not merely a perception or misconception of reality, it is a social experience. The commodity fetishist errs, not in a purely mistaken or fanciful interpretation, but in a partial interpretation of social reality, which if taken as the whole is an unscientific ‘misreading’. Similarly money is not merely an idea and cannot be managed as bourgeois political economists like Ricardo think, or eradicated or reformed as the utopian socialists desire. The money commodity is an integral aspect of commodity production as well as circulation, a material aspect of capitalist relations of production.32

One expects Marx’s theory of the money commodity to be consistent with his theory of value and his theory of commodity fetishism. For Marx money was basic to the exoteric world of prices and profits, of appearances, and evolved from and was determined in its qualitative and quantitative aspects by the esoteric world of value (and surplus value) which Marx believed he had scientifically analysed. But is Marx’s development of a theory of a money commodity out of an alienation theory of money successful? The framework which inspires the theory of commodity fetishism, and which is integral to Marx’s development of the value(money)-form, was primarily significant for his critique of bourgeois political economy, and especially Ricardo. For a destructive critique of the latter, Marx’s reference to Hegel’s appearance-essence framework is useful, but does this framework also offer the basis for a constructive scientific analysis of capitalism? Can Marx’s theory of value and his complementary theory of the money commodity be empirically demonstrated or confirmed?

These questions were raised in previous chapters and received a negative reply leading us to ask why Marx was so confident in his theory of money and so oblivious to its deficiencies. An answer to this must involve the connections that his theory of money had with certain aspects of Hegel’s works. In certain significant ways Marx structured his concept of money along the lines of Hegel’s elaboration of ‘measure’. Also it seems that Marx found Hegel’s exposition of ‘self-consciousness’, in which Hegel suggests that laws are immanent in phenomena, a useful way to view the relation between price and value, and one he believed supported his labour theory of value. Marx’s concept of money had novel sources, and served political purposes in his general social analysis, which seemed to make Marx less concerned with actually verifying the theory with respect to empirical facts.

**Hegel and Marx’s concept of money**

It is generally acknowledged that the ‘Hegelianism’ of Marx’s mature work is most obvious in Part I of *Capital I*. Althusser even considers Marx’s start to *Capital I* on the commodity and money so Hegelian and obscure that he tries to persuade readers to initially skip it. Lenin regarded a knowledge of Hegel mandatory to appreciate Marx’s
‘rational’ use of dialectics too, and compares Marx’s ‘commodity’ with ‘Being’ in Hegel. Nonetheless, not surprisingly, it is controversial to what extent and in what ways Marx adapted Hegel’s method for his own materialist analysis of bourgeois society. What is striking and undeniable is that Marx’s theory of money, both as value-form and money commodity, is quite unlike other economic and political theories of money. This is largely due to his dialectical interpretation and arrangement, for the content, based on the functions of money, is not so rarefied. Money already appears as a measure of value in Chapter One. In Chapter Three Marx outlines and details all the functions of money in circulation, first and foremost again in its quality as measure, then as medium of exchange (with special emphasis on the quantity necessary for circulation), and finally as money as money (like Hegel’s ‘Notion as Notion’?) that is money hoards, trade credit and ‘world money’, a presentation which shows certain parallels with Hegel’s dialectical elaboration of logic.33

In the English edition of Capital I Marx expressly acknowledged Hegel’s contribution to his education and style, especially obvious in the first chapter, but he also made it clear that he had broken from Hegel in fundamental respects, even though the details of these differences were not made clear. In broad terms Hegel was an idealist, Marx emphatically a materialist. It was Hegel’s method of dialectics that Marx admired, Hegel ‘being the first to present its general forms of motion in a comprehensive and conscious manner’. But Marx only adopted this method on the condition that he turn it ‘right way up’ too, ‘in order to discover the rational kernel within the mystical shell’. What Marx means here is not clear, however he goes on to spell out the political implications of his reading of the dialectic:

In its mystified form, the dialectic...seemed to transfigure and glorify what exists. In its rational form it is a scandal and an abomination to the bourgeoisie and its doctrinaire spokesmen, because it includes in its positive understanding of what exists a simultaneous recognition of its negation, its inevitable destruction; because it regards every historically developed form as being in a fluid state...transient...and because it does not let itself be impressed by anything, being in its very essence critical and revolutionary.

Marx concludes by saying that economic crises ‘most strikingly’ demonstrate how ‘full of contradictions’ capitalism is. For the materialist Marx the dialectic expresses reality, rather than directing it, as he believes the idealist Hegel indicates.34

It has been said that, in contrast to Hegel, for Marx there is ‘causal, not conceptual, necessity’, and that according to Marx the ‘secret condition of Hegel’s presentation of thought is ‘the empirical world’. Although Marx might apply Hegelian frameworks to describe material reality, his concepts like ‘money’ are always presented as ideas reflecting reality not ruling it. However it was Marx’s opinion that in certain passages on money in the Grundrisse his own elaboration, based on reality, was not distinct enough from Hegel’s logical one:

It will be necessary later, before this question is dropped, to correct the idealist manner of the presentation, which makes it seem as if it were
merely a matter of conceptual determinations and of the dialectic of these concepts.

Nevertheless, the version of Marx’s theory of money written almost a decade later, in the first edition of Capital I, is so ‘Hegelian’ in style that it too still appears in large part like a series of conceptual developments, the material bases of which are not made clear.\(^\text{35}\)

In subsequent editions of Capital I Marx tried to reduce explicit ‘Hegelianisms’, but ‘money’, both perceived as an ‘appearance-form’ of value and presented as a dialectical development of the value-form, still seems to have much more in common with certain passages and frameworks used by Hegel and the ‘Young Hegelians’ than with economic monetary theories. Perhaps the fact that ‘Hegelianisms’ are so prevalent in the first part of Capital I can be explained by the proposition that Marx was trying to show that Hegel’s logic had a materialist interpretation. For instance Marx’s definition of money as a commodity, the money commodity which evolved in circulation from the action and demands of other commodities, might be seen to ground Hegel’s abstract concept of measure as well as showing the distinction between appearance and essence. Later, below, to illustrate this point various texts of Hegel’s are compared with those on money by Marx.

When Marx speaks of the equivalent as the *immediate materialization of abstract human labour* in the first edition of Capital I, we should understand this in the sense of the further remark: “It is only the concept in Hegel’s sense that manages to objectify itself without external material.” Marx’s money is the material product of concrete labour and it is also objectified and alienated abstract labour. Does his self-proclaimed materialistic theory of money constitute a materialist version of the undeveloped alienation theory of money that Marx started with? ‘Money,’ he still writes in Capital I, ‘is the absolutely alienable commodity, because it is all other commodities divested of their shape, the product of their universal alienation.’ Money is ‘absolutely alienable’, it is exchange-value entirely cut loose from the use-value which originally bore it, but still has only a limited independence in that it is in fact only ‘a mirror’ of the value of the other commodity. Alienation remains but presumably it is the very fact that money is a commodity, that it is material, that constitutes the essence of Marx’s materialism here; unlike Hegel’s ‘concept’ money has an independent material basis.\(^\text{36}\)

Yet Marx’s theory of the money commodity raises certain questions which often evolve from his ‘Hegelian’ elaborations, for instance money’s being an ‘individual’, ‘particular’ and ‘universal’ commodity. In his ‘Conspectus of Hegel’s Science of Logic’ Lenin notes that ‘Hegel’s analysis of syllogisms’ in terms of the various configurations of individual, particular and universal, ‘recalls Marx’s imitation of Hegel in Chapter I’ (of Capital I) and that Marx’s ‘commodity’ (in the series commodity—money—capital) corresponds with Hegel’s ‘being’. In the first edition of Capital I, Marx describes the general (or universal) form of the equivalent (VF\(_3\)) in the following way:

It is as if alongside and external to lions, tigers, rabbits, and all other actual animals, which form when grouped together the various kinds, species, subspecies, families etc. of the animal kingdom, there existed in addition the animal, the individual incarnation of the entire animal kingdom.
The analogy is dangerous because Marx seems to be on the verge of mistaking an abstract concept of an attribute for a real concrete thing, which is the kind of criticism that he makes of speculative philosophy in *The Holy Family*. Marx’s example is an odd one to give because it is an imaginary one, contrary to real concrete fact; there is no ‘animal’ which is all animals. When he criticises speculative philosophy, in the earlier work, Marx points out that ‘fruit’ is a general notion, and that only particulars have an actual existence as objects. In the same vein when in the first edition of *Capital I* Marx makes a parallel between ‘money’ and ‘animal’ (which is like ‘fruit’ in this context), it seems to *detract* from his point that the universal equivalent ought to be a particular commodity and suggests instead that money or price simply refers to the social property of all commodities of having an exchange-value, which implies or calls for a non-commodity theory of money. This turns Marx’s attack on speculative philosophy, for mistaking a predicate or attribute for a subject or thing, for reifying the general concept, back on himself. Marx writes in *The Holy Family* that while ‘fruit’ is only an ‘abstract idea…derived from real fruit’, for speculative philosophers it is a general concept projected as ‘an entity existing outside me’, so that what is common to the numerous particular fruits is summarised in the totality or unity of the general category ‘fruit’. Later, although value is only ‘a predicate of the commodity’, he makes exchange-value into a *particular subject* in the money commodity even if he writes that ‘money is only a particular form of existence taken on by commodities in and for circulation’. In as much as it is like ‘animal’, Marx’s notion of the universal equivalent, the money commodity, seems to be vulnerable to the same kind of attack that he made on the speculative philosopher! Maybe Marx realised this, for the passage likening the money commodity to a non-existent ‘animal’ never appeared in subsequent editions of *Capital I*. The stress rather is on a concrete universal, gold. Nonetheless the way that Marx develops his theory of a money commodity literally makes what otherwise appears as a *predicate*, i.e. ‘value’ or better its appearance-form ‘exchange value’, into an independent *subject*. This is because the money commodity is at the same time an individual, a particular, and a universal exchange-value. Therefore it might be said that his theory embodies, rather than simply illuminates or accounts for, the very commodity fetishism characteristic of the consciousness’ of capitalists and workers and of other economists. It is precisely because he has a theory of a money commodity that he can agree with the monetarists and mercantilists that money is wealth, say as hoards, though not without the significant qualification that it is not the only form of wealth in bourgeois society.37

While they do not coincide, because Hegel and Marx have different objectives and are discussing different subject matter, there are some parallels between Marx’s elaboration of money as VF1–3/4 and Hegel’s discussion of quality, quantity and measure in the *Minor Logic* and *The Science of Logic*, and again with the section called ‘Force and Understanding: Appearance and the Supersensible World’ in *Phenomenology of the Spirit*.

In Hegel, measure is both a relation between and a,‘formal unity of quality and quantity’. ‘Measure’ is:

an external kind and manner of determinateness, a more or less, but at the same time it is equally reflected into itself, a determinateness which is not indifferent and external but intrinsic; it is thus the *concrete truth of being*. 
In Marx, exchange-value is a ‘quantitative relation’ between commodities that have ‘qualitative equality and quantitative proportionality’ with one another. The basis for this is their intrinsic value: the quantity of socially necessary labour-time they require for their production. The extrinsic measure of value, money, is itself a commodity with an intrinsic value quantitatively determined at its point of production, i.e. outside of circulation. Qualitatively the money commodity is the immediate materialisation of abstract labour-time, which is the social substance at the heart of Marx’s theory of value. Certain similarities between a passage by Hegel on measure and Marx’s elaboration of the value-forms can be seen by comparing the quotes in Table 7.1. In the light of the parallels shown in this table it is notable that Marx points out in a letter to Engels on 27 June 1867, that VF₄, the money-form, is added ‘simply for the sake of continuity’ and Marx makes it of negligible conceptual significance compared with VF₁–₃, which involve real qualitative transitions or developments of the value form.³⁸

In the paragraph following the one cited in Table 7.1, Hegel discusses ‘the simple form of immediate measure’, i.e. when a part of a whole is used as a unit for measuring it. This recalls the money-commodity in Marx, the intrinsic value of which is determined as part of the whole totality of abstract labour. Socially necessary labour-time is the immanent measure of value according to Marx and, interestingly, for Hegel ‘the readiest example of the reduction of an immanent measure to a merely externally determined magnitude is motion’. Hegel writes that ‘free motion is reduced by the living creature to arbitrary or mechanically regular, i.e. a wholly abstract, formal motion’, which is like Marx’s concept of ‘abstract labour’ as standardised in ‘socially necessary labour-time’.³⁹

There are similarities between the immediate measures and their ‘direct relations’ described in the introduction to Hegel’s section on ‘Real Measure’ and commodities in Marx’s VF₁ which relate to one another in exchange ratios denominated in socially necessary labour-time. Aspects of the progressive evolution of the money commodity in Marx’s VF₁–₃ seem to shadow Hegel’s development of ‘real measure’. Take the introductory paragraph of Hegel’s first section on ‘The Relation of Self-Subsistent Measures’ where one might well substitute Marx’s ‘commodities’, which are objectified labour, for Hegel’s ‘self-subsistent measures’ which are ‘no longer immediate’ but are ‘material things’, and where the outline of Hegel’s first, second and third parts might be seen to correspond to Marx’s VF₁–₃ respectively:

Measures now are no longer merely immediate but self-substantal, because they have become in themselves relations of measures which are themselves specified; and thus in this being-for-self are physical somethings, in the first instance, material things. The whole, which is a relation of such measures is, however, (a) first, itself immediate; thus the two sides which are determined as such self-substantal measures exist apart in particular things and their combination is effected externally; (b) but what the self-substantal material things are qualitatively they are only in virtue of their quantitative determination
Table 7.1 Hegel’s Measure compared with Marx’s Value-form(s)  

<table>
<thead>
<tr>
<th>Hegel’s Measure</th>
<th>Marx’s Value-form(s)</th>
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<tr>
<td>‘AT FIRST, MEASURE IS ONLY AN IMMEDIATE UNITY OF QUALITY AND QUANTITY, SO THAT: (1), WE HAVE A QUANTUM WITH A QUALITATIVE SIGNIFICANCE, A MEASURE</td>
<td>The linen is only able to represent its own value in coats, by relating itself to a determinate coat-quantum as a <em>given quantum</em> of crystallised human labour*, where the coat is a simple equivalent, a ‘physical body’ which ‘becomes a mirror for the value’ of the linen while the latter is like all other commodities which ‘are simply congealed quantities of human labour’.</td>
</tr>
<tr>
<td>THE PROGRESSIVE DETERMINING OF THIS CONSISTS IN EXPLICATING WHAT IS ONLY IMPLICIT IN IT, NAMELY, THE DIFFERENCE OF ITS MOMENTS, OF ITS QUALITATIVELY AND QUANTITATIVELY DETERMINED BEING.</td>
<td>‘The internal opposition between use-value and value, hidden within the commodity, is therefore represented on the surface by an external opposition, i.e. by a relation between two commodities such that the one commodity, whose own value is supposed to be expressed, counts directly only as a use-value, whereas the other, in which that value is to be expressed, counts directly only as exchange-value.’</td>
</tr>
<tr>
<td>THESE MOMENTS FURTHER DEVELOP THEMSELVES INTO WHOLES OF MEASURE WHICH AS SUCH ARE SELF-SUBSISTENT. THESE ARE ESSENTIALLY IN RELATIONSHIP WITH EACH OTHER, AND SO MEASURE BECOMES (2), A RATIO OF SPECIFIC QUANTA HAVING THE FORM OF SELF-SUBSISTENT MEASURES. BUT THEIR SELF SUBSISTENCE ALSO RESTS ESSENTIALLY ON</td>
<td>‘We perceive straight away the insufficiency of the simple form of value: it is an embryonic form which must undergo a series of metamorphoses before it can ripen into the price-form.’</td>
</tr>
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VF₁

VF₂

Marx’s concept of money  150
QUANTITATIVE RELATION AND QUANTITATIVE DIFFERENCE; AND SO THEIR SELF-SUBSISTENCE BECOMES A TRANSITION OF EACH INTO THE OTHER, WITH THE RESULT THAT MEASURE PERISHES IN THE MEASURELESS. BUT THIS BEYOND OF MEASURE IS THE NEGATIVITY OF MEASURE ONLY IN PRINCIPLE;

‘Firstly, the relative expression of value of the commodity is incomplete,’ however, ‘because the series of its representations here comes to an end…Secondly, it is a motley mosaic of disparate and unconnected expressions of value’. Also here ‘human labour in general…has no single, unified form of appearance’.

‘The expanded relative form of value is, however, nothing but the sum of the simple relative expressions or equations of the first form…If, then we reverse the series…if we give expression to the converse relation already implied in the series, we get…’

TEST RESULTS (3), IN THE POSITING OF THE INDIFFERENCE OF THE DETERMINATIONS OF MEASURE, AND THE POSITING OF REAL MEASURE—REAL THROUGH THE NEGATIVITY CONTAINED IN THE INDIFFERENCE—AS AN INVERSE RATIO OF MEASURES WHICH, AS SELF-SUBSISTENT QUALITIES, ARE ESSENTIALLY BASED ONLY ON THEIR QUANTITY AND ON THEIR NEGATIVE RELATION TO ONE ANOTHER, THEREBY DEMONSTRATING THEMSELVES TO BE ONLY MOMENTS OF THEIR TRULY SELF-SUBSISTENT UNITY WHICH IS THEIR REFLECTION-INTOSELF AND THE POSITING THEREOF, ESSENCE’.

VF3 so that ‘through their common value-expression…all commodities…relate…to one another as amounts of value, equate themselves qualitatively to one another, and compare themselves quantitatively. Only in this unified relative value-expression do they appear for the first time as values for one another, and their value consequently obtains for the first time its corresponding form of appearance as exchange-value.’

‘The commodities now present their values to us, (1) in a simplified form, because in a single commodity; (2) in a unified form, because in the same commodity each time.’

as measures; hence through this same quantitative connection with others they are determined as differently specified in regard to them (so-called affinity), namely, as members of a series of such quantitative relationships; (c) at the same time, this indifferent, manifold
interrelationship finishes by converting itself into exclusive being-for-self—so-called elective affinity.

The measure Hegel describes here is relative and ‘alterable’ because its quantum is decided elsewhere, and similarly the value of Marx’s equivalent fluctuates according to the conditions of production. Hegel’s ‘exponents’ vary because they are just ‘the expression of the qualitative aspect of the compound’, just as commodities for Marx are simply ‘expressions of an identical social substance, human labour’, socially necessary labour-time, and are therefore subject to variations in value. Like Hegel who distinguishes between ‘external’ and ‘original’ measures, Marx makes a clear distinction between the ‘extraneous standard’ of value in money and the ‘intrinsic measure of value’ in socially necessary labour-time. According to Hegel any standard measure is made socially from a series of choices, and similarly Marx’s universal equivalent form can be ‘assumed by any commodity’ and is only ‘by social custom…entwined with the specific natural form of the commodity gold”.41

Hegel’s chapter on ‘Real Measure’ ends with passages on ‘The Measureless’ the literary style of which is similar to Marx’s writing on the circulation of money as capital, which he describes as limitless’. Hegel’s measure in its third aspect is ‘measureless’ which seems to be self-destructive, involves ‘negation’, and ushers in essence. Marx’s ‘hoard’ involves negation, and introduces capital. ‘The qualitative finite becomes the infinite; the quantitative finite is in its own self its beyond and points beyond itself,’ writes Hegel. Marx, in the Urtext, develops the concept of money in its transition to capital using similar terms:

As a form of universal wealth, as exchange value become independent, money is incapable of any other movement but the quantitative one: to expand itself. By concept it is the essence of all the use values; but its quantitative limits, as the limits of what is always merely a definite magnitude of value, a definite sum of gold and silver, is in contradiction with its quality. That is why rooted in its nature is a constant drive to go beyond its own limits.42

In capitalism, exchange-value in the money form is like Hegel’s measure, which is initially a simple ‘ratio’ and ‘is not yet the free Notion’. Measure is described by Hegel at the final point of ‘becoming essence’, as ‘only a substrate, a material’, a mere ‘moment’. For Marx, money too is only one form of capital in the total circulation of capital in which three circuits, those of production, the commodity and money, presuppose each other. Furthermore it is only that two classes, workers and capitalists, face one another as buyer and seller that can transform a mere function of money into a function of capital’, so that money is simply an aspect of capitalist reproduction. Joseph O’Malley and Fred Schrader point out that:

There is ample evidence that Marx used the categories of the Logic, and specifically those of the doctrine on ‘Being’—quality, quantity, limit etc.—in his effort to grasp the contradictory nature of moneyqua-capital as involving an incessant and limitless drive for surplus value.
It is important to remember here that for Marx ‘money’ is just one form of ‘exchange-value’, and that the various forms of value, from simple ‘commodity’ to ‘money’ to ‘capital’, characterise value/exchange-value in more complex and concrete ways. In summary it seems easier to discover traces of Hegel’s abstract concept of ‘measure’ in Marx’s concept of ‘money’ than show its derivation from the social reality of capitalism.43

All the above-mentioned references to Hegel come from the first part of his Science of Logic on ‘Being’. Marx made a fairly unexceptional precis of this, apparently sometime between late 1861 and mid-1863, without indicating the aim of his note taking. The notes are brief enough to allow a comparison between what seemed significant to Marx in Hegel’s work and his elaboration of money as VF1-4. In the first section on quality one finds terms and developments parallel to Marx’s elaboration of the value-form, which is constituted in and constitutes the development of abstract labour (quality), and ultimately appears in the universal equivalent money (measure). In the second section Hegel’s quantity is introduced as the suspension of quality, just like in Marx’s VF2 where particular equivalents are inadequate because they are fractured forms of ‘general human labour’, an endless series of various commodity equivalents that deprives abstract labour of any unified appearance. Also in measure one has a ‘qualitative Quantum’, and interestingly, although Marx’s notes are in German, this phrase is in English. ‘Measure is the qualitative quantum, in the first place as immediate—a quantum, to which a determinate being or a quality is attached,’ writes Hegel. ‘Measure, where quality and quantity are in one, is thus the completion of being,’ he continues, ‘God, it has been said, is the measure of all things.’ Hegel continues that:

In measure…quality is implicitly quantity, and conversely quantity is implicitly quality…thus we get Being thrown into abeyance and absorbed, with its several characteristics negatived. Such Being is Essence. Measure is implicitly Essence…in Essence everything is relative.

Abstract labour is fundamental to Marx’s social analysis of capitalism, since it is the central quality of value, and so too is socially necessary labour-time, because it is the quantitative feature of value relations. Money, the measure of value, embodies both.44

In this fragment, Marx notes from Hegel that regardless of fluctuations in the amount a measure represents, it can be an adequate and legitimate measure, which is an argument Marx uses to justify the money commodity’s being an adequate standard regardless of its fluctuating value. This is significant because in the context Marx uses it in, it is a dubious proposition. Also, interestingly, Rubel points out that in this precis Marx uses a term, ‘sense-consciousness’, that Hegel does not use in his Science of Logic but which is prominent in Phenomenology of the Spirit which is the other text associated with Marx’s theory of money. Might it suggest that Marx had his theory of money and that literature on his mind when he took these notes?45

In Hegel ‘essence’ is placed between ‘being’ and ‘notion’, just as ‘quantity’ is between ‘quality’ and the ‘qualitative quantum’ or ‘measure’. In his analysis Marx gives exchange-value, ‘money’, a similar position between ‘commodity’ and ‘capital’. For Hegel essence is ‘a sphere of mediation, the Notion as a system of reflected determinations, and in fact the term ‘reflectiondetermination’ is used by Marx in his
description of VF1 Marx draws an analogy between money and commodities and a king and the king’s subjects, because both money and king appear active and dominant when in fact they result from the meaning given to them by commodities and subjects respectively. Just as essence is characterised by reflection, then appearance, and finally by actual manifestation in Hegel, in Marx the original quality of abstract labour can only exist by reflection, in VF1 (in a generic or universal way), finds its various forms of appearance in specific quantum, in VF2 (in a particular way), while the final concrete existence or ‘materialisation’ of abstract labour occurs in the money commodity, the universal equivalent VF3 (in an individual way). All these developments show themselves explicitly in the ‘totality’ of circulation, but for Marx the reflection, appearance and manifestation of value is already implicit in VF1.46

In the passages on ‘Essence as Ground of Existence’ Hegel speaks about ‘identity’ (‘self-identity’) and ‘difference’ and their unity in ‘the ground’, the “reflection-into-self”, which is equally a reflection-into another, and vice versa. For Marx abstract labour and socially necessary labour-time are the source of a commodity’s ‘value’. In parallel, Hegel writes:

Essence we may certainly regard as past Being, remembering however meanwhile that the past is not utterly denied, but only laid aside and thus at the same time preserved.

In Marx’s VF1, where the commodity has a value as the product of objectified labour, there is the immediate identity of abstract labour. With VF2, there is only difference, according to Marx, and this is the specific failing of VF2, where abstract labour only appears in a heterogeneous way in a series of commodities. Finally, with the development of money in VF3, there is unity, like in Hegel’s ‘ground’ where ‘essence is not abstract reflection into self, but into another’. Marx’s elaboration of VF3 also recalls aspects of Hegel’s discussion of the relationship of causality in his section on ‘actuality’; cause and effect are reciprocally related, i.e the one lays down, and the other is laid down’. For Marx the commodity or value is active, and money or exchange-value is passive, the equivalent takes its value from the relative form (the effect derives from the cause), although the relative form has no existence unless realised in the equivalent (the cause, or relative value-form must manifest as an effect, in the equivalent form of value).47

In Chapter Three of Capital I Marx presents the functions of money firstly as measure of value, secondly as means of exchange and thirdly as ‘money as money’, which has certain features in common with Hegel’s ‘being’, ‘essence’, and ‘notion’ respectively. ‘Being’ in Hegel is implicit, embryonic, and immediate, as with measure and VF1 in Marx. In Hegel ‘essence’ is reflected mediation, as with means of exchange and VF2 in Marx. Finally, what is ‘in and for itself in Hegel, the ‘notion’, corresponds in certain ways with Marx’s ‘money as money’ and VF3. Certain parallels between Hegel’s quality, quantity and qualitative quantum and Marx’s concept of ‘abstract labour’ were indicated previously. In summary Marx’s abstract labour is the substance and quality of value, and its magnitude or quantity is socially necessary labour time, and its form in the commodity as exchange-value might be categorised as a qualitative quantum. Marx’s concept of abstract labour exists in VF1 in ‘seed’ form, as ‘a simple relative value expression’; in VF2 it is displayed in an infinite series of commodities or expressions as a
relative quantity of socially necessary labour-time; and then in VF3 ‘abstract labour’ exists in an equivalent measure which reflexively displays the values of commodities in a single, though still relative, unit. Money then is the materialisation or manifestation of abstract labour, it is quite explicitly or absolutely the qualitative quantum. Value as living labour is like ‘being’, value as objectified labour in the commodity is like ‘essence’ while the independent exchange-value form of money implies value as an objectified ‘notion’.48

It seems then that Marx’s dialectical presentation of his analysis of money has numerous obvious, as well as more subtle, connections with Hegel’s Logic. For instance Hegel’s discussion of mediation is relevant to C—M in Marx’s C-M-C where money is the medium and mediates the value or develops the independent appearance-form, the exchange-value, of the commodity being sold. Just as to ‘mediate’ for Hegel means ‘to take something as a beginning and to go onward to a second thing; so that the existence of this second thing depends on our having reached it from something else contradistinguished from it’, Marx develops money (the equivalent, ‘second thing’) from the value of a commodity (where Marx starts): ‘the relative value-form of a commodity is mediated’, writes Marx, ‘namely, through its relationship to another commodity’. Similar parallels to those made here can also be found in the first part of Capital II.49

Rubel’s edition of Capital II includes a footnote by Marx to the introduction to the section on the circuit of productive capital, in which Marx remarks that Dühring once suggested that ‘in my zealous devotion to the schema of Hegelian logic, I went so far as to discover Hegelian figures of syllogism in the form of circulation’. It is interesting that Marx does not deny the suggestion but goes on to ‘clarify’ his relationship to Hegel. He admits to being a ‘disciple’ of that ‘eminent thinker’. However he also says that he ‘took the liberty of adopting a critical attitude towards [his] master’, and had ‘profoundly’ altered his dialectic by relieving it of its ‘mysticism’. This is similar to other remarks he makes, for instance at the end of the ‘Postface to the Second Edition’ of Capital I, however Rubel points out that the term ‘master’ is unique to this text. Again there are no clues about the specific contribution Hegel’s ideas made to Marx’s critique-cum-analysis of political economy in general, or to his theory of money and simple circulation in particular. However we will attempt to compare Part I of Capital II, on the circuits of money, productive, and commodity capitals and their movement, with the ‘figures of syllogism’ found in Hegel.50

According to Marx, ‘simple circulation’ and the laws it involves, as outlined in Part I of Capital I, are relevant to capitalism, and Part I of Capital II and Part V of Capital III assume this. In Part I of Capital II Marx presents the circuit of capital in three ways, devoting a full chapter to each circuit and its movement. In each chapter the respective circuit opens and closes with a different kind of capital, firstly money capital (M), next productive capital (P), and finally commodity capital (C). The circuits are cycles in which distinct yet interdependent transformations of selfexpanding value take place, i.e. they describe the ‘metamorphoses’ of capital through each of its forms. This presentation of the circulation of capital as a series of continuously intertwining movements and transformations of value uses frameworks and language reminiscent of Hegel’s conceptual development of the universal (U), the particular (P) and the individual (I). Colletti suggests that, as with Hegel in the Logic, Marx begins with a universal, the commodity-form or value-form, then deduces a particular, the money-form being a
commodity with ‘a particular function’, to end with the individual form of capital i.e. ‘money, designed for a particular use’.51

In A Contribution Marx describes C-M-C as P-U-I which seems similar to the correlation that he made in the Grundrisse between production (‘laws of nature’) and the General (or Universal), distribution and exchange (or circulation) and the Particular, and consumption and the Individual. In the Grundrisse these are already only links of a single whole, different aspects of a unit’ in which circulation is defined as exchange in general, a totality. The correspondence Marx finds between C-M-C and P-U-I can also be found in the productive circuit (P…C-M-C…P’)... where the particular (commodity) value-form is only realised through exchange with the universal (money) value-form while its use-value disappears with consumption. In the circuits of productive, commodity and money capitals, P…C-M-C…P'/C-MC…P’…C/M-C…P’…C-M', it seems that the movements and relations between the three forms of capital are significant but they are not described in parallel terms to Hegel’s syllogisms. Furthermore Hegel’s chapter on the syllogism only discusses the forms I-P-U, P-I-U, I-U-P, and U-I-P. It seems then that the references Marx makes have only a loose relation to the development or logical presentation of the ‘syllogism’ in Hegel.52

The way that Marx elaborates money from the commodity, as appearanceform of value, seems to have more correspondence with Hegel’s discussion headed ‘Force and the Understanding: Appearance and the Supersensible World’ in Phenomenology of the Spirit. Marx’s development of the relative and equivalent forms of value has some parallels with passages by Hegel on the ‘unconditioned universal’ which start with the object becoming the subject of thought, i.e. ‘consciousness at this point merely looks on and apprehends [its object]’. In the ‘unconditioned universal’ there is an immediate unity of being-for-self and being-for-another, in which the relation is not just formal, but also a form filled with content, of a universal and relational nature. This is not too dissimilar, in a purely abstract sense, from money as Marx develops it from the starting point of VF1. Marx asserts that ‘no commodity can relate itself to itself as equivalent...it must relate itself to another commodity as equivalent or make the natural skin of another commodity-body into its own value-form’. The value of a commodity must be expressed in another use-value, as exchange-value; socially necessary labour-time is expressed by or materialised in another commodity. The value of the commodity makes abstract labour into an object, the commodities being exchanged appear in a purely formal relation with one another, but one in which form is content, and this is the way value as a universal must first appear according to Marx.53

In §135 Hegel distinguishes the content and form of the ‘unconditioned universal’. As content ‘the moments look like...a universal medium of many subsistent “matters”’ or ‘being-for-another’, and yet it presents too like ‘a One reflected into itself, in which their independence is extinguished’, as ‘being-for-self. This is like, on the one hand, Marx’s VF2 which he describes as an ‘endless sequence’ of ‘particular appearance-forms’ of human labour, and, on the other hand, the simple reversal of VF2 in VF3, so that the value of all commodities can be expressed in a ‘unified’ and directly similar way, meaning that the universal value-form can relate ‘to all commodities as like itself, and that it is the actual ‘embodiment of homogenous, distinctionless human labour, abstract labour.54
In §136 Hegel describes these two ‘moments’ of the unconditioned universal in similar ways to Marx’s description of VF2 and VF3. Hegel brings in the term ‘universal medium’ with respect to the separate ‘independent “matters”’ which represent the ‘expression of Force’ and which reminds one of Marx’s characterisation of VF2, which is itself loosely linked to the function of means of circulation. On the other side of this ‘diversity’ is ‘their unity’ in ‘Force proper’, in which Force exists ‘as an exclusive One’. One can compare Marx’s ‘exchange-value’ (or ‘value’) with Hegel’s ‘Force’, and Marx’s ‘relative’ and ‘equivalent’ value-forms with Hegel’s diverse expressions of ‘Force’, and to ‘Force proper’ (the whole ‘according to its Notion’) respectively. Hegel writes of the necessary interdependence of these opposites or ‘two moments’ of Force, while in Marx the relative and equivalent value-forms are both ‘inseparable moments of the same value-expression: moments which belong to one another and determine each other reciprocally’. Marx states that it is only as universal VF3 ‘that the value-form corresponds to the value-concept.’

The discussion in Hegel of ‘Force’ suggests other parallels with Marx’s concepts of the relative and equivalent forms of value. Marx stresses that the particular money commodity arises from the action of all other commodities, although it seems as if the reverse occurs, and that the equivalent value of money simply reflects or ‘shows’ the relative value of the commodity. Hegel writes:

The external, soliciting Force appears as a universal medium, but only through its having been solicited by the other Force to do so; but this means that the latter gives it that character and is really itself essentially a universal medium; it gives the soliciting Force this character just because this other determination is essential to it, i.e. because this is really its own self.

A correspondence can be made between Hegel’s ‘external’ and ‘other’ forces in the above and Marx’s equivalent and relative forms, or money/price and value, respectively. According to Marx the relative plays the active role and the equivalent is passive:

The degree of development of the equivalent-form corresponds to the degree of development of the relative value-form. But (and this is to be carefully noted) the development of the equivalent-form is only an expression and result of the development of the relative value-form. The initiative starts with the latter.

In §140 Hegel presents the active, or soliciting, and passive, or solicited, as content and form respectively and states in the next section that the actuality of ‘the Notion of Force’ depends on the interplay of these two sides of itself. Marx too develops his concept of ‘value’ as necessarily entailing money or the ‘value-form’, the appearance-form, of ‘exchange-value’. Hegel’s ‘first universal’, which is Force, but not ‘for itself’, is the Immediate’ and is ‘supposed to be an actual object for consciousness’, like Marx’s relative valueform. The second, a negation of the first, is instead Force in ‘its true essence’ as ‘an object for the Understanding and ‘the Notion of Force qua Notion’. In Marx the equivalent value-form is like this second. Marx conceives of money arising
from the circulation of commodities; value and abstract labour arise with the exchange of products of labour and must appear as exchange-value, as ‘money’. Hegel writes that ‘Force, as actual, exists simply and solely in its expression, which at the same time is nothing else than a supersession of itself and this ‘realization of Force’ entails for Hegel a ‘loss of reality’. Similarly in Marx the commodity’s value must be realised in money, and thus the basis of value in human labour, now at two removes, seems to vanish completely.57

In Marx’s analysis, labour value and surplus-value lie hidden below the world of prices, with the very necessary money commodity, the universal equivalent, arising within the totality of circulation precisely to express and realise value as exchange-value and to materialise its substance, abstract labour, as a unit of socially necessary labour-time in an amount of a particular produced commodity like gold. In Hegel, §143, the mediating ‘being of Force’ is named ‘appearance’, which is not simply superficial but a totality of show that ‘constitutes…a reflection of the inner into itself and is the inner. Hegel continues in §145 that the ‘object’ becomes a ‘syllogism which has for its extremes the inner being of Things and the Understanding, and for its middle term, appearance’, and later ‘the pure inner world’ and ‘the inner being gazing into this pure inner world’ ‘coincide’ in the ‘middle term’, a ‘curtain [of appearance]’ between the two. As mentioned previously, Marx similarly found a ‘syllogism in the circulation of capital, making production and money analogous to Hegel’s extremes, with the commodity between the two. It is the inner world of Hegel that, like Marx’s labour value accounting, is obscured from direct sight and is a ‘supersensible beyond’ but which has ‘its essence and, in fact, its filling’ in the world of appearance, the world of commodities and their circulating forms, prices and money. Hegel’s ‘supersensible’ world is ‘appearance qua appearance’, like Marx’s simple circulation where value takes on the form of exchange-value.58

In §148 Hegel develops ‘the law of Force’, describing the ‘play of Forces’ as comprising ‘mutual solicitation’ between the two aspects of Force. This is similar to the way in which Marx develops his law of value; the evolution of a money commodity is necessary for the appearance of value in price and for the realisation of labour value in the sale of the commodity for money. The interdependence between relative value and the equivalent involves the same kind of active/passive roles and the requirement of one to express the other as Hegel describes here in §148. Just as ‘value’ in Marx is the permanent, the law, while prices are temporary and fluctuating, mere phenomenon, Hegel’s ‘mediation in the universal, is…a universal difference…expressed in the law, which is the stable image of unstable appearance’. In the next few sections (§150–54) Hegel continues to flesh out the duality of this ‘law of Force’ in a manner that Marx later partially duplicates when describing the law of value and how value determines price, how price (and profit) are a necessary expression of value (and of surplus-value). Hegel’s law is neither explicitly obvious in, nor does it wholly account for, the world of appearance just like Marx’s law of value in the world of prices. Hegel’s law involves differences from, as well as coincidences with the ‘real’, so that ‘the differences are only such as are in reality no differences and which cancel themselves’ and involve ‘a permanence of impermanence’, which is reminiscent of the relation between ‘price’ and ‘value’ in Marx’s law of value.59
Hegel’s several paragraphs on an ‘inversion’ in the laws of Force and the worlds associated with Force remind one of Marx’s later discussions of money’s becoming capital, and of the relation between simple circulation and capitalist relations of production. In order to avoid a detailed commentary, one simply points to Hegel’s conclusion. At the very end of the section on ‘Force and Understanding’ Hegel suggests that ‘we go behind’ the ‘curtain’ of appearance to discover the beyond of the inner world as it is for itself, for ‘there is nothing to be seen unless we go behind it ourselves’. At the end of Chapter Six which concludes Part II of Capital I, and is about the transformation of money ‘into capital and the related inversion of the laws of simple circulation that it entails, Marx too beckons his readers to walk behind the superficial sphere of the market, where equality and freedom and property persist harmoniously in the simple consciousnesses of its human agents, so that he can reveal his explanation of exploitation.60

Marx seems to use Hegel’s distinction between the world of common sense and the world revealed by thought to criticise, in what he believes is a materialist way, the ‘capitalist mode of thought’ (a world of appearances and superficialities) that vulgar political economy is locked into, and that denies them any appreciation of the real inner workings of the capitalist system. The views Marx scorns look exclusively at the world of money, prices and profit, and ignore the world of value and surplus-value. And even classical political economists and utopian socialists, who had accepted the connection between labour and value and concentrated on production, who had understood that there existed two levels of reality, had not discovered the precise, i.e. ‘abstract’, nature of the labour that characterises societies that organise their productive activities via trade. Marx regarded his concept of ‘abstract labour’, which was fundamental to his law of value, as a crucial discovery. Furthermore he believed that his theories successfully explained the common sense world.61

According to Marx, the ‘inner world’ of scientifically discovered forces and laws is the real basis of the lived reality of exploited workers and competitive capitalists and represents both the condition and the combined effect of their individual actions in production and in the market. Though Hegel enters the inner world by way of appearances, and Marx admits that mental appropriation has no other choice, as mentioned Marx presents his analysis starting with the inner world and value, and works his way out to the surface phenomenon of prices (which is also Hegel’s method in the Philosophy of Right). Thus Capital I concentrated on production, Capital II on the circulation of commodities, and Capital III on monetary and financial relations. In a letter to Kugelmann, 11 July 1868, Marx wrote that one had to show ‘how the law of value asserts itself’ before treating the phenomenal forms which seem to contradict it. In Chapter One of the first German edition of Capital I, a footnote reads:

It is scarcely surprising that economists have overlooked the form-content of the relative value-expression (subjected as they are to the influence of material interests), if professional logicians before Hegel even overlooked the content of form in the paradigms of judgments and conclusions.

But, as outlined in a letter to Engels, 27 June 1867, it was only in Capital III that Marx would attempt to reveal in detail that, ‘the philistines’ and vulgar economists’ manner of
conceiving things arises, namely, because the only thing that is ever reflected in their minds is the immediate form of appearance of relations, and not their inner connection.⁶²

In the first chapter of *Capital I* the concept of money is only elaborated after the concepts ‘labour’ and ‘value’, because according to Marx it is from these that ‘money’ evolves. Marx seems to think that in his analysis, which moves from the inner content of value, labour, to its appearance-form in the money commodity, he reveals the fundamental, material bases for the beliefs of vulgar and bourgeois economists and demonstrates the pure idealism of the utopian socialists. Concentrating just on the ‘semblance’ they both failed to discover ‘the inner essence and inner form’ that scientific reflection supplies.⁶³

Marx’s critique of bourgeois political economists and utopian socialists sounds neat and destructive. Less convincing is the marriage of science and dialectics in Marx’s complementary analysis, which ought to be constructive, theoretically coherent and clearly explanatory of reality. Yet from the perspective of the philosophical and political context of its making it appears less surprising that Marx was oblivious to the real failings in his theory of money. Hegel seems to have offered Marx ways to re-interpret the theories and terms of political economy, especially with respect to the concept ‘money’, but also ‘value’ and ‘price’, and their connection to ‘labour’, so that in Marx’s view the labour theory of value became more coherent and relevant to the struggle of the proletariat. It seems then that Marx’s theory of money both reflected, and was created as a critical reflection on, preexisting theories of money together with certain Hegelian conceptions rather than being created in an original way with reference in the first instance to real facts.

**Conclusion**

Hegel’s influence on Marx is usually regarded as being limited to his method because the differences between the aims and subjects of their works are so clear. However this study of Marx’s concept ‘money’, which involves the relation between ‘value’ and ‘price’, and ‘abstract labour’ and the ‘money commodity’, suggests that Hegel’s influence was not restricted to the mere form or presentation of Marx’s analysis. From the standpoint of dialectic it is perhaps not surprising that it was impossible to appropriate a method or form without also implying at least some of its intrinsically or organically connected content. The adoption of certain ‘Hegelian’ terms and ‘Hegel’s’ dialectical method, even though often modified, contorted, and sometimes ridiculed in Marx’s hands, seems to have affected the content or meaning of his theory of money in both obvious and more subtle ways. Hegel’s influence, including his idealism, extended in an insidious way beyond mere form or method and intruded into the content and development of Marx’s thought.

Marx’s theory of money has been criticised recently because his dialectical presentation indicates that commodity circulation presupposes money. A more fundamental criticism seems justified, viz. Marx presupposes a labour theory and law of value in which the quality and exchange ratios of commodities is based on labour and the relations of production. To support this theory Marx not only applied a dialectical method of exposition adapted from Hegel’s work, but also appropriated various Hegelian terms to
suit his own political ends. Marx is mainly engaged in criticising, correcting and
perfecting abstract theories, despite his claims to being a materialist, which one might
expect to imply a more empirical bent. Since he could not clearly demonstrate the links
between everyday prices and circulating monies and the abstraction ‘value’, and because
he presented ‘money’ in such a dialectical fashion, it seems that not only the concept
‘money’, but also the intrinsically linked idea of ‘abstract labour’, is presupposed in his
analysis of the bourgeois economy. This is why Marx’s concept of money must be
understood in the political and philosophical context of its making, because many aspects
of it make little strictly economic sense.
CONCLUSION

Marxian responses to Marx’s ‘money’

A main aim of previous chapters was to understand Marx in his own context. But the wider context of that narrow discussion determines the line of this final chapter. We live in times of environmental and social crises unparalleled in human history. The environmental crisis heralds finality, not just for individuals, classes and society, but all humans as one being. So it is essential to understand how Marx’s work might be relevant to an analysis of our present predicament. To a greater or lesser extent all the commentators, critics and revisors of Marx’s concept of money have interpreted his work in some such historical perspective.

For reasons of space this review is necessarily brief and selective, completely ignoring empirical studies and any assessment of monetary theory or practice in the so-called communist societies established since Marx’s time. It begins with discussion of Marx’s concept of money early in the twentieth century. Marx’s intellectual sources were British political economy, Hegelian philosophy and French utopian socialism. Participants in recent debates involving Marx’s theory of money fall very loosely into three similar perspectives, economic, socio-philosophical and political, mainly fashioned by the development of academic disciplines. The distinct emphases of these perspectives on Marx’s concept of money provide the content of the three main sections in this chapter. The economicistic strand includes those with orthodox ‘technological’ or ‘embodied labour’ interpretations of Marx’s theory of value. With respect to Marx’s allied concept of money this interpretation leads in two directions, one staunchly defending Marx’s work as is, and finding little problem with the concept. The others, neo-Ricardians, find the labour theory of value full of fault. Broader-minded economists adopt an ‘abstract labour’ interpretation of Marx’s theory of value which gives them particular insights into his concept of money. Sharing certain lines of thought with Post Keynesians and Circuit theorists, they revise Marx’s concept towards a credit theory of money. Alternatively a heterodox ‘social’ or ‘value-form’ interpretation has arisen which stresses Marxian—and in some cases even Hegelian—dialectics, focusing on qualitative rather than quantitative aspects of Marx’s theory. Certain elements here also argue for a credit theory of money. The explicitly political is elaborated by a final group who creatively place and develop Marx’s analysis in its revolutionary, anti-reformist, context. To conclude, a brief point is made about future directions.
Initial responses

Marx’s concerns and insights about capitalism have induced a plethora of intellectual and political responses in the twentieth century. There is little doubt he has had the greatest influence of any single nineteenth-century thinker on twentieth-century developments over the globe. His works and theories have been submitted to extraordinary scrutiny and generated a lot of controversy. This fact only highlights the relative neglect of his concept of money, explained in great part by Marxians following his concentration on relations of production rather than circulation. Recently—especially associated with discussion of issues clustered around the transformation of values into prices in Marx’s analysis—matters of circulation involving what money ‘really is’ have started to gain the attention they rightly deserve. However, this section concentrates on issues raised by Hilferding and Luxemburg early in the twentieth century, when the ‘transformation problem’ was also first seriously investigated.

It must be remembered that between Marx’s and Hilferding’s times there was a ‘profound transformation’ of the British financial system which became the prime reference point of an increasingly global capitalist system. When Marx was writing *Capital* the monetary and financial systems were poorly organised but, by the early twentieth century, British joint-stock banks were under the control of a Central Bank, which orchestrated the international Gold Standard, complemented by a substantial discount market trading in bills.\(^1\)

Rudolf Hilferding’s classic *Finance Capital; a Study of the Latest Phase of Capitalist Development* was published in 1910. Although this work has had an enormous impact, it is widely recognised that his analysis is limited to the extent that he draws heavily on observation of German financial structures in a particular stage of development. For instance, he is criticised for exaggerating the dependence of industry on banks and for associated political conclusions regarding the role of the state in the transformation to socialism.\(^2\)

*Finance Capital*, Part I, which Bottomore justly regards as ‘perhaps the least successful part of the book’, is entirely on money and credit. Hilferding tries to develop Marx’s theory of money within a practical and contemporary context which, of course, is vital to his main objective, an analysis of banking and imperialism. Although his exposition is overwhelmingly technical he makes a few non-economic allusions, for example, ‘a reflection of labour value…converts paper into money just as it is reflected sunlight which enables the moon to shine’.\(^3\)

Hilferding’s examination of value and money prompts him to refine and redefine Marx’s concept of money, so that: ‘the “value” of money is determined by what I would call the *socially necessary value in circulation*. This, in turn, can be formulated as the total value of commodities divided by the velocity of the circulation of money, with the familiar adjustments for debts and credits, and for purchases and sales which cancel one another out. Hilferding suggests that Marx makes an unnecessary ‘detour’ by relating the value of a token back to that of commodity money:
The purely social character of that determination is far more clearly expressed when the value of paper money is derived directly from the social value in circulation.

Using his own definition, Hilferding decides that a ‘pure paper currency’ is impossible ‘because it would subject circulation to constant disturbances’—‘money would not be a measure of the value of commodities; on the contrary, its own value would be measured by the current requirements of circulation’—and because paper money is ‘valid only within the boundaries of a single state’. He concludes, however, like Marx, that ‘money with an intrinsic value’ is necessary as a store of wealth and for foreign trade, although tokens can safely circulate ‘within the limits set by the minimum of circulation’.

Hilferding’s analysis is predicated on Marx’s theory of value; he attempts to interpret everyday monetary realities as an expression of value relations. In the process he revises aspects of Marx’s theory of money, further develops the concept of ‘credit money’, and carefully defines and discusses ‘bills’, the ‘state note’ or ‘state paper money’ and ‘bank note’. He takes issue with Marx on aspects of ‘interest’. However they still share the fundamentals; at the end of the day ‘real money’ supports credit money:

Claims to the social product issued by society are no more money than is a theatre ticket which is a claim to a reserved seat.

[T]he value of both money and commodities, far from being imaginary, is an objective magnitude. The impossibility of an absolute paper currency is a rigorous experimental confirmation of the objective theory of value.

Along with Bauer, Kautsky, van Gelderen and Varga, Hilferding contributed to a debate in Neue Zeit from 1911 to 1913, which centred on commodity prices and gold production. In ‘Money and Commodities’, which appeared in Neue Zeit in 1912, Hilferding sought to substantiate further Varga’s claim that an increase in the production of gold could not cause price rises. Using his concept of the ‘social value of circulation’ Hilferding tries to explain how state regulation of the monetary system by a central bank modifies the relation between gold/money and commodities. Although the special use of gold as money means that its price is fixed, Hilferding argues that the state simply legalises an historically established relation between gold/money and commodities. In the case of freely minted gold money:

Given that the mass of gold has its own value, it is the value of circulation which determines the quantity of pieces of gold found in circulation. With a forced currency or paper money it is the quantity which is given, so its value is determined by the quantity of commodity value in circulation; with gold money it is the value itself of gold that is given, so the quantity is determined by the value of circulation.

He explains away the theoretical difficulties introduced with respect to its price of production in the least favourable conditions by assigning such producers ‘a particular form of absolute rent, probably the only form of absolute rent that really exists’. He
introduces an elaborate concept, the ‘unlimited demand’ for gold, and concludes that the gold standard system establishes an effective ‘fixed measure of values’.6

Another attempt to explain imperialism and capitalist crises, Rosa Luxemburg’s famous work *The Accumulation of Capital*, was published in 1913. Luxemburg’s main and contentious argument is that capitalist growth requires trade with noncapitalist economies:

capital accumulation can only take place in so far as customers can be found beyond capitalists and workers, in which case growing sales in non-capitalist strata and countries are the essential precondition for accumulation.

However, this exploitative relationship leads to the integration of the latter within capitalism, and once this process is complete ‘further accumulation will become impossible’. Luxemburg’s argument relies on her conception of circulation and particularly the realisation of surplus-value or profits by capitalists; she is distracted by the same monetary question, originally asked of Tooke, that preoccupies Marx twice in *Capital II*, i.e. ‘How can capitalists receive more money from circulation than they advanced to it?’ Her thesis has been criticised in various ways, but remains a teaser.7

Luxemburg examines capitalism theoretically in the first section of *The Accumulation of Capital*, the fifth chapter concentrating on the circulation of money. Here she decides that Marx’s two department scheme must be expanded to include a third specifically for money, say gold. Since ‘gold in its capacity as money is not a metal but rather an embodiment of social labour *in abstracto*’, it is neither a means of consumption nor a means of production, as Marx has it. But in fundamental ways Luxemburg follows Marx; with respect to the reproduction schemas the figures represent money or values interchangeably and clearly the *money commodity* is unquestioned.8

Since Luxemburg’s erudite study proved contentious, it elicited certain criticisms relevant to Marx’s concept of money, especially with respect to the apparent necessity for a ‘third market’. Though Bukharin’s immediate response involves a whole chapter on money with respect to expanded reproduction, he defends Marx and raises no really new issues. But Samir Amin’s recent critique of Luxemburg advances the debate further, providing a bridge to works about Marx’s concept of money inspired by the Post Keynesians and Circuit theorists discussed below. Amin argues that:

Dynamic equilibrium requires the existence of a *credit system* which places at the capitalists’ disposal the income that they will realize during the next phase...this precise integration of credit into the theory of accumulation is the only answer to the ‘market question’ raised by Rosa Luxemburg.

Dynamic equilibrium is possible without external outlets provided that a continually increasing amount of money (at constant prices) is injected into the system...either through the production of gold or through the banks.
Still money is passive; it can only ‘facilitate a transition in time’. As in Marx’s theory, in Amin’s analysis capitalist crisis is related to the separation between saving and investment. Amin, however, is critical of Marx’s theory of interest rates. Similarly, in a penetrating critique of Marx in the context of a present-day analysis of the international economy, Arghiri Emmanuel, a theorist of imperialism and ‘unequal exchange’, argues that the ex nihilo creation of bank capital—‘fictive purchasing power’—is necessarily destabilising.9

Marx’s labour theory of value came under attack by way of an internal critique too, especially from those examining his transformation of values to prices. Böhm-Bawerk’s 1896 criticism has been judged as ‘most influential and comprehensive’, but even it did not raise the concept of money as a specific problem. As critics questioned how nonproduced commodities like land could command a price, which suggested they had value irrespective of labour, they also asked how and why abstract labour was the common property of commodities that explain the ratios at which they exchanged on the market. Marx’s ‘value’ and ‘price’ became the centre of attention for such critics. The transformation problem discerned by Marx was resolved because, from the perspective of the total social product, total profit was identified with total surplus value and total prices of production with total values. This conclusion was important for his theory of exploitation as well as his labour theory of value (which can in this sense be seen as one and the same). However, Marx apparently failed to transform input values into prices, even though outputs were in price terms, and this was criticised as an invalidating anomaly. In 1907 Ladislaw von Bortkiewicz showed that inputs and outputs could be simultaneously transformed into prices, but only by abandoning one of the identities Marx claimed to have established, which again suggested a serious discrepancy in his analytical framework. Von Bortkiewicz explicitly equated ‘money’ with ‘gold’ in a Department III, i.e. an addition to Marx’s two department schemas. Subsequently many questions surrounding Marx’s theory became fixed on the vexing question of the transformation problem, though at this stage few explicitly involved Marx’s concept of money.10

**Recent responses**

Clearly Marx felt that the transformation of values into prices presented no insurmountable theoretical difficulties. Perhaps too, confident in his basic analytical framework, he also believed that no concrete advantage resulted from analysing the intricacies of a system which was doomed to disintegrate, and especially details which would have no practical application in advanced communism where money would have no place. His behaviour certainly supports this proposition. In the latter half of the 1860s and in the 1870s, dogged by ill health, he kept delaying attention to such theoretical teasers, dedicating himself instead to the concrete and social reality of national union movements that required development and unification (i.e. to the International Workingmen’s Association), to studies of peasant economies and numerous other distractions.

The fundamental problem left to posterity is whether the theoretical difficulties involving Marx’s ‘value’, ‘price’ and ‘money’ are surmountable, and if so what their
solution implies about the various interpretations of Marx’s broader analytical system. This is what discussion over the last few decades centres on, although it harks back to debates, especially those surrounding the transformation problem, which began earlier in the century. Two opposing views have emerged, but neither represents a homogenous block. One set of approaches suggests that Marx got it wrong to a greater or lesser degree; neo-Ricardians and certain value-form theorists challenge his fundamental labour theory of value. Other value-form and abstract labour approaches offer a series of suggestions for interpreting, developing and/or revising Marx’s work so that his labour theory of value remains the keystone to his analysis. The third set has a political emphasis which marginalises them from the debates between the first two, in that they tend to diminish the importance of any transformation problem and recast the meaning of Marx’s theories and methods within current sociopolitical concerns. What is relevant to this study is that the most recent debates have rekindled and in certain respects developed for the first time serious discussion of Marx’s concept of money.

The stakes in such debates are high; they have an obvious significance outside the Marxian school. Damning external critiques by non-Marxians highlight any extra perceived or real incoherence in Marx’s work as yet more evidence to advance a foregone conclusion that political economy cannot prove that the value of commodities is a function of socially necessary labour-time and that Marx’s work is fundamentally flawed and irrelevant. Since what is central is the legitimacy of Marx’s system, i.e. the coherence of the labour theory of value and its capacity to explain perceived market reality, the debates are both vital and bitter. However this review ignores that broad picture; it concentrates strictly on matters that involve interpretations and criticisms of Marx’s concept of money.

**Economistic responses: embodied labour and other orthodox approaches**

Dobb, Sweezy and Meek represent the orthodox ‘embodied labour’ interpretation of Marx’s theory of value, in which, as Weeks puts it, ‘the moment of circulation is always derived from the moment of production’. They adopt a technological and dualist approach in an effort to infer directly equilibrium or ‘natural’ prices from values within capitalism. According to their Marxian critics this economistic framework makes the concepts of value and price, of production (or socially necessary labour-time) and circulation (and money) misleadingly distinct. Also a general equilibrium model eliminates time, which is an essential factor in alternative definitions of value and price.\(^\text{11}\)

The embodied labour orthodoxy initially paid negligible attention to Marx’s theory of the money commodity except, significantly, that in 1942 Sweezy expanded Bortkiewicz’s analysis with regard to the luxury, i.e. money commodity, sector. Bortkiewicz measures value in monetary terms, so that the value of one unit of gold is one unit of gold. Sweezy points out that in the three-sector reproduction scheme, the organic composition of capital in the gold industry must be equal to the average organic composition of the social capital if Marx’s two ‘invariance conditions’ are to be satisfied simultaneously. In these discussions the price and value of the money commodity appear to remain unproblematic. However this development, which Seton also contributed to, has been criticised as
During the early seventies Marx’s concept of money came in for scrutiny. In 1976 a work by Suzanne de Brunhoff, which had appeared in French in 1973, was published in English under the title of *Marx on Money*. De Brunhoff attempts a constructive and sympathetic Althusserian critique which suffers from various deficiencies, some of which she admits in the postscript to the second (1976) edition. In particular she controversially argues that, for Marx, ‘a theory of money applicable to the capitalist system must be subsumed under a theory of money in general, valid for every money economy’. This claim for a ‘general theory of money’ is criticised by others within the context of a much wider debate over the status of simple commodity production in Marx’s analysis of capitalism and Engels’ claims concerning Marx’s logico-historical method. Although defensive of Marx to a fault, de Brunhoff highlights the fact that Marx does not clearly elaborate a ‘general theory of prices’, complaining that ‘the formation of the various types of prices and their interconnection is never made satisfactorily clear’. As Duncan Foley correctly points out in the preface to the second edition, ‘Marx’s writings on money remain in a “pre-model” stage.’ In the midseventies both Foley and de Brunhoff set the stage for a concentrated critique of Marx’s concept of money which was initially mainly of French (and Canadian) origin. De Brunhoff devoted the second chapter (and appendices) of *The State, Capital and Economic Policy* to a contemporary Marxian analysis of money and began defending Marx’s work against the neoRicardians (or Sraffians) as ‘a-Ricardian’.

Several authors put up a more fundamental defence of Marx’s theory of the money commodity, even arguing that it is applicable today. Prominent among them, Ernest Mandel outlines what he imagines Marx ought to have written to make the transformation coherent in a model based on gold money, admitting that Marx’s elaboration of the movement from values to prices is wanting. However, Mandel suggests that the transformation involves no real problem since ‘commodity values…can be expressed in different quantities of gold at the beginning and end of a cycle of reproduction of capital’. So, while most commentators start from the position that capitalism is flourishing without a money commodity to support paper currencies, Mandel writes that:

Any attempt to ascribe the determination of ‘monetary value’ to some source other than the commodity value of the money commodity (gold, or gold and silver), i.e., by ‘convention’, state compulsion or mere ‘reflection of commodity values’ must lead to very serious contradictions.

The problem with Mandel is that he makes most of the same dubious assumptions as Marx, for example that banknotes are freely convertible or ‘identical’ with gold.

Jean-Guy Loranger also believes that gold must be the basis of a materialist theory of money and labour theory of value, and further that today there exists ‘an invisible or hidden standard which succeeded the official, gold (exchange) standard after the beginning of the seventies’. Jacob Morris reads Marx in a crudely materialist way, not only seeing the monetary system as anchored by gold, but also arguing quite frankly that:
the logical continuation of Marx’s genetic method leads us to a theory of equilibrium prices which is not essentially different from the modern or neo-classical type of equilibrium price theory.15

In fact this unholy leap of Morris’s returns us instead to what critics regard as a logical continuation of the embodied labour approach of Dobb, Sweezy and Meek. In 1972 Alfredo Medio argued for the integration of the Sraffian standard commodity into Marxian value analysis. Sraffa proposes a ‘standard (composite) commodity’ which signifies the theoretical discovery of Ricardo’s ‘impossible’ standard of value; ‘a standard capable of isolating the price movements of any other product so that they could be observed in a vacuum’. The theoretical significance of this discovery is that ‘in the industry producing Sraffa’s standard commodity, the Marxian formula for the rate of profit, \( r + \left( \frac{s}{v} \right) / \left( \frac{c}{v} + 1 \right) \), always holds true’. Especially in the hands of Ian Steedman, this neo-Ricardian innovation enables a superficial working out of the transformation problem, based on supply and demand and the technical relations of production, such that Marx’s theory of value is gutted of its basis, labour disciplined by capital, abstract labour. The use of the standard commodity as such does not render transparent the process whereby value becomes price, but rather makes values directly identifiable with prices, in a way which marginalises any role for a special money commodity of the kind Marx theorised. Yet it is with particular reference to the role of gold money in Marx that Steedman argues that abstract labour, i.e. the labour theory of value, is redundant and that Marx’s value approximates ‘the classical concept of a quantity of labour’ in which the surplus manifests in physical form. Pre-empting Steedman, Ronald Meek argued that a:

Sraffa-type sequence of models does essentially the same set of jobs which the Marxian labour theory was designed to do…it is just as well suited to the application of a ‘logical-historical’ method of approach; and it has the great additional advantage that it contains a built-in solution of the ‘transformation problem’. And on the qualitative side, it is at least arguable that Sraffa’s procedure reflects the basic idea which Marx was trying to express in his labour theory—the idea that prices and incomes are ultimately determined by relations of production—more clearly and effectively than Marx’s own procedure did.

So there you have it. In fact money does not play a fundamental role in Steedman’s critique and Post Keynesians attack neo-economics specifically because of this; Minsky argues that ‘there is no monetary or financial system in Sraffa’.16

Mandel has never been an Althusserian like de Brunhoff, but they are aRicardians, and here they are reviewed together with neo-Ricardians. What connects the distinctive approaches covered in this section is an orthodox or defensive interpretation of Marx’s concept of the money commodity that openly eschews the ‘Hegelian garb’ of Marx’s first chapters. Also, the embodied labour approach has a strong tendency to end up neo-Ricardian. The economistic emphasis is on quantitative and transparent demonstrations of Marx’s claims. However, other ‘abstract labour’ approaches to interpreting Marx’s theory of value not only led to new ‘solutions’ to the transformation problem in the early 1980s
but also encouraged new challenges to and revisions of Marx’s concept of money in the
direction of credit theories of money.

Economistic responses: ‘abstract labour’ revisionists

The controversial ‘New Solution’ to the transformation problem proposed initially by
Duménil, widely disseminated and developed by Lipietz, and arrived at independently by
Foley, involved specific interpretations of Marx’s concepts of value, money and labour-
power along with a redefinition of the claims of Marx that are at issue. Most
significantly, Foley and Lipietz argue for a Marxian credit theory of money.17

Observing that previous literature on the transformation problem ‘neglects almost
totally the problem of generalizing the concept of the value of money’ Foley meets this
challenge, in a way he claims complies with Marx’s view, ‘by defining the value of
money as the ratio of aggregate direct labor to aggregate value added’ while maintaining
‘the value of labor power as the abstract labor represented by the wage, that is, as the
money wage multiplied by the value of money’. Today there is just credit money, so:

the value of the monetary unit does not depend on the costs of production
of a money commodity, but is free to vary in response to the pressures on
prices generated in the circuit of capital and the accumulation process.

Consequently the quantity of credit fluctuates to accommodate the varying needs of
circulation. The qualitative point is that whatever the value of money is, and even if it
only appears in the form of a unit of account, it ‘expresses the social equivalence of
money and labor time’. The quantitative significance of focusing on a monetary
expression of labour (MEL) is that one:

can therefore use a measure of the monetary expression of labor
appropriately defined at the level of the aggregate system of commodity
production to translate flows of money in real-world capitalist accounts
into flows of labor-time and vice versa. This way of looking at the labor
theory of value dispenses with the need for a separate accounting system
based on embodied labor coefficients.18

Influenced by Regulationists like Aglietta, Lipietz also theorises a credit theory of money
which he bases on both the Marxian concepts of value-form and fetishism (of value) and
the social fact that today credit money is legal tender. On the one hand ‘all creation of
money by banks is a loan’ and, on the other hand, ‘credits create deposits’. Credit
money ‘represents a value not yet realized’; it is ‘pseudo-validated’ by bankers in the
expectation that production will proceed smoothly, and this veritable bet on the future
pays off:

Credit means the pre-validation of values-in-process which, it is hoped,
will complete the full cycle of valorization and realization.
Using Aglietta’s notion of the ‘monetary constraint’ and referring to familiar inflationary crises, Lipietz argues that fiduciary (credit) money is ultimately limited by the social force of value just as a commodity money is. Consequently, devaluation of credit money effectively means ‘socialising the destruction of values-in-process in a monopolistic mode of regulation which operates with pure credit-money’.19

Foley and Lipietz feature amongst a series of authors impressed by Isaak Rubin’s interpretation of Marx’s analysis, the ‘Rubin school’. Rubin identified the ‘question of abstract labour and the form and content of value’ as the focus of controversy surrounding Marx’s work. He suggested that ‘the concept of abstract labour leads unconditionally to the concept of money’ so that, for instance, in A Contribution they are ‘inseparably tied’. In fact Rubin excused himself from unpacking the distinctions, and does not engage in a rigorous discussion of money. It is precisely this premise, i.e. the general ‘relation between money and embodied labor which is central to the idea that money is a form of value and that the substance of value is abstract social labor’, which is the basis of Foley’s Marxian credit theory of money. However, according to Foley, Marx mistakenly combines the ‘value of the money commodity’ with the ‘value of money’. To prove Rubin’s point, Foley and Lipietz are attacked, in turn, for concentrating on ‘appearances’, for adopting a ‘circulation-based’ conception of price, in which ‘money is essentially command over .the newly performed abstract labour’. This concept of the value of money, writes Saad-Filho, ‘has a different scope than the Marxian concept of value of the money commodity which is determined prior to circulation and the sale of the commodities produced’. Mohun expresses the alternative quite clearly:

Market processes of exchange commensurate commodities, and hence a posteriori commensurate the labour-times objectified in their production…Value is then labour-time as it appears in money…in general the value of money is not the same as the labour embodied in the production of the money-commodity….This provides a basis for an approach to the de-commodification of money and its replacement by symbols of itself in the form of paper and credit.20

Mavroudeas also suggests that various members of the ‘Rubin school’ ignore the subtleties of Rubin’s interpretation and argues that by overextending the conceptual connection between money and abstract labour, De Vroey, Benetti and Cartelier ‘dethrone’ value in favour of money. Certainly the development of arguments in these authors’ works indicates just that. For instance, in a penetrating critique of Marx’s concept of money, De Vroey initially stresses (i) the significance of money for the practical operation of the law of value, (ii) the importance of the state in instituting the convention of money, (iii) its role as ‘a sign affixed to an object’ (i.e. the social rather than physical aspect), and (iv) that money has no value, rather just an exchange-value. The consequence of value being associated more with validating private labour than the expenditure of labour is that it cannot be conceived of as a commodity. Subsequently De Vroey decides against Marx’s law of value too.21

Cartelier finds no convincing development in the movement between Marx’s VF2 and VF3 (treated in the appropriately named sections in chapter 7); he claims that if the ‘expanded form’ is reversed it simply remains the same. He concludes that Marx does not
successfully derive the concept of money from the commodity; ‘money is presupposed by commodity production and cannot be deduced from the exchange relationship’. Given that Marx’s theory of money is so well integrated into his theory of value, Cartelier finds the latter badly damaged by questions surrounding the former. Benetti claims that Marx’s analysis is not sufficiently removed from Ricardo’s, leading to difficulties related to the value of money. He also argues that the role of hoarding in Marx needs revision to be consistent with his theory of a commodity money. Subsequently Cartelier and Benetti argue for an alternative theory of value founded on ‘the pure medium of exchange (conceived of as a unit of account and as a sufficient availability of means of payment)’ and the ‘commodity division of labour’.

In *The Theory of Capitalist Regulation* (which influenced the abstract labour approaches just discussed) Aglietta challenges Marx in certain ways. For instance, he rejects the concept of labour-power as a commodity, but agrees with Marx that money is ‘a commodity essentially different from all others’. However, in the process of developing his argument for ‘a qualitative theory of money’, in a subsequent work co-authored with André Orléan, Aglietta rejects both value and many aspects of political economy by defining money as an institution. Consequently Lipietz, for instance, distances himself from Aglietta and Orléan. However, he commends them for paving the way to alternative interpretations and developments of Marx’s concept of money, despite their mistaken direction towards a ‘productionless economics’.

Mavroudeas’s suggestion, that the ‘circulationists’, De Vroey, Aglietta, Benetti and Cartelier, overextend the conceptual connection between money and abstract labour and thereby ‘dethrone’ value in favour of money seems justified. But Mavroudeas is critical of the recently developed ‘unmediated’ interpretations of ‘abstract labour’ as well as the ‘circulationist variety. The ‘unmediated’ approach, writes Mavroudeas, is epitomised by Gleicher who situates abstract labour as an ‘actual-physical existence…in the production process’. Indeed, identifying abstract labour with the active worker, Gleicher argues that ‘there is no qualitative determination of price by values because the latter can be calculated only through the former after the act of exchange’. This, ironically, is almost Steedman’s argument. However Gleicher attacks both the Sraffian and the Rubin schools for failing to develop a satisfactory theory of prices. Although Mavroudeas sympathises more with the ‘Labour Equivalent of Money’ approach than with the neoRicardian technical/physical one, he sites them both at dead ends, ‘in the one case with the recourse to production and technicism and in the other case with the recourse to circulation and institutionalism’.

Mavroudeas’s point is well-taken but his account is not constructive. He states that ‘Marx distinguished rigorously between the intrinsic and the external measure of value’, i.e. between socially necessary labour-time and money, as if this fact solves, rather than contains, the conflict. Mavroudeas fails to acknowledge that it is precisely this distinction that is the source of the disparate interpretations. Similarly, Marx’s related failure to spell out the precise interrelationships between the three circuits, i.e. the productive, the commodity and the monetary circuits, has incessantly contributed to twoand three-way divisions in interpretations of his analytical framework. The three-way division is really another version of the two-way one, which relates to whether emphasis is given to value or price. Today the orthodox and neo-Ricardian ‘embodied labour’ approaches focus on the productive circuit and socially necessary labour-time, mainly in relation to the
commodity circuit and to the relative neglect of the monetary one. This approach gives priority to the concept of an intrinsic measure of value. Alternatively the ‘neo-orthodox’ abstract labour interpretations centre on the monetary circuit, and secondarily on the circulation of commodities, to the detriment of the productive sphere. They give the extrinsic measure of value greatest significance. However others faithfully stand with Marx’s ‘cell’, the commodity, which is torn by and compounds both the form and magnitude of value. These are the contexts within which their different concepts of money, and their views about money’s role in Marx’s system, develop. They have yet to find common ground. Had Marx understood the critical importance of explaining in detail a seamless connection between the concepts of socially necessary labour-time and money it is difficult to imagine the existence of such divisions.

Levine indicates that there are two more or less irreconcilable options: a claim theory of money, in which ‘money is value’, and a theory of commodity money in which ‘money has value’. He accurately indicates that Marx goes half-way down the first path then plumps for the second. Ultimately, ‘Marx has no difficulty discussing value relations without money, since he uses labor time as the value unit.’ From another perspective there is a third option: to argue, dialectically like Marx, that both characterisations are possible and really co-exist in a limited and contradictory way. But this option has yet to be elaborated satisfactorily.

Riccardo Bellofiore is another significant participant in discussion on Marx’s concept of money. Importantly, his contributions explicitly refer to developments within minor schools of thought outside conventional economics, especially the Post Keynesians and Circuit theorists. From this non-Marxian context Bellofiore criticises Marx’s analysis and offers a ‘theory of sign-money’ and a ‘monetary labour theory of value’ which, he argues, give greater consistency and cohesion to Marx’s theory. Bellofiore follows a Rubin-style interpretation of Marx, and eclecticly draws from Schumpeter’s dynamic analysis of the ‘circular flow’, with its credit theory of money, and Grossman’s focus on constant technological revolutions involving the means of production and social relations. Such lines are substituted where Marx’s analysis is considered weak; the primary insight is that ‘no innovation and no cycle is possible without credit’, i.e. ‘Credit is the essential vehicle of a qualitative and irreversible change in the productive and social structure of the system.’ Bellofiore then tries to develop a crisis-related Marxian credit theory of money, arguing that ‘it is possible to affirm that value is created in exchange without collapsing into the position that the only measure of abstract labor is in monetary units’, and that ‘the integration of a qualified “social” reading of abstract labor into a monetary circuit theory of capital a la Keynes-Kalecki-Schumpeter makes possible a new definition of exploitation as surplus labor consistent with bank money’. From this position Bellofiore enters the discussion over the transformation problem, and teases out the political implications of this new analysis.

The given context of Bellofiore’s discussion is the still-evolving and unevenly developed frameworks of Post Keynesians, like Minsky and Wray, and Circuit theory, featuring ‘dematerialised money’ after Bernard Schmitt and introduced into the Italian literature by Graziani. For both these policy-oriented institutionalist streams, money is central to economic analysis; they argue that money is endogenous, related to demand, and that speculation makes the economy insecure. Despite a series of differences between and within the two streams, they share models emphasising process not equilibrium;
money is a powerful social link and its creation and circulation influences production. Authors identified with these perspectives have made useful criticisms of Marx’s concept of money. Deleplace argues that while gold is produced by private labour, unlike other commodities it is measured directly as a quantity of a physical unit and therefore ‘bartered’ into circulation. Inasmuch as gold is a commodity it cannot be money; when gold is minted, the coin is a legal unit of account, purely a product of convention. Graziani concludes that: ‘Real money is therefore credit money. Even a metallic coin is credit money.’ Amongst others, Schumpeter observed the same much earlier in the century. Money has no use value, no intrinsic value as commodities do, he wrote, ‘not even when it happens to consist of a valuable material’; money only has an exchange-value because of its purchasing power. Schumpeter viewed ‘the creation of money which is only a “claim ticket” and not also a “receipt voucher”’ as ‘the specifically capitalistic method of effecting economic progress’. From this viewpoint it is impossible to integrate a money commodity within the circuit of capital. Most significantly, the exchange between capitalists and workers is one in which money serves as ‘pure credit’. By the same token, Post Keynesians argue that Keynes and Marx share monetary theories of production that can be compared and contrasted in various ways. Similarly it is suggested that Kalecki’s model is derived from Marx’s circuit logic.

Despite all the energy spent on the transformation problem, and the various ‘solutions’ provided, Desai concludes that money, uncertainty and dynamics still need to be explained satisfactorily. Furthermore, the posing of the problem actually involves ‘more than a technical issue’. Hunt and Glick anticipate that ‘its resolution will not be a mathematical exercise’. The transformation problem, stresses Napoleoni, ‘arises from the very heart of the Marxian formulation of value theory’ and ‘value analysis’ is ‘an essentially philosophical analysis’. Of course many of the economistic writers, for example the Althusserians, claim explicit philosophical positions. But as Kemp notes the transformation problem is tackled too frequently as simply an arithmetical exercise, even though ‘it does not appear that Marx saw it in this way. It was more a philosophical problem of appearance and essence.’ Such observations direct one away from economistic concerns to more qualitative assessments of Marx’s theory of the money commodity and its deficiencies.

**Socio-philosophical responses**

As pointed out in the last chapter, the relationship between Hegel and Marx is subtle and complex, and that discussion is not repeated here. It suffices to say that Marx’s concept of money, as the form of value, and his dialectical elaboration of its development, is inspired, although not consciously constrained, by Hegel’s work. Certain authors, like Pilling, emphasise this influence while supporting Marx’s theory of the money commodity. Likitkijsomboon sympathises with the Hegelian aspects of Marx, yet is critical of his monetary theory and offers various non-Hegelian revisions. Others, from a ‘value-form’ perspective originating with Backhaus, concentrate on the notion of abstract labour as ‘value-substance’, and attempt radical Hegelian reconstructions of the concept of money within a nominally Marxian framework. Their work, much of which ‘moves in
the twilight zone between philosophy and the social sciences’, is the subject of this section.\(^{33}\)

Uchida’s work is probably the richest textual analysis of the relationship between Hegel’s and Marx’s works with respect to money, but it is limited to Marx’s early manuscripts. Arthur analyses the development of ‘money’ and ‘Value’ in Hegel, from the Jena system to the *Philosophy of Right*, in the context of Marx’s ‘value-form’. Subsequently he uses Hegelian logic to reconstruct Marx’s value-form analysis. Arthur only integrates labour as its content when capital arises, arguing that exchange is not fundamental to a labour theory of value, and rejecting the notion of ‘intrinsic value’. Murray indicates Hegel’s contribution to Marx’s critique of Ricardo. In a collection devoted to Hegelian value form perspectives, Elson teases out the political implications of the ‘value theory of labour’. She argues that ‘the object of Marx’s theory of value is not price at all’ and that ‘it is *money*, and not labourtime, which functions as the social standard of measurement, in Marx’s *Capital*, as in capitalist society itself. Elson defensively explains away the relation between labour-time and money as ‘one of both continuity and difference’, observing that the metaphors used by Marx in this context are ‘chemical and biological’, which indicates simply a formal alteration and distinction between the two.\(^{32}\)

Shamsavari criticises Marx for using Hegelian categories to describe the substance and measure of value without ordering them after Hegel. He argues that the concessions that Marx makes to British political economy create a fundamental inconsistency between the concepts of value, abstract labour and value-form, identified both by the Unoist Itoh and the mathematician Krause. (Consequently Krause defines value-form independently of labour or value, like Uno.) A comment by Daniel Bell runs along similar lines. Bell points out that alienation is related to human behaviour in Marx, whereas in Hegel it is purely a matter of consciousness. In the *Paris Manuscripts* commodity production and exchange produce alienation, and alienation is epitomised by money; in Marx money becomes ‘the concrete embodiment of the philosophical abstraction which Hegel had described airily as “spirit”’. In this way, writes Bell, ‘a philosophical expression which embodies, actually, a sociological insight became transformed into an economic category’. Rather than ‘materialise’ the abstract, though, Bell concludes that, ‘in moving from “philosophy” to “reality”, from Hegelian phenomenology to political economy, Marx moved from one kind of abstraction to another’. (Rubin gives an example of this kind of transposition from Marx’s later writings.)\(^{33}\)

It is clear that Marx’s genius lay in combining disparate discourses, and it is not surprising that he did not achieve this in a seamless way. The Hegelian value-form analytic theorists start from Backhaus’s challenge to Marx’s theories of value and money. Eldred and Hanlon (*et al.*), and Reuten and Williams not only challenge and re-interpret Marx, emphasising the value-form aspect of his theory of money, but also attempt to revise his theories along what might be called neo-Hegelian lines, substituting explicitly nominalist (state and credit) theories of money for his theory of the money commodity. In the process, as Carchedi points out, the transformation problem tends to disappear, as only one social value/price exists based on abstract labour which is constituted in exchange. Still, distinguishing between value form (the signified) and value-form (price, signifier), Reuten analyses a transformation from abstract labour into value.\(^{34}\)
Eldred claims to maintain a labour theory of value while rejecting any law(s) of value; value-form as the sole form of recognition of performed labor as social is…central’. Although not united over how to reconceptualise money, Eldred and his collaborators suggest a state theory of money. In their analysis ‘money, as absolute value, itself has no value’; money is not part of the total social product but is a social product of the state. However, in their radical reconstruction of ‘value’ money is ‘the kernel’ of a theory of capitalism. They argue that the concept of money must be ‘well-grounded’ since it is ‘the litmus test of a successful value theory’. Interestingly the ‘purchase’ of labour-power by the capitalist is redefined as a ‘loan relation’. Eldred emphasises the significance of making value-form distinct from valueexpression.35

Reuten and Williams decide that ‘money has no essential content’, no value or use-value, whatever its material form; ‘rather its essence is that it is pure form, a onedimensional quantity…a pure transcendental form’ with ‘only an infinite number of exchange-values’. Along with Arthur (of the Rubin school), they ‘conceive of money as the only actual autonomous existence of value, and money prices as the only systematic quantitative expression of relative values’. For them, money, labour-power, property rights and the state are all bourgeois social facts. Reuten writes that money is a ‘crucial’ organising principle of capitalism. Kay makes a form-analogy between the value-form and the state-form, inasmuch as money rights to commodities parallel state rights over property. Williams points to ‘the peculiarities of money and labour-power…specifically that they are not, and cannot be, reproduced by capitalist market mechanisms’. So money cannot be a commodity; money and labour-power are ‘pseudo-commodities’. Reuten defines commodity money as ‘merely an historically contingent guise of money’ that is ‘incompatible with the concept of a fully developed credit system’. Reuten and Williams elaborate a theoretical system of money as credit, where central bank money (the legal tender) is a store of value and effectively pre-validates labour.36

Likitkijomsomboon argues that ‘a proper understanding of the Hegelian dialectic is indispensable for an effective evaluation of Marx’s theory’ which he revises—along lines suggested by the Classical monetary theorists, Thornton, Senior and Torrens—to develop ‘a modified Marxian theory of money, inflation and crisis’. His sophisticated work is a rare blend of economics and philosophy. At the same time he is critical of value-form theory, for instance, for diminishing the importance of the quantitative, even when the quantitative is at issue. However he commends Gerstein for identifying value (social-abstract labour) as essence against price as form, a necessary contribution to the analysis of the transformation problem, which depends on insights regarding the complex interrelationship between value and price, since ‘value and price are at different levels of determination’. Indeed Gerstein emphasises that capitalism is ‘unique’ because the producers are linked by circulation; circulation is ‘implicit’ in production. Likitkijomsomboon points out that a satisfactory solution to the transformation problem ‘involves both rigorous mathematical demonstration and correct understanding of the logical structure of Marx’s theory’.37
A note on finance and crises

While financing is central to the Post Keynesian and Circuit theorists’ perspective, Marx’s treatment of finance and interest is even more confusing and less developed than that of simple money. This discussion does not repeat material presented in the appropriately named sections of chapter 6 above, material which includes references to current literature. Suffice it to say that among those authors who claim to follow Marx’s theory of the money commodity, Hilferding, David Harvey, and de Brunhoff are notable for giving detailed attention to finance and the state within a sufficiently broad economic analysis. Certain authors, especially those influenced by regulationists, necessarily integrate these aspects of money in their analyses, alongside briefer studies offering various approaches and ideas specifically on finance and interest, and capitalist crises. Since a focus of this chapter is the transformation problem, it is pertinent to point to the example of Perelman, who has examined the nature of fictitious capital and speculative prices from the perspective of Marx’s concept of value. Although rather too speculative itself, his analysis reveals the connection between primary concepts of value and money and ‘secondary’ concepts like financial assets and fictitious capital. He takes a warranted but unusual interest in the significance of environmental resources too. But there is little outstanding or impressive work in the general area; Marxians have failed to create a unified theory of finance. Admittedly this is understandable given that Marx’s financial theory, which he regarded as secondary to production, concentrates on vague concepts like ‘fictitious capital’ and interest-bearing capital.38

In a review of recent work by radical political economists, Gary Dymski indicates that the divergence of approaches is a natural consequence of the fact that Marx’s work is multilayered and suggestive in various directions. Dymski contends that only analyses involving ‘financing constraints, uncertainty and/or asymmetric information’ give significance to money and credit. As such he makes a divide between those who regard money and credit as ‘unimportant’ for accumulation and those who make them ‘indispensable’ for both production and exchange. Among the latter, financial processes are seen either as contingent on or independent of productive ones. Given the extent of these differences the task of unifying current theory is more one of creative development than simple synthesis.39

The concepts of money and credit (as well as financial assets and interest rates) are central to any structural analysis of financial institutions, e.g. the creation, distribution and destruction of money in the dematerialist analysis. It would seem that while the basic Marxian concept of money and its relationship to credit (and crises) remains controversial the more complex discussion of finance is retarded. However, challenges to Marx’s concept of money from the various theorists of a credit money like Foley, Reuten and Williams, Bellofiore and Lipietz are mounted within a detailed analysis of the current activities of financial institutions, the investment needs of capitalist accumulation and crises of stagflation, inflation and foreign debts endemic in the latter half of the twentieth century. This indicates that the primary concept of money itself will remain controversial until a broadly convincing and holistic analysis of production and circulation involving finance evolves. A mature development of Marx’s mainly suggestive studies would be
expected to integrate a detailed structural analysis of both state regulation and the private banking system which together produce and distribute money and credit. Here power and wealth coincide, just as in the idea of money as ‘the god of commodities’.

**Political responses; the class struggle**

Most of the authors already referred to are aware of the political implications of their arguments to a greater or lesser extent. For instance, Bellofiore’s analysis leads him (along with other Circuit theorists) to believe that the real wage cannot be substantially altered by workers’ struggles, but that, ‘workers can change their destiny if their struggle is able to gain ground before the market, in the labor process, or after the market, in the social and political arena’. Given that exploitation by appropriating surplus labour and product is common to many societies, Bellofiore and Finelli conclude that it is important to stress the fact that capitalist societies are characterised by, ‘direct and indirect imposition and control that affects all labour. Labour is exploited because it is forced and “abstract-alienated”.’ The latter point is made against Marx, whose ‘free’ worker is the distinguishing characteristic of capitalism. Anyway a political perspective features this emphasis on the qualitative character of capitalist relations. From Rubel’s standpoint it returns one to Marx’s intent; ‘Marxism is neither a science nor a myth, but a realistic method of social action.’ In this context the quantitative concerns of the transformation between values and prices are reduced to navel-gazing, and melt away almost completely. The law of value is a system of regulation of workers by capitalists that involves struggle. In class terms, abstract labour both has technological dimensions in the workplace and takes the money form in the social market; ‘abstract labour is alienated, imposed, and boundless in character’. Abstract labour is totalising domination. Further, Marx’s labour theory of value is developed to show not only that the capitalist exploits through domination, but also that ‘there is more to life than work’.40

Negri stresses the initial version of Marx’s theory of money in the *Grundrisse*, where money is ‘an imminent form of the expression of the law of value’ and ‘the value-money knot immediately proposed concretizes the theme of value as it never elsewhere occurs in Marx’. He regards money as ‘the exclusive form of the functioning of the law of value’, as ‘political reality and command over exploitation’. For Negri, ‘money is (above all) capitalist power over labor’ and money hides the secret of value. ‘Money represents the form of social relations; it represents, sanctions and organizes them.’ As Ricciardi points out, since money is power, a ‘coercive’ and ‘driving’ force, ‘the uncertainty of money as capital is the uncertainty of the class struggle itself’.41

In *Reading Capital Politically*, Cleaver develops a ‘strategic’, worker’s, reading of Marx, in opposition to the prevailing economistic versions. Central to this reading is the recognition that, like a coin, every category has two sides: ‘two opposed perspectives and forces united in one contradictory totality’. For example, ‘minutes of labor time are gold for capital’. Money is the ‘unique expression’ of value, money is ‘at the heart’ of the class struggle and ‘a weapon’ for capital. Cleaver painstakingly reveals a subtext in Marx’s four developments of the value form (at the beginning of *Capital I*), from VF1, where the relative form of value stands for the working class and the equivalent form for the capitalists, to VF4 where money has turned into ‘the magic wand by which new
elements of the world are incorporated into capital’. This analysis of Marx’s work from a purely qualitative perspective, centred on class struggle, aims to develop class consciousness in a highly sophisticated way.\(^{42}\)

From the political perspective, the connection between money and labour and capital is direct, straightforward and profound:

As soon as people submit to the ‘power’ of money to buy stored labor as well as living activity, as soon as they accept the fictional ‘right’ of money-holders to control and dispose of the stored as well as the living activity of society, they transform money into Capital and owners of money into Capitalists.

If a large number of men [sic] accept the legitimacy of...convention that commodities are a prerequisite for money, and that money is a prerequisite for survival, then they find themselves locked into a vicious circle...they do not exchange their bodies or parts of their bodies for money. They exchange the creative content of their lives, their practical daily activities for money.

Perlman’s point is really an elaboration of one made earlier in the twentieth century, by the author we started with, Hilferding, i.e that ‘maintenance of class rule depends upon the condition that its victims believe in its necessity’.\(^{43}\)

The end

Especially given the long neglect of the subject, the variety and sophistication of recent discussion and controversy over Marx’s concept of money is welcome. But it is difficult to discern a clear way ahead outside the perspective of our lived reality. In the context of environmental and social crises unparalleled in human history it is crucial to remember that in Marx’s view commodity fetishism and the god of commodities, money, prevail in a social system that is inhuman, unnatural, anti-nature. For Marx the state and money must be dispensed with. It is fitting to refer to a passage to be found in *Capital III*:

From the standpoint of a higher socio-economic formation, the private property of particular individuals in the earth will appear just as absurd as the private property of one man in other men. Even an entire society, a nation, or all simultaneously existing societies taken together, are not the owners of the earth. They are simply its possessors, its beneficiaries, and have to bequeath it in an improved state to succeeding generations.

The ethical viewpoint expressed in this passage is not only an unusual utterance by Marx but is also surprisingly relevant to current ecological thought. The point is that we can keep fine-tuning descriptions, definitions, and analyses of money, but actually the Marxian agenda points to constructing a nonmonetary world that values humanity and its precious natural environment:
The philosophers have only \textit{interpreted} the world in various ways; the point is to \textit{change} it.

There are indications that we have little time left.
NOTES

PREFACE

1 INTRODUCTION

2 AN ALIENATION THEORY OF MONEY
3 *On the Jewish Question*, pp. 169–74.
7 *On the Jewish Question*, pp. 170–3.
12 *Critique of Hegel’s ‘Philosophy of Right’*, pp. 59–60.
13 See editor’s endnote to Marx, *Economic and Philosophic Manuscripts of 1844*, Moscow, Progress Publishers, 1977, (also known as the *Paris Manuscripts 1844*; hereafter *EPM 1844*),


18 ibid.

19 ibid., p. 212.


23 ibid., p. 216.


The central proposition is that bank notes which are lent in exchange for ‘real bills’, i.e. titles to real value or value in the process of creation, cannot be issued in excess; and that, since the requirements of the non-bank public are given and finite, any superfluous notes would return automatically to the issuer, at least in the long run. The grounds for rejecting the real bills doctrine have been many and varied, (ibid., p. 310)

Also see Roy Green, Classical Theories of Money, Output and Inflation; A Study in Historical Economics, New York, St. Martin’s Press, 1992, pp. 114, 189–92.


27 See publisher’s notes to EPM 1844, pp. 5–11, esp. pp. 5–6. Note that many of the section titles in this manuscript, like The Power of Money’, were contributed by the editors (ibid., editors’ endnote p. 196). ‘Theses on Feuerbach’, MECW 5, pp. 3–5, esp. points 3 and 10 on pp. 4–5.

28 EPM 1844, pp. 66–8, 81, 112, 126.
3 MONETARY SYSTEM, CREDIT SYSTEM, CRISIS


2 Marx, The Poverty of Philosophy; Answer to the Philosophy of Poverty by M.Proudhon, Moscow, Progress Publishers, 1975, (hereafter PP), pp. 75–84.

3 ‘Publishers’ Note’ to PP, p. 5. For Proudhon’s ‘proportional relation’, PP, pp. 57ff.

4 ibid., pp. 75, 82–3.

5 ibid., p. 76.

6 ibid., pp. 76–7.

7 ibid., pp. 77–80.


13 PP, pp. 76, 82–3.

14 Ricardo, Principles, pp. 27–31, 47, 93, 238.

15 ibid., p. 244. PP, p. 82.


18 ibid., pp. 201, 209, 217.

19 ibid., pp. 208, 217n. The paragraph discussed reads:

In the sixteenth century, the gold and silver circulating in Europe increased as a result of the discovery of America. Hence, the value of gold and silver fell in relation to other commodities. The workers received the same amount of coined silver for their labour as before. The money price of their labour remained the same, and yet their wages had fallen, for in exchange for the same quantity of silver they received a smaller amount of other commodities. This was one of the circumstances which furthered the growth of capital and the rise of the bourgeoisie in the sixteenth century, (ibid.)

ibid., p. 201.

20

21 This paragraph reads:

In the winter of 1847, as a result of a crop failure, the most indispensable means of subsistence, cereals, meat, butter, cheese, etc., rose considerably in price. Assume that the workers received the same sum of money for their labour as before. Had not their wages fallen? Of course. For the same money they received less bread, meat, etc., in exchange. Their wages had fallen, not because the value of silver had diminished, but because the value of the means of subsistence had increased, (ibid., p. 217)

See also ibid., pp. 206–8, 223.

22 This paragraph reads:

Assume, finally, that the money price of labour remains the same while all agricultural and manufactured goods have fallen in price owing to the employment of new machinery, a favourable season, etc. For the same money the workers can now buy more commodities of all kinds. Their wages, therefore, have risen, just because the money value of their wages has not changed, (ibid., p. 217)

ibid., pp. 201–2,

23

24 ibid., pp. 206, 212–4, 217.


37 ibid., p. 587–88.


44 Mandel claims that Tooke’s work was crucial to Marx’s attack on Ricardo; Formation, p. 90. Even though he dates it earlier than 1857, Arie Arnon agrees that the influence of Tooke on Marx’s thinking about money was significant (‘Marx’s Theory of Money; the Formative Years’, History of Political Economy, vol. 16, no. 4, 1984, pp. 567–75).

4 THE GRUNDRISSE

1 Marx and Engels, Collected Works, Volume 28, Karl Marx 1857–61, London, Lawrence and Wishart, 1986, (hereafter, following the initial instance, all the volumes in this collection are referred to as MECW), p. 104.


3 MECW28, pp. 179–80, 197.

4 ibid., p. 78.


7 MECW 28, pp. 27, 89. MECW 40, p. 304.

8 MECW 28, p. 110.


12 ibid., pp. 61, 65–8, 87, 133, 160.

13 MECW 28, pp. 6, 16. MECW 40, p. 270.

14 MECW 28, pp. 176–81.

15 ibid., pp. 7, 25–6, 455.

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18 MECW 28, p. 109.
20 ibid., pp. 65, 72.
22 MECW 28, pp. 73, 77.
23 ibid., pp. 73, 76–8.
24 ibid., pp. 78–80, 82.
29 ibid., pp. 10, 179–181.
30 ibid., pp. 158, 179–80, 386.
31 ibid., pp. 51–64, 72, 181–2.
32 Capital III, Ch. 21.
34 MECW 28, pp. 51ff., 61.
35 MECW 40, p. 249. MECW 28, p. 89.
36 Hegel, Hegel’s Logic, trans. William Wallace, Oxford, Clarendon Press/OUP, 1975, (hereafter HL), pp. 166–74. MECW 28, pp. 38, 84–5, 88–9, 101, 130. PP, pp. 98–9, 101. Uchida, amongst others, thinks that Marx considers ‘exchange-value’ a subject like consciousness: ‘Marx critically suggests that Hegel’s Logic, in which an ideal subject or “idea” appears to posit itself and all other objects, is similar to political economy, in which value and capital do likewise’ (Hiroshi Uchida, Marx’s ‘GRUNDRISS’ and Hegel’s ‘LOGIC’, London, Routledge, 1988, p. 138). The opposing interpretation is represented by Iring Fetscher, who writes that ‘it is at best misleading to assert that Marx’s category of “capital” plays the same role in his thought as does the category of “spirit” in Hegel’s thought and system’, since Hegel’s spirit ‘actually produces history’, while ‘capital is only the seemingly real subject of the capitalist mode of production’, a ““pseudo-subject” while ‘the real subject of production’ will be a ‘free association of producers’ that Marx envisages will succeed capitalism (‘Hegel and Marx’, in Tom Bottomore (ed.), A Dictionary of Marxist Thought, Cambridge (Mass.), Harvard University Press, 1983, pp. 199–201, esp. p. 200).
38 MECW 28, pp. 79–80, 84–8, 93, 172.
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41 MECW28, pp. 170, 180–1, 186, 205.
42 MECW28, pp. 135, 158, 179–80, 194, 199, 201–2, 204–5.
44 ibid., pp. 74, 123–7, 129, 133, 148, 153.
45 ibid., pp. 73–5, 140–41.
46 ibid., pp. 76–7, 81, 104–5, 138.
48 MECW 28, pp. 77, 84, 93–4, 97–100, 131–2, 153–5, 158.
49 ibid., pp. 90, 95, 99, 149.
50 ibid., pp. 257–8, 381ff., 439.
52 MECW 28, pp. 102–3, 110, 159. PP, p./77.
57 Capital I, p. 221.
59 Capital I, p. 200n.

5 A CONTRIBUTION TO THE CRITIQUE OF POLITICAL ECONOMY

1 Marx-Engels, 31 May 1858; Marx-Weydemeyer, 1 February 1859; Marx-Lassalle, 12 November 1858; Marx-Engels, 29 November 1858 in Marx and Engels, Collected Works, Volume 40, Letters: January 1856–December 1859, London, Lawrence and Wishart, 1983, (hereafter, following the initial instance, all the volumes in this collection are referred to as MECW), pp. 318, 354–5, 358, 376.
3 Marx—Engels, 13–15 January 1859; Marx—Lassalle, 6 November 1859; Marx— Weydemeyer, 1 February 1858; Marx—Lassalle, 12 November 1858, ibid., pp. 354, 368, 377, 518.

5 Marx-Lassalle, 12 November 1858; Marx-Engels, 22 July 1859; Marx-Weydemeyer, 1 February 1858; Marx-Engels, 7 November 1859; ibid., pp. 354, 473, 377, 635n, 523.


11 ibid., p. 34.

12 ibid., pp. 34–5, 60, 62.


15 CCPE, pp. 52, 54–6, 58, 61–2.

16 ibid., pp. 170–79.

17 ibid., p. 186.


19 CCPE, pp. 67, 71.


23 CCPE, pp. 27, 29–32.

24 ibid., p. 32.


26 ibid., pp. 174, 181.

27 ibid., pp. 36, 88.

28 ibid., p. 30.

29 ibid., p. 44.


31 ibid., pp. 38–47, 49, 64.

33 CCPE, p. 98.


35 CCPE, pp. 94, 102.

36 ibid., p. 186.


39 *CCPE*, pp. 64–7, 75–6.


41 *CCPE*, pp. 71–5, 83.

42 ibid., pp. 69–70, 73–4.


45 *CCPE*, pp. 84–5.

46 ibid., pp. 85, 89–90.

47 ibid., pp. 68, 89, 96, 98.


51 ibid., pp. 89, 112–14.

52 ibid., pp. 114, 121.

53 ibid., pp. 120–22.


55 ibid., pp. 116, 122.


58 ibid., pp. 116–18n.


60 *CCPE*, pp. 124–5.


64 *Urtext*, p. 437.


67 *CCPE*, pp. 141, 149.

68 ibid., pp. 141, 143n, 146.

69 ibid., p. 141.


71 *CCPE*, p. 140.

72 ibid., p. 147.

73 *CCPE*, p. 148 and *Urtext*, p. 434.

74 *CCPE*, pp. 149–52. *Urtext*, pp. 437, 441. Marx maintains that, along with other commodities, gold and silver exchange in proportion to the labour-time necessary for their production. His assertion that this value is ‘quite independent of the degree to which gold and silver is absorbed by the various national spheres of circulation’ (*CCPE*, p. 152) seems contrary to the conclusion in a footnote later that a ‘price’ rise in silver in the 1850s was due ‘solely’ to Asian demand for it (ibid., p. 157n).


76 *CCPE*, pp. 49, 155.


80 ibid., pp. 472–3.

81 ibid., pp. 451, 467–8, 474.


84 *Urtext*, pp. 478–507.

85 ibid., pp. 482, 484–6, 498, 505.

86 ibid., pp. 479, 488, 490–1, 499, 503, 505.


88 ibid., pp. 478ff.

89 ibid., pp. 478, 482, 498, 500, 502.


91 Marx signed off, and then added a further note of hope: ‘If the thing proves a success in Berlin, it might be possible to strike a bargain with a London publisher in respect of an English translation, and there’s no comparison between what one is paid over here and in Berlin…’ (Marx-Engels, 21 January 1859; *MECW* 40, p. 369).
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6 MONEY AND THE ADVANCE OF CAPITAL


2 Marx and Engels, *Collected Works, Volume 43, Letters: April 1868–July 1870*, London, Lawrence and Wishart, 1988, (hereafter, following the initial instance, all the volumes in this collection are referred to as *MECW* followed by the volume number) pp. 68, 128, 133.


8 *Capital I*, pp. 199, 227.

9 *Capital II*, pp. 119, 132.


21  Capital II, p. 298.
28  Capital II, pp. 388–90.
30  Capital II, pp. 400–401, 404ff., 418, 549ff, 573, 566.
32  Capital II, pp. 400, 403–4, 554.
34 Capital II, p. 598. Gold is not sold to the minter according to Deleplace; the minter makes an amount of gold stipulated by the state into a unit of account money; Ghislain Deleplace, ‘Sur Quelques Difficultés de la Théorie de la Monnaie-Marchandise chez Ricardo et Marx’, Economie Appliquée, vol. XXXVIII, no. 1, 1985, pp. 111–31, esp. p. 128. Alain Lipietz points out that in practice the state (along with bankers), not gold producers, has supplied ‘money’ (The Enchanted World: Inflation, Credit and the World Crisis, London, Verso, 1983, p. 78); it is the state that excludes gold from the world of commodities and makes it a monopoly (Lipietz, ‘Credit Money; a Condition Permitting Inflationary Crisis’, Review of Radical Political Economics, vol. 14, no. 2, 1982, p. 56).


36 Capital II, pp. 211–14, 400–418, 553, 549.


42 Capital II, p. 576. MECW 33, pp. 14, 44.


45 Capital III, p. 603.


47 Capital II, Ch. 20, esp. section 5, pp. 487–97.


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54 TSV III, pp. 291–6.


60 Capital III, Ch. 21, Chs. 30–32 headed ‘Money Capital and Real Capital: I–III’, p. 489.

61 ibid., pp. 525, 610–11, 614.


73 Capital III, pp. 594, 596, 609, 675, 707.


Capital I, p. 236.


7 THE MONEY COMMODITY


8 *TSV II*, pp. 165–6, 403.


18 *Capital I*, pp. 126, 131–7.
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26  *Capital I*, p. 163.

27  ibid., pp. 181, 184–6, 188.


36  *Value*, p. 20.  *Capital I*, pp. 144, 205.


40  Note that only the similarities with Hegel are emphasised in Table 7. 1 and that I have capitalised the quotation.  Hegel, *The Science of Logic*, pp. 330–1.  *Capital I*, pp. 139–57.  *Value*, pp. 23, 27.

8 CONCLUSION

5 ibid., pp. 58, 65, 67, 102, 382–3.


41 Antonio Negri, Marx Beyond Marx; Lessons on the Grundrisse, South Hadley (Mass.), Bergin

42 Harry Cleaver, Reading Capital Politically, Brighton (Sussex), The Harvester Press, 1979, pp. 119, 139, 149, 163–4, 168.


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The most generally used concepts and terms—money, money commodity, capital, gold, silver, value, capitalism, exchange, circulation, production, labour—usually do not appear, except in a specific way, for instance, as primary definitions. Neither do cursorily mentioned concepts and terms, like Hilferding’s ‘absolute rent’, usually appear. Where associated terms appear side by side there is no see also entry to them.

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